

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

Colin Campbell  
Junzhao Jonathon Ma *Editors*

# Looking Forward, Looking Back: Drawing on the Past to Shape the Future of Marketing

Proceedings of the 2013 World Marketing Congress



 Springer

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

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Colin Campbell • Junzhao Jonathon Ma *Editors*

# Looking Forward, Looking Back: Drawing on the Past to Shape the Future of Marketing

Proceedings of the 2013 World Marketing Congress



**Melbourne, Australia**

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*Editors*

Colin Campbell  
Kent State University  
Kent, OH, USA

Junzhao Jonathon Ma  
Monash University  
Melbourne, Victoria, Australia

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### Session Program

Tuesday, July 16

#### DAILY HIGHLIGHTS

Tuesday, July 16, 2013

Third Biennial AMS International Doctoral Consortium  
8:00-5:00 Monash University Law Offices

Second Biennial Sheth Emerging Scholars Faculty Consortium  
8:00-5:00 Monash University Law Offices

Registration  
Langham Hotel Ballroom, 1:00-5:00 p.m.

Reception  
6:00-7:00 p.m.

DAILY HIGHLIGHTS  
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Wednesday, July 17

Wednesday, 8:30 – 10:00 a.m.

**Session 1.1. B2B Transactions, Price and Governance**

Room: Flinders

Session Chair: Poh-Lin Yeoh, Bentley University

***What do Buyers Want from their Relationships with Optical Buying Groups? The Role of Embeddedness, Switching Costs and Commitment***

Poh-Lin Yeoh, Bentley University

***Formal Contract in Marketing Channel and Firms Transactional Performance in China. Does Renqing Matter?***

Chuang Zhang, Dongbei University of Finance and Economics

Zhenyao Cai, Hong Kong Baptist University

Ji Li, Hong Kong Baptist University

***The Reinforcing Role of Alternative Governance Strategies in Managing ICT Firms' Partner Networks***

Chris Storey, City University - London

# WHAT DO BUYERS WANT FROM THEIR RELATIONSHIPS WITH OPTICAL BUYING GROUPS? THE ROLE OF EMBEDDEDNESS, SWITCHING COSTS, AND COMMITMENT

Poh-Lin Yeoh, Bentley University, Waltham MA, USA

## INTRODUCTION

Independent optical shops (or independents) are increasingly being squeezed out by competition from first, warehouse clubs and superstores such as Walmart and Costco which have the means to penetrate the low and middle markets at a national level and second, from direct marketers such as 1-800-Contacts entering the industry with low online pricing. The increasing commodization and price competition in certain segments of the optical market (e.g., contact lens) has made it even more difficult for independents to co-exist with these competitors. Compounded by their inability to offer lower prices comparable to the larger chains as well as the lack of individual negotiating power with manufacturers, many small independents have turned to buying groups (sometimes called cooperatives or purchasing alliances) to help drastically reduce product acquisition costs and to stay competitive as independent entities.

Buying groups attempt to put their members on a level playing field with their larger competitors by allowing members to join together to leverage their purchasing strength to purchase goods and services at lower prices, which in turn enables them to lower costs and become more competitive in the provision of their own services. However, given the size differences between small independents vis-à-vis buying groups, the problem of size asymmetry can create a dependence relationship from the perspective of the independent. In such a commodity-driven sector such as the optical market, economic rational suggests that independents may not want to lock themselves in a relationship with buying groups if other potential exchange possibilities exist and/or the ease exists for replacing an exchange partner.

A key question that this study attempts to explore is: In buyer-seller relationships where economic motivations dominate such as those in the optical industry, how does transactional (i.e., economic) and relational embeddedness impact the degree of buyer commitment to the seller when there are high switching costs involved? Studies suggest that when a customer's switching costs are already high, making more relationship-specific investments would raise dependence on the particular supplier (e.g., Jones, Mothersbaugh and Beatty 2002; Gounaris, 2005). If buyers value independence, high switching costs will reduce their willingness to intensify the relationship. On the other hand, high switching costs decrease their ease of doing business with another supplier so in order to efficiently use resources they would rather intensify the current relationship than try to find alternative partners. Given there exists arguments for both positive and negative influences of buyer switching costs on relationship enhancement, this study attempts to shed light and offer clarification on this ambidextrous finding.

Despite the significant research on buyer-supplier relationships among large firms (e.g., Jap 1999), limited research has been directed at small-sized businesses. The lack of financial resources among small businesses suggests that they are less able to develop long-term relationships through idiosyncratic investments. However, this study argues that since small-sized businesses possess low degree of purchasing power, they are all the more inclined to want to commit to long-term relationships with their suppliers. Therefore, this research aims to understand, from a buyer's point of view whether small independents want to maintain relationships with buying groups because they want to (i.e., with respect to repurchase intentions) or whether they maintain the relationship because they have to (i.e., with respect to relational tolerance). Finally, focusing on three types of customers' commitment; desire-based (*affective*), cost-based (*calculative*), and obligation-based (*normative*), we argue that understanding this multi-dimensional model of buyer commitment has managerial implications for buying groups in the way they develop tactics in respond to differences in customers' commitment levels and, thus, further long-term relationships with their customers. Furthermore, understanding the three commitment types in the context of switching costs will also shed further light on their impact on repurchase intentions and relational tolerance. Drawing from the theoretical and empirical works on organizational behavior (e.g., Allen and Meyer, 1990), a three-dimensional commitment model is proposed which includes *affective commitment*, *calculative*, and *normative commitment*, as depicted in [Figure 1](#).

## METHODOLOGY

To identify and clarify the types of investments and other salient relationship concepts in the B-t-B relationships between independents and their buying groups, we initially conducted a series of 10 in-depth field interviews with selected businesses. In selecting the interviewees, theoretical replication logic was applied (Yin, 1989). This led to two buying groups and eight independent opticals (which varied in ages between 10-20 years in business) initially being contacted by telephone. The

inclusion of supplier and buyer representatives was used to provide a picture of the relationship dyad between buying groups and independent opticals. On the basis of these interviews and an extensive review of research on the buyer–seller relationships literature, we developed a preliminary version of the questionnaire. Subsequently, the questionnaires were sent to two former independents that collaborated in this research and three new independents who did not participate in the earlier interviews. On the basis of their feedback, we revised a small number of questionnaire items to enhance the clarity.

### SAMPLING FRAME

In collaboration with two organizations, the Opticians Association of Massachusetts and Massachusetts Society of Optometrists, a mailing list of 1,550 companies provided the initial sampling frame for the study. To ensure a representative sample, the following criteria were used in the selection process. First, the company is independently owned and managed. Second, the company meets the definition of a small business which is defined as having fewer than 500 employees and annual sales less than \$200 million. These 2 criteria including firms that had gone out of business reduced the size of the sample to 820 firms.

Given that the level of analysis of this study is a specific supplier-customer relationship, each company was contacted and qualified to ensure that they have been in a continuous relationship with a buying group for at least 5 years. Following qualification, the sample size was reduced further to 578. The company was asked to name the individual at the firm who was “most involved with the on-going relationship with the buying group, from the standpoint of establishing initiatives and programs.” This individual was then contacted to participate in the study. In the event if the independent has current relationships with several buying groups, the key respondent was instructed to respond to the survey based on the buying group with which the company has had the longest relationship. To obtain sufficient variance for effective analysis, we randomly asked one half of the respondents to select a well-functioning relationship as the questionnaire subject and the other half a rather problematic one (for a similar procedure see Tellefsen and Thomas, 2005). Out of the 578 survey packages which were mailed out, 350 usable questionnaires were returned, for a response rate of 60.1 percent. Of the firms included in the analysis, annual sales ranged from \$800,000 to \$2 million, with a majority of the firms (about 65%) falling in between the range of \$800-\$1 million. About 83 percent have less than 50 employees.

### ANALYSIS

To test the hypotheses, the base model in [Figure 1](#) was analyzed using structural equation modeling with the maximum likelihood estimation method. To test the mediating role of switching costs, we followed Baron and Kenny’s (1986) procedures and estimated two models: Model 1 without switching costs and Model 2 with switching costs as the intermediate variable (i.e., the model in [Figure 1](#)). In addition, we included the two control variables in the models and linked them directly to commitment and relational outcomes. The two control variables were firm size and the number of years the independent optical firm personally has dealt with the particular buying group. Both models fit the data adequately.

### FINDINGS

H <sub>1</sub>	Relational embeddedness is expected to have a negative impact on calculative commitment	Supported
H <sub>2</sub>	Relational embeddedness is expected to have a positive impact on affective commitment	Supported
H <sub>3</sub>	Transactional embeddedness is expected to have a positive impact on calculative commitment	Supported
H <sub>4</sub>	Transactional embeddedness is expected to have a positive impact on affective commitment	Supported
H <sub>5</sub>	Relational embeddedness is expected to have a positive and stronger impact on normative commitment than transactional embeddedness	Rejected
H <sub>6</sub>	Switching costs mediate the relationships between transactional embeddedness and commitment	Partial Support
H <sub>7</sub>	Switching costs mediate the relationships between relational embeddedness and commitment	Partial Support
H <sub>8</sub>	Affective commitment is positively related to repurchase intentions	Supported
H <sub>9</sub>	Normative commitment is positively related to repurchase intentions	Rejected



H <sub>10</sub>	Calculative commitment is negatively related to repurchase intentions	Supported
H <sub>11</sub>	Normative commitment is positively related to relational tolerance	Supported
H <sub>12</sub>	Calculative commitment is positively related to relational tolerance	Supported
H <sub>13</sub>	Compared to normative commitment, affective commitment is expected to have a stronger impact on relational tolerance	Supported

## DISCUSSION

From the perspective of independent opticals, investments made by the buying groups in both relational-specific terms promote higher levels of affective commitment and reduces calculative commitment. Transactional embeddedness enhances both calculative and affective commitment. Sharma, Young and Wilkinson (2006) differentiated between positive and negative calculative commitment. In this case, the positive relationship between transactional embeddedness and calculative commitment suggests that economic investments made by buying groups are highly important for maintaining customer relationships as it implies the viability and competitiveness of the value proposition. At the same time, the positive relationship between transactional embeddedness and affective commitment highlights the complementary nature of social exchange theory and transaction- cost economics in that for some independents, what began as an arm's-length exchange might gradually evolve into a stronger affective bond toward their buying groups. The positive relationship between transactional embeddedness and normative commitment further suggests that independents may be normatively inclined to continue their relationship with their buying groups based on their expectation of increased benefits and reduced costs or on the basis of the degree of perceived costs associated with leaving (Sharma et al., 2006).

Overall, the results of the structural model indicated that affective commitment had the strongest and most favorable positive impact on relational outcomes. This finding is in line with studies in relationship marketing (e.g., Jones et al. 2007). The negative findings between calculative commitment and repurchase intentions and relational tolerance are also consistent with the steam of literature (e.g. Fullerton 2003; Jones et al. 2007). While independents which are normatively committed toward their buying groups tend to exhibit relational tolerance, unexpectedly, normative commitment had a negative impact on repurchase intention. Two possible explanations may account for this negative result. First, norms evolve over time as a function of previous transacting experiences of exchange partners (e.g., Gulati and Nickerson, 2008). Therefore, when an independent's commitment is based on a moral obligation to stay in the relationship, their sense of moral obligation may depend on their level of satisfaction with their current relationship with the buying group. The second explanation may be due to the interaction between normative commitment and firm size. Exploring the interaction effects with repurchase intentions revealed a marginal significant effect, ( $\beta = -.09, p < .10$ ), suggesting that larger independents are less normatively inclined to repurchase

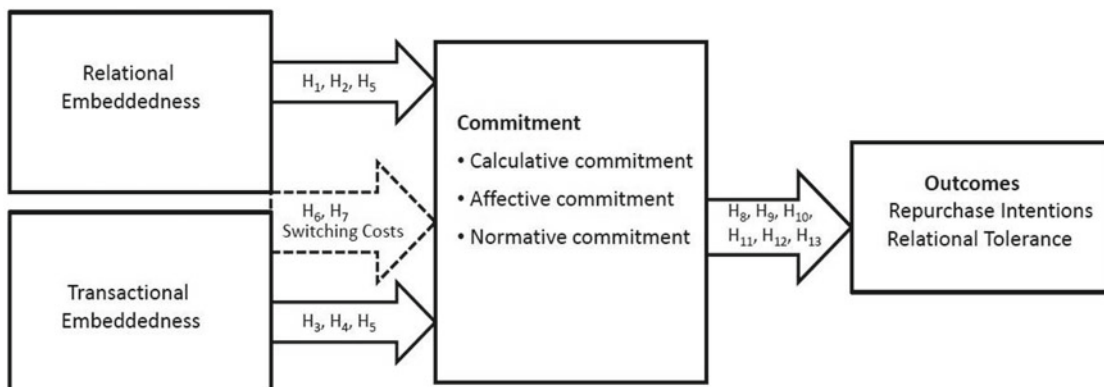
High relationship value provides one explanation for buyers' relational tolerance. In this case, independents in high-value relationships with their buying groups will tolerate temporary disadvantages and stay committed to the relationship. Buying groups also need to also address whether independents, despite their affective and normative commitment levels, are exhibiting repeat purchasing behaviors and relational tolerance due to inertia. Inertia has been described as the repeat purchase of the same brand passively and without much thought (White and Yanamandram, 2004). Studies suggest that when customers perceive that they must spend a greater amount of time and effort to search for and choose service providers with better service quality, customers with higher levels of inertia are more willing to maintain current transaction relationships, exhibiting relational tolerance, and, hence, manifesting the behavior lock-in effect.

Previous literature which examined the impact of switching costs on customer retention (e.g., Jones, et al., 2002) suggests that switching costs present barriers to exit by customers and contribute to decision of customers to keep their existing transaction relationships even in the face of dissatisfaction. Focusing on switching costs in terms of procedural and sunk costs, this study explored the mediating role of this variable on commitment. We find that it acts as a full mediator between relational embeddedness and affective commitment as well as between transactional embeddedness and calculative commitment. Furthermore, it acts as a partial mediator between relational embeddedness and normative commitment. Overall, these results suggest that even in the context of high switching costs, small-sized independents may remain committed to their buying groups to economize on switching costs. In other words, the relation-specific and transaction-specific investments may have "buffering" effects on the interorganizational relationships between independents and buying groups.

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Figure 1. Conceptual Model



# FORMAL CONTRACT IN MARKETING CHANNEL AND FIRMS' TRANSACTIONAL PERFORMANCE IN CHINA: DOES *RENQING* MATTER?

Chuang Zhang, Dongbei University of Finance and Economics, China

Zhenyao Cai, Hong Kong Baptist University, China

Ji Li, Hong Kong Baptist University, China

## ABSTRACT

Based on the resourced-based view of the firm, we argue that a cultural specific factor, i.e., *Renqing*, can be an important resource for conducting business-to-business (B-to-B) marketing in China, and this resource should moderate the effect of formal contracts in marketing. Collecting data from 272 firms in China, we obtain evidence showing that both formal contracts and *Renqing* can have a positive effect on the success of B-to-B marketing. Moreover, *Renqing* moderates the relationship between formal contracts and transaction efficiency. Testing how the effect of *Renqing* may interact with the effect of formal contracts and may improve B-to-B marketing in an emerging economy such as China, our current study suggests a new direction for studying B-to-B marketing and transaction efficiency. By showing the interactive effects between local cultural factors and formal contracts in international B-to-B marketing, the findings from this study should also be useful for practitioners in international marketing.

# **THE REINFORCING ROLE OF ALTERNATIVE GOVERNANCE STRATEGIES IN MANAGING ICT FIRMS' PARTNER NETWORKS**

Chris Storey, Cass Business School, City University London, United Kingdom.

## **ABSTRACT**

The effective management of indirect sales channels have significant profit implications for many companies. This is true, even more so, in the information and communication technology (ICT) sector, where a significant portion of the sales for the seller go through the business partner, the reseller. An effective partner management strategy has been widely acknowledged as essential part of companies' operating strategies in high technology markets (De Ruyter, Moorman & Lemmink, 2001). Governance refers to the regulation of a system. Partnership governance is defined as the mechanisms suppliers have in place to encourage and control the behavior and ultimately performance of its partners. Choosing effective governance mechanisms are essential for successful partner-supplier relationships (Jap & Ganesan, 2000; Li et al., 2010). The aim of this research is to extend our understanding of governance theory and to understand the most effective mix of governance mechanisms for achieving partner performance.

Governance theory distinguishes between those mechanisms that are more monitoring or control based and also those that are based on influence aimed at positive reinforcement (Gilliland et al 2010; Li et al., 2010). Formal governance mechanisms are rooted in agency theory where actors need to be formally controlled through monitoring of performance and setting of clear goals (Eisenhardt, 1989). In this research we identify certification as the formal control mechanism of ICT partners. We define certification as supplier's requirements on partner organizations for attaining proficiency and competency in the supplier's line of products or services via a standardized formalized process.

Recently research has stressed the importance of informal governance mechanisms that help parties expand the level of value created by the exchange (Burket et al., 2012). ). These indirect controls aim at achieving behavioral change by altering the partner's perceptions (Zablah, Johnston & Bellenger, 2005). Relationship bonds, the close interpersonal relationship between a partner and its the supplier, will influence the behaviour of the partner and the supplier.

We propose a 3rd type of governance mechanism that expands the notion of social ties guiding a relationship to the network of partners that the firm manages. By creating a partner community the supplier can build up a shared understanding between partners. This shared understanding will influence the behaviour of individual partners.

The three governance mechanisms, as means of regulating or influencing behaviour to achieve desired goals, will have direct influences on relationship performance. However the notion of adaptive governance suggests that the effectiveness of a governance mechanism is contingent not only on the activity being governed but also on the desired outcomes of the activity (Gilliland, 2003). Therefore the influence of the governance mechanisms will not be equal across the performance dimensions. Building on contingency theory the "fit" between different governance mechanism will have an additional impact on relationship performance (Venkatraman 1989; Lee et al. 2011). Three key dimensions of relationship performance are considered: harmony, commitment and economic satisfaction.

A conceptual model is built which is tested by a key informant survey. was used to test the model. Data was collected from 151 partners from leading ICT suppliers in the United Kingdom and Ireland.

Direct links were found between partner relationship bonds, partner community and harmony and economic satisfaction. However these two governance mechanism did not have a direct link to relationship commitment. Social influence governance mechanisms do not increase commitment directly. Rather they increase commitment by developing the relationship. Rather commitment is increased by certification which helps lock a partner to its supplier. Surprisingly certification did not increase economic satisfaction. For economic satisfaction relationship bounds had a positive interaction with partner community but a negative one with certification showing the importance of having the correct mix of governance mechanisms.

References available upon request.

**Session 1.2. Consumer Behavior General**

Room: Yarra #1

Session Chair: Antonis C. Simintiras, Swansea University

***The Effect of (In) congruence between General Self-Confidence and Specific Confidence on Intentions to Complain***

Emrah Oney, Swansea University

Antonis C. Simintiras, Swansea University

Anita Lifan Zhao, Swansea University

***It's the Thoughts that Count: Substitution for Goal Striving Actions***

Leona Tam, University of Wollongong

Jelena Spanjol, University of Illinois at Chicago

Jose Antonio Rosa, University of Wyoming

***The Effect of Mortality Salience on Hedonic Consumption and Utilitarian Consumption***

I-Ling Ling, National Chiayi University

Chih-Hui Shieh, National Taichung University of Science and Technology

# **THE EFFECT OF (IN) CONGRUENCE BETWEEN GENERAL SELF-CONFIDENCE AND SPECIFIC-CONFIDENCE ON INTENTIONS TO COMPLAIN**

Emrah Oney, Swansea University Business School, Swansea University, U.K.  
Antonis C Simintiras, Swansea University Business School, Swansea University, U.K.  
Anita Lifan Zhao, Swansea University Business School, Swansea University, U.K.

## **INTRODUCTION**

Complaint behavior is triggered by a customer's level of dissatisfaction with a product, service and/or consumption episode and leads to a range of behavioral and non-behavioral responses involving the communication of negative perceptions (Day, 1984; Singh and Howell, 1985; Rogers and Williams, 1990; Volkov, et al., 2002). Over the years, extensive research has been conducted and several individual, product and situation-specific factors have been examined as determinants of complaint behavior and type of consumers' responses. The type of consumer response is of utmost importance to companies as responses other than voice (i.e., complaining to the company) could be more damaging to a brand and a firm's reputation. Given that voice response is the preferred response style (e.g. see Singh, 1990), this study examines the nature and role of consumers' general and specific confidence and assesses their impact on voice response. The rationale is that "at the heart of market exchanges lies a question of confidence" (Martinez and Santiso, 2003, p. 363) and consumer confidence is likely to hold explanatory power to both complaining behavior and choice of response style.

Self-confidence has been recognized as a factor influencing complaining behavior though, comparatively, it has attracted less attention than other determinants. Moreover, consumer confidence has not been adequately examined in its general and specific domains. Lampert and Rosenberg (1975) defined specific self-confidence (SSC) as a person's self-stated degree of confidence in judging a specific context at a given point of time, whereas general self-confidence (GSC) is defined as a personality trait that exists independently of any specific context. However, neither the impact of both types of confidence on consumers' likelihood to engage in complaining behavior with a voice response nor the impact of congruence or incongruence of both types of self-confidence has been examined in the literature. Consequently, the purpose of this study is to examine whether: (i) compared to GSC, SSC has a stronger positive impact on intentions to complain (IC); (ii) congruence between GSC and SSC (when both are high or low) will result in high or low levels on intentions to complain respectively and (iii) incongruence between GSC and SSC (when one is high and the other is low) will result in higher levels of IC when SSC is higher rather than the opposite.

By examining the impact of GSC and SSC and the (in)congruent relationship between the two on consumers' intentions to take part in voice complaining behavior, this study aims to emphasize companies' need to engage in building customer confidence in complaining as a justifiable objective as is that of keeping customers satisfied at all times.

## **METHODOLOGY**

To measure GSC, SSC and IC, this study employed three scenarios with different past success rates in complaining. The purpose of the three manipulated scenarios was to examine respondents' SSC and IC at present but when past success rate in complaining in similar situations was different. The scenarios offered the following history of success with complaining in similar situations: (i) completely unsuccessful (i.e., 0% past success rate), (ii) moderately successful (i.e., 50% past success rate) and (iii) always successful (i.e., 100% past success rate).

A convenience sample (mall intercept) was used. In total, 965 subjects were approached and 270 agreed to participate; a response rate of approximately 28%. The sample comprised 146 males (54.1%), and 124 females (45.9%) with a mean age of 41.

GSC was measured with five items borrowed from Meuter's (2003) scale on general self-confidence. SSC was measured with six items (two items borrowed from Bell, 1967 and the other four items were developed for the purpose of this study). Exploratory factor analysis was conducted to assess the dimensionality of GSC and SSC. Two factors were extracted and the results of their reliability analysis were satisfactory for further analysis (Field, 2000). Next, a series of polynomial regression with response surface analyses were conducted to examine the hypothesized relationships for each scenario. Prior to conducting the polynomial regression analyses, an inspection of how many participants had different scores between the two predictors (GSC and SSC) was performed to establish the base rate of discrepancies in the sample. The findings showed that the majority of respondents in each scenario had values on GSC and SSC that differed from each other; hence the data was appropriate for an investigation of how the discrepancies between these sources of self-confidence relate to IC.

## RESULTS AND DISCUSSION

The findings of the polynomial regression analyses for all scenarios indicated that there was a linear (additive) relationship along the line of perfect agreement as it relates to IC. In other words, when GSC and SSC were in agreement i.e. congruence, IC increased as GSC and SSC increased. This result showed that both GSC and SSC had a positive impact on IC. The findings also revealed that IC was higher when the discrepancy was such that SSC was higher than GSC. This means that the effect of SSC on IC was stronger compared to GSC; thus, it is logical to assume that IC is mostly driven by SSC in complaining behavior to the company rather than GSC.

The findings offer important theoretical and managerial implications. From a theoretical standpoint, this study has brought to the fore the importance of distinguishing GSC and SSC. Future research should focus on further clarifying the domain specificity of each construct and assess their impact on other contexts. From a managerial perspective and insofar as complaining to a company is mostly determined by SSC, companies should seek to incorporate initiatives for building their customers' SSC in complaining. SSC reflects a positive state and any opportunity of enhancing it, when a situation calls upon it, might be an attractive option for dissatisfied consumers. Framing and communicating customers' voice response as a 'mutually beneficial' encounter both customers and the company can enter into an open and truthful discussion and set of actions that leads to a win-win outcome for both parties. For example, to further increase customers' SSC in complaining, companies should provide clear guidelines about the complaining process. Moreover, transparency of the complaint outcome(s) is also critical and ought to be clearly shown to consumers engaging in voice complaining behavior.

This study is not without limitations. The use of a convenience sample precludes the generalization of the findings. Second, the employed SSC have been an amalgam of items from an established scale and items developed for the purpose of this study. Although all items have face validity and tested for reliability, the psychometric properties have not been rigorously established. Third, the IC was measured with one item only and single item scales are not without limitations.

References Available Upon Request

## **IT'S THE THOUGHTS THAT COUNT: SUBSTITUTION FOR GOAL STRIVING ACTIONS**

Jelena Spanjol, University of Illinois at Chicago  
Leona Tam, University of Wollongong

Planning is widely regarded as a critical tool for helping consumers successfully achieve their personal finance goals. Although planning has been identified as an effective self-regulatory tool, our research demonstrates that planning is not universally beneficial. Across two studies, our results demonstrate that planning delays initiation of goal pursuit behaviors for prevention-focused consumers who have adopted avoidance goals, since they perceive the act of planning to represent legitimate goal progress. In other words, making plans regarding when, where, and how to achieve a personal finance goal under prevention fit leads consumers to perceive themselves as having started to make progress towards their goal, although they only expended cognitive goal-directed effort. In turn, this perception leads to a delay in behaviors aimed at debt reduction. This finding carries important implications for marketing practice and theory.

Reference available upon request



# THE EFFECT OF MORTALITY SALIENCE ON HEDONIC CONSUMPTION AND UTILITARIAN CONSUMPTION

I-Ling Ling, National Chiayi University, Taiwan

Chih-Hui Shieh, National Taichung University of Science and Technology, Taiwan

## INTRODUCTION

Based on the proximal defense notion of Terror Management Theory (TMT; Greenberg et al. 1986), the present study investigates the impact of mortality salience on hedonic and utilitarian consumption compared to no mortality threat. Terror management theory provides a theoretical explanation for behavior that is induced by death-related thoughts. This theory is based on the notion that human beings are aware, unconsciously, of the inevitable end that lies ahead. This awareness of one's transient life combined with the human *will to survive* leads to an insolvable conflict often referred to as terror (Solomon et al. 1991).

According to TMT, people manage this experienced terror by gaining high levels of self-esteem that can serve as a buffer against death-related concerns. Mortality increases materialism as a way to enhance self-esteem and affects consumer decisions that support one's cultural worldview (Arndt et al. 2004). After the earthquake and tsunami killed up to 20,000 people and destroyed hundreds of miles of coastline in northeast Japan in March 12, 2011, businesses from watch shops to hostess bars to real estate developers reported sales up 200% over the previous year (Mahr 2012). The objective of this research is to investigate the effect of heightened death awareness on consumers' instant consumption and whether this effect is moderated by gender. The authors manipulated mortality salience, measured affect proximally (immediately after the mortality salience induction) and measured instant consumption.

## THEORETICAL BACKGROUND

### Terror Management Theory

Terror Management Theory (TMT) was proposed in 1986 by social psychologists Jeff Greenberg, Tom Pyszczynski, and Sheldon Solomon. This theory was built on Becker (1973) that concerns about mortality play a pervasive role in human affairs and suggests that people construct cultural worldviews in order to manage the terror engendered by the human awareness of death.

TMT provides a theoretical explanation for behavior that is induced by death-related thoughts (Greenberg et al. 1986). The fear of death is so fundamental to human beings that it pervades all aspects of life. People tend to cope with the aversive thought of their own death in various ways (see Pyszczynski et al. 2004 for a review). TMT research was initially inspired by two basic hypotheses. It posits that cultural worldviews and self-esteem function to buffer humans from mortality-related anxiety (Pyszczynski et al. 2004). First, TMT argues that people cling to their cultural worldviews and seek to live up to their culturally derived standard of value (Solomon et al. 2004). Second, in support of the hypothesis self-esteem serves as an anxiety-buffering function (Greenberg et al. 1992).

The mortality salience (MS) hypothesis has led to hundreds of experiments to date examining whether priming people with their own mortality increases adherence to their cultural worldviews and/or self-esteem. TMT research supports this assumption: Mortality salience strengthens expressions of societal cultural identification (Arndt et al. 2002; Castano 2004; Castano et al. 2002). According to Arndt et al. (2004) consumerism and materialism are important values intrinsic to the contemporary western worldview. Hence, defending and protecting one's cultural norms on the one hand, and self-esteem striving by following the value norms of the society on the other seem to be suitable strategies for coping with unconscious death-related thoughts.

### Mortality Salience and Consumption

As mentioned before, TMT states that people derive self-esteem from living up to culturally prescribed values and norms

because meeting these norms allows people to feel valued in a society that sets these norms. Responses to mortality salience and existential threat also play a key role in consumer behavior. For example, when mortality salience was significant, people who valued their body or their virtue as a source of self-esteem chose a less indulgent food (e.g., fruit salad) and increased donations and other charitable behavior compared to when mortality was not salient (Ferraro et al. 2005). In contrast, people with low self-esteem increased the quantity of food they ate in response to mortality salience, but those with high self-esteem were little affected (Mandel and Smeesters 2008). Mortality salience has also been shown to increase the desire to acquire wealth and possessions (Kasser and Sheldon 2000), purchase luxury items (Mandel and Heine 1999; Fransen et al. 2011), and form strong brand connections (Rindfleisch et al. 2009) as a means of bolstering self-esteem. In addition, death-related media contexts led consumers to become more patriotic, focus on the brands' country of origin, increase their preference for domestic brands, and decrease their preference for foreign brands to defend their cultural worldviews (Liu and Smeesters 2010).

Arndt et al. (2004) indicate that TMT is a way to understand how the human awareness of death affects materialism, conspicuous consumption, and consumer decisions. People can also experience an extra self-esteem boost when they act in accordance with cultural norms while others observe their behavior. More specifically, the present studies hypothesized and found that the presence of others (i.e., social presence) moderates mortality salience effects on consumption-related behavior. Fransen et al. (2011) demonstrated that consumers, under conditions of mortality salience, express more favorable attitudes towards a luxury brand (valued in Western cultures) when they know that others can observe their behavior. They then extended these results to non-luxury brands. Under conditions of mortality salience, consumers express less favorable evaluations of non-luxury goods (non-valued brands) when they are aware of the presence of others. These results imply that consumers derive self-esteem indirectly from the knowledge that others observe their appropriate behavior rather than directly from following the cultural values or norms of one's society (Fransen et al. 2011).

A key implication of the above proposition is that mortality awareness has the potential to undercut psychological adjustment for those who are not protected from mortality concerns with high self-esteem. However, past literature has not examined the empirical links among death cognition, hedonic consumption and utilitarian consumption. Therefore, the current research addresses the following questions: Do people contemplate their consumption allocation between hedonic and utilitarian consumption under mortality threat? Does gender moderate the mortality salience effect on hedonic and utilitarian consumption?

## METHODOLOGY

### Participants

One hundred eight undergraduate students in a computer lab, with an average age of 20.61, and 54% female, were recruited in exchange for a free gift. The participants were randomly assigned to one of the experimental conditions in a 2(mortality salience vs. control)  $\times$  2(male vs. female)  $\times$  2(hedonic consumption vs. utilitarian consumption) design with the first two factors as between-subjects design and the last factor as a within-subjects factor.

### Procedure

Participants were randomly assigned to a mortality salience condition or control condition (Rosenblatt et al., 1989). Participants in the mortality salience condition were assigned to watch a 30-second earthquake film, while participants in the control condition watched a 30-second travel film. To examine mortality salience on mood, the authors had participants complete the 20-item Positive Affect Negative Affect Schedule (PANAS; Watson et al. 1988). The participants indicated the extent to which each of the items, 10 positive ( $\alpha = .71$ ) and 10 negative ( $\alpha = .90$ ) reflected how they felt right at that moment 1 (*not at all*) to 6 (*extremely*). The average scores of positive affect and negative affect were 3.64 (SD = .62) and 3.00 (SD = .88), respectively. Next, participants completed a personality scale task. This task served to remove death thoughts from focal attention, thus allowing for subsequent distal or symbolic defenses to emerge.

Mortality salience was induced by asking participants to respond to two open-ended statements regarding their own death: "Please briefly describe the emotions that the thought of your own death arouses in you," and "Jot down as specifically as you can, what you think will happen to you when you physically die and once you are physically dead." The control condition consisted of parallel questions regarding the experience of failing an important exam to ensure that the effect of mortality

salience is above and beyond the effect of a general self-threat. Participants were asked to allocate a total of NT\$1,000,000 in two kinds of instant consumption: hedonic consumption and utilitarian consumption.

## RESULTS AND DISCUSSION

The manipulation check of the degree of mortality salience showed a significant difference among conditions ( $M_{ms} = 5.18$ ,  $M_{control} = 2.45$ ;  $F(1,105) = 9.30$ ,  $p < .01$ ). The difference reflected that individuals in the mortality salience condition were perceived as having a higher awareness of death than in the control condition. The manipulation check was successful.

A 2(mortality salience vs. control condition)  $\times$  2(male vs. female)  $\times$  2(hedonic consumption vs. utilitarian consumption) ANOVA with repeated measures on the last factor was performed to test the hypotheses. The results demonstrated a significant main effect of consumption type ( $F(1, 104) = 5.63$ ,  $p < .05$ ) indicating that participants allocated more money on utilitarian consumption ( $M = 55.98$ ,  $SD = 24.26$ ) than on hedonic consumption ( $M = 44.02$ ,  $SD = 24.25$ ). However, the results yielded a slightly significant interaction effect between mortality salience and the consumption type ( $F(1,104) = 3.20$ ,  $p < .1$ ). Participants in the mortality salience condition allocated more money to their hedonic consumption ( $M = 48.27$ ,  $SD = 22.78$ ) than their utilitarian consumption ( $M = 51.73$ ,  $SD = 22.78$ ); however, participants in the control condition allocated more money to their utilitarian consumption ( $M = 61.10$ ) than their hedonic consumption ( $M = 38.90$ ). There was no interaction between gender and consumption type ( $F < 1$ ).

Most importantly, the result of the three-way interaction between mortality salience, gender, and consumption type ( $F(1,104) = 3.20$ ,  $p < .05$ ) was significant. This indicated that the interaction between mortality salience and consumption type was more distinct when participants were male than when they were female. Additional analysis of the simple main effects showed that males in the mortality salience condition allocated more to hedonic consumption ( $M = 49.86$ ,  $SD = 27.14$ ) than in the control condition ( $M = 33.04$ ,  $SD = 21.39$ ;  $F(1, 48) = 6.0$ ,  $p < .05$ ). Conversely, males allocated more money in utilitarian consumption when mortality was not salient ( $M = 66.96$ ,  $SD = 21.39$ ) than when mortality was salient ( $M = 50.14$ ,  $SD = 21.39$ ). This pattern was not found when participants were female (both  $F$ s  $< 1$ , ns) (Figure 1).

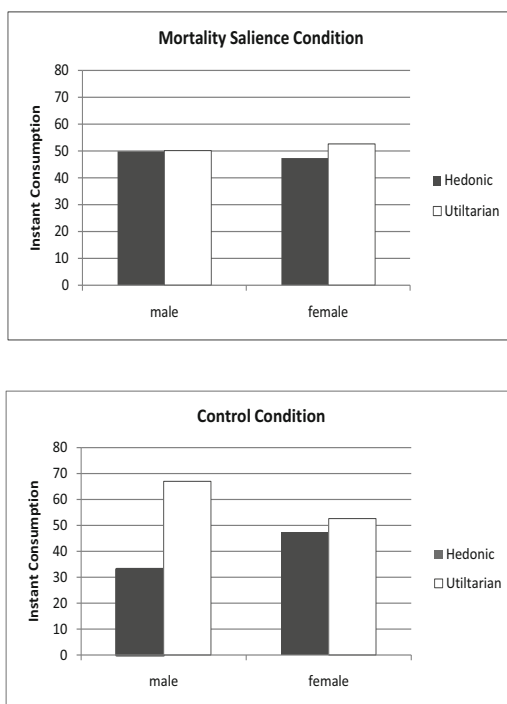


Figure 1. The Effects of Mortality Salience and Gender on Hedonic and Utilitarian Consumption

## **CONCLUSIONS AND IMPLICATIONS FOR THEORY AND PRACTICE**

According to TMT, when people deal with unconscious anxiety, they follow the norms and values of their cultural worldview. One important norm in current society is consumerism (Arndt et al. 2004). People therefore derive self-esteem, which serves as a buffer against existential threat, through consumerism. A key implication of this research is that mortality awareness has the potential to undercut consumption allocation. The expected interaction effect between mortality salience, gender and consumption type was observed. This indicated that gender played a crucial role in allocating hedonic and utilitarian consumption when people needed to deal with mortality-related work. Females seemed calmer when facing mortality salience and presented no different consumption behavior than males. Further research in this domain should prove extremely interesting both to marketers and to public policy makers.

## **REFERENCES**

References Available Upon Request.

**Session 1.3. Base of Pyramid/Subsistence Market Actors and the Global Economy**

Room: Yarra #2

Session Chair: Jeff Fang, RMIT University

***A Structured Abstract: Exploring Mobile Money Services as an Innovative Solution for Micro and Small Enterprises in Emerging Economies – Lessons from Rural Cambodia***

Jeff Fang, RMIT University

Roslyn Russell, RMIT University

Supriya Singh, RMIT University

# **A STRUCTURED ABSTRACT: EXPLORING MOBILE MONEY SERVICES AS AN INNOVATIVE SOLUTION FOR MICRO AND SMALL ENTERPRISES IN EMERGING ECONOMIES – LESSONS FROM RURAL CAMBODIA**

Jeff Fang, RMIT University, Australia  
Roslyn Russell, RMIT University, Australia  
Supriya Singh, RMIT University, Australia

## **INTRODUCTION**

Over 4 billion people, termed as the “bottom of the pyramid” (BOP), live in subsistence marketplaces with an estimated annual income below US\$3,000 in local purchasing power (Hammond, et. al. 2007; Viswanathan and Rosa 2007). By the end of 2011, more than 2.5 billion adults were predicted to lack access to any formal financial services accounts to save, borrow or transact. Furthermore, it was predicted that 59% of the adult population in subsistence marketplaces lacked access to any formal financial services accounts to save, borrow or transact (Demirguc-Kunt and Klapper 2012). However, global mobile phone subscriptions accelerated from about 960 million in 2001 to about 6 billion in 2011, reaching 86% of the total global population and 75% of the subsistence marketplaces population (ITU 2012). Although lacking access to any formal financial services, the BOP can have access to mobile phones. Hence offering access to financial services using mobile phone technology called “mobile money services” can potentially transform lives within the BOP living in subsistence marketplaces by providing a convenient access to finance. The mobile phone has been widely used as a channel for providing microfinance services, hence the term defined in this research as “Mobile Money Services”. This phenomenon has since been given a range of terminologies such as mobile banking, mobile payments and mobile finance (Donner and Tellez 2008). By the end of 2012, over 150 mobile money projects are deployed in more than 70 countries (GSMA 2013).

Extensive research studies on mobile money services focused on consumer adoption perspectives, technology design improvements and business-driven models but with very little research on the impacts of this innovation (Dahlberg, et. al. 2007; Dewan 2010; Duncombe and Boateng 2009). Furthermore, there is little understanding about the social and cultural impacts of mobile money services in regions such as Latin America, the Middle East and Southeast Asia (Dewan 2010; Diniz, Albuquerque and Cernev 2011; Donner and Tellez 2008). Donner and Escobari (2010) acknowledged a growing body of work confirming the value of mobile phones in improving communication between micro and small enterprises (MSEs), customers and suppliers. But they also mentioned the lack of theory-inspired impact evaluations of technology-based application services using mobile phones on MSEs, specifically mobile money services. There is an increasing justification for a greater understanding of how MSEs within an informal or subsistence marketplace leverage the advantages of various technologies (Donner and Escobari 2010). With this in mind, this research responds to this call for research to explore the impacts of mobile money services on MSEs from a theoretical and practical perspective, particularly in Southeast Asia, by looking at the example of mobile money services in Cambodia. As of 2011, it is further predicted that 96% of the Cambodian adult population lacked access to formal financial services (Demirguc-Kunt and Klapper 2012; World Bank 2012a, 2012b). But Cambodian mobile phone subscriptions grew from about 660,000 in 2004 to about 20 million in mid-2012 (BMI 2012; MPTC 2012). The Cambodian business environment comprised mostly of MSEs with 95% of the listed business establishments having 5 or less employees (NIS 2012). In 2008, a mobile money service provider called WING Money Cambodia (WING) was launched in Cambodia to provide access to basic financial services through mobile phones. By the end of 2012, WING reached over 400,000 registered mobile money account users with services available in all of Cambodia’s 24 provinces. In 2012, more than 22 million mobile financial transactions were processed and the total transaction volume was about US\$287 million (WING 2013).

## **METHODOLOGY**

This research aims to explore the impacts of mobile money services on micro and small enterprises (MSEs) in rural Cambodia. This research adopts a qualitative research approach and utilises the Most Significant Change (MSC) methodological framework because of its theoretical emphasis on evaluating outcomes and impacts as well as its genre focussing on social change (Davis and Dart 2005). The research field work was conducted between July and September 2011. Access to mobile money service users was provided by WING, the leading mobile money services provider in Cambodia. Face-to-face interviews and contextualized observational research were conducted in six rural provinces to explore customer perceptions/experiences. The research sample size comprised of 20 micro enterprise owners who utilised mobile money services. The research data collected were translated, transcribed and coded for qualitative data analysis using a program software called NVivo 9. Data analysis was done through documentation, categorization and interpretation (Flick 2009; Gibbs 2007; Marshall and Rossman 1999). This research utilises the principles of Transaction Cost Economics Theory to

position the data analysis in the context of transaction costs and transaction attributes or dimensions (Williamson 1981). This is to better understand the impacts of mobile money services on MSEs' production costs, the costs of primary processes to create and distribute the goods and services, and coordination costs, the costs of all information processing to coordinate people and machine work to perform the primary processes (Benjamin and Wigand 1995).

## **RESULTS AND DISCUSSION**

Using the principles of Transaction Cost Economics Theory, it can be suggested that mobile money services play a critical role in minimizing the transaction costs of running a micro enterprise business in subsistence marketplaces. Two stories below described the impacts of using mobile money service as an innovative solution for MSEs:

### **Story #1 – Grocery Shop Owner in Sea**

Far out at sea, 25 year old Mr GM ran a grocery business on his boat house at a rural floating village community. In paying business suppliers in the capital city of Phnom Penh for his grocery business, he described the challenges and high coordination costs of transferring money across waters and land through boat drivers and taxi drivers. It cost Mr GM between US\$1-2, depending on the money transfer amount. Mr GM also had to wake up earlier than normal to ensure that the taxi driver received the money before his travelling schedule commenced.

“It is very difficult... we have to wake up early at 4.00am or 5.00am and take the money to the boat drivers. We spend on boat driver fee charge. They take the money to the taxi driver on land at the port to go to Phnom Penh. So I have to spend again on taxi driver fee charge... I don't need to take a lot of time. I just contact them and I have to get up early to reach them. If I cannot reach them on time, I will miss the time to transfer because the taxi has to leave for Phnom Penh”

Mr GM also mentioned the need to call the business supplier to confirm if the money was received as he ever experienced money stolen when sending money by taxi drivers.

After using mobile money services, Mr GM believed the transaction costs of payments to business suppliers have significantly reduced. This was because he did not rely on paying boat drivers and taxi drivers for their money transfer services. Moreover, it was significantly faster to transact using mobile money services. Best of all, Mr GM did not have to waste time calling his business supplier to confirm if he had received the payment.

“It is very easy because sending money by mobile money services is safe. I am not afraid of losing money because I have experienced that with taxi drivers.”

### **Story #2 – Locksmith Business Owner in Rural District Town**

Mr HT, a 22 year old locksmith, worked in a rural district town outside the capital city of Phnom Penh. With both parents deceased, he was the sole financial provider to his family and his younger brother who studied in a university in Phnom Penh.

Before using mobile money services, Mr HT spent at least 4 hours travelling to and fro Phnom Penh to buy locks. He found it physically exhausting and wasted valuable time. Mr HT previously used the district bank branch to transfer money to his brother to help buy the locks. But his brother found bringing along his identification card for verification inconvenient and the service fee was expensive. They even used taxi drivers to transfer money but Mr HT's brother found it frustrating. When asked further to describe the entire process, Mr HT's brother explained,

“If my brother transfers money thru taxi driver, it would take about 2 hours before the taxi drivers arrive in Phnom Penh. The taxi driver has to call me to tell me his location and I would have to go and wait for him. Sometimes the taxi drivers are unreliable and bad. They do not want to wait for us but want us to wait for them. So before they arrive in their destination which is still too far, they would call me to wait for him. So there I am waiting but the taxi driver is not there yet, so I have to wait for a long time. And you know what. It's hot waiting under the sun. And sometimes it rains. I felt angry. Sometimes also I have to go there when it's time for me to start my study classes.”

After using mobile money services, Mr HT found it faster and cheaper service to transfer money to his brother to support his studies. More importantly, Mr HT also leveraged on mobile money services to transfer money to his brother to buy his locks from the nearby business supplier in Phnom Penh.



“Mobile money services have helped me to reduce costs on money transfer service fee as well as transportation and meals for my trip to Phnom Penh city to purchase my locks. With reduced time in travelling, I can now save more time and do not require closing my business. Hence I can effectively earn more money.”

Mr HT’s brother also found it more convenient to use mobile money services for the locksmith business.

“In the past, I was angry and often complained to my brother on the inconvenience and frustration to wait for taxi driver in hot and wet weather to collect money for buying the locks supply. But using mobile money services makes it easier to cash out my brother’s money from the mobile money account to pay for the locks supply.”

**Table 1: Impacts of Mobile Money Services on MSEs Based On Transaction Cost Economics Theory**

Transaction Costs Dimensions	Before Mobile Money Services	After Using Mobile Money Services
Asset Specificity	<p><u>Production Costs</u></p> <ul style="list-style-type: none"> <li>MSEs pre-invested in physical top up scratch cards as well as transportation delivery costs</li> </ul> <p><u>Coordination Costs</u></p> <ul style="list-style-type: none"> <li>Costly transaction costs due to incurred fee charges. Other costs include transport costs and bridge toll costs.</li> <li>Costly transaction costs due to reliance on boat drivers on waters and taxi drivers on land to transfer money.</li> </ul>	<p><u>Production Costs</u></p> <ul style="list-style-type: none"> <li>MSE’s transaction costs of investing in physical inventory stock significantly reduced by electronically topping up pre-paid mobile phone credits through own mobile phones for customers.</li> </ul> <p><u>Coordination Costs</u></p> <ul style="list-style-type: none"> <li>Transaction costs significantly reduced as formal money transfer services like banks, money exchangers and informal money transfer services such as boat drivers and taxi driver services are not required</li> </ul>
Frequency and Duration	<p><u>Production Costs</u></p> <ul style="list-style-type: none"> <li>In some intermediary money transfer services like banks, MSE owners spent time queuing up and then spent time filling up complicated money transfer service documentation. Proof of identification to complete the transaction was also required.</li> </ul> <p>Other intermediary services like bus, truck and taxi drivers had other scheduling priorities and MSEs faced the uncertainty of guessing when they were readily available and where to find them.</p> <p><u>Coordination Costs</u></p> <ul style="list-style-type: none"> <li>Transferring money to business suppliers through boat and taxi services took a long time due to the long road travel.</li> <li>The day started much earlier than normal as taxi drivers usually started travelling at sunrise.</li> </ul>	<p><u>Production Costs</u></p> <p>MSE owners used a simplified and less complex procedure by initiating the mobile money transfer service. The system issued an 8 digit code as a transaction receipt for the receiver ie. Business suppliers collected the money at the nearest mobile money service collection point. Timing and scheduling became more certain and controlled by both MSE owners (sender) and business suppliers (receiver).</p> <p><u>Coordination Costs</u></p> <ul style="list-style-type: none"> <li>Business supplier received money almost instantaneously through their mobile money account or collecting payments at the nearest mobile money collection point.</li> </ul>



Transaction Costs Dimensions	Before Mobile Money Services	After Using Mobile Money Services
Uncertainty and Complexity	<p><u>Production Costs</u></p> <ul style="list-style-type: none"> <li>▪ Having large amount of physical stocks of scratch cards in unsecured shops.</li> <li>▪ Hard to predict in rural areas how fast the stock finished and needed to be replenished with more scratch cards stock.</li> </ul> <p><u>Coordination Costs</u></p> <ul style="list-style-type: none"> <li>▪ The transferred money receiver might find it difficult to travel to these formal money transfer services. Complex procedures like filling up complicated transfer documents or requiring proof of identification actually frustrated them.</li> <li>▪ Potential loss of money stolen or missing during the money transfer services.</li> <li>▪ Reliance on 2 types of intermediaries whose schedules might not always be convenient.</li> </ul>	<p><u>Production Costs</u></p> <ul style="list-style-type: none"> <li>▪ Mobile phone credits could be electronically topped up via the mobile phone set. It is more advantageous and resolves the uncertainty of scratch cards supply.</li> </ul> <p><u>Coordination Costs</u></p> <ul style="list-style-type: none"> <li>▪ The transferred money receiver conveniently travelled to the nearest WCX agent and withdrew the money using the 8 digit code provided.</li> <li>▪ Both MSEs and their business suppliers were assured of a completed payment transaction at a reasonably fixed price and completed goods/products delivery transfer.</li> </ul>

This research suggests that mobile money services have an impact on two transaction cost types in rural micro and small enterprises, namely production costs and coordination costs as defined by Benjamin and Wigand (1995) and Malone (1987). Mobile money services have the most significant impact on the coordination costs of MSEs who sends the money to pay their goods or merchandises to their suppliers. Mobile money services appear to have limited impact on the receiver side or the business supplier receiving the money from the MSEs. Other than receiving the required payments faster, mobile money services do not appear to make a significant change to their coordination costs or production costs, hence a likely reason why mobile money services have not been widely accepted among MSEs' business transactions in Cambodia. Mobile money services require a strategic shift from just being a peer-to-peer payment or savings mechanism to becoming a business solution for MSEs. A suitable two-way payments ecosystem with a mobile money service offering is required for the business supply chain in subsistence marketplaces. While proving beneficial to the MSEs who send money via mobile money service, there are no tangible benefits rendered to the business supplier who receives money via mobile money services. The dual currency system in Cambodia could possibly deter mobile money services in business-to-business transaction for MSEs, most notably if the exchange rate between the US Dollar and Cambodia Khmer Riel proved unfavourable. Business suppliers are usually based in urban/capital cities and tend to transact in US dollars. On the other hand, MSEs in rural areas tend to transact in the Cambodia Khmer Riel currency. An MSE may order the goods and pay the business supplier in Khmer Riel using mobile money services. The business supplier prefers to cash out from the mobile money agent in US dollars. Such scenarios prove unfavourable for the business suppliers as they might lose out a small percentage of revenue through a low exchange rate.

## CONCLUSIONS AND IMPLICATIONS FOR THEORY AND PRACTICE

This research applies the principles of Transaction Cost Economics Theory to the mobile money services phenomena in subsistence marketplaces. It aims to provide a theoretical perspective in understanding the impacts of mobile money services for MSEs in subsistence marketplaces in the context of transaction costs. Different MSEs have significant costs for transacting their goods and services within the subsistence marketplaces. Understanding the nature of their transaction costs can provide invaluable insights in designing financial and other services through the mobile phones to minimize transaction costs and maximize the value of micro-entrepreneurial activities and processes in terms of reduced transaction costs, higher profit margins and higher market access opportunities within the subsistence marketplaces. This could result in pro-creating sustainable opportunities for the unbanked and poor within the subsistence marketplaces.

## REFERENCES

References Available Upon Request

#### **Session 1.4. Cross-Functional and Cross-Disciplinary Challenges and Opportunities**

Room: Clarendon A

Session Chairs: Niall Piercy, Cardiff School of Management, and Alex Ellinger, University of Alabama

##### ***Marketing Department's Influence and Information Dissemination Within a Firm: Evidence for an Inverted U-Shaped Relationship***

Martin Schmidt, University of St. Gallen

Johannes Hattula, University of St. Gallen

Christian Schmitz, University of St. Gallen

Sven Reinecke, University of St. Gallen

##### ***Cross-Functional Integration at the Frontline of the Retail Channel: A Structured Investigation***

Hannah Stolze, Florida State University

Diane Mollenkopf, University of Tennessee

Daniel Flint, University of Tennessee

##### ***Research on Emotions by Marketing Scholars in the Last 10 years***

Halimin Herjanto, Auckland University of Technology

Sanjaya Gaur, Auckland University of Technology

##### ***The Ideal Marketer is an Authentic Marketer***

Nathalie Collins, Edith Cowan University

# MARKETING DEPARTMENT'S INFLUENCE AND INFORMATION DISSEMINATION WITHIN IN A FIRM: EVIDENCE FOR AN INVERTED U-SHAPED RELATIONSHIP

Martin Schmidt, University of St. Gallen, Switzerland  
Johannes Hattula, University of St. Gallen, Switzerland  
Christian Schmitz, University of St. Gallen, Switzerland  
Sven Reinecke, University of St. Gallen, Switzerland

## ABSTRACT

The dissemination of market intelligence across an organization is a key task of a firm's marketing department, as recognized by marketing researchers (e.g., Maltz and Kohli 1996) and practitioners (e.g., Mohr et al. 2010). They place great emphasis on market intelligence dissemination, a main component of firm's (internal) market orientation (e.g., Jaworski and Kohli 1993), due the strategic importance (Makadok and Barney 2001) and its positive effects on the financial performance of a firm (e.g., Kumar et al. 1998). In order to enhance intelligence dissemination throughout the firm, conventional wisdom in the market orientation literature suggests marketing department's influence within the firm as an important driver (Verhoef and Leeftang 2009). Hereby, past research (e.g., Moorman and Rust 1999; Verhoef et al. 2011) has generally assumed a positive linear relationship between marketing influence and market intelligence dissemination, and subsequently on performance. Our research, however, questions an entirely positive linear relationship. Specifically, building on social psychological research that implies that the degree of influence affects communication behavior (e.g., Keltner et al. 2003), we suggest that high marketing influence can ironically backfire. Hence, we propose that marketing influence has an inverted U-shaped relationship with market intelligence dissemination, which in turn impacts financial firm performance.

The findings of two studies, using survey and experimental data, support our prediction of a U-shaped relationship between marketing influence and market intelligence dissemination. First, cross-industrial data was obtained from 194 marketing managers from several European countries via an online survey. To measure marketing influence within the firm, market intelligence dissemination, and firms' financial performance, we used items from existing literature (cf. Moorman and Rust 1999; Luo et al. 2006; Kumar et al. 2011). To test our hypotheses, we included the quadratic term of marketing influence to examine the potential U-shaped relation in addition to the linear term. To analyze our model, we used the unconstrained model proposed by Marsh, Wen, and Hau (2006). As expected, we find a positive and significant linear effect of marketing influence on its intelligence dissemination ( $\gamma_{11} = .164, p < .045$ ), while the squared term has a significant negative effect ( $\gamma_{11x1} = -.181, p < .01$ ). This supports the proposed inverted U-shaped relation. Moreover, the dissemination of intelligence has a positive effect on firms' financial performance ( $\beta_{21} = .204, p < .01$ ). Moreover, we designed a second study to test for the cause-effect relationship by manipulating marketing influence because of the possibility of reversed causality between marketing influence and intelligence dissemination (cf. Verhoef and Leeftang 2009). For study 2, we recruited 105 marketing managers to take part in an online study on strategic decision making. Participants were asked to place themselves in the role of head of marketing for a fictitious company and received a market report for the specific industry. Next, we manipulated the influence of the marketing department within the firm, whereby participants were randomly assigned to a high, a medium, or a low marketing influence condition. We then asked participants how likely it was that they would disseminate the market report to another department. The results of an ANOVA revealed a significant effect of the marketing influence manipulation ( $F = 3.947, p < .022$ ). Participants in the medium marketing influence condition ( $M = 5.16$ ) were significantly more likely to disseminate market intelligence than those in the low ( $M = 4.59, F = 6.196, p < .015$ ) and high conditions ( $M = 4.52, F = 5.714, p < .019$ ). No significant differences were found between low and high marketing influence conditions. These findings support the inverted U-shaped relationship as proposed and clarify the causality between marketing influence and its intelligence dissemination. Marketing influence in fact causes the inverted U-shaped effect on intelligence dissemination.

Our research contributes to and extends marketing theory in several ways. Theoretically, it extends previous research on marketing influence and market orientation by providing support for an inverted U-shaped relationship between marketing influence and its intra-organizational market intelligence dissemination. From a management perspective, our findings indicate that executives have to carefully manage the influence of the marketing department in order to reach an optimal level of collaboration and sharing of market-related information within the organization. Future research could investigate boundary conditions of the inverted U-shaped relationship (e.g., organizational strategy like short vs. long-term focus) and further outcomes of influence imbalance between organizational departments.

# CROSS-FUNCTIONAL INTEGRATION AT THE FRONTLINE OF THE RETAIL CHANNEL

Hannah J. Stolze, Florida State University, U.S.A.  
Diane A. Mollenkopf, University of Tennessee, U.S.A.  
Daniel J. Flint, University of Tennessee, U.S.A.

## INTRODUCTION

Cross-functional integration has become critical in the retail industry in part because marketing events have become more complex and increasingly more dependent on frontline employees for implementation. In recent years, research has highlighted the importance of marketing and logistics managers working together for marketing execution (Esper *et al.*, 2010; Ellinger *et al.*, 2006), but little is known about cross-functional integration at the frontline (Arndt *et al.*, 2012). This research explores cross-functional integration across the frontline networks of two different distribution structures within a consumer package goods (CPG) firm. Thus, the integration literature will be extended beyond the corporate or team level, to the frontline of the firm. Further, this research expands knowledge of the contexts in which cross-functional integration takes place by investigating multiple ways frontline employees interact.

## BACKGROUND

Cross-functional integration seems progressively more feasible due to increased communication and information sharing capabilities. Companies have embraced electronic data interchanges (EDI), point-of-sale systems (POS) that track shopper buying patterns, and inter/intrafirm intranet systems. The complexity of information and knowledge has increased with accessibility, which may partially explain why the ability to execute marketing strategies throughout firm operations (production, logistics, and purchasing) has not been equally reflected in increased supply chain performance (Bozarth, *et al.*, 2009; Fisher 1997).

The importance of crossing the “great divide” or integrating marketing and operations functions in order to achieve both operational efficiency and marketing effectiveness is widely accepted in the supply chain and management literature (Drucker 1973; Lambert *et al.*, 2005; Mentzer *et al.*, 2001; Sabath and Whipple 2004; Walters 2006). In light of the augmented complexity of current marketing strategies, the integration of demand and supply functions is increasingly recognized as a path to successfully managing the supply chain to create customer value (Esper *et al.*, 2010). One way of achieving demand and supply integration is through managing the processes of knowledge generation, dissemination, shared interpretation, and application (Esper *et al.*, 2010; Nonaka 1994; Nonaka and Takeuchi 1995). Another stream of research has further focused on the use of social networks to improve knowledge creation and sharing through exploration of the knowledge network (Cross *et al.*, 2001). Thus, the interpersonal transfer of knowledge through the informal structure of social links between employees across functional areas provides the focal area of interest in the current research.

## RESEARCH METHODS

A sponsoring CPG firm provided access to frontline employees and their managers within two different distribution centers, one of which is a traditional distribution center in which inventory is stored on site. The other distribution center is a cross-dock location supported from a local plant. In the traditional location, both marketing and operations managers are on-site and interact with the front-line employees. At the cross-dock location, only marketing managers are on site; operations personnel are located at the plant. The front line employees’ jobs revolve around selecting stock for retail stores, as well as creating and managing display space in retail stores, according to a general planogram representing the corporate marketing strategy. Frontline employees experience a high level of autonomy in performing their jobs, and are held responsible for achieving target sales and service objectives.

Social network analysis was employed to understand the nature of the participants’ relationships that exist across functional boundaries. After spending time in the field observing and listening to the frontline employees and managers discuss the nature of their interactions in the retail channel, the research team developed a network survey to evaluate three specific relational interactions, including problem solving, promotional information sharing, and trust. The sponsoring CPG firm provided a roster of every employee’s name at each location. Every employee was surveyed about his individual relationships with all of the other employees in his distribution center. Each respondent answered three different sets of network questions related to problem solving, promotional information sharing, and trust about each of their coworkers and each of the sales,

operations, and account managers by name. This approach is in line with social network methods highlighted by Scott & Carrington (2012).

The subsequent network data were analyzed through social network analysis methods including matrix algebra and combinatorics (graphing). First, three separate valued<sup>i</sup> matrices were built from the roster survey data for each district involved. Three matrices were built for each geographic location because the two networks were not connected. The matrices were two-way, 1-mode, meaning that the matrices captured the flow of information (1-mode) reciprocally (both a participant's value of others as well as the others' value of the participant (two-way)). Each resulting asymmetric matrix reflected outgoing and incoming ties between all participants. 'Asymmetric' refers to the fact that participant A may value others at a higher/lower level than they value participant A. The valued matrices were then converted to sociograms (Wasserman and Faust, 1994), representing the connections between every actor in the network.<sup>ii</sup> Attribute data (attributes of individual: job title, years on job, sales performance) were also collected for each participant, which created a visual depiction or sociogram that delineates the cross-functional and integrated nature of the social networks of trust, promotional information sharing, and problem solving. UCINET social network analysis software was used to analyze the matrices and build the sociograms (Borgatti, *et al.*, 2002).

## RESULTS

The network analysis produced by the data from the roster surveys depicts frontline employees creating unique knowledge through different network structures. In an integrated network, frontline employees rely on their relationships with sales managers for formulating sales plans, operations managers for problem-solving in the retail store, and other frontline employees for interpretation (reflected in information trust). However, in the more centralized structure of the cross-dock distribution center, frontline employees did not report integration with operations managers, instead relying more on each other and sales management for promotional ideation and problem solving. Figure 1 reflects the structure of the networks of promotional information sharing, problem solving, and trust (information trust). Because frontline employees are connected differently in different types of networks the context in which integration takes place is reflected in these networks in different ways. Integration is built through frontline employees' access to cross-functional resources that add to their functional knowledge.

In the promotional information-sharing networks, the important links are to the direct sales managers (rectangles) who hold a great deal of the information and knowledge necessary for frontline employees to perform their jobs. The promotional information networks in both distribution centers reflect similar centrality (central location) of the sales managers in the diffusion of promotional information to frontline employees. However, operations managers (diamonds) are on the periphery of both promotional information networks, indicating that operations managers are not perceived to hold the important knowledge necessary for frontline employee implementation.

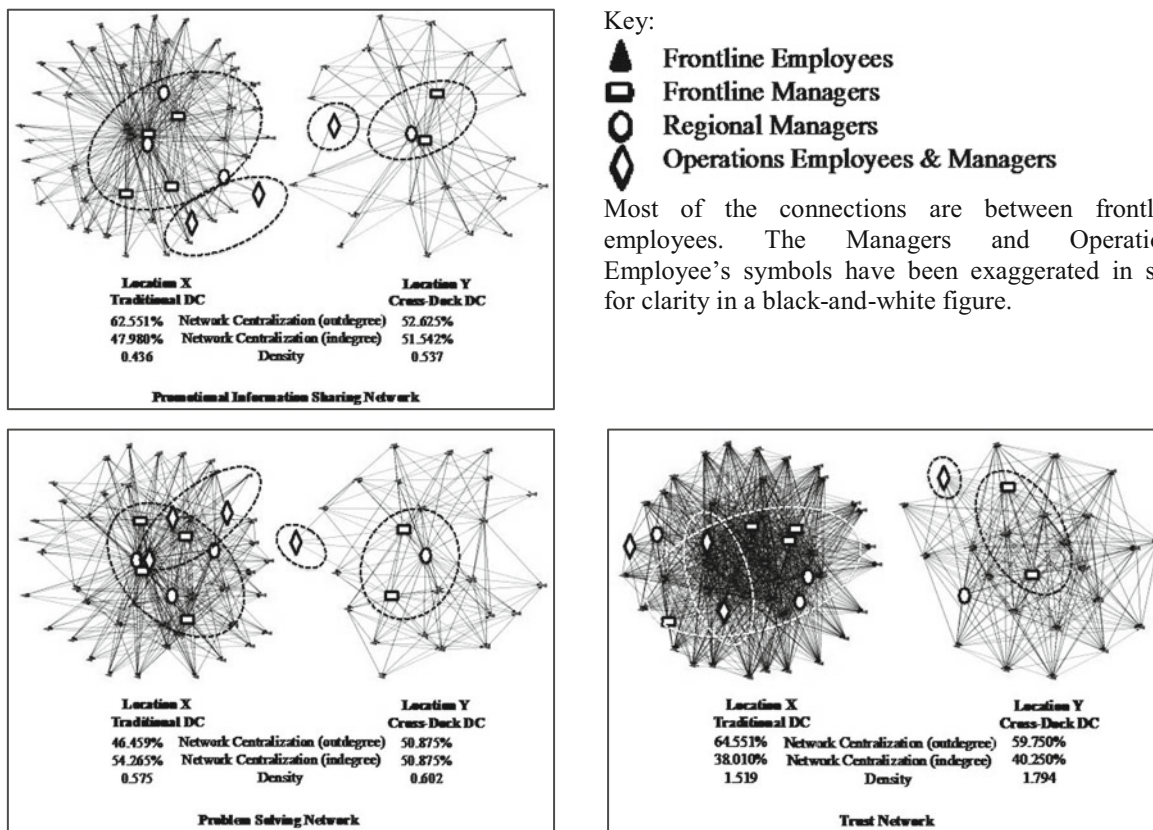
In contrast, in the traditional distribution center, the operations managers become much more central to the frontline employee network when it comes to solving problems that arise in the retail store. Thus, operations managers are much more central to the problem-solving network. Operations managers are central almost to the same degree as the frontline employees' direct sales managers when frontline employees are able to interact face to face with operations management.

This distinction between the two networks, integration taking place in the traditional but not the cross-dock, seems to indicate that integration becomes more feasible when employees have daily interactions with management. Frontline employees benefit when they have direct links to sales and operations managers who can give them access to help and information regarding inventory issues or delivery problems. This is reflected in the centrality (centrally-located position) of operations managers in Location X's problem-solving network. Although operations managers are not central at Location Y, frontline employees there described the lack of access to operations managers as a problem.

Finally, trust is fundamental to the commitment frontline employees feel towards their supervisors and the perceived support that they attribute to supervisors. This does not necessarily mean that frontline employees rely solely on supervisors for support and information. Trust is fundamental to measures of commitment and perceptions of supervisors (Mulki, *et al.*, 2008); however, the network connections that frontline employees have with each other seem to engender as much trust as those they have with supervisors. In both Location X and Y, frontline employees become more central in the trust network. This reflects that frontline employees trust knowledge and information more when they perceive that the person is out in the field, or the real world, as opposed to the managers they perceive to be sitting behind a desk.



**Figure 1. The Three Networks**



## DISCUSSION

Cross-functional connections enable frontline employees to gain access to information that empowers them to make more effective and efficient decisions in the retail store. Where a frontline employee is positioned in the network can impact the amount of information they have available to them. A network of promotional information sharing or problem solving alone does not provide the full picture of how frontline employees are truly embedded in the organizational network, but examining all three networks simultaneously shows the importance of relationships in multiple types of networks—sharing information, solve problems, and trust—in order to have the right mix of ties to truly empower a frontline employee to execute marketing promotions and displays in the store. Several implications for theory and practice emerge from resulting network structures across the two distinct facility structures. In this discussion, research propositions are introduced to guide future exploration of these findings.

First, previous research in cross-functional integration has explored corporate or team level integration (Kahn & Mentzer, 1996; Ellinger, 2000) in which employees are typically co-located. However, in many corporations, operations personnel are often disbursed across a wide distribution network encompassing a large geographical territory. This research illustrates the importance of physical proximity in creating an integrated environment. In the traditional facility employees took advantage of their access to multiple managers across functions. However, in the cross-dock facility, where access to operations management for assistance was only available by phone, the operations managers remain on the periphery throughout all three networks. Managerially, this serves as a challenge for companies that are trying to optimize their networks by shifting from capital-intensive traditional warehouses to the more flexible cross-dock distribution structure. Theoretically, this may indicate that integration is facilitated by co-location and face-to-face interaction.

*P1: Cross-functional integration is enhanced when frontline employees have frequent face-to-face interaction with management across functional boundaries.*

Second, cross-functional integration, and more specifically, demand and supply integration has been conceptually developed and examined as a firm level strategy. However, results suggest that integration takes place at multiple levels within the organization. Integration at the corporate firm level doesn't necessarily indicate integration at the frontline. This research indicates that integration isn't just important for the development of marketing strategies, it is also important at the frontline of the organization for the execution of marketing strategies. Drawing on network theories in management literature (Jones *et al.*, 1998), this seems to indicate that more cohesion (connectedness) within an organization at multiple levels will be more impactful in facilitating marketing execution in the retail store.

*P2: A cohesive organizational network enhances cross-functional integration throughout an organization.*

Finally, this research expands our understanding of cross-functional integration by exploring multiple interactions (contexts) through which integration may be fostered (info sharing, problem solving, and through relational trust). This has not been explored previously (Esper *et al.*, 2010). Integration has been assumed to take place in the planning stage of marketing campaigns (through integrated demand planning/forecasting and operations planning). This research demonstrates that integration occurs predominantly when problems arise in execution as opposed to planning.

*P3: Purposeful integration in the planning phase enhances marketing execution.*

*P4: Organizational integration taking place predominantly after a problem has occurred will have less impact on marketing execution than integration in the planning phase.*

In conclusion, in order for companies to capitalize on cross-functional integration they must purposefully overcome barriers of physical distance, diffuse strategies and marketing information across functions and throughout the levels of the organization, and bring operations personnel in on planning early on in order to execute marketing strategies effectively.

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References are available upon request.

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<sup>i</sup> A valued matrix is a specific term to describe a matrix that is not binary; each tie has a value, thereby denoting strength. In this case, ties between actors were valued on a scale of 0-4. For the Problem Solving Network and Promotional Information Gathering Network, 0 was equal to never and 4 was equal to frequently. Similarly, the Trust Network was on a scale of 0 to 4: Not at all–Completely.

<sup>ii</sup> Standard to many network theory approaches (Hanneman and Riddle, 2011), each graph represents the sets of nodes ( $v$ ) and directed arcs ( $E$ ) that connect pairs of nodes utilizing graph theory notation:  $(u,v) \in E$  ( $u$  sends arc to  $v$  but not the transverse).

# RESEARCH ON EMOTIONS BY MARKETING SCHOLARS IN LAST 10 YEARS

Halimin Herjanto, Auckland University of Technology, New Zealand

Sanjaya Singh Gaur, Auckland University of Technology, New Zealand

## ABSTRACT

This study discusses the trend in emotion research within marketing during 2002 to 2011. Employing a content analysis method, this study investigated 19 marketing journals. With increasing interest on emotion, this study is expected to help scholars seeking guidance, selecting research partners and universities, and designing emotion related research.

## INTRODUCTION

For the first time in marketing literature, Erevelles (1998) presented the current state of knowledge on affect. Author discussed only important advances in the field of affect and marketing with a goal to provide a broad assessment of the role of affect in marketing from academic literature. Despite its limitations, this article proved very useful for researchers in the field and has been cited by 128 studies since then. However, for current researchers in the field, the study by Erevelles (1998) is quite dated and since then research on emotions has been expanded and adopted by various disciplines including marketing (Solomon 2008). Therefore, there is an urgent need to extend Erevelles (1998) work. In the above backdrop, the aim of our study is to assess the latest studies on emotion related research in the marketing literature by examining the current research trends evident in the literature and provide a clear future research direction, where research on emotions can help expand our understanding in the marketing field.

### Research Questions/Hypotheses

Our study focuses on two main research questions:

RQ1: How often are emotion related articles published in major marketing journals?

RQ2: What emotion related topics are researched in marketing literature?

## LITERATURE REVIEW

Psychology scholars have found that emotions have a very crucial role in determining peoples' behaviours and actions (Carlson et al. 2007). Today, research on emotions is no longer dominated by psychology scholars; instead, it has been expanded and adopted by various disciplines including marketing (Solomon 2008). To explain the emotions phenomena, marketing scholars have conducted research and borrowed theories on emotions from other disciplines, especially psychology and sociology (Huang 2001). Areas of research in marketing discipline include: measurements of emotions (Bellman 2007), causes and consequences of emotions (Penz and Hogg 2011), functions of emotions (Eyal and Fishbach 2007), coping with emotions (Bee and Madrigal 2007) and communication of emotion (Landwehr, Herrmann and McGill 2011). Numerous scholars (Holbrook and O'Shaughnessy 1984; Bagozzi, Gopinath, and Nyer 1999; Huang 2001) have investigated the role of emotions in the marketing and advertising field. Because of the extent and significance of the marketing research on emotions, it is important to determine the current status, trend, pattern, and development of research on emotions.

## METHOD

Emotions being a large and unwieldy area, our study reviewed academic literature published between 2002 and 2011 in widely accepted marketing research journals. The initial search for literature was based on the keyword "emotion" in Google scholars. The articles were screened for the keywords in the title, abstract and the keyword list. This first step in article extraction generated more than 500 published research articles. The final review produced 287 published research articles related to emotions from 19 marketing journals. All these journals are listed in the Australian Business Dean Council (ABDC 2010) Journal Ranking List. Please see [Table 1](#) for the list of journals. Because of the breadth of the literature covered, it is beyond the scope of our study to provide an in-depth analysis of every research issue in the field.

## FINDINGS

We notice in [Table 1](#) that during the first three years (2002, 2003, and 2004) of the specified study period, research on emotions was only moderately undertaken. In contrast, during the final three years of the study period, (2009, 2010 and



2011), emotion related research increased significantly. One reason for this trend might be due to researchers across marketing categories becoming more aware of the increasingly important need for emotion related research (Huang 2001). However, despite 'emotions' having been recognized as one of the most important predictors of human behaviour (Carlson et al. 2007), this study revealed that only 2.32% of available research articles were related to emotions over the entire study period.

We found 10 different categories of research topics on emotions. The three most investigated categories of topics in emotion related research are: 1) Social/personality issues: gender, emotion, and expression; the effects of mood and emotions on consumption judgment and reasoning; and, emotion expression in groups; 2) Cognitive factors: positive affect and decision making; cognitive and social construction in emotions; emotion and memory; 3). The development of emotions and their interactions with other consumption factors. Emotion and behavioural genetics category was the least investigated. For more details on topics please refer to table 2. It appears that these three top categories of emotion topics made an attempt to respond to Bagozzi et al.'s (1999) invitation to investigate the implication of emotions on consumer behaviour. Although the impacts and results of these popular topics cannot be questioned, it will be exciting to see if these topics can be compared with older similar studies and whether such studies' finding are in line with the current one. The comparison between emotion studies in different time frame may help researchers to appreciate the history of the emotion studies and more importantly to strengthen basic concept of emotions that may help researchers to develop new thoughts, ideas and approaches to study emotion, which ultimately may reveal new results. The findings of this study further show that during the study period most of the research was exploratory. Therefore, more explanatory and descriptive studies are needed. Study also shows the need for scholars to investigate other issues relating to emotions in marketing, such as the relationship between emotion and behavioural genetics.

## CONTRIBUTIONS

This research provides the most comprehensive study of the trend in emotion research. It revealed the trend of emotion related research in marketing between 2002 and 2011 and provided a wide ranging analysis of journal information, author information, article information, the nature of the research, data collection, and statistical analysis methods. Many of these details could not be included in this 1000 word abstract but will be detailed in the final article. With increasing interest in the emotion related study, this study is expected to help students and scholars seeking guidance, selecting research partners and universities, and designing emotion related research.

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**Table 1: Publication trends (journal and year)**

Publication trends (journal and year)																										
Journal	2002		2003		2004		2005		2006		2007		2008		2009		2010		2011		All	E	All	E	article category (%)	article vs n =287 (%)
	E	All	E	All	E	All	E	All	E	All	E	All	E	All	E	All	E	All								
Marketing																										
	0	37	0	36	0	44	0	52	3	47	1	63	1	62	1	69	1	57	1	57	8	524		.19	2.79	
	0	46	0	43	0	46	2	63	0	68	3	63	0	63	3	72	5	98	4	71	17	633		.39	5.92	
	1	54	1	62	1	49	0	53	0	57	0	47	2	49	1	44	1	46	1	46	8	507		.19	2.79	
IJRM	0	34	1	29	1	33	0	33	0	39	2	36	0	45	0	48	0	48	1	36	5	381		.12	1.74	
	0	60	0	60	0	58	0	64	0	51	1	59	2	59	0	62	4	76	1	66	8	615		.19	2.79	
	0	66	0	75	0	76	0	70	0	70	3	74	0	75	0	74	2	85	2	87	7	752		.16	2.44	
	0	29	0	30	0	50	0	51	0	71	0	65	0	82	0	85	0	74	0	65	0	602		.00	.00	
AMJ	0	23	0	22	0	34	0	21	0	17	1	39	0	22	1	40	2	39	2	48	6	305		.14	2.09	
	1	349	2	357	2	390	2	407	3	420	11	446	5	457	6	494	15	523	12	476	59	4319		1.37	20.56	
		.02		.05		.05		.05		.07		.25		.12		.14		.35		.28				.14		
	yearly %																									
Advertising																										
	0	33	0	31	1	31	0	37	1	44	0	45	1	40	1	34	0	35	4	26	8	356		.58	2.79	
	1	59	0	45	1	39	1	44	5	49	0	52	0	59	1	56	2	51	0	61	11	515		.80	3.83	
	0	41	0	38	0	33	1	56	1	67	1	56	0	77	0	58	0	51	0	31	3	508		.22	1.05	
yearly %	1	133	0	114	2	103	2	137	7	160	1	153	1	176	2	148	2	137	4	118	22	1379		1.60	7.67	
		.07		.00		.15		.15		.51		.07		.07		.15		.15		.29				.17		
	Consumer Behaviour																									
	JCA	0	19	0	24	0	23	0	23	0	22	0	19	0	34	0	29	0	36	0	29	0	258		.00	.00
JCR	3	50	2	46	2	79	7	67	5	62	3	64	4	83	5	77	6	73	8	82	45	683		.96	15.68	
	0	162	2	110	3	154	18	234	5	254	10	429	7	370	17	434	25	407	0	0	87	2554		1.85	30.31	
	0	81	0	78	0	88	0	89	0	58	0	44	1	47	0	48	0	55	1	33	2	621		.04	.70	
	JICM	1	20	1	29	0	17	1	21	0	25	1	25	0	8	1	32	0	31	0	30	5	238		.11	1.74
JCB	3	36	0	33	1	33	1	31	1	51	1	29	2	36	0	28	1	36	1	31	11	344		.23	3.83	

	7	368	5	320	6	394	27	465	11	472	15	610	14	578	23	648	32	638	10	205	150	4698	3.19	52.26
yearly %		.15		.11		.13		.57		.23		.32		.30		.49		.68		.21			.30	
Psychology																								
PM	1	58	3	54	1	50	0	52	1	54	3	49	2	58	2	57	3	60	3	56	19	548	1.8	6.62
JCP	1	33	0	48	2	42	4	40	1	44	3	40	4	48	3	74	1	66	1	55	20	490	1.9	6.97
	2	91	3	102	3	92	4	92	2	98	6	89	6	106	5	131	4	126	4	111	39	1038	3.76	13.59
Yearly %		.19		.29		.29		.39		.19		.58		.58		.48		.39		.39			.34	
Retailing																								
JR	0	27	0	33	1	35	0	33	1	40	0	41	0	47	3	52	0	43	2	32	7	383	0.76	2.44
JRCS	0	42	0	56	1	50	0	48	1	37	1	46	0	52	2	63	3	62	2	77	10	533	1.09	3.48
	0	69	0	89	2	85	0	81	2	77	1	87	0	99	5	115	3	105	4	109	17	916	1.86	5.92
Yearly %		.00		.00		.22		.00		.22		.11		.00		.55		.33		.44	287	12350	.16	

\* 2011 publications were not ready at the time this study was completed

JM = Journal of Marketing, JMR = Journal of Marketing Research, JAMR = Journal of the Academy of Marketing Science, IJRM = International Journal of Research in Marketing, JMM = Journal of Marketing Management, EJM = European Journal of Marketing, MS = Marketing Science, AMJ = Australasian Marketing Journal

JA = Journal of Advertising, JAR = Journal of Advertising Research, IJA = International Journal of Advertising

JCA = Journal of Consumer Affairs, JCR = Journal of Consumer Research, ACR = Advances in Consumer Research\*, JCM = Journal of Consumer Marketing, JICM = Journal of International Consumer Marketing, JCB = Journal of Consumer Behaviour

PM = Psychology and Marketing, JCP = Journal of Consumer Psychology

JR = Journal of Retailing, JRCS = Journal of Retailing and Consumer Services

# THE IDEAL MARKETER IS AN AUTHENTIC MARKETER

Nathalie Collins, Edith Cowan University, Australia

## ABSTRACT

Interest in authenticity is on the rise. Marketing literature touts authenticity as a point of differentiation (Gilmore & Pine, 2007; Leigh, Peters, & Shelton, 2006). Tourism literature continues to investigate authenticity in reference to the consumer experience (Steiner & Reisinger, 2006; Wang, 1999). Modern psychology considers what is, and what is not, authentic behaviour (Golomb, 1995; Guignon, 2002). And of course, Philosophy has been working on the question for centuries, with a resurgence in the last forty years (Trilling, 1974).

Although marketing research has indicated that authentic marketing is effective, transformational and positive, defining marketing authenticity and applying it is challenging. The 360 degree authenticity approach is one way that researchers and practitioners can consider marketing in a qualitative way. Each dimension of the 360 degree model, however, is strongly linked to cultural context.

## INTRODUCTION

*The simulated situations... in persuasive communication cannot be put to a test of "true or false" in the modernist sense of scientific discourse. These are transformational propositions... They could and do become "true" only after the fact, when and if the consumer feels that s/he is having the experience. (Firat & Venkatesh, 2002)*

Authenticity is difficult to describe, and yet one knows it when one sees (or feels) it. Authentic experiences are meaningful. They are transformative (Schouten, McAlexander, & Koenig, 2007). They create connections and bonds between people, experiences and objects (Leigh, et al., 2006; Schau, Muniz, & Arnould, 2009). Authentic experiences can reach the lofty heights of sacredness (Belk, Wallendorf, & Sherry, 1989), or be as base as popular culture (Firat & Venkatesh, 2002).

Regardless on the language or culture, to describe something as authentic is to put it in a positive light. Authentic product experiences are the holy grail of marketing: authentic experiences are the most effective at connecting with the customer on an emotional and sometimes spiritual level (Beverland, 2005; Gilmore & Pine, 2007; Lewis & Bridger, 2000).

Marketing is an industry that already struggles with a reputation of insincerity. In the last twenty years, authenticity in marketing has been touted as everything from a sophisticated consumer sensibility (Gilmore & Pine, 2007) to a market position (Godin, 2005) to one of the most significant challenges in brand management (Beverland, 2005). The ideal marker is an authentic marketer because authentic marketing is effective (Gilmore & Pine, 2007); and marketers can no longer afford to be perceived as inauthentic in a global and internet-connected marketplace. Authentic marketing is not a strategy; it is a method of marketing research and practice.

Although industry and research publications concur that authenticity is a positive thing, there is little proposed in terms of definitions, measurement, application and evaluation of authenticity in the marketing literature. The purpose of this paper is to support the move toward defining a framework for authenticity for practitioners and researchers.

The first part of this paper introduces the 360 Degree Authenticity Framework as a tool marketing researchers and practitioners can use to holistically examine authenticity as it is depicted in various disciplines: philosophy, religious studies, tourism, psychology and, of course, marketing.

The second part of this paper describes the worldviews and paradigms that are conducive to authentic marketing. A postmodern worldview delivers a specific perspective on the role of consumer culture in shaping, and reshaping something as personal as one's own identity or as vast as an economic market. The Service-Dominant Logic (S-D Logic) paradigm delivers cogency to marketing within a postmodern world. It is through the foundations of postmodernism, consumer culture and S-D Logic that authenticity comes in to strong focus; this is because a modernist perspective cannot deliver the richness required to grasp the authenticity concept in all of its dimensions.

Finally, the last part of this paper proposes that marketing graduates may be ill-equipped to navigate cultural milieus without a stronger cultural component to their education and training. As long as marketing is perceived, researched and applied through a modernist worldview, concepts such as authenticity will remain problematic. The authors recommend marketing education include sociological and anthropological research techniques to better equip marketing practitioners' literacy, investigation, application and portability of cultural concepts such as authenticity.

### **360 DEGREE AUTHENTICITY FRAMEWORK**

The meaning of authenticity has been discussed in tourism research for decades. Purposeful and meaningful leisure travel is a concept thousands of years old, with pilgrimages drawing travellers from around the globe to sacred sites (Collins & Murphy, 2010; Peterson, 2005; Vukonic, 1996). Whether a sacred site or artifact was authentic was based on a variety of opinions and standards that we would find odd today (Did the artifact perform miracles? Did it draw a crowd?). Perception of authenticity was complex even thousands of years ago.

A taxonomy of authenticity has been concluded as being too problematic due to the variety of meanings of the word authentic (Peterson, 2005). This is unsurprising as a taxonomy is a mainly reductive methodology (Franklin & Graesser, 1996; Norman, 1963). When more holistic methodologies are used (Trilling, 1974; Wang, 1999), there seems to be a greater understanding of authenticity from a variety of perspectives. When considering authenticity, the whole is greater than the sum of its parts.

The 360 Degree Authenticity Framework synthesises and broadens definitions of authenticity from several sources and applies those definitions to marketing-specific propositions as in [Table 1](#) (Collins & Murphy, 2010; Collins, Watts, & Murphy, 2011).

#### **Objective Authenticity**

Objective authenticity asks if the claims made about the object be verified, usually empirically (Wang, 1999). For example, with historical relics there are agreed standards and techniques in the industry for verifying the age and authenticity of artifacts (Gilmore & Pine, 2007; Peterson, 2005).

Although this kind of authenticity seems the most straightforward, it is poses its own challenges. The standards for confirming authenticity in this context are a social and cultural construct, subject to bias and cultural norms. As scientific innovations evolve, these standards change, casting uncertainty where previously there may have been certainty (Peterson, 2005). Therefore something as straightforward as verifying the authenticity of a historical artifact is, all of a sudden, not so straightforward after all.

For marketers, particularly those in the fashion and entertainment industry, the battle to devalue fake merchandise is one of the greatest challenges of their brand management. Discerning an original from a fake is increasingly difficult; however convincing consumers that one is more desirable than the other is the more significant battle (Gilmore & Pine, 2007; Peterson, 2005).

Objective authenticity is the baseline for any marketer. Legally, marketers are required to represent their products accurately. Even if the marketer clears this hurdle, s/he should take the extra step of digging deeper to investigate the cogency of the cultural and social context from which validation occurs when approaching the next step: constructive authenticity.

#### **Constructive Authenticity**

Constructive authenticity focuses on the cultural context (Wang, 1999).

Does the product/brand fit or leverage the cultural context in which the product/brand experience takes place? Is the product/brand story or mythology a cultural fit? The Saab automobile gained a following around the world even though it was built specifically for extreme Nordic weather. It's anti-fashion statement was a fashion statement in itself—indicating that look were not as important as durability. The Saab was an authentic Swedish vehicle designed for Swedish conditions; which appealed to car buyers beyond Swedish shores (Maynard, 2009).

A meaningful match between product experience and cultural context can provide conditions for extreme connections to the product/brand, such as a Transcendent Customer Experience (TCE) (Schouten, et al., 2007) and spark consumer religiosity and Customer Evangelism (Collins & Murphy, 2009).

Consumer Culture Theory (CCT) is a family of theories and research relating to consumer actions and cultural meanings. At CCT's core are questions of personal and collective cultural identity and how identity is worked and reworked through consumption; and that activity in and of itself generates and regenerates collective culture (Arnould & Thompson, 2005; Featherstone, 1991).

Constructive Authenticity requires an understanding of cultural context. While empirical analysts work with statistical and predictive models of consumer behaviour; cultural analysts, such as CCT researchers, provide a rich understanding of the context within which those activities occur (Belk, Ger, & Askegaard, 2003; Belk & Tumbat, 2005; Schouten & McAlexander, 1995).

Empirical methodologies have a role in consumer behaviour analysis; however they do not tell the whole story. Culture is cumulative and holistic. The value of cultural analysis and associated methodologies is to provide a better understanding to those outside the culture. Those within the culture do not require the analysis to navigate it; marketers, and researchers however, are often not fully immersed in the culture to which they are operating or analyzing (Flyvbjerg, 2001).

For example, Peterson discusses authenticity in Chicago Blues music scene. Tourists frequent blues clubs in the mainstream parts of town. A few tourists who consider themselves more knowledgeable about the blues venture out to the North side of Chicago. These North Side clubs are rougher and harder to find. Those who consider themselves most knowledgeable go a step further and explore the roughest clubs of Chicago's South Side. Tourists navigating this type of authentic experience also have to consider other issues, such as personal safety. However the process of participating in a South Side experience where most tourists do not go can lend the experience a greater sense of authenticity even if the music played on the North and South sides are exactly the same (2005).

Valuing CCT related research, and the accompanying methodologies, is key to any marketer seeing to deliver an experience with the potential for perceived authenticity.

### **Commercial Authenticity**

The centre of commercial authenticity is the is about one being true to oneself. American literary critic Lionel Trilling (1974) brought this phrase up as the closest he could get to a definition of authenticity. The only way to whether one is true to oneself is to know oneself in the first place. This is the message of commercial authenticity: know yourself (your product/brand).

Gilmore & Pine's (2007) work features a two by two matrix. One axis asks the question: is this product what it says it is? The second axis asks the question: is it true to itself? Something that is not what it says it is, but is true to itself is *Fake/Real*. Something that is what it says it is, but is not true to itself is *Real/Fake*. Something that clears both hurdles attains is *Real/Real*. *Fake/Fake* experiences can be lucrative; they just do not necessarily hit the mark in terms of authenticity.

An example offered of a successful *Fake/Real* is Disneyworld. Disneyworld is not, as it purports to be, a "Magic Kingdom". It is neither magical nor is it a kingdom. It is a representation of what such a place would be like should it exist. The vision is realised coherently down to the finest details (Gilmore & Pine, 2007).

### **Existential Authenticity**

Wang opens discussions of existential authenticity in a tourism context. He describes existential authenticity as been fully engaged within a tourism experience (1999). Others have described peak (Schouten, et al., 2007) or flow (Csikszentmihalyi, 1997) experiences as signals of total engagement, which can be connected to authenticity.

In pre-Socratic times, Heraclitus claimed that one could not step in the same river twice as change is constant in the natural world. The modern sensibility that rose of the science, industry and manufacturing of the industrial age sublimated that view. Progress and a single truth are the hallmark of modernist thinking. However Western philosophers of the 20<sup>th</sup> century proposed that authenticity was possible even in a postmodern context; where one's self-identity is fluid (Golomb, 1995; Steiner & Reisinger, 2006).



Kierkegaard was the first to propose that to be authentic meant to be true to oneself in a holistic sense, consistent across all facets of one's life (Golomb, 1995; Guignon, 2002). Heidegger went further and indicated that an authentic experience transcends automated responses, engaging in deliberate action consistent with being true to oneself. A specific person, at a specific moment, in a specific cultural context, with a specific set of circumstances which has led to that point is a moment of convergence, and an opportunity to cut through all the preprogrammed and automated expectations and act in a very deliberate, and therefore authentic, way (Steiner & Reisinger, 2006).

Modern Psychology takes a Heideggerian approach: authenticity is when one rises above one's training/programming/cultural norms/expected behaviour to act in manner true to oneself whether that way is what is expected or not (Guignon, 2002).

For the Heideggerian, anxiety drives one to act in a culturally predictable manner. An authentic actor cuts through; driven from a heightened awareness they take the opportunity to act deliberately in a way which connects with their inner self, and the inner and outer selves are in harmony (Ameli, 2009; Steiner & Reisinger, 2006).

An existentially authentic experience is relatively rare and therefore meaningful. It is unsurprising that tourism leads the way in some of the literature on this topic, as creating meaningful experiences is at the core of tourism (Schouten, et al., 2007; Turner, 1969).

An example of this type of authenticity is the way Nike portrays their merchandise in their *Just Do It* campaign. Physical achievements become a form of poetry; a way of interacting with oneself so authentic a level it is sublime. Nike is a vehicle; transformation is the goal. Nike sponsors athletes who they break through boundaries of society and class and are considered postmodern heroes; Nike's advertising dares customers to do the same with their products (Firat, Dholakia, & Venkatesh, 1994).

The consumer buys into the expectations Nike builds and the challenge to meet it. *Just Do It* is a command, an imperative to use the merchandise while reaching inside oneself and transcending one's own expectations and everyone else's. This is a postmodern message, implying that perception is reality. You can dictate who you are, Nike says. You can formulate your own identity through your actions. *Just do it*.

## OF WORLDVIEWS AND PARADIGMS

<b>Marketing</b>	<b>paradigms:</b>	<b>theory</b>	<b>versus</b>	<b>reality</b>
In 2004, a paper (Vargo & Lusch) proposing a uniquely marketing-based paradigm capitalized on themes emerging for the previous several decades: marketing theory and education was delivering a goods-based perspective, based on economics. This perspective more highly values empirical facts, which become difficult to quantify. It could not quantify services as well as goods, or customer experiences as accurately.				

As a result of the poor fit, marketing theory became more fragmented in the late twentieth century. Traditional marketing research models and methodologies were (and still are) the dominant view in the academy; but practitioners were dealing with a different reality. While attempting to describe what was going on in the marketplace, researchers strayed from the dominant goods-based paradigm. Service-Dominant Logic proposed that a more authentic theoretical basis for marketing: approach all products as services: some with physical goods as part of the transaction, and some without (Firat, et al., 1994; Vargo & Lusch, 2004).

Unconcerned with paradigms and worldviews, practitioners try a variety of approaches. As a result, cases emerged where some business models should not have succeeded and did. Marketing pundits would write about these cases ceaselessly, and still do. Defying the conventional wisdom, these marketers were geniuses! Radical (Hill & Rifkin, 1999)! Visionary (Godin, 2003)! Enchanting and charismatic (Kawasaki, 1991, 2011a)!

A less magical proposition was that these individuals sensed an oncoming cultural shift, developed a vision and leveraged it, applying their cultural knowledge to a business context (Firat, et al., 1994). Guy Kawasaki's described market research at Apple in the 1980s when he worked there: "Steve Jobs' left hemisphere [of his brain] connecting to his right hemisphere. That was the [Apple] focus group." (Kawasaki, 2011b). Kawasaki claims Jobs questioned the wisdom of market research in



innovation, as most people could not envision. Customers would have said they wanted bigger, cheaper machines like the ones on the market, because they could not imagine an alternative (Kawasaki, 2011b).

Steve Jobs' vision was that computers could be friendly and accessible to everyone. They would not only help users create aesthetically pleasing things, they would themselves be designed in an aesthetically pleasing way (Firat, et al., 1994). Steve Jobs had a mental model. His business model followed. His market practices followed that. And then he created a market *where no marketed had existed before*.

**Visions, realized, authentically, create markets**

The above process: mental model, business model, business practice, market creation is proposed in a reconceptual paper about market elasticity based on the paradigm of S-D Logic (Storbacka & Nenonen, 2010). The proposition in the paper is the following: there is no one market as described in economics and other empirical business literature. Markets are socio-cultural, phenomenological spaces, always in flux. Firms are actors within these networks, enrolling other actors in their vision through their power or *clout*. Navigating markets effectively requires garnering support from market actors. Some actors are staff and customers, but others are companies in the value chain, media partners, authorities in the field and so on.

By creating a market where there was none before, the visionary is *articulating* a market (Storbacka & Nenonen, 2010). Effective articulation requires a consistent vision and practice. That consistency is authenticity. Marketers should understand themselves, and, if they wish to be perceived as authentic, take deliberate action that is in keeping with their business and mental models.

Creating, maintaining and growing clout is at the heart of marketing and requires cultural skill. Markets are cultural places, with people generating and regenerating their individual and community identities through their decisions to consume, or not consume products (Storbacka & Nenonen, 2010). This makes creating clout a cultural activity, as much as, or more, than an economic one.

## CREATING AUTHENTIC MARKETERS

Economics is a science rooted firmly in a modernist perspective. The quantification of economic investigation lends itself to empirical perspectives. However, western culture moved into a postmodern era during the last century. An overreliance on empirical testing is fraught with risk for the marketer. A postmodern approach is rooted more firmly in the subjective and phenomenological nature of consumer culture of the last century (Firat, et al., 1994).

One way of understanding postmodernism is to describe what it is not. Postmodernism does not concern itself with absolute or empirical truths. Postmodernism does not contend that empirical science will deliver a more unified world. Postmodernism does not contend that there is one truth and the greatest challenge is to find it, harness it and build upon it (Firat, et al., 1994; Hiebert, 2008).

The postmodern worldview is comfortable with differing and conflicting discourses. Narrative is essential to developing and maintaining cultural, political or economic power, regardless of the material or empirical validity of the claim. In the postmodern world, cultural literacy is a key skill (Firat & Venkatesh, 2002; Godin, 2005).

In the postmodern world, sometimes the producer and consumer change places; and the consumer becomes the generator of content, discourse and cultural positioning. Ideas detach from their origins and are consumed and regenerated, out of context, transferred from one context to another by consumers about products they do not own or maybe even use. Boundaries about ownership, such as brand ownership, blur. Again, the focal power rests with those who can control the narrative and discourse (Firat & Venkatesh, 2002). Therefore, the articulation of markets is rooted firmly in the postmodern era.

Like authenticity, the discourses about postmodernity have roots in philosophical, anthropological, sociological and artistic circles (Firat, et al., 1994). These disciplines concern themselves with cultures: how they are developed, communicated, consumed and change. The cultural content of marketing curriculum varies

Conceptual thinking in marketing is often reserved for those who have done their time in empirical, quantitative analysis; it is not a beginner's game and in fact is not necessarily encouraged even at the Doctoral level, unless one is a student of Consumer Culture Theory. And yet, in the academy, conceptual papers have a disproportionately high impact in the

marketing community, and, arguably, outside the community as well (MacInnes, 2011). Recent discourses in North America indicate that greater integration of the liberal arts in business education is required to produce graduates who are more culturally literate (Colby, Ehrlich, Sullivan, & Dolle, 2011).

Marketing students, once they graduate, will be faced with the reality of learning different cultural norms. Those who have the most cultural mobility will be the most agile in the employment market. This is yet another reason why learning about culture, and learning how to learn about culture, is a particularly important skill in marketing education (Arnould & Thompson, 2005; Firat & Venkatesh, 2002).

## Conclusion

Authenticity has been an area of growing marketing interest for the last twenty years. The purpose of this paper is to consider Authenticity as a form of marketing practice instead of a marketing strategy. Authentic practice requires being knowledgeable about, partaking in, and leading cultural narratives and discourses.

The 360 Degree Authenticity Framework is an assessment tool, and a step toward a structured approach to authentic practice. Rather than take an empirical, reductionist approach, the 360 Degree Authenticity Framework is holistic, recognising that the evaluation of authenticity is one consumer's make from a holistic perspective as well.

The ideal marketer is one who has cultural literacy and mobility, an understanding narrative and discourse and one who understand the power dynamic of the customer in the postmodern, connected era of social media and globalised markets. Although there are authentic marketer in the field, and many case studies of authenticity done well, authenticity may be a happy accident, rather than a cornerstone of the marketing discipline and profession. This paper calls for recognition that authenticity is a cornerstone of authentic marketing. The ideal marketer is an authentic marketer.

## TABLES

Table 1: 360 Degree Authenticity Framework as it relates to the product experience development and delivery (Collins, et al., 2011)

Authenticity	Question
Objective	Does the product have the attribute(s) it claims to have?
Constructive	Is the product experienced within its most appropriate context?
Commercial	Is the product experience true to itself ("Keeping It Real")?
Existential	Is the product experience constructed to co-create authenticity with the consumer?

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**Session 1.5. Employee Health, Senior Center Servicescapes and Technology Acceptance**

Room: Clarendon B

Session Chair: Fiona Newton, Monash University

***Understanding the Decision-Making Processes Associated with Exercise***

Joshua Newton, Monash University

Fiona Newton, Monash University

Michael Ewing, Monash University

Leon Piterman, Monash University

Ben Smith, Monash University

Kara Gilbert, Monash University

Ajay Mahal, Monash University

***Responses to mHealth Application on Health Behavior: A Theoretical Extension of the Technology Acceptance Model***

Morikazu Hirose, Fuji University

Keiya Tabe, Waseda University

# UNDERSTANDING THE DECISION-MAKING PROCESSES ASSOCIATED WITH EXERCISE

Joshua D. Newton, Monash University, Australia  
Fiona J. Newton, Monash University, Australia  
Michael T. Ewing, Monash University, Australia  
Leon Piterman, Monash University, Australia  
Ben J. Smith, Monash University, Australia  
Kara M. Gilbert, Monash University, Australia  
Ajay Mahal, Monash University, Australia

## INTRODUCTION

Only 37% of Australians perform exercise at a level sufficient to achieve benefits to their health (Australian Institute of Health and Welfare, 2010). As a result, a substantial proportion of the Australian population is at increased risk of developing a range of physical ailments associated with low levels of exercise, including cardiovascular disease, diabetes, cancer, and osteoporosis (Warburton, Nicol, & Bredin, 2006). Particular attention has therefore been directed towards developing and evaluating campaigns aimed at increasing rates of exercise. However, these campaigns are only likely to be successful if they adequately leverage the decision-making processes that influence exercise behaviour. Thus, the aim of this study was to better understand how Australians decide whether or not to engage in exercise.

## BACKGROUND

The theory of planned behaviour (TPB; Ajzen, 1991) is one of the most widely used models of decision-making in the health literature (Painter, Borba, Hynes, Mays, & Glanz, 2008). According to the TPB, an individual's intention to take action is influenced by three factors: attitude, subjective norm, and perceived behavioural control. Attitude encapsulates an individual's evaluation of the outcomes that could arise if the behaviour were to be enacted, while subjective norm refers to perceived social support for the behaviour. Perceived behavioural control refers to an evaluation of potential barriers to action, although self-efficacy (i.e., confidence to perform the behaviour) is sometimes examined in its place (Newton, Newton, Ewing, Burney, & Hay, In Press). Intention and perceived behavioural control/self-efficacy then combine to influence behaviour.

While the TPB has good predictive utility (Armitage & Conner, 2001a), a series of extensions have nevertheless been advanced in an effort to further enhance the theory's predictive and explanatory power. One such extension is anticipated regret. Anticipated regret refers to an individual's expectation that they will feel remorseful or disappointed should they enact (or fail to enact) a given behaviour. Meta-analytic findings confirm the predictive utility of this construct, with anticipated regret explaining an additional 7% of variance in intention after accounting for the original TPB variables (Sandberg & Conner, 2008).

A second set of extensions have been proposed to improve the theory's prediction of behaviour. Two constructs, action planning and coping planning, have attracted particular attention (e.g., Araújo-Soares, McIntyre, & Sniehotta, 2009; Sniehotta, Schwarzer, Scholz, & Schüz, 2005). Action planning occurs when individuals link their behavioural intentions to situational cues by determining when and where they will enact a particular behaviour (Sniehotta et al, 2005). In contrast, coping planning refers to the strategies that individuals use to overcome potential barriers to the enactment of behaviour (Sniehotta et al., 2005). What remains unclear, however, is whether the predictive utility of these constructs vis-à-vis behaviour differs depending upon the amount of physical activity that an individual is performing. For example, an individual who is performing high levels of exercise may use different planning strategies to someone who is performing more moderate levels of exercise.

## METHODS

### Participants

Three hundred participants living in a south-eastern suburb of Melbourne were recruited by a market research firm to undertake a telephone-based survey. The demographic profile of the study participants is presented in [Table 1](#).

Table 1.  
Demographic profile of study participants.

Demographic profile	<i>n</i>	%
Age		
18-34	45	15.0
35-54	120	40.0
55+	135	45.0
Gender		
Male	120	40.0
Female	180	60.0
Physical activity		
Low	139	46.3
Moderate	88	29.3
High	52	17.3
Missing data	21	7.0

## Measures

Unless otherwise specified, all items were assessed using 5-point Likert scales ranging from 1 (strongly disagree) to 5 (strongly agree). The internal consistency of the resultant study scales are presented in Table 2. Intention was assessed using two items (e.g., I intend to exercise regularly) derived from Schüz et al. (In Press). Two-item scales adapted from Ajzen (2006) were used to measure attitude (e.g., For me, exercising regularly would be enjoyable) and subjective norm (e.g., Most people who are important to me would approve if I exercised regularly). Self-efficacy was measured using two items (e.g., If I wanted to, I am confident that I could exercise regularly) adapted from Armitage and Conner (2001b). Two-item scales based on Sniehotta et al. (2005) were used to assess action planning (e.g., I have made a detailed plan about where to exercise regularly) and coping planning (e.g., I have made a detailed plan about how to cope with possible setbacks to my exercise intentions). Finally, exercise was assessed using the International Physical Activity Questionnaire (IPAQ) – Leisure Time Physical Activity domain scale (Craig et al., 2003). Specifically, participants recorded the time and number of days each week that they walked recreationally or engaged in moderate or vigorous physical activity for recreational purposes. Participants' exercise was then classified as low, moderate, or high using the IPAQ coding scheme.

Table 2.  
Inter-correlations between, and reliability of, the study variables.

	1	2	3	4	5	6	7
1. Intention	[.89]						
2. Attitude	.59***	[.92]					
3. Subjective norm	.43***	.41***	[.74]				
4. Self-efficacy	.37***	.46***	.27***	[.81]			
5. Anticipated regret	.54***	.50***	.39***	.37***	[.76]		
6. Action planning	.60***	.46***	.27***	.36***	.52***	[.91]	
7. Coping planning	.46***	.41***	.17**	.30***	.45***	.69***	[.82]

Note: Reliabilities reported on the cross-diagonals.

\*\*  $p < .01$ ; \*\*\*  $p < .001$

## RESULTS AND DISCUSSION

Hierarchical multiple regression analysis was used to determine the predictive utility of the TPB with respect to intention (see Table 3). In Step 1, the TPB variables (attitude, subjective norm, self-efficacy) were found to explain 39% of the variance in intention. Inclusion of anticipated regret in Step 2 explained an additional 5% of variance in intention, with attitude and anticipated regret acting as the strongest predictors of intention. These results suggest that campaigns aimed at increasing an individual's exercise intentions could potentially focus on leveraging two factors: making the benefits of exercise more salient (attitude) and encouraging individuals to think about how they would feel should negative outcomes arise because they did *not* exercise (anticipated regret).



Table 3.

*Hierarchical multiple regression analysis: Intention to engage in exercise.*

Variable	B	SE B	$\beta$	Adj. $R^2$	$R^2$ change
Step 1				.39	-
Attitude	.45	.06	.45***		
Subjective norm	.31	.07	.21***		
Self-efficacy	.15	.06	.12*		
Step 2				.44	.05
Attitude	.35	.06	.35***		
Subjective norm	.23	.07	.16**		
Self-efficacy	.10	.06	.08		
Anticipated regret	.32	.06	.27***		

\*  $p < .05$ ; \*\*  $p < .01$ ; \*\*\*  $p < .001$ 

A multinomial logistic regression was then conducted to predict low, moderate, and high levels of exercise (see Table 4). Individuals who reported low levels of exercise were treated as the reference group, and intention, self-efficacy, action planning, and coping planning were used as predictors. The overall fit of the model was good ( $\chi^2 = 85.69$ ,  $df = 8$ ,  $p < .001$ ) and accounted for between 26.4% (Cox and Snell) and 30.4% (Nagelkerke) of the variance in exercise behaviour.

Table 4.

*Multinomial logistic regression analysis: Low, moderate, and high levels of exercise.*

Variable	B	SE B	95% CI for odds ratio		
			Lower	Odds ratio	Upper
Low vs. moderate exercise					
Intention	.24**	.08	1.08	1.27	1.50
Self-efficacy	.03	.08	0.88	1.03	1.21
Action planning	.09	.08	0.94	1.09	1.28
Coping planning	.18*	.08	1.02	1.20	1.41
Low vs. high exercise					
Intention	.34**	.12	1.11	1.41	1.78
Self-efficacy	.51**	.16	1.21	1.66	2.29
Action planning	.02	.10	0.84	1.02	1.24
Coping planning	.17	.10	0.97	1.19	1.44

\*  $p < .05$ ; \*\*  $p < .01$ 

Relative to low exercisers, moderate exercisers reported greater exercise intentions and were more likely to have developed a coping plan for how they would respond if barriers to exercise were encountered. Increasing exercise intentions (such as by targeting attitude and anticipated regret) and working with individuals to develop strategies for avoiding potential barriers to exercise may therefore be instrumental in helping those who have previously engaged in limited exercise to become moderate exercisers.

Somewhat different decision-making processes were identified when low exercisers were compared with high exercisers. As with moderate exercisers, high exercisers were found to have greater exercise intentions relative to low exercisers. However, self-efficacy (as opposed to coping planning) was also identified as a significant predictor of high exercisers. One explanation for this finding is that the types of physical activities enacted by high exercisers differed to those of low and moderate exercisers. Specifically, high exercisers performed significantly more vigorous physical activities than low or moderate exercisers (see Table 5). These activities, which included vigorous runs and gym workouts, typically require specialist skills, fitness, or knowledge before they can be successfully enacted. For example, undertaking a vigorous gym workout requires special knowledge of how to successfully utilise gym equipment, whereas no such knowledge requirements are necessary for walking recreationally. Individuals who do not possess these skills, fitness levels, or knowledge are therefore unlikely to have the confidence (i.e., exercise self-efficacy) necessary to adopt more vigorous exercise regimes. These findings therefore suggest that campaigns aimed at improving exercise self-efficacy may be most appropriate for low exercisers who have expressed an interest in becoming high exercisers.

Table 5.

*Intensity of exercise performed by low, moderate, and high exercisers.*

Number of exercise sessions each week spent:	Low exercisers		Moderate exercisers		High exercisers		<i>F</i>
	<i>M</i>	<i>SD</i>	<i>M</i>	<i>SD</i>	<i>M</i>	<i>SD</i>	
Walking	2.83 <sup>ab</sup>	2.06	5.53 <sup>a</sup>	1.51	5.40 <sup>b</sup>	1.46	59.26 <sup>***</sup>
Moderate intensity exercise	1.78 <sup>ab</sup>	1.28	3.20 <sup>a</sup>	2.06	3.68 <sup>b</sup>	2.11	8.11 <sup>**</sup>
Vigorous intensity exercise	1.08 <sup>abc</sup>	0.78	3.02 <sup>ab</sup>	2.04	3.73 <sup>bc</sup>	1.13	57.85 <sup>***</sup>

<sup>\*\*</sup>  $p < .01$ ; <sup>\*\*\*</sup>  $p < .001$

Note: Significant Tukey post-hoc differences were observed between groups sharing the same super-script.

In conclusion, these results are consistent with stage of change models, which suggest that individuals at different stages of motivational readiness make use of different decision-making processes (e.g., Prochaska & Velicer, 1997). Nevertheless, as with all research, these findings should be interpreted in light of the study limitations. For example, the study sample was over-represented by older segments of the population. Moreover, this study was conducted within a single suburb. Future research is therefore required to ensure that these results generalise to the broader population.

#### REFERENCES AVAILABLE UPON REQUEST

# **RESPONSES TO MHEALTH APPLICATION ON HEALTH BEHAVIOR: A THEORETICAL EXTENSION OF THE TECHNOLOGY ACCEPTANCE MODEL**

Morikazu Hirose, Tokyo Fuji University, Japan

Keiya Tabe, Waseda University, Japan

## **ABSTRACT**

The purpose of this study was to reveal the relationships between mHealth application and health behavior. The theoretical foundation drew on the Technology Acceptance Model as a core model. We extended our research model with dietary health behavior, relaxation health behavior, the subjective norm, and the ubiquity of mobile phones. A survey conducted in Japan using a professional research firm resulted in data from a sample of 696. We conducted structural equation modeling, and the results indicated that overall health behaviors are explained by the Technology Acceptance Model. In addition, the subjective norm and ubiquity of mobile phones demonstrated positive influences on overall health behaviors. In closing, theoretical and managerial implications are discussed, and limitations are identified.

## **INTRODUCTION**

Advances in information technology have enabled healthcare systems to minimize and connect measurement systems. For example, in 2006, Nike introduced the Nike+iPod sports kit, selling 450,000 kits in 3 months (Jade 2007). With this system, people can easily record their running distance, the number of steps walked, and calories burned. The data from the small motion sensor in the shoe are recorded through the receiver on the iPod. Once people start working out, the system records the data automatically. When the iPod is connected to computers, users can manage their data online and compare the results with others.

Recently, more and more information has been integrated into these types of systems. Not only motion sensors, but also heart rate monitors, blood pressure monitors, weight scales, and GPS can be wirelessly connected with personal computers and mobile devices. Through these systems, people can easily manage their health-related information. These systems help transform mundane workouts and details of daily life into scientific health experiences. As numerical feedback and online networks work as the support system, these systems provide good motivation for users in various settings.

In recent years, mobile devices—particularly smartphones—have played an important role in the health promotion industry. The smartphone application market for healthcare, called mHealth, has grown very quickly in recent years. According to Baker (2011), of the more than 400,000 applications for mobile devices, at least 10,000 were developed to help users manage diet and exercise. In addition, the market increased by a factor of seven to reach US\$718 million in 2011 (Jahns 2012). Today, this market is not only used within medical industries, but also sports industries and information technology industries. Many online service providers and sports companies have developed applications and entered the mHealth market.

This study tries to reveal mHealth behavior in Japan, which has one of the most advanced mobile markets and the largest

aging society in the world. As a result, the mHealth market has great potential in Japan. According to Seed Planning (2012), the Japanese mHealth market was estimated to be worth 27.5 hundred million yen (approximately US\$3.3 hundred million) in 2011 and 80.0 hundred million yen (approximately US\$9.6 hundred million) in 2016.

Traditionally, mHealth has been studied in medical science and technological fields. Few studies have been done in marketing and consumer behavior contexts. However, mHealth activities can be recognized as a part of social marketing for service providers and end users. Therefore, it is very important to understand how mHealth users perceive mHealth systems and how they become motivated to engage in health promotion activities.

## **THEORETICAL FRAMEWORK AND HYPOTHESES**

### **Technology Acceptance Model**

As mHealth is an emerging area and prior studies are limited, an interdisciplinary approach is appropriate. In this study, the Technology Acceptance Model (TAM) is used as a core model to explain mHealth behavior. TAM is particularly intended to explain the process of a person's adoption of new information products, especially computer usage behavior (Davis, Bagozzi, and Warshaw 1989). TAM assumes that four variables—perceived ease of use, perceived usefulness, attitude toward the usage, and intention to use—are fundamental factors in explaining consumers' system acceptance. Because many mHealth applications include emotional communication as well as functional features, Rhodes and Courneya (2003) separated attitude into two dimensions—hedonic attitude and utilitarian attitude—to explain the health behavior context. Therefore, we decided to apply this framework to our research model. As TAM is used to provide an efficient explanation of health information technology, many studies on healthcare have adopted it (e.g., Hu and Chau 1999; Chau and Hu 2001; Chismar and Wiley-Patton 2002; Han 2005). In previous research, almost all casual relationships were supported by TAM. Formally, our hypotheses are as follows:

- H1: Ease of use has a positive effect on attitude toward mHealth application.
- H2: Effectiveness has a positive effect on attitude toward mHealth application.
- H3: Ease of use has a positive effect on effectiveness.
- H4: Attitude toward mHealth application has a positive effect on intention to exercise.

### **Health Behavior**

The major intention derived from the attitude toward mHealth application is physical exercise; however, this is not the only health-related behavior (Harris and Guten 1979; Jayanti and Burns 1998). For example, Harris and Guten (1979) conducted an exploratory factor analysis and found 15 behavioral categories. The most important element for protecting health was related to nutrition and foods, followed by relaxation and exercise. While these components are different, they are closely related to each other in the health context (Harris and Guten 1979). Therefore, this study decided to include dietary and relaxation as health behavior. The main purpose of a mHealth system is to promote exercise by recording related data.

However, because of its abstract nature (ex. Ajzen 1985; Ajzen 1991), a favorable attitude toward recording physical data may influence other health-related behaviors. At the same time, people motivated to exercise often begin to focus on their dietary habits and relaxation, because one's health cannot be promoted if he or she persists only in exercise. Therefore we hypothesized the following:

H5a: Intention to exercise has a positive effect on dietary health behavior.

H5b: Intention to exercise has a positive effect on relaxation health behavior.

H6a: Attitude toward mHealth applications has a positive effect on dietary health behavior.

H6b: Attitude toward mHealth applications has a positive effect on relaxation health behavior.

### **Subjective Norm**

Prior research has suggested that social norms play an important role in health promotion (Rains and Young 2009; Owen 2010). The term subjective norm refers to the perceived social pressure to perform or not perform the behavior (Ajzen 1985; Ajzen 1991). In the models explaining goal-oriented behaviors (e.g., Theory of Reasoned Action; Theory of Planned Behavior), subjective norm works as a powerful antecedent to intention. From a healthcare point of view, prior research suggests that individuals' motivations to improve their health are strongly affected by the people surrounding them (e.g., Rains and Young 2009; Owen 2010). Therefore, we hypothesized the following:

H7: Subjective norms have a positive effect on intention to exercise.

H8a: Subjective norms have a positive effect on dietary behavior.

H8b: Subjective norms have a positive effect on relaxation behavior.

### **Perceived Ubiquity**

One of the most unique features of mHealth is time and space flexibility, distinguishing mobile information technology from that of personal computers (e.g., Balasubraman, Peterson, and Jarvenpaa 2002; Watson, Pitt, Berthon, and Zinkhan 2002). The mHealth applications enable users to monitor their conditions anytime, anywhere. This characteristic is conceptualized as ubiquity. In mobile advertising research, Okazaki, Li, and Hirose (2009) operationalized perceived ubiquity as a function of time flexibility and spatial flexibility. These flexibilities have been confirmed to provide benefits to mobile users. It is reasonable to assume that perceived ubiquity has positive effects on mHealth apps. Therefore we proposed the following hypotheses:

H9: Ubiquity has a positive effect on ease of use.

H10: Ubiquity has a positive effect on effectiveness.

Figure 1 shows the research model proposed in this study.

## METHODOLOGY

An instrument was developed to measure each of the variables described in the preceding section. All scales were adapted from prior studies using 7-point scales. In the core model, ease of use (i.e., *I would find this mHealth application easy to use*) and benefit (i.e., *I would find this mHealth application useful*) were gathered from Davis, et al. (1989). The attitude toward mobile application (i.e., *beneficial/harmful*), subjective norms (i.e., *most people in my social network want me to exercise regularly in the next two weeks*), and intention to exercise (i.e., *in the next two weeks, my goal is to exercise*) were measured using the scales developed by Rhodes and Courneya (2003). The perceived ubiquity measurement (i.e., *using mHealth application is an efficient way to manage my time*) was taken from Okazaki et al. (2009). As extended variables for health behavior, dietary practices (i.e., *eat a well-balanced diet*) and relaxation measurements (i.e., *reduce stress and anxiety*) were taken from Jayanti and Burns (1998). These scales were translated into Japanese and back-translated to ensure consistency and accuracy of meaning.

To investigate how a particular mHealth application affects one's healthcare activity, a scenario method was employed. Situational scenarios were prepared in which the respondents were introduced to a fictitious mHealth application and asked to imagine their daily usage. Using the application, users can monitor their own healthcare information and share their information with social network systems, which seems to help maintain their motivations.

To verify the reliability and validity of items, the questionnaire was pretested with 171 college students. We conducted an exploratory factor analysis with varimax rotation. We referred to the results to reconsider the wording and reliability of the question items.

Survey data were collected in Japan. An online survey was conducted by a professional research firm, which recruited respondents from its consumer panel. A total of 1,000 respondents who had monitored their healthcare information in some way were recruited. We used the data from those who had used some kind of healthcare system in the past six months. As a result, 696 respondents (51.1% male and 48.9% female) remained for analysis; their average age was 40.5 years.

## RESULTS

To test the model, a two-step approach presented by Anderson and Gerbing (1988) was used. First, we conducted a confirmatory factor analysis (CFA), which was composed of 10 latent constructs and a total of 30 variables. The maximum likelihood method was used with Amos 19.0 (Byrne 2010). Following the recommendations of Bagozzi and Yi (2012), we used multiple indices to assess the fit of the model. The CFA produced the following results:  $\chi^2_{360} = 1302.911$ , CFI = 0.94, TLI = 0.93, and RMSEA = 0.061. All of the indices except the  $\chi^2$  statistic fell within an acceptable range. However, the literature has suggested that the index tends to be substantial against a larger sample size (Byrne 2010). Thus, the measurement model was deemed acceptable.

Next, Cronbach's alpha ( $\alpha$ ), composite reliability (CR), and average variance extracted (AVE) were calculated to determine the level of reliability and internal consistency. All scores except CR for intention (0.69), subjective norms (0.66), and relaxation (0.65) exceeded the recommended minimum level (Hair, Black, Babin, and Anderson 2010) (see [Table 1](#)). However,  $\alpha$  and AVE for each construct (intention, subjective norms, and relaxation) fell within an acceptable range. Based on the overall statistics, we decided to accept the CFA model.

Given the results of the CFA model, structural equation modeling was conducted to estimate the hypothesized relationships using AMOS 19.0 with the maximum likelihood method. The fit indices of our model were acceptable, again except for the  $\chi^2$  statistic ( $\chi^2_{388} = 1519.586$ , CFI = 0.93, TLI = 0.93, and RMSEA = 0.065). [Figure 2](#) shows the model estimation results.

First, the model explains the healthcare activity with the technology acceptance model. There is a strong positive relationship between benefit and the attitude toward mHealth applications. In addition, ease of use also has a positive effect on the attitude toward mHealth applications. Ease of use also indirectly affects the attitude toward mHealth applications via benefits. The path from the attitude toward mHealth application to the intention to exercise also showed a positive relationship. Thus, H1 to H4 were supported.

Second, other aspects of healthcare-related activities—namely, dietary and relaxation behavior—were found to be related with the attitude toward mHealth applications and the intention to exercise. Indeed, both the attitude toward mHealth applications and the intention to exercise have positive significant relationships to dietary and relaxation concerns. Therefore, H5a, H5b, H6a, and H6b were supported.

Third, the results indicate that subjective norms also explain the intention to exercise, dietary behavior, and relaxation behavior. The path from subjective norms to the intention to exercise has a significant relationship as well. The relationship from subjective norms to dietary behavior was positively statistically significant. Furthermore, the path from subjective norms to dietary concern was also statistically significant. Thus, H7, H8a, and H8b were supported.

Finally, the relationships from perceived ubiquity to the antecedent factors of the technology acceptance model were positively statistically significant. The path from perceived ubiquity to ease of use indicated a moderately positive relationship, while there was also a positive relationship between perceived ubiquity and benefit. Therefore, H9 and H10 were supported. Given these results, all of the hypothesized paths received empirical support from our data.

## CONCLUSION AND DISCUSSION

The current study contributes to existing research on health behavior by providing insights into the factors associated with health promotion activity. The results of this study will provide some theoretical and practical implications on the data and future research.

First, the relationships between the perception of mHealth and one's exercise behavior were explained using the technology acceptance model. Because our study sheds light not on the medical systems for patients, but on the mHealth applications for people in general, the results extend previous research in the medical area.

Second, we found that healthcare behavior was multi-dimensional rather than uni-dimensional. These two different aspects of health behavior, dietary and relaxation aspects, were significantly related to the intention to exercise and the attitude toward mHealth application. These results indicated that health behavior should be a combination of different activities (Harris and Guten 1979; Jayanti and Burns 1998).

Third, subjective norms suggested positive effects on the intention to exercise and dietary- and relaxation-related health behaviors. These results are consistent with prior studies in healthcare, suggesting the important role of social supports (Rains and Young 2009; Owen 2010).

Finally, the perceived ubiquity indicated positive relationships with both ease of use and benefits. In particular, it was a strong antecedent to ease of use. This relationship was consistent with the conceptualization of mobile marketing, suggesting that perceived ubiquity is a key element in mobile marketing.

In practice, our results make some valuable contributions. First, the results indicate that, to increase healthcare motivation, mHealth applications should be easily used and perceived as effective tools for health promotion. Users may hesitate to use mHealth applications they perceive to be difficult to use. This framework provides a more holistic viewpoint of mHealth business. To enhance ease of use, for example, mHealth applications should be ready to use, providing a simple mode even if it can be extended with different features. Once users start mHealth applications and grow accustomed to them, they will upgrade the systems themselves. On the other hand, effectiveness may promote calorie consumption. Provision of numerical feedback with easy charts and graphs seems to offer effective motivations.

Second, our results highlight the importance of social norms. As users' health-related behavior is reinforced by the people surrounding them, service providers should consider the importance of adding social networking services to mHealth applications.

Finally, our results reveal the important role of perceived ubiquity in mHealth behavior. As ubiquity is a perceptual notion and consists of time and spatial flexibility, service providers should pay attention to user interfaces as well as the online or wireless communication environment.

There also remains ample opportunity for further study. This research model has been tested within very limited situations. As previously mentioned, the scenario method may have some bias. To better understand mHealth applications, further research should be conducted to test this model in different situations, such as within other functions or on different occasions.

**TABLE**

Table 1 Reliability and Validity

Constructs	number of scale items	$\alpha$	CR	AVE
Ease of Use	3	0.88	0.74	0.71
Benefit	4	0.95	0.83	0.82
Attitude U	3	0.91	0.80	0.77
Attitude H	2	0.95	0.90	0.90
Intention	3	0.84	0.69	0.65
Time	3	0.86	0.71	0.67
Space	3	0.83	0.71	0.67
Subjective Norms	2	0.75	0.66	0.60
Health Behavior D	3	0.92	0.77	0.75
Health Behavior R	4	0.80	0.65	0.59

U = Utilitarian, H = Hedonic, D = Dietary, R = Relaxation



## FIGURES

Figure 1 Research Model and Hypotheses

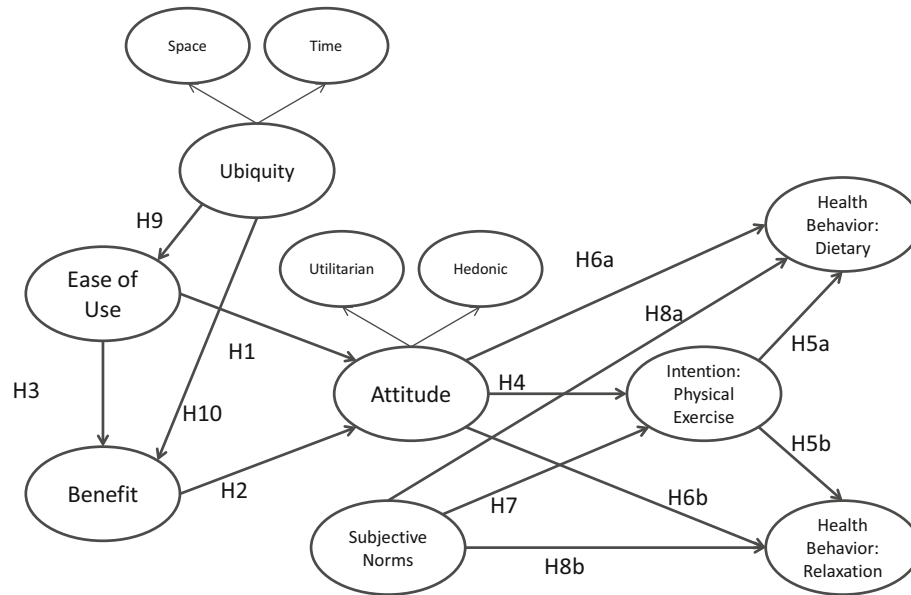
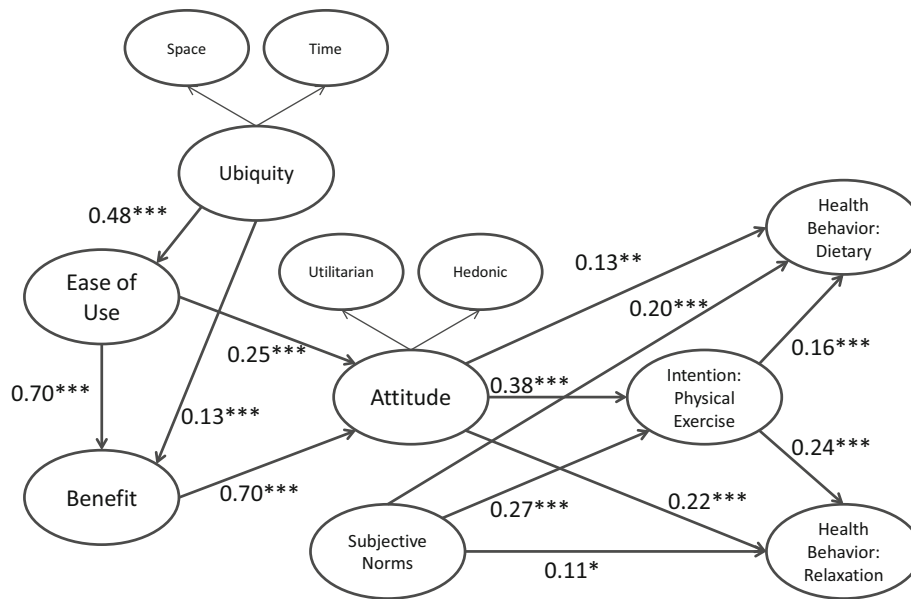


Figure 2 Model Results



\*\*\* = significant at 0.1%, \*\* = significant at 1%, \* = significant at 5%

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**Session 1.6. Consumer Behavior: Food Issues**

Room: Clarendon C

Session Chair: Harmen Oppewal, Monash University

***An Exploratory Analysis of Snack Food Purchasing Behavior in New Zealand***

Eldrede Kahiya, Christchurch Polytechnic Institute of Technology

Sharon Forbes, Lincoln University

Chloe Balderstone, Lincoln University

***The Influence of Personal Values and Pet Attachment on Owners' Pet Products Purchase Behavior***

Annie Chen, University of Westminster

Norman Peng, University of Westminster

Kuang-Peng Hung, Ming Chuan University

***Bundled Presentation, Susceptibility to Influence and Calorie Estimation: A Structured Abstract***

Judy Harris, Towson University

***If Only...? A Study on the Effects of Purchase Regret***

Kristy Mcmanus, University of Wisconsin-La Crosse

Piyush Kumar, University of Georgia

# AN EXPLORATORY ANALYSIS OF SNACK FOOD PURCHASING BEHAVIOUR IN NEW ZEALAND

Eldrede T. Kahiya, Christchurch Polytechnic Institute of Technology, New Zealand  
Sharon Forbes, Lincoln University, New Zealand  
Chloe Balderstone, Lincoln University, New Zealand

## ABSTRACT

This exploratory paper examines the factors underlying snack food purchasing. We develop exploratory research questions to examine the attributes consumers evaluate, the importance of various product claims, labels and nutritional information, for snack food purchasers. Empirical data are based on a sample of 118 New Zealand consumers drawn from a large metropolitan area using an intercept technique. Results show that consumers frequently evaluate snacks on the basis of price and taste while according the highest level of importance to cruelty free and recyclability claims. Also roughly half of the consumers read labels and amongst those that do, total fat and sugar are the two most important nutritional factors. A subsequent chi-square analysis highlights the moderating role of demographic descriptors such as age, income level, education level and gender. This exploratory paper carries fundamental implications for both snack food marketers and public health officials. We propose the need for snack food marketers and public health officials to carefully consider gender, generational and education-level differences for purposes of segmentation and targeting and also for developing public awareness campaigns.

## INTRODUCTION

The global snack market is projected to reach US\$250 billion in 2017 (Euromonitor, 2012). For consumers snack food products offer a quick and convenient meal on the go or meal substitute vital to sustain busy lifestyles. For snack food marketers this segment promises substantial growth prospects with respect to both developed countries and emerging nations (Euromonitor, 2012). Indeed, Piernas and Popkin (2009, 2010) have observed that snacking behaviour has been on the increase among US adults and teens. Thus while the importance of the snack food segment is self-evident, most of the publicly available information about this segment derives from the medical sciences. There is an ever expanding stream of research (e.g. Bell, Kremer, & Magarey, 2005; Brennan, 2005; Houston, Nicklas, & Zizza, 2009; Zizza, Siega-Riz & Popkin 2001) linking snack consumption to specific health issues particularly, obesity, diabetes and cardiac related risks. Conversely there is a narrow stream of research addressing the antecedents or factors explaining snack food purchasing behaviour (Hawkes, 2010; Inch & Florek, 2009). There is a basis to suggest that most research in this area is not published since it is funded by snack food manufacturers most of whom retain a proprietary interest over the findings of the research. This exploratory study fills this gap by focusing on the factors that explain snack food purchasing behaviour.

## Background

To date, there is no universal definition for 'snack foods' and the distinction between snacks and meals is often blurred. Previous research has defined the term snacking as "an intake of food over a fifteen minute period and excluding food defined as a snack but eaten as a meal" (Piernas & Popkin, 2009, p. 325). Others have noted that, relative to meals, snacks are smaller and less structured eating episodes (Gatenby, 1997). Snacking has alternatively been defined as the consumption of food between the traditional three meals a day (Chaplin & Smith, 2011; Ovaskainen et al., 2006; Savage, MacFarlane, Ball, Worsley & Crawford, 2007). In Scotland, Macdiarmid, Loe, Craig, Massin, Holmes & McNeill (2009) carried out a study on the snacking patterns of school-aged children. In their study, a snack was defined as an eating event containing only non-core foods or drinks. The classification of core and non-core food items was based on the healthy food guide pyramid used to determine a healthy diet in many countries. For the purpose of this study, snacking was defined as the consumption of food between the traditional three meals a day.

## LITERATURE AND EXPLORATORY RESEARCH QUESTIONS

There are numerous intrinsic and extrinsic characteristics which may be evaluated by consumers when making snack food purchasing decisions. Intrinsic factors include taste or flavour, texture, energy and satiety, whilst extrinsic factors are aspects such as advertising or promotions, price, brand name and product packaging. For instance, a number of authors have suggested that taste or flavour is the most important factor evaluated by consumers when making snack food decisions (Babic, Cross & Cushman, 1994; Glanz, Basil, Maibach, Goldberg & Snyder, 1998; Zbib et al., 2010). Other studies have examined the role of price in the valuation of snack food items (French et al., 2001; Mace 2012; Salvy, Kluczynski, Nitecki & O'Connor, 2012). Of particular note are Mace's (2012) findings that 26% of Australians indicated that price was their

biggest influencer when making food and beverage purchase decisions. Beyond taste and price other attributes consumers evaluate include level of satiety (or feeling of being full) a product's country of origin and convenience (Bilman, van Trijp & Renes, 2010; McGill & Appleton 2009).

It is clear from the literature, that some previous work has sought to analyse the importance of the various intrinsic or extrinsic attributes that are evaluated by consumers when purchasing a snack food product. This study seeks to extend current knowledge by identifying which, of a comprehensive list of attributes, are evaluated by snack food consumers. The first exploratory question is thus:

*EQ1. Which attributes are evaluated by consumers when they are purchasing a snack food product?*

Today many individuals are concerned about the food they consume and the impact it has on their own health as well as on the health of animals and the environment. This trend has led to the increased use of claims on food products, such as biodegradable or recyclable packaging, cruelty-free, fair trade, GE free, organic and sustainable or 'green'. There is increasing demand for products that are safe, fresh and natural, such as those produced without the use of synthetic fertilisers or pesticides (Falguera, Aliguer & Falguera, 2012). Consumers are also demanding sustainable practices throughout the supply chain in order to protect the environment for future generations (Lowe, Phillipson & Lee, 2008). Sustainable and organic certifications are emerging more and more in the food industry as consumers are aware of the impacts and consequences of modern food production. The trends reported above have led to another exploratory research question:

*EQ2. Are biodegradable or recyclable packaging, cruelty-free, fair trade, GE free, organic, and sustainable or 'green' claims on snack food products important to consumers?*

There are many features on food labelling which can assist a consumer in their decision making, including the best before date, country of origin, dietary requirements, manufacturer/brand, nutritional information, preparation time and recipe ideas or serving suggestions. There is an emerging stream of research examining which of these types of information on snack food product labelling is actually read by consumers when they are making a purchase decision. For instance, regarding nutrition information on food labelling, Campos, Doxey and Hammond (2011) found that such labelling is perceived to be an extremely credible source of information and is used by many consumers to guide their selection of food products. Moreover, Campos, Doxey and Hammond, (2011) and Hess, Visschers and Siegrist, (2011) both reported that an interest in health and healthy eating are the central elements which influence whether consumers read food labels. Despite the fact that nutritional labels have been proposed to lead to healthy snacking behaviour, Norgaard and Brunso (2009) reported that parents find nutritional information on labels to be too technical and complicated to understand. Thus this study will seek to examine this with the following exploratory questions:

*EQ3a. Do consumers read the labels on snack food products prior to purchase?*

*EQ3b. Which type of information on snack food labelling is read by consumers?*

Nutrition is important to maintain a healthy life. Babicz, Cross and Cushman (1994) reported that health/nutrition was rated as the second highest attribute after taste/flavour by consumers making a snack food purchase. This is an important finding and provides support for the growing health food trend. However the study did not evaluate which aspects of nutrition consumers believed were important when making a snack food purchase. Factors such as protein, fat, fibre, carbohydrate, sugar and sodium are key nutritional characteristics, but little prior research has examined which of these are important to consumers when purchasing snack foods. Establishing which specific nutritional characteristics are deemed to be important to consumers will provide guidance to food manufacturers, marketers and nutritionists.

*EQ4. Which nutritional factors are considered to be important to consumers when they are purchasing a snack food product?*

## RESEARCH METHODS

This exploratory study collected quantitative data from individual respondents using an intercept interview technique. The questionnaire developed for this study was refined following a pilot-test which took place in a supermarket using the same face-to-face interview technique as that which was to be employed in the final data collection phase. Minor wording changes and additional choice categories were made to the questionnaire as a result of the pilot-test. The final questionnaire consisted of a variety of open and closed question formats, including dichotomous and checklist questions and Likert-scaled items. A copy of the questionnaire used in this study is available on request.

Respondents were approached by the interviewer inside supermarket stores in the New Zealand city of Christchurch. The supermarkets were chosen to represent both urban and suburban areas of varying socio-economic levels. The interviews were conducted inside supermarkets at various times of the day and various days of the week, over a seven-day period. To preempt interviewer bias, the interviews were conducted by a single interviewer. A total of 155 shoppers were approached; 118 respondents agreed to be interviewed resulting in a response rate of 76%. Table 1 gives an overview of the respondents constituting our sample.

However, our methodology exposed our study to bias associated with the inter supermarket and inter region differences. To check for the existence of any such biases, we conducted univariate one way *Anova* tests to establish the extent of intergroup differences among the individual areas stores (8) of Christchurch and between the two supermarket chains where interviews took place. In all instances the *Anova* tests showed low and non-statistically significant *f* values suggesting that these underlying differences did not impact the reliability of our dataset. Hypothesis testing was conducted in two steps. Firstly, we conducted descriptive analysis focusing on percentage frequencies. Results of the descriptive statistics are presented in the form of bar graphs in Appendix A. Secondly, we conducted a *Chi-square* ( $\chi^2$ ) test to establish whether the reported frequencies were independent of the demographic descriptors used in this study, namely age, gender, income level and level of education. The *Chi-square* test was deemed adequate in an exploratory setting (Lind, Marchal & Mason, 2002).

## RESULTS AND DISCUSSION

*EQ1* sought to establish which attributes consumers evaluated when purchasing snack food products. Figure 1 shows that ‘taste’, ‘price’, ‘convenience’ and ‘brand’ are the four most frequently evaluated attributes when purchasing a snack food product. Chi-square and cross tabulation analysis indicates that the evaluation of ‘price’ and ‘brand’ when purchasing a snack food product is independent of the consumers’ gender, income and education level. However, there is a statistically significant relationship ( $\chi^2 = 24.056$ ; *p* value = .013) between the evaluation of ‘convenience’ and the consumers’ age. Younger consumers (25 and below) evaluate ‘convenience’ with higher frequency than older consumers (46 and above). Further, of the 30 customers aged between 26 and 45, only two evaluated convenience. Additionally, there is a statistically significant relationship ( $\chi^2 = 9.069$ ; *p* value = .028) between the evaluation of ‘taste’ and the consumers’ level of education with moderately educated consumers (trade/tech and undergrad) evaluating ‘taste’ more than those with high school or postgraduate education.

As illustrated in Figure 1, consumers frequently evaluated the ‘taste’ and ‘price’ attributes when purchasing snack food products. Our results are consistent with (Babicz, Cross & Cushman, 1994; Glanz, Basil, Maibach, Goldberg & Snyder, 1998; Zbib et al., 2010) who suggested that ‘taste’ is the foremost attribute consumers evaluate when purchasing a snack food item. Regarding ‘price’ our results corroborate a recent study by Mace (2012) which indicated the significant influence of price when making snack food purchases. Thus our results suggest both intrinsic (e.g. taste or flavour) and extrinsic (e.g. price) attributes factor into the consumer’s decision making when purchasing snack food items. Our results also suggest a relationship between these variables and specific demographics. For instance, young consumers tended to evaluate ‘convenience’ more than the older and middle-aged consumers. This may be because young consumers are increasingly being socialised to appreciate not only the core product/service being purchased but also the total offering including the augmented product and its benefits. In this regard our results suggest the intangible aspects of a product/service purchase are relevant in the decision making process for snack food products. Further, moderately educated consumers tended to evaluate ‘taste’ more frequently than their less (or more) educated counterparts. Our results suggest that while palatability is the most frequently evaluated attribute it may embody different meanings for different demographic groups.

*EQ2* sought to determine the importance consumers attach to claims on snack food products. Figure 2 shows that ‘recyclable or biodegradable packaging’, ‘cruelty free’, ‘fair trade’ and ‘sustainable’ are the four most important claims for consumers of snack products. Chi-square and cross tabulation results show that ‘sustainable’ is independent of age, gender, level of education and income. The importance of ‘recyclable or biodegradable packaging’ is also independent of age, gender, income and level of education. However there is a statistically significant relationship ( $\chi^2 = 68.641$ ; *p* value = .010) between age and ‘cruelty free’ with younger (25 or less) and older consumers (55 and above) showing greater concern about this aspect compared to those in the middle of these age brackets. Our results also signify a statistically significant relationship ( $\chi^2 = 23.306$ ; *p* value = .025) between level of education and ‘fair trade’. As a general observation those with a high school or undergraduate education are more likely to hold neutral views compared to those with trade/tech or post graduate qualifications.

Snack food consumers consider ‘cruelty free’ to be the most important claim, as illustrated in Figure 2. The use of ‘recyclable or biodegradable packaging’ was also another important claim for snack food purchasers. While snack food



producers typically focus on the role of packaging (e.g. storage, display, convenience) our results show that snack food purchasers are concerned (post-purchase) about the environmental impact of packaging. Indeed, at least 20% of the snack food consumers attached importance to all the major claims including, 'fair trade', 'GE free', 'organic' and 'sustainable'. In this regard our results are consistent with Falguera, Aliguer and Falguera (2012) and Lowe, Phillipson and Lee, (2008) who highlight that consumers are increasingly sensitive to a wide range of environmental and sustainability concerns. Moreover, the importance of 'cruelty free' was related to age with younger and older consumers considering this aspect more influential, than their middle-aged counterparts. Furthermore, a relationship was also noted between fair trade and education suggesting that consumers with postgraduate or trade/tech education hold stronger views (i.e not important/extremely important) than those with a high school or undergraduate qualification.

*EQ3a* determined whether consumers read labels when purchasing snack food products. Frequencies show that 55% of consumers read labels while the remainder do not bother. Chi-square and cross tabulation results show that the inclination to read or ignore a label is independent of age, income and level of education. However, there is a statistically significant relationship ( $\chi^2 = 11.134$ ; p value = .001) between the inclination to read a label and gender. Directionality shows that more women are likely to read labels than men. Further, *EQ3b* sought to establish the individual aspects on the snack food product's labelling consumers read. [Figure 3](#) shows that 'nutrition' is the most frequently read aspect followed by the 'best before' date, 'country of origin' and 'diet'. Chi square and cross tabulation results show that there is a statistically significant relationship between gender and the likelihood to read 'best before' date ( $\chi^2 = 4.393$ ; p value = .036) and also between gender and 'nutrition' information ( $\chi^2 = 5.001$ ; p value = .025). As a general observation, women appear to read the 'best before' and 'nutrition' details more frequently than men. Furthermore, there is a statistically significant relationship ( $\chi^2 = 10.185$ ; p value = .017) between level of education and nutrition with the highly educated consumers (postgrad qualification) showing a greater predisposition to read 'nutrition' than those holding lower qualifications. Finally a statistically significant relationship ( $\chi^2 = 22.006$ ; p value = .015) was also noted between income level and the tendency to read 'best before' date. Of the 55 customers earning upwards of \$70,000, only 12 (or 21.8%) read 'best before'. Thus lower income earners are more predisposed towards reading 'best before' than their counterparts earning higher income.

The majority (55%) of snack food consumers read labels when purchasing a snack food item. While Norgaard and Brunso (2009) reported that parents routinely overlook labels because they consider them to be too technical, our results show women have a higher predisposition to read labels than men. Among the specific aspects displayed on a label, consumers frequently focus on 'nutritional information' and 'best before'. Regarding 'nutritional information' our results are consistent with Campos, Doxey and Hammond, (2011) and Hess, Visschers and Siegrist, (2011) who argued that the propensity to read labels is motivated by a desire to make informed choices regarding health and nutrition. The reason why consumers focused on the 'best before' date may pertain to the relationship between taste and freshness. Given the importance of 'taste' to snack food consumers, the 'best before' date may be used as a signal to indicate freshness or consistency of the taste. Additionally, women and consumers with a higher level of education were more inclined to read 'nutritional information'. Regarding level of education, the tendency to read 'nutritional information' may ensue from the fact that the more educated consumers probably find it easier to comprehend such information. This corroborates Norgaard and Brunso (2009) who suggested the existence of a relationship between ability to comprehend technical nutritional information and the tendency to read such information.

*EQ4* examined the importance of the actual nutritional factors when purchasing a snack food product. [Figure 4](#) shows that 'sugar', 'total fat', 'sodium' and 'calories' are the four most important nutritional factors when purchasing a snack food product. Conversely less than 20% of the consumers considered nutritional factors such as 'carbohydrates', 'GI', 'gluten', 'MSG', 'protein' and 'vitamins' to be important when they were purchasing a snack food product. Chi-square and cross tabulation results indicate that the importance of 'sugar' and 'calories' as nutritional factors is independent of gender, age, income and level of education. However, there is a statistically significant relationship ( $\chi^2 = 22.372$ ; p value = .022) between the importance of 'total fat' and the consumer's age. Specifically, results show that younger (less than 35 years old) and older consumers (more than 50 years old) attach more importance to 'total fat' than their middle-aged counterparts. Additionally, a statistically significant relationship ( $\chi^2 = 4.124$ ; p value = .042) was also noted between gender and 'sodium', with women showing a greater tendency to accord importance to 'sodium' than men.

As illustrated in [Figure 4](#), the most important nutritional factor when purchasing a snack food product is 'sugar' followed by 'total fat'. The importance of 'sugar' and 'total fat' coincides with the increased spotlight these factors have been receiving due to the associated health risks. Thus our results support Babicz, Cross and Crushman (1994) who indicate that nutritional factors are an important influence for snack food purchases. While the importance of 'sugar' is independent of the major demographics, there is a statistically significant relationship between the importance of 'total fat' and the consumer's age. As

a general observation younger (35 years or less) and mature consumers (50 years or more) attach more importance to 'total fat' than their middle aged counterparts. Regarding younger consumers, the reason for this may emanate from the perceived negative effects that the intake of snacks with high levels of 'total fat' may have on body image. Conversely, for mature consumers the reason for this may ensue from the realisation of how slowing metabolism may make it harder to manage body weight when snack food items with high 'total fat' are consumed.

## CONCLUSIONS

This exploratory study has examined the various factors that influence the purchasing and consumption of snack food items. Research on snack foods has traditionally been conducted by scholars from the health sciences for purposes of understanding the health implications of snack food consumption. Major snack food manufacturers and marketers also conduct research in this area for purposes of developing appropriate market-mix and positioning strategy. What has often been overlooked are the specific personal, social and psychological factors associated with snack food purchase and consumption. Thus our study joins a narrow but growing stream of consumer-centred research which purposely focuses on purchase behaviour. In this regard our research offers unique perspectives that can be used to query the marketing practices of major consumer food brands as well as offering insights to policy makers on health and nutrition.

Specifically, this study suggests that marketplace behaviour is connected to underlying gender, education level and generational differences. For instance gender-based differences are related to the likelihood of reading labels, including specific aspects such as 'best before' date, nutrition and levels of sodium contained in a snack food product. Further, evaluation of 'taste', concern over 'fair trade' and the importance attached to nutrition are dependent on the consumer's level of education. Finally, evaluation of 'convenience', concern over 'cruelty free' and the importance accorded to 'total fat' are dependent on the generational differences associated with age. An interesting aspect in this area is that *Baby Boomers* and *Generation Ys* tend to hold similar views on issues such as 'cruelty free' and 'total fat'. This can probably be explained in the context of consumer socialisation of children in that, in an intergenerational scenario, *Baby Boomers* are parents to *Gen Ys* whose views and marketplace behaviour they may also have influenced from an early age.

For the snack food industry and public health officials there are several fundamental observations and conclusions. For instance gender, age and education level can be used as a sound basis for market segmentation. For instance a highly educated female *Baby Boomer* is likely to read the labels, paying particular attention to 'nutrition', 'best before', 'sodium' and 'total fat'. She is also likely to hold strong views around issues such as 'cruelty free' and 'fair trade'. Conversely, a moderately educated *Generation X* man is not likely to read labels and pay particular attention to nutrition and its specific facets such as 'sodium' and 'total fat'. He is likely to go for 'taste' while holding neutral views about issues such as 'cruelty free' and 'fair trade'. These segment profiles suggest sex-role stereotypes, generational, and education level differences have to be taken into account in attempting to understand marketplace behaviour in the snack food segment. For instance men are generally less predisposed towards reading labels probably because of the ego-defensive behaviour consistent with sex-role stereotypes. Moreover, the tendency to read labels is also influenced by education level. There is a need to make labels less technical to allow consumers of all education levels to be able to read and comprehend the vital information such labels carry. Additionally, there is a need for the health industry to shine the spotlight on other nutritional factors such as GI, gluten and MSG so that consumers can make better purchase decisions instead of focusing on fat and sugar. From a 'societal marketing concept' perspective, it is also encouraging to note that consumers attach high level of importance to all the major food claims including, 'recyclable', 'cruelty free', 'fair trade', 'GE free', 'organic' and 'sustainable'. The explanation for this probably lies in New Zealand's general commitment to the 'clean and green' image. Thus nation-level socialisation processes can explain the attitude or importance consumers attach to the afore-mentioned aspects.

As is the case with most exploratory research studies, our results and conclusions should be interpreted with caution. Further, attempts to apply these findings beyond this study should be done with utmost care. Our study used a relatively small sample (n=118). Further the subsequent analysis used a univariate approach which lacks the robustness of the more rigorous multivariate techniques. Thus while we show relationships between some variables we cannot go as far as making valid causal inference. Therefore future research can focus on testing our exploratory questions using larger and more diverse samples from within and outside New Zealand. Robust analytical techniques will also be fundamental in enhancing the reliability and validity of such studies.

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**Table 1: Respondent profile**

Gender			Education		
	Male	35%		High school	35%
	Female	65%		Trade/tech	26%
Age				Undergraduate	28%
				Postgraduate	11%
	20 or younger	10%	Household Income		
	21-40 years	32%		Low	23%
	41-60 years	35%		Medium	29%
	61 or older	23%		High	48%

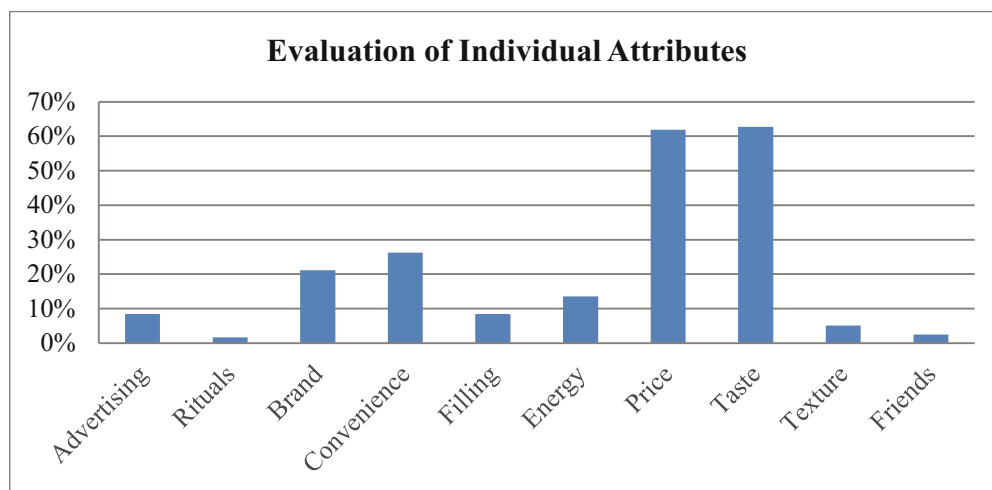


Figure 1: Evaluation of attributes when purchasing a snack food product

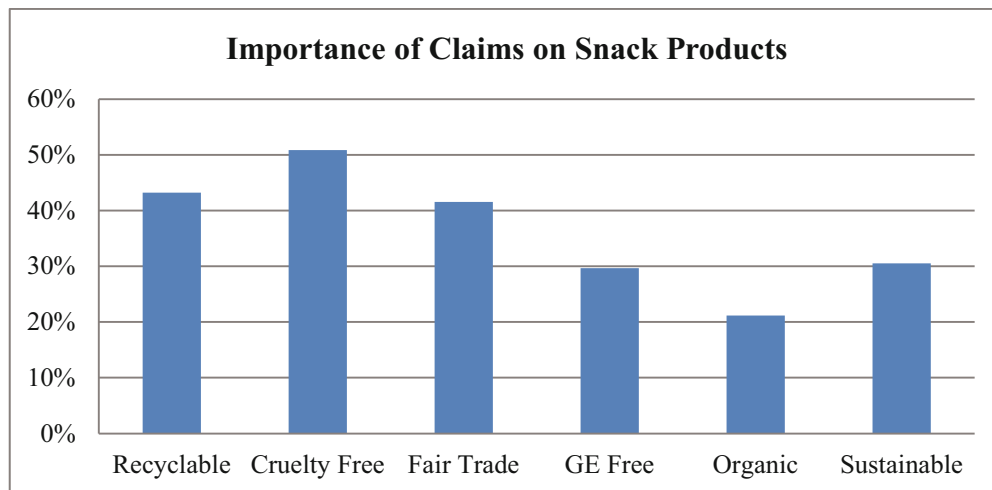


Figure 2: Importance of claims on snack products

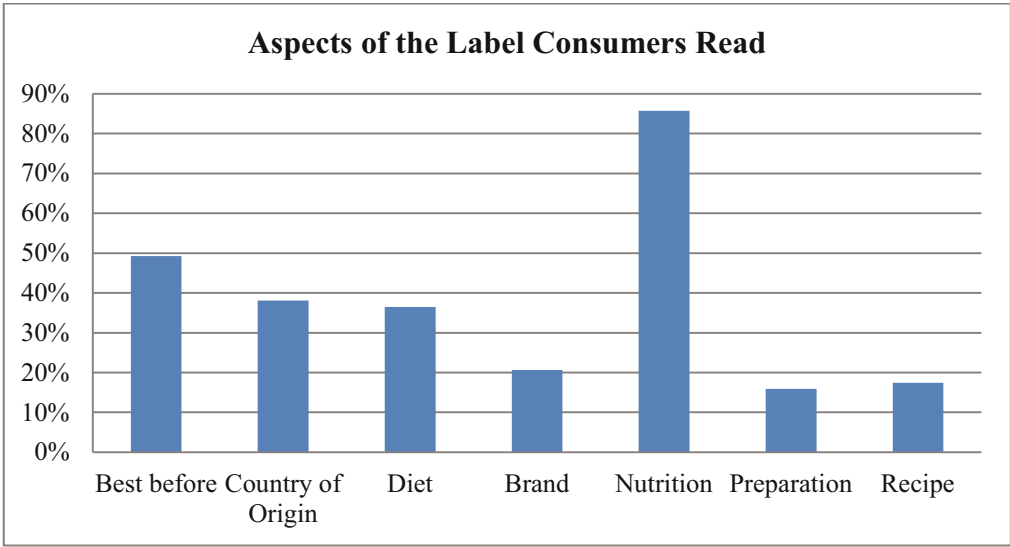


Figure 3: Aspects of label consumers read

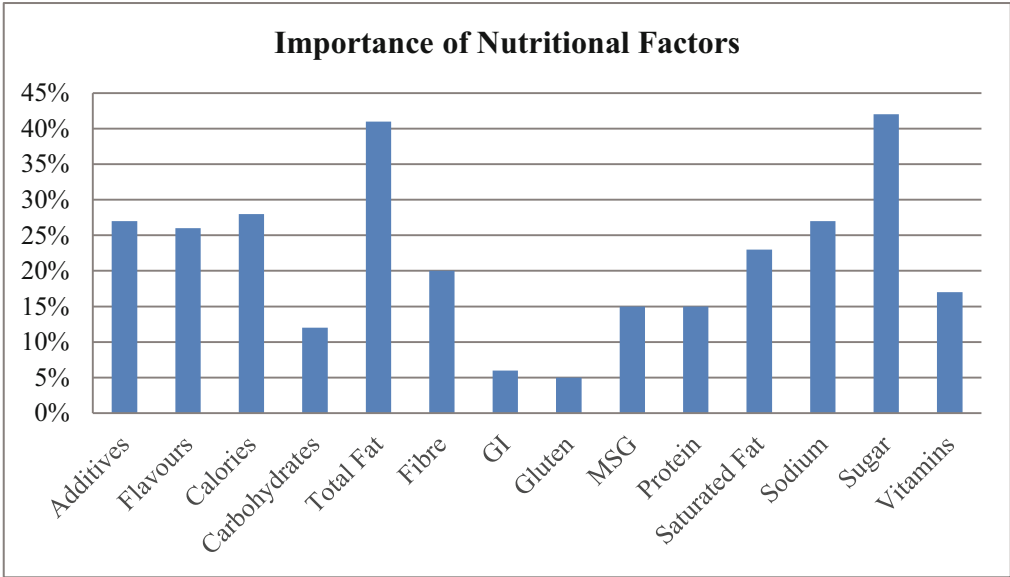


Figure 4: Importance of nutritional factors

# **THE INFLUENCE OF PERSONAL VALUES AND PET ATTACHMENT ON OWNERS' PET PRODUCTS PURCHASE BEHAVIOR**

Annie Chen, University of Westminster, United Kingdom

Norman Peng, University of Westminster, United Kingdom

Kuang-peng Hung, Ming Chuan University, Taiwan (R.O.C.)

## **INTRODUCTION**

From 1997 to 2007, the pet market grew ten times and became a US \$41 billion industry (Chen, Hung, and Peng, 2011). Pet owners are more attached to their pets than before is one important factor that contributes to this development (Serpell, 2003). Although this marketing is growing significantly, little is known about how pet owners consume pet-related products and services (Chen, Hung, and Peng, 2012). To narrow the gaps in the literature, this study examines how pet attachment and owners' personal values influence their pet products purchase behavior.

## **BACKGROUND AND HYPOTHESES**

This study focuses on dogs and their owners because of the popularity of dogs. In addition, it is easier to examine people's emotional bond and interaction with dogs. Zasloff (1996) stated that dogs serve as an ideal model for studying animal companionship. In 2008, approximately 69 million dogs in the US and eight million in the UK were classified as pets (Lancendorfer, Atkin, Reece, 2008; Pet Food Manufacturer Association, 2009).

The anthrozoology and tourism literature contribute to human-animal relationship considerably (e.g., Chen et al., 2011; 2012; Johnson, Garrity, and Stallones, 1992; Stallones, Johnson, Garrity, and Max, 1990). By reviewing their works, it is cleared that owners' relationships with their pets and their consumption values will influence their consumption behavior and decision. However, whether or not owners' personal values (i.e., self-direction, enjoyment, and achievement) can influence their attachment to pets and their pet products purchase behavior still need exploration. In this research, attachment is defined as the "degree of affection that may exist between individuals and their companion animals (Johnson et al., 1992, p.161)." According to Chen et al. (2011) and Hung, Chen, and Peng (2012), owners with higher pet attachment are more likely to treat their pets better, such as taking their pets to leisure activities. In Brown (1976), Kahle and Kennedy (1989), Kamakura and Novak (1992), Sweeney and Soutar, (2001), and Zeithaml's (1988) studies, they find personal values have positive relationship with individual's consumption behavior. By extending their works to this study's context, we propose personal values will have positive effect on owners' pet products purchase behavior. In addition, through reviewing Chen et al.'s (2012) research on different types of pet owners' characteristics and their consumption preferences, this study proposes individuals' personal values will have positive relationship with their attachment to pets. This research's hypotheses are as followed:

H1: An owner's attachment to his or her pets has a positive influence on his or her pet products purchase behavior.

H2: An owner's personal values (i.e. self-direction, enjoyment, and achievement) have positive influences on his or her



attachment to his/her pets

H3: An owner's personal values (i.e. self-direction, enjoyment, and achievement) have positive influences on his or her pet products purchase behavior.

## RESEARCH METHODS

For exploratory purposes, qualitative research was conducted prior to the main study. This study utilized in-depth interviews of twenty Taiwanese dog owners. After the exploratory research, 228 Taiwanese dog owners were recruited for the main study through purposive sampling. Interviewers were stationed near veterinary clinics and pet shops to increase the chances of meeting dog owners. The owners were mostly female (52.9%), between the age of 20-29 (42.7%), single (69.1%), and has a university degree (57.6%).

Participants completed a survey that evaluated personal values, pet attachment, and pet products consumption behavior (Johnson et al. 1992; Kahle and Kennedy, 1989, Sweeney and Soutar, 2001). This survey consisted of nine questions related personal values, five questions related pet attachment, and three questions related to purchase behavior. Unless otherwise indicated, the items were designed with a seven-point Likert-type scale, and some of the items were rephrased to maintain consistency.

## RESULTS AND DISCUSSION

An exploratory factor analysis was performed to check the scale's validity (n=228). The average of the nine items was calculated to create the personal value scale, which was reliable. There were five items to form the pet attachment scale. This scale was reliable. In all, three items were included to measure owners' pet products consumption behavior. This scale was also reliable. Table 1 shows the resulting varimax rotated factor pattern and loadings (loadings below .40 are not shown).

Table 1. Exploratory Factory Analysis Results

Variable	Measurement items	Factor loading	$\alpha$
Pet attachment	Strongly disagree (1)/Strongly agree(7)		0.85
	1. Owning a pet has helped my health.	0.86	
	2. No family is complete until there is a pet in the home.	0.85	
		0.76	
	3. Pets should have the same rights and privileges as family members.	0.75	
	4. I like my pet because s/he is more loyal to me than the people in my life.	0.71	
Owners' personal	5. My pet is a part of my family.		
	Not important at all (1)/ Value important (7)		0.75



values	<i>Self-direction</i>		
	1. Self-respect	0.91	
	2. Self-fulfillment	0.82	
	<i>Enjoyment</i>		
	3. Excitement	0.77	
	4. Fun and enjoyment	0.76	
	<i>Achievement</i>		
	5. Sense of accomplishment	0.72	
	6. Being well-respect	0.71	
	7. Security	0.66	
	Never (1)/Always(7)		0.80
Pet product	1. I ____ buy pet products for my pets	0.80	
purchase behavior	2. I ____ spend money on pet products	0.77	
	3. I spent X on pet products during the past three month	0.76	

Table 2 displays confirmatory factor analysis results using the factor structure suggested by the results above. The 15-item CFA adequately fit the covariances from this study's sample (Hair et al. 2009). The CFI and RMSEA both fall within the guidelines for adequate fit. ( $\chi^2/df = 2.35$ , GFI=0.96, CFI = 0.98, RMSEA =0.064).

Table 2. Confirmatory Factory Analysis Results

Variable	Measurement items	SFL	AVE
	Strongly disagree (1)/Strongly agree(7)		0.85
	1. Owning a pet has helped my health.	0.86	
	2. No family is complete until there is a pet in the home.	0.85	
		0.76	
Pet attachment	3. Pets should have the same rights and privileges as family members.	0.75	
	4. I like my pet because s/he is more loyal to me that the people in my life.	0.71	
	5. My pet is a part of my family.		
	Not important at all (1)/ Value important (7)		0.54
Owners' personal	<i>Self-direction</i>	0.81	
values	1. Self-respect		
	2. Self-fulfillment		
	<i>Enjoyment</i>	0.77	

	3. Excitement		
	4. Fun and enjoyment		
	<i>Achievement</i>	0.62	
	5. Sense of accomplishment		
	6. Being well-respect		
	7. Security		
	Never (1)/Always(7)		
Pet product purchase behavior	4. I ____ buy pet products for my pets	0.81	0.58
	5. I ____ spend money on pet products	0.76	
	6. I spent X on pet products during the past three	0.71	
	month		

The results of this model fit are satisfactory. From hypotheses testing, it shows H1 and H2 are supported ( $t=11.39, p<0.001$ ;  $t=7.37, p<0.001$ ), but H3 is not supported ( $t=0.37, p>0.1$ ). In other words, owners' pet product purchase behavior is influenced by their attachment to their pets, but will not be directly influenced by their personal values (i.e., self-direction, enjoyment, and achievement). However, personal values will be able to influence owners' attachment to their pets.

### CONCLUDING NOTES

To summarize, this study extends existing literature's coverage on human-pet relationships by examining animal companions' influences on owners' pet products purchase behavior. This paper's contributions to literature include the following. First, it reconfirms previous literature's finding that attachment is a strong predictor of owner's behavior, including consumption behavior. Second, the result suggests personal values will not directly affect consumers' purchase behavior when the purchased product is not for the buyers themselves to use. Personal values' will have to influence owners' attachment to their pets first. Previous literature has not fully addressed this type of consumption context yet. Finally, this research has managerial implications to practitioners regarding how to promote their pet products to pet owners more effectively.

### REFERENCES

References available upon request

# BUNDLED PRESENTATION, SUSCEPTIBILITY TO INFLUENCE AND CALORIE ESTIMATION

Judy Harris, Towson University, USA

## INTRODUCTION

The way in which choices are offered to consumers may affect their purchase decisions and the amounts they consume, potentially leading to harmful overspending and/or overconsumption. This research adds to the growing body of literature on how presentation can affect perceptions of food choices by examining how estimates of meal size and the accuracy of these estimates are affected by the bundling of menu items in a fast food context. Results of an experiment indicated that consumers were more likely to underestimate the calorie count of items when they were offered in a meal rather than individually, particularly for consumers who were more susceptible to interpersonal influence.

The ability of consumers to evaluate meal options in order to make healthy food choices has been the subject of an increasing amount of scrutiny in recent years as concerns about obesity and nutrition grow. Several recent studies have examined how visual and presentation cues affect estimates of portion size and consumption, particularly in the context of fast food. For example, in a test of the effects of calorie disclosure, Tangari et al. (2010) found that consumers generally have difficulty estimating the calories in a meal and may under or overestimate within a restricted range across a variety of meal options. Chandon and Wansink (2007a) and Chernev and Gal (2010) found that consumers tend to underestimate the calories of meals from a restaurant perceived as healthier or containing options perceived to be healthier. Chandon and Wansink (2007b) found that estimates of the size of a fast food meal, measured by the total number of calories, were more accurate if consumers examined the individual items in the meal rather than estimating the total as a whole. The present research adds to the literature by examining how bundling in a fast food context affects consumers' estimates of meal size, as well as how the individual difference measure of susceptibility to interpersonal influence moderates the effect.

Past research has shown that presenting a meal in bundled form may result in consumers valuing the bundle to a greater degree than the items alone, leading to greater likelihood of purchase of the bundle and/or higher calorie consumption (e.g., Sharpe and Staelin 2010). One likely explanation for the increased value added by bundling is greater ease of purchase. Another possibility is that offering items in a bundle creates the perception that those items are what *should* be purchased. Wansink and Van Ittersum (2007) argue that increased portion sizes common in stores and restaurants have led to changes in consumption norms. As one sees larger portions more often, those portion sizes become perceived as normal and reasonable. Similarly, the ubiquity of bundles in a fast food context is likely to make the purchase of the bundle seem like the default. For consumers who are highly susceptible to influence, even limited exposure may be enough. Consumer susceptibility to Interpersonal Influence (CSII) is conceptualized as an individual difference measure of the extent to which a consumer's choices and behaviors are influenced by others (Bearden et al., 1989). Some research shows that individuals prone to influence may be susceptible to multiple forms of influence, including influence from marketers (Barr and Kellaris 2000).

## METHODOLOGY

Within the context of a popular fast food restaurant, the study used a 2 x 2 x 2 between-subjects experimental design (no bundle vs. bundle promotion; evaluation of regular vs. king sized bundle; low vs. high susceptibility to interpersonal influence). An additional within-subjects factor asked respondents about two types of fast food meals (burger and grilled chicken). The "no bundle" condition featured a menu board listing individual items and their prices. The "bundle" condition featured all the individual items and prices, plus a "make it a meal" promotion offering combo options of a burger, fries and a drink or a grilled chicken sandwich, fries and a drink (priced \$0.58 less than the sum of the individual items).

Respondents were asked to estimate the number of calories in either "regular" or "king sized" meals. In the no bundle conditions, the regular or larger sized manipulation was through the text of questions that asked respondents about the calorie count of the meals. Susceptibility to interpersonal influence was measured using the Bearden et al. (1989) 12-item measure. Ratings on the items were averaged to form a single scale ( $\alpha = .85$ ). Based on their scores, respondents were classified as either high or low in SII using a median split ( $m = 2.52$  vs.  $3.96$ ;  $t_{165} = 17.73$ ,  $p < .01$ ).

Participants were 168 undergraduate students who participated in the study as part of a class (58% female). They were aged 20 to 54, with a median age of 22. All respondents indicated that they at least occasionally ate at fast food restaurants. Respondents' thoughts listings were examined as to whether or not they mentioned anything related to healthiness or calories. All participants were debriefed following the study.

Dependent measures were respondents' estimates of the total number of calories in the burger meal, estimates of the total number of calories in the grilled chicken meal, and the accuracy of estimates for both meals. Following Tangari et al. (2010), percentage accuracy of calorie estimates was calculated by taking the difference between the respondent's estimate and the actual number of calories in the meal (as reported on the restaurant's website) as a percentage of the actual calories. Cell sizes ranged from 18 – 24.

## RESULTS AND DISCUSSION

Effects of the presence or absence of a bundle promotion, size of the meal evaluated, and level of susceptibility to interpersonal influence on 1) total calorie estimates and 2) percentage accuracy of estimates were tested using repeated measures ANOVAs with the type of meal (burger or chicken) as a within subjects factor and bundle condition (no bundle vs. bundle promotion), meal size (regular vs. large) and CSII (low vs. high) as between-subjects factors.

For total calorie estimates, the analysis revealed a significant interaction between level of CSII and presence or absence of a bundle promotion ( $F(1,157) = 5.41, p < .05$ ). For respondents higher in CSII, calorie estimates in conditions where a bundle promotion was present were consistently lower than in conditions with no bundle promotion. Respondents also estimated that the chicken meal was lower in calories than the burger meal ( $F(1,157) = 119.80, p < .01$ ) and that the regular sized meal was lower in calories than the larger sized meal ( $F(1,157) = 12.60, p < .01$ ). No other main or interaction effects were significant.

Separate follow up analyses on calorie estimates for each type of meal confirmed that within the high CSII group, the presence of a bundle promotion resulted in lower total calorie estimates for both the burger (bundle: 1083; no bundle: 1388;  $F(1, 82) = 4.56, p < .05$ ) and chicken meals (bundle: 847; no bundle: 1178;  $F(1, 82) = 7.73, p < .01$ ). Within the low CSII group, the presence of a bundle did not result in significantly different estimates of calories for either the burger (bundle: 1325; no bundle: 1095;  $F(1, 81) = 2.45, n.s.$ ) or chicken meal (bundle: 1024; no bundle: 892;  $F(1, 81) = 1.20, n.s.$ ).

Accuracy of estimates followed a similar pattern, with a significant interaction between level of CSII and presence or absence of a bundle promotion ( $F(1,157) = 5.80, p < .05$ ), reflecting reduced accuracy in the bundle promotion conditions. Respondents were more accurate in their estimates of the chicken meal than of the burger meal ( $F(1, 157) = 17.43, p < .01$ ), particularly when the chicken meal was larger ( $F(1, 157) = 61.42, p < .01$ ). No other effects were significant.

Separate follow up analyses on the accuracy of estimates for each type of meal confirmed that the presence of a bundle promotion resulted in reduced accuracy of calorie estimates for both the burger (bundle: 30% below actual; no bundle: 9% below actual;  $F(1, 82) = 5.35, p < .05$ ) and chicken meals (bundle: 28% below actual; no bundle: 1% below actual;  $F(1, 82) = 7.59, p < .01$ ). Within the low CSII group, the presence of a bundle did not result in significantly different levels of accuracy for either the burger (bundle: 17% below actual; no bundle: 27% below actual;  $F(1, 81) = 0.99, n.s.$ ) or chicken meal (bundle: 14% below actual; no bundle: 24% below actual;  $F(1, 81) = 0.90, n.s.$ ).

## CONCLUSIONS AND IMPLICATIONS FOR THEORY AND PRACTICE

Results of this study show that for consumers who are more susceptible to influence, the presence of a bundled promotion leads to greater underestimating of the true calories in a fast food meal. This pattern was consistent across the within subjects factor of type of meal (burger or chicken), as well as the between-subjects factor of meal size. Post-hoc exploration of possible differences between men and women, those that expressed concern for health through their thought listings, and the frequency of patronage of fast food restaurants did not alter the nature or pattern of results.

The results of this study have theoretical, managerial and public policy implications. From a theoretical perspective, results of the study add to our understanding of the psychological mechanisms underlying bundle preference. Previous research has explored potential benefits created by bundling, but had not yet provided evidence that bundling may influence perceptions of consumption norms. From a policy perspective, the results can aid in the creation of educational materials to improve consumers' food choices. From a managerial perspective, the results will provide guidance on the development and presentation of bundles for maximum sales. Although discouraging sales is not likely to be in the best interests of a food marketer, in today's climate of concern, it may be in a company's best interest to help consumers control their food use without reducing profits, perhaps by offering smaller side options in combo meals (Sharpe and Staelin 2010; Wansink and Chandon 2006).

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**IF ONLY...?**  
**A STUDY ON THE EFFECTS OF PURCHASE REGRET**

Kristy McManus, University of Wisconsin – La Crosse, USA  
Piyush Kumar, University of Georgia, USA

**INTRODUCTION**

At some point, most all consumers will experience some level of regret over a particular purchase decision. This regret may come from purchasing a product that is later determined to be a poor fit or low utility and ultimately would be deemed a poor purchase decision. This regret may also come from a missed purchase in a limited opportunity situation. Earlier studies have shown that actions are regretted more than inactions in the short run (Kahneman and Tversky 1982; Landman 1987), and that over time, action regrets tend to decrease while inaction regrets increase (Gilovich and Medvec 1995).

In a 2006 study, Abendroth and Diehl (2006) looked at the effects of limited purchase opportunities and the patterns of consumer regret over time. Contrary to previous findings, they found that limited purchase opportunities might actually bring about greater short-term regret for non-purchases (inactions) than for purchases (actions) and that non-purchase regrets will decrease over time. Further, they showed that purchase (action) regrets will increase over time, but only if the long term utility of the item is low. However, in the design of their experiments, the participants measured faced different outcomes at the end of each experiment. All of the participants began as non-owners and as the experiment progressed, half ended up as owners with the other half remained non-owners. We propose that regret scenarios cannot be accurately measured when comparing two completely different outcome scenarios.

Abendroth and Diehl (2006) found that in a non-purchase decision, or inaction, regret is felt at a greater level immediately after the missed limited purchase opportunity. We expect that our research will reflect the similar findings to earlier studies that show that actions are regretted more than inactions in the short run (Kahneman and Tversky 1982; Landman 1987) and that with the passage of time that inaction regrets will increase while action regrets will decrease (Gilovich and Medvec 1995). We also propose that by introducing variables that present higher utility for the product or alternate choice products that we will see an increase in non-purchase, or inaction, regret when associated with higher utility and a decrease in purchase, or action, regret when immediately presented with an alternate choice. Further, we expect that low-utility items will increase regret over time as their physical presence serves as a reminder of the product's poor fit leading to reminders of a poor decision.

**BACKGROUND**

Regret is a very common feeling experienced by consumers in today's marketplace. Sugden (1985) describes regret as the feeling that occurs when a consumer compares their chosen outcome to a preferred forgone alternative, and in turn, feels self-blame. Most psychological research on regret has focused on the amount of regret that people experience when associated with different types of decisions. Much of this research has focused on the differences of regret that is experienced based on outcomes resulting from either action or inaction (e.g., Kahneman and Tversky 1982; Landman 1987; Ritov and Baron 1995; Spranca, Minsk, and Baron 1991). Some other areas explored in previous research include the dissatisfaction experienced with regret in post-purchase decisions (Inman, Dyer, and Jia 1997; Tsiros and Mittal 2000). Gilovich and Medvec (1994, 1995) have shown in their studies that action regrets typically decrease over time, while coping and availability mechanisms tend to influence inaction regrets to increase over time. In a later study, Abendroth and Diehl (2006) find opposing results to some of the earlier works, indicating that in a non-purchase decision, or inaction, regret is felt at a greater level immediately after the missed limited purchase opportunity.

When consumers are presented with a limited purchase opportunity, not purchasing, or inaction, may result in a perception by the consumer of forfeiture situation where the inaction may be framed as a loss (Abendroth and Diehl 2006). This perceived loss of the opportunity to own a limited release product is expected to induce regret.

H1: In a limited purchase opportunity, it is expected that in the long term, participants will regret the decision not to purchase, or inaction, more than they will regret the purchase decision, or action.

The utility level of the item is further expected to play a role in consumer regret. This utility can be seen as the overall quality, usefulness, or pleasure resulting from the item. We expect to find that purchase, or action, regret should produce higher levels of regret when the overall utility of the item is perceived to be low and that non-purchase, or inaction, regret should increase if the item's overall utility is perceived to be very high.

H2: Over time, it is expected that the purchase decision, or action, will be more highly regretted than the non-purchase decision, or inaction, especially if the utility of the item is measured to be low.

It is also expected that once faced with an unlimited opportunity to purchase a product that purchase decisions, or action, will be regretted more than non-purchase, or inaction, decisions.

H3: Levels of regret for non-purchase, or inaction, decisions are expected to appear much lower than levels of regret found in limited purchase opportunities, and the level of regret among purchasers in an unlimited purchase opportunity is expected to increase, especially if the utility of the item is measured to be low.

To summarize, we predict that consumer's purchase or do not purchase decisions will follow a traditional pattern of regret where purchases, or actions, are regretted more initially and inactions are regretted more over time. We also propose that low-utility items will increase regret over time as their physical presence serves as a reminder of the product's poor fit leading to reminders of a poor decision.

## METHODOLOGY

We plan to test these assumptions across four different studies. In Study 1, we will examine the effects of a limited purchase opportunity on regret. The design of Study 1 will be a 2 (purchase and do not sell vs. previously purchased and do not sell) X 2 (never purchase vs. previously purchased and sell) between-subjects factorial design. In Study 2, we will conduct a similar experiment, but introduce a higher level of utility to all subjects, making this study a 2 (purchase and do not sell vs. previously purchased and do not sell) X 2 (never purchase vs. previously purchased and sell) X 2 (low vs. high utility) between-subjects factorial design. In Study 3, we will offer the subjects an equivalently priced alternative product to examine the effect of an alternate choice on regret and will follow the same 2 X 2 X 2 between-subjects factorial design as Study 2. Finally, in Study 4, we plan to add in an unlimited purchase opportunity to measure the effects of long-term regret in an unlimited purchase opportunity. This design will be a 2 (purchase and do not sell vs. previously purchased and do not sell) X 2 (never purchase vs. previously purchased and sell) X 2 (limited opportunity vs. unlimited opportunity) between-subjects factorial design.

For our experiments, we have chosen to offer the respondents a purchase scenario of a *special edition music DVD* of the artist/band for \$29.99. Those respondents who are considered to be in the "have" group will, at some point, purchase the DVD and maintain possession of it throughout the experiment. These manipulations will leave the participants with the same end result: both owning the DVD at the end of the experiment. Those who are considered to be in the "do not have" group will have chosen to never purchase the DVD or will have previously purchased one but ultimately decide to sell the DVD. In the end, these manipulations will leave the participants with the same end result: both without the DVD at the end of the experiment. The comparison of these equivalent outcomes is expected to produce a symmetric effect.

We also wish to examine the effects of utility on the "have vs. do not have" effect on regret. Respondents will be divided on a "have" vs. "do not have" basis, but also on a long-term utility (high, low) as to how well the item fits or does not fit with their daily life over time. As a second independent variable, respondents will be measured on how well this DVD fits into their life over a simulated time.

## CONCLUSION

Our current research examines regret on multiple levels. Studies 1, 2 and 3 all measure levels of regret in various limited opportunity purchase decisions. In each of these limited opportunities, the consumer is faced with a narrow window of opportunity where the ultimate purchase decision must be made. In Study 4, we will take a closer look at the effects of the limited purchase opportunity by introducing an unlimited purchase opportunity to the consumers. It is expected that our findings will follow the findings of Gilovich and Medvec (1995), which showed that inaction, or non-purchase, had a greater



effect on regret in the long term.

If this is the case, then these findings will contradict the more recent studies conducted by Abendroth and Diehl (2006), finding that in a non-purchase decision, or inaction, regret is felt at a greater level immediately after the missed limited purchase opportunity and that these non-purchase regrets generally decrease over time, while purchase regrets may increase if the utility of the item is low.

Our predicted findings are expected to advance the current literature on consumer regret, by reinforcing early research on the effects of action and inaction on regret (Gilovich and Medvec 1995). By re-examining Abendroth and Diehl's (2006) effects of regret in limited purchase, we are also clarifying the effects of regret in limited purchase opportunities by examining equal outcomes by different means. This unique approach is expected to convey a clearer understanding of the effects of regret over time in limited purchase opportunities.

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**Session 1.7. Tourism 1: Hotels and Hospitals**

Room: Yarra #1

Session Chair: Sandra Gountas, Curtin University

***Young Chinese Consumers' Luxury Hotel Preference and Purchase Intention***

Norman Peng, University of Westminster

Annie Chen, University of Westminster

***How Brand Trust Mediates the Effects of Service Quality on Loyalty: An Illustration from a Medical Tourism Context***

Aurathai Lertwannawit, Thammasat University

Nak Gulid, Srinakharinwirot University

# YOUNG CHINESE CONSUMERS' LUXURY HOTEL PREFERENCE AND PURCHASE INTENTION

Annie Chen, University of Westminster, United Kingdom  
Norman Peng, University of Westminster, United Kingdom

## INTRODUCTION

Luxury brand market has grown considerably despite of the global financial crisis which started in 2008 (Hung et al., 2012). In the perceptions of the owners and others, luxury brands signify quality, style, reputation, and limited accessibility (Berthon, Pitt, Parent, and Berthon, 2009). However, current studies on the consumption of luxury goods mainly focused on physical goods (e.g., clothes and accessories) and few have examined service-based products. To narrow the gaps in the literature, this research explores young Chinese consumers' intention to stay at luxury hotels when traveling.

## BACKGROUND AND RESEARCH FRAMEWORK

The luxury goods market is an US\$180 billion industry at 2007 (Okonkwo, 2009; Park, Rabolt, and Jeon, 2008). Among global consumers that crave luxury brands and products, Asian consumers, especially young consumers from the Greater Chinese market, have received the most attention (Chadha and Husband, 2006). This study focuses on hotels as it is a luxurious product of growing importance. Each year, 21.9 million Chinese individuals plan to travel abroad (Li, Harrill, Uysal, Burnett, and Zhan, 2011).

After a review of the literature, this study examines young Chinese consumers' luxury product consumption behavior through a modified value-attitude-behavior model. First, this research focuses on purchase intention rather than behavior. Ajzen and Driver (1992, p. 209) suggest that 'intention... is viewed as one immediate antecedent of actual behavior.' Second, instead of attitude, this research suggests brand preference will have a positive influence on consumers' purchase intention. According to Sirgy et al. (1997), brand preference is how a consumer prefers certain brands over other brands. In the case of hotel selection, brand preference has been indicated as a key factor that will affect hotel selection behavior. Thirdly, this paper focuses on luxury value rather than consumers' personal values (Hung et al., 2012). According to Berthon et al. (2009), luxury brands have multiple values including functional, experiential, and symbolic values. By examining previous studies' findings (e.g., Christodoulides, Michaelidou, and Li, 2009; Hung et al., 2012; Vigneron and Johnson, 2004), luxury value generally has a positive influence on individual's luxury brand preference. Last but not least, Hung et al. (2012) suggests luxury value can directly influence consumers' intention to purchase luxury handbags; therefore, this relationship will be examined. This research proposes the following hypotheses:

H1: Young Chinese consumers' luxury brand preference will have a positive impact on their intention to stay at luxury hotels when traveling.

H2: Young Chinese consumers' luxury value (i.e., functional, experiential, and symbolic values) will have a positive impact on their luxury hotel brand preference.

H3: Young Chinese consumers' luxury value (i.e., functional, experiential, and symbolic values) will have a positive impact on their intention to stay at luxury hotels when traveling.

## METHODOLOGY

For exploratory purposes, qualitative research was conducted prior to the main study. This study utilized in-depth interviews of 24 Chinese consumers between the ages of 24 to 30. According to the interviewees, five-star or better hotels and hotels with double rooms cost US\$ 500 per night or more are two luxury hotels' characteristics. After the exploratory research, 256 young Chinese consumers from Beijing, Shanghai, and Guangzhou were recruited for the main study through purposive sampling. The participants were mostly female (53.5%), single (58.2%), and has a university degree (82%).

Participants completed a survey that evaluated luxury value, brand preference, and purchase intention (Hung et al., 2012; Sirgy et al., 1997; Vigneron and Johnson, 2004). This survey consisted of nine questions related luxury value, four questions related brand preference, and three questions related to purchase intention. Unless otherwise indicated, the items were designed with a seven-point Likert-type scale, and some of the items were rephrased to maintain consistency.

## RESULTS AND DISCUSSION

An exploratory factor analysis was performed to check the scale's validity (n=256). The average of the nine items was calculated to create the luxury value scale, which was reliable. There were four items to form the brand preference scale. This scale was reliable. Three items were included to measure purchase intention. This scale was also reliable. Table 1 shows the resulting varimax rotated factor pattern and loadings (loadings below .40 are not shown).

Table 1. Exploratory Factory Analysis Results

Variable	Measurement items	Factor loading	$\alpha$
	Strongly disagree (1)/Strongly agree(7)		
Brand preference	1. I like luxury hotels better than non-luxury hotels.	0.81	0.89
	2. I would stay in luxury hotels more than I would stay in non-luxury hotels	0.78	
	3. Luxury hotels are my preferred hotels over other non-luxury hotels	0.69	
	4. I would be inclined to stay at a luxury hotel over a non-luxury hotel.	0.50	
	<i>Functional value</i>	0.86	
Luxury value	1. Compared to non-luxury hotels, luxury hotels have the best quality	0.91	

	2. Compared to non-luxury hotels, luxury hotels are sophisticated	0.87	
	3. Compared to non-luxury hotels, luxury hotels are superior	0.76	
	<i>Symbolic value</i>		
	4. Compared to non-luxury hotels, luxury hotels are conspicuous	0.84	
	5. Compared to non-luxury hotels, luxury hotels are expensive	0.79	
	6. Compared to non-luxury hotels, luxury hotels are for the wealthy	0.71	
	<i>Experiential value</i>		
	7. Compared to non-luxury hotels, luxury hotels are unique	0.87	
	8. Compared to non-luxury hotels, luxury hotels are rare	0.83	
	9. Compared to non-luxury hotels, luxury hotels are stunning	0.71	
Purchase intention	1. I intent to stay at luxury hotels in the future	0.83	0.76
	2. I am willing to stay at luxury hotels in the future	0.781	
	3. I will make an effort to stay at luxury hotels in the future	0.590	

Table 2 demonstrates confirmatory factor analysis results using the factor structure suggested by the results above. This measurement model consists of one multiple-indicator latent variable (i.e., luxury value) and two single-indicator variables (i.e., brand preference and purchase intention). For luxury value, sub-domain mean scores served as indicators. There are three luxury value indicators (i.e., functional, symbolic and experiential). The CFA adequately fit the covariances from this study's sample (Hair et al. 2009). The CFI and RMSEA both fall within the guidelines for adequate fit. ( $\chi^2/df = 2.48$ , GFI=0.96, CFI = 0.97, RMSEA =0.076).

Table 2. Confirmatory Factory Analysis Results

Variable	Measurement items	SFL	AVE
	Strongly disagree (1)/Strongly agree(7)		
Brand preference	5. I like luxury hotels better than non-luxury hotels.	0.91	0.66
		0.84	

	6. I would stay in luxury hotels more than I would stay in non-luxury hotels		
	7. Luxury hotels are my preferred hotels over other non-luxury hotels	0.80	
	8. I would be inclined to stay at a luxury hotel over a non-luxury hotel.	0.67	
Luxury value	<i>Functional value</i>	0.81	0.67
	<i>Symbolic value</i>	0.88	
	<i>Experiential value</i>	0.77	
Purchase intention	1. I intent to stay at luxury hotels in the future	0.82	0.53
	2. I am willing to stay at luxury hotels in the future	0.78	
	3. I will make an effort to stay at luxury hotels in the future	0.56	

The results of this model fit are satisfactory. From hypotheses testing, it shows H1 and H2 are supported ( $t= 9.33, p<0.001$ ;  $t=7.97, p<0.001$ ), but H3 is not supported ( $t=-0.09, p>0.1$ ). In other words, young Chinese consumers' luxury hotel staying intention is influenced by their luxury brand preference. Additionally, this preference is influenced by these consumers' luxury value (i.e., functional, experiential, and symbolic value). However, luxury value will not be able to influence their purchase intention directly.

### CONCLUDING NOTES

To conclude, this research extends current literature's coverage on luxury product consumption. This paper's contributions to literature are as followed. First, it confirms value-attitude-behavior model's applicability when examining service-based luxury products. Second, this study highlights the importance of brand preference when consumers want to buy luxury goods. Third, the result from hypotheses testing shows luxury value will have a positive impact on consumers' luxury brand preferences, but it cannot directly influence purchase intention. This is one of the first studies that have explored brand preference's mediating effect on values and purchase intention. Finally, this research has marketing implications to practitioners regarding how to promote their luxury service products to Chinese consumers more effectively. Future research should look into the consumption of luxury financial services.

### REFERENCES

References available upon request

# HOW BRAND TRUST MEDIATES THE EFFECTS OF SERVICE QUALITY ON LOYALTY: AN ILLUSTRATION FROM MEDICAL TOURISM CONTEXT

Aurathai Lertwannawit, Thammasat Business School, Thammasat University, Thailand  
Gulid, Nak, Srinakharinwirot University, Thailand

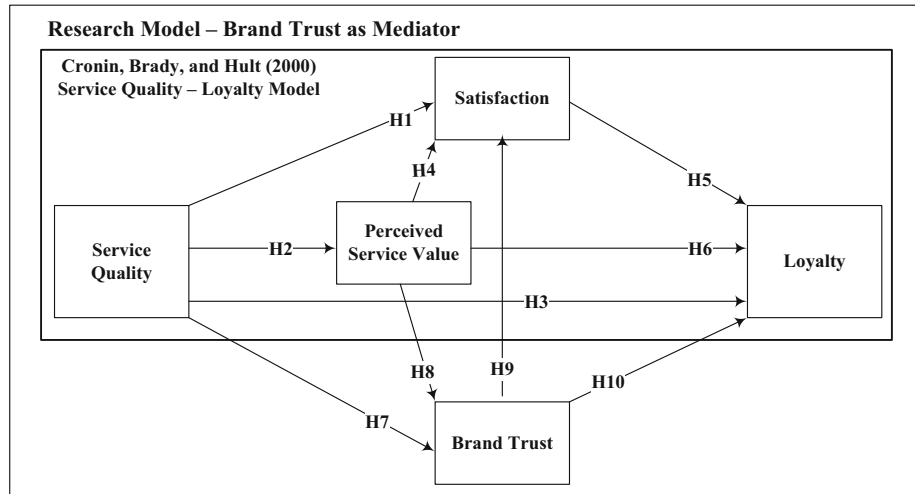
## INTRODUCTION

The growth of the medical tourism market attracts new countries to compete for customers. Thailand, once among the top five destinations, was displaced from the list in 2010 (Tourism Review 2010). International accreditation alone is not enough to maintain competitiveness; marketing plays an important role in the maintenance of sustainable competitiveness. It is important to better understand the attitudes and behaviors of international tourists. Service marketing studies have consistently reported that, either through behaviors or attitudes, service quality, perceived value and satisfaction are correlated with loyalty (Akbar 2010; Cronin, Brady, and Hult 2000). In addition, brand trust is theoretically reported to be a key determinant of loyalty in brand relationship studies (Chaudhuri and Holbrook 2001; Delgado-Ballester and Munuera-Aleman 2001; Matzler, Grabner-Kräuter, and Bidmon. 2008). There are few studies that report on the interrelationships among these variables, although several independent studies have evaluated the service quality-value-satisfaction-loyalty model (Choi, Cho, Lee, Lee, and Kim 2004; Cronin, Brady, and Hult 2000; Wang, Lo, and Yang 2004) and the trust-loyalty model in relationship studies (Chaudhuri and Holbrook 2001; Delgado-Ballester and Munuera-Aleman 2001; Doney and Cannon 1997). Despite the well-recognized significance of all of these variables to the development of loyalty in the service market, no study has examined the interrelationships among all of these variables that could affect consumer loyalty or the mechanisms by which these variables contribute to the enhancement or reduction of loyalty. Consequently, a unified model is needed to clarify these interrelationships. This research aims to fill the above-mentioned gap in the literature. The main objective of this research is to propose brand trust is a key determinant of loyalty and a mediator between service quality and loyalty. We postulate that brand trust can reduce the impact of frustration that results from long-distance communication, language barriers, and other issues and can thus enhance medical tourism. In addition, brand trust can make the traditional service quality-loyalty model more understandable in the medical tourism context. To determine whether brand trust is a powerful mediating variable, the study compares the SEM results with those of the Cronin, Brady, and Hult (2000) service quality-loyalty model and research model (see [Figure 1](#)).

## THE ROLE OF BRAND TRUST IN THE SERVICE-QUALITY LOYALTY MODEL

The proposed model draws from diverse research on service quality and loyalty in service marketing and brand trust-loyalty models in relationship research. However, we recognize that medical tourists are different from those seeking other services. Therefore, we integrated these two models into a unified model depicted in [Figure 1](#) and eleven hypotheses are presented below.

- H1:** Service quality is positively related to satisfaction.
- H2:** Service quality is positively related to perceived service value.
- H3:** Service quality is positively related to loyalty.
- H4:** Perceived service value is positively related to satisfaction.
- H5:** Satisfaction is positively related to loyalty.
- H6:** Perceived service value is positively related to loyalty.
- H7:** Service quality is positively related to brand trust.
- H8:** Perceived service value is positively related to brand trust.
- H9:** Brand trust is positively related to satisfaction.
- H10:** Brand trust is positively related to loyalty.
- H11:** Brand trust mediates the relationship between perceived service value and loyalty.
- H12:** Brand trust mediates the relationship between service quality and loyalty.



**Figure 1: Conceptual Research Model**

## RESEARCH DESIGN AND METHODOLOGY

This study used a quantitative methodology and used survey techniques to collect data. The empirical study was carried out in Bangkok, the metropolitan center of Thailand, where internationally accredited hospitals are located. International tourists were the target population. The resulting sample size was 287 valid responses. The questionnaire was personally administered to the respondents.

## RESULTS

The results of the research model that included brand trust and of the service quality-loyalty model that excluded brand trust were evaluated using a structural equation model. We then evaluated which of these two models gave a better fit. Lastly, we tested the mediating effect of brand trust in the hypothesized research model. The resulting coefficients and fit statistics are presented in [Table 2](#).

### Testing the Research Model

Based on the statistical test for goodness of fit, the research model fit the data adequately ( $\chi^2 = 324.981$ , d.f.=221,  $p < .01$ ). All measures of fit for the structural model indicated sound statistics; for example, the comparative fit index (CFI) = .93, the normed fit index (NFI) = .80, the Tucker-Lewis coefficient (TLI) = .92 and the root mean square error of approximation (RMSEA) = .04. These results suggest that the research model is able to explain medical tourism. Based on coefficient or research model in [Table 2](#), six out of nine direct paths (H1, H2, H5, H7, H8, and H10) had significant structure coefficients and presented p-values of less than .05. The direct paths between service quality-loyalty and perceived service value-satisfaction were not significant (H3 and H4), and a relationship between brand trust and satisfaction was not significant (H9). Likewise, the research model explains a reasonable proportion of the variance in the dependent variables, including perceived service value (SMC = .52), satisfaction (SMC = .11), brand trust (SMC = .70), and loyalty (SMC = .33). Taken together, these findings suggest that the model presented here provides a reasonable fit to the aggregate data, and that the estimated coefficients can be validly examined to reveal interrelationships among the modeled constructs.

### Testing the Service Quality-Loyalty Model as a Comparative Model

Based on the statistical test for goodness of fit, the service quality-loyalty model fit the data adequately ( $\chi^2 = 208.42$ , d.f.=128,  $p < .01$ ). All measures of fit for the structural model indicated sound statistics; for example, the comparative fit index (CFI) = 0.92, the normed fit index (NFI) = 0.83, the Tucker-Lewis coefficient (TLI) = .907 and the root mean square error of approximation (RMSEA) = 0.05. The results suggest that the original service quality-loyalty model is able to explain medical tourism. With the exception of the relationship between perceived service value and satisfaction, four out of five direct pathways had significant structure coefficients and presented p-values of less than .05. The path from service quality explained 56% of the variance in perceived service quality and 12% of the variance in satisfaction. In addition, 32% of the variance in loyalty was explained by satisfaction and perceived service quality. Taken together, these results suggest that the service quality-loyalty model provides a reasonable fit to the aggregate data, and the estimated coefficients can be examined to reveal interrelationships among the modeled constructs.

**TABLE 2 Estimated Coefficients for the Service Quality-Loyalty Model and the Research Model**

Hypotheses				Service Quality-Loyalty Model		Research Model	
				Coefficients	t-value	Coefficients	t-value
Hypotheses Testing							
H1:	SQ	→	SAT	.36	1.90**	.33	1.38*
H2:	SQ	→	PSV	.73	7.25***	.72	7.44***
H3:	SQ	→	LOY	.23	1.45*		ns
H4:	PSV	→	SAT		ns		ns
H5:	SAT	→	LOY	.44	2.69***	.40	2.68***
H6:	PSV	→	LOY	.27	2.48***		ns
H7:	SQ	→	BT	–	–	.55	4.28***
H8:	PSV	→	BT	–	–	.34	2.68***
H9:	BT	→	SAT	–	–		ns
H10:	BT	→	LOY	–	–	.35	1.45*
SMC ( $R^2$ )				PSV = .53, SAT = .12, LOY = .33		PSV = .53, SAT = .12, BT = .70, LOY = .34	
Goodness-of-Fit Statistics							
$\chi^2$ (p-value)				206.42 (.000)		324.86 (.000)	
d.f.				127		22	
CFI				.93		.93	
NFI				.86		.81	
TLI				.91		.92	
RMSEA				.05		.04	
(90% CI)				.035-.058		.031-.050	

Note: 1) \*p = 0.10, \*\*p = 0.05, \*\*\*p = 0.01, \*\*\*\*p = 0.001. Based on one-tailed t-tests:

t-values > 1.28, p < 0.10; t-value > 1.65, p < 0.05; and t-value > 2.33, p < 0.01, and t-values > 3.09, p < 0.001 ; 2) – indicates no test was performed; 3) ns = not significant

### Testing Mediation Effect of Brand Trust in the Research Model

To test the mediation effect as stated in Hypothesis 10, we reasoned that partial mediation by brand trust was supported if: (1) perceived service quality had a significant and substantial effect on loyalty, and (2) this effect declined significantly when trust was introduced into the model. In the service quality-loyalty model, which excluded trust, perceived service value yielded a significant effect on loyalty ( $\beta = .268$ ,  $p < .05$ ). When perceived service value is introduced as a partial mediator, the corresponding effects for perceived service value are  $\beta = -.02$ ,  $p > .05$ ; these results support the partial mediation hypothesis. Our findings support H11, which indicates that brand trust mediates the relationship between perceived service value and loyalty.

There is no theoretical support for a direct relationship between service quality and loyalty, so the procedure used to evaluate H12 cannot be used to test for this relationship. Thus, to test the mediating effect as stated in H12, we reasoned that partial mediation by brand trust was supported if: (1) service quality had a significant and substantial effect on brand trust ( $\beta = .553$ ,  $p < .01$ ), and (2) brand trust also had a significant and substantial effect on loyalty ( $\beta = .351$ ,  $p < .01$ ). In the research model that included brand trust, the SMC of trust improved. These findings support H12, indicating that brand trust mediates the relationship between service quality and loyalty.

Taking the mediation test further, we compared the service quality and research models using a chi-square test, and the results show significant improvement in terms of  $\Delta\chi^2$  at  $p < 0.05$  when introducing brand trust as a mediator between service quality-loyalty and perceived service quality-loyalty. Taken together, these results suggest that the insertion of brand trust into the service-loyalty model improved the ability to predict loyalty in a medical tourism context.

### References

References available upon request.



**Session 1.8. Excellence in International Marketing Education**

Room: Swanston #2

Session Chair: Angela Paladino, University of Melbourne

***Risk Aversion and Attributes of Study Abroad Programs among Marketing Majors in the U.S. and Norway: Validation of Cross-Cultural Scales***

Janice Payan, University of Northern Colorado

Goran Svennson, Oslo School of Management

Nils Hogevoid, Oslo School of Management

***A Study of the Marketing Curriculum in Australia: The 1930s to Now***

Robert Ellis, Victoria University

David Waller, University of Technology, Sydney

***College Students' Motivations, Attitudes, and Preferences Pertaining to Study Abroad***

Swinder Janda, Kansas State University

Bente Janda, Kansas State University

**Wednesday, 10:00-10:30 a.m.**

**Refreshment Break**

# **RISK AVERSION AND ATTRIBUTES OF STUDY ABROAD PROGRAMS AMONG MARKETING MAJORS IN THE U.S. AND NORWAY: VALIDATION OF CROSS-CULTURAL SCALES**

Janice Payan, University of Northern Colorado, U.S.A.  
Göran Svensson, Oslo School of Management, Norway  
Nils Høgevold, Oslo School of Management, Norway

## **ABSTRACT**

Strong assertions have been made that study abroad students accrue important knowledge and intercultural competency that should enable them to succeed in an expanding global marketplace (Evans et al. 2008). Unfortunately, only 1 percent of U.S. students in two-year and four-year higher education programs are studying abroad during a single academic year - 273,996 out of the more than 20 million students enrolled in U.S. higher education (Institute of International Education 2012) and only 6.3% of all Norwegian higher education students studied abroad in 2002 (Statistic Norway: Education Statistics. Norwegian Students Abroad, 1 October 2002). The statistics from both countries indicate there is plenty of opportunity for a specific university to improve the participation rates of their own resident students studying abroad.

Targeting international students for short-term exchanges or study is also an opportunity. It is estimated that this year international exchanges in all 50 states contributed \$22.7 billion to the U.S. economy (Institute of International Education, 2012). Focusing on this opportunity can provide an opportunity for colleges to make up for decreasing enrollments (Adams, 2012), especially those public colleges that have been negatively impacted by government funding. Highlighting the opportunity to target international students, it is estimated that student mobility will nearly triple to eight million by 2025 (Wildavsky, 2010). Furthermore, by targeting more international students for short-term exchanges or short-term study in the U.S., the cultural diversity of the classroom will be enhanced academically, adding to the internationalization of the classroom.

A total of 326 questionnaires were obtained including 73 from a U.S. university and 252 from a university in Norway. The demographic profiles reveal some similarities and some differences between the groups. This study collects data from the U.S. and Norway because both countries are fairly comparable in per capita GDP and other economic variables, eliminating extraneous considerations.

Whether trying to improve resident student's participation in study abroad programs or trying to attract international students to study in another country, administrators can only be successful if they understand similarities and differences between cultures. An important aspect of this research involves testing the cross-cultural validity of the data collected from the U. S. and Norway to examine Risk Aversion (RISK), Motivators of Study Abroad (MSA), and three sets of deterrents of study abroad: 1. Economic Concerns (ECON), 2. Family Friends Work (FFW), and 3. Country Concerns (COUN) scales.

Findings suggest that these scales are valid in both different national contexts and can also be used to compare differences between the cultures. Adequate validity exists on the three scales (i.e., RISK, MSA, and COUN) for use in both the U.S. and Norway and the factor structure is equivalent between the groups. The loadings are very similar, suggesting full metric invariance to compare relationships between groups and the observed variable intercept terms are similar enough to compare construct means between groups with the exception of FFC. And finally the construct means for COUN is significantly lower in the Norwegian sample.

References available upon request

# A STUDY OF THE MARKETING CURRICULUM IN AUSTRALIA: THE 1930S TO NOW

Robert B. Ellis, Victoria University, Australia  
David S. Waller, University of Technology Sydney, Australia

## ABSTRACT

“Marketing” was first taught in Australia at a university-level was at the University of Melbourne in 1929. Nine years later a detailed syllabus was produced by the co-ordinator A.G. Whitlam. This paper presents a historical analysis of the subject and compares it to the current Principles of Marketing subject taught today. An analysis of the subject structure, syllabus, and textbooks provides an insight into the changing Marketing curriculum. From the findings marketing educators can draw on the past to help understand the marketing curriculum of today, and raise issues for marketing subjects in the future.

## INTRODUCTION

Marketing plays an important role in business and, specifically, business education. Over the years both business practice and business education has developed and changed, however, to understand the process of change in marketing education it requires an awareness of the point from which the programs started. To some people Marketing seems a comparatively new academic area, for example, the first Professor in Marketing was appointed less than 50 years ago (Ellis and Waller 2011). Clearly, marketing education has only been available in the last century (Phelps 1967). Longman (1967) attributes this emergence and growth of marketing education to the need for efficient marketing practices, which was forced upon the business community by improved efficiencies in production, distribution and communication. Many of the researchers in the early 20<sup>th</sup> century had their intellectual origins in the economic and political theories of the time. As a consequence, the early research, and the first marketing-related subjects offered at universities, tended to deal with demand models, transportation, ‘salesmanship’, and distribution systems, particularly in relation to agri-marketing [ie, the marketing of primary produce on an international scale], which, given the importance of food production and distribution for an increasing world population, was of importance at the time. (Bartels 1988; Ellis 1992).

The aim of this paper is to analyse the changes in marketing education by observing the first “Marketing” subject in Australia, taught at the University of Melbourne, and comparing the early subject to the introductory Marketing subject of today. This will be done by an analysis of the subject syllabus to provide an insight into the changing Marketing curriculum over the years. It is believed that this study will contribute to the understanding of the development of marketing education, and encourage discussion regarding the curriculum of marketing in the future.

## BACKGROUND

The first University-level undergraduate course in Marketing in Australia was introduced at The University of Melbourne in 1929 (Ellis 1992; Ellis and Waller 2011). This was just five years after the foundation of the Faculty of Commerce in 1924 under Professor DB (Douglas) Copland. “Marketing” was a second-year elective unit taught as part of the larger subject “Commercial and Industrial Organisation”, in both the Bachelor of Commerce and Diploma in Commerce courses (University of Melbourne Calender 1929). Two part-time lecturers, EJ (Eric) Ingram and KS (Kenneth) Cunningham, were assigned the responsibility of creating a marketing element within this subject. When Ingram died he it was stated in an article in The Argus: *“The late Mr. Ingram took an active part in the establishment and development of the University School of Commerce, being the first lecturer on marketing at the school.”* (Anon 1936). In 1930 Marketing was made separate unit, and the following year Ingram was replaced by AG (Arthur) Whitlam, who held the sessional position of Lecturer (Marketing) from 1931 until 1963. Although Eric Ingram was credited as the first lecture in Marketing, Arthur Whitlam was grandfather of Marketing education in Australia. Whitlam’s main area of interest was in commodity marketing, and primary production Marketing Boards, which he became an expert (Whitlam 1992). It has been said that at one stage, all the Professors of Economics around Australia had completed Whitlam’s course (Ellis 1992). On his death, his estate of \$1.4 million was bequeathed to the University of Melbourne, and today undergraduate and postgraduate scholarships are offered by the AG Whitlam Trust.

### The Subject in General

In 1935, a full prescription of the subject was given for the first time, in the University Calender. This outlined the scope of the subject as:

**“...The marketing function in relation to other economic functions; middleman and wholesale marketing; retail**

**marketing; speciality marketing; instalment selling; the determination of price; the marketing of primary products; co-operative marketing; the role of the warehouse in marketing; organised produce markets; transport; market finance and export marketing; the costs of marketing; the interests of the consumer; social control of marketing; psychology in marketing; market research; advertising; salesmanship."**

(Source: Calender, University of Melbourne, 1935)

This prescription does not appear to have changed from 1930 to 1963, except for a different emphasis in 1946-1948, as a result of the changes in economic policy in the aftermath of World War 2. Comparing the Whitlam subject to the current subject offering, some direct comparisons are made with the subject MKTG10001 Principles of Marketing taught at the University of Melbourne. The subject taught in semester 1, 2012 was co-ordinated by Prof Bryan Lukas. According to the University of Melbourne Handbook, the "subject overview" is described as:

**"The basic theoretical framework of marketing, including segmentation, buyer behaviour, product management, market communications, channel management and pricing decisions are introduced in this subject. Students are also introduced to basic concepts in market research and management of marketing programs."**

Further, the subject objectives are:

**"On completion of this subject, students should:**

- 1) Have knowledge and comprehension of basic theories and models within marketing**
- 2) Be able to analyse and critically evaluate marketing practice and explain why some marketing activities are more successful than others**
- 3) Be capable of applying major theories and models to marketing problems presented in case studies and assignments."**

(Source: <https://handbook.unimelb.edu.au/view/2012/MKTG10001>)

Although it is an abbreviated description, there are some important issues between the time periods. Firstly, there are parallels with the 1935 course and those described by Bartels (1988) in the American Universities of the time. There was an emphasis on commodity markets, the distribution function and salesmanship, and other topics which were similar to those discussed by Cherington (1920) in his book "The Elements of Marketing", one of the texts recommended for reference for this subject. In contrast, the 2012 subject emphasises "theory", which is mentioned in the précis and the subject objectives, as well as a focus on the customer (segmentation and buyer behaviour), which is only mentioned in passing in the earlier subject as "the interests of the consumer". The recent subject also groups the consumer issues with product, price, place and promotion (marketing mix – 4ps) decisions, which shows a more strategic perspective, rather than a vocational perspective in the earlier subject (Kerr and Waller 2012).

As with most subjects in the Faculty of Commerce in the 1930s, there were two one-hour lectures and one tutorial. Over seventy years later, the contact hours according the recent subject outline is one 2-hour lecture and one 1-hour tutorial per week, being 3 hours per week plus a minimum of 6 hours per week in self directed study in semesters 1 and 2, while the subject is also run in a Summer semester in which it is taught as two 2-hour lectures and one 2-hour tutorial per week for six weeks, plus a minimum of 12 hours per week in self directed study. Therefore, the face-to-face time has remained 3 hours, but the recent subject has a 2 hour lecture and suggests hours for "self directed study".

In the early days, the assessment was by written assignments and class essays, as well as an end-of-year examination (Calenders 1929 to 1940; Whitlam 1938), while the current subject has a 2-hour closed-book examination (60%) and an individual "article response" (10%) and a group Marketing Plan (30%). Anecdotal evidence indicates that some of the 1930s classes were small and held in Mr Whitlam's city office (Crosbie 1993, Feely 1992) for much of the period he lectured at The University of Melbourne. With hundreds of students currently enrolled in Principles of Marketing, such an arrangement with the lecture would be totally impractical. In fact the current subject has to run two lectures in the Law Building (GM15 Theatre) which has a capacity of 369 seats.

## **The 1938 Syllabus**

The syllabus was heavily influenced by the Economics Department, which was dominant in the Faculty then and for many years. As mentioned earlier, Whitlam was seen to be very interested in commodity marketing, in which he was acknowledged to have some expertise (Whitlam 1992; Crosbie 1993). The nature and direction of the Australian economy, then heavily reliant on commodity exports, was also a significant factor in the development of the course. In 1938, Whitlam provided a

two-hundred page handout, comprising a Syllabus and Reading Guide, for the Marketing subject. While much of the material, especially relating to international commodity markets, would not appear in the marketing courses of today, there are components which follow similar patterns.

The Reading Guide offered 62 titles, of which no more than three were of Australian origin; the remainder were almost entirely from the work of some of the early "names" in marketing thought in America - Paul T Cherington, P D Converse, Harold H Maynard, J F Pyle, and others; few of the texts were from English authors. Then, as is often still the case, the marketing program, as taught, was derivative, and remained so until after Mr Whitlam's retirement. Despite this unavoidable American reference base, there being few or no alternatives, the course as conducted included examples drawn from the Australian environment, and particularly Whitlam's own experiences as a practicing Manager in a (then Australian based) company (Kirkpatrick 1992).

The syllabus was divided into some twenty-plus sections. Some pages are missing, some, having been photo-copied from thirty-four year old originals, are not legible, the numbering is inconsistent (there are two sections given the designation "II") and some parts of the Syllabus and Reading Guide have suffered from the effects of storage and time on duplicated material. There were, in total, over 180 foolscap 330mm x 210mm) pages of single-spaced typescript, which have been summarised to show the themes around which the Course was built.

The syllabus for the Marketing course, as it was taught in 1938, appears to have been influenced by the social and economic circumstances of the time. It placed considerable emphasis on the marketing of primary produce, and this is hardly unexpected in the Australia of the later years of the Great Depression. Before the Second World War, Australia was reliant on primary produce - wool, wheat, meat, apples and pears, butter, for its export earnings. Retailing, and to a lesser degree, wholesaling were on a localised basis. Such manufacturing industry as existed tended to service local markets, and was largely owned by overseas interests (Whitlam 1938; Byrt 1989). These, and the smaller, Australian-owned and family-owned firms, were heavily protected by tariffs. Where marketing activities took place, it appears that managerial staff was either 'imported' by the overseas owners, or the marketing functions, such as they were, were the responsibility of one of the family members. The then-current economic Depression, with high levels of unemployment, indicated to the Marketing lecturer and student that some attention should be given to the social role of Marketing, to the containment of marketing costs and to the administration of credit and collection, as well as an understanding of instalment selling.

## COMPARISON OF COURSES

The prescription for the subject (University of Melbourne, Calenders 1935, 1946), and the scope of it as outlined in the Syllabus and Reading Guide (Whitlam 1938), use much of the terminology found in current course descriptions, outlines, and textbooks. However, it does not necessarily follow that the content of the sub-sets within the course prescription is the same now as it was in 1929, in 1938, or now, even where there are similarities in terminology. There is also an assumption that the emphasis on particular facets of a Marketing course would change substantially over time, due to changes in external environmental conditions, the interests of the academic staff, influences on course content from the Dean of Faculty or other senior staff, the issues that are the current "band-wagons" of the leading researchers and writers of the time, and (consequent on that) the changes in the quantum and scope of knowledge in the discipline, or to some combination of these factors.

Therefore, to measure the emphasis given to different aspects of a loosely-defined academic subject at different times, and provide an indication of the extent of change, an analysis has to be achieved within the resources available, and from accessible data, both of which are tightly constrained. The method chosen is to (i) observe the definition of Marketing given in the subject, and (ii) take the set textbook for the subject, and by a simple page-count, determine the proportion of the source (be it textbook or course hand-out), devoted to each of the topics in the course prescription. The main source in the 1938 subject was Whitlam's syllabus notes, while in 2012 the textbook was Kotler et al (2010). A list of the main topics of the 1938 subject and the subject outline of the 2012 subject are presented in [Table 1](#).

### i. Definition of Marketing

The definition used by A.G. Whitlam in 1938, and which he sources to F.E. Clark's book, "Principles of Marketing", is:

**Marketing consists of those efforts which effect transfers in the ownership of goods, and provide for their physical distribution.**

Kotler et al (2010) sources the American Marketing Association (AMA) to define 'marketing' as:

**an organisational function and a set of process for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organisation and its stakeholders.**

Both definitions are sourced from the United States, however, the earlier definition of marketing appears to be based in economics identifying a functional approach, while the more recent definition is more detailed pointing to a managerial process whereby the customer is the main focus, which will also benefit the organisation and others.

## ii. Textbook

To compare the topics offered in marketing subjects over the years the syllabus of The University of Melbourne's 1938 subject has been compared with textbooks of both earlier and more recent periods. The choice of textbooks will necessarily be arbitrary, for reasons of resource limitations and a proliferation of available books. The texts chosen for comparison with the Syllabus and Reading Guide for the 1938 Melbourne Course, are:

- Cherington, Paul T (1920) *The Elements of Marketing* The Macmillan Co. New York. [An early American Marketing textbook cited by Whitlam (1938)]
- Kotler, P., FitzRoy, P., and Shaw, R. (1980). *Australian Marketing Management*. Prentice-Hall of Australia Pty Ltd. [The first Australianised textbook based on Kotler's texts and prescribed at the University of Melbourne at the time].
- Kotler, P., Brown, L., Burton, S., Deans K., and Armstrong G. (2010). *Marketing* 8<sup>th</sup> edition, Pearson, Sydney. [The 8<sup>th</sup> edition of the Kotler textbook prescribed at the University of Melbourne in 2012].

The methodology for this comparison was a simple page count for specific topics as a percentage of the total number of pages in the publication. While the results (summarised in Table 2) are not conclusive, there are a few important issues about the teaching content of Marketing over the years.

A more detailed analysis using a larger number of marketing textbooks in consecutive years would produce a more thorough and historically accurate review of marketing content. However, observing some specific topics, there generally appears to be an increase in the content of defining marketing and its place in the economy, and social control and ethics of marketing. Topics that have decreased in content include primary produce marketing, and sales management. Interesting, marketing research was not an individual topic in the earlier sources.

A limitation to this simple analysis is that due to problems in trying to fit a large number of marketing-related topics into one textbook, the publisher may cap the length of chapters in the Introductory textbook, and offer other textbooks which focus on specific areas, like Marketing Research, for subjects offered to those studying the marketing major. However, overall, there are some apparent general trends:

- The Marketing of Primary Produce is now no longer the dominant component of introductory marketing subjects as it was before the Second World War. Having said this, the prescription for the University of Melbourne course, for 1946, and through to 1950, is different from that of 1935, reverting to a significant emphasis on macro-economic aspects of Marketing of primary produce:  
**"MARKETING: The economics of markets; transport; restriction schemes; quotas; inter-governmental marketing; marketing costs; organised produce markets; marketing of Australian primary products; domestic and external markets."**

(University of Melbourne Calendar 1946)

This indicates the importance of the external environment and, perhaps, the influence of the senior members of an Economics-oriented Faculty, as one of the set references is the work of the Dean, Professor D.B. Copland.

- There has been a major refocus of Marketing from the function of moving the product to the marketplace to the management of discovering the customers' needs and wants, and trying to satisfy them in a strategic way.
- This shift from emphasising commodity marketing and the trade in primary produce to the marketing of industrial (business-to-business) and consumer products lead to a substantially greater emphasis on Product Development, Product Management and associated areas, such as services marketing and social marketing.
- Distribution policy and logistics, which was the area in which marketing education first struck its roots (Cherington 1920, Duncan 1920, Borsodi 1927, Agnew and Houghton 1951, Bartels 1988, Fullerton 1988), also became of lesser importance over time. It can be argued that the improvements in the technology of logistics during World War 2, when



applied to both international and domestic markets after 1945, reduced the emphasis that needed to be given to this topic. Of course, this has been further revolutionised by computerisation and the internet.

- As markets grew and became more competitive, as well as the availability of better communications technology, the emphasis of Promotion has moved from Salesmanship and Sales Management towards Advertising and Sales Promotion and to Marketing Communication.
- The more competitive and more complex the market environment has led to a higher level of interest in the application of marketing information and research. This has particularly occurred as the available technology and statistical analysis has improved.

Therefore, the origins of University-level marketing education in Australia can be seen to have been shaped by several influences, including:

- the external environment of the country at that time;
- the areas of interest of academic staff;
- the availability of teaching material - textbooks, academic articles, appropriate case studies, academic research papers, etc;
- the academic staff and teaching materials from the United States; and
- the extent to which the supporting technology of marketing had changed.

It should also be noted that there is a wealth of information available to the modern day academic and practitioner. From refereed journals, local, national and international conferences, and a huge bibliography of published and online work. For the Australasian academic there is a range of local textbooks adapted to or specifically written for the Australasia situation. There are many overseas courses, at undergraduate and postgraduate level, to use as models for new or "renovated" courses. Modern communication technology facilitates conference attendance, and enhances the quality of information sharing that was not possible even twenty years ago, let alone eighty years ago.

The people who initiated this first Marketing course at The University of Melbourne, Ingram, Cunningham and Whitlam, did so in isolation from the main stream of research and publication, without the support of colleagues in their own or other Universities, and with only limited access to a much smaller pool of information about this new and not-well understood discipline. It is to their great credit that they succeeded in taking this first step on what has been a long path. It is possible that, without their work, primarily Whitlam, Marketing may not have become a part of the curriculum of most Australasian Universities as easily or as early as it did (Ellis and Waller 2011).

## CONCLUSION

Marketing education programs did not "just happen" in Australia. Rather, those that are now in place are the end product of streams of development over a substantial period of nearly one hundred years. Many contributions may have been need-driven, as the community sought solutions to the problems of a dynamic socio-economic environment. Other input into marketing education came from researchers providing academic interpretations of the day-to-day operations of the business organisation, initially through the eyes of the economist with an interest in agricultural production or problems of distribution. Once the combined efforts of the academic researchers had led to an integrated concept of marketing, then there came the principles, the explanatory concepts and theories, and the managerial strategies could be developed. So while marketing may be a phenomenon of the twentieth century (Phelps 1967), it can be concluded that marketing education is a product of the whole twentieth century, which has also influenced the programs in marketing education in Australasian Universities and Colleges today and in the future.

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**Table 1: Topic Comparison 1938 and 2012**

<b>“Marketing” 1938 *</b>		<b>“Principles of Marketing 2012 +</b>	
I.	The Market	Establishing Value-Based Marketing Principles- Methods to Compete	
II.	Auctions		
II.	Marketing Operations	1.	Principles of Marketing Performance
III.	The Middleman	2.	Recognizing the True Indicators of Corporate Value
IV.	Wholesale Marketing - Manufactured Goods	3.	The Brand – An Organizing Framework for Marketing
V	Retail Marketing	Organising the Market – Where to Compete	
VI	Speciality Marketing	4.	Selecting Markets
VII	Instalment Selling	5.	Segmenting Markets
VIII	Price Determination	6.	Electing Target Segments (1)
IX	Marketing Agricultural Products	7.	Electing Target Segments (2)
X	Co-Operative Markets	Managing the Market – How to Compete	
XI	The Warehouse in Marketing	8.	Brand Position Decisions & Product Decisions
XII	Organising Produce Markets	9.	Price Decisions
XIII	Transport	10.	Placements Decisions
XIV	Market Finance	11.	Promotion & Communication Decisions
XV	Export Marketing	12.	Classic Marketing Blunders
XVI	Marketing of Specific Commodities		
XVII	Costs of Marketing		
XVIII	Planned Marketing		
XIX	Advertising		
XX	Salesmanship and Sales Management		
XXI	Psychology in Marketing		
XXII	Interests of the Consumer		
...	Social Control of Marketing		

\* Lecturer: Mr A G Whitlam B.Com (Melb)

+ Prof Bryan Lukas MBA (Nebraska), PhD (Memphis)

**Table 2: Changing Amounts of Content in Certain Marketing Topics**

	<b>Cherington</b>	<b>Whitlam</b>	<b>Kotler etal</b>	<b>Kotler etal</b>
	<b>1920</b>	<b>1938</b>	<b>1980</b>	<b>2010</b>
Marketing defined; its place in the economy	6.0 %	4.0 %	7.4%	7.9%
Distribution	31.5	27.5	6.9	8.6
Marketing of Primary produce	13.0	31.5	--	--
Pricing policies and Price determination	--	6.0	3.7	5.3
Salesmanship and Sales management	11.0	4.5	4.5	1.6
Marketing Information & Research	--	--	4.5	4.5
Social Control of Marketing/Marketing Ethics	1.0	2.0	2.5	4.5

## UNDERSTANDING COLLEGE STUDENTS' STUDY ABROAD MOTIVATIONS AND PREFERENCES

Swinder Janda, Kansas State University, USA

Bente Janda, Kansas State University, USA

### ABSTRACT

Current globalization trends and greater consumer mobility across nations has led to the world becoming cross-culturally integrated (Friedman, 2005; Hill, 2013). Businesses have increased global presence and employers are looking for candidates that in addition to core skills also possess cross-cultural skills (de Jong, Schnusenber, and Goel, 2010). Thus higher education institutions are increasingly emphasizing global content including cultural perspectives and study abroad opportunities (American Council on Education, 2008; Relyea, Cocchiara, & Stoddard, 2008). In spite of all these developments, the vast majority of college students do not partake in study abroad opportunities before they graduate (Institute of International Education, 2012). In light of these observations, a two-step research design was adopted to understand student motivations, expectations, preferences, and outcomes associated with studying abroad. The first step involved a series of phenomenological interviews, while the second involved an online survey.

A fair number of recent research studies delve into this area and brief overview is provided here. Research suggests that the most effective way to gain cultural understanding and enhance language competency is by living in the country (Badstübner & Ecke, 2009; Rexeisen & Al-Khatib, 2009). Students who study abroad are typically motivated to broaden their horizons and obtain cultural enrichment (Sanchez, Fornerino, & Zhang, 2006; Thissen, & Ederveen, 2006). Other motivations include personal development and the desire to enhance friendships (Badstübner & Ecke, 2009; Tomcar, Reid, & Anderson, 2005). In order to establish a thorough understanding of student study abroad perceptions, 15 phenomenological interviews were conducted with students who had recently studied abroad. Subsequent analysis of interview transcripts accompanied by readings of prior research uncovered numerous attitudes, motivations, preferences, and outcomes related to study abroad.

Insights from the above qualitative study were utilized to develop an online survey that contained questions pertaining to study abroad motivations (11 questions), attitudes (11 questions), and preferences (16 questions). The sampling frame comprised of 593 students enrolled at a major state university in the United States who had recently (within the last three months) expressed an interest in studying abroad. All questions utilized 7 point Likert type response formats. A total of 205 students completed the survey (68% female and 32% male). The SPSS software (Version 20) was employed to first conduct an exploratory factor analysis and then a K-means cluster analysis that yielded two clusters which are described below.

The “externally-motivated familiarity seekers” cluster represents 62% of the sample. Almost 75% of male respondents fall in this cluster, compared to 57% of female respondents. In their decision to study abroad, individuals in this cluster are particularly influenced by significant others, and are not particularly motivated to acquire foreign language skills or enhance marketability via study abroad. Further, this group strongly desires programs with English language instruction, and one that has U.S. professors and students. This group also prefers short duration (1-6 weeks) programs that are U.S. administered (faculty-led or foreign campus operated by home university). Individuals in this group also prefer living arrangements shared with other U.S. students. The “inherently motivated adventure seekers” cluster represents 38% of the sample. Only 25% of male respondents fall in this cluster, compared to 43% of female respondents. A desire to broaden their horizons and seek new adventure are particular motivations for this group. This group is also motivated to study abroad as a way of self-enhancement, often in the form of acquiring/enhancing foreign language skills. Moreover, this group strongly desires programs with a wide range of offerings, abundant travel opportunities, and few U.S. faculty and students. This group also prefers longer programs (one or two semesters) administered by a foreign university. Individuals in this group also prefer to live either with a host family or in off-campus shared living with other foreign students.

These findings have numerous marketing and administrative implications for institutions of higher education. A major implication is that there may be two broad segments of students based on their motivations and attitudes and what they are seeking in a study abroad program. The appropriate method to satisfy the needs of these two segments may be to offer different types of study abroad opportunities based on factors such as duration of time spent abroad, language of instruction, variety and type of travel possibilities within the program, and type of living arrangements while abroad. This can help increase student participation in study abroad programs and bring about a better student-program fit to ensure greater overall satisfaction among students, and to ultimately enhance the amount of value students get from such programs.

References available upon request.

**Wednesday, 10:30 a.m. – 12:00 p.m.**

**Session 2.1. Challenges and Opportunities for Logistics and Supply Chain Management**

Room: Flinders

Session Chair: Dan Flint, University of Tennessee

***What do We Really Know about What We Know? The Nature of Relationship Governance in a Reverse Supply Chain***

Diane Mollenkopf, University of Tennessee

Robert Frankle, University of North Florida

Ivan Russo, University of Verona

B. Jay Coleman, University of North Florida

G. Peter Dapiran, RMIT University

# WHAT DO WE REALLY KNOW ABOUT WHAT WE KNOW? THE NATURE OF RELATIONSHIP GOVERNANCE IN THE REVERSE SUPPLY CHAIN

Robert Frankel, University of North Florida, U.S.A.  
Diane A. Mollenkopf, University of Tennessee, U.S.A.  
Ivan Russo, University of Verona, Italy  
B. Jay Coleman, University of North Florida, U.S.A.  
G. Peter Dapiran, RMIT University, Australia

## INTRODUCTION

Inter-organizational relationships have received significant attention in the marketing channels literature (Anderson and Weitz, 1992; Mohr and Spekman, 1994; Morgan and Hunt, 1994). More recently, the supply chain literature has emphasized the importance of cooperative inter-firm relationships for achieving competitive advantage (Mentzer *et al.*, 2001; Rogers and Leuschner, 2004). While understanding supply chain relationships is important in the forward supply chain, relationships are important in the reverse supply chain as well.

Researchers are increasingly addressing returns Management (RM) and closed-loop supply chain (Guide Jr. *et al.*, 2003; Guide Jr. and van Wassenhove, 2006; Kocabasoglu *et al.*, 2007; Rogers *et al.*, 2002). Researchers have primarily addressed economic aspects of RM (e.g., Blackburn *et al.*, 2004; Guide and van Wassenhove, 2001) and the cross-functional nature of RM (Mollenkopf *et al.*, 2011), but have yet to address the inter-organizational governance of RM. The conceptualization of supply chain management strongly asserts that all parties should benefit from improving effectiveness and efficiency of supply chain processes (Tan, 2002; Wisner and Tan, 2000), yet the RM process remains a stubborn outlier in its ability to generate shared benefits (Ryder, 2010).

Given that manufacturers and distributors often struggle with their retailers regarding the growing problem of returns, this research project originally began with the intention of addressing the challenges of managing returns. Australian retail channels were chosen, in part, because previous RM research has primarily ignored the Australasian region. However, as qualitative data interviews progressed, issues of inter-organizational relational governance began to emerge. Thus, to capitalize on a previously unforeseen outcome of the research project, the purpose of this paper is not on RM process *per se* as products move across the reverse supply chain, but rather on the nature of the inter-organizational relationships within which the RM activities occur.

This research contributes to a growing stream of RM research within the supply chain literature, extending the theoretical scope of inter-organizational relationships to include the reverse channel. Due to the exploratory nature of the analysis, this research serves to guide further research on inter-organizational relationships that encompass both forward and reverse product flows.

## BACKGROUND

Product returns present significant challenges for firms, whose main objectives are to produce and/or sell products to customers. Firms often miss opportunities to recapture value for themselves or their customers because they consider returns a nuisance, or cost of doing business (Blackburn *et al.*, 2004). Value may come in the form of strong relationships and loyal customers (Mollenkopf *et al.*, 2007), but when cost minimization becomes the primary emphasis of a firm's returns management policy, opportunities to enhance relationship value are lost. One of the challenges of managing returns, however, resides in the cross-functional nature of the process itself (Mollenkopf *et al.*, 2011), which further complicates the management of inter-organizational channel relationships.

The manner in which such internal (cross-functional) and cross-firm relationships are managed depends, to a large extent, upon the governance structure and processes employed. The varying nature of exchange governance, from discrete transactions to relational associations, has been a key theoretical foundation underlying marketing research. Traditionally, the governance of exchange relied upon the foundation of law and contracts (Stinchcombe, 1985) and transaction cost economics (TCE) (Williamson 1985). These two approaches describe the institutional structure of exchange. Alternatively, the foundation of sociology provides a basis for the concept of relational exchange (Macneil 1980, Anderson and Narus 1990, Morgan and Hunt 1994) or relational contracting. This approach addresses the existence of relationships and associated social norms of conduct (such as trust, commitment, reputation) that moderate the structure of exchange. The pendulum has clearly

swung to relational exchange as a platform for understanding exchange, and forms much of the basis for the emphasis on collaborative supply chain management (Achrol and Gundlach, 1999; Cannon *et al.*, 2000). Interestingly, others caution as to the naïveté of such an approach (Anderson and Jap 2005), and argue for a more complete explanation of relational exchange (Vinhas *et al.*, 2012).

Inherent in legal or TCE approaches is the acknowledgement that power asymmetry exists and there is both a stronger and a weaker party in nearly all supply chain exchange relationships. Asymmetric relationships are considered more dysfunctional, less stable, and less trusting than symmetric relationships (Anderson and Weitz 1989; Stern and Reve 1980). Mentzer *et al.* (2001) hypothesize that increasing asymmetry in relative dependence and decreasing total interdependence generates greater conflict, lower trust, and lower commitment. Conversely, mutual interests are strongest (Kumar *et al.*, 1995) and performance is enhanced (Buchanan 1992) in symmetric relationships.

Traditionally, the “default” situation in the literature described a powerful finished goods manufacturer and a less-powerful customer firm. Over time, those traditional roles have reversed, such that retailers often hold the power and the upstream parties are more compliant. This is the situation in Australia, where the market is characterized by a very powerful and concentrated retail sector. Such retailer/supplier asymmetry, consistent with the work of Subramani and Venkatraman (2003), is further exacerbated because very little consumer goods manufacturing occurs in Australia. Retailers are supplied by distributor subsidiaries of multinational parent companies that import to Australia.

## RESEARCH METHODS

Because returns management research is still in early days of theorization, a qualitative approach was employed, utilizing multiple sources of evidence including in-depth interviews, site visits, printed materials provided by the participating firms and obtained from secondary sources. As issues of inter-organizational governance emerged during the interviews, the interview guide was adjusted to incorporate discussions of inter-firm relationships. The strength of qualitative research is that it can evolve as the research progresses (Charmaz, 2006). The current research reports on our exploration of inter-firm relationships from the perspective of manufacturing/distributor managers dealing with RM.

A modified theoretical sampling approach (Strauss and Corbin 1998) was employed due to scheduling constraints faced by the research team. Five firms participated; all were Australian distributor subsidiaries of international manufacturing firms, supplying Australian retailers and business customers. The firms represented household appliances, office security equipment, water solutions, cleaning equipment, and floor coverings. A total of 27 managers across the companies participated, reflecting diversity along several dimensions such as function, level, job tenure, organization size, industry, product lines.

Interviews lasting 60-180 minutes were held individually with each participating manager. The depth interviews were open ended and discovery oriented, starting with a grand tour technique (McCracken, 1988). All interviews were digitally recorded and transcribed verbatim, as were the debriefing discussions held by the research team after each set of interviews (Debriefing sessions were held due to the sampling procedure. In this way, each subsequent set of interviews was enhanced by the thematic revelations of preceding interviews). To ensure rigor in the data collection and analysis, two sets of trustworthiness criteria appropriate for qualitative methodology were employed (Flint *et al.*, 2002; Hirschman, 1986; Yin, 2003) and are available from the authors.

## RESULTS AND DISCUSSION

The asymmetrical relationships between the distributors and retailers cause many challenges for the distributors when dealing with return products. Previous supplier attempts to control returns with retailers has historically been a failure; participants repeatedly indicated their inability to enforce return policies. Some suggested that an industry-wide solution was needed because suppliers cannot act alone regarding returns policies without being punished in the marketplace. The asymmetry in Australia is further driven by geography. The concentration of population in a small area of the country lends itself to retail agglomeration; being close to the end consumer creates retailer power. Moreover, Australia’s geographic isolation creates long supply chains, impeding distributors’ ability to return products to the parent manufacturers. With respect to legal conditions, the Australian consumer is totally protected by law. Product returns are allowed for several years – even after heavy product usage. Consumer law overrides the manufacturer warranties, as well. Thus, retailers are incentivized to satisfy consumer desires at the expense of channel partners and profits. Two interrelated themes emerged from the data that provide insight to the supply chain relationships, and provide a basis for further research.

## **Theme 1: Asymmetric, but Long-Term Relationships**

The prevailing stream of thought in the literature suggests that firms in asymmetric relationships have a great deal of motivation to engage in conflict and few reasons to restrain themselves; as channel asymmetry increases, the interests of the channel partners diverge, making relationships more likely to dissolve (Kumar *et al.*, 1995). Symmetric relationships are thought to be better predictors of long-term relationships, because of the many benefits that accrue: reduced turnover and elimination of search and start-up costs; economization of learning costs and experience effects; simpler governance structures and monitoring systems; and multiple efficiencies (Gundlach *et al.*, 1995).

Distributor-retailer relationships in Australia are clearly asymmetric, but they are also long-term, in contrast to what is suggested in the literature. However, there are some instances wherein asymmetry is suggested to be a positive relationship stabilizer due to the clear dominance of one party over another (Lawler *et al.* 1988; Rubin and Brown 1975; Thomas and Esper, 2010). This stabilization explanation may prevail in Australian channels. Since retailers represent the path to reach the end consumer, the manufacturer/distributors cannot anger the retailers without jeopardizing their own market share.

Another explanation to relational longevity, and the distributors' seeming acceptance of their weak positions vis-à-vis the retailers, may be a reflection of the strategic and operational neglect of the RM process by the distributors. In other words, distributors seem to be self-creating their own lack of leverage to "reform" these unbalanced, asymmetric relationships. Simply put, there is insufficient recognition and understanding of returns costs as well as the potential value opportunities that exist throughout the supply chain through improved returns management. Because distributors do not understand the RM process, they do not perceive it to be important to manage more efficiently or effectively.

## **Theme 2: Plural forms of Governance Mechanisms**

The Australian channel relationships are neither explained by the legal/economic structure, nor by the social structure alone. Rather, inter-organizational relationships seem to be best explained by plural forms of governance, relying upon a perspective utilizing both contracts and social norms (Bradach and Eccles, 1989; Cannon *et al.*, 2000). The marketing and sales managers discussed their relationships with their customer firms in terms of relational exchange. The dyadic relationships with customer firms were perceived in terms that are much longer and stronger than individual return transactions; additionally, senior management needed to trust that the sales representatives could make the right call regarding a return issue. However, and in direct contrast, because RM is a cross-functional process that lacks 'ownership' in the participating firms (effectively, no one really manages the returns process), returns transactions are handled in a legal or economic form. Essentially, the returns management process itself isn't relational for these firms. Thus, there appears to be a mismatch between the overall relational structure as viewed from a sales perspective and the transactional nature of the inter-organizational relationships when returns are involved. This mismatch may be related to the fact that personnel from different functional roles are involved across the two types of relationships. Regardless, the mismatch seems highly problematic for the distributors and creates significant governance challenges for them.

## **FUTURE RESEARCH**

The two emergent themes regarding the Australian retail supply chains suggests the need for further research to provide theoretical insights into supply chain relationships that address both forward and reverse flows of products. In particular, the retailers' perspectives need to be incorporated to gain insights from the more powerful side of the asymmetric relationships.

Several avenues for further research have been illuminated by the two themes addressed in this paper. First, the longevity of asymmetrical relationships needs to be further explored, especially with respect to the underlying rationale for long-term relationships that appear to benefit one party more than another. Additionally, the theoretical underpinnings of relationship stability need to be addressed, along with implications for firm and supply chain performance. Second, the recognition of the strategic importance of RM needs to be explored as a means to leverage asymmetric relationships.

Third, regarding the plural forms of governance, the extant literature can be extended to consider inter-organizational relationships that incorporate bi-directional flows of product, information and finances. As closed-loop supply chain strategies become more prominent, it will be increasingly important for theory to guide and explain increasingly complex

inter-firm relationships. Additionally, the multi-functional nature of forward goods management vis-à-vis management of products in the reverse channel needs to be incorporated in to theoretically-driven research.

In summary, this research took an unexpected path when something caused us to question what we thought we already knew. Given the exploratory and revelatory nature of qualitative research, new directions and opportunities have been suggested here to enhance the existing knowledge base as researchers continue to study inter-organizational relationships, particularly with respect to the reverse supply chain.

## **REFERENCES**

References available upon request.



## **Session 2.2. Corporate Reputational Issues**

Room: Yarra #1

Session Chair: Goran Svensson, Oslo School of Management

### ***Is Trust a Pre-Requisite or Outcome of Corporate Social Responsibility? A Stakeholder Theoretical Perspective***

Frederick Hong-Kit Yim, Hong Kong Baptist University

Henry Fock, Hong Kong Baptist University

### ***Drivers and Outcomes of Corporate Identity Management***

Claudia Simoes, Open University

### ***Understanding Corporate Identity of SMEs: Conceptualization and Preliminary Construction of a Scale***

Upendra Maurya, Xavier Institute of Management

Prahlad Mishra, Xavier Institute of Management

Sandip Anand, Xavier Institute of Management

Niraj Kumar, Xavier Institute of Management

### ***Codes of Ethics Artifacts in Australia, Canada and Sweden: A Longitudinal Study***

Michael Callaghan, Deakin University

Greg Wood, Deakin University

Goran Svensson, Oslo School of Management

Jang Singh, University of Windsor

Svante Andersson, Halmstad University

# **IS TRUST A PRE-REQUISITE OR OUTCOME OF CORPORATE SOCIAL RESPONSIBILITY? A STAKEHOLDER THEORETICAL PERSPECTIVE**

Frederick Yim, Hong Kong Baptist University, Hong Kong

Henry Fock, Hong Kong Baptist University, Hong Kong

## **ABSTRACT**

Corporate social responsibility (CSR) has been garnering increasing momentum among academic researchers and business practitioners. Previous studies have shown that positive impacts of CSR on consumers' buying behaviors are contingent upon a number of factors. This paper extends this stream of research and proposes that trust in a company is another important pre-requisite condition (moderator), as well as a desirable outcome, of successful CSR campaigns. In particular, we disentangle trust into two distinct concepts, pre-trust and post-trust, and drawing from stakeholder theory, we explicate the role of trust in stakeholders' CSR evaluation process in a more fine-grained manner. A conceptual model is presented, along with its implications for research and managerial practices.

## DRIVERS AND OUTCOMES OF CORPORATE IDENTITY MANAGEMENT

Cláudia Simões, Open University Business School, United Kingdom

### ABSTRACT

In order to compete in a changing and dynamic environment many companies, develop competitive strategies grounded at the corporate level. The management of the perceptions of a corporation is emerging as a key management tool as organizations last longer than products. Corporate identity is one possible route for establishing a corporate image among audiences. Corporate identity portrays a notion of identity transposed to organizations. Such concept conveys an abstract idea suggesting that every organization has its own personality, singularity and individuality (Bernstein, 1984) – that is, its own character. Corporate identity can be a key tool for transmitting consistent images to internal and external stakeholders and has implications into business differentiation, survival and profitability (Simões et al. 2005). Corporate identity management (CIM) conveys the idea that there are dimensions of corporate identity that are possible to control and manage and that companies differ in the extent to which they manage their corporate identities. This study explores the relationship between CIM and other managerial variables. The paper attempts to theoretically ground drivers and outcomes of CIM. It proposes that CIM is the articulation of the business unit differentiation strategy and that it is a tool used by companies concerned with stakeholders (e.g., customers and employees) management. Additionally, there are business outcomes of CIM: stakeholder commitment and business performance.

**Dimensions of CIM.** Simões et al. (2005) specified the following dimensions of corporate identity that ought to be managed internally at the business unit level: “(1) the endorsement of consistent behavior through the diffusion of a company’s mission, values, and goals; (2) the expression and pursuit of brand and image consistency in the organization’s symbols and forms of communication; and (3) the implementation, support, and maintenance of visual systems.” (p. 153). The authors reached a three-dimensional scale that measures levels of internal corporate identity management: i) mission and values dissemination; ii) consistent image implementation; and, iii) visual identity implementation.

**Drivers of CIM. Business strategy.** Strategy involves an organization in developing an inimitable and beneficial position by relating several activities. Corporate and brand identity are considered in the literature as a source of differentiation and competitive advantage. Corporate identity is concerned with how the company comprehends itself, its behaviors and how it wants to be perceived. As such, it can be used to differentiate an organization implying a strategic link between a differentiation strategy and corporate identity. The strategy followed is, therefore, an antecedent for the level of engagement in CIM, with companies that emphasize a generic differentiation strategy tending to highlight their CIM. **Stakeholder orientation.** Stakeholder theory maintains that companies have responsibilities towards a variety of audiences such as stockholders, customers and employees. Stakeholder orientation can be seen as the degree to which companies take account of or try to respond to different stakeholders’ expectations. The effective management of corporate identity leads to a favorable image among an organization’s stakeholders. Consumers become more willing to buy a company’s products and employees are more predisposed to work for it. It is, therefore, proposed that companies with a higher level of stakeholder orientation tend to present higher level of CIM.

**Outcomes of CIM. Stakeholder commitment.** Stakeholder management and CIM aim to develop positive feelings and behavior among the organization’s audiences towards the corporation. They encourage stakeholder commitment. Stakeholder commitment reflects the way in which stakeholders are continuously inclined to respond favorably towards the company. It is anticipated that companies with higher profiles and a stronger identity, image and reputation will have more committed and loyal stakeholders. CIM aims to influence stakeholders, encouraging positive behavior towards the company. Stakeholder commitment is, therefore, a potentially important outcome of a more pro-active CIM (e.g., Simões and Mason 2012). **Business performance.** General and specific performance outcomes have been attributed to corporate identity and/or to specific aspects of its management. For example, it has been suggested that the corporate image and/or identity affect *organizational* performance; has a positive effect on sales and profitability levels; and, assists business growth. Since there are controllable aspects of CI that can be managed internally, it seems reasonable to propose that companies which are more pro-active in their internal (or external) CIM will present higher levels of business performance.

The over-arching effect that CI may have in companies’ existence and motion opens a wide range of research avenues. CI’s amplitude and complexity compel investigation to draw on specific perspectives and parts of its management.

References available upon request

# UNDERSTANDING CORPORATE IDENTITY OF SMES: CONCEPTUALIZATION AND PRELIMINARY CONSTRUCTION OF SCALE

Upendra Kumar Maurya, Xavier Institute of Management, India  
P. Mishra, Xavier Institute of Management, India  
S. Anand, Xavier Institute of Management, India  
Niraj Kumar, Xavier Institute of Management, India

## INTRODUCTION

Globalization and integration of market has impacted Organizations in multiple ways. This has increased customers' choices and degree of freedom and increased constraints on the organization in the context of business-to-customer (B2C) organizations. Corporate identity is important for consumer marketing for various reasons (see, He and Mukherjee, 2009). Organizations are pressed hard to meet changing customer expectations in a fiercely competitive environment. Further, it no longer remains the issue of just focusing on customer alone, other stakeholders like channel partners, investors are equally getting demanding. Under these conditions it becomes necessary for the organization not to be everything to everyone and loose its identity. Thus the notion of identity of an organization (corporate identity) becomes very important. Corporate identity(CI) is germane to all kind of organization irrespective of the size including Small and Medium Enterprises (SMEs) (Balmer, 2012). However, there is scarcity of empirical study on corporate identity (Melewar et al.,2005).This study constructs a reliable and valid scale of the corporate identity of SMEs in food processing sector (B2C) in India. India is one of the member countries of BRICS. BRICS members together have significance influence on regional and global affairs due to their huge market size, population, and land contribution in world GDP (BRICS Report, 2012). Therefore, India as a member of BRICS makes interesting context to this study. The interest population comprised only SMEs which meets the following selection criteria: (1) have an investment of above Rs 10 mn and below Rs 100 mn in plant and machinery (MSMED Act, 2006) or have a upper cut-off Rs 1,000 mn turnover (D&B India, 1996) (2) The organization is engaged in manufacturing and marketing of some kind of branded products in B2C segment (3) Have a legal existence either as proprietary, partnership, private limited or limited organization. The food processing sector in India is a rapidly growing sector and SMEs constitute a significant portion in terms of number of units as well as output and employment generation. Some estimates suggest that 33% of food processing sector organizations come under SMEs. Indian food processing industry is widely recognized as a 'sunrise industry' (NIFTEM, 2012) because of its huge growth potential. The processed food segment of the food sector in India consists of a variety of items like: Dairy products, Fruits and vegetables, Grains, Meat and Poultry, Sea food, Packaged/ convenience food and Packaged drinking water/ beverages. Present study comprises of representation from SMEs of all segments except sea food. This study reviews and refines the concept of corporate identity and describes the procedures for initial development and testing of an instrument that captures the essence of corporate identity in SMEs.

## BACKGROUND

Recently there has been huge interest in academicians and practitioners in the concept of corporate identity (Melewar, Karaosmangolu and Paterson, 2005). Most scholars view organizations' increased interest in corporate identity as a response from companies to differentiate themselves amid increasingly competitive environment and its potential to help organization in securing many benefits in the market place ( Melewar and Navalekar,2002; Melewar, Saunders and Balmer, 2001; Balmer and Gray,2000). While reasons for increased interest are diffuse and multifacet, the call for increased scholarly attention is warranted due to its importance (Van Tonder, 2006). Few attempts to develop measure for corporate identity have been made in certain contexts (e.g. Simoes et al., 2005), however this needs to be extended, as scholars call for further research to develop measurement instrument for corporate identity (Melewar et al.,2005; Melewar, Karaosmangolu, 2006) across different settings (e.g. type of organization, country)(Simoes, Dibb and Frisk, 2005).Therefore, further refinement and extension of the existing work on measurement of corporate identity is needed. The corporate identity scale for SMEs contributes to the literature by opening up the possibility to assess its true potential and test its relationship with various other constructs.

Corporate identity refers to the defining identity attributes of every organization (Balmer, 2010). Essentially it is an organization's notion of self which makes it different from the rest expressed via symbolism, behavior and communication. Identity of an entity is its notion of self, which makes it meaningful (e.g., Coreley et.al. 2006). The essence behind understanding the meaning is to understand the underlying dimensions of corporate identity, precisely the extent of various activities which entail the corporate identity. Extending the literature review (e.g. van Reil and Balmer, 1997; Simoes et al.,

2005; Van tonder, 2006; Otubanjo and Melewar, 2007; Gray and Balmer, 1998), corporate identity can be conceptualized as the symbolic/visuals (V), communication(C) and behavioral self expression (B) of the organizations notion of self. Notion of self refers to the distinct characteristics of the organization, in fact this notion of self is supposed to be central and enduring to the organization (see Whetton, 1985; Brown et al., 2006). Our conceptualization assumes only central and enduring component from Whetton (1985) and leaves out the distinctiveness as a criterion. The emphasis is on the underlying triggers with reference to symbolism, behavior and communication as per the internal perspective. The extent of triggers combination variation will present a unique combination for each entity, making it distinct. However, the domain of corporate identity triggers is limited to the controllable components of symbolism, behavior and communication. Symbolism represents the visuals a company uses to identify itself to people (Dowling, 1994). Symbolic representation of organization should manifest the sense of organizations' being and should be in consistent with the business philosophy, core values and communication. The focus is on controllable component of symbolism like; visual elements include name, logo, sign, symbol, tagline or any other combination of them. This may be done by using various means ranging from office stationery to architecture of the firm. The behavioral expression focuses on issues pertaining to organizational activities, actions, mannerisms and more importantly culture (Balmer, 1995). Culture provides a description of the way organizational members behave (Moingeon and Ramanantsoa, 1997), act and conduct themselves either formal or spontaneously (Melewar and Jenkins, 2002). The focus is on controllable component of behavior which is governed by culture at espoused level (see Schein, 1985). Communication is "the aggregate of messages from both official and informal sources through a variety of media by which an organization conveys its identity to its multiple audiences or stakeholders" (Gray and Balmer, 1998). While looking at communication; organization has to focus on controllable components like, content of communication, medium of communication, consistency of communication. Previously study by Simoes et al. (2005) has developed a scale in the context of large scale organizations of service industry in a developed country; they have not established nomological validity. Our research develops measure for Small and medium business of food processing sector in a developing country India. We have also established the nomological validity of the scale.

## **RESEARCH METHODOLOGY**

Based upon literature review of corporate identity domain (e.g. Melewar and Jenkins, 2002; Melewar and Karaosmanoglu, 2006; Witt and Rode, 2005; Melewar et al., 2005; Alessandri and Alessandri, 2004 and many others) and discussion with entrepreneurs, a large pool of 109 items was created. The initial exploratory phase of research comprised free-flowing in-depth discussion with 5 CEOs of Small and medium business in food processing with considerable experience in Bhubaneswar and Cuttack. During this phase focus was revolving around relevance and applicability of theory of corporate identity in their line of business. They also reflected upon several issues, like what should be the meaning of corporate identity, what kind of activities or processes or behavior encompass. The discussion has refined our understanding of the issue at hand and provided confidence to move ahead with our project. With the help of three Fellow program scholars, keeping our conceptualization as guidance this item list was reduced to item 46 items. These 46 items were subjected to five judges from academia two of them were domain experts. Items with less than 4 rating for relevance and adequacy were deleted, 29 items were retained. Again with the discussion of first authors' thesis advisory committee these some double barrel questions were split in to two and negatively worded questions were corrected and some redundant items were removed, leaving us with 20 items. Finally, after including all other constructs scale the entire questionnaire was subjected to pilot study to 20 SMEs. After, pilot study some sentences was refined and reworded. This entire process has been very invaluable in terms of item conceptualization, generation and interpretation of results.

We collected data using a standard survey questionnaire, which was administered to senior executives or the CEOs of the firm in food processing based in and around Pune (India), during the personal visits to these firms. Out of 150 organizations targeted we could get response from 114. We dropped 12 organizations due to incomplete information on many questions of the questionnaire. As a result, we were left with information on a total of 102 SMEs. During the analysis 12 items from the item pool of 20 were retained. Eight items were deleted due to their inability to meet the minimum criteria (minimum factor loading .32, no cross loading, removing a factor with less than three items) during dimensionality check and purification process ( see Tabachnick and Fidell, 2001 & Costello and Osborne, 2005). Using the criteria mentioned above, items C7, C9 and B5 were deleted due to cross loading. Two weak factors with less than three items factor1 (V6, C8) & factor 2 (C6, V5) have been deleted. An item, C4 with loading less than .32 was also deleted. Using the 12 items we have presented the result for reliability and validity of proposed scale.

## RESULT, DISCUSSION AND IMPLICATION

### Corporate identity (CI) Scale reliability

Internal consistency of the scale was checked, by computing coefficient alphas for the overall CI and its three subscales. Table 1 contains the various psychometric properties of the scales. The composite CI and its subscales, except the communication subscale, achieve coefficient alpha values adequately greater than .7, indicative of good internal consistency (Nunnally, 1978). We would have liked a higher coefficient alpha value of at least .7 for the communication subscale. However, we believe that a relatively larger sample would have achieved this. Column fifth in Table 1 titled 'Alpha, If Item Deleted' indicates that only one item, if deleted, would not improve the coefficient for any of the subscales. The CI achieves a coefficient alpha value of .828 and a value greater than .3 for inter-item correlations. According to Robinson, Shaver, and Wrightsman (1991) a coefficient alpha value greater than .8 and an average inter-item correlation greater than .3 is an exemplary construct. In view of these guidelines and the preliminary nature of the scale, we consider the psychometric properties of the CI and its three subscales adequate. Finally, we retain the 12 items listed in Table 1 for the preliminary CI.

Table 1: Reliability and other psychometric properties of CI

Scale	item Mean	Standard deviation	Corrected item-total Correlation	Alpha, if item deleted	Coefficient $\alpha$ of scale
V1	3.70	.742	.550	.767	<b>0.793</b>
V2	3.74	.807	.609	.739	
V3	3.82	.695	.641	.725	
V4	3.85	.750	.616	.734	
B2	3.97	.636	.617	.671	<b>0.754</b>
B3	3.75	.801	.537	.706	
B4	3.66	.724	.469	.739	
B6	3.99	.814	.602	.668	
C1	3.90	.725	.438	.563	<b>0.637</b>
C2	3.89	.770	.480	.532	
C3	3.45	.840	.414	.570	
C5	3.20	1.144	.394	.617	
<b>CI</b>					<b>.828</b>

Table 2: Factor structure of the corporate identity Construct (Principal Axis method and oblique rotation)

Symbolism		Alpha ( $\alpha$ ) =.793
V1	Our organization's visual mix represents our business philosophy ( vision, mission and values)	.338
V2	Defined standards for visual mix elements are followed in our organization across all means of representation including print and digital media (e.g., packaging, uniform, wall painting, promotional material, social media networks etc)	.404
V3	Our visual element mix are eye catching and enable identification with key target stakeholders	.838
V4	Our visual element mix are aimed at creating a specific image among key target stakeholders	.844
Communication		$\alpha$ =.637
C1	Medium of targeted communication is selected based upon need and relevance to key stakeholders in addition to expected long term benefit	.698
C2	Standard of targeted communication are predominantly set by top management (Owner/CEO/Managing partner)	.600
C3	All medium of targeted communication for specific target group have similar theme	.533
C5	We rely on external agency for designing the content of communication	.405
Behavior		$\alpha$ = .754
B1	Our organization ensures that all the employees (existing and new entrants) are aware of relevant values (norms about what is important and appropriate attitude)	.613
B2	There is total agreement on our mission (purpose of our existence) across all levels and functional areas of organization	.548
B3	Employees views themselves as partners in charting the direction of the business (e.g., functional	.691



areas)

B4 Our organization has well defined mission (purpose of existence) statement

.803

**Table 3: Questionnaire Sources for the corporate identity Scale**

Dimension	Background literature and item source
Symbolism	Literature from the corporate identity Field. Specific items adapted from Simoes et al. (2005) questionnaire, some items were based upon Balmer (1995). Exploratory field work
Communication	Literature from the corporate identity Field. Items were based upon Witt and Rode (2005); Bick et al, 2003 and Melewar and Korosmangolu(2006). Exploratory field work
Behavior	Literature from the corporate identity Field. Specific items adapted from Simoes et al. (2005) questionnaire. Exploratory field work

### Scale validity

Validity cannot be measured directly but can be inferred from the behavior of a measure's scores in some theoretically meaningful way. We discuss below a few validity tests for the corporate identity. Firstly, content validity followed by construct validity finally nomological validity. Content validity refers to the extent to which the items of a scale represent some theoretical content domain of interest. The content validity of our scale is reflected in the quality of the procedures followed in developing the scale. At every stage of development, we systematically tried to build content validity by strictly adhering to the procedures prescribed in the literature on scale development (Churchill, 1979; Netemeyer et al., 2003).

### Construct validity

To collect evidence of construct validity, we analyzed the pattern of correlations between the corporate identity construct and its three components. Consistent with van Reil and Balmer (1997) and Simoes et al. (2005) view, we had hypothesised that corporate identity was a unidimensional construct with three correlated components. The factor analysis with oblique rotation yielded the three factors solution, which supports our hypothesis. See Table 4 for correlations between the factors. We had expected each of the components to have significant loadings on the corporate identity construct. The results in Table 4 show that all three components have highly significant loadings, between .7 and .8, on the corporate identity construct, which indicates the existence of a higher-order construct (Clark and Watson, 1995). In addition, the high values of corrected item-total correlations and coefficient alpha attained by the corporate identity (refer to Table 1) indicate convergent validity. The three components share significant correlations with each other. However, the strength of loadings of the three components on the corporate identity construct was much higher than the strength of correlations between the three components, which indicates divergent validity. We can therefore infer that each of the three components captures some substantial and unique portion of the corporate identity construct. Thus we find support for the hypothesised structure of the corporate identity construct.

**Table 4 Factor correlations**

	CI	C	V	B
CI	1			
C	.788**	1		
V	.800**	.442**	1	
B	.752**	.372**	.426**	1

\*\* . Correlation is significant at the 0.01 level (2-tailed).

### Nomological validity

In a nomological validity test, a law-like relationship, derived from a certain theory, is put to test (Modi and Mishra,2010). A construct must fit into a relevant network of theoretically meaningful constructs, or nomological net, as referred to by Cronbach and Mheel (1955). For the purpose of this research, we focus on the corporate identity contribution to customer as a major stakeholder with three years' time horizon. This has been operationalized by Irving (1995)(c.f. Homburg and Pfsler,2000).We have measured market performance(MP) by six items achieving customer satisfaction, providing value to customers, attracting new customers, Keeping current customers , attaining desired growth and securing market share. Few items were reworded based on feedback from the pilot study. A MP index was calculated by taking average of all six items, used for regression analysis.

**Table 5 Nomological validity**

Independent variable	Dependent variable(s)
<b>CORPORATE IDENTITY</b>	<b>MP</b>
	.515** {.567} [.321]

\*\*p < .001 standardized regression coefficients. Standard errors are given within curly braces; R2 values are given within square brackets

The results presented in [table 1](#), [2](#), [4](#) and [5](#) and subsequent discussions clearly indicate that the proposed preliminary scale to measure corporate identity of SMEs has adequate psychometric properties. This study contributes to theory and practice in many aspects. Firstly, conceptualization and operationalization of corporate identity in the context of SMEs helps to in uncovering the triggers behind the activities relating to symbolic, communication and behavioural self-expression, which is essential for better management. Secondly, a robust corporate identity scale for SMEs contributes to the literature by opening up the possibility to assess its true potential and test its relationship with various other constructs. Moreover, it will also help in refinement and understanding thereby managing the individual components.



# CODES OF ETHICS ARTIFACTS IN AUSTRALIA, CANADA AND SWEDEN: A LONGITUDINAL STUDY

Michael Callaghan, Deakin University, Australia  
Greg Wood, Deakin University, Australia  
Göran Svensson, Oslo School of Management, Norway  
Jang Singh, University of Windsor, Canada  
Svante Andersson, Halmstad University, Sweden

## ABSTRACT

Based on the Partnership Model of Corporate Ethics (Wood 2002), this longitudinal study examined the measures in place to communicate the ethos of the corporate codes of ethics to internal stakeholders in three countries: Australia, Canada and Sweden. This paper reports the comparative codification of ethics amongst the top companies in these countries over three time periods: 2001-2002, 2005-2006 and 2010-2011.

## METHODOLOGY

Questionnaires that were non-sponsored and unsolicited were sent to the top companies (based on revenue) operating in the private sectors within Australia, Canada and Sweden. Companies were asked to answer up to thirty questions. The response rate for each country was (2001-2/2005-6/2010-11): Australia 173/500 (81 indicating that they did have a code), 111/500 (76 codes), and 106/500 (101 codes); Canada 140/500 (100 codes), 106/500 (103 codes), and 91/500 (90 codes); Sweden 72/100 (40 codes), 186/500 (113 codes), and 123/500 (102 codes). The sample taken in Sweden in 2001-2002 differed in size as it was based on a judgmental selection procedure of the top 100 private sector companies. The sample frame and size was extended from stage two in order to facilitate direct comparisons across the three cultures. The results will be reported

## RESULTS

The empirical findings are summarized in the form of: (2001-2/2005-6/2010-11) for each of the Ethics Artifacts measured by the study. *Consequences for a Breach* of the code are high in each of the countries across all three studies Australia: 89.6%/95.9%/98.0%; Canada: 97.0%/99.0%/98.6%; Sweden: 79.5%/82.1%/85.3%). *Ethical Performance Appraisal* is more frequent in Australia (70.5%/77.3%/81.2%) with a gradual increasing trend in its use that is significantly higher ( $p < .05$ ) than both Canada (63.3%/63.4%/56.2%) and Sweden (39.5%/44.2%/52%). The *Conduct of Ethical Audits* appears to have peaked across the three groups with Australia (23.7%/49.3%/50.5%) and Sweden (62.5%/55.1%/54.5%) effectively plateauing, and Canada (40.6%/56.6%/46.5%) showing decline (not significant at  $p < .05$ ) trend. *Support of Whistle blowers* is more frequent in Australia (43.6%/84.2%/88.1%) and Canada (48.0%/89.2%/89.8%) with Sweden indicating significantly lower ( $p < .05$ ) support (28.2%/43.8%/65.7%). The use of an *Ethics Ombudsman* is much more frequent in Canada (55.1%/66.0%/59.1%) than in Australian (32.9%/31.1%/52.5%) and Swedish (33.3%/34.5%/42.6%) organizations. Use of the code as a *Guide to Strategic Planning* is more frequent in Sweden (56.4%/60.0%/59.4%) than in Australia (43.6%/49.3%/55.4%) and Canada (35.7%/39.0%/47.7%). *Ethics Committees* were more frequent in Sweden (50.0%/30.8%/44.6%) than in Australia (26.6%/43.8%/52.5%) and Canada (38.8%/56.4%/60.2%) in the 2001-2002 iteration of the study, but it is now more frequent in Canada (60.2%) than Australia (52.5%) and Sweden (44.6%). Use of an *Ethics Training Committee* is not frequent in any of the three countries across the three studies - Australia (19.0%/24.7%/36.6%), Canada (27.6%/30.0%/39.8%) and Sweden (17.9%/19.5%/45.5%). *Staff Training in Ethics* has increased significantly ( $p < .05$ ) in the latest iteration of the study with all three countries indicating significant increased use - Sweden (55.0%/52.2%/82.2%), Australia (44.3%/52.7%/80.2%) and Canada (45.8%/58.4%/71.6%).

## CONCLUSION

There now appears to be a general convergence across all three countries toward similar levels of the application and the use of ethical artifacts and progression toward what we would consider to be “best practice”. The only significant differences ( $p < .05$ ) exhibited between the three countries, as of this latest iteration, are in “consequences for breaching the code” and “whistle blower protection” where Sweden is significantly lower than both Australia and Canada, and “ethical performance appraisal” where Australia indicates significantly higher use. Overall, we are pleased to report that, based on this latest data, all three countries appear to be headed toward world’s best practice with regard to the artifacts related to their codes of ethics.

References available on request.

### **Session 2.3. Advertising Appeals and Execution**

Room: Yarra #2

Session Chair: Kathleen Mortimer, University of Northampton

#### ***Matching Advertisement Layout with Metaphor Facilitates Comprehension***

Lampros Gkiouzepas,

#### ***The Use of Childhood Icons in Nostalgic Appeals for Charity***

Altaf Merchant, University of Washington, Tacoma

Kathryn LaTour, Cornell University

John Ford, Old Dominion University

Michael LaTour, Cornell University

#### ***And Word of Mouth: A Structural Study of Demographic Correlates Consumption, Emotion Satisfaction***

Madhupa Bakshi, NSHM Group of Institutions

Prashant Mishra, Indian Institute of Management

#### ***Advertising Execution Styles Matter: A Fear-Based Experiment on Attitude, Susceptibility, Efficacy and Behavior***

Marlize Terblanche-Smit, Stellenbosch University

Ronel Du Preez, Stellenbosch University

Lucea van Huyssteen, Stellenbosch University

## **MATCHING ADVERTISEMENT LAYOUT WITH METAPHOR FACILITATES COMPREHENSION**

Lampros Gkiouzepas, Alexander T.E.I. of Thessaloniki, Greece

### **ABSTRACT**

This paper seeks to advance metaphor theory in the domain of consumer behaviour by demonstrating that deep-rooted metaphors can have a measurable impact on comprehension and ad liking. Everyday expressions such as "I'm feeling up/down" reveal that people assign spatial orientations to some abstract concepts: for example, "happy is up". In line with the view that metaphor is an integral part of our conceptual system, our results demonstrate that comprehension of advertisements is significantly facilitated when the spatial organisation of ad components (e.g., headline, product image, visuals) follows the mental spatial arrangement of their corresponding orientational metaphor. This metaphor-consistency effect was confirmed for three orientational metaphors relating to the concepts of happiness, power, and time. Although results were mixed, our findings seem to further suggest that metaphor-consistency can have an impact on attitudes towards the ad when the (metaphorically structured) concept is valued by consumers. We conclude by suggesting that metaphor research can significantly enrich advertising theory and provide the basis for questioning some well-established advertising practices.

## **THE USE OF CHILDHOOD ICONS IN NOSTALGIC APPEALS FOR CHARITY.**

Altaf Merchant, University of Washington, Tacoma, USA

Kathryn LaTour, Cornell University, USA

John B. Ford, Old Dominion University, USA

Michael S. LaTour, Cornell University, USA

### **ABSTRACT**

In the current inquiry we add to the emerging research (Ford and Merchant, 2010; Merchant, Ford and Rose, 2011; Zhou, Wildschut, Sedikides, Shi and Feng, 2011) on the influence of nostalgia on charitable donations, by examining the role of childhood icons. We contend that marketers can bank on the value of consumer memories but there are aspects, like icons, that they shouldn't messed with when trying to appeal to the past, such as PBS' move to promoting Cookie Monster as Veggie Monster.

References available upon request.

# **CONSUMPTION EMOTION, SATISFACTION AND WORD OF MOUTH: A STRUCTURAL STUDY OF DEMOGRAPHIC CORRELATES CONSUMPTION EMOTION, SATISFACTION**

Prashant Mishra, Associate Professor, Indian Institute of Management Calcutta, India  
Madhupa Bakshi, Associate Professor, NSHM College of Management and Technology, India

## **INTRODUCTION**

Consumption emotions are of importance to marketing organizations as they help them to understand the consumer and therefore have some measure of control over post purchase behavior. Many previous studies have recognized that consumers' emotions have a significant influence on customer satisfaction and behavioral intentions. Though it is accepted that women and men differ in their emotional responses there have been almost no research throwing light on how their emotional responses are different to service consumptions like watching a movie. Neither there has been research to show whether age and income play a role in creating differences in consumption emotion. This paper follows the pleasure arousal model and tries to assess whether age, income and gender play a role in causing differential effect on pleasure and arousal and thereby generating different levels of satisfaction and word of mouth for movies.

## **BACKGROUND**

There are numerous studies on the effect of consumption emotions on marketing and consumer behavior. Also their role in generating post purchase effects like satisfaction, loyalty and word of mouth have been researched by scholars. This paper has its origin in a similar study done by Ladhari (2007) which assesses the role of pleasure and arousal of the PA model of Mehrabian and Russel (1974) on satisfaction and positive word of mouth communications. However, such a model remains incomplete when it is accepted unilaterally for all demographic variables. It is generally believed that women and men differ in their expression of emotional intensity. This gender difference has been explained by researchers like Hochschild, (1983) Kemper Shields (1995) Brody (1997) Vecchio, 2002 ). Hochschild explains this difference in terms of the cultural beliefs of individuals. He argues that cultural beliefs about emotion influence individuals' feelings and expressions vis-a-vis feeling and expression norms that specify the emotions individuals should (and should not) feel and express in given situations (Simon and Nath, 2004) However, other studies suggest that internal feelings are similar in both genders and social standards may influence their emotional expressions, (Lundqvist & Dimberg, 1995; Wild et al., 2001; Kring & Gordon, 1998). In the Indian context women are considered more emotional than men therefore this study hypothesized that gender will effect each of the constructs of the consumption emotions.

However, many of these studies suggest that though social standards may differentiate the way men and women express emotion, their levels of emotional sensation remain similar. In fact some studies suggest that as society evolved division of labour changed, resulting in ambiguous sex roles, as well as the emergence of androgynous roles (Collins, 1981; Hull, 1997). In other words, as sex roles diversify, physiological gender no longer suffices to explain differences in consumer emotions and responses. Therefore we look at age as a differentiator for consumption emotion. Although there has been investigation on the link between age and affect this research did not find anything related to consumption studies. Mroczek & Kolarz's, (1998) research show that there are age differences in people's emotional expressions, however these evidences are not strong enough to support the hypotheses that age influences, pleasure arousal and satisfaction and consequently positive word of mouth communication. There is also absence of literature regarding the role of household income on consumption emotions. However, in real life situations it has been observed that income plays a crucial role in eliciting consumption emotions therefore it has been considered as another variable influencing the factors being studied.

## **CONCEPTUAL MODEL AND HYPOTHESIS**

The roots of the model of the study lie in the pleasure-arousal (PA) model (Mehrabian & Russell, 1974; Russell, 1980; Russell, Weiss, & Mendelsohn, 1989) taken from the field of environmental psychology (Mehrabian & Russell, 1974). This study is extends Ladhari's (2007) study of the PA model's effect on WOM by including demographic correlates as variables. Therefore the aim of this study is to evaluate the effects of demographics (age, monthly household income and gender) on pleasure, arousal and satisfaction as well as the effect of pleasure, arousal on satisfaction and WOM. The conceptual model as well as the hypothesized relationships between the constructs is presented in [Figure 1](#).

## RESEARCH METHODOLOGY

Since the study is an attempt to explore the structural relationship among pleasure, arousal, satisfaction and word of mouth with demographics correlates, therefore the sample was based on movie consumption which is a hedonic product. The study collected data from respondents who had recently watched a popular Hindi movie belonging to age group of 18 to 50, earned between Indian Rupees 20,000 to above 55,000. Data was collected from respondents in a face to face interview and there were 149 males and 123 females. To measure the variables, constructs were adopted from the previous studies. The constructs were subjected to reliability tests and the coefficients signified that all the scales were fit for the present study. The first step of the analysis was to conduct factor analysis on four existing constructs, and then subject it to confirmatory factor analysis. The result of this process provided the factors for the structural equation modeling process. Before the structural model estimates were examined, an evaluation of the items measuring the latent variables was made through goodness of fit measures. The goodness of fit measures are presented in the [Table 1](#).

## RESULTS

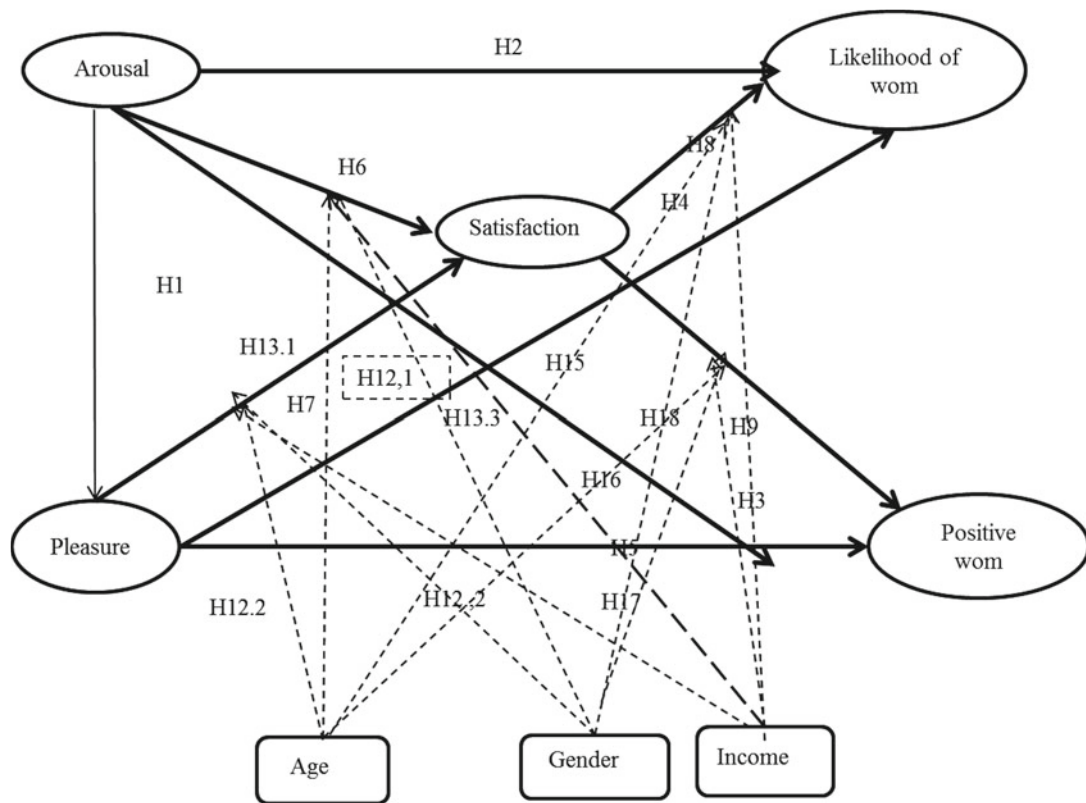
All the fourteen hypotheses were represented in the structural equation model. The results ([Table 2](#)) validated most of the previous study findings, predicting that arousal has a positive significant effect on pleasure. But arousal did not have positive significant effect on likelihood of Word of Mouth and Positive Word of Mouth. Findings indicated that arousal had negative direct effect on likelihood of word of mouth ( $\beta = -1.468$ ,  $t = -2.193$ ,  $p < 0.05$ ) and negative significant impact on positive word of mouth ( $\beta = -1.383$ ,  $t = -2.193$ ,  $p < 0.001$ ). On the other hand pleasure did not affect likelihood of word of mouth. Previous studies did not find that satisfaction had effect on likelihood of word of mouth but here there was significant effect with To measure the moderating role of the demographic variables ([Table 3](#)) the data was split according to the demographic groups and the AMOS 18 was run for each group. Hypothesis 11 had predicted that age would cause differences in the levels of satisfaction due to pleasure and arousal. There was a considerable amount of heightened effect of arousal (1.037) and pleasure (3.305) on satisfaction for the 18-25 age group and also age group above 35. Hypothesis 12 had predicted that gender would influence the effects of arousal, pleasure and satisfaction, as seen in [Table 4](#) in females' the effect of arousal and pleasure on satisfaction was different from that of males. Hypothesis 13 had predicted that Income would have significant impact on the likelihood of generating Wom and positive word of mouth, all the results were significant but the differences within the groups of income was not significant.

## DISCUSSION AND CONCLUSION

The results indicated that age has positive significant impact on three factors arousal, pleasure and satisfaction. The effect of age on arousal is stronger than the other two. So the study concludes that consumption emotion and satisfaction depends on age. Accordingly the film producers should consider this result in their segmentation of movies. Gender has positive significant impact on all constructs except for females, here satisfaction did not result in pleasure. The last demographic monthly household income had significant impact on all three factors arousal, pleasure and satisfaction.

The results confirmed the fact that for hedonic product or service, pleasure and arousal are important factors of satisfaction. The success of a movie is measured in terms of financial success. Financial success depends on the number of movie goers. The number of movie goers largely depends on WOM. That means the financial success of a movie is largely influenced by WOM. Thus, movie producers and distributors should focus on keeping moviegoer satisfaction factors and in this case since age has been identified as a crucial variable they have to keep in mind that for specific age groups specific content would be appropriate. In the last few years research has been done on the commercial success of movies (Sawhney & Eliashberg, 1996; Eliashberg & Shugan, 1997), the timing of new film introduction (Krider & Weinberg, 1998), the influencers of a movie's market performance (Desai & Basuroy, 2005), factors explaining the extent of moviegoers' consultation of film reviews (d'Astous & Touil, 1999; d'Astous et al., 2005), and factors affecting frequency of film attendance (Verdaasdonk, 2005); the present study enriches the existing research by adding a different dimension. By adding the demographic factors it establishes that the marketers should also consider age, gender and income as important factors when they are trying to generate positive word of mouth.

**Fig1. Conceptual Model**



**Table 1 Goodness of fit measures for the model**

Estimate	Fit Index
$\chi^2$	146.49
df	60
CFI	.97
GFI	.93
RMSEA	.07 (.05-.08)
IFI	.96
TLI	.95

**Table 2 Hypothesis results**

Paths			Estimates	Hypothesis
Pleasure	<---	arousal	.974***	H1 supported
lwom	<---	arousal	-1.468	Negative effect
pwom	<---	arousal	-1.273***	Negative effect
lwom	<---	pleasure	.119	Not supported
pwom	<---	pleasure	.991***	H5 supported
satisfaction	<--	pleasure	.370	Not supported
satisfaction	<---	arousal	.976***	H6 supported
lwom	<---	satisfaction	.857***	H8 supported
pwom	<---	satisfaction	.624***	H9 supported

**Table 3**  
**Effect of the moderating variables**

	Hypothesis	Age 1	Age 2	Male	Female	Income 1	Income 2
H11.1, H 12.1, H 13.1	Satisfaction <---arousal	1.037***	.911***	.976***	1.086**	.985***	.965***
H11.2, H 12.2, H 13.2	satisfaction<---pleasure	3.305**	.145**	.372**	.134	464***	.095**
H 11.3 H 12.3, H 13.3	wom<---satisfaction	1.003***	1.042***	.863***	.926***	.802***	1.033***
H 11.4 H 12.4, H 13.4	pwom<---satisfaction	.719***	.656***	.623***	.562***	.624***	.675***



# **ADVERTISING EXECUTION STYLES MATTER - A FEAR-BASED EXPERIMENT ON ATTITUDE, SUSCEPTIBILITY, EFFICACY AND BEHAVIOUR**

Marlize Terblanche-Smit, University of Stellenbosch Business School, South Africa  
Lucea van Huyssteen, University of Cape Town, South Africa  
Ronel du Preez, Stellenbosch University, South Africa

## **ABSTRACT**

This study investigates whether different fear based advertising execution styles will result in significantly different levels of fear, attitude, susceptibility, efficacy and behavioural intent. A sample of 450 respondents participated in an experimental study. Three fear based execution styles, namely: slice-of-life, factual and testimonial, were tested by means of a post-test self administered questionnaire. The findings support the notion that the continuation of mass market communication strategies will prove to be ineffective to alter behaviour. More importantly this study provides evidence that different execution styles within advertisements will result in different levels of fear, attitude, susceptibility, efficacy and behavioural intent. Adding to this, there is support that certain execution styles may be better suited to different groups in terms of evoking protective behaviour.

## **INTRODUCTION**

Literature provides significant evidence of the influence that marketing initiatives can have on consumer behaviour, provided that advertising campaigns are composed and executed effectively (Bakir 2012; Charropadhyay 2010, Wiles and Danielova 2009; The Annual Apex Awards 2009). This study was aimed at exploring a lesser researched facet of the advertising development process, namely fear appeals and execution styles. The focus was placed on a specific set of social campaigns namely, South African HIV/Aids prevention advertising and its effectiveness. Motivation for this study is found in the effective use of fear appeal advertising internationally; however this approach has not been used in South Africa to date to curb the HIV/Aids pandemic. Up until now the same advert has been used for all cultural groups when evidence from other countries suggests that culturally specific advertisements are more successful (Armstrong 2010). The use of fear appeals in HIV/Aids advertising campaigns should ultimately influence the behavioural intent of individuals towards whom HIV/Aids prevention campaigns are aimed in such a way that the spread of the HIV/Aids epidemic is inhibited (Govender 2009).

## **LITERATURE OVERVIEW**

The following sections give a short overview of literature pertaining to advertising execution styles. It also briefly reviews fear, attitude and behavioural intent, as well as additional Protection Motivation Theory variables such as susceptibility and efficacy. HIV/Aids is also discussed from an international and South African perspective.

### **Advertising Execution Styles**

An important element of advertising is the message strategy, an indication of what the marketer and advertiser wish to accomplish through the advertisement (Zou and Volz 2010; O'Guinn et al. 2009). Various message strategies exist, one strategy, namely to scare the consumer, explains how fear-appeal communications operate to induce changed behaviour (Jiang and Wie 2012; Leonidou and Leonidou 2009). Fear appeals are strategic elements in advertising that aim to evoke an emotional reaction in individuals in order to motivate them to take action that will reduce the threat (Jiang and Wie 2012). The pivotal question that arises is how to communicate the fear emotion. Different executions styles will result in different content elements in advertisements (Zou and Volz 2010). Execution is the way in which the chosen advertising appeal will be presented to the target audience (Zou and Volz 2010). During message execution the advertiser has to transform the creative concept into an advertising execution that will attract the target market's attention and interest, therefore using style, tone, words and format to execute the message. Message content differentiates rational from emotional advertisements, and message execution distinguish positive from negative advertisements. It has been found that emotional advertising has increased message content compared to rational advertising. Positive advertising has more executional elements than negative advertising (Bakir 2012; Jiang and Wie 2012; Lantos and Craton 2012; Manrai, Broach and Manrai 1992).

Literature provides the following execution styles when deciding on how to present an advertising appeal, whilst creating and encoding an advertisement: Demonstration; Testimonial; Factual; Slice-of-life; Animation; Dramatisation; Authoritative; Celebrity endorsement; and Comparative advertising (Bakir 2012; Zou and Volz 2010). Testimonial advertising execution

entails an individual, usually someone with known credibility, admiring the product or service based on their personal and positive encounters with the specific product or service (Bakir 2012; Charropadhyay 2010). Testimonial execution styles are often used in social campaigns to provide credible examples of how the issue can influence a person's life (Charropadhyay 2010; Zou and Volz 2010). Factual advertising execution provides the receiver with facts and information about a product or service (Bakir 2012; Zou and Volz 2010). High-involvement products typically make use of factual execution advertising (Lantos and Craton 2012), and social campaigns are regarded as providing the recipients of the message with high-involvement decisions to be made (Andreasen 1995). Slice-of-life advertising execution generally involves a problem-solution approach (Charropadhyay 2010; Zou and Volz 2010). In slice-of-life advertisements, real life circumstances are depicted in order to involve the viewer to identify with the "real-life" aspect of the advertisement (Bakir 2012; Zou and Volz 2010).

### **Fear, Attitude and Behavioural Intent**

Fear-appeal communication are created with the intent to evoke an emotional reaction (namely fear emotion) within the intended target market, and so doing, persuade them to act in a way as to avoid the fearful outcome (Witte 2006; Arthur and Quester 2004; Floyd, Prentice-Dunn and Rogers 2000; LaTour and Rotfeld 1997; Beck and Lund 1981; Rogers 1975). A widely cited theory related to fear-appeals is The Protection Motivation Theory (PMT), which provides empirical information on social cognitive processes by means of protective manners (Rogers 1975). Protection-Motivation is a cognitive process resulting from emotional stimulation through fear-appeals, aiming to alter attitude and change behaviour. (Arthur and Quester 2004; Witte 1992). According to Witte (1992), fear appeal researchers refer to a strong or high fear appeal, when implying that the message depicted a large threat and the receiver of the message perceived a large threat. Normally fear appeals offer feasible recommendations presented as effective in avoiding the threat.

### **Susceptibility and Efficacy**

The three central constructs in fear appeals can therefore be identified as fear, threat, and efficacy. Threat is seen as an external stimulus variable that exists whether a person is aware of it or not. Message descriptions of a threat focus on the severity of the threat (i.e. "HIV/Aids leads to death") and also on the targeted population's susceptibility to the threat (i.e. "You're at risk for HIV/Aids AIDS because you share needles while using drugs") (Witte 1992; Rogers 1975). The PMT consists of two stages, during the first stage, known as threat-appraisal, the individual undergoes a cognitive process by evaluating the threat. Threat-appraisal consists of the severity of and susceptibility to an event. During the second stage the individual will assess the recommended solution or coping alternative and conclude its perceived effectiveness, known as coping appraisal. Coping appraisal consists of response-efficacy and self-efficacy. Response efficacy refers to the communicator's manner of behaviour and self-efficacy refers to the evaluation of the individual's own capacity to be able to effectively adopt the recommended response (Arthur and Quester 2004; Witte 1992). For the purposes of this study Arthur and Quester's (2004) Revised Protection Motivation Theory was used as depicted in [Figure 1](#). Severity was the only construct excluded, since HIV/Aids is seen as severe in a country with very high HIV/Aids prevalence.

### **HIV/Aids**

Specific HIV/AIDS interventions explored in developing countries include a study by Caldwell and Kleppe (2010) that investigated the roles of early adopters of HIV/Aids public health innovations. These early adopters, who were people living with HIV/ Aids, performed the role of public spokes-models of HIV/ Aids positive living, but stigmatization, gender roles and poverty amongst others, made their role difficult to enact. The challenges of communicating HIV/ Aids messages in terms of message development and delivery, from the perspective of the producer of the messages (i.e. creative personnel) were explored by Scott and Williams-Smith (2007). Findings implicate that successful message development was influenced by stigmatization, conflicting cultural ideals, and resource constraints.

Research shows that about 50 percent of HIV infections in South Africa are transmitted to people before the age of 20, with more than 5.6 million HIV positive people in a country with 50 million people (Avert 2011, World Health Organisation 2011). The number of Aids related deaths in South Africa during 2011 was 270 000, with an average life expectancy of 54 years (Avert 2011). Over 35 million people across the world have died from Aids, and there are currently 34 million people living with HIV at the end of 2011. Sub-Saharan Africa is affected most severely, with one in twenty adults living with HIV, accounting for 69% of people living with HIV/Aids worldwide (World Health Organisation 2011). Local and international government efforts have been employed to reduce the spread of this epidemic. Measures should be taken to ensure that funds allocated to South Africa (US\$ 1 billion for 2011) are applied in the most effective manner in order to reflect a decrease in

HIV/Aids prevalence. When comparing South African HIV/Aids prevention advertising campaigns to the composition of international campaigns, the former seem to have insufficient levels of fear emotion, proven as an important element for social advertising campaigns (Country Progress Report on the Declaration of Commitment on HIV/Aids 2010; Witte 1998; LaTour and Rotfeld 1997; Witte 1992; Tanner et al. 1991; Beck and Lund 1981).

LoveLife is South Africa's major multi-million dollar HIV/AIDS prevention educational campaign that follows an informational appeal approach and emphasizes condom use and "positive sexuality" (Green 2004, cited in Green and Witte 2006). LoveLife does not seem to be producing the expected results, based on lack of impact on the target audience (Peng 2006). The HIV/Aids prevention advertisements employed in South Africa do not seem to be tailored to the different cultural needs of South African racial groups. Given the variety of racial groups found in South Africa, one could question whether these groups are effectively influenced to conduct safe sexual behaviour. Sexual behaviour is not a result of an individual's cultural background, however, how, when and why one would satisfy sexual needs can be related to cultural beliefs (Scott and Williams-Smith 2007). The research question that presents itself based on the above literature review is whether different advertising execution styles in HIV/Aids advertising will result in significantly different levels of fear, attitude, susceptibility, efficacy and behavioural intent amongst the target group.

## **RESEARCH OBJECTIVES**

In order to determine which advertising execution style was most effective in stimulating protective behaviour, the three core components of the Protection Motivation Theory were measured, namely fear, attitude and behavioural intent. Additionally susceptibility and efficacy were also measured. Efficacy was measured as a combined construct, including self efficacy and response efficacy elements. The focus of this study was to determine whether the target group will have different emotional, attitudinal, susceptibility, efficacy and behavioural intent reactions to three fear-based advertisement execution styles. Execution styles most relevant to HIV/Aids campaigns included in this study were testimonial, factual/informative, and slice of life execution styles.

## **RESEARCH METHOD**

Exploratory qualitative research was conducted to select appropriate advertisements to be used in the study. This was followed by an experimental research study to measure individual variables.

### **Exploratory Qualitative Research**

A qualitative study was conducted by means of two focus groups, with nine participants each (sample included all race groups as per the experimental study). Advertisement selection was made by investigating all major HIV/Aids prevention internet sites via a key word search for "HIV/Aids" and consulting advertising practitioners, in order to explore international HIV/Aids advertisements' execution styles. This revealed that advertising agencies typically make use of testimonial, slice-of-life and factual execution styles.

A pool of nine advertisements was pre-selected, based on judgement for face validity by marketing research and advertising specialists, to include advertisements with medium to high levels of fear. Because of budget constraints the researcher had to rely on using existing television campaigns, as opposed to creating television commercials for the purposes of the research. In order to ensure that existing campaigns were suitable to the study and did not result in respondent biases, the focus groups included a discussion on each of the television campaigns included in the pool of potential experimental stimuli. The focus groups rated advertisements based on the highest level of perceived fear, in order to narrow the nine television advertisements down to three (one advertisement for each execution style). [Figure 2](#) gives an overview of screen shots from the three advertisements rated by respondents as containing the highest level of fear-appeal for the testimonial, slice-of-life and factual execution styles. Respondents commented on their ideal fear appeal advertisement and no comments were made about specific racial group representation in the advertisements. General comments given included proposals about the content i.e. inclusion of more facts about HIV/Aids in the advertisements. Advertisements were rated on a semantic-differential scale anchored with bipolar adjectives namely "low fear-appeal" and "high fear-appeal", and were rated individually as well as in a group. The counterbalancing technique was implemented in the showing of the advertisements, to ensure respondents were desensitized. Television advertisements were selected because of the audio and visual impact to project specific execution styles.

## Experimental Research

Based on the selection of three advertisements from the qualitative research, a 3 x 1 experimental design was used by assigning the sampled group of 450 student respondents to one of three groups of 150 each, by means of judgement. Each group was presented with one advertisement containing approximately the same level of fear-appeal but different execution styles. The focus group results presented the researcher with one advertisement within each of the execution styles that was rated as containing the highest level of fear-appeal. These three advertisements differed by no more than one point on a scale of 10 and were included in the primary study. Each advertisement was tested in a post-test manner in order to capture the effect that the stimuli (advertisements) had on the respondents' attitudes, emotions and behavioural intentions. The experimental study occurred in a controlled environment to ensure that all data was free from extraneous variables such as noise, bad lighting, etc.

## Sample and Data Collection

The sample consisted of 450 males and females between the ages of 18 and 25, from the three primary cultural groups (black, white and coloured) in South Africa. Sample units were selected from two higher education institutions in the Western Cape region, since HIV/Aids prevalence and sexual tendencies among adolescents were sufficiently alarming in this region for the study to be conducted here (Stats SA 2009). All these respondents completed high school (with at least two South African languages) and resided in urban areas and would therefore have access to all major media vehicles. Respondents were assigned to groups by means of a non-probability quota sampling approach (Blumberg, Cooper and Schindler 2008). Equal numbers of respondents were assigned to groups on the basis of gender.

Data was collected by means of a post-test, self-administered questionnaire. Respondents completed the questionnaire after watching the relevant advertisement. The questionnaire consisted of items relating to fear, attitude, susceptibility, efficacy (response and self efficacy) and behavioural intent, measured by means of a 5-point Likert scale. Fear arousal and attitude were measured with six items respectively (LaTour and Rotfeld 1997; Witte 1992; Tanner et al. 1991). Susceptibility was measured by six items, and efficacy was measured with four items (Witte 1992). Behavioural intent was measured with 5 items (LaTour and Rotfeld 1997; Witte 1992; Tanner et al. 1991; Beck and Lund 1981). All variables were based on, and adapted from, scales used in previous fear appeal research. Descriptive statistics concluded that approximately three quarters of the sampled individuals (n=450) were sexually active.

## MAJOR FINDINGS

The following section provides findings based on the constructs measured and the relevant experimental advertisement stimuli. Reliability of summed scales used to measure fear, attitude, susceptibility and efficacy was confirmed with Cronbach alpha scores of 0.8 respectively. The Cronbach alpha score for behavioural intention was 0.74.

### Fear Construct and Execution Styles

Previous research has shown ample evidence in support of incorporating medium to high levels of fear as an emotion in order to facilitate behavioural change among individuals who practice risky behaviour patterns (Witte 2006; Arthur and Quester 2004; Ruiter, Abraham and Kok 2001; LaTour and Rotfeld 1997; Tanner *et al.* 1991; Roger 1975). As a result, this construct was regarded as a profound determinant of the effectiveness of the specific execution styles. The total mean score achieved for this variable amounted to a score of 3.0, where the specific factual advertisement achieved the highest mean score (3.1) for the fear construct, followed by testimonial execution style (3.0). The slice-of-life advertisement attained a mean score of 2.8.

Analysis of Variance (ANOVA) indicated significant differences for the interaction "Execution Style and Cultural group" ( $p < 0.001$ ). Table 1 depicts which execution style delivered significant results in each cultural group for the fear construct. The lowest level of fear in the factual execution style was recorded for coloured respondents (2.5), and the highest level of fear in the white respondent group (3.35). A Bonferoni post hoc analysis between the execution styles revealed a significant difference ( $p < 0.001$ ) between factual and slice-of-life, as well as between factual and testimonial ( $p < 0.001$ ) executions, for white respondents. Different fear mean scores for factual (2.5), slice-of-life (3.27) and testimonial (3.1) executions for coloured respondents were reported. Post hoc tests revealed significant differences between the factual and testimonial ( $p = 0.03$ ), as well as the factual and slice-of-life (0.04) executions for coloured respondents. Black respondents produced seemingly similar mean scores for the factual (3.4) and testimonial (3.4) executions, with the slice-of-life execution evoking the least fear (3). Post hoc test revealed significant differences between the factual and slice-of-life ( $p = 0.03$ ), as well as for the slice-of-life and testimonial ( $p = 0.01$ ) execution styles.

## Attitude Construct and Execution Styles

Attitude is a mediating variable of behavioural intent considering that marketers often attempt to alter consumers' attitudes in order to evoke a change in their behavioural patterns (Arthur and Quester 2004, Witte 2006). The Protection Motivation Theory (PMT) is a premise that explores the effects that fear appeal will have on attitude change (Arthur and Quester 2004; Rogers 1975) and attitude therefore constitutes as an important facet of this study as the aim is to explore behavioural intent adaptations. The mean score attained by this construct was 4, where the ANOVA interaction between the respondents' cultural group and the specific execution style was viewed this achieved a significance value of  $p < 0.05$ , with factual 3.95; testimonial 3.9; and slice-of-Life 4.

Analysis of Variance (ANOVA) revealed significant differences for the interaction "Execution Style and Cultural group" ( $p < 0.01$ ), as depicted in Figure 3. Table 2 reflects which execution style proved significant results in each cultural group for the attitude construct. Post hoc tests revealed that mean scores for attitude based on the factual execution style for white respondents (4.2) was significantly higher ( $p < 0.01$ ) than that of the coloured respondents (3.6), as well as for the other two execution styles. The slice-of-life execution revealed positive attitude adoptions amongst coloured respondents, with a significantly higher ( $p < 0.001$ ) mean score (4.2) than that of the white respondents (3.9). Significant differences ( $p < 0.01$ ;  $p = 0.04$  respectively) existed between the mean scores of slice-of-life (4.2) and factual (3.6), as well as testimonial (4.03) and factual executions for coloured respondents. Slice-of-life and testimonial execution styles can therefore be regarded as effective in terms of stimulating a positive attitude in the coloured group. The lowest mean score for attitude based on the testimonial execution was recorded amongst the white respondents (3.7), with black (3.99) and coloured (4.03) respondents achieving higher mean scores. Post hoc tests revealed that significant differences existed between the mean scores of the white and coloured ( $p < 0.01$ ) as well as white and black respondents' mean scores ( $p < 0.01$ ) for testimonial execution. No significant differences existed in the attitude mean scores for the black group across the factual (3.9), slice-of-life (3.98) and testimonial (3.99) executions, and the three executions will therefore produce relatively similar results with regards to attitude formation.

## Behavioural Intent Construct and Execution Styles

Behaviour can be regarded as one of the most difficult constructs to predict and measure. In an attempt to overcome the complexity of measuring behaviour, researchers make use of the construct behavioural intent, which is regarded as the individual's perceived likeliness of behaving in a specific manner in future (LaTour and Rotfeld 1997). Even though this construct is regarded as complex and difficult to capture, the reliability results for this specific study's behavioural items proved to be reliable given the Cronbach score of 0.74. Behavioural intent means for the three advertisements ranged from 3.9 (factual and slice-of-life) to 3.8 (testimonial).

Figure 4 depicts the results of Analysis of Variance (ANOVA), which revealed significant differences for the interaction "Execution Style and Cultural group" ( $p < 0.01$ ). The highest mean score for behavioural intent was found for white respondents (4.04) based on the factual execution. Post hoc tests reveal significant differences for the factual and slice-of-life ( $p = 0.02$ ), as well as factual and testimonial ( $p < 0.01$ ) executions in this group. The mean scores (4.17) for behavioural intent for coloured and black groups pertaining to slice-of-life execution was noted as being equal. The behavioural intent mean score for white respondents (3.7) was significantly lower than that of the coloured ( $p < 0.01$ ) and black ( $p = 0.02$ ) groups for testimonial execution. Significant differences for factual and slice-of-life executions (0.019) and testimonial and slice-of-life executions (0.02), for behavioural intent amongst coloured respondents were evident, indicating that this group is more inclined to change maladaptive behaviour patterns based on slice-of-life advertisement. The mean scores (3.89) for behavioural intent for coloured and black groups pertaining to testimonial execution was also noted as being equal. No significant differences were found for black respondents' behavioural intent across the three execution styles.

## Susceptibility Construct and Execution Styles

Various significant mean scores were found, given the results of the ANOVA for susceptibility. The construct susceptibility refers to how vulnerable or at risk individuals regard themselves given the specific issue depicted in the shown advertisement (Rogers 1975). With regards to this study, the issue at hand was HIV/Aids. The total mean score allocated to susceptibility by respondents was 2.26, and mean scores recorded for each of the execution styles were as follows: Slice-of-Life Mean Score: 2.4; Factual Mean Score: 2.3; Testimonial Mean Score: 2.1. Considering the interaction of the incorporated variables, a significant difference was found for the mean scores of susceptibility when considering the interaction of the specific advertisement seen by the respondent, their gender, and race ( $p < 0.05$ ). The Univariate Test of Significance revealed that



significant differences existed between the interactions of the variables susceptibility, the execution style, the respondent's race and gender. For the purposes of this paper these interactions will not be discussed due to the detailed extent of the findings.

### **Efficacy Construct and Execution Styles**

Efficacy, comprising response and self efficacy, concerns the perceived capability of the individual who received the advertising message to be able to perform the communicator's recommended future behaviour. The receiver also needs to regard the specific behaviour as being a viable coping response to the specific issue at hand (Arthur and Quester 2004), eg. HIV/Aids. For the purposes of this study, the researcher combined questionnaire items concerning self and response efficacy to form one construct, namely efficacy. This was done in accordance with the PMT indicating that efficacy is one construct made up of two elements, namely self-efficacy and response-efficacy (Witte 1992; Rogers 1975). An analysis of variance provided results concerning comparisons of mean scores of the experimental groups. These results were concluded as insignificant ( $p > 0.05$ ). The total mean score for the construct efficacy was a mean of 4, where mean scores recorded for each of the execution styles were as follows: Factual Mean Score: 4; Slice-of-Life Mean Score: 3.9; Testimonial Mean Score: 3.9.

Considering the close proximity of the range of these values, as well as the insignificant p-value, it is evident that the efficacy level created amongst the different experimental groups in each execution style proved to be no different to the next. It should, however, be noted that even though no significant differences were found between the groups, that these results still have a positive influence. Considering that a 5-point Likert scale was used, and that the mean score concluded for this construct was 4, adequate levels of efficacy were therefore produced in each of the execution styles. In short, positive feedback was recorded concerning the construct *efficacy*, as respondents perceived the recommended coping response as viable and achievable.

### **IMPLICATIONS AND CONCLUSIONS**

The value of this study lies in the finding that advertising campaigns evidently can be devised to influence attitude and behaviour through the use of different advertising execution styles, and especially also for different cultural groups. A key issue of this research study concerns the overall implications of the outcomes for future advertising execution style development and use. It can be concluded that all execution styles created high levels of fear. It was however evident that different cultural groups experienced the highest level of fear through different execution styles, therefore optimal levels of fear cannot be achieved through one single advertisement execution. The highest level of fear per execution style differed as follows across cultural groups: white (factual), coloured (testimonial and slice-of-life), and black (factual and testimonial). It was also evident that culture determined whether a specific execution style resulted in a significantly favourable attitude towards the advertisement message. A favourable attitude is more likely to result in acceptance of the recommended behaviour. Marketing practitioners should consider each cultural groups attitude when creating fear-based HIV/Aids advertisements. The impact of execution styles on attitude differed as follows across cultural groups: white (factual), coloured (testimonial and slice-of-life), and black (factual and testimonial or slice-of-life).

As far as behavioural intent is concerned, different cultural groups had significantly different behavioural intent responses to advertisement execution styles: white (factual), coloured (slice-of-life), and the black respondent group did not respond to one execution style in a significantly different manner than another. Possible explanations could include that white respondents are not exposed to HIV/Aids to the extent that other respondents are and could therefore require facts to be convinced of the severity of HIV/Aids. In the coloured community, HIV/Aids is more of a reality of daily life, thus a slice-of-life execution enables them to relate and identify with the content of the advertisement. HIV/Aids prevalence is highest amongst black individuals in South Africa and communities are exposed to high levels of fear on a daily basis (i.e. crime and social violence). It could be postulated that perceptual blocking occurs in this group based on the prevalence of fear appeals in all the executions.

Different reactions were also measured in terms of the PMT variables susceptibility and efficacy. A key issue relating to these PMT variables is the low mean scores recorded in the susceptibility construct. Findings related to this construct showed that the target market did not feel susceptible and did not regard themselves as vulnerable to the topic of HIV/Aids. This provides evidence of a gap in the current intervention programs and social campaigns as the lack of sufficient levels of susceptibility show that respondents do not realize that they are susceptible to the HIV/Aids epidemic (especially amongst those individuals who are sexually active). Descriptive statistics concluded that approximately three quarters of the sampled individuals ( $n=450$ ) were sexually active. This finding adds to the lack of susceptibility experienced by the targeted group,

even though they are sexually active high levels of efficacy were experienced by all respondents in all of the execution styles, which also led to favorably high results of the behavioral intent construct.

The results of this study provide grounds for the need to segment the market related to HIV/Aids campaigns based on cultural grouping, as each cultural group showed significant differences in various components of the core constructs, based on execution styles. It is therefore evident that a certain type of execution is more effective in evoking a specific cognitive component of the PMT in specific cultural groups. Further segmentation based on cultural group could prove more successful in order to result in altered behaviour patterns. When developing advertisements a thorough understanding of the influence that an individual's cultural background has on their behavioural tendencies is key. Future research endeavors could include a replication of this study among different age and sub-groups within cultural groups, and using additional execution styles. The possible impact of social identity theory and socio-cultural background could prove to assist further development of fear appeal advertising within the South African consumer landscape.

## TABLES

**Table 1**  
**Fear construct, Execution Style and Cultural group**

CULTURAL GROUP	FACTUAL	SLICE-OF-LIFE	TESTIMONIAL
White	✓		
Coloured		✓	✓
Black	✓		✓

Where "✓" indicates the specific execution styles which had the highest significant mean score ( $p < 0.01$ )

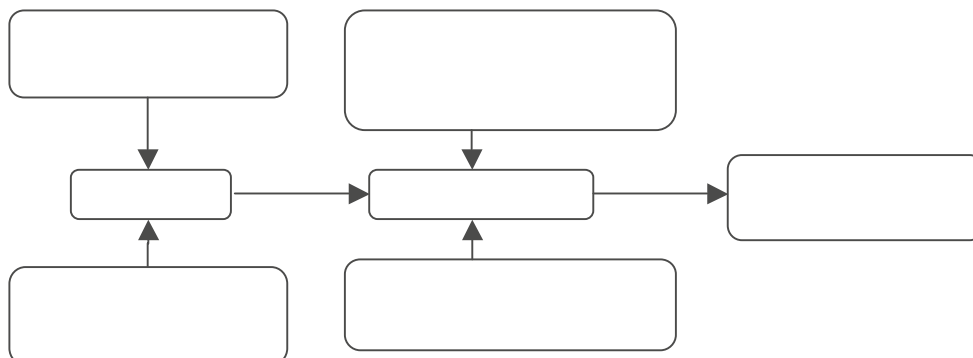
**Table 2**  
**Attitude construct, Execution Style and Cultural group**

CULTURAL GROUP	FACTUAL	SLICE-OF-LIFE	TESTIMONIAL
White	✓		
Coloured		✓	✓
Black	✓	✓	✓

Where "✓" indicates the specific execution styles which had the highest significant mean score ( $p < 0.01$ )

## FIGURES

**Figure 1**  
**Conceptualised Revised Protection Motivation Theory**



Source: Adapted from Arthur & Quester (2004:680)

**Figure 2**  
**Screen Shots from Three Advertisements Rated as Containing the Highest Level of Fear-appeal**

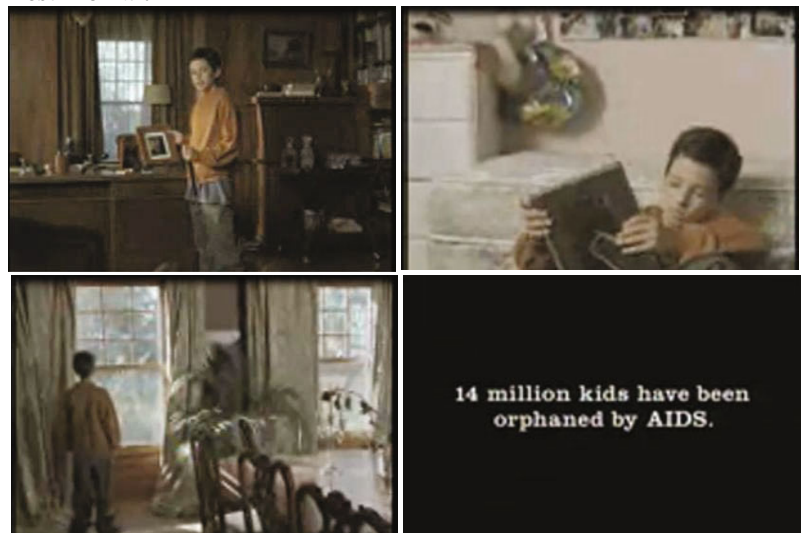
**Factual:**



**Slice of Life:**

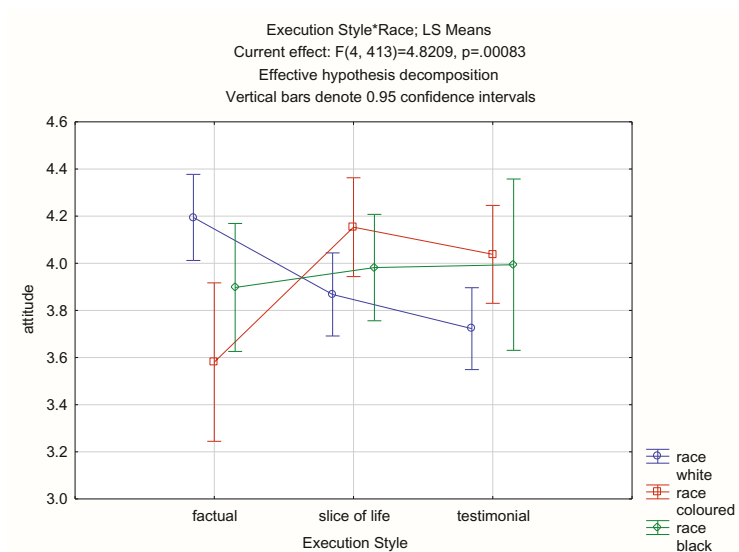


**Testimonial:**

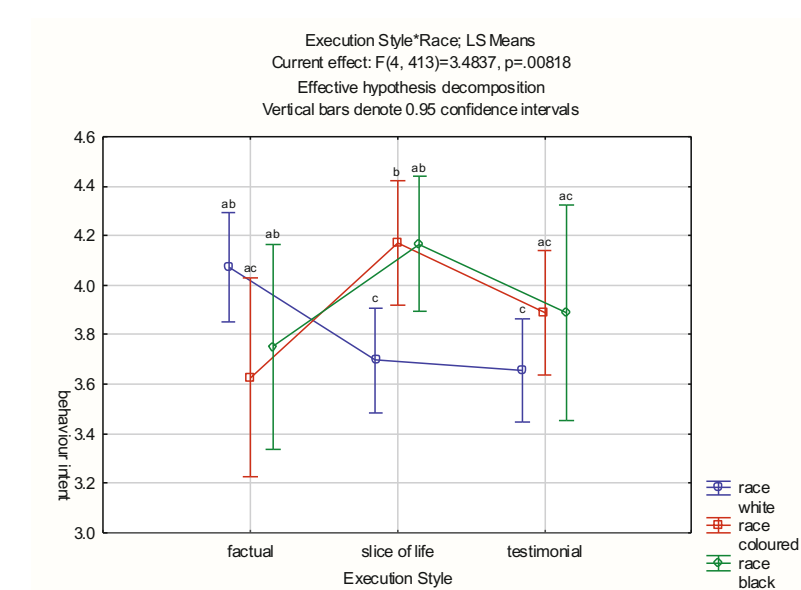




**Figure 3**  
Means Plot for Attitude, Execution style and Cultural group



**Figure 4**  
Means Plot for Behavioural intent, Execution style and Cultural group



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**Session 2.4. B2B Customers and Processes: Integration, Interaction and Reacquisition**

Room: Clarendon A

Session Chair: Janice Payan, University of Northern Colorado

***A Framework for B2B Customer Reacquisition: Evaluating Key Determinants to Win Back Lost Customers***

Annie Liu, Victoria University of Wellington

Mark Leach, Loyola Marymount University

Lou Pelton, University of North Texas

***Role of Ethical Integration in the Effect of a Service Provider on the Outsourcing Organization's Reputation: A Structured Abstract***

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Margaret Matanda, Monash University

***A Social Identity Perspective of Customer Value Heterogeneity in Complex Industrial Solutions***

Daniel Prior, University of New South Wales

# **A FRAMEWORK FOR B2B CUSTOMER REACQUISITION: EVALUATING KEY DETERMINANTS TO WIN BACK LOST CUSTOMERS**

Annie H. Liu, Victoria University of Wellington, New Zealand  
Mark P. Leach, Loyola Marymount University, USA  
Lou E. Pelton, University of North Texas, USA

## **ABSTRACT**

B2B sales organizations constantly search for opportunities to gain, retain, and grow business opportunities for their firms. Yet no matter how effective a company's CRM program or sales process is, inevitably, some customers will defect and switch to other suppliers. Although there are well-established sales processes to guide B2B salespeople in how to acquire new accounts and maintain customer relationships, few firms have formal win back strategy with procedures to diagnose losses and identify determinants in order to guide and train salespersons for regaining valuable lost customers. Left untrained, salespeople often deal with the problem of lost customers by re-approaching the lost customer without any advice, seeking ad hoc advice from peers or managers, or simply ignoring the lost account. The economic importance of reacquiring valuable lost customers in the B2B sector, along with the need to integrate reacquisition as the strategic second half of CRM warrants a systematic research to build a conceptual framework for B2B customer reacquisition. The current research integrates prior literature in relationship marketing, B2B sales, and service recovery to develop a conceptual framework for B2B customer reacquisition. Using critical incident techniques (CIT), our pretest study with eighteen B2B sales executives provides anecdotal evidence, and helps develop hypotheses and refine the proposed framework for future research.

Contributing to the B2B marketing and sales literature, this study is among the first to empirically investigate the processes for reacquisition efforts in B2B organizations and to propose a framework for identifying key determinants to win back valuable lost customers. The final results of this paper will provide new information to aid sales executives to: (1) identify critical salespersons' qualities and sales skills for reacquisition efforts that can be integrated in training and selection programs; (2) develop effective organizational relationship and support strategies to regain profitable business; and (3) identify types of customer defections and apply appropriate strategies to win them back. Adding to a more complete strategic understanding of CRM, the proposed conceptual framework can enable sales organizations to actively manage customers' experiences and firms' reputations based on the added knowledge of the determinants for customer defection and reacquisition.

References available upon request

# ROLE OF ETHICAL INTEGRATION IN THE EFFECT OF A SERVICE PROVIDER ON THE OUTSOURCING ORGANISATION'S REPUTATION – A STRUCTURED ABSTRACT

Violet Lazarevic, Monash University, Australia  
Margaret Jekanyika Matanda, Monash University, Australia

## INTRODUCTION

Logistics activities are increasingly outsourced by organisations looking to cut costs and increase efficiency and quality around the undertaking of the task (Razzaque & Sheng, 1998). Prior literature typically examines the effect of logistics outsourcing on the outsourcing organisation's performance (Jiang *et al.*, 2007). However, the current literature indicates a lack of understanding of how the outsourcing organisation's reputation is affected by logistics outsourcing (Lange, Lee and Dai, 2011). This is an important outcome for the outsourcing organisation to consider as it will affect its ability to do business in the future.

During the outsourcing of logistics activities the logistics service provider (LSP) interacts with the outsourcing organisation's end business customer (Agndal & Nordin, 2009). The end customer experiences how well the logistics task is carried out or the logistics service quality delivered. Since the end customer often cannot differentiate between the LSP and the outsourcing organisation, the end customer uses the logistics service quality provided by the LSP to make judgements about the outsourcing organisation (Morgan *et al.*, 2007). These judgements are related to whether the end customer perceives that their expectations regarding the service have been met (Washington & Zajac, 2005).

The LSP's ability to carry out the logistics task effectively and to the expectations of the end customer is influenced by the capabilities that the LSP possessed around the fulfilment of the logistics task and the management of the logistics relationship with the outsourcing organisation. LSP capabilities are multi-dimensional and consist of six types of capabilities; customer focus, responsiveness, flexibility, connectivity between IT systems, information sharing and operational capabilities.

However, the possession of certain capabilities may not be sufficient to ensure that the LSP positively influences the outsourcing organisation's reputation through the logistics service quality that it provides to the outsourcing organisation's end customer. Throughout the outsourcing process the outsourcing organisation is removed from the fulfilment of the logistics task (Brouthers & Brouthers, 2003). Therefore, it can be difficult for the outsourcing organisation to ensure that the task is carried out effectively. The outsourcing organisation and the LSP may have conflicting goals in the outsourcing relationship related to one organisation improving its profit margin at the expense of the other (Keep & Schneider, 2010). As a result of this, the LSP has the opportunity to act opportunistically and deviate from expected ethical behaviour (Knemeyer & Murphy, 2005). To minimise the risk of this occurring in the outsourcing arrangement, the outsourcing organisation needs to take steps to proactively manage ethical behaviour from the LSP. This can be done through ethical integration between the two outsourcing partners.

Ethical integration consists of shared values, ethical culture fit and similarity between formal systems of ethics such as codes of ethics and consequences of unethical behaviour. If ethical integration can be achieved in the outsourcing relationship it is expected to influence whether the end customer perceives that their expectations regarding ethical behaviour are met by the LSP during the logistics service quality and their resulting perceptions of the outsourcing organisation's reputation. Therefore, the following hypotheses are tested in this study.

*Hypothesis 1: Ethical integration produces a conditional indirect effect of (a) customer focus, (b) responsiveness, (c) flexibility, (d) connectivity between IT systems, (e) information sharing and (f) operational LSP capabilities on the outsourcing organisation's reputation through the LSP's logistics service quality*

## METHODOLOGY

To empirically test the proposed model a survey of organisations outsourcing logistics activities in Australia was taken. The sampling frame consisted of top executives of organisations in Australia that outsource logistics

activities obtained from Dun and Bradstreet. A total of 240 usable responses were obtained with a response rate of 20 percent and data was analysed using SPSS (version 20) and AMOS. Measurement purification and testing of uni-dimensionality was carried out with exploratory (EFA) and confirmatory (CFA) factor analyses (McDaniel, 2006; Wang, Menictas & Louviere, 2007). All models tested indicated good fit with the data (Hair, Black, Babin & Anderson, 2010).

Since this study hypothesises that ethical integration will moderate the effect of the LSP's capabilities on the outsourcing organisation's reputation through the LSP's logistics service quality a conditional indirect effect is being proposed. This conditional indirect effect needs to be tested utilising moderated mediation. Specifically, the moderated mediation bootstrapping testing approach advocated by Preacher *et al.*, (2007) is used in this study. The moderated mediation model, commonly referred to as Model 5, assessed the interaction of the moderator (ethical integration) with the independent variable (LSP capabilities) but also with the mediating variable (LSP's logistics service quality). Therefore, the moderation is tested both on the path between independent and mediator variables, and on the path between mediator and dependent variables. This model is most appropriate as the moderation is predicted to occur at two points. The level of ethical integration between the two outsourcing partners influences whether the LSP's capabilities lead to better LSP's logistics service quality and also affect how much the LSP's logistics service quality improves the outsourcing organisation's reputation.

Moderated mediation was run in SPSS with the aid of the SPSS macro provided on Hayes' website (Hayes, 2012).

## RESULTS AND DISCUSSION

The results obtained in this study indicated that only one hypothesis was supported. Hypothesis 1 (a) was rejected as the indirect effect of customer focus LSP capabilities on the outsourcing organisation's reputation through the LSP's logistics service quality was not found to be conditional upon ethical integration ( $\beta = -.037$ ,  $t = -.597$ , *NS*). This may be a result of the end customer not perceiving customer focus LSP capabilities as necessary to the fulfilment of expectation around ethical behaviour as these capabilities focus more on whether the LSP accommodates the changing needs of the outsourcing organisation. Hypothesis 1 (b) was also rejected as ethical integration did not produce a conditional indirect effect between responsiveness LSP capabilities and the outsourcing organisation's reputation through the LSP's logistics service quality ( $\beta = .020$ ,  $t = .519$ , *NS*). Similar to customer focus LSP capabilities, the end customer may not consider these capabilities more relevant to the relationship between the LSP and the outsourcing organisation as critical to meeting the end customer's expectations regarding reputation.

The indirect relationship between flexibility LSP capabilities and the outsourcing organisation's reputation through LSP's logistics service quality was not found to be conditional upon ethical integration. Therefore, hypothesis 1 (c) is rejected ( $\beta = -.009$ ,  $t = -.241$ , *NS*). This could be due to the end customer being unaware of how the LSP's ability to be more flexible to the needs of the outsourcing organisation affects the logistics service quality that the end customer receives.

No significant interaction effects emerged between connectivity between IT systems LSP capabilities, LSP's logistics service quality, ethical integration and the outsourcing organisation's reputation. This rejects hypothesis 1 (d), ( $\beta = -.010$ ,  $t = -.320$ , *NS*). This may be a result of the end customer not perceived the IT systems being connected between the LSP and the outsourcing organisation as being at risk of unethical misuse.

Hypothesis 1 (e) was supported since the relationship between information sharing LSP capabilities and the outsourcing organisation's reputation through LSP's logistics service quality was found to be conditional upon the level of ethical integration between the two outsourcing partners. This moderating effect occurs on both the path from information sharing LSP capabilities to LSP's logistics service quality ( $\beta = .158$ ,  $t = 3.416$ ,  $p \leq .001$ ) and on the path from LSP's logistics service quality to the outsourcing organisation's reputation ( $\beta = -.131$ ,  $t = -2.014$ ,  $p \leq .05$ ). This can be seen in [Table 1](#).

Table 1: Moderated Mediation Model for the Dependent Variable the Outsourcing Organisation's Reputation

DEPENDENT VARIABLE MODEL FOR REPUTATION	$\beta$	t	p-value	Result
Constant	3.690	2.508	$p \leq 0.05$	Supported
Information Sharing LSP Capabilities	-.834	-3.625	$p \leq 0.001$	Supported
Ethical Integration	-.135	-.443	NS	Not Supported
Interaction between Information Sharing LSP Capabilities and Ethical Integration	.158	3.416	$p \leq 0.001$	Supported
Logistics Service Quality	1.128	3.379	$p \leq 0.001$	Supported
Interaction between Logistics Service Quality and Ethical Integration	-.131	-2.014	$p \leq 0.05$	Supported

This significant interaction was then plotted to determine what effect conditions of high and low ethical integration have on the relationship between information sharing LSP capabilities and the outsourcing organisation's reputation through LSP's logistics service quality. As can be seen from Figure 1, the most favourable influence on the outsourcing organisation's reputation occurs when ethical integration between the two outsourcing partners is high and the LSP has high information sharing capabilities.

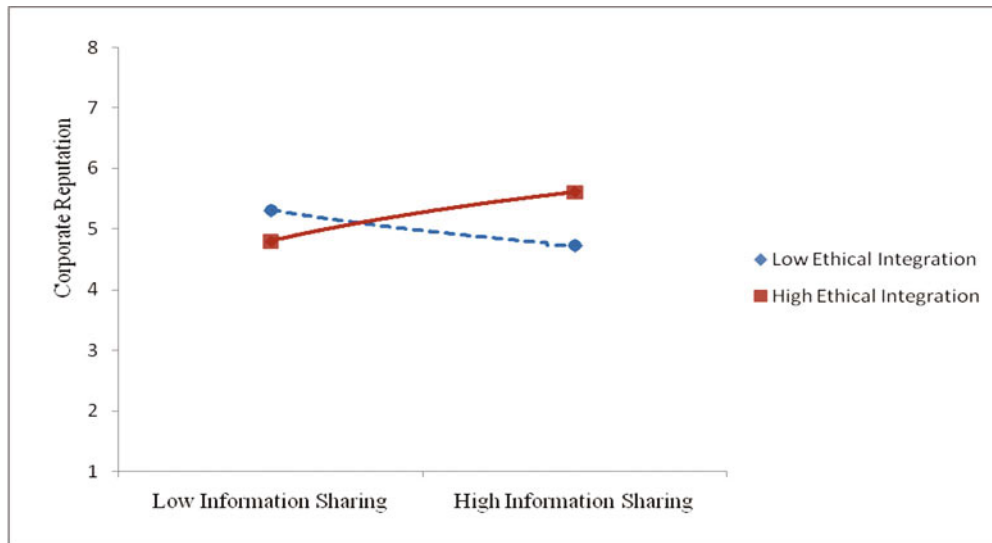


Figure 1: The moderating effect of ethical integration on the link between information sharing LSP capabilities, LSP's logistics service quality and the outsourcing organisation's reputation

Since the effect of the moderator (ethical integration) was significant on both paths further analysis was required to determine under which values of the moderator the conditional indirect effect existed. As Table 2 indicates, the conditional indirect effect was significant at the mean and one standard deviation above and below the mean.

Table 2 Conditional indirect effect of information sharing LSP capabilities on the outsourcing organisation's reputation through LSP's logistics service quality at specific values of ethical integration

	Ethical Integration	Indirect Effect	SE	p value	Bootstrap confidence intervals
1 Standard Deviation below the mean	3.781	.114	.041	.006	.045; .198



Mean	4.863	.087	.027	.002	.036; .151
1 Standard Deviation above the mean	5.944	.060	.028	.035	.007; .158

As Table 2 shows the bootstrap confidence intervals do not include zero and therefore, confirm that the conditional indirect effect occurs at all values of ethical integration. Figure 2 illustrates that the conditional indirect effect exists at all values of ethical integration but the effect is stronger at lower levels of ethical integration. The implication for outsourcing organisations is that when ethical integration between themselves and the LSP is low then less information sharing LSP capabilities are necessary. This may be because when the end customer does not believe that the outsourcing organisation and the LSP have a shared understanding of ethics and shared efforts towards ethical behaviour then information should not be shared freely between the outsourcing organisation and the LSP.

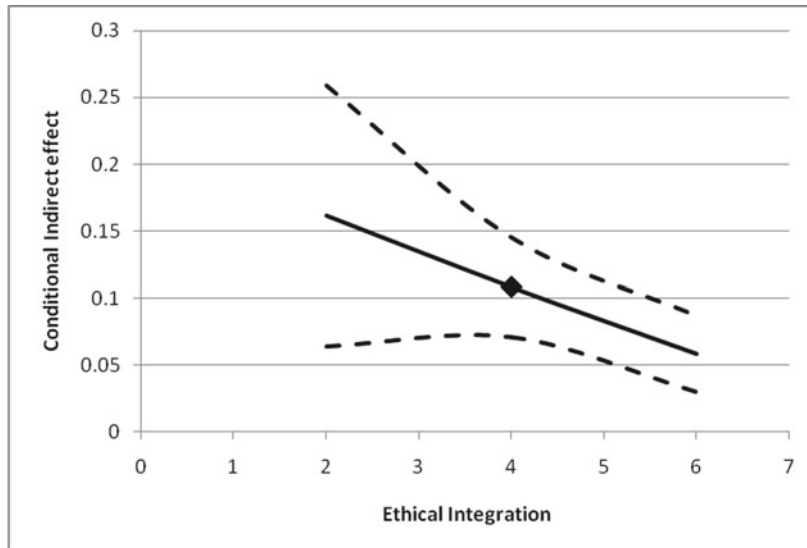


Figure 2: Interaction effects of LSP's logistics service quality and ethical integration on the outsourcing organisation's reputation

Hypothesis 1 (f) was rejected since the indirect effect of operational LSP capabilities on the outsourcing organisation's reputation through LSP's logistics service quality was not found to be conditional upon ethical integration ( $\beta = .026$ ,  $t = .542$ , *NS*). This may be a result of the end customer perceiving the LSP's operational capabilities as fulfilling their expectations regarding the logistics service quality and thus positively influencing the outsourcing organisation's reputation without being strengthened or weakened by whether the two outsourcing partners achieve ethical integration.

The results suggest that ethical integration only moderates the mediated relationship between information sharing LSP capabilities and the outsourcing organisation's reputation through the LSP's logistics service quality. This indicates that out of the six LSP capabilities investigated in this study information sharing is perceived as the one that requires ethical integration to be present in the outsourcing relationship. This may be because the end customer does not want their information shared amongst LSP and outsourcing organisation unless some ethical standards are maintained for fear of that information being leaked to competitors. Therefore, to be able to share information effectively and have it lead to better logistics service quality from the LSP and therefore, enhance the outsourcing organisation's reputation ethical integration or joint efforts towards ethical behaviour must be maintained in the outsourcing relationship.

## REFERENCES

References can be provided upon request.

# **A SOCIAL IDENTITY PERSPECTIVE OF CUSTOMER VALUE HETEROGENEITY IN COMPLEX INDUSTRIAL SOLUTIONS**

Daniel D Prior, University of New South Wales, Australia

## **ABSTRACT**

Most industrial marketing literature embodies the assumption that value creation and delivery result in outcomes that occur at the firm level. While this may be so, few studies consider the impacts on individual actors of this subjective and phenomenological concept. Drawing on social identity theory, I build an argument in this paper that the participation and consequent perceptions of value delivery processes depend on the specific roles and social positions on individual participants through this process. I develop four archetypical social identities (overseer, thinker, project implementer and technical implementer) and explore their relationship with value creation and delivery processes. I source data through case studies of complex solutions in the Australian context.

**Keywords:** Social Identity; Social Position; Complex Solutions; Business-to-Business; Case Study

## **INTRODUCTION**

The recognition of actor heterogeneity in buyer-supplier exchange is a central tacit of marketing research. This notion underpins conceptualizations of the role and function of the market while also providing explanations for the performance differences of firms (Hunt and Morgan 1996). Despite this, studies of complex buyer-supplier engagement, particularly in B2B settings widely assume homogeneity at the level of the firm. That is, there is little acknowledgement that differences exist between members of the buyer and supplier teams. This is despite evidence that this exists, at least at the level of buyer requirements (Powell and Swart 2010).

Recent developments in service-dominant logic acknowledge the nature of value creation and transmission as a subjective and phenomenological concept (Lusch and Vargo 2006; Vargo and Lusch 2004). This is relevant to B2B situations. Tuli, Kohli and Bharadwaj (2007) highlight the role of value transmission in a complex solution setting. They argue that value emerges through the interactions between individuals throughout the creation and implementation of the solution. These engagements occur between diverse individuals in both firms. Creating and delivering perceived value in buyer-supplier exchange is crucial to the achievement of customer satisfaction and loyalty (Gounaris, Tzempelikos and Chatzipanagiotou 2007; Lam, Shankar, Erramilli and Murthy 2004; Tam 2004). In turn, these have positive effects on overall firm performance while also providing a significant point of competitive differentiation (Grewal, Chandrashekar and Citrin 2010; Ulaga and Chacour 2001). To assess the firm's efforts to satisfy them, customers engage with specific intrinsic and extrinsic stimuli that relate to the offering and the context in which this takes place. They judge these against their purchase goals to determine whether the offering exceeds, meets or does not satisfy their requirements (Khalifa 2004; Payne and Holt 2001; Sánchez-Fernández and Iniesta-Bonillo 2007; Woodruff 1997; Zeithaml 1988). These activities encompass a cognitive process that is subjective and emerges for each customer idiosyncratically.

One explanation of heterogeneity that emerges in B2C studies of buyer perceptions and actions is social identity theory (Billig and Tajfel 1973; Brown 2000; Tajfel, Billig, Bundy and Flament 1971). Social identity provides an explanation as to why some consumers switch products and others remain brand loyal (Lam, Ahearne, Hu and Schillewaert 2010), the role of influential individuals on others' purchase decisions (Souiden and M'Saad 2011; Wieseke, Ahearne, Lam and Dick 2009), and the association with some brand ideals by individuals with complementary traits (Puntoni, Sweldens and Tavassoli 2011; Ward and Broniarczyk 2011; Wilcox, Kim and Sen 2009; Winterich and Barone 2011). Consequently, the study of social identity has the potential to yield significant insight into the sources of heterogeneity in B2B markets also. The primary difference is in the definition of the social system. The incorporation of social identity yields the potential to investigate psychological determinants of individuals' behaviors in buyer-supplier exchange scenarios. For complex B2B solutions, this involves the interactions between groups of individuals on both buyer and supplier side. The social identities that individuals adopt during the implementation of a complex solution potentially influence their perceptions of value as well as their actions and relative exposures to stimuli during the exchange process.

In this paper, I present a preliminary analysis of social identity as this applies to a complex B2B solution. Using qualitative data from three case studies, I develop four archetypal social identities and explain their relative impacts on the creation, appropriation and perception of value. The study results in a descriptive analysis of these.

The structure of the paper is as follows. Firstly, I discuss the social identity theory and its uses to describe and assess marketing-related phenomenon. Secondly, I describe the case method that the study employs. Thirdly, I discuss the outcomes of the study before engaging in a brief, general discussion and offering a conclusion.

## **SOCIAL IDENTITY AND ITS IMPACTS ON MARKETING**

### **Social Identity Theory**

Social identity constitutes the proportion of self-perception that an individual derives from their membership of a group (Billig and Tajfel 1973; Brown 2000; Oakes and Turner 1980; Tajfel, Billig, Bundy and Flament 1971). Social identity theory stipulates that individuals derive part of their sense of self from their own individual perceptions and the remainder from other individuals that comprise members of social groupings. The attribution of one perspective vs. the other falls along a continuum. Depending on the situation, an individual pays greater attention to one or the other. Social identity derives from the nature of relations the individual assigns to specific social categories (Billig and Tajfel 1973; Tajfel, Billig, Bundy and Flament 1971). Social identity theory embodies the assumption that individuals have a need to categorize groups. This allows the simplification of groups and, consequently, allows the easier conceptualization of potentially complex social relations. Individuals adopt multiple social identities.

Social identity influences the behaviors of individuals. Within organizational settings, social identities influence group dynamics. Studies in the psychology literature show that social identity influences the willingness of group members to accept new members (Cikara, Botvinick and Fiske 2011). The perception that a change in social dynamics contradicts or harms an individual's sense of social identity results in negative behaviors such as bias and ostracism of other group members. Moreover, social identity bears close association with the roles individuals adopt in social settings (Biddle 1986). These constitute the assumptions and expectations the individual and other members of the group hold regarding their actions and responsibilities. For example, some roles see a higher likelihood of inter-group interactions than do others (Billig and Tajfel 1973; Brown 2000).

### **Social Identity Theory in Marketing**

Social identity theory is of interest to marketers. It provides a way to explain the linkages between social phenomena and the behavior of individuals. Studies of social identity focus on several primary themes. The association of individuals with a brand image receives interest. In this setting, the congruence between the individual's social identity and brand values is a key explanation for brand loyalty (He, Li and Harris 2012; Lam, Ahearne, Hu and Schillewaert 2010). Social identity also provides an explanation for how consumers conceptualize their needs. In this research, the individual develops needs for types of products depending on life stage, whether they experience a significant change to their perceived social identity (e.g. through the development of a life threatening disease), as well as their gender profile (Puntoni, Sweldens and Tavassoli 2011; Souiden and M'Saad 2011). Other studies focus on the congruence or association between individuals' social identities and the purpose and scope of organizations (Shang, Reed and Croson 2008; Winterich and Barone 2011). In some studies, the conflict between the multiple social identities the individual holds leads them to partake in ethically questionable activities (Wilcox, Kim and Sen 2009) or to participate in charitable activities (Shang, Reed and Croson 2008). Studies in the social networking literature demonstrate heterogeneity between actor roles and their likely social interaction profiles. In turn, these influence network structure (Ansari, Koenigsberg and Stahl 2011; Kozinets, de Valck, Wojnicki and Wilner 2010).

### **Social Identity and Industrial Marketing**

Few studies address social identity directly. Instead, there are several sets of related themes. The notion of actor heterogeneity appears in Industrial Marketing and Purchasing (IMP) group research as well as more recently in social network studies. IMP research in this area centers on the effects of firm heterogeneity within industrial networks, particularly as these relate to differences in collaborative arrangement and in resource access (Gadde, Huemer and Håkansson 2003; Leek and Mason 2010; McCabe and Stern 2009). More recently, individual actors' perspectives underpin sense making research on network pictures (Colville and Pye 2010; Corsaro, Ramos, Henneberg and Naudé 2011). Recognition for the different roles that actors adopt in the co-production of complex B2B solutions also appears (Cantù, Corsaro and Snehota 2012).

Despite the recognition that diffuse actors act to co-produce valuable outcomes in industrial exchanges, few studies consider the notion that heterogeneity exists in their value perceptions. An assumption that all actors share similar views of this permeates the B2B marketing literature despite the evident differences in roles and social identities.

## METHOD

In this study, I adopt two primary research goals:

1. To identify and describe the nature of social positions, and their associated role expectations, in complex buyer-supplier exchange; and,
2. To describe the effects these have in terms of perceived value.

Due to the exploratory nature of this study, I focus on the description of identifiable constructs and their proposed inter-relationships (Eisenhardt and Graebner 2007; Yin 2009). To this end, I use a multi-case approach. This allows comparison within the cases themselves as well as between cases (Eisenhardt and Graebner 2007). It also improves the generalizability of findings. Three complex dyadic exchange scenarios form the basis of the study. The first encompasses a market research study conducted by a specialist provider for a client in the local hospitality industry. The second is a management consulting project conducted by a multinational business performance consultancy for the Australian Department of Defense. The third is an IT service project conducted for a medium-size government department by a specialist provider. I used theoretical sampling to determine the appropriateness of each case (Stake 2006; Yin 2009). Cases were selected due to their ability highlight role differences between actors in each party to a dyadic exchange process, their different sizes (and, hence complexities of exchange), their coverage of different industrial sectors and organizational types.

The primary data constituted face-to-face and telephone interviews with key respondents. Twenty-six key informants participated in semi-structured, interviews that averaged 90 minutes in duration. These covered the respondent's background, their involvement with complex solutions, their perceptions of actors in the context of a specific project, and, their relative influences on value creation. Most respondents were consulted multiple times during and after the fieldwork. 179 pages of transcripts emerged through these interviews. I was also able to attend key meetings between both parties on many occasions and had access to key documents for each case such as the buyer's statement of requirement, the final report for the specific project and a range of emails. Overall, I attended 35 meetings on topics of interest throughout the data gathering period. These multiple data sources provide a basis for triangulation of findings within each case as well as between cases (Eisenhardt 1989; Eisenhardt and Graebner 2007; Stake 2006; Yin 2009). NVivo v9.0 was used to store and analyze the data. The data analysis approach conforms to precepts in grounded theory (Glaser and Strauss, 1967; Strauss and Corbin, 1990). This involved an initial process of memoing, followed by sorting, writing and a post-hoc alignment to social identity theory. An initial open coding was conducted to develop a clearer sense of the major issues in the data. After a series of iterations, this eventually became a theoretical coding process which highlights the four main social identities found in the study. I used the criteria of transferability, dependability, confirmability, integrity, fit, understanding, generality and control to assess the quality of the findings, as in interpretive research in similar domains to this study (Flint, Woodruff and Gardial 2002; Lincoln and Guba 1985; Strauss and Corbin 1990). Two independent research assistants compared the interview transcripts, the reports and archival data not constrained by confidentiality clauses, and the notes taken during meetings. There was general agreement that the key constructs were defined well in the coding process used and the findings reported in this paper are a reasonable representation of these. Table 1 provides a summary of the three case contexts employed in this study.

### Complex Solution 1 – Market Research

Fieldwork commenced at a small market research company in January 2009 and concluded in July of that year. At the time, the company had about 20 personnel distributed between offices located in two of Australia's major cities and \$5 million turnover. The company specializes in employee satisfaction surveys as well as market research, mostly for large government clients. In most situations, a team of individuals are involved in project completion. A project manager and several junior staff constitute the typical team responsible for project completion. Overall supervision of projects rests with the Director present in the local office, who maintains an overall roster of projects.

An opportunity to provide market research services for a local hospitality group emerged in early 2009. At the time, this group controlled four clubs. These venues offer entertainment, restaurants, slot machines, golf courses and sporting facilities. With turnover of about \$25 million, the group employs about 100 people. The board was considering a significant refurbishment of one of the group's properties. The project requirement involved the provision of advice to the board regarding customer preference for the options considered feasible. A study of the local market was conducted to assess these

and, consequently, forms the basis of advice. The CEO of the group acted as the key client representative, with interested stakeholders mostly constituting board members.

### **Complex Solution 2 – Management Consulting**

In this case, fieldwork began in August of 2007 and concluded in December that year. The company is a big four accounting firm with about 137 000 employees spread across 87 offices in 144 countries and about \$22 billion in turnover. The context of analysis is of a specific project team within a division of the company located in Australia that specializes in management consultancies and, in particular, business process analysis and improvement services. These relate to the analysis and documentation of organizational routines, policies and approaches to the conduct of their operations. As with case 1, project completion involves a team that consists of a project manager who coordinates a team of more junior staff. Overall supervision rests with a Partner or other senior manager.

The project of interest constitutes part of an ongoing series of work with the Australian Defense Force (ADF). Overall, the ADF employs more than 110,000 people and consumes more than half of the Australian federal budget. The project encompassed the documentation of a budgetary allocation process for one of the service arms in the ADF. Investigating the linkages between the service budget units, the acquisition functions in the primary supplier to the service, and the ministry constitute the primary workflows. These comprise the primary content of the documentation and report.

### **Complex Solution 3 – IT Project**

For the IT project, fieldwork commenced in February 2010 and finished in May 2011. It involves a moderate-sized IT services provider that specializes in IT network design and installation. The IT service company employs about 250 people, has offices in four of Australia's major cities and produces turnover of about \$65 million. Service teams comprise a project manager, an implementation manager and several technical staff. The Branch Manager typically assumes overall responsibility for project completion.

The project of interest involved the re-design and installation in a large, government department. With about 6,000 personnel and 45 offices spread throughout Australia, this department is about the sixth largest in terms of federal government budgetary allocations. Working with the IT infrastructure group in this department, the solution involves a service component (including the design of the network, the composition of the project plan and its installation) and a product component (the new network). Consequently, it has additional technical dimensions when compared to the other two cases.

## **ANALYSIS OF FINDINGS**

In this section, I present the findings of the study. Firstly, I describe four social identities in terms of their basic characteristics and role expectations. Secondly, I discuss the relationship between these and value perceptions.

### **A Profile of Social Positions and Assumed Roles**

The data reveals four basic social identities in complex buyer-supplier exchange. The primary differences between each are observable through five dimensions. Firstly, the responsibility profile involves the specific expectations for task completion as well as activities associated with risk management. Secondly, the mandate to actuate project stakeholders to complete tasks as well as to appropriate resources for project completion. Thirdly, the personal and career-related attributes of the typical position occupant. Fourthly, the expectations associated with who and how frequently interactions occur. Lastly, the expected knowledge for the position occupant. In this section, I describe each social identity.

#### ***The Overseer***

The overseer is the person who bears overall responsibility for the project. In the cases, the person that occupied this position generally holds a senior management position in their organization (Partner, Managing Director, Branch Director etc). Two primary roles emanate from this. Firstly, they accept total responsibility for project completion but do not actively participate in it during completion, although there are instances where they are involved in the initial project conception stages and project close out. Most overseers actively monitor project progress through regular contact with a project manager and/ or the project team. The second role is that overseers tend to build relationships with their counterparts. It is at this level that they have semi-frequent interactions. In this role, they seek to build a comfortable working relationship. Consequently, this role



entails social engagement. A third role, though less apparent in the data, is that they act as mentors for less experienced personnel. This involves the provision of training and coaching sessions, including in cases where a project is problematic.

“My job is to make sure the process runs smoothly. I hire good people and make sure they know what they’re doing. I deal with the big problems if they come up. Other than that, my job is to make sure the boss’ boss is happy”. Steve, Partner, Management Consulting Firm.

### ***The Thinker***

This person is responsible for conceiving the solution. That is, they are involved in its initial design, its description and in thinking through associated implementation issues. Typically, this person is a mid to senior-level executive. They have specialist skills and knowledge, particularly of a technical nature. They may be involved in project implementation, but more for troubleshooting. They tend to straddle several projects at any one time for the provision of their specialist advice. They may interact with external stakeholders from time to time, but they tend not to accept responsibility for project completion. The cases demonstrate situations where the other positions subsume the thinker position. In the marketing consulting case, the Branch Director and Project Manager shared this role on the supplier side, and by the CEO on the client side. In the IT project side, the Technical Services Manager on the supplier side and the Senior Technician on the client side displayed this position. In the management consulting case, the role of thinker was mostly in evidence on the buyer side, where the three Budget Managers had a thorough understanding of the procedure in question.

“I’ve spent a long time honing my expertise in IT Networks. I’ve now got multiple certifications in this space... During projects, I’m the guy that comes up with the initial design and helps with troubleshooting”, Ian, Technical Specialist, IT Firm.

### ***The Project Implementer***

The project implementer is the person primarily responsible for the execution of the project. That is, they manage workflows associated with implementation. They marshal the necessary resources and deploy them accordingly. They also manage a budget. They are typically a mid career professional. In the cases, they were the Project Manager on the supplier side and the principal manager responsible for project execution on the client side. In the marketing research case, this was the client CEO. In the management consulting case, this was the Project Director. In the IT case, this was the Manager for IT Infrastructure. A key difference between supplier and buyer side role designations is that the supplier project implementer is responsible for the operational management of the project, whereas on the buyer side, the equivalent social mostly adopts an oversight capacity, apart from when they are involved in activities of co-production. Buyer project implementers typically consider the project one of a number of responsibilities they sustain at any one time, whereas supplier project implementers are more likely to focus more attention on the project at hand. Project implementers interact with their counterparts on a regular basis. This is to make arrangements jointly and to provide updates on project progress. While project implementers have some specific domain knowledge, they tend to focus on information associated with resource capabilities and capacities.

“I get things done; I make sure that the project gets implemented on time and on budget. I make sure we have the right people working on their parts at the right time during the project”, Jemima, Market Research Firm.

### ***The Technical Implementer***

The fourth social position common to complex solution implementation is the technical implementer. This person often acts as one of the workers involved in project delivery. They are responsible for a discrete element of the project. Often, this involves the use of a specific skill set. In the market research case, this involved the analysis of data and the composition of elements of the final report. In the management consulting case, this involved consultations with the key buyer staff by the consultant, who has specialist knowledge in budgeting. In the IT case, technical implementers were far more numerous. They were involved in the assembly of key network elements, which require expertise in technologies such as servers, routers, modems, storage devices and a range of others. The IT case saw a greater profusion of technical implementers, and these were present on both buyer and supplier teams. Technical implementers interact mostly with their counterparts; they answer to the project manager for the specific solution and discuss technical issues with thinkers.

“We technical specialists are responsible for installing the systems at a client’s premises. We have to be ready to fly all over the country to put servers into different buildings that [Client] owns”, Ben, Technical Specialist, IT Firm.

## Summary

**Table 2** provides a brief summary of the social positions and their associated roles that emerged during the study. It considers roles in terms of responsibility, mandate, career stage, the level/ type of external relations and the expected knowledge base. The study finds evidence of an ongoing system of evaluations that both exchange parties employ throughout a complex exchange. While common value drivers are in evidence across all social identities, they vary in their relevance and intensity at each level. Position-specific value drivers also complement them. These constitute the basis of evaluative activities and, consequently, form the basis of value perceptions. This section explains each of the main value drivers found in the study and proposes which are more important for each social position.

For overseers, they consider themselves the guardians of their organization. Their interests include maintaining the integrity of their organization's capability while also ensuring they accrue positive outcomes from the project. For suppliers, these desires include project profitability, the enhancement of corporate reputation in the eyes of the buyer and the broader community while also rendering important experiences for team members. For buyers, they seek efficiency in project execution, the transfer of knowledge to their own team and the reliability of project deliverables. Overseers seek low risk. For suppliers, this manifests as specific actions or designations to reduce foreseeable project and technical risks. For buyers, low risk manifests as seeking evidence of supplier capability through evidence of reputation, the quality of the project proposal and the manner in which the supplier team conducts itself. For thinkers, they seek to provide a solution that is consistent with their own perception of best practice given operational and financial constraints. The desire to provide an optimal solution that addresses the problem at hand drives their behavior. These individuals ultimately seek social approval from overseers and their counterparts. Project implementers manage project workflows and, as such, seek to reduce the difficulty associated with these processes. Thus, they seek easily accessible resources and compliance by team members from the supplier side. From the buyer side they desire consistent evidence of the supplier's capability in project delivery. This manifests as a need for appraisals about project progress at regular intervals, the involvement in solving project issues and consideration regarding project change. Technical implementers desire clarity in their responsibilities. This involves the specification of clear task responsibilities and a managerial approach that allows them to fulfill these responsibilities. They hope for praise, particularly from the project implementer in their team for competent task completion.

## CONCLUSION AND FUTURE RESEARCH

In this paper, I report the preliminary findings of an investigation of the effects different social identities on value creation, delivery and perceptions in complex solutions. Using data sourced from three case studies, I identify four primary social identities: overseers, thinkers, project implementers and technical implementers. I define these in terms of perceived responsibilities, mandate, career stage, the level of external interaction and their knowledge base. I use these differences to highlight variance in perceptions of value in both buyer and supplier terms.

This study provides an initial indication of the nuances associated with different social identities in complex buyer-supplier exchange. This is of relevance for managers active in similar contexts. Managers now have an additional framework to assist in stakeholder profiling. This may affect the approaches to managing perceptions while also facilitating a deeper understanding of the underlying dimensions of perceived value. For scholars, this paper potentially advances our understanding of complex buyer-supplier exchange. Grönroos (2004, 2011) argues that all employees of the firm are marketing representatives since they provide at least some element of customer service. This paper demonstrates the relative impact of rendered services. Further, the paper highlights the heterodox nature of perceptions in inter-firm exchange. The paper also capitalizes on the emergence of social constructionist theory in marketing to explain key phenomenon in complex buyer-supplier exchange (Blois 2003; Edvardsson, Tronvoll and Gruber 2011; Epp and Price 2011; Flint, Woodruff and Gardial 2002).

While the study utilizes data from three cases of complex buyer-supplier exchange, it faces limitations through their confinement to specific contexts. Consequently, the findings of the study are not generalisable beyond these specific settings. The study also attempts to capture idiosyncratic phenomenon through the development of social position profiles. While this approach does highlight important differences, it does not explain the totality of variance that exists between individual actors. One dimension not explicitly considered is the formal evaluative mechanisms that exist. In larger projects, often a control board or project committee conducts project evaluations. These provide key opportunities for social discourse. The focus of enquiry is the project team. Arm's length stakeholders do not constitute a primary audience of interest in this study. Future research directions encompass the exploration of role theory in complex buyer-supplier exchange, particularly as these relate to value creation. More specifically, studies could concentrate on the moderating effects of roles on each other; the

weighting of intrinsic vs. extrinsic stimuli in value appraisal; and, the relative importance of individuals' appraisals to overall perceived value. Further research into the roles of indirect stakeholders on valuation could also yield additional insights.

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## TABLES

Case	Client Industry	Project Requirement	Key respondents
1 Market Research	Hospitality	Market feasibility study	Supplier Side <ol style="list-style-type: none"> <li>1. Managing Director, male, late 40s, 26 years industry experience</li> <li>2. Branch Director, male, mid 40s, 14 years industry experience</li> <li>3. Project Manager, female, early 30s, 8 years industry experience</li> <li>4. Research Analyst, male, late 20s, 5 years industry experience</li> <li>5. Business Development Manager, late 50s, 4 years industry experience</li> </ol> Client Side <ol style="list-style-type: none"> <li>6. CEO, male, mid 50s, 28 years industry experience</li> <li>7. Chairman, mid 60s, 41 years industry experience (accounting)</li> <li>8. Board member, late 50s, 33 years industry experience</li> </ol>
2 Management Consulting	Defense	Business process analysis	Supplier Side <ol style="list-style-type: none"> <li>1. Partner, male, mid 50s, 18 years industry experience</li> <li>2. Senior Manager, mid 50s, 12 years industry experience</li> <li>3. Project Manager, female, mid 40s, 4 years industry experience</li> <li>4. Consultant, male, late 20s, 2 years industry experience</li> </ol> Client Side <ol style="list-style-type: none"> <li>5. Project Director, male, mid 40s, 22 years industry experience</li> </ol>

			6. Budget Manager (service), female, early 60s, 12 years industry experience 7. Procurement Manager (service), male, early 50s, 17 years industry experience 8. Budget Manager (ministry), male, late 30s, 15 years industry experience 9. Budget Manager (supplier), male, early 40s, 10 years industry experience
3 IT Project	Government	Installation of an IT system	Supplier Side 1. Managing Director, male, late 50s, 32 years industry experience 2. Branch Manager, male, mid 60s, 22 years industry experience 3. Project Manager, female, early 50s, 12 years industry experience 4. Technical Services Manager, male, late 40s, 28 years industry experience 5. Implementation Manager, male, late 20s, 10 years industry experience 6. Business Development Manager, male, late 40s, 4 years industry experience Client Side 7. Manager IT Infrastructure, male, mid 50s, 25 years industry experience 8. Senior Technician, male, early 30s, 13 years industry experience 9. Technician, male, early 20s, 2 years industry experience

**Table 1 Respondent Details for the Three Cases**

Role Dimensions					
Social Position	Responsibility	Mandate	Career	External Relations	Knowledge Base
<b>Overseer</b>	Total responsibility for project success	Designate project implementer; negotiate terms of engagement; deal with large scale problems	Senior executive	Social relationship with senior executive counterparts	Industry experience
<b>Thinker</b>	Develop ideal solution	Recommend solution	Mid career-senior executive	Working with client counterpart and specific team members	Expert
<b>Project Implementer</b>	Execute project implementation	Marshall necessary resources; allocate project tasks	Mid career	Mostly interacts with project implementer counterpart	Focus on workflow
<b>Technical Implementer</b>	Specific task completion	Complete specific tasks	Early-mid career	Interacts with thinkers and with technical implementers	Domain-specific

**Table 2 Summary of Social Positions**

Social Positions	Supplier	Buyer
<b>Overseer</b>	Profitability; Low risk; Social approval from client; Experience/ learning for team	Low risk; Efficiency; Improved capability; Demonstrated supplier capability
<b>Thinker</b>	Ideal solution; social approval	Social approval; optimized solution
<b>Project Implementer</b>	Compliant/ capable team members; social approval from stakeholders; easy access to resources	Demonstrated supplier capability; Well informed/ consulted
<b>Technical Implementer</b>	Precise tasking; Social approval	Precise tasking; Social approval

**Table 3 Summary of Value Drivers**

## **Session 2.5. Marketing Models**

Room: Clarendon B

Session Chair: Ari Promono, Monash University

### ***Customer Churn Models: A Comparison of Probability and Data Mining Approaches***

Ali Tamaddoni Jahromi, Monash University

Stanislav Stakhovych, Monash University

Michael Ewing, Monash University

### ***It's the Strength of the Ties: How Multiplex Social Networks Among Frontline Employees Drive Service Performance***

Miriam Guenther, University of Melbourne

Peter Guenther, University of Melbourne

Simon Bell, University of Melbourne

Garry Robbins, University of Melbourne

# **CUSTOMER CHURN MODELS: A COMPARISON OF PROBABILITY AND DATA MINING APPROACHES**

Ali Tamaddoni Jahromi, Monash University, Australia  
Stanislav Stakhovych, Monash University, Australia  
Michael Ewing, Monash University, Australia

## **INTRODUCTION**

As markets become increasingly saturated, astute companies acknowledge that their business strategies should focus on identifying those customers who are likely to churn (Hadden, Tiwari, Roy, & Ruta, 2007). Since net returns on investments for retention strategies are generally higher than for acquisitions, it is generally accepted that companies should concentrate their marketing resources to keep existing customers rather than to attract new ones (Colgate & Danaher, 2000). This calls for models capable of making accurate predictions about consumers' behavior in a future time period. Such models should be able to specify *which* customers in a dataset have a higher probability to churn in a given future time period. Literature on churn modeling reveals that predictive models fall into one of two categories, namely probability modeling and data mining modeling. Although many studies from both of these streams have focused on developing models to predict and identify customer churn, to the best of our knowledge, none of them have compared the performance of these modeling approaches in terms of accuracy in identifying and predicting customer churn.

On this basis, the current study aims to compare the performance of probability and data mining model building approaches. In this regard, the dataset from a company operating in non-contractual setting has been utilized to construct predictive models of customer churn with both approaches. The models have then been compared in terms of their accuracy in identifying churners. The results suggest that although models constructed with probability and data mining model have the same general accuracy, the decision tree model with cost sensitive learning has the upper hand in identifying the true churners.

## **BACKGROUND**

### **Probability models**

Introduced by Ehrenberg (1959), probability models utilize simple probability distributions to model the observed behavior of individual customers and make predictions regarding their future behavior (Fader & Hardie, 2009). The work of Ehrenberg (1959, 1972) was further extended by Schmittlein, Morisson, and Colombo (1987) and Fader, Hardie, and Lee (2005) to develop Gamma-Exponential / Negative Binomial Distribution (Pareto/NBD) and Beta-Geometric / Negative Binomial Distribution (BG/NBD), respectively.

The Pareto/NBD and BG/NBD form the backbone of almost all studies in customer base analysis and are attractive because they: (1) utilize previous transaction behavior to construct the model; (2) predict the individual's future purchase level; and (3) give the probability that a specific customer is active after a specific time. The collection of these features have made these two models the most well-known and recommended stochastic methodologies for recognition of customer churn as well as prediction of future sales in non-contractual settings (Wübben, 2008).

### **Data mining models**

Data mining is the analysis of large data sets to find patterns and models in the data which summarize the data in a way that is more useful and understandable for the data owner (Hand, Mannila, & Smyth, 2001). The tendency towards employing data mining techniques in customer churn prediction stems from the fact that churn is a rare event in a dataset and making an accurate forecast calls for techniques that emphasize predictive ability (Kamakura et al., 2005). Several studies have constructed different data mining models to predict customer churn in various sectors such as telecommunications (Burez & Van den Poel, 2009), finance (Xie, Li, Ngai, & Ying, 2009), retail (Buckinx & Van den Poel, 2005), and Pay TV (Burez & Van den Poel, 2008). Moreover, recent studies in the marketing literature have emphasized the applicability of machine learning models as an alternative for standard approaches in marketing, like logit models (Cui & Curry, 2005; Lemmens & Croux, 2006).

Data mining techniques have also been acknowledged as a remedy for the limitations of probability models in dealing with real world data. Such constraints have their roots in the fact that probability models are established based on the assumptions about the way the data is distributed and these types of assumptions can be restraining and in some cases misleading

(Wübben, 2008). However, none of the existing studies have empirically compared the performance of data mining models in churn prediction against the probability models. This calls for further investigation to directly compare these two approaches in order to employ the best possible modeling approach when dealing with customer churn.

## METHODOLOGY AND RESULTS

The data for this study comes from customer transactional records of the online CD retailer *CDNOW*, in a period between January 1997 and June 1998. The original data which has been used by Fader and Hardie (2001) contains sales records of 23,570 customers. However, the data set that has been used for the current study is a 1/10<sup>th</sup> sample of the original dataset (2,357 customers) available on Bruce Hardie's website (Fader et al., 2005). In the current study, this sample data set has been divided to 1649:708 (70:30), train set: test set.

The data set contains the transactional records of customers during a 78 week period. For the model building purposes this time window has been broken into two equal 'calibration' and 'validation' periods of 39 weeks, respectively (Figure 1). In order to compare the performance of both modeling approaches the 'recency', 'frequency', and 'monetary value' aspects of the customers' transactions should be specified as follows:

- 1-  $x$ : number of transactions observed between the time of the first purchase ( $t=0$ ) and end of observation period ( $t = T$ )
- 2-  $t_x$ : time of the last repeated transaction in observation period ( $0 \leq t_x \leq T$ )
- 3-  $T$ : known as observation period, is the time between the first period and end of observation period which varies across the customers
- 4-  $m_x$ : the average 'monetary value' of each transaction in observation period
- 5- Churn: a binary variable which indicates whether a customer who has made his/her first purchase in the calibration period is still active in validation period or not. On this basis, the customers who have made at least one purchase in validation period have been considered as being 'alive' (coded as 0) and customers who have no transaction record in the prediction period have been considered to be 'dead' (coded as 1).

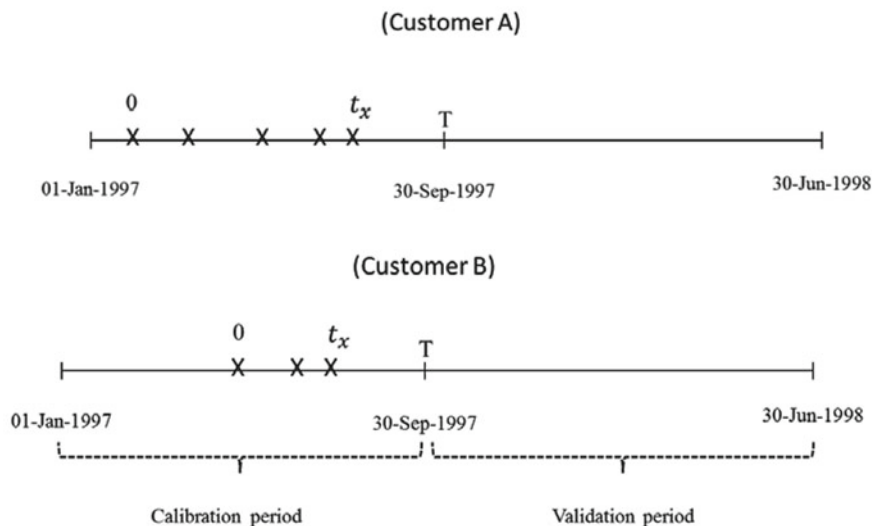


Figure 1 CDNOW modeling timeline for two customers with different observation length

### Probability modeling approach

Both BG/NBD and Pareto/NBD models can provide the probability that an individual customer with the purchase history of  $x$ ,  $t_x$  and  $T$  is 'alive' at the end of calibration period. However, due to the fact that BG/NBD model has problem with calculating  $P(\text{Alive})$  for customers with no purchase in calibration period (Fader, Hardie, & Lee, 2008; Hoppe & Wagner, 2007), this study investigates the performance of only Pareto/NBD model.

Setting the four parameters of the model as  $r = 0.55$ ,  $\alpha = 10.57$ ,  $s = 0.6$ , and  $\beta = 11.66$  (Fader et al., 2005), the  $P(\text{Alive})$  at time  $T$  has been calculated for all customers in test data set using equation 1, provided by Schmittlein et al. (1987).

$$P(\text{Alive}|r, \alpha, s, \beta, x, t_x, T) = \left\{ 1 + \frac{s}{r+x+s} \times \left[ \left( \frac{\alpha+T}{\alpha+t_x} \right)^{r+x} \left( \frac{\beta+T}{\alpha+t_x} \right)^s {}_2F_1 \left( r+s+x, s+1; r+s+x+1; \frac{\alpha-\beta}{\alpha+t_x} \right) - \left( \frac{\beta+T}{\alpha+T} \right)^s {}_2F_1 \left( r+s+x, s+1; r+s+x+1; \frac{\alpha-\beta}{\alpha+T} \right) \right] \right\}^{-1} \quad Eq.1$$

After calculating the  $P(\text{Alive})$  value for all customers in the test set, the cutoff point of 0.5 (Wübben & Wangenheim, 2008) was used to form a binary variable of ‘churn’, i.e. for  $P(\text{Alive}) \geq 0.5$  the customers were considered to be ‘alive’ (0) and for  $P(\text{Alive}) < 0.5$  ‘dead’ (1). Table 1 reports the error matrix of our model based on the constructed churn variable.

Table 1 Error matrix Pareto/NBD;  $P(\text{Alive})$  estimation

Actual	Predicted	
	0	1
0	108 (15.3%)	99 (14%)
1	68 (9.6%)	433 (61.1%)

### Data mining modeling approach

Using  $x$ ,  $t_x$ ,  $T$ , and  $m_x$  as input variables and ‘churn’ as the target variable, a decision tree model with CART algorithm (Breiman, Friedman, Olshen, & Stone, 1984) was constructed using CDNOW data. With this aim, 70% of the customers in the data set have been allocated to the training set and used to construct the training model. Once the training model was constructed, its performance was tested, using data from the remaining 30% of customers. The decision tree analysis has been chosen over other binary classifiers due to its interpretability and understandability for business people (Ngai, Xiu, & Chau, 2009) along with its transparency as indicated by Olafsson, Li, and Wu (2008).

Table 2 depicts the error matrix of the constructed model tested on our test set of 708 customers:

Table 2 Error matrix decision tree

Actual	Predicted	
	0	1
0	104 (14.7%)	103 (14.5%)
1	72 (10.2%)	429 (60.6%)

It was shown in the literature that the cost of acquiring a new customer are often up to five times greater than the cost of retaining an existing customer (Kotler & Keller, 2006; Rosenberg & Czepiel, 1984). Therefore, the failure in identifying churners (False Negative error) may cost five times more for the company compared to sending incentives to customers who are not churners (False Positive error). The effect of cost-sensitive learning (Burez & Van den Poel, 2009) on the prediction accuracy of the classifier has been tested and Table 3 illustrates the error matrix for ratio 1:5 (FP: FN).

Table 3 Error matrix decision tree; cost sensitive learning

Actual	Predicted	
	0	1
0	39 (5.5%)	168 (23.7%)
1	8 (1.1%)	493 (70%)

Analysis also reveals that among all our input variables to construct the model, only  $x$ ,  $t_x$ , and  $T$  have actually been used in tree construction (in both data mining models) and average monetary value of transactions ( $m_x$ ) was unable to be a proper ‘split’ in constructing the decision tree to accurately indicate customer status.



Additionally, further analysis of the cost-sensitive model shows that while  $T$  is constant, the churn probability decreases for all ' $x$ ', as "time of the last purchase" increases. The only exception is customers with large  $t_x$  and small number of repeated purchases; such customers have a higher risk of churn, when compared with clients with the same 'recency' of purchase but with a larger number of repeated purchases (see [Figure 2](#)).

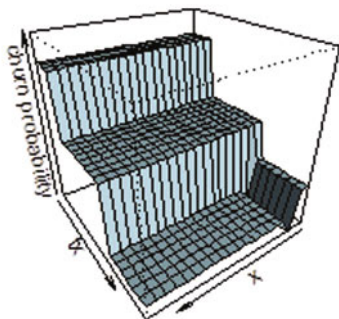


Figure 2 Plot of model's response for the "time of the last repeated purchase" ( $t_x$ ) and "number of repeated purchases" ( $x$ )

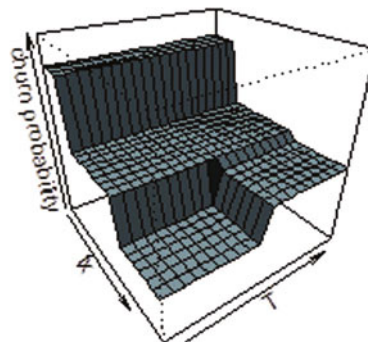


Figure 3 Plot of model's response for the "time of the last repeated purchase" ( $t_x$ ) and "length of observation period" ( $T$ )

On the other hand, when the number of repeated purchases is considered to be fixed, it can be observed that customers with large  $t_x$  are more likely to churn when their observation period increases (see [Figure 3](#)). In other words, referring to [Figure 1](#), customers whose '0' point is close to ' $T$ ' are less likely to churn when the length of  $(0, t_x)$  gets larger within the  $(0, T)$ .

## SUMMARY

Comparing the predictive accuracy of the developed model shows that data mining models show almost the same performance as the probability models (see [Table 4](#)).

Table 4 Prediction accuracy of the developed models

Model Type	Accuracy, %
Pareto/NBD	76.4
Decision Tree (CART)	75.3
Decision Tree (CART; Cost sensitive learning)	75.1

However, by more closely examining the performance of the models, one notices that while Pareto/NBD and decision tree models have identified 61.1% and 60.6% of churners respectively, the decision tree with cost sensitive learning has been able to identify 70% of churners in our test sample.

## CONCLUSION

The current study investigated the performance of existing customer churn modeling approaches. Three predictive models were developed and compared using Pareto/NBD model from probability modeling stream and decision tree from data mining stream. Results revealed that although the Pareto/NBD model shows a slightly better performance in terms of general accuracy, the decision tree model with cost sensitive learning has the upper hand in terms of its ability to identify customers who are likely to churn in a given future time. Obviously, making the same comparison on other datasets, from other sectors, and with more observations and predictors would enable us to better examine the generalizability of our findings.

Furthermore, in the as it was mentioned earlier BG/NBD model, as a simpler version of PARETO/NBD, is unable to predict customers' status for the ones with no repeated purchase in calibration period. This fact made us not to use BG/NBD model



in the current. However, as another direction of research one can use only the subset of those customers who have purchased in the calibration period and by constructing the BG/NBD model on this subset, analyze the performance of BG/NBD model against other models.

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# IT'S THE STRENGTH OF THE TIES: HOW MULTIPLEX SOCIAL NETWORKS AMONG FRONTLINE EMPLOYEES DRIVE SERVICE PERFORMANCE

Miriam Guenther, The University of Melbourne, Australia  
Peter Guenther, The University of Melbourne, Australia  
Simon J. Bell, The University of Melbourne, Australia  
Garry L. Robins, The University of Melbourne, Australia

## ABSTRACT

The service marketing literature has focused its efforts on individual influencing factors and dyadic relationships to explain frontline employees' customer service behaviour and performance. This paper argues and demonstrates that this scope is too limited, as service employee behaviour and performance is not independent from the broader set of relationships surrounding them. We introduce a social network perspective to the analysis of service performance and distinguish between weaker simple ties and stronger multiplex ties consisting of advice and friendship relations in the studied branch networks of a major Australian bank. We find that it is the density of multiplex ties that predicts the performance-relevant value of social networks in a service setting. This effect is moderated by branch network size so that for larger branches the existence of dense multiplex ties increases performance more strongly than for smaller branches.

## 1 INTRODUCTION AND THEORETICAL BACKGROUND

Marketing literature on the behaviour and performance of service employees has focused almost exclusively on individual influencing factors (e.g., employees' character traits, dispositions, and attitudes) and dyadic relationships between employees (e.g., mentor-trainee and supervisor-subordinate relationships) as drivers of employee performance. Further, there is a bias in the extant literature toward a focus on the professional and work-related resources that flow between members of a dyad [see concepts such as Perceived Organisational Support (Eisenberger, Huntington, Hutchmson, & Sowa, 1986) and Leader-Member Exchange (Scandura & Graen, 1984)]. We see two main problems with this; 1) these approaches to measurement ignore the fact that service employees' behaviour and their resulting performance are unlikely to be independent of the broader set of relationships surrounding them (Scott, 2000); and 2) workplaces are social settings in which employees cultivate both professional and personal relationships.

In this study we propose that service employee scholars embrace network approaches to understanding the nature of service employee performance. The relational context in which service employees operate provides them with essential resources such as tacit knowledge, customer information, and support and assistance. These resources will flow, not simply from predetermined reporting lines laid out within organisational charts and hierarchies, nor from simplistic notions of employee-supervisor dyads. Rather, they will be located within a richer network of relationships throughout the firm (of which an employee-supervisor relationship might only be one). Further, the ability of employees to access these resources will depend on more than just their professional relationships within the firm; they will depend crucially on the network of friendships they have cultivated over the time of their employment (Krackhardt, 1992). This paper therefore proposes that researchers consider a social network perspective of service employee performance incorporating multiple types of network relational ties.

We study two fundamentally different social network relationship types, namely advice and friendship networks (Lincoln & Miller, 1979), that can be assumed to play significant and distinct roles in the delivery of high quality customer service. Advice networks are instrumental, i.e. work-related, networks which assist in the transfer of tacit knowledge (Sparrowe, Liden, Wayne, & Kraimer, 2001), can contribute to improved service solutions, and aid in serving customers more efficiently. Friendship networks are expressive networks that contain emotional support and can thus help to buffer against stress (Lin & Ensel, 1989) which is highly important in a service setting. There are good theoretical and empirical grounds for assuming that different types of relational ties can be interdependent (e.g., Padgett & McLean, 2006), but many network studies analyse their implications separately. To assume independence of different types of tie within the one social context ignores the reality of social complexity wherein different types of relations are intertwined (Robins & Pattison, 2006). Organisational actors are often connected through more than one type of relational tie (i.e., the definition of *multiplexity*) as one type of tie can give rise to another. If two organisational actors share a multiplex tie, it can be presumed that their link is stronger than in a simple relation (Wellman, 1992), resource exchange is more flexible as one resource can be traded against another (e.g., advice against emotional support) (Coleman, 1988) and destructive factors such as interpersonal competition are further reduced (Reagans & McEvily, 2003). Thus our study specifically studies multiplex ties, i.e. ties between pairs of employees that have both an advice and friendship component, and contrasts the performance implications of the density of multiplex networks with the density of simple ties in a sample of bank branches. This not only addresses the question

whether analysing different types of networks independently of each other overlooks important interaction effects, but also whether a sub-network of multiplex ties is the main contributor, i.e. the engine room, of performance. Following from our resource argument, we analyse the densities of multiplex and simple ties in an overall branch network and thus examine the performance implications of cohesion in service employee networks. Researchers often assume that high levels of cohesion are associated with decreasing performance, because the single actor has too many ties to entertain (Lechner, Frankenberger, & Floyd, 2010), information may become redundant (Granovetter, 1973), and deviant behaviour that would normally create positive outcomes (e.g., innovation) is prevented through strong group norms (Merton, 1968). There are those, however, who argue that cohesion promotes trust and collaborative norms that keep social loafing in check and facilitate joint action (e.g. Coleman, 1988). Our study seeks to explore the question of whether approaching high levels of cohesion in multiplex ties leads to positive (more than negative) implications. In the following sections we outline our method, analysis, and results before offering some implications for researchers interested in achieving a more detailed and nuanced understanding of the performance of service employees.

## 2 RESEARCH METHODS

### 2.1 Sample and Procedures

For our exploratory analysis of the performance implications of multiplex ties vs. simple ties, we use the dataset of an existing multiple networks study in 15 branches of a major Australian bank.

The 15 bank branches studied comprise a total of 155 staff with the branch networks ranging in size from 6 to 15 employees. Network data were collected on advice and friendship relationships of each employee including branch managers. The average response rate over all branches is approximately 90%, thus fulfilling the high response rate requirements of social network analysis (Wasserman & Faust, 1994).

### 2.2 Measures

#### *Multiplex and simple-tie network*

Using the advice and friendship nominations of employees in the bank branches, we began with mapping for each branch the prevalent advice and friendship network. We rated a tie to be present in the respective network between employees *i* and *j*, if any of the three cases were true: a) employee *i* reported having a tie with employee *j*, b) employee *j* reported having a tie with employee *i*, or c) both employees reported having a tie with each other.

We dissected the joint advice and friendship network into two distinct parts: (1) a multiplex part and (2) a simple-tie part.

The multiplex part of the network (hereafter: multiplex network) represents the infrastructure of multiplex ties. A tie between employee *i* and *j* is said to exist in the multiplex network, if employees *i* and *j* have a tie, in both the advice and friendship network. The simple-tie part represents the infrastructure of ties between employees, which are either advice- or friendship-only. Hence, a tie between employees *i* and *j* is said to exist in the simple-ties network, if employees *i* and *j* have either a tie in the advice or the friendship network, but not both.

#### *Network density*

The overall extensiveness of ties present in a given network can be represented by the network density which is calculated as the ratio of the total number of existing ties over the total number of possible ties in the network. Hence it can be regarded as an index measuring the intensity of the tie infrastructure. The total number of possible ties is proportional to the number of actors in the network.

Let *L* be the total number of ties existing in a network and *N* be the total number of actors, then the network density is calculated as:

$$density = \frac{L}{N(N-1)/2}$$

We calculate network densities for each, the multiplex and the simple-tie network.

#### *Branch size*

We include a measure for the size of each branch in our study. Branch size is an important control variable, as larger branches can be expected to perform better than smaller ones. Moreover, this study tests for a moderating effect of branch size on the relationship between network densities and branch performance. If networks grow larger, the distance between actors is increased, which makes co-workers' resources less accessible for the single service employee. Ties and in particular multiplex ties can help bridge the distance between actors. Hence, we expect that specifically in larger networks, a higher

network density is particularly performance-relevant. Branch size is measured by the number of employees of the branch. In order to demarcate small from large branches, we defined the first quartile as small branches and the rest as large.

#### *Performance*

Performance was measured on the level of the individual branch and represents sales performance as measured by the bank and used by the bank in its branch assessment and planning processes. Thus the dependent variable is not subject to the common method-bias.

### 3 RESULTS

#### 3.1 Correlations

Descriptive statistics and correlations among study variables are reported in [Table 1](#). In particular, the measures of multiplex network density show high negative correlations with the measures of single-tie network density. This is not surprising, as the two networks are subsets of a joint network. The higher the number of multiplex ties, the lower the number of single-ties and vice versa. At the end of the results section, we provide test results for a potential multicollinearity problem. These results show that our models are stable and hence that multicollinearity is not a problem in this study.

#### 3.2 Regression Results

[Table 2](#) presents the results of the regression analyses testing the relationships between the density of the multiplex network and the single-tie network on branch performance. We included a squared term for each of the densities to account for higher order (non-linear) effects. Further, we considered an interaction term for each of the densities with branch size.

We controlled for the impact of branch size on performance, by entering the branch size variable in step 1, followed by the linear, higher order, and branch size-interaction effects for the multiplex network density in step 2.

The results show that the density of the multiplex network is positively related to branch performance. This association follows a higher-order relationship (positive squared term;  $p < .01$ ) rather than a linear one ( $p > .10$ ), which implies that in particular highly dense multiplex networks can be strong drivers of performance in a service setting, although there is a natural limit given that the maximum achievable density of the multiplex network is 100% (i.e. all employees in the branch are linked through advice and friendship ties). In relation to the moderating effect of branch size, the results indicate a positive moderation of the link between the multiplex network density and branch performance ( $p < .05$ ). This suggests that particularly larger branches benefit from dense multiplex networks. In total, the model including the multiplex network terms explains 83.6% of the performance variance across the 15 bank branches in the sample, which is an improvement of 49.8% compared to the branch size-only model (variance explained: 33.8%). The  $R^2$  of the model is quite high, however, this may be driven partly by the high number of predictors relative to the number of cases and hence may in parts need to be attributed to the limited sample size of 15 branches. Nevertheless, high  $R^2$ s are also not at all uncommon in network studies, which have found  $R^2$ s of 80% and more (e.g. Reagans, Zuckerman, & McEvily, 2004).

In order to compare the relative performance-relevance of the multiplex and the single-tie parts of the social network within the branches, we additionally entered a linear, higher order, and branch-size interaction term for the single-tie network in step 3. This third model explains 91.9% of the performance variance across branches, which is an insignificant overall improvement of 8.3% to the second model ( $p > .10$ ). Clearly, the single-tie part of the social network adds to performance, however compared to the multiplex part, this contribution is small (and in sum insignificant). The data thus indicates a strong dominance of multiplex (as compared to single) ties as drivers of performance in a service setting.

#### 3.3 Multicollinearity Test

Multicollinearity can lead to unstable regression estimates, reversed directions of effects and decreased power to reject the null hypothesis (i.e. the hypothesis that the effect size is zero). In order to test for potential multicollinearity problems in the models, the variance influencing factor (VIF) is calculated for each of the model variables (see right end of [Table 1](#) for VIFs for Model 3; see bottom for maximum VIF in each of the three models). The VIF indicates the degree by which the variance of the single variables is inflated due to their correlation with other variables in the model (Cohen, Cohen, West, & Aiken, 2003, p. 419 ff.). As a rule of thumb, the VIF should not exceed 10. From [Table 1](#) it can be seen that especially in Model 3, where the single-tie network terms are entered, the VIFs of all multiplex network and single-tie network terms increase to values between about 3 and 4. All VIFs are well below 10. It can be seen that relative to Model 2, the multiplex network regression weights remain consistent and relatively stable in Model 3. This indicates that the stability of the regression model is not affected considerably as the single-tie network terms are entered. The only difference between Model 2 and 3 is that

the linear effect for the multiplex network becomes significant ( $p < .05$ ). Hence this change might need to be interpreted with caution.

#### 4 DISCUSSION

Our major finding is that a higher density of multiplex ties in a branch network is associated with better service performance outcomes than the density of simple ties. A reason for this may be the higher diversity and flexibility of tradeable resources in multiplex ties as compared to simple ties. Moreover it is likely that the quality of resources exchanged becomes higher in multiplex ties as the link between actors is stronger and thus may contain higher levels of trust. Additionally, employees connected by multiplex ties have more intimate and detailed knowledge of each other's needs (Wellman, 1992). Stronger ties are also more readily available and more motivated to be of assistance (Granovetter, 1983) which may be due to the actors' manifold interactions that have produced a range of expectations and obligations.

Further, the effect is moderated by the size of the branch network, i.e. the number of employees per branch. That finding is interesting in that it illustrates the growing utility of network links if information or expertise becomes more spread out and is not as easily detectable and reachable as in small networks. This does however not mean that the formation of friendship and advice network links and eventually the emergence of multiplex ties have no impact on performance in smaller branches – the performance impact is just smaller. In larger branches, the number of possible ties increases as the square of the number of employees, so it is much more difficult to have a high density in larger than in smaller branches. So, to some degree, the interaction effect compensates for an expected decrease in density in larger systems. Nevertheless, it does emphasize that a large branch that can maintain high levels of multiplex coordination is likely to perform well.

The finding that only at higher levels of density, multiplex ties become particularly performance-relevant indicates that a critical mass of multiplex ties needs to be present in a given branch network. This is very interesting given the prevalent assumption in literature that extensive cohesion is to be associated with diminishing effects due to redundancy of information, relationship overload and so on. Our study may not have enough cases to observe the full range of multiplex network densities<sup>1</sup> which could mean that we simply see the ascending part of an effect which in reality may have another, potentially s-shaped, functional form. Also, the sample size might potentially limit the generalizability of this study. However, the effect sizes found are so strong that we would expect our results to be stable across other samples. Currently, the authors are in the process of collecting more extensive network data. This large-scale dataset will be used to replicate the results of this paper.

The interesting question is why do we find that performance increases especially with higher levels of density in multiplex ties? An important factor could be the trustworthiness of actors in the multiplex network. The larger this network of trusted actors becomes the more sets of resources become available that are more easily and hence faster accessible. Resource exchange with indirect parties in a network of trusted actors becomes more readily possible due to the transitive property of networks as density increases (i.e., if employee *i* trusts employee *j*, and employee *j* trusts employee *k*, then employee *i* has a foundation on which to trust employee *k*). This greatly facilitates coordinated action (Coleman, 1990). Another reason for the highly positive effect could be the setting. As explained earlier, in a service setting mutual emotional support and collaboration are of high value. In a service setting coordination of action is more important than obtaining non-redundant information, which might be of advantage for developmental, creative tasks or personal advancement (Burt, 1992).

While the results of our analysis of the relationship between network structure, content, and branch performance are inherently interesting, we believe that they also underscore a key opportunity for researchers interested in the performance of service employees in the workplace. Understanding the structure and content of the relationships between employees is likely to provide a much more accurate and nuanced picture of business performance than has been possible with the simple hierarchical, dyadic frameworks upon which the marketing discipline has relied to date.

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<sup>1</sup> The multiplex network density ranges from 15% to 82%, with a median value of 50%. Hence there is a reasonable spread of densities in the data sample. However there is only one case with a density of 82% and the next larger density is 73%.

**TABLE 1****Descriptive Statistics and Correlations for Variables<sup>a</sup>**

Variable	Mean <sup>b</sup>	s.d.	1	2	3	4	5	6	7
1. Multiplex density	49.38	19.37							
2. Multiplex density SQR	350.23	410.16	-.181						
3. Multiplex density x Size <sup>c</sup>	-1.33	10.36	-.387	-.133					
4. Single-tie density	37.53	12.18	-.834**	.048	.356				
5. Single-tie density SQR	138.56	121.05	.005	.768**	-.101	-.008			
6. Single-tie density x Size <sup>c</sup>	.64	6.40	.363	.119	-.872**	-.324	.089		
7. Size <sup>c</sup>	.67	.49	-.151	-.388	.094	.115	-.427	-.073	
8. Performance	-.02	.75	-.161	.343	.248	.165	.095	-.166	.582*

<sup>a</sup>n = 15; <sup>b</sup>means of variables 1, 4, 7, and 8 are given as is, but they have been mean-centred for correlation and regression;

<sup>c</sup>dummy coded branch size: 0 = belongs to smallest quartile, 1 = otherwise; SQR = squared term of the variable

\*p < .05; \*\*p < .01



TABLE 2

## Results of Regression Analysis for Multiplex and Single-tie Networks on Performance

Variable	Model 1			Model 2			Model 3			
	b	β	t	b	β	t	b	β	t	VIF
Step 1: Control variables										
Constant	.000	--	.00	-.467	--	-3.56***	-.379	--	-2.93**	--
Size <sup>c</sup>	.895	.582	2.58**	1.369	.890	6.20***	1.354	.880	7.15***	1.30
Step 2: Multiplex part										
Multiplex density				.010	.258	1.74	.027	.692	3.09**	4.30
Multiplex density SQR				.001	.784	5.30***	.002	1.091	5.68***	3.12
Multiplex density x Size <sup>c</sup>				.027	.368	2.58**	.035	.482	2.15*	4.32
Step 3: Single-tie part										
Single-tie density							.028	.450	2.19*	3.61
Single-tie density SQR							-.002	-.328	-1.81	2.81
Single-tie density x Size <sup>c</sup>							.013	.113	.51	4.19
Model Fit										
Δ R <sup>2</sup>	--			49.77*** <sup>d</sup>			8.26 <sup>d</sup>			
Overall R <sup>2</sup>	33.83			83.60			91.86			
Overall F	6.65**			12.74***			11.28***			
Max. VIF in model	1.00			1.34			4.32			

<sup>a</sup>n = 15; <sup>b</sup>means are given as is, but variables have been mean-centred for regression; <sup>c</sup> dummy coded branch size: 0 = belongs to smallest quartile, 1 = otherwise; <sup>d</sup>significance evaluated through significance of change in F value; SQR = squared term of the variable

\*p < .10; \*\*p < .05; \*\*\*p < .01

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**Session 2.7. Brands, Purchase Intention and Loyalty**

Room: Swanston #1

Session Chair: Thomas Aichner, Institute for Economic Research, Italy

***Factors Affecting Brand Loyalty among Malaysian Consumers in their Choice of Mobile Phone Brands***

Belina Lew Lee Peng, University of Malaya

Brian Imrie, Sunway University

Nicolas Grigoriou, Monash University Sunway Campus

# **FACTORS AFFECTING BRAND LOYALTY AMONG MALAYSIAN CONSUMERS IN THEIR CHOICE OF MOBILE PHONE BRANDS**

Bel Lew Lee Peng, University of Malaya, Malaysia  
Brian C. Imrie, Sunway University, Malaysia  
Nicholas Grigoriou, Monash University, Malaysia

## **ABSTRACT**

Brand loyalty is the means with which consumers express their affective connection with a brand; a key factor in brand selection. Brand loyalty has been described by Keller (2003) as 'brand resonance', which refers to the relationship between the brand and its customers and the extent to which the customer feels they are aligned with the brand. Customers, with true brand resonance, have a high degree of loyalty, actively seek means to interact with the brand and share their experience with others or even recommend the brand to others. In other words, brand recognition and loyalty ultimately depends upon consumer brand resonance. A review of the extant literature reveals there are many factors affecting brand loyalty (Lau et al, 2006). These factors include brand name (e.g. Aaker, 1991; Aaker and Joachimsthaler, 2000; Keller, 2003), brand design (Lindstrom, 1992; Roth and Romeo, 2005; Vincent, 2005) perceived quality (e.g., Boulding et al, 1993; Fornell, 1992; Yoo and Donthu, 2000), price (e.g., Keller, 1993; Teas and Argawal, 2000) and promotion (Czerniawski and Maloney, 1999; Gupta, 1993).

Due to the expansion of the mobile phone market through competition, cheaper handset prices, cheaper calling and messaging rates, the smart phone penetration rate in Malaysia reached 128.7 percent in the first quarter of 2012 (Digital Malaysia, 2012). In this competitively intense environment mobile phone manufacturers are keenly interested in where they should focus their resources in building brand resonance. This study proposes and tests a five-factor model that explains the variations in the choice of mobile phone brands among Malaysian consumers. The findings provide evidence that brand loyalty towards the purchase of a mobile hand set is significantly associated with brand name and perceived quality, whereas other factors like brand design, price and promotion were found to be statistically insignificant predictors in influencing brand loyalty. It is concluded that the results of the present study are consistent with the studies of Lau et al. (2006) and Wong and Sidek (2008), where two factors have emerged as the most significant factors that positively influenced brand loyalty which are brand name and perceived quality. This is despite each of these apriori studies being in the vastly different industry contexts of sportswear. It had been expected that the highly tangible, and relatively less complicated nature of sports apparel, would have engendered a different result. Our study makes a contribution to the literature in two of ways. First, by understanding the antecedent factors that influence brand loyalty among Malaysian consumers mobile handset manufacturers are better able to develop an offering suited to the demands of the market. Second, the findings of the study indicate that marketing managers should concentrate their efforts on building brand loyalty which will contribute positively to a firm's brand equity, gain higher market share, new customers, supporting brand extensions, reducing marketing costs and strengthen the brand position among competing brands.

One limitation of this study is that the respondents were drawn from a sample of Malaysian consumers based in Kuala Lumpur. Respondents from rural areas of Malaysia with lower incomes and less choice of retailers from which to purchase mobile phones, may exhibit different attitudes towards brand name and brand loyalty. Further, other brand related factors such as brand reputation and brand trust were not considered in this research and could be included as brand loyalty measures in future studies.

References available upon request

**Wednesday, 1:00-2:30 p.m.**

**Session 3.1. Sales Management Issues**

Room: Flinders

Session Chair: Mark Leach, Loyola Marymount University

***Active Waiting: An Investigation of Delayed Winback Strategies***

Mark Leach, Loyola Marymount University

Annie Liu, Victoria University of Wellington

Sijun Wang, Loyola Marymount University

***A Cross-Cultural Investigation of the Stereotype for Salespeople***

Christophe Fournier, IAE Montpellier 2

Emmanuel Cheron, Tokyo Business School

Jeff Tanner, Baylor University

Pierre Bikanda, Catholic University of central Africa

Jorge Wise, ITESM

***Managing Control Expectations in Business-to-Business Relationships***

Ryan Mullins, Clemson University

Adam Rapp, University of Alabama

Lauren Beitelspacher, Portland State University

Dhruv Grewal, Babson University

## ACTIVE WAITING: AN INVESTIGATION OF DELAYED WINBACK STRATEGIES

Mark P. Leach, Loyola Marymount University, USA  
Annie H. Liu, Victoria University of Wellington, New Zealand  
Sijun Wang, Loyola Marymount University, USA

### ABSTRACT

Regardless of how effective a company's sales process or CRM program is, inevitably, some customers will defect and switch to alternative suppliers. When customers defect, it typically is not a rash decision, but the result of a well thought out evaluation. Thus, effective reacquisition strategies are likely to involve an assessment of buying decision cycles and current relations with buying center members (some of which may have recently turned sour). Thereby, the best course of action may include simply letting some time transpire; sales organizations may find that active waiting can facilitate a stronger win-back position at some future time. Using critical incident techniques (CIT), this study qualitatively examines the reacquisition strategies of fifty industrial salespeople and specifically attempts to understand why salespeople strategically decide to wait as part of their comprehensive win-back strategy for lost customers. Interviews from salespeople who utilized a delay strategy suggest that this does not mean that the customer is ignored. Instead, thoughtful and consistent contact facilitates and lays the groundwork for future reacquisition efforts. When a delay strategy is required or chosen, our findings suggest that it is due to one or a combination of five reasons: (1) allow customer time to "cool down", (2) allow customer to change personnel or buying influence in the buying center, (3) allow time for the replacement supplier to falter, (4) dedicate time and efforts to coordinate with the customer's buying cycle, (5) actively improve capabilities and/or implement personnel change in the sales organization.

Contributing to the relationship marketing and sales literature, this study is one of the first to empirically investigate delayed strategies to regain valuable lost customers. The findings from our in-depth interviews afford insights to help sales executives to: (1) better understand customers' capacity and internal process for switching back, (2) develop effective buyer-seller relationship and support strategies to regain profitable business, and (3) allow sales organizations the discernments and patience to *actively wait* for the best time to regain lost customers.

References available upon request

## **A CROSS CULTURAL INVESTIGATION OF THE STEREOTYPE FOR SALESPEOPLE**

Christophe Fournier IAE MRM Université Montpellier 2 - France

Emmanuel Chéron Akita International University - Japan

John F Tanner Jr., Hankamer School of Business, Baylor University - United States of America

Pierre J Bikanda Université Catholique d'Afrique Centrale - Cameroon

Jorge A. Wise, ITESM – Campus Cuernavaca – Mexico

### **ABSTRACT**

The purpose of this research is to investigate the image of salespeople and of the selling function as perceived by business students across several cultures. Of the several empirical investigations that exist in the sales literature, most consider samples from a single country. A quantitative survey conducted on students living in five countries (Cameroon, France, Japan Mexico and United States) was implemented. A significant culture effect was observed on salesperson's image, feelings in presence of a salesperson as well as perception of a career in sales. The implications of the findings are discussed for sales education, hiring practices, and research.

References Available Upon Request

# MANAGING CONTROL EXPECTATIONS IN BUSINESS-TO-BUSINESS RELATIONSHIPS

Ryan Mullins, Clemson University  
Adam Rapp, University of Alabama  
Lauren Skinner Beitelspacher, Portland State University  
Dhruv Grewal, Babson University

## INTRODUCTION

Control is a frequently discussed human characteristic that is often expressed as an individual's need to showcase his/her competence, superiority, and mastery over an individual, a group of people, or the environment (White 1959). Control has been examined extensively in the psychology literature, yet marketing research has yet to examine the role that control plays in business-to-business relational exchanges. Although power and dependence have been carefully examined, the impact of control on relational and transactional exchanges has yet to be explored. Previous research has examined antecedents and outcomes of desire for control. This research examines desire for control in the business-to-business context, specifically the relationship between the supplier and the retailer, where traditionally the buyer (retailer) is more likely to have a higher desire for control in the relationship. This study examines the dimensions of the buyer-supplier relationship that might reduce the retailer's desire for control.

## LITERATURE REVIEW

Personal control is defined as "the individual's beliefs, at a given point in time, in his or her ability to effect a change, in a desired direction, on the environment" (Greenberger and Strasser, 1986, p. 164). Some theorists suggest that certain people are motivated to seek control and that possession of control becomes necessary for the individual's overall well-being and quality of life (White 1959). Personal control has been studied extensively in the psychology literature, focusing specifically on predictors of personal control and reactions to loss of control. Decreases in loss of personal control can lead to depression (Seligman, 1975), lack of innovation (Kanter 1983), a tendency to withdrawal from society (Langer and Rodin 1976), and increases in stress (Averill 1973). In an organizational context, when employees have high levels of personal control, they often have stronger identification with their firms and feel a greater sense of autonomy (Tangirala and Ramanujam 2008).

Burger and Cooper (1979) introduced the notion of desire for control. An individual who has a strong desire for control is motivated to control the events in their lives. Individuals who rank high in desire for control are described as "assertive, decisive, and active. They generally seek to avoid unpleasant situations or failures by manipulating events to ensure desired outcomes" (Burger and Cooper 1979, p.383). Individuals who rate high in desire for control prefer to make their own decisions and will assume leadership roles when in group settings. Individuals that are high in desire for control are motivated to complete a task and achieve a goal, and are almost relentless in their pursuits. High desire for control is related to higher levels of achievement and more persistence. However, this high desire for control may cause individuals to attempt goals that are too difficult. Some individuals that are high in desire for control may also generate an illusion of control in situations where they, in fact, have little actual control. Individuals low in desire for control, on the other hand, will often seek someone to make decisions for them and avoid extra responsibilities or leadership positions. These individuals are also less prone to feelings of helplessness when an outcome or goal is not achieved (Burger and Cooper 1979, Burger 1985).

Perceived control differs from desire for control. Perceived control involves an individual's perception of his or her ability to perform a particular behavior (Ajzen 1991; Kidwell and Jewell 2010). The more perceived control an individual has, the more likely he/she will form an intention to engage in a behavior (Eagly and Chaiken 1993). Perceived behavioral control is a better predictor of behavior when conceptualized to reflect internal factors of control. For example, PBC is better for measuring behaviors such as gambling, smoking, drinking and dieting because each of these requires control factors that are primarily internal to a person. On the other hand, behaviors like choosing a vacation spot or going out to dinner, are harder to estimate with perceived behavioral control because there are control factors that are external to the individual (Notani 1998).

Perceived control has also been examined from a self-service perspective. Within the context of self-service, perceived control is defined as the individual's "ability to command and exert power over the process and outcome of a self-service encounter" (Collier and Sherrell 2010, p. 492.). The individual's perceived level of control will allow consumers to tailor a service offering to match their needs.

Desire for control and perceived control differ from the concept of locus of control. Locus of control is a personality trait that "represents the extent to which people believe that the rewards they receive in life can be controlled by their own personal actions" (Wang, Bowling, and Eschleman 2010, p. 761). Individuals with an internal locus of control believe that they have control over their own lives. Individuals with an external locus of control believe that their lives are controlled by extraneous influences like environmental factors, other people, and fate. (Lefcourt 1976). An individual's locus of control has a significant relationship with job and life satisfaction, affective commitment and burnout (Wang et al. 2010). Burger and Cooper's (1979) scale measuring desirability of control was found to be statistically different from measures of locus of control. In addition, a study conducted by Dembroski et al. (1984) found that locus of control scores, while related to personality measures of Type A, were unrelated to desire for control scores.

## CONCEPTUAL MODEL

*Salesperson Expertise-* In the buyer-supplier relationship, the expertise of the sales person is often a critical factor in performance. Research in expertise began with the examination of selling skills and the impact of these skills on performance. Selling skills are composed of three distinct dimensions: interpersonal skills (knowing how to build relationships and resolve conflicts), salesmanship skills (knowing how to close a sale) and technical skills (understanding the benefits of a product) (Ford, Walker, Churchill, and Hartley 1987). In order to interpret and understand the salesperson's skills though, one must understand the knowledge and abilities of the skillful salesperson (Rentz et al. 2002). The concept of salesperson expertise explores sales skills from a more comprehensive perspective. Expertise can be a combination of knowledge and ability (Bedard 1991; Liu and Leach 2001), an ability to leverage knowledge to achieve task specific goals (Marchant 1989), or the ability to display task-specific knowledge in a particular context (Shanteau and Stewart 1992). A more unified definition of expertise is "an individual's ability to use task-specific knowledge to achieve superior performance" (Ko and Dennis 2004, p.314). Highly skilled, or expert, salespeople are able to reach better decisions faster and more frequently than their less skilled counterparts.

*H1: The greater the level of the salesperson's expertise, the lesser the amount of control desired by the customer.*

*Goal Congruency-* Goal congruency reflects the degree to which two objects are perceived to fulfill a common goal (Austin and Vancouver 1996). Goal congruency is often discussed in the management literature to predict employee and organizational fit. In the organizational context, goal congruence occurs when individuals perceive that the personal goals of team members are congruent or similar to their own. Individuals who perceive this believe that the team will support and engage in activities that achieve the desired outcomes (Kristof-Brown and Stevens 2001). Team members who perceive goal congruency with their team are more likely to enhance their own contributions and engage in activities to enhance the team. However, when team members perceive their goals as being incongruent from the team, they feel less satisfied and less likely to achieve both personal and team goals (Kristof-Brown and Stevens 2001). In the marketing literature, congruency is often viewed from a consumer behavior perspective. For example, consumers often develop internal schemas or heuristics to evaluate products. This research examines goal congruency in the buyer-supplier relationship, specifically from the perspective of the buyer. We suggest that buyers who perceive higher level of goal congruency with their suppliers will be more engaged and invested in the relationship.

*H2: The greater the level of the perceived goal congruency between the salesperson and the customer, the lesser the amount of control desired by the customer.*

*Degree of salesperson integration-* Another form of buyer-seller connection relies on operational linkages of the procedures and routines of the buying and selling organizations (Cannon and Perreault 1999). For example, in a partially integrated

channel (PIC) approach, salespeople integrate themselves into the retailer's day-to-day operations (e.g., selling to end customers, setting up displays, organizing storage areas). Such PICs, defined as "a single vertical channel structure in which both market governance and hierarchical governance exist" (Kim et al. 2011, p. 603), include cosmetic manufacturers who hire "beauty consultants" to work at department stores or athletic apparel manufacturers that employ "store coaches" to educate retail sales associates on technical components and product merchandising strategies.

*H3: The degree of salesperson integration in the retail store is negatively associated with the amount of control desired by the retailer.*

## **PROPOSED METHODOLOGY**

For this study, we will gather multisource, multi-level data from a global sporting goods manufacturer and channel customers. The three data sources will be supplier salespeople, retail store managers, and archival performance metrics. The focal company is a global leader in sporting goods; we thus investigated. Using this focal company as a base, we were able to investigate a typical U.S. retail structure, in which the brand producer uses B2B salespeople to visit retail outlets and market its products. Retailers have direct contact with the customer and offer the focal firm's, as well as competitors', products. Accordingly, the retailer's performance is a function of all industry product sales, so making this context is especially appropriate for our study of decision autonomy for one firm in the channel. These retail stores are independent and have complete control over their buying and business decisions.

To examine the predictors of desired control, we will use hierarchical linear modeling (HLM). Retail store managers will be nested within each manufacturer salesperson. The linear effects of salesperson expertise, goal congruency, and salesperson integration will be examined against the retailer's desire for control.

## **MANAGERIAL IMPLICATIONS**

This research generates valuable managerial insights from both a retailer and salesperson/manufacturer perspective. It is important for both parties to recognize the role of desire for control by each party in business-to-business relationships. Understanding the antecedents of a retailer's desire for control can help salespeople manage expectations in the relationship. For example, if salesperson expertise is found to negatively impact a retailer's desire for control, then salespeople should position themselves as an expert in their field in order to mitigate control imbalances. Conversely, retailers should understand that their desire for control may be lessened, and appropriately so, by certain salesperson and relational characteristics. Furthermore, both parties should understand that equal amounts of control in a relationship do not often translate to increased sales throughout the supply chain.

References available on request



### **Session 3.3. Creating Value in Relationships**

Room: Yarra #2

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

#### ***Service Dominant Logic: An Example of Competitive Advantage***

Kenneth Le Meunier-Fitzhugh, University of East Anglia

Leslie Le Meunier-Fitzhugh, University of East Anglia

Roger Palmer, University of Bournemouth

Moir Clark, Henley Business School

Neil Hair, Rochester Institute of Technology

#### ***Developing New Business Relationships: An Outside-In Perspective***

Antonella La Rocca, University of Lugano, USI

Andrea Perna, Uppsala University

Albert Caruana, University of Malta/Bologna

Ivan Snehota, University of Lugano, USI

#### ***Inter-Firm Knowledge Sharing Effectiveness: An Empirical Examination of Adaptation Ambidexterity***

Binh Nguyen, New York Institute of Technology

Gary Frankwick, University of Texas at El Paso

Karen Flaherty, Oklahoma State University

#### ***Exploring SMEs Perception and Trust Toward HRIs for Sustainable HRM Performance: Case Study of SMEs in Vietnam***

Nguyen Ngoc Due, Asian Institute of Technology, Thailand

#### ***When Rural Entrepreneurial Marketing Does Not Work : The Case of OTOP Failure in Thailand***

Edward Kasabov, University of Exeter, UK

Pitchaya Panupattanpong, University of Bath, UK

#### ***Channel Integration: An Explanation According to David Teece's Theory of the Boundaries of the Firm***

Hidesuke Takata, Keio University, Japan

Gary Frankwick, University of Texas at El Paso

#### ***Relationship of Line Extension Brand and Parent Brand in the Eyes of Consumers***

Akira Shimizu, Keio University, Japan

# SERVICE DOMINANT LOGIC – AN EXAMPLE OF COMPETITIVE ADVANTAGE

Kenneth Le Meunier-FitzHugh, University of East Anglia, UK  
Leslie Le Meunier-FitzHugh, University of East Anglia, UK  
Roger Palmer, University of Bournemouth, UK  
Moria Clark, Henley Business School, UK  
Neil Hair, Rochester Institute of Technology, USA

## ABSTRACT

Value and the concept of value co-creation in marketing networks are growing in importance in providing competitive advantage in increasingly saturated markets. Service-Dominant logic (S-D logic) revolves around the concept that value is always co-created by customers and organizations together (Gronroos, 2006; Vargo and Lusch, 2004; 2008). This study provides a conceptual framework around the topic of co-creation, and identifies customer value creating processes, supplier value creating processes and encounter processes within a single case study of a pharmaceutical organization (called PharmCo for this study). This organization has successfully created its own competitive space, achieving 34% market growth, year-on-year, over a seven-year period. The paper summarizes some of the key conditions of service dominant logic (Ballantyne & Varey, 2007), including value in use, stakeholder interaction, co-creation and the role of integrated networks, the role of the marketer as managing communication, interaction and relationships, between networks of co-operators.

Organizations with a service-dominated culture will create networks of supporting suppliers thereby enabling stronger solutions to be offered to customers (Sheth and Sharma, 2008). Value is always determined by the customer and co-created in the joint interaction (service) between buyer and seller (Vargo and Lusch, 2004). Co-creation of value is not simply inviting the customer to take part in the product development, but actually integrates the organization's offering into the lives of their customers (Payne et al., 2008). Co-creation at PharmCo took place in the 'disease space', within the network of relationships surrounding the patient, aimed at supporting the patient. Culture has been identified as a management opportunity to optimize human resources to improve business performance and is an attribute that is not easy to copy (Ogbonna and Harris, 2002). Culture may be employed to develop appropriate behaviors and attitudes in employees by focusing them on a set of meaningful and unified objectives (Chatman and Cha, 2003) leading to competitive advantage. The staff at PharmCo were encouraged to carry a small credit card-sized checklist summarizing what the organization's values and paradigm, including the purpose of 'providing life-transforming treatment'.

PharmCo realized that product alone would not solve the patient's problems and to help them beat their addiction they created a network of expertise that the patient and their medical practitioners could access through a communications website. Exchange networks, typified by the interaction model and the role of actors, processes, bonds and resources, may be developed with external agencies and become part of organizational/marketing activities in service-dominated organizations (Lian and Laing, 2007). These networks may rely on a range of variables, e.g. social, power, diffusion, economic, and knowledge management, but all are based in communication ties (Katz and Lazer, 2002). PharmCo set up a value creation network, which is comprised of at least 36 distinct entities. Value was jointly created as members of the network, which is an organic and open-ended entity, because it grows and develops as the disease space evolves, delivered higher levels of service to the patient. The members of the network understanding the reason why they participate in the network, and underpins this with an understanding of how their interaction can support the patient to everyone's advantage.

The importance of the culture and the guiding principle of the focus to patient treatment have been emphasized, rather than the more direct commercial emphasis on selling products. This is very much a direct contrast to the conventional pharmaceutical business model, which involves large sales forces calling on physicians in order to "detail" the benefits of their particular medication and to encourage sales. Not only have PharmCo developed a very different approach in the context of the pharmaceutical industry they have also created a unique competitive advantage, which has been achieved through: The building of relationships through dialogue to create a network that is sustained by a common vision. Managers focused on providing comprehensive solutions to customers' needs, and competing in the "problem space" rather than the "marketplace". Marketing collateral is being used to resource the network, measure and provides the route to continual improvement. Network members understanding why and how they create and deliver value, and a relentless focus to providing customer solutions create the vision for the organization.

References Available Upon Request

## **DEVELOPING NEW BUSINESS RELATIONSHIPS: AN OUTSIDE-IN PERSPECTIVE**

Antonella La Rocca, University of Lugano - USI, Switzerland  
Andrea Perna, Uppsala University, Sweden  
Albert Caruana, University of Malta, Malta  
Ivan Snehota, University of Lugano - USI, Switzerland

### **INTRODUCTION**

There is a considerable body of research on ongoing customer-supplier relationships in business markets, but empirical research on the development of new business relationships and early stages of business relationships is more limited (Edvardsson et al., 2008). The initial phase of development of a business relationship appears to pose specific problems with important consequences for marketing and management of business relationships (Aaboen et al., 2011; Gadde et al., 2012). The relationship marketing literature in general implies that development of new customer-supplier relationships tends to be intentional and results from the identification of exchange opportunities and the development of an economically convenient offering (Gummesson, 1996; Sheth & Parvatiyar, 1995). In contrast research dealing with business relationships has shown that the initial phases of a business relationship are often “chaotic” for the managers involved on both sides and the development often takes unexpected directions. This aspect of the customer-supplier relationship development is rather neglected in the general relationship marketing literature. Since business relationships develop as a sequence of interactions that take place between two counterparts (Holmlund, 2004), an investigation of interaction processes is required to understand how new relationships start. In this paper we report a case study describing the interaction processes when business relationships are initiated and illustrates how contextual factors affect the process. Exploring the development of a business relationship between previously unconnected businesses we focus on the role played in relationship development by exogenous factors.

### **INITIATING BUSINESS RELATIONSHIPS**

Among companies that operate in business markets, the primary focus of marketing is to cope with and to develop existing on-going business relationships. However, there are situations when developing new business relationships is paramount and requires relating customers and suppliers with no previous mutual experience which is typically the case in the initial stages of a new business venture and when companies seek to broaden their customer portfolio. Developing business relationships with new parties involves issues that are different from those met when managing ongoing relationships. The theoretical framework used in this article is based on business network theory that posits that companies operating in business markets are embedded in a limited number of singularly significant customer-supplier relationships through which the business relates to other businesses and that such relationships tend to be interactive, complex in content and are high-involvement (Håkansson & Snehota, 1995). The development of new business relationships involves connecting three facets of two businesses – their resources, activities and actors. When a business relationship develops between two companies two heterogeneous sets of resources, owned by the two parties, must be interfaced (e.g Baraldi et al., 2012). At the same time developing a business relationship involves linking the operations of the two businesses which necessitates configuring and coordinating activity flows that are part of the activity patterns of the two organizations (Cespedes, 1995; Dubois, 1998). Two-way communication and extensive interaction between actors (Håkansson & Ford, 2002; Tuli et al., 2007) that act as agents on behalf of the businesses are necessary to effectively link ongoing activities and to combine necessary resources. The development of a business relationship and the economic and financial outcomes of it for both parties depend on how interaction between actors unfolds (Håkansson et al., 2009). As a consequence neither of the two businesses involved can autonomously and unilaterally determine the development of the relationship or its outcomes. Relationship development and its outcomes reflect interdependences and “jointness” of the two businesses (Håkansson et al., 2009) as well as the effects of relationships that each of the two businesses has with third parties. The conventional marketing wisdom rests on the assumption that marketing activity of a business is the main determinant of its market performance. However, in the context of relationships, both interaction in the relationship and factors exogenous to the relationship play a major role in what will be the economic and financial outcomes of marketing action. Our aim is to investigate the role of exogenous factors in the development of new relationships. In particular we shall analyze in-depth how circumstances external to the focal relationship affect its development and examine how this affects marketing management.

## METHODOLOGY

The research is based on case study that analyzes the initial phases of a new business relationship between an Italian industrial firm and a large Asian customer that operate in the home appliance sector. Recent literature on management research has pointed out the particular importance of case research to generate and test theory (Eisenhardt & Graebner, 2007). In the business to business marketing context, a case study can provide effective insights into the nature of the phenomena observed (Easton, 2010). In our research we use a 'deductive approach' (Dubois & Gibbert, 2010) to link theory, method and empirical phenomena. The case presented in the paper is the result of data collected through face-to-face, semi-structured, interviews that are supplemented by previous case study data in the form of documents and narratives collected over the last six years. In order to ensure acceptable construct validity and reliability (Dubois & Gibbert, 2010) the case material results arising from interviewing multiple functional representatives have been subject to in-depth analysis. The use of a longitudinal approach is justified by its ability to provide a close-up view of phenomena under investigation as they evolve over time (Eisenhardt & Graebner, 2007). The names of the business partners of the focus company mentioned in this study have been disguised to maintain confidentiality.

### CASE STUDY: RELATIONSHIP DEVELOPMENT ALFA-LOCCIONI

The Italian Loccioni Group (Loccioni) was founded in 1968 by Enrico Loccioni. The firm is a systems integrator of measurement and testing equipment traditionally used in automotive and home appliance manufacturing but more recently it has also provided its technology to businesses in the energy, health-care, and eco-sustainability sectors. In 2011 the company had about 350 employees, a turnover of approximately Euro 72 million and invested an average of 5% of its turnover in R&D. The company designs and manufactures turn-key tailor-made solutions for the automatic measurement and quality control of customers' products and processes. Some of the components of Loccioni's systems are produced in its two manufacturing plants but the company also draws on a network of over eighty firms which came about as spin-offs from former employees. Loccioni started the manufacture of testing and quality control systems for home appliances and their components in 1980. A dedicated business named 'Loccioni-Home' was born when the company designed and manufactured the first test system for washing machines for 'White SA' - an important Italian producer of household appliances who at that time was a leader in the European market. Loccioni Home solutions focus on the production and design of laundry, dishwashing, refrigeration, cooking, heating and cooling appliances as well as all related components and sub-components that include motors, valves, and compressors. The testing and quality control lines and systems are completely automated and equipped with handling and conveyor systems that are integrated with energy saving systems and information and communication technologies. Over the years, Loccioni has developed specific know-how in developing and testing quality control systems for washing machines and refrigerators. Refrigerator test systems are based on infrared analysis that allows temperature monitoring by observing changes in color sensors located on the back of refrigerators.

#### Alfa's background and relationship development

Alfa, a Chinese household appliances producer, was founded at the beginning of the 1980's and has grown to become a major global player in the production of white-goods, in particular of refrigerators. In 2011 it was present in more than 160 countries, had global revenues of USD 23 billion and employed more than 70,000 people, including 10,000 employees outside China. Alfa has more than 45 manufacturing plants all over the world and since the 1990's has built its own factories in South America, Africa, the Middle-East, and Asia. In 2001 it purchased a factory in northern Italy as part of its strategy to penetrate the European market while distributing its products through the most important European retail chains. Over the last decade Alfa has been seeking to change its image as a low-cost Chinese producer to one of a multinational company with a solid reputation for quality. In the beginning of the 2000's, Loccioni was looking for potential customers among the home appliances producers and started to analyze the Asian market where the Alfa group along with the South Korean companies LG and Samsung were identified as leading companies. In 2006, the marketing office of Loccioni started to collect information about Alfa, LG, and Samsung to evaluate if these could become their customer. As result it was decided that Loccioni would approach Alfa, Samsung and LG to explore business possibilities. The market study identified the refrigeration business of Alfa as one that was fast-growing and potentially interesting. Loccioni-Home business unit decided to contact the Italian manufacturing plant of Alfa and present Loccionis' systems for the refrigerator quality testing. An e-mail containing a short description of the Loccioni Group, its portfolio of solutions within the home appliance market and some important references from Loccionis' customers, was sent from the marketing office to the quality manager at the Italian plant of Alfa. Shortly after the plant manager at Alfa contacted Loccioni for additional information about the solutions that Loccioni offered. A meeting was scheduled at Alfa's plant for January 2007 to discuss the investments planned by Alfa to enhance the quality of the refrigerators produced. Alfa was particularly interested in the Thermovision technology that

Loccioni developed and which they currently sold to other producers of household appliances. At the time Alfa was looking at improving its quality as part of its broader company-wide strategic priority and was actively looking for suppliers that could be involved in its efforts to improve the performance and reliability of its products. Loccioni perceived the relationship with Alfa as very important for the future as it could act as a potential gate-opener to other applications in the home appliance industry, in particular in Asia. It turned out that management at the Alfa plant in Italy had had contacts with the production and R&D people of White (a large producer of white goods located in Northern Italy) and had learnt that White's management appreciated and held a high opinion of Loccioni's competence, customer commitment and business approach.

### **Shaping and assessing the relationship**

Frequent meetings and discussions between representatives of the commercial and technical expertise of the two companies followed the first meeting. Loccioni's people sought to get to know as much as possible about the technical aspects of Alfa's refrigerators and their production process. After six months, Loccioni received two orders which came about as part of Alfa's R&D project for the development of quality control systems for their refrigerators. The implementation phase of the project started in the winter 2007 and by early 2008 the entire system was in operation. While the system was being delivered to the Italian plant, the R&D manager of Loccioni was introduced to Alfa's headquarters in China and to Alfa's North American division in the USA. These contacts intensified after the Italian plant had placed the orders with Loccioni. Developing the Thermovision technology provided Loccioni with an immediate opportunity to develop the relationship with Alfa further as well as to approach a new market. Loccioni planned to sell the Thermovision to home appliance makers for applications in the area of product development and production. As a result, both R&D and the production departments of Alfa became key potential customers. Concurrently, Loccioni was able to leverage its greater visibility in the home appliance market and started introducing the Thermovision systems to other home appliance producers. According to Loccioni's personnel, the choice to also sell the system to Alfas' competitors was strategic for it could potentially open up other business opportunities. However, the Thermovision systems needed to be adapted for each customer and involved customer specific hardware and software, different from the one installed for Alfa. As a consequence of developing the relationship with Alfa, Loccioni also undertook important organizational changes which included creating a dedicated 'customer team' comprising a project manager, technical engineers, sales persons and marketers. In addition, an IT-based CRM system was developed and provided accurate and well-structured information about each customer. This started to be used to support the Key-Account-Manager to better handle the developing relationship.

The development of the thermovision technology for quality control in the production and testing of household appliances and the relationship between Loccioni and Alfa's plant in Northern Italy had a number of interesting consequences. The development permitted the development of analogue solutions for delivery to other customers with whom Loccioni had already significant business relationships in the white goods business. It also enabled the establishment of two new relationships with producers with whom the company did not do business before. Following the business established with the Italian plant, Loccioni also developed some systems for the US branch of Alfa for the quality testing of refrigerators. At the same time, efforts to approach Samsung and LG produced no results. A few months after the attempted contact with Samsung the company HQ let Loccioni know that systems like the ones supplied by Loccioni were never outsourced and were always developed entirely internally. However, two years later, Samsung approached Loccioni with a request for quality testing equipment for their plant for the production of batteries in Europe which later led to significant business being achieved. In the case of LG no developments occurred following the initial contacts undertaken. The case clearly exemplifies how circumstances external to the relationship in focus and to the actors involved in interaction affect the development of new business relationships.

### **CASE DISCUSSION AND CONCLUSION**

The case can be used to discuss our research question regarding the role of exogenous factors in relationship development. There are at least three circumstances that surface from the case and that have important consequences for how Loccioni's business relationship with the Italian plant of Alfa evolved. The first is that previous deliveries of control equipment, even though not based on Thermovision, to another leading company in the household appliance business (the White company), together with the positive reputation of Loccioni among Italian firms, played a crucial role in starting the relationship with Alfa. These circumstances helped to gain the trust of Alfa in Italy, who knew and respected White because of their manufacturing competences. Consequently, the time to conclusion and delivery of the project occurred within the relatively short period of ten months from the first approach, even though the Thermovision technology based solution was new to both Loccioni and Alfa. A second circumstance that weighted in positively on the development of business with Alfa in Italy and later with other units within Alfa was the strategic intent of the Alfa's mother company that was seeking to strengthen its



image as a quality manufacturer rather than a low cost appliance producer. Indeed, at the time, positioning as a quality producer was a strategic priority for Alfa worldwide and in the USA in particular. Thirdly, the organizational and technological solutions adopted in the partner businesses had consequences on how the business relationship developed. The opening of manufacturing operations by Alfa in the US led to business for Loccioni while the choice of Samsung to design and construct control equipment and systems entirely in-house had the opposite effect.

There are two aspects of the effect of exogenous factors that should be noted. First, the effects are dynamic rather than structural and the consequences like the ones described in the case study become evident only over time. Second, the effects arise from specific relationships and interactions in the relevant focal business network of the company. These effects have implications for management at both supplier and customer firms that are seeking to develop new business relationships. On the supplier side, there are implications for the type of information on which to rely on when considering the development and commitment to a new relationship. Conventional marketing wisdom in a B2B context suggests that managing customer relationships requires knowing the steps in the purchasing process of the customer, being able to identify the members of the decision making unit at the various steps of the process and to understand the criteria guiding their interventions (Webster & Wind, 1972). Research that considers the interaction processes in business relationships has added the understanding of interaction behaviors in business relationships as an important element in explaining how business relationships develop (Ford et al., 2011). A further element that appears to acquire importance involves being able to identify possible exogenous factors that favor or hinder relationship development. However, gauging exogenous factors is not about knowing more a priori about the general context in which the business operates; rather it is about the need to be concerned with the specific business context and to understand the factors underlying the dynamics of the business network as well as the partner's intent and past experiences. Clearly, the effective development of new relationships has less to do with general market data and more to do with the strategic posture and the emergent organizational and technological solutions adopted by the counterpart organization. This in turn, has implications for the task content of holders of boundary roles among firms operating in business markets. These insights have important consequences as to what should be the primary intelligence gathering activities and focus of business managers.

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# **INTER-FIRM KNOWLEDGE SHARING EFFECTIVENESS: AN EMPIRICAL EXAMINATION OF ADAPTATION AMBIDEXTERITY**

Binh H. Nguyen, New York Institute of Technology – Vancouver, Canada  
Gary L. Frankwick, University of Texas at El Paso, USA  
Karen E. Flaherty, Oklahoma State University, USA

## **ABSTRACT**

As more firms outsource non-core operational functions and as they create alliances to develop new products, inter-firm knowledge sharing (IKS) based on relationship-specific adaptation (RSA) becomes more and more important. Employing ambidexterity and learning theory, this study surveyed 108 managers of high-tech firms to determine if ambidexterity helps RSA improve IKS. Moderated regression results show positive effects of adaptation balance, negative effects of adaption integration, and positive moderation of relational norms on balance and positive effects of loose coupling of the system.

References available upon request.

# EXPLORING SMEs PERCEPTION AND TRUST TOWARD HRIS FOR A SUSTAINABLE HRM PERFORMANCE: CASE STUDY OF SMEs IN VIETNAM

Nguyen Ngoc Duc, Asian Institute of Technology, Thailand

## Introduction

Small and Medium Enterprises (SMEs) currently play an important and pivotal role in all countries, especially in developing nations. They are also key factors in terms of reducing unemployment. Therefore, how to manage human resources in the most optimal way (e.g. saving human energy along with high performance and bringing out expected outcomes) is one of the serious concerns of such enterprises. Human Resource Information Systems (HRIS), an innovative HRM solution, have become known as a support system for sustainably driving HRM development. Hence, enhancing trust of SMEs toward HRIS is necessary for a sustainable HRM performance. Accordingly, this study aims to explore SMEs' perception and trust toward HRIS in Vietnam. This is one of the first qualitative pilot research studies on such an issue in Vietnam. In this research, DeltaQual<sup>TM</sup> research technique, a Nielsen proprietary qualitative product, was applied to conduct and analyze 10 In-Depth Interviews (IDIs), which were carried out with high-profile respondents (e.g. top managers) of SMEs in Vietnam.

## Background

Today, Small and Medium Enterprises (SMEs) play an important and pivotal role in all countries in terms of national economic development. The Organization for Economic Co-operation and Development (OECD) addressed the importance of SMEs in their statement as follows:

*"In all countries including the largest ones, SMEs play a very important role. In particular, it has been recognized for some 15 years that their dynamism, related in part to the technological and economic changes which have occurred over this period, has made an important contribution to the creation of new jobs, the economic revival of certain regions and also to technological progress."* (OECD, 1993, pp. 7)

The proportion of SMEs in OECD make up 95% of all enterprises and 60-70% of employment (OECD, 2011; Levinsohn and Brundin, 2011). Vietnam is a developing country with rapid economic growth in the last 10 years in terms of GDP at current prices (Vietnam Report, 2012). Additionally, the impact of increased Foreign Direct Investment (FDI) on economic growth in Vietnam has helped to reduce the technology gap between the foreign and local firms (Anwar and Nguyen, 2010). The private sector in Vietnam has been rapidly growing since the mid 1990s with a high majority ratio of SMEs (Nguyen et al., 2006; Nguyen, 2005). With the development of Information and Communication Technology (ICT) in the 21<sup>st</sup> century, computerizing management operations has become more popular and more necessary in the modern business (Hashim and Mokhtar, 2012; Kohli and Grover, 2008; Kulatilaka and Venkatraman, 2001); therefore, the potential benefits will increase in organizations using IT applications, especially SMEs, which are involved in the internationalized trend of grasping the opportunity for profitable growth (Lin and Chaney, 2007; Fink, 1998) and the demand of applying modern management technology to business operations is really indispensable. Vietnamese enterprises are also following this trend. Accordingly, Human Resource Information System (HRIS), an innovative HRM solution, has been known as a support system for sustainable HRM development (Alwis, 2010; Buodreau and Ramstad, 2005; Duc *et al.*, 2012; Kumar, 2012; Page, 1996; 2002; Poorangi *et al.*, 2011; Tansley *et al.*, 2001). HRIS has been researched and applied widely in the USA and Europe (Lengnick-Hall and Mortiz, 2003; Strohmeier and Kabst, 2009; Yusoff and Ramayah, 2011). According to a survey of HR consultants, the number of organizations adopting and implementing HRIS in their businesses is rapidly increasing (Cedar Crestone, 2005). However, how to encourage SMEs in Vietnam to apply HRIS to their operations and how to manage human resource in the most optimal way (e.g. saving human energy along with high performance and bringing out expected outcomes) by using HRIS are serious concerns of such enterprises. Hence, enhancing trust of SMEs toward HRIS is necessary for a sustainable HRM performance. From this point of view, this study aims to explore SMEs' perception and trust toward HRIS in Vietnam.



## Research Methods

### Research Methodology

The In-depth interview is a qualitative research technique which is applied for intensive individual, face-to-face interviews to explore respondents' perspectives on particular ideas and new issues in depth (Boyce and Neale, 2006; McCormack, 2004; Neuman, 1997). This method is normally conducted in the most comfortable atmosphere and setting for respondents (Ritchie and Lewis, 2003). Hence, this method is suitable for high-profile respondents (e.g. top managers).

The following is the reason why we prefer In-depth interviews to Focus Group Discussions (FGD), In-Home Visits (IHV), or Ethnography in this study.

In short, IHV and Ethnography are used to explore respondents' routine habit (Creswell, 2007; Madison, 2005; Spindler and Spindler, 1987); whilst, FGD is carried out in a group of 4 to 6 respondents in each session (Merton, R. *et al.*, 1956; Merriam, 2009). Therefore, these three methods did not fit with the research objective and high-profile SMEs respondents. The tight working schedules of SMEs top managers could not allow for appointments of four or six respondents at the same time to happen. In addition, discussion in a group may have prevented the respondents from revealing the private and sensitive information of the company.

Therefore, based on the timeframe and monetary investment constraints, the ten (10) IDIs were conducted from April 5<sup>th</sup> to May 22<sup>nd</sup>, 2012 in Ho Chi Minh City, Vietnam.

### Research Technique: DeltaQual™

The following is the summary of DeltaQual™ research technique, which is retrieved from “*Internal Qualitative HRIS-Trust Project Report*” (Duc, Nguyen Ngoc and Nielsen Qualitative Experts, 2012).

#### *Introduction to DeltaQual™*

DeltaQual™ is a Nielsen proprietary qualitative product. It is a Nielsen response to large gaps in current research between consumer feelings, preferences, brand impressions, and shop-floor behaviour. It also sorts out the complex consumer and marketing dynamics from a plethora of marketing activities, brands, choices, influences, and joint or co-shopping issues to address anything more than a simple singular purchasing decision.

## Results and Discussion

The concept of HRIS introduced to all respondents of this study represented the basic package that any supplier would offer. All SME respondents had information about the HRIS being open to customization to suit their own needs and conditions properly. With this, respondents were free to address whether they think the HRIS concept introduced covered all their expected needs or whether there were specific features valuable to them and their business.

Generally, all SME respondents found the HRIS concept covered basic needs as required of HRM activities. However, the concept did not stand out qualitatively in comparison with other HRIS products available on the market. In other words, the concept did not succeed in creating a strong impression among SME respondents. Therefore, among both users and non-users, the general customer preference was medium.

Table 1 shows a quick summary of concept evaluation, qualitatively, between HRIS current users and non-user. In short, non-users were more interested in the concept than their counterparts were. The general interest however could be greater in order to insure a secure purchase intention.

Table 1. Quick summary of concept evaluation

<i>Attributes</i>	<i>Customer preferences</i>	
	<i>HRIS users</i>	<i>Non-users</i>
General evaluation	Medium	Medium – high
Relevancy	Medium	Medium
Appealing	Medium – low	Medium – high
Uniqueness	Low	Medium
Credibility	High	Medium
Purchase intention	Medium – low	Medium – high

Yet the concept introduced to SME respondents in this study was brief. It was true that all SME respondents worried whether they understood the promised usability and features properly or at least as closely as possible to what the supplier meant.

Customer evaluation for that reason may become different when revealing the concept details. Generally, SME respondents stated only a product prototype would enable them to provide the most accurate evaluation, which might be different from evaluation of the introduced concept.

**Both users and non-users find relevancy medium.** The promised features were able to cover all required needs and expectation of HRM tasks. However, all common enterprises have these needs and expectations.

The Small enterprises, qualitatively, tended to perceive the concept with fewer relevancies than their counterparts do. This partly derives from the fact that SMEs with a smaller size of operation are more likely to have simpler needs regarding employee management. As a result, some usability and features are unnecessary and the concept's relevancy is low and vice versa. The detailed features often considered as unnecessary include training history and planning, and employee appraisal. The following is an example quoted by a small enterprise respondent.

*"The product is meant for many different companies therefore I don't know whether it will be suitable for me. For example my company maybe smaller than others, or we have a different plan to manage employees"* (Small enterprise respondent, non-user)

Both current HRIS users and non-users associated the concept with medium **appeal** although the latter were slightly more interested in the concept than their counterparts are. Without much actual usage experience, the non-users are easier to attract. It also requires more than promised usability for current HRIS users to perceive the product as outstanding.

The medium customer preference regarding appeal derives most likely from the fact that promised usability covered only basic HRM needs. As mentioned by one SME respondent:

*"I don't see any difference in this concept. It is similar to other HRIS I know. Therefore it has an average appeal"*. (Medium enterprise, non-user)

Qualitatively, SMEs did expect more than these basic aspects for added value. Some expected the product to be more suitable and focused on the company's actual situation and more specific needs. Moreover, some suggested the relevant added value for each field of operation increases the appeal for the concept.

Small enterprises qualitatively found the concept as less appealing than their counterparts. This derives from the simpler needs and expectations of Small enterprises. As a result, some features are unnecessary and thus wasted because smaller enterprises do not have the needs and desire to implement those features.

Qualitatively, according to both users and non-users, HRIS is often associated with significant importance and greater effectiveness in business management. In other words, customers trust HRIS products for its effectiveness and impact on business management performance. However, the product believer's trust varies greatly according to the business situation and the relevant SME perception and attitudes in business management.

Examples include smaller enterprises who consider themselves below the needs for HRIS. They believe smaller enterprises with limited numbers of employees, simple employee management needs and no expansion for the near future do not value HRIS and its strengths in HRM activities. The trust in this case is limited.

Another example is with business owners or directors who have ambitious but detailed plans for business development and expansion. Together with business development, the needs for employee management become more urgent and require a better and more effective solution for HRM practice. HRIS, together with its strengths, is a helpful tool for business management in this case. The trust therefore is relatively high.

The most common indicators for trust is divided into four sets: Individual, Corporate, HRIS itself, and its suppliers:

- Traits of Individuals closely link to Individual Profile. In short, the most important attributes for this set of traits consist of the following:
  - Knowledge
  - Work experience
  - Working style
  - Involvement in the company management

- Traits of Corporate connect to Corporate Profile. This set also closely links to the Employee and Business group of factors impacting the Decision making process. The main features include:
  - Size of operation
  - Employee number
  - Field of operation / industry
  - Management direction
  - Employee management needs
  - Business plan for near future
- HRIS itself represents how customers perceive the strengths and weaknesses of a specific product. The consideration is based on a combination of triggers and barriers against product purchase and implementation.
  - Usability and features provided
  - Minimal errors and system corruptions
  - Ability to customize and update
  - Monetary and other investments required
  - And other strengths & weaknesses
- The HRIS suppliers are also factor into customer perceptions and consider the following combination of strengths & weaknesses.
  - Brand credibility & image
  - After-sales services

Generally, SME respondents have a certain trust regarding HRIS although this trust is in different elements. Internally, the business situation and the SMEs' perceptions and attitudes for business management strongly impact trust. Externally, HRIS itself and its suppliers account for the other factors that impact trust. Internally, the business situation, perceptions, and attitudes for business management are indicated through traits of the organization: size, field of operation, management direction, management styles, and plans for employee management needs in the future. For individual traits: knowledge, work experience, business style, and involvement in company management are the elements that contribute to trust in HRIS for SME individuals. Individual: meaning the person contributing to the decision-making processes as either HR or IT managers or business owners or directors.

In general, SMEs should be identified and classified according to their profiles. Most SMEs can only be identified in the consideration of HRIS itself and its suppliers. The main purpose is to build and maximize general 'trust'. Some directions for building and maximizing 'trust' with HRIS among SMEs include (but are not limited to) the following:

- Offer appropriate delivery of usability, feature, and added value to help the product become more attractive and outstanding compared to competitors in the market.
- Provide a product prototype to interested SMEs for an opportunity to evaluate actual performance with usability and features.
- Focus on system strengths through communication, while ensuring that solutions to potential barriers will prevail.
- Delivering appropriate messages by approaching potential customers through relevant and effective channels.

Additionally, offering product prototypes could enable SMEs to have more chances to interact with actual product performance; thus, contributing to general evaluation of the product itself.

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References available upon request

## **WHEN RURAL ENTREPRENEURIAL MARKETING DOES NOT WORK: THE CASE OF OTOP FAILURE IN THAILAND**

Edward Kasabov, University of Exeter, United Kingdom  
Pitchaya Panupattanapong, University of Bath, United Kingdom

### **ABSTRACT**

Marketing scholarship continues to theorise about the significance of marketing resources to firm-level success, and resources are commonly viewed as the source of competitive advantage (Day & Wensley, 1988; Aaker, 1989; Webster, 1992; O'Donnell et al., 2002; Morgan et al., 2009). Businesses which effectively and efficiently deploy and exploit their market-based assets are assumed to be better placed at attaining superior business performance (Morgan & Vorhies, 2005). However, the input of firm resources to competitive advantage has generally been theorised and empirically examined in the context of large companies. Less frequent are discussions about resources in small firms and entrepreneurial ventures (O'Donnell et al., 2002). These issues deserve empirical testing, though, since entrepreneurship plays a substantial role in economic development and contributes to rural communities (Beaulieu, 2002; Emery et al., 2003; Levitte, 2004; Grey & Collins-Williams, 2006; Steinberg et al., 2010). In Thailand, promoting rural entrepreneurship has been one of the government's main aims during the past decade, with the number of Thai entrepreneurs and rural enterprises increasing steadily (Tongboonrawd & Sukpradit, 2007). This paper empirically evaluates one programme aimed at encouraging rural entrepreneurship in Thailand, One Tambon One Product (OTOP), by interviewing key stakeholders in three rural communities located close to Bangkok which have been involved in the OTOP programme for the past four years. Interviews with OTOP programme managers, entrepreneurs, and employees reveal sources and consequences of the successful and unsuccessful deployment of marketing resources by entrepreneurs who participate in the OTOP programme. Factors affecting entrepreneurship difficulties and failure have been identified, including problems in attracting human resources and capital. Less frequently reported findings about entrepreneurs' attitudes and behaviour are also explored. The investigation of the nature and sources of failure and the proposed framework of rural entrepreneurial failure seek to contribute to a fuller understanding of entrepreneurial marketing theory.

# CHANNEL INTEGRATION: AN EXPLANATION ACCORDING TO DAVID TEECE'S THEORY OF THE BOUNDARIES OF THE FIRM

Hidesuke Takata, Keio University, Japan

## ABSTRACT

Decisions about the degree of channel integration are a critical component of any manufacturer's marketing channel strategy. At one extreme, the manufacturer can integrate forward and perform the distribution function itself, by establishing a sales subsidiary. At the other extreme, the manufacturer can choose not to perform this function, using, instead, independent distributors (Klein, Frazier, and Roth 1990; Aulakh and Kotabe 1997).

Over the last 30 years, transaction cost theory (TCT), proposed by Oliver Williamson (1975, 1985, 1986, 1999), has emerged as one of the dominant theoretical lenses through which to explain channel integration decisions (cf. John and Reve 2010; Rindfleisch *et al.* 2010). Empirical studies have provided considerable support for TCT's hypothesized effects on asset specificity; that is, the specificity of asset distribution has a positive impact on the degree of channel integration (e.g., Anderson and Schmittlein 1984; Anderson and Coughlan 1987; John and Weitz 1988; Klein, Frazier, and Roth 1990).

Although the positive effects of asset specificity on channel integration are well documented in empirical studies, several unanswered questions remain that deserve further examination. Among them, the one pointed out by resource-based view (RBV) and capabilities theory (CT) scholars is as follows. Traditional TCT assumes, implicitly, that governance decisions are determined, largely, by the characteristics of a transaction (e.g., asset specificity). This assumption undervalues the role of the firm's and the market's idiosyncratic resources and capabilities of production (e.g., appropriability regime, interdependence of complementary activities, and thinness of the market). In addition to efficiency concerns about economizing transaction costs, governance decisions may also be influenced by strategic concerns about leveraging or protecting valuable resources and capabilities (Rindfleisch *et al.* 2010).

Over the last 15 years, a growing number of scholars have examined governance decisions using TCT and RBV/CT. This study focuses on David Teece's (1986, 2006, 2007a, b, 2010a, b) theory of the boundaries of the firm, and explains channel integration decisions using Teece's theory.

Teece's theory argues that a firm not only economizes transaction costs but also develops and deploys capabilities for the creation and management of productive know-how. It builds a capabilities dimension into the Williamson theory (Teece 2010a). The characteristic argument is that interaction effects between the appropriability regime and asset specificity and between interdependence of complementary activities and thinness of the market impact the boundaries of the firm (Teece 1986, 2006; Chesbrough and Teece 1996).

Based on the argument, we propose two hypotheses in this study to explain channel integration:

- H<sub>1</sub>: The interaction between the weakness of the appropriability regime and the specificity of distribution assets enhances the degree of channel integration.
- H<sub>2</sub>: The interaction between the interdependence of production and distribution activities and the thinness of the distribution market enhances the degree of channel integration.

In empirically testing such interaction effects, in this study, two-stage least squares (2SLS) regression employing the SYSLIN procedure in SAS was used (cf. Bollen and Paxton 1998; Im, Hussain, and Sengupta 2008). Data for the study were collected through a survey of Japanese manufacturers. The sample included manufacturers of general machinery, electrical appliances, and transport machinery. In total, we received 105 usable surveys. The results from the 2SLS regression analysis supported the study's two hypotheses. In the regression model, the adjusted R<sup>2</sup> statistic equaled 0.22, and it was statistically significant at the 0.01 level of overall significance. The coefficient of weakness of the appropriability regime × the specificity of distribution assets was positive and statistically significant at  $p < 0.01$ , indicating a positive interaction effect on channel integration. Also, the coefficient of interdependence of production and distribution activities × the thinness of the distribution market was positive and statistically significant at  $p < 0.01$ , also indicating a positive interaction effect on channel integration.

References available upon request

# RELATIONSHIP OF LINE EXTENSION BRAND AND PARENT BRAND IN THE EYES OF CONSUMERS

Akira Shimizu, Keio University, Japan

## ABSTRACT

In the fiercely competitive CPG market, which has already matured, more and more new products are introduced based on the line-extension strategy. According to Aaker, for example, 89% of new products released in the U.S. are line-extension products. According to Lomax et al., line-extension products account for 95% of new products in the U.K. However, line extension has not been studied much, particularly, studies where the effect of line extension was confirmed by data of an actual brand, not by quoting an experiment involving a fictitious line-extension product, are scarce. Also not any studies are available that focus on how the consumer's psychology changes before and after the release of a line-extension product. This paper looked at three actual cases of line extension, each involving a confectionary brand, and used data from the first survey on parent brands before line extension, and from the second survey on parent brands and line-extension brands after line extension in order to confirm the following from the consumer's viewpoint: 1) different evaluation items used when selecting a line extension whose parent brand had high brand equity and a line-extension brand whose parent brand didn't have high brand equity; and 2) degree of mutual influence of the line-extension brand and parent brand.

The first survey was conducted on 15 confectionary brands in November 2010. Two thousand women in their 20s to 50s, who purchased a product in the confectionary category at least once a month, were surveyed. The survey covered a total of nine items: the recognition, interest, purchase experience, intent for next purchase, image, purpose and commitment of/in/to the 15 brands. The second survey was conducted in March 2012 to the same subjects who had been surveyed in the first one. The survey covered a total of 18 brands including the same 15 brands surveyed in the first one, plus three brands introduced to the market as line-extension brands on October 2011. The survey items were the same as those in the first survey, to which questions regarding the relationships of three line-extension brands and their parent brands were added (refer to Table 1 for the questions). Data of 1,307 subjects who responded to both the first and second surveys was analyzed.

As a result, trial purchases of a line-extension brand whose parent brand had high brand equity were significantly influenced by the brand equity of the parent brand, but a line-extension brand whose parent brand had low brand equity was influenced by ads, in-store exposure and other factors having influence on the ordinary introduction of a new product. It was also found that those who purchased an extension brand whose parent brand they had purchased before exhibited a higher evaluation of the parent brand following the purchase of the extension brand; those who did not purchase an extension brand despite having purchased its parent brand had an odd feeling toward the extension brand; and that those who only purchased an extension brand without having ever purchased its parent brand before felt the extension brand matched the needs of the times more than the parent brand and the competitive brands such people considered were also different.

The implications of this study are summarized below:

1) If the parent brand has brand power, strength of the equity of the parent brand is one reason its line-extension product is selected. However, if a brand whose parent brand has no brand power implements line extension, ads and in-store display are among the reasons for selecting the extension brand. 2) The following two are the key points whether the loyal users of the parent brand purchase its line-extension brand or not: whether or not the consumer has an odd feeling toward the line-extension brand relative to the parent brand; and whether or not the tradition of the parent brand is expected to be diluted. 3) The group of subjects who did not purchase the parent brand but purchased its line-extension brand represents the customers who switched from a rival brand to which the parent brand had lost out.

### **Session 3.5. Social Media Marketing**

Room: Clarendon B

Session Chair: George Christodoulides, Birkbeck, University of London

#### ***The Impact of Social Media Marketing on the Relationship among Dynamic Capabilities and Performance***

Felipe Uribe, Universidad EAFIT

Joan Llonch, Universitat Autònoma de Barcelona

Josep Rialp, Universitat Autònoma de Barcelona

#### ***The Influence of Social Presence on Online Purchase Intention: An Experiment with Different Product Types***

Elsamari Botha, University of Cape Town

Mignon Reyneke, University of Cape Town

#### ***'On the Go' vs. 'On the Spot': The Segmentation of Digital Natives***

Amalia E. Maulana, BINUS University

Lexi Z. Hikmah, ETNOMARK Consulting

# **THE IMPACT OF SOCIAL MEDIA MARKETING ON THE RELATIONSHIP AMONG DYNAMIC CAPABILITIES AND PERFORMANCE**

Felipe Uribe Saavedra, Universidad EAFIT, Colombia  
Joan Llonch Andreu, Universitat Autònoma de Barcelona, Spain  
Josep Rialp Criado, Universitat Autònoma de Barcelona, Spain

## **ABSTRACT**

Online social networks have become the fastest growing phenomenon on the Internet and firms are beginning to take advantage of them as a marketing tool. However, the strategic importance of social media marketing still seems not clear, given the novelty and the difficulty of measuring their impact on business performance. This study uses data from 191 Spanish firms from several sectors, to measure the impact of the intensity of use of social media marketing on the relationship among the dynamic capabilities of market orientation and entrepreneurial orientation, and business performance. The results provide evidence that supports the moderating effects of social media marketing intensity on the strength of the mentioned relations and the importance of a strong and committed marketing strategy on digital social networks for any kind of business.

References available upon request



# THE INFLUENCE OF SOCIAL PRESENCE ON ONLINE PURCHASE INTENTION: AN EXPERIMENT WITH DIFFERENT PRODUCT TYPES

Elsamari Botha, University of Cape Town, South Africa

Mignon Reyneke, University of Cape Town, South Africa

## INTRODUCTION

Internet shopping is one of the fastest growing forms of shopping, however, many consumers search websites with the intention to purchase but then abandon the process before the sale has been concluded (Eastlick, Lotz, Shim & Warrington, 2001:398). General online sales figures have not increased as greatly as one would expect (Flavian & Guinaliu, 2006:602). Online social presence has been identified as a key influencing factor in online consumer behaviour. This study considers social presence, trust, perceived usefulness and privacy concerns as influencers on consumers' online purchase intention. The contribution of this study lies in its investigation of the interplay between social presence and product type in its influence on online purchase intention and online trust. With an experimental design, we find that social presence has an influence on online purchase intention (OPI) and online trust, but that the relationship between social presence and OPI is moderated by the type of online product. This extended abstract first briefly addresses the background of the study, and the relevant hypotheses and conceptual model is provided. Thereafter the methodology is discussed and the findings of the PLS-SEM provided.

## BACKGROUND TO THE STUDY

Online purchase intention can be described as the extent to which a consumer intends to carry out a particular purchasing behaviour over the internet (Miller, Pearson, Pearson & Salisbury, 2001:165). Previous research has revealed certain driving forces that impact on the intention to purchase online (Chen *et al.*, 2010:1008). Many models are available for the analysis of online purchase behaviour (see for example Liu *et al.*, 2005; Lee & Turban, 2001; and Hassanein & Head, 2007). The authors hypothesized that the interplay between online social presence and product type could be best investigated through the type of models presented by Liu, Lu, Marchewka and Yu (2004) and Gefen and Straub (2004). These models have been widely used since their publication, and introduce the concepts of online trust, privacy concerns, social presence and perceived usefulness:

*Trust:* In an online shopping environment, Liu, Lu, Marchewka and Yu (2005:292) view trust as the perceptual belief or degree of confidence that one party has respect for the integrity, intentions and actions of another party during an online transaction. A lack of trust has most often been cited as a reason for consumers not shopping online (Lee & Turban, 2001:75). Consumer trust in a website has been shown to positively impact the attitude and willingness to buy from an online retailer (Hassanein & Head, 2007:694) thus leading to the first hypotheses:

*H<sub>1</sub>: Trust has a positive impact on online purchase intention.*

*Privacy concerns:* Bart, Shankar, Sultan, and Urban (2005:135) define online privacy as the protection of consumers' information online by implementing things such as privacy policy, disclosure and ensuring the consent of website visitors. Consumers' perceptions of how their private information is handled, strongly influences the level of trust that they have in the internet (Flavian & Guinaliu, 2006:612). Consumers then are more likely to share their personal information with a website once they have established that a website is reliable and credible. Based on the above it is evident that online trust is affected by privacy concerns, and trust in turn influence online purchase behaviour. Trust therefore mediates the relationship between privacy concern and online purchase intention:

*H<sub>2</sub>: Trust mediates the relationship between privacy concern and online purchase intention such that the greater consumers' privacy concern, the less amount of online trust they have, which in turn negatively influences their online purchase intention.*

*Social presence:* The online shopping context is unique in that the social and face-to-face interaction with other shoppers as well as with salespeople, are replaced with a multifaceted socio-technical system. Website social presence is thus referred to

as features which are incorporated into the website which enable the consumer to access information needed, in order to make the decision to purchase the product required by the consumer, with the assistance of virtual advisors (Dash & Saji, 2007:37). In addition to this, social presence refers to the perception that sociable, personal and sensitive human contact is present on a website (Gefen & Straub, 2004:410). Social presence therefore ranges on a continuum from merely making the design of the website more personable (least amount of social presence) to having a real person / expert / salesperson available online to help with your purchase decision. In all these cases however, if consumers perceive there to be social presence within the website, this is able to positively influence the consumer to trust and intend to transact with the online retailer (Dash & Saji, 2007:38). Thus, the following hypothesis was formed:

*H<sub>3</sub>: Social presence has a positive impact on online purchase intention.*

The suitability and need for human warmth or social presence may differ according to the type of product required by the customer (Hassanein & Head, 2006:3). For example, one might want expert opinion to help with the purchase of a computer, but less so with the purchase of groceries. e-Marketers often argue that online retailers could benefit by adding social presence to their websites, however, this might not be the case for certain product types. Especially when one is referring to forms of social presence like online chat boxes. Few studies have investigated the influence of product type on social presence. In this study, product type was classified in terms of the level of involvement of consumers: from convenience, to shopping, and ultimately to luxury goods. This study therefore proposed the following hypothesis:

*H<sub>4</sub>: Product type has a moderating effect on the relationship between social presence and online purchase intention, such that the higher the level of involvement with the product, the greater the influence of social presence on online purchase intention.*

Social presence also influences the level of customer trust, since social presence involves interacting with others (Choi, Kim & Lee, 2009:1). Cyr, Hassanein, Head and Ivanov (2007:693) indicate that social presence is closely related to, if not a crucial criteria for trust. Trust, in turn, has been shown to influence online purchase intention. Consequently, the following hypothesis has been formed:

*H<sub>5</sub>: Trust mediates the relationship between online social presence and purchase intention, such that the greater the online social presence of the website, the greater the amount of trust in it, and the greater consumers' purchase intention.*

Last, *Perceived usefulness*: Perceived usefulness is based on purchase speed and purchase convenience, indicating that websites which allow purchase transactions to be concluded in a faster manner are seen to be convenient to the consumer and will be perceived as a useful website (Au, Chau & Tam, 2000:19). Perceived usefulness is found to be highly influential when deciding to purchase from a website, as a website that is not found to be useful with limited functions can discourage consumers from engaging with it, even though it may be easy to use (Davis, 1989:329). It is often included in technology acceptance models, and few online purchase intention studies go without it.. It is thus evident that the intention to purchase online is affected by perceived usefulness, and therefore, the following hypothesis has been formed:

*H<sub>6</sub>: Perceived usefulness has a positive impact on online purchase intention.*

These hypotheses contributed to the development of a conceptual model, presented for a lack of space, in [Figure 1](#) in the results section. The methodology used to test this model is discussed next.

## METHODOLOGY

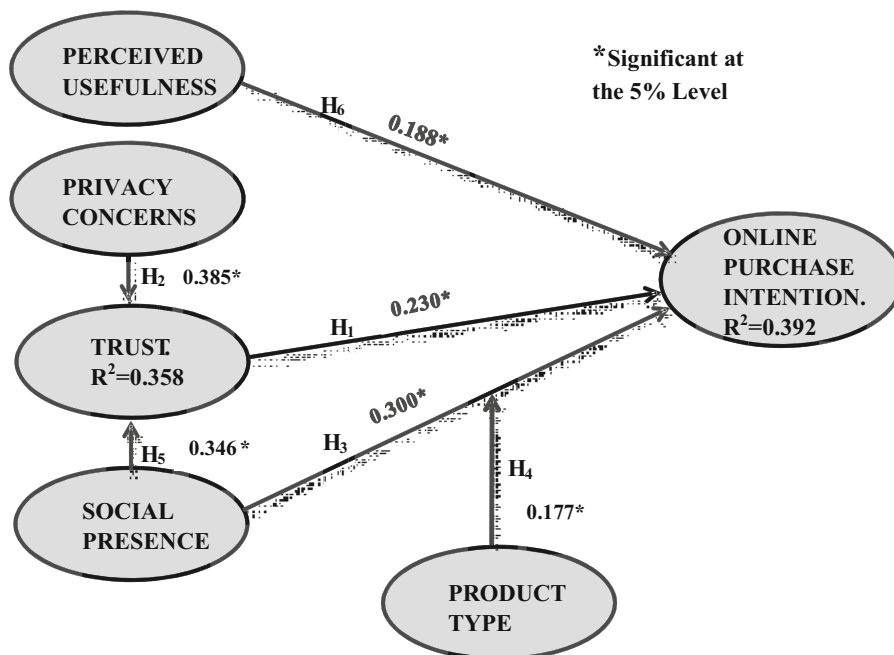
A factorial design experiment was followed where respondents were assigned to one of six treatment groups based on the following two treatments: the social presence (high vs. Low) and product type (convenience, shopping and luxury) of the website. Six existing websites were selected and confirmed by three independent researchers as the treatments of the experiment. Any bias resulting from the use of existing websites were controlled for by the exclusion of respondents who knew the websites. The websites were also pretested for their perceived usefulness (as a key variable in the model). Each website had comparable designs, likeability, and perceived usefulness from pre-testing. Respondents were selected through convenience sampling and were recruited based on their online shopping habits. A sample of 184 respondents (99 male and 85 female) was realized. Respondents were then randomly assigned to one of six websites.

Data was collected in a controlled environment. The respondents in each group were asked to browse their assigned website, as well as proceed through the process of purchasing a product of their choice, until the point at which credit card and other personal details were required. After the completion of the purchasing exercise, respondents were asked to rate the perceived usefulness, online trust, social presence, and purchase intention based on scales developed by Liu et al. (2004) and Gefen and Straub (2004). Product type was coded based on their factorial group. The privacy concern answers were then reverse scored for the model testing.

## RESULTS AND DISCUSSION

PLS-SEM was used to test the conceptual model and the following structural model resulted. The measurement model is discussed first.

Figure 1: Structural Model using PLS-based SEM



Overall, the measurement model was found to be both reliable and valid. However, trust was an exception in that it was not convergently valid but still discriminantly valid and reliable. With regard to the structural model, it was found that trust, social presence and perceived usefulness all had a significant positive impact on online purchase intention. Trust also mediated the relationship between privacy concerns and online purchase intention, and social presence and online purchase intention. Product type was found to have a significant moderating effect on the relationship between social presence and online purchase intention. The greater the level of involvement of the product, the greater the impact of social presence on online purchase intention. Furthermore, privacy concerns and social presence were found to have a significant positive impact on trust.

Social presence ( $B=0.3$ ), perceived usefulness ( $B=0.19$ ) and online trust ( $B=0.23$ ) all directly influenced online purchase intention. Perceived usefulness can be ensured through increased speed of the purchasing process, by implementing a search function and by ensuring ease of navigation. Marketing managers can increase the social presence of a website through a number of tools: From increasing the emotiveness of the website, to having live chat boxes with online technical and sales assistants available to customers. Social presence elements such as instant chat functions, personalised online greetings, photographs of employees or customers as well as related product suggestions linked to previous purchases should be included on websites. Furthermore, product review forums where customers can comment and share experiences will also

help to lend a social element. All website elements that convey a sense of human contact and warmth would increase the social presence on a website.

Online trust can be built by displaying security assurances such as Visa logos, by creating a strong brand which implies credibility and by ensuring search convenience as well as up-to-date technology. Privacy concerns also impacted trust. This suggests that by ensuring privacy, trust can be established. Online retailers should ensure that privacy measures are in place to protect consumer details. Online consumers should have the option to opt-out of receiving promotional messages and they should be asked to indicate whether or not they would like to receive additional information. Consumer information should also not be distributed to third parties without the consumer's consent.

Finally, we found that product type had a significant moderating effect on the relationship between social presence and online purchase intention. This suggests that different product types require different levels of social presence. We found that the higher the product involvement, the higher the level of social presence should be. It would therefore be pertinent to include instant chat functions in high involvement product websites so that consumers have easy access to expert advice. Low involvement product websites may only need basic levels of social presence such as photographs or personalised greetings. Social presence also has a significant positive impact on trust which suggests that by incorporating social presence elements into a website, it may increase the trustworthiness of that site. By being able to consult an expert directly it would increase the level of trust, and ultimate purchase intention that consumers feel toward that website.

Various models and influencing factors have been suggested in research trying to explain online purchase behaviour and intention. The technology acceptance model (TAM), and variations thereof, being the most popular. This study also used a model adapted from TAM, but at the exclusion of some often used variables for example gender and usability of the website. This is a limitation of the study as well as an avenue for future research. Another limitation is presented by the methodology, specifically the use of existing websites. Resources were not available for the development of six different websites, and existing websites were used so that a factorial design could still be followed. While respondents' knowledge of the brand and previous use of the website was controlled for, this was still a limitation of the study.

**References available on request**

## **‘ON THE GO’ VS ‘ON THE SPOT’: THE SEGMENTATION OF DIGITAL NATIVES**

Amalia E. Maulana, Binus Business School, Bina Nusantara University, Indonesia  
Lexi Z. Hikmah, Etnomark Consulting, Indonesia

### **ABSTRACT**

To understand behavior in the era of mobile digital natives, one must also observe and comprehend the holistic nature of complementary usage across devices. This research study represents a fresh perspective, as it not only examines the digital native in terms of product and technical considerations but is also more aligned towards assessing the differences in usage contexts for various types of mobile device users. A contextual understanding of the behavior of digital natives would provide a better frame of reference.

This study found that the two important variables that should be considered as segmentation variables are (1) time availability and (2) the type of online activity in which an individual was participating. Availability of time (On The Go vs On The Spot) influenced the preference towards more practical devices. Different type of activity such as shopping or social networking also dictates different type of devices.

### **INTRODUCTION**

Digital natives are individuals who have access to and familiarity with the computers, cell phones, email, tablets and other technologies that are available today. They are very comfortable using these technological innovations. Marc Prensky popularized the term 'digital native' in 2001. This expression is similar to terms such as 'netizens', 'net generation' or 'the Millennials', which are commonly used in both managerial and academic articles.

The behavior of the digital native differs from the behaviors of previous generations (immigrant in the digital world) with respect to the performance of daily activities. These behavioral differences are supported by rapid technological developments and the availability of many different devices for facilitating those activities. However, despite the rapid growth in mobile technology services that has recently occurred, research into the usage behavior of digital natives remains scarce. This study attempts to identify variables that could be used as distinguishing factors for the segmentation of digital natives, particularly with respect to their usage context.

A more accurate explanation of the usage context for digital natives will help provide an appropriate framework for conducting various forms of consumer behavior research and generating digital communication strategies.

#### **Multi-Device Usage Context**

The digital native prefers to conduct multiple activities at once and receive information very rapidly. Digital natives use multiple devices simultaneously and employ multi-tasking to accomplish tasks in parallel, thereby benefitting from their possession of a variety of devices and demonstrating good control of these technological tools.

As tablets become more accessible and more people adopt them, these devices have begun to co-opt functions that have traditionally been accomplished through other means. As reported by ComScore (2011), individuals use their tablets to engage in activities such as consuming news, viewing entertainment, social networking, and shopping on their devices. It has been reported that owners of tablets and mobile phones devoted more than twice as much time to the use of their mobile devices as they committed to the use of a regular computer.

Because the use of mobile devices is no longer exclusive, to understand behavior in the era of mobile digital natives, one must also observe and comprehend the holistic nature of complementary usage across devices. In particular, it is important to understand how people consume content on separate devices and how consumer consumption habits are changing in response to recent technological shifts.

Segmentation is the process of dividing a heterogeneous group of consumers into homogeneous sections. Charles W. Lamb (2003) explained that the concept of market segmentation was initially coined by Wendell R. Smith in the middle of 1950s “Market segmentation is to divide a market into smaller groups of buyers with distinct needs, characteristics, or behaviors who might require separate products or marketing mixes.”

According to Kotler and Armstrong (2005), there are four most common segmentations; geographic, demographic, psychographic, and behavioral. Various studies have been conducted in recent years, in which the market experiences hyper-competition and it shows that traditional demographic traits such as age, gender, education level, and income have been unable to create such segmentation. The researcher found that non-demographic variables such as values/benefits, tastes and preferences are becoming more effective to explain the differences of requirement on each segment (Lamb et al. 2003; Wells et al. 2010)

The segmentation of a group of consumers is a continuously evolving process that is characterized by the development and use of particular product or service categories and determined by the dynamics of competition in the market. On the technology product, researcher still focus on technicality from the product perspective. Marketing scholars need to shift the attention of segmentation research to a more customer benefit approach.

Given that mobile devices are inherently related to technology, it is not surprising that many of the scholars researching mobile device usage approach the topic from a technical perspective. Similarly, in classifying mobile behaviors, there are many studies that only provide technical classifications. This classification is useful to a certain extent, but it cannot generate an explanation of the differences in needs and motivation between the various sub - segments of digital natives.

Highly technical and product-oriented classifications, for instance, have merely created divisions that are based upon the following types of metrics: the mobile terminal that is used, such as a mobile phone, PDA, laptop computer, or desktop computer (Kimiloglu et al. 2010); network characteristics, such as the operator, network technologies, or servers that are employed (Petruzzellis 2010; Birke and Swann 2008); and the four types of mobile components, namely, devices, applications, networks, and content (Smura et al. 2009).

There are also studies that have focused on the different types of mobile device consumers; unfortunately, however, these studies have largely emphasized demographics or psychographics. Examples of these studies include research into gender differences with respect to the use of mobile data services (Yang and Lee 2000) and psychographic research addressing the role of personality traits in determining mobile device usage differences (Lane and Manner 2011; Siddiqui 2011; Bouhlef et al. 2011).

One investigation that began to discuss the perspective and context for mobile device users is a study by Verkasalo and Hämmäinen (2007) that attempted to examine several different factors, such as communications usage, application usage, packet data service usage and the daily distribution of handset usage. In other research, Verkasalo (2009) creates classifications denoting three different types of consumer usage contexts for mobile devices, namely, at home, at the office and on the move. This approach represents a better perspective, as it not only examines the digital native in terms of product and technical considerations but is also more aligned towards assessing the differences in usage contexts for various types of mobile device users.

The present study continue to review and discover more about which variables are most relevant and concrete for the division of digital natives, allowing for improvement in identification of the usage context classifications offered by Verkasalo (2009).

## METHODOLOGY

This study used qualitative method by combining both desk and field research. Desk research was conducted by netnography technique, whereas field research was conducted through direct observation in shops, subject diaries, and also through in-depth interview. The triangulation of the data was structured through the different type of techniques conducted in this study, to gain data inter-complementary and result validity.

Netnography is the modern approach to understanding the consumer activity that occurs over the Internet (Kozinets, 2002; Maulana and Eckhardt, 2007). In terms of data collection, netnography is part of the branch of observational research in which participants are not directly interviewed. Netnography was used as the initial technique to determine and collect issues and stories regarding digital devices on a variety of technology devices and its use. The study insights are distilled from hundreds of articles and posts on portals, mailing lists, Internet forums or relevant social media.

The purpose of shop observation is to directly observe the interaction between the customers and their mobile devices. The observation was conducted at five shops that had good selling record and providing various mobile devices. The researcher



observed the behavior of the customers who came to the shops for purchasing or those who just visiting. Each setting covers minimum of 10 shop visitors. The interaction between the visitors and the sellers was also captured on the research note.

The next technique was a subject diary, in which the customers were asked to record their activities related to the use of their mobile devices. The researcher used this technique in order to record all the activities that being observed. This subject diary technique was conducted for four days, in which two days on weekday and another two days on weekend. The researcher involved 14 mobile device user respondents, whom the researcher divided them into two categories; those who had Internet connectivity on their mobile devices and those who actively used their Personal Computer at home.

The last stage was in-depth interview by using semi-structure questionnaire. The questionnaire comprised of open-ended questions, and this kind of questions was applied in order to make respondents expressed their thoughts. By using this type interview, both the researcher and the respondents could conduct deeper exploration relating to the information that possessed by the respondents. This stage involved 12 mobile-device-active-user respondents, and the researcher divided them into three categories; Smartphone users, tablet users, and notebook users.

## RESULTS

This study found that the two important variables that should be considered as segmentation variables for mobile device usage are (1) time availability and (2) the type of online activity in which an individual was participating.

### *Time Availability*

This study found two distinctive user situations for this metric, namely, limited time availability and no time limitations. These situations may be elaborated as follows:

- **On the Spot:** this concept refers to a situation in which an individual has spare time to conduct his/her activities. This time availability increases a person's flexibility to use various devices. Thus, this situation is not limited to the context of locations such as the home or the office; instead, if an individual has spare time in any Internet cafe for which complete Wi-Fi facilities are available, then this time will influence the opportunity to engage online with various technological devices. Because there is no rush condition in this situation, the choice of which devices to use is also adapted to the time that is available in this context.

- **On the Go:** this concept refers to a situation in which an individual has time restrictions that impact the devices that he uses. This situation typically occurs during activities such as waiting or traveling and limits the devices that can be used. These circumstances can occur regardless of location. For instance, even at home, if time is scarce, then an individual may not have the flexibility to use his personal computer or laptop (e.g., at night before bed or while eating breakfast in the early morning before leaving for the office); these situations were included in the On the Go behavioral classification.

From this study, it is evident that the three usage contexts offered by Verkasalo (2009) do not constitute a strong typology for segmentation. Location should not become a variable that differentiates between the motivations to use certain devices; instead, we must assess the matter from a different and more relevant angle.

The exploratory results in this study offer a new classification. In particular, this study uses the important variable of time availability to segment digital natives into two major groups, namely, 'On the Spot' (OTS) digital natives and 'On the Go' (OTG) digital natives.

OTG digital natives are individuals who are very busy and mobile in everyday situations and therefore rarely have the free time to be in a certain place for an extended period of time. For OTG digital natives, the desire to use a practical mobile technology device for online activity will be strongly influenced by time constraints.

OTS digital natives, by contrast, are individuals who are generally in more fixed and routine situations that rarely require mobility. These digital natives typically have sufficient time to use the more static technology equipment for the desired activities.

In fact, according to digital natives, practicality is the characteristic that creates differences with respect to the usability of various devices. Although the laptop was considered to be particularly practical when it was first developed, in comparisons

with other types of technological devices, it is currently ranked as having less practicality than all of the other assessed technological devices except the desktop personal computer. Smartphones are the devices that users consider to be the most convenient, followed by small-sized tablets (for example, the Galaxy Note) and medium-sized tablets (such as the iPad or Galaxy Tab).

In various situations, practicality is an important consideration in an individual's decision to choose a device for use. If given free time, a consumer will typically be able to use a device that is more conservative, whereas the time restrictions placed upon a consumer who is in a hurry will induce the consumer to choose a very practical device.

Individuals who are engaged in mobile activities tend to be 'on the go' or in a 'rush', and the devices that dominate their lives are smartphones and tablets. In addition, for these consumers, laptops now fulfill the static roles that formerly involved the use of personal desktop computers.

The following illustration of the combination of multi-device usage:

- OTG digital natives: device usage is dominated by tablets and smartphones.
- OTS digital natives: device usage is dominated by personal computers: both desktop and laptop, complimentary with smartphone.

### *Online Activities*

The second important variable found in this study is type of online activity. The data from the subject diaries indicated a clear linkage between the selection of certain devices and the type of online activities that were conducted. These insights are validated by a series of in-depth interviews. Table 1 illustrates the diverse nature of the online activities in which individuals participate.

Although the study respondents transported both smartphones and tablets to every occasion, each had specific functions for OTG digital natives who were engaging in various online activities. The data derived from subject diaries followed by in-depth interviews expressed the reasons why the subjects chose or avoided a particular device for a given function. For instance, users chose to use a smartphone instead of a tablet for calling or sending SMS messages. One representative comment from a study respondent follows:

*"Actually, a Galaxy Tab can be used to call, but it is not convenience. People around me often laughed because it looked weird".*

As for entertainment, tablets have become a mainstay for playing games, watching videos, and taking either group or formal photographs. Smartphones are the preferred devices for listening to music or taking informal pictures.

Shopping activities are conducted on both devices; however, each device was not employed for the same types of activity. In particular, information about products was typically received via smartphone. This information may be derived from chat groups or auction sites, which generally feature many individuals who post ads to sell their goods. Thus, with respect to shopping activities, the smartphone's role is simply to obtain and verify initial information. By contrast, if shopping activities escalate to more serious intentions, e.g., if device users need to compare items, place orders, or arrange for payment, then they choose the tablet as their selected device for use.

*"Blackberry is too slow for shopping. Because I need to download a lot of images of shopping items, so I just moved to the iPad to compare items that fit"*

With respect to mobile data, smartphone usage is confined to the writing of a short note or the editing of a file in commonly used applications, such as MS Word. By contrast, tablets are always employed for major writing tasks, as well as for editing files using MS PowerPoint or similar applications. Tablets are also used instead of smartphones for showing photos to friends or displaying files for client presentations. Table 2 summarizes the role of each device for OTG digital natives.

*"I normally would use my tablet to present my work to the client, so I finalized my document on my office laptop then copied it to my Tablet for presentation"*



In contrast to OTG digital natives, who mainly use smartphones and tablets, OTS digital natives engage in more varied usage of technological devices. The main finding that can be emphasized is that these users employ desktop personal computers more commonly than laptops. OTS digital natives generally only use smartphones for the purposes of communication and social networking and when they have tablet, they typically use tablets for limited use such as entertainment purposes: watching videos, playing games, and arranging photos.

## CONCLUSION

The plethora of device options that are available to consumers has caused digital media usage to become more fragmented. The existence of tablets as a multi-functional option within the available mix of devices has shifted the dynamics of online activities and engagement.

This study identified two groups of digital natives in terms of usage context, namely, OTG digital natives and OTS digital natives. Each of these segments can then be divided into several sub-segments of technological device users, depending on the online activities that these users conduct.

The research findings would be very useful for the brand owner of technology products, and they would understand which the dominant types of devices and which the best software application that could be sold to the customers in specific market segment.

For example, the customers who fall into OTG category and those who often conducting online shopping in their busy time would surely require the appropriate gadget to support their activities. Speed, simplicity, and practicality are the keys that must be concerned by the brand owners. Company who take advantages of these opportunities would gain the favored responds from the market.

A contextual understanding of the behavior of digital natives would provide a more precise frame of reference for both researchers and business managers. This understanding would allow companies that are specialized in mobile applications and services to better comprehend how to cater to the specific needs and aspirations of particular segments of digital natives and thereby offer more meaningful and targeted services of value to these digital natives.

## TABLES

Table 1. The Diversity of Online Activities

Category	Activities
Communication, Connection	Calling, Messaging (short message)
Information	Searching, Browsing, Reading
Entertainment	Listening to music, Playing a game, Watching a video, Taking photographs
Transaction	e-banking, Online shopping
Social Networking	Informing, Photo Sharing, File Sharing, Commenting on others, and Group chatting, among other activities
Mobile Data	Reading an e-book, e-newspaper, or e-magazine, Writing notes, File editing, Photo editing

Table 2. The Roles of Smartphones vs Tablets for different OTG Online activities

	<b>Smartphone</b>	<b>Tablet</b>
Communication	Calling, Sending short messages, Composing short replies to emails	Emailing long messages
Information	Quick browsing, Sharing	Searching, Serious browsing
Entertainment	Listening to music, Taking informal photos	Watching videos, playing games, Taking formal or group photos
Transaction	E-banking including checking accounts and transferring money	Shopping online, including Comparing various products/items, Ordering and Submitting payment
Social Networking	Updating one's status, Commenting on others, Uploading and sharing single photos	Writing notes, Uploading and sharing multiple photos
Mobile Data	Minor editing, Writing short notes (MS word format)	Major editing, File management, Writing file and constructing presentation for others (including presentations in PowerPoint)

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### **Session 3.6. Exploring Ethical Consumer Behavior**

Room: Clarendon C

Session Chair: Karin Braunsberger, University of South Florida St. Petersburg

#### ***From Green to Ethical Consumers: What Really Motivates Consumers to Buy Ethical Products?***

Eliane Karsaklian, Sorbonne University

Anthony Fee, University of Technology, Sydney

#### ***The Effect of Animal Protection Advertising on Opposition to the Slaughter of Wildlife and Willingness to Boycott the Offending Industry: Initial and Carryover Effects***

Karin Braunsberger, University of South Florida, St. Petersburg

#### ***Reframing the Ethical Consumption 'Gap': A Structured Abstract***

Michael Carrington, LaTrobe University

Benjamin Neville, University of Melbourne

#### ***Emerging Segments in Ethical Consumption: Young Adults and Cosmetics***

Francesca Montagnini, Catholic University of Sacro Cuore

Isabella Maggioni, Catholic University of Sacro Cuore

Roberta Sebastiani, Catholic University of Sacro Cuore

# **FROM GREEN TO ETHICAL CONSUMERS: WHAT REALLY MOTIVATES CONSUMERS TO BUY ETHICAL PRODUCTS?**

Eliane Karsaklian, Université Sorbonne, France  
Anthony Fee, University of Technology Sydney, Australia

## **ABSTRACT**

Ethical consumers have evolved from boycotting to consuming and ethical consumption has attracted much attention from marketing researchers recently. Several studies have been conducted to understand what motivates consumers to buy certain ethical products such as fair trade, eco-friendly or animal-friendly. While a number of disparate, and primarily descriptive, studies have identified motivations of ethical consumers towards an array of different products and in a variety of contexts, researchers are yet to develop a more generalizable framework for understanding ethical consumption motivations. In this paper, we present a framework of four universal motivations to explain why consumers buy ethical products.

## **INTRODUCTION**

Although ethics in the marketing exchange process has been the focus of past research, the notion of consumer ethics did not receive much attention until the establishment of the consumer ethics scale by Muncy and Vitell (1992). However, few studies have been conducted with the goal of identifying the factors which motivate consumers to buy ethical products. The existing literature is based on research conducted with specific categories of ethical products, mainly fair trade products (e.g. De Pelsmacker, Driesen, et al., 2005). More often than not, they address country-specific populations. This fact can perhaps be explained by the general belief that people might support ethical products and organizations because of altruistic values; that is, doing good to people and to the planet. Also, the growing number of ethical consumers is supported by the fact that ethical products have been trivialized by the retailers themselves. Unlike the “green consumers” who were few and needed go to specialized stores and pay more money to buy from limited products categories, ethical consumers choose their products among all product categories and brands. More and more brands are going ethical and hypermarkets and supermarkets are not only commercializing those brands but are also creating their own home brands for ethical products, and thus, making them affordable and accessible to a larger range of consumers.

## **LITERATURE REVIEW**

### ***Ethical Consumption***

Consumption and ethical consumption have often been presented as conflicting behaviors towards the act of buying products. Ethical consumers do not deny consumption but rather choose goods that reflect their moral, ethical, and social concerns (Szmigin and Carrigan, 2006). Ethical consumption can also be viewed as the shifting of consumption from the private sphere of home and family into the public political sphere (Sassatelli, 2006). Harrison, Newholm and Shaw (2005), define ethical consumer as the one concerned with the effects of the external world around them. They undertake a range of ethical consumption practices including boycotts, positive buying, fully screened comparative ethical ratings across whole product areas, relationship purchasing, where consumers seek to educate sellers about their ethical needs, and anti-consumerism or sustainable consumerism (avoiding unsustainable products). This image of the green consumer who is against the non ethical products, brands and companies is changing and leading to a new profile of consumer: the ethical consumer who is proactive and consumes in a more responsible way. Doing so, they help planet and people to live in better conditions and use their consumer practices as a contribution to others and to themselves. It seems that this evolution aligns with what Mintzberg calls plural and social which is the best way of conciliating private and public objectives (Mintzberg, AOM Conference, Boston, 2012). According to him, social initiatives are better to reach plural objectives than social movements. Thereby we can say that ethical consumption is evolving from social movements like boycotts performed by few people, to a general mass consumption of ethical products stipulated by companies and governments. Finally, several big international groups well-known by not being ethical are progressively changing their images by purchasing ethical small companies and brands. As examples, we can cite L'Oréal which purchased the Body Shop, Innocent bought by Coca-Cola Company, and Unilever with Ben&Jerry's. All the above described leads us to believe that ethical consumption is a sustainable trend leading consumers to make decisions differently. Thus, it is imperative that marketing researchers and practitioners understand the underlying motivations for ethical consumption.

### ***Ethical Consumption Motivations***

Motivation theories suggest that human motives, whether cognitive or affective, are primarily geared towards individual gratification and satisfaction. They provide the theoretical basis for examining underlying reasons for why people shop. In a review of the main literature about shopping typology, Rohm and Swaminathan (2004) identified the following shopping motives among online shoppers: overall convenience/time savings (shoppers select stores based upon time and effort savings), the shopping experience (enjoy shopping as a leisure-based activity), social interaction (reference group affiliation and communicating with others having similar interests), and information seeking (search for specific information tailored to their needs).

With the number of people identifying themselves as ethical consumers on the rise (e.g. Flatters and Willmott, 2009; Hughes, 2012), the study of their motivations is paramount to marketing researchers and practitioners. Katz's (1960) typology posits that any given attitude serves one or more of four distinct personality functions: utilitarian, knowledge, ego-defensive, and value-expressive. Additionally, Smith (1973) proposed an extension of the value-expressive function, focused on the motivation for social adjustment, in which people express attitudes or behavior that are agreeable to others. The function has also evolved to include motivations derived from relationships with others and recognizes the distinction between internal beliefs and the desire for external relationships, independent of moral values. In particular, the social function compels people to seek opportunities to interact with friends or participate in activities perceived favorably by important others (Clary et al. 1998).

Among the typologies of ethical consumption motivations, some are based on broader, generally descriptive, theories of motivation. These include Maslow's (1943) needs theory, which highlights the needs for achievement, affiliation and power, Rokeach's (1968) instrumental and terminal personal values, and the expectancy theory (Witt and Wright, 1992), which expresses the idea that motivation is a function of the attractiveness of the outcome and the expectancy of achieving that outcome. Finally, Pearce and Caltabiano's (1983) benefit segmentation has been considered a better predictor of future consumer behavior thanks to its ability to rely on causal factor rather than descriptive factors, as the previous ones.

In our research, we define motivation as “why” an individual or group have behaved or are about to perform an action (e.g. Dann, 1981). In other words, we aim at identifying what factors drive the choice of an ethical product or brand. We believe that consumers are concerned by the benefit they will obtain from the consumption of particular products. This definition aligns with both expectancy and benefit theories, as consumers are expecting to obtain specific benefits by consuming those specific products. Brinkmann and Peattie (2008) defined fair-trade shopping motives based on four variables such as public motives (ethical investing), private-social motives (social networks), private-caring motives (experience and interaction), and private-hedonism motives (excitement). Some researchers demonstrated that motivation alone is not enough for people to take the leap from traditional products to ethical consumption. For example, according to Kriesi and Westholm (2007) sustainable consumption practices stem from individuals' concerns about the present or future conditions of the environment and other people.

As described above, number of studies have developed consumer ‘profiles’ based on motivations. For instance, in a recent study of ‘sustainable’ consumers, defined as those who had bought products with fair trade or eco-friendly labels (Barkman, 2010), measured motivation by dissatisfaction, interest and civic duty. He identified four prototypical sustainable consumers: the “idealists” (recycle and save energy), the “able and willingly” (choose environment over economic growth), the “OK, I’ll do it” (buy ethical products because others do), and the “unwilling responsibility-takers” (buy ethically, despite not accepting environmental protection as their responsibility). Similarly, Devitiis et al. (2008) created a typology of consumers of fair trade food in one region of Italy, identifying four discrete categories: selfish, pleasure-seeking and curious (wanted pleasure), ethical (integrate any ethical component), ethical hygienist (effective action), hygienist selfish (health concerns). Looking at motivations of e-shoppers in the US, Brown et al. (2003), highlight the existence of multiple motivations such as relationship with the seller, enjoying the act of shopping, achieve the best quality-price relationship, enjoying shopping and personal relations, valuing time and effort, being loyal to a brand or a shop and rejecting the act of shopping. [Table 1](#) summarizes the main typologies of consumers cited in this paper.

The social dimension of ethical consumption was studied by Holt (1995) and Szmigin and Carrigan (2006). The latter propose four ways that consumers use their fairly traded consumption choices for integration: distinction, hedonistic satisfaction, love and aesthetic appreciation. Distinction highlights the fact that ethical consumption requires the consumer to distinguish themselves through proactive purchasing and rejection, as they are often less

concerned with the price of the commodity but look for reassurance that the goods have the appropriate ethical attribute. Hedonism implies that the consumption experience itself is an end (Holbrook and Corfman, 1985). Love implies the fact that consumers demonstrate their love for one another through the care and attention we give to the purchase they make. In sum, ethical consumers are people who are influenced by environmental or ethical considerations when choosing products and services. Arguments within the sustainable consumption field demonstrate that lots of everyday choices about what to buy have little enough to do with self-interest or personal identity, but a lot to do with obligations to others, love, care, compassion, and vulnerability (Malpass et al., 2007).

The literature review presented above describes several typologies of motivations stated by different authors. Some like Maslow and Katz, for instance, were not applied to ethical consumption, but were supposed to be universal as applied to all consumption in general. The researches analyzing motivations to buy ethical products do not integrate the evolution of consumers from green to ethical consumers. In our research, we aim at highlighting the fragmenting of consumers toward both social/non social and individualistic/collectivistic orientations of ethical consumption. Indeed, green consumers were less concerned by the social aspect of consumption as their actions are basically boycotting and sanctioning unethical companies instead of conforming to reference groups. In addition, green consumers were more collective in their behavior as consumers, as their demonstrations and actions were carried out in groups. Today, ethical consumption carries considerable social factors and decision about consumption and can be made with an individualistic perspective. Thus, in this paper we aim to draw on this past literature to understand the evolution of ethical consumerism by integrating them into a new typology of motivations for buying ethical products.

In addition to the social dimension of ethical consumption, researchers have also studied the influence on environmental and contextual factors. One of the main contributions to this area has been made by Stern (1997) and his colleagues by introducing the VBN and the ABC theories. The Value-Belief-Norm (VBN) theory develops how elements of the personal domain interact and affect individuals' levels of support for the goals of social movements in general and the environmental movement in particular. It holds that such support depends on an individual's acceptance of key values shared by the movement (for environmentalism, valuing the welfare of other people, other species, and the biosphere), on them holding beliefs that particular conditions of environmental degradation threaten these values, and on them holding the further belief that something they can do would directly or indirectly help ameliorate these conditions and preserve the values.

The conceptual basis for the A-B-C (Attitude-Behavior-Context) shows that the predictive value of attitudinal variables for pro-environmental behavior depends on aspects of the context, particularly the amount of effort, expense, or inconvenience required to change the target behavior. The chief implication for policy is that the extent to which behavior can be changed by interventions in the personal domain, such as education or information, depends on the strength of contextual forces: there are times and places when personal-domain interventions are likely to be effective and others when they will predictably fail (Stern, 1999).

### ***Why do Consumers Buy Ethical Products?***

Generally speaking, consumers want attractive and usable products, thereby often disregarding higher consumption of levels of energy and materials. It is difficult to change daily routines and consumers' perceptions of sometimes unattractive environmentally friendly products. Decision making is guided by a rational evaluation of behavioural consequences (Engel et al., 1995).

Studies of the motivations for ethical consumption highlight its complexity arising from the heterogeneity among consumers and their vision of ethics and ethical products. (e.g. Lockie, Lyons et al., 2002; Shaw and Newholm, 2002; Ozcaglar-Toulouse, Shaw et al., 2006). For instance, the 2011 Green Brands Survey of more than 9 000 people in 8 countries<sup>1</sup> shows continued growing interest in purchasing from environmentally sustainable companies, a breadth of ethical priorities, ranging from climate change to waste reduction and water management, and consumer motivations that include novelty, security and social interactions.

These complexities are not surprising given the diversity of ethical products and services available (Cowe and Williams 2010). Unlike the beginning of the "green era", when the range of ethical products was limited, ethical consumers have, now a day, the possibility of picking products from all categories, from different brands and accessible in several points of sales. Retailers, grocery stores, hyper and supermarkets are creating their own ethical

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<sup>1</sup> For a summary, see: <http://www.cohnwolfe.com/en/ideas-insights/white-papers/green-brands-survey-2011> [accessed 19 July 2011]



brands and making them affordable and accessible to all consumers. Although there still exists a lack of clarity about the motives which lead consumers to buy ethical products, research suggest that a combination of altruistic- and self-interests play a role in motivating ethical consumption (Freestone and McGoldrick 2008). Indeed, this variety of products and brands creates a social pressure among consumers who feel involved in this new type of consumption which is closely linked to their self-concepts.

Consumer behaviour researchers have long recognised the symbolic importance of consumption decisions (Levy 1959). Symbolic consumption offers symbolic value by expressing a meaning to significant others (Grubb and Grathwohl 1967), and this benefits the individual through enhanced self-concept and social recognition (e.g. Cherrier 2007; Devinney, Auger et al. 2010). Thus the consumption decision can be motivated by the desire to express one's self-concept; doing so allows them to reinforce their own view of themselves and achieve consistency between their behaviour and how they see themselves, based on their beliefs about their own identities, values, lifestyles, preferences, and habits (Sirgy et al., 2008). This attention to self-concept can occur at different levels: for instance, how individuals would like to be, how they believe they are perceived, how they would like to be perceived, or how they think others perceive them. What this arm of research highlights is the social reflexivity and symbolic utility of the consumption decision; motivation is also influenced by the perception we have of how others will appraise or view our choice.

This theme is picked up in research into ethical consumption, which highlights the importance of externally-directed self-concept and status attached to ethical brands and ethical consumption decisions (e.g. Newholm and Shaw, 2007; Freestone and McGoldrick, 2008). Rather than simply pro-social motives (i.e. interest in doing good for others), research suggests that ethical consumers can be motivated by social needs in two ways. The first is through belonging to a collective identity; for example, being part of a social movement by participating in collective political or civic action (e.g. Micheletti, 2003; Cherrier, 2007). In this case, the consumption experience creates a sense of identity and conformity with a collective reference group with whom consumers wish to be, or believe that they are, associated. The second is through membership to a socially distinct niche market which is able to spend, consume, use or invest ethically (Devinney, Auger et al., 2010). In this case, the moral responsibility displayed by ethical consumers runs counter to the mainstream consumption, void of civic and political participation (Bauman, 1999). Rather, it represents a collective sense of difference from the rest of society in the same way that a boutique designer brand might (Bird and Hughes 1997; Carrigan, Szmigin et al., 2004).

## **A FRAMEWORK FOR UNDERSTANDING MOTIVATIONS FOR BUYING ETHICAL PRODUCTS**

The literature review leads us to conclude that there is a change in pattern over time, when it was about being green to a broader concept. Indeed, the broad ranges of products now available along with numerous communication campaigns ran by companies in stimulating consumers to buy their ethical products, seem to have simplified the buying process whilst complexifying the identification of real motivations to buy ethical products. It seems that a new way for identifying consumers' motivations to buy ethical products should be seen as a multifaceted one, and not a single one like doing good. The contemporary ethical consumers might be motivated by a combination of motives instead by only one.

Despite the growth in ethical consumption in recent years, and the associated increase of research in this area, most research conducted on ethical consumer motivations has been bound to specific ethical product types and/or to a specific country. This might have been pertinent when studying green consumers, as they were more "localized", in countries such as Canada, Scandinavian and Germany. However, with the worldwide proliferation of ethical products and brands, ethical consumers might represent a more universal market target, and therefore, a non country-specific framework is needed to depict their motivations to buy ethical products.

Drawing on this review of the literature, we aimed at designing a typology of motivations which could be universal, e.g., encapsulate all those described in the existing literature by generalizing them to all product categories and all countries. As a result, we identify two dimensions that shape motivations to consume ethical products. These are represented visually as the horizontal and vertical axes in [Figure 1](#).

The first of these dimensions is the extent to which the motivation is externally directed towards others (*social*) or internally-directed, independent of what other people think (*non-social*). Social influence stems from a person's perception of how relevant others will perceive their behaviour (e.g. Pavlou and Fygenson, 2006). At the *social* end



of the continuum, decisions are influenced by group norms. Comparison to or compliance with such norms is an important motivation to individuals who seek confirmation from members of the reference group. In contrast, individuals with *non-social* motivations act independently, following their own norms about what is right or good to do. Hence, *social* motivations are externally directed and relate to other individuals, while *non-social* motivations are not based on other people's judgment. The second dimension is the extent to which the motivation is oriented towards the self and one's individual benefits (*individualistic*), or towards others and the collective good (*collectivist*). People with *individualistic* motivations are most concerned with their own welfare, instead of the group welfare. In contrast, *collectivist* motives stimulate individuals to associate their behaviour with, and direct their behaviour towards, a group.

From these two dimensions, we identify four categories of motivations applicable to ethical consumption: (1) conformity (social, collectivist motives), (2) self-orientation (social, individualistic motives), (3) self-actualisation (non-social, collectivist motives), and (4) hedonism (non-social, individualistic motives). These categories are represented visually as the four quadrants in [Figure 1](#) and explained in more detail below. In line with the research reviewed above, we suggest that, rather than being motivated by a single factor, people's motivations for consuming ethical products are shaped by a combination of these factors, although for each ethical consumption decision one of the four motivational forces is likely to take precedence.

*1. Conformity motivations:* Conformity motivations are underpinned by the desire to belong. In other words, individuals are motivated primarily by the needs of a group to which they wish to be associated. This motivation stems from the desire to be accepted to the group, and to be perceived as 'one of them' as a result of the decision. Even though consumers might not be personally convinced of the importance or the benefits of the behavior, they are motivated to do it as a way to adapt to the norms established by the group. It is acceptance to a particular group that most motivates individuals in this category. This type of motivation relates to those identified in previous researches: Ego-defensive (Katz, 1960), social adjustment (Smith, 1973), affiliation (Maslow, 1943), private-social motives (Brinkmann and Peattie, 2008 et al., 2003), "Ok, I'll do it" (Barkman, 2010), ethical hygienist (Devitiis et al., 2008).

*2. Self-orientation motivations:* Self-orientation motivations are influenced by personal relevance; in other words, the extent to which the decision has a direct bearing on the self and 'self concept', or the way individuals think that they are perceived by others (Freestone and McGoldrick 2008). Unlike conformity motivations, where people seek to build an image consistent with the group's values, individuals motivated by self-orientation seek to differentiate themselves. Hence, while the group is a powerful reference point (i.e. social), the individual is concerned primarily with creating a unique image that is distinct from the group (i.e. individualistic). It is the desire for self-respect stemming from a process of social comparison that leads the individual to seek this uniqueness (e.g. being *seen* to do 'good' or act ethically). Thus, while the benefit is primarily internal, it is derived from external approval or status.

Ethical consumers motivated by self-oriented motives will consume products or brands that are not trivialized. The scarcity or rarity of a product or a brand is their main motivation to show how different they are from "average people". They like to show how much more concerned they are about ethical issues (relative to others). This motivation is aligned with previous findings: value-expressive (Katz, 1960), power (Maslow, 1943), public motives (Brinkmann and Peattie, 2008, 2003), hygienist selfish (Devitiis et al., 2008), and distinction (Carrigan, 2006).

*3. Self-actualisation motivations:* Self-actualisation motivations are those in which the individual seeks self-fulfilment and an enriching experience from the ethical consumption (Maslow 1943; Goldstein 1995). Drawing on Maslow's conception of a self-actualised individual, people with self-actualisation motives are driven by growth, rather than a (perceived) deficiency. They seek the experience for egoless, selfless, detached reasons, and so fulfilling the needs has underlying altruistic motivations. A defining element of this category is that the individual seeks to help others rather than themselves, and so improved welfare for others is key primary outcome.

Ethical consumers would express altruism by buying fair trade products, in order to make sure that they are helping poor people to have a better life. They would also prioritize products from companies that practice Corporate Social Responsibility. This way, they bring their contribution on supporting companies which respect human and animal welfare and that are environmentally friendly. This type of motivation is consistent with the following findings: Knowledge (Katz, 1960), achievement (Maslow, 1943), private-caring (Brinkmann and Peattie, 2008, 2003), "able and willingly" (Barkman, 2010), ethical consumers (Devitiis et al., 2008), and love (Carrigan, 2006).

4. *Hedonism motivations*: In contrast to self-actualisation motivations, individuals with hedonism motivations are driven by the need for individual enjoyment or pleasure (Hirschman and Holbrook 1982). That is, the behaviour allows the consumer to feel good. The behaviour is used to advance the desire for sensory or cognitive stimulation, with the ethical aspect of the purchase producing a higher level of enjoyment, novelty, interest or excitement. The overarching motivation is *feeling* good, rather than doing good, and it is the quality of the service or product received that is paramount as opposed to the collective benefit (i.e. individualistic rather than collective).

From the ethical consumption viewpoint, consumers motivated by hedonism would search more by products that would do good to them, like for example, organic food on behalf of their own health. This type of motivation relates to previous researches outcomes: utilitarian (Katz, 1960), shopping experience (Rohm and Swaminathan, 2004), private-hedonism (Brinkmann and Peattie, 2008, 2003), selfish, pleasure seeking and curious (Devittis et al., 2008), and hedonistic (Carrigan, 2006).

## **DISCUSSION**

Our review of the ethical consumption literature has enabled us to develop a framework that aggregates existing research, and present a framework of distinct motivations for ethical consumption. Such a framework is important to both scholars and practitioners because it has the potential to offer both practical and theoretical benefits. Notably, it aims to articulate a framework of motivations that is generalizable across a range of product and consumer types. For managers, the framework can help in understanding the motivations for buying ethical products across a range of product lines. Marketers should understand the motivations for consuming ethical products in order to better match marketing strategies to specific consumer groups. If there is a desire to increase the quantity and frequency of ethical consumption, marketing researchers and practitioners must understand consumers' decision making processes, and be able to compare motivational forces across multiple categories of consumers and products. To do so, it is imperative to understand the universal motivations underpinning the purchase decision, and consequently the motivational sources of these decisions. This framework represents our attempt to assist in achieving this.

## **CONCLUSION**

This research enhances our understanding of shopping motives that are salient to the ethical consumption context. It demonstrates that the evolution from green consumers to ethical consumers requires a framework which can encapsulate the multifaceted motivations for buying ethical products across products categories and countries. Similar typologies about consumer buying/shopping motivations have been presented. Unlike the previous typologies, the framework here presented is innovative because it encapsulates the four most recurrent motivations identified in marketing research since Maslow's work back in 1943. Ethical behaviour is timely and global, as this tendency is switching from an individual level to a communitarian one, because efforts from companies in their corporate social responsibility rules, as well as legal policies, are stimulating ethical consumption via penetrating communication campaigns worldwide. However, marketing research in this area is maturing, and needs more light shed on it.

## **LIMITATIONS AND FURTHER RESEARCH**

Although this research highlights the importance of having a universal framework for ethical consumption motivations, two limitations should be noted. Firstly, the framework is derived from a review of existing literature but is yet to be empirically tested. Secondly, while we draw on a range of studies that cut across different contexts, product categories, samples, and research methods, the four-category framework is unlikely to be comprehensive. That is, future studies may unearth additional dimensions, categories, and/or sub-categories of motivations to those already identified here. Finally, we suppose that the framework here presented might be universal. Future research should be conducted in different cultures in order to verify if all four types of motivations are represented across cultures.

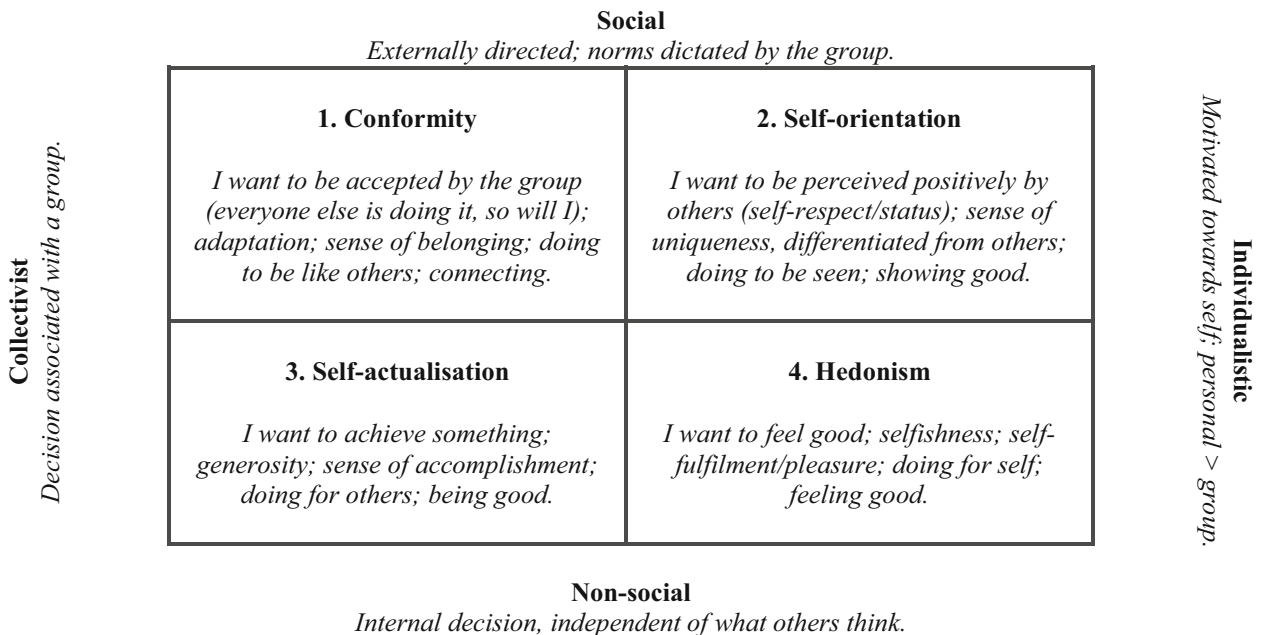
## TABLES

**Table 1 – Main ethical consumer’s motivations typologies**

Authors	Topic	Motivations
Szmigin and Carrigan, 2006	Fair-trade products	Distinction Hedonic satisfaction Love and aesthetic appreciation
Birkmann and Peattie, 2008	Fair-trade products	Public motives Private-social motives Private-caring motives Private-hedonism motives
Devitiis et al. 2008	Fair-trade food in Italy	Selfish Pleasure-seeking and curious Ethical Ethical hygienist Hygienist selfish
Barkman, 2010	Fair-trade and eco-friendly products in Sweden	Idealists Able and willing Ok, I’ll do it Unwilling responsibility takers

## FIGURES

**Figure 1: Framework for understanding the motivations for buying ethical products**



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# **THE EFFECT OF ANIMAL PROTECTION ADVERTISING ON OPPOSITION TO THE SLAUGHTER OF WILDLIFE AND WILLINGNESS TO BOYCOTT THE OFFENDING INDUSTRY: INITIAL AND CARRYOVER EFFECTS**

Karin Braunsberger, University of South Florida St. Petersburg, USA

## **ABSTRACT**

During the last decade, concerns for both the welfare and rights of animals have moved into the mainstream (Severson 2007; Siebert 2010; Singer 2006). Accordingly, it comes as no surprise that we have observed an increase in the number of individuals who disapprove of all sport fishing, hunting, and trapping activities (Arlinghaus et al. 2012). The Canadian and Namibian seal hunts, for example, have been drawing growing criticism for years (Smith 2011; UPI 2012), as have the Japanese whale and dolphin hunts (McCurry 2009; Morell 2008).

Even though research has shown that media coverage can affect public perceptions and therefore the choices consumers make (Kalaitzandonakes, Marks and Vickner 2004), empirical examination of the effect of media coverage on consumer choices as they relate to animal welfare and animal rights has—to date—mainly focused on concerns relating to farm animals (Tonsor and Olynk 2011). Hardly any empirical research to date has examined whether advertising focusing on animal cruelty, animal welfare, and animal rights issues has a comparable effect (for a notable exception, see Richards, Allender and Fang 2011). Thus, the purpose of the current study is five-fold. First, it examines not the effect of media attention but rather the effect of advertising on consumer choices and behaviors. Second, in addition to testing the impact of the ad itself, the study examines the actions taken by viewers to learn more about the issue. A third purpose of the present study is to add another focus to animal welfare issues, specifically as they relate to wildlife rather than farm animals. Fourth, the current research examines whether consumers are willing to boycott the industry that is involved in the cruel acts shown in the ad. And fifth, it measures and compares the initial and carryover effects of the advertisement. Consequently, the present study is the first to date to measure the effectiveness as well as carryover effects of an animal protection advertisement on consumer opposition to perceived animal cruelty and willingness to boycott the offending party.

The video ad used in the current study had been developed by Harpseals.org with the goal to raise awareness about the Canadian seal hunt, and to increase opposition to the seal hunt as well as participation in the Canadian Seafood Boycott (see [http://www.harpseals.org/resources/toolbox/video\\_audio/harpseals\\_flash\\_video.php](http://www.harpseals.org/resources/toolbox/video_audio/harpseals_flash_video.php)). The ad shows scenes of the seal hunt, including material that shows a sealer about to club a harp seal pup with a hakapik (a club with a hook at its tip), and the bodies of dead seals scattered across the ice. The goal of the boycott is to permanently end the annual Canadian Seal Hunt. The data for Waves 1 and 2 were collected online via a web panel provided by Global Market Insite, Inc. (GMI). After the initial opposition to the egregious acts was measured, respondents viewed the ad, and then asked again about their opposition to the egregious act as well as their willingness to boycott the offending industry. Approximately two months later, a follow-up study examined whether the respondents' opposition to the egregious act and their participation in the boycott against the offending industry were still impacted by the advertisement they had watched during the first wave of data collection.

The findings show that the level of opposition to the egregious acts—although it had leveled off in two months—was still significantly higher (42%) than before respondents had seen the advertisement. The findings further illustrate that the single exposure to the ad boosted boycott participation by 479%.

References available upon request



# REFRAMING THE ETHICAL CONSUMPTION ‘GAP’

Michal Carrington, LaTrobe University, Australia  
Benjamin Neville, University of Melbourne, Australia

## INTRODUCTION

Mainstream consumers are increasingly expressing concerns about the ethicality of their consumption choices upon the environment, animals and/or society (De Pelsmacker, Driesen, & Rayp, 2005; Shaw & Shui, 2002). Yet, the reality is that there is a ‘gap’ between ethically-minded consumers’ intentions and the extent to which these are expressed at the cash register (Auger & Devinney, 2007; Szmigin, Carrigan, & McEachern, 2009). A growing body of research attempts to understand ethical purchase decision-making (e.g. De Pelsmacker et al., 2005; Vermeir & Verbeke, 2008), but focuses mainly on the formation of ethical purchase intentions. A handful of studies do go beyond ethical consumer intentions to explore the ethical consumption intention-behaviour ‘gap’, but these focus solely on the role of the consumer in the creation of this gap – such as social desirability bias (Auger and Devinney, 2007), rationalisation and neutralisation (Chatzidakis, Hibbert, & Smith, 2007; Szmigin et al., 2009), and cognitive and situational factors (Carrington et al., 2010). A significant dimension of the ethical consumption ‘gap’ that is yet to be explored, however, is the role of firms and their marketing managers in the co-creation of this gap.

The current literature examining the gap rests on assumptions of consumer sovereignty, and we contend that these assumptions are flawed. An entire supply chain and layers of marketing decisions across firms and retailers have occurred prior to the consumer reaching the shelf and making a choice from the pre-determined available options (A.F. Firat, 2005). This study aims to explore the practices and values of managers as actors within firms as potential facilitators and co-creators of the ethical consumption ‘gap’ (Gronroos, 2011). In doing so, we address a significant limitation of the extant literature. Tadjewski (2010) suggests that marketing is the least critically reflexive of all business disciplines. Thus, understanding the lens through which marketing managers view their role in ethical consumerism presents an important research direction, as well as managerial and social objective.

## CONCEPTUAL APPROACH

We draw upon the co-creation literature to conceptually frame the study. Specifically, we draw upon the concepts of *value* (Arvidsson, 2011), *co-destruction of value* (Echeverri & Skalen, 2011), and the role of *value congruency* in value creation and value destruction (Arvidsson, 2011; Echeverri & Skalen, 2011; Prahalad & Ramaswamy, 2004).

In this paper, we align with the notion that *value* extends beyond simple monetary gain or economic worth to include the consumer’s full set of preferences and subjective experiences with the consumed object or service that are produced beyond the factory (Arvidsson, 2011; Echeverri & Skalen, 2011). In this sense, value can include the ethical or moralistic dimension of the good or service. We also contend that in addition to value co-creation, the individual’s sense of value can also be *co-destroyed* (Echeverri & Skalen, 2011). This co-destruction of value can occur on one or more dimensions of value that are salient to the individual consumer – such as ‘ethical’ value, ‘status’ value, and ‘financial’ value – and is jointly facilitated by producers and consumers. Thus, we move away from the flawed assumptions of consumer sovereignty dominant in the ethical consumption ‘gap’ literature, towards a negotiated and co-created notion of consumption ethics. We contend that the co-creation and the co-destruction of value – in the extended sense of value – are contingent upon whether the values and practices of producers and consumers are respectively *congruent or incongruent* at the points of exchange and interaction (Arvidsson, 2011; Echeverri & Skalen, 2011). These concepts frame our central research question: how do the values and practices of marketing managers facilitate the co-creation and the co-destruction of ethical value in consumption choices? We address this research question with an ethnographic study.

## RESEARCH METHODOLOGY

This study employs a multi-method ethnographic methodology, through which we immersed in the workplace lives and environments of thirteen marketing practitioners. We combine semi-structured ethnographic interviews, participant observation, informal interviews and archival techniques within the single study. Semi-structured ethnographic interviews were structured around a string of ‘grand-tour’ questions that explored extant and emergent concepts. Participant observation occurred in the natural environments of informant, including office and retail environments. We employed a maximum variation sampling strategy (Miles & Huberman, 1994) with a participant pool consisting of: major retailers; large, medium



and small production firms; multiple industries; national and multinationals; managers from Australia, the UK, and the US. We combine this multi-method approach with selective member-checks, constant comparative/negative case analysis and maximum variation sampling to enhance the trustworthiness of the data (Wallendorf & Belk, 1989). Our analysis takes an inductive approach (Corbin & Strauss, 2008).

## **FINDINGS**

Our analysis reveals five emergent themes relating to the interactions between firms, managers and consumers. These themes reveal a complex interplay of values and practices exhibited by the marketing practitioners in our study that fluctuate between congruence and incongruence with the values of ethical consumption. It is these values and practices that simultaneously facilitate the co-creation and the co-destruction of ethical consumption value dimensions.

### **Personal Motivation: Congruence and Conflict**

All informants were personally motivated by ethical concerns regarding the production, consumption and disposal of products – in their working lives and as consumers. These deeply held ethical concerns underpinned their actions towards integrating ethical considerations into business operations and product offerings, or to specifically work in a firm where ethics were already culturally embedded. All informants held positions of responsibility and had high levels of influence over product development and/or product ranges. For some informants, however, ethical issues were not the most salient factors guiding their in-role behaviour as managers.

### **Delicate Balancing Act**

Informants displayed fragmented selves within their workplace roles (A.Fuat. Firat & Venkatesh, 1995). While they brought their own ethical consumption concerns into the workplace, they were also juggling multiple and conflicting motivations – such as profit growth, personal advancement and status – stemming from both internal and external socio-cultural sources. Thus, they found themselves performing a delicate balancing act between their divergent consumption and production roles. In the case of Michael, Lucas, Anita, Diana and Johan, this juggling act was reflective of a broader juxtaposition at firm level. Their firms espoused and attempted to enforce strategies that were often conflicting: deliver sales/profit growth to meet shareholder expectations, while simultaneously meeting the expectations of the growing ethical consumption movement. This conflict created tension across the firm and within the individual. As actors at the coal face of this cultural paradox, informants exhibited these contradictions in their own workplace decision making. For example, Michael suggests that an ethical product from his category range “will be deleted in the next few weeks because it’s just not getting the stock turns”. This balancing act was not evident, however, for Amber, Sarah and Keith, who work at private firms with ethical frameworks integrated/prioritised within the firm’s culture and daily operations. For instance, Keith describes how he manages to integrate his sense of ethics into both his work and outside life, “I don’t have to put on a business hat, saying okay I’m coming to work now so this is what I have to believe today and now I’m going home and I can take that hat off. One of the benefits of that is that you’re in touch with your own thoughts and needs and desires.”

### **Ethical Frameworks – Embedded Cultural Practices or Risk Mitigation**

For Amber, Sarah, and Keith, ethics were embedded cultural frameworks within their organisations. This cultural code was role-modelled by the managing directors of their firms, who were passionate about the environment, animal welfare, consumers and employee welfare. In contrast, ethical considerations by the respondents from other firms were generally approached from a risk management perspective. These firms codified ethics into policies/processes to minimise the risk of damage to brand reputation. Thus, risk aversion also affected the juggling acts being performed by our informants. For example, while Michael was not prepared to risk alienating the mainstream “94% for the 3-6%” ethical niche, Lucas and Anita viewed their firm’s risk aversion positively as it enabled them to integrate their own personal ethical concerns into their roles and the marketplace without adverse consequence to themselves.

### **Parallel Journeys**

Informants suggested that their organisations were on a learning journey and were continuing to evolve towards increasing the ethicality of their operations. This journey was in parallel with the evolution and gradual mainstreaming of the ethical consumption movement. Similar to the contradictions exhibited by ethical consumers, the informants highlighted the ethical compromises enacted by their firms and themselves as managers. For example, Amber suggests: “I don’t think that we have

it right yet but we're getting there slowly, in the five years that I've been here we've come a mile. That's really important as far as our ethics are concerned."

### **Divergent Interests at the Retailer, Manufacturer, and Consumer Intersections**

Informants highlighted the complexity of decision-making in the midst of divergent stakeholder interests, and the constant ethical trading-off that occurred at the intersections of these relationships. Distrust of the ethical claims and motivations of other stakeholders was also evident at these intersections. Amber and Sarah represented a notable exception, perceiving that their firm's interests were generally aligned with those of the ethical consumer on multiple dimensions. They displayed distrust, however, of the ethical motivations and abilities of other producers and retailers. For example, Amber suggests: "It's always a challenge with them [retailers] because essentially they're about making profit. If it means another [unethical] product that's on the shelf is going to give them better margins, then they'll go with that one."

## **DISCUSSION AND CONCLUSION**

In this study we ask how the values and practices of marketing practitioners work to facilitate the co-creation and co-destruction of ethical value in consumption choices. We discover individuals weaving complex combinations of congruent and incongruent values into their workplace decision making in an attempt to balance their many salient motivations. In doing so, our informants enact a workplace balancing act, juggling multiple and often incongruent objectives. This balancing act reflects the juggling and trading-off of the multiple dimensions of value – such as ethical and economic – at the points of exchange and interaction with consumers. The weaving of multiple and sometimes conflicting values into workplace decisions of the marketing practitioners in our study facilitates the inconsistent ethical purchasing decisions of consumers.

These findings align with the notion of value co-destruction posited by Echeverri and Skålén (2011), and extend this conception by illustrating that value, as a multidimensional construct, can be simultaneously co-created and co-destroyed. While ultimately the creation and destruction of ethical value occurs in use by the end consumer (Gronroos, 2011), both of these outcomes are facilitated by the day-to-day decisions of managers within firms. The study also renders a corporate landscape that is in stark contrast to the traditional view of the heartless, profit maximising machine often painted by anti-corporate activists (Kozinets & Handelman, 2004). We discover managers and firms struggling to reconcile an evolving sense of ethical responsibility with traditional profit/growth expectations, attempting to overcome obstacles along their own journey, and battling with supply chain partners to realise their ethical intentions. On an individual level, the study reveals a blurring of the lines between informants' sense of identity as a 'manager' and as a 'consumer'. This finding extends the burgeoning and related co-creation and *prosumption* (Ritzer, Dean, & Jurgenson, 2012) literatures to blur the lines between producer and consumer. The notion of *prosumer* generally relates to the concept that end consumers are also producers of value. This paper suggests that the notion of prosumer be extended to include producers as end consumers, blurring the lines between production and consumption identities even further. Alvesson and Sveningsson (2003) suggest that "identity holds a vital key to understanding the complex, unfolding and dynamic relationship between self, work and organisation". We contend that viewing marketing practitioners as complex individuals constantly balancing multiple identities that are focused on incongruent dimensions of value – such as ethical versus economic – reveals agents active in the construction of fluid boundaries between consumption and production (Kreiner, Hollensbe, & Sheep, 2009). These findings begin to understand producer's active facilitation of the co-creation/co-destruction of ethical value in consumption, and thus their contribution to the ethical consumption intention-behaviour gap.

When we view marketing managers as actors within workplace cultures, we find that just like ethically-minded consumers, they too are complex individuals with fragmented selves, motives and responsibilities who exhibit individual and collective ethically contradictory behaviour and are constrained in their decision making choices. These tensions, conflicts and constraints flow through to the staging of the consumer experience and the management of consumer choices – ethical and otherwise. Thus, as the ethically-minded consumer stands in front of the store shelf, it is at this final 'moment of truth' that the co-creation of ethical consumption contradictions is evident.

## **References**

References available on request.

# EMERGING SEGMENTS IN ETHICAL CONSUMPTION: YOUNG ADULTS AND COSMETICS

Francesca Montagnini, University of Milano-Cicocca, Italy  
Isabella Maggioni, Catholic University of Milan, Italy  
Roberta Sebastiani, Catholic University of Milan, Italy

## ABSTRACT

Young adult consumers represent one of the most promising market segments when considering ethical and sustainable consumerism. They embody the next generation of consumers and will potentially support the spread of ethical stances in the future. The present study explores young adults' orientation towards sustainable and ethical consumption, focusing on a particular product category, i.e. natural, organic and ethical cosmetics. Through the analysis of 14 focus group discussions, the study is aimed at (1) better understanding the perceptions about product features, price levels, distribution, and communication activities of this product category, and (2) exploring the role of natural, organic and ethical cosmetics in the process of identity formation for young adults. Findings suggest that the consumption of ethical products has several implications for the process of identity formation, in particular the analysis highlights two alternative orientations towards ethical and sustainable cosmetics. These differences in sensitivity towards ethical and sustainable issues reflect a divergent perception of product ethicality, providing some crucial insights into cutting-edge issues that need to be addressed both by theory and practice.

**Keywords:** ethical consumption, young adult consumers, identity, cosmetics, focus group

## INTRODUCTION

In the last decade, ethical consumption has received growing attention by researchers and practitioners, due to the increasing ethical sensitivity shown by consumers while defining their shopping strategies. However, what emerges in literature is that consumers' attitudes toward ethical products are not always consistent with their buying behaviours and that the so called attitude-behaviour gap (Carrington et al. 2010) should deserve further research, especially as far as demographic dimensions (age, gender, education and so on) are concerned (Bray 2011).

Some scholars pointed out that an "average ethical consumer" does not exist (Bucic et al. 2012; Devinney et al. 2010) and called for focused research on market segments with high potential in terms of social and economic impact (Boyd 2010). One of this is represented by the young adults (18-26 year old), since they will be the next generation of ethical consumers (Joergens 2006) and, very likely, they will take their habits into their older age. Furthermore, they are in the end stage of forming their personal identity and developing a personal system of beliefs and values (Vermeir and Verbeke 2008). According to literature, identity goals are higher-order, central drivers of consumption (Epp and Price 2011). In this regards, they are consumers who could really support the spread of ethical stances in production, distribution and consumption by driving retailers and manufacturers to develop appropriate strategies in response to their evolving attitudes and behaviors.

The aim of this research is to investigate more in depth the effects of ethical issues on attitudes and behaviours of young adult consumers. In particular, we are interested in understanding better which are the product features, the price policies, the distribution alternatives and the communication activities, to which they seem to be more sensitive while addressing ethical issues. In addition, we want to explore the relationship between ethical issues in consumption and the identity construction process the young adult consumers are facing in their stage of lifecycle. In particular we want to focus on the role of ethical and sustainable products in the identity construction process of this segment; to what extent and in which ways this product category contributes to the development of young consumers' self-concept and how it acts as a way to express young people's self in the society.

In order to answer to our research questions, we decided to focus on a specific category of products: the ethical cosmetics. According to Organic Monitor and Kline Group, two leading companies periodically performing surveys in this field, ethical cosmetics not only can be defined as environmentally friendly products, respectful of animals and labour conditions, but they embrace also natural and organic features. The choice for this setting of analysis is related to the encouraging results of the

ethical cosmetics industry in the last years that is growing at twice the rate of classic cosmetics (+10% per annum vs. +4% total H&B) in the US and Europe. The European market and the Italian market more specifically, are particularly interesting both in terms of market share of natural and organic cosmetics, and in terms of consumer knowledge regarding these product categories. This specific category of ethical products were selected as an empirical setting for our study due to the importance given by young adults to their physical appearance as a primary contributor to their global self-esteem, by rising, as a result, the attention on products and services that can enhance it.

Due to the exploratory nature of our study, we employed the focus group methodology, since it represents the most appropriate technique when the goals of the research are general, there is minimal prior knowledge about a particular problem and the range of responses that are likely to emerge (Zeller 1993). In particular the adoption of this methodology, allowed us to gather rich descriptive information about the young consumers' thoughts, beliefs and opinions about the ethical cosmetics. The paper is structured as follows. We start by considering previous literature referred to the young adult consumers, their consumption processes and their implications in terms of identity formation. We then review previous conceptualizations of ethical consumption and the main criticalities emerging as far as the young adult consumers and their identity construction are concerned. After presenting the methodology adopted, we report the main findings emerging from the exploratory analysis we conducted on young adult consumers and ethical cosmetics consumption. Finally, the results are discussed along with implications for further research and practice.

## **BACKGROUND**

### **Identity and Young Consumers**

The role of consumption in the construction of the self has been explored by several researchers (Belk 1988; Escalas, and Bettman, 2005; Shembri et al. 2010). Consumers have a natural affinity for products that match at best their self- and social-identities (Kleine et al. 1993; Chattaraman et al. 2010).

As stated by Belk (1988), "we are what we have...our possessions are a major contributor to and reflection of our identities" (Belk 1988, p. 139).

Besides providing functional benefits, products enable experiential opportunities through their use (Holbrook and Hirschmann 1982) and serve as a tool to establish one's identity (Belk 1988; Ligas 2000; Shembri et al. 2010).

Consumers could achieve both individual (Houston, and Walker 1996; Bagozzi and Dholakia 1999) and collective goals through products consumption (Epp, and Price 2011). In particular, Huffman et al. (2000)'s hierarchical model of consumer goals, identifies three different structural levels of individual goals: the having level, the doing level and the being level. For the purposes of the present study, the main focus is on the being level goals, i.e. goals related to the development of one's role identity (Walker and Olson 1994). Through products individuals can show something personal about them to others (Ligas 2000), but they can also answer to their inner desire to define themselves and to communicate who they are to the society (Shembri et al. 2010; Isaksen and Roper 2012). It could be stated that products contribute to the construction and to the communication to the society of one's self-concept.

According to social identity theory the consumption of products contributes to the individuals' structuring of social reality, self-concept, and finally behavior (Reed 2002). The essence of one's self-identification relies on the "part of the individual self concept which derives from knowledge of his/her membership of a social group (or groups) together with the value and the emotional significance attached to that membership" (Tajfel 1981, p. 255).

Given this, it is clear that products' symbolic meanings work in two different directions: outward in building up the social world, and inward in forming one's identity (Elliot 1997). In particular, considering the process of one's self-concept formation, products and brands act twofold, expressing who a person is and revealing what groups a person belongs to and aligns with (Shembri et al. 2010; Thorbjørnsen et al. 2007).

Together with adolescence, one of the most important stages of life in which the process of identity formation takes place is the emerging adulthood (Arnett 2000). Young adults in this stage are characterized by the coexistence of adolescence and early adulthood features. They represent the final tail of the Millennials' cohort (Bucic et al. 2012; Pendergast 2007) and include people aged between 18 and 26 years old. Some authors referred to them also as the Generation Me or the IGen (Twenge 2006; Schmeltz 2012). Young adult consumers live a particular exploration period of their life, in which they are

still engaged in self-defining activities aimed at exploring, developing and communicating their identities (Lee 2009). The most important activities are those that contribute to create special meanings for the individual or for his/her self-realization. At this stage the consumption of a particular product category assumes peculiar connotations, since young adults bring meaning to life, define their personal success and pursue happiness through the products they own. Through a process of “symbolic self-completion”, they attempt to fulfill the residual sense of inadequacy left from the adolescence (Isaksen and Roper 2012). They also use products to fight against negative moods. Moreover, products represent a means to seek social inclusion and to connect to other people (Ji 2002), because they perceive the judgement of their peers as a critical factor to be socially accepted.

### **Ethical Consumption and Young Consumers' Identity**

Literature on ethical consumption pointed out how ethical behaviour represent a part of the consumers' identity and moral realisation (Thompson and Arsel 2004; Cherrier 2009) and how through ethical behaviour, consumers manifest their moral side to the society (Andorfer and Liebe 2012). Scholars pointed out how ethical consumption is not only linked to a matter of performing ‘a good behavior’ but it is progressively becoming a concrete way of characterizing the consumer identity as moral person (Varul 2009). As far as our research objectives are concerned, one important aspect of ethical consumption emerging from previous literature is that it is often overcoming the individual consumption level and embracing a social level with a ‘renewed cooperative engagement’(Moraes et al. 2010), such as in forms of collective action (Harrison et al. 2005), as community-supported agriculture and ethical banking. This appears coherent with a notion of a consumer identity, that more and more incorporates an overall project within the broader context of socialisation and social belonging, as underlined by recent literature (e.g. Arnould and Thompson 2005). Ethical consumerism researchers have specifically pointed out how social motivations exert higher influence than personal motivations in ethical decision making (e.g. Freestone and McGoldrick 2008).

Notwithstanding the increasing consumers' sensitivity to ethical issues in most affluent countries, ethical products, such as the Fair Trade ones, still represent small market niches (De Pelsmacker et al. 2005; Kim et al. 2010; Nicholls 2010). A considerable body of research has so far produced conflicting findings about the reasons behind the so called attitude-behaviour gap (Belk et al. 2005; Nicholls and Lee 2006; De Pelsmacker et al. 2005), that is the discrepancy between the increasing positive attitude of a large portion of the population toward ethical products and the relatively small market share that these kind of products has gained so far.

Beyond consumers personal values and experiences and biases due to social desirability (Auger and Devinney 2007; Carrigan and Attalla 2001; Bray et al. 2011), scholars pointed out some other factors to which consumers seem to be more sensitive while addressing ethical issues in purchasing.

Firstly, the ethical orientation appears to be affected by primary concerns about the core aspects of the ethical products, such as quality and effectiveness, higher average prices, adequate products range and product availability, and packaging (Bray et al. 2011; De Pelsmacker et al. 2005; Carrigan and Attalla 2001). A relevant key factor is represented by the need for wider and deeper information about the ethical features (related to the production processes, the animal testing, the respect of the environment and of the labour conditions) to support the purchasing decision toward ethical product instead of conventional ones (Bray et al. 2011; Padel and Foster 2005; Carrigan and Attalla 2001). In this sense a critical role is exerted by the communications and interactions between manufacturers/retailers and the final customer. Finally, recent contributions have also underlined the importance of the context, the outlets and the physical surrounding (Carrington et al. 2010; Sebastiani et al. 2012) in which the ethical products purchasing takes place.

These are all elements that we will specifically look at while in the empirical study here presented.

More specifically young adults represent a relevant market segment, since they embody the next generation of consumers (Joergens 2006). Besides, they are at the critical stage of their identity process formation and their personal system of beliefs and values (Vermeir and Verbeke 2008) will likely affect their habits into their older age.

Prior researches on young adults (as part of the larger segment called Millennials) pinpointed their general positive attitude towards ethical issues and their concerns about the context (social and environmental) in which they act (Gorman et al. 2004; Boyd 2010).



However, also this market segment manifests criticalities in the actual conversion of general attitude into concrete buying behaviour; in particular traditional (not ethically based) factors, such as price and quality seen above, represent key elements that can hinder or facilitate ethical purchasing (Bucic et al. 2012).

Moreover, a relevant aspect, not yet explored in literature, is to understand if and to what extent the consumption of ethical and sustainable products could contribute to the development of young adults' identity both at a personal and at a social level.

## **RESEARCH METHOD**

As highlighted in the Introduction, in order to answer our research questions we decided to adopt the focus group methodology. This approach has been thus considered particularly useful when studying ethical consumption in specific settings (Clavin and Lewis 2005; Bray et al. 2011). As a matter of fact it provides researches an excellent a time-efficient way of investigating the underlying logic used by and the type of evidence brought to bear by participants on a given situation or product (Lindlof 1995). The research was conducted through 14 focus groups according to the recommendation of Krueger and Casey (2009), each containing from 7 to 9 members (108 participants in total), as indicated as the optimal size for group discussions (Greenbaum 2000).

A purposive sampling approach (Glaser and Strauss 1967) was used to ensure participants, who were all young consumers aged between 18 and 26 years, were recruited with different income and educational backgrounds and living in big cities as well as in small towns, especially in Northern Italy. Furthermore, participants were selected regardless of their declared commitment to ethical issues and of their previous experiences as ethical cosmetics customers.

In order to ensure that that key issues were discussed and to guarantee consistency between the groups, we developed a structured discussion guide with extensive, open-ended questions as recommended by Krueger and Casey (2009). Each focus group has been conducted by two members of the research team. They did not strictly follow the structured guide but allow the discussion among the participants to develop freely according to the established guidelines in order to minimize the 'social desirability bias' (Clavin and Lewis 2005).

Each focus group lasted about two hours, and all focus group discussions were recorded and transcribed verbatim. The content of the transcriptions and of the written notes outlining significant points and impressions was analysed separately by each of the three researchers and eventually discussed together for identifying the key issues emerging from the focus groups.

## **FINDINGS**

Young adults seem to be concern with ethical and sustainable issues, but at the same time they express a blurred perception about ethical products. Moreover, two opposite orientations towards ethical products arise among young adults. People who consider ethical products as a part of their daily life, and therefore buy them regularly, and people who feel themselves still dubious towards ethical products. Regardless these two general orientations, the consumption of ethical products seem to play an important role in young adults' lives, affecting in different ways the activities of self-definition in which this particular target is routinely engaged. In the following sub-sections the study focuses more in depth on the perceptions related to ethical cosmetics and on their role in the process of identity formation for young adults.

### **Ethical Cosmetics and the Perceptions of Young Adults**

Several factors affect the perception of ethical products among young adults, stimulating or hindering the consumption of this category of products.

In general, young adults complain with the lack of reliable information about ethical cosmetics. They are dubious with the authenticity and the trustfulness of the information delivered by companies. This is especially true when evaluating the effectiveness of a product.

Due to the lack of information, young consumers assume a pro-active behaviour in information searching, relying on unconventional communication channels such as social media, blogs, word-of-mouth, and in general the Net.

*"I discovered these products while watching make-up tutorials on Youtube. All I know about natural cosmetics is thanks to these girls that put their videos on the Web. No ads by companies, simply people talk about the benefits of these products."* (Lucia, 19)

The point of sales represents another important touch point for ethical cosmetics. Sales assistants are perceived as a reliable source of information by young adults. Therefore specialized stores seem to be preferred, due to the presence of well-trained sales assistants, who are critical in comforting consumers, getting them informed about products' ingredients, properties, and sustainability features.

*"The best shops are the ones in which sales assistants are well-trained and, above all, firmly convinced of the product's effectiveness. It is fundamental that the staff has previously tried these products."* (Erika, 23)

Considering the Product side, effectiveness is perceived by young adults as a fundamental feature of an ethical cosmetic. At the same time, assessing the effectiveness and the subsequent quality of an ethical cosmetic seem to be an arduous challenge. This is one of the main reasons why young adults seem to be suspicious about ethical, organic and natural cosmetics.

*"When I think about a natural cosmetic, I'm not always sure that it is better in quality. Sometimes it seems that people spend more money to protect the environment, getting worse results. The effectiveness of some natural products could be tested only over the time."* (Elena 19)

Consequently, young consumers perceive ethical cosmetics as less effective at a first sight. Just after testing them, they can really appreciate their properties and quality. That also affects their relationships with this category of product. In fact, young adult argue that they prefer trying ethical cosmetics before buying them.

*"I really appreciate stores with areas in which you can try products for free and getting free-samples. They are very useful because they help me to know something more about the brand and which are the available alternatives on the market"* (Carlotta, 19)

Young consumers pay a great deal of attention to the emotional side of a cosmetic product. In particular features like the perfume and the physical appearance seems to be critical to the purchase decision.

Moreover, the appearance of a product seems to be very important to young adult consumers. In this sense, the packaging plays a fundamental role in assessing the preference of young adults towards a ethical cosmetic. Besides attracting the customer, packaging should accomplish the information need and be consistent with the product vocation and promise.

Among the elements that slow down the purchase of ethical cosmetics there is the price. Price of ethical cosmetics is perceived by young consumers as too high. This leads young consumers to consider ethical cosmetics only for some specific cosmetic needs.

Higher prices together with uncertainty in quality lead to a braking effect for the first purchase. Just after appreciating the properties of a natural, organic and ethical cosmetic, young adults seem to become willing to pay more for it.

*"The weakness of these products lies in their price that is quite higher than the one of traditional products. After appreciating the effectiveness of a natural product, I become willing to pay more and to always buy this category because it satisfies my needs. However, when I find myself to buy sight unseen, I choose traditional products."* (Giuliana, 19)

On the other side, some argue that higher prices are the expression of a positive outcome in sustainability.

*"The difference in price is rewarded with quality, because there is much care of the product. And this increases my confidence in the brand. These products cost more, but in that way you support workers in disadvantaged countries and the company is worried about the environment. I prefer to pay more for a product that respects topics that matter to me."* (Valentina, 20)

## **The Role of Ethical Cosmetics in the Process of Identity Formation**

As stated before, young adults find themselves in a particular phase of their life in which they are still engaged in self-defining activities, aimed at forming their personal and social identity. During this phase, the consumption of a particular product category assumes peculiar connotations, due to the fact that young adults use possessions and products to characterize and to express themselves to the society.

Young adults approach ethical cosmetics according to several reasons. These are related to intimate values and beliefs, to curiosity, or to recreational and entertainment motivations.

*"One buys something ethical or sustainable because he/she is thinking "I am doing something for me, but I am also doing something good for the others!" (Giorgio, 25)*

*"I bought ethical cosmetics because I was curious about them. The first time happened by chance, but then I started to buy them regularly." (Lorenzo, 21)*

*"The first time I bought an ethical cosmetic was because that I thought it could be an amusing thing, they looked funny!" (Anna, 20)*

Investigating the personal side, the consumption of this product category reflects the intimate beliefs and the values of the young adult.

*"If I buy an ethical product, it is because I have a certain belief, I want to be useful with a little effort. I do not need others to know that I do it, or why I do it." (Chiara, 22)*

In this sense the purchase of ethical products represents also a way to gratify one's self.

*"I usually buy ethical cosmetics, pushed by the idea of doing something good for the environment and for the society." (Alice, 23).*

Moreover, young adults express something of themselves by purchasing and consuming ethical products.

The contribution of ethical products to the social development of young adults is also witnessed by the role particular role played by peers and family members.

*"I went to a shop specialized in ethical products because I was brought there by my friends." (Agnese, 20)*

*"I know ethical products thanks to my mother. Originally I used her own ones, then I found myself satisfied and I bought my own ones" (Mirella, 21)*

*"I know about these products thanks to my family, but I have a lot of friends that are not so aware." (Valentina, 20)*

The concern towards ethical and sustainable issues is conceived by young consumers as a growing trend that has boomed in recent years. Nevertheless, they still perceive the phenomenon as a niche and they are wary of companies operating in the mass-markets, offering such a kind of products.

The credibility of a company and of a product is considered critical by young consumers.

*"I think that it is important to evaluate the whole company policy when considering ethicality and sustainability. We buy products that are advertised as ethical or sustainable, but what about their production and the condition of workers? Ethicality and sustainability must be conceived in an ample sense." (Carlotta, 21)*

## **DISCUSSION AND PRELIMINARY CONCLUSIONS**

As far as our research is concerned, young adult consumers seem to be sensitive to sustainability issues even if they do not have a shared definition of what a sustainable cosmetic product is, often merging up natural, organic and ethical features. On the one hand, this appears coherent with the general definition of ethical products, as it appears in previous researches and as it is interpreted by companies operating in this industry, always considering ethical, natural and organic characteristics as a whole bundle. However, on the other hand, it reflects also an overall disorientation of young adults about the incremental benefits that they should expect to achieve by purchasing this kind of products (tangible or merely intangible value added? related to product naturalness and/or to environment and resources protection? based on social and fair projects or not?).

Two main orientations emerge from our analysis. Some young consumers remain particularly doubtful about the ethical product features and do not perceive the opportunity to replace the conventional products they are used to. They seem determined by a lower level of involvement in sustainability issues too. Other young adults seem to be more engaged by the values underlying the natural, organic and ethical cosmetic and perceive them worth of consideration for purchasing.

Our analysis points out some main focal issues related to the young adult consumer orientation towards natural, organic and ethical cosmetics and the way in which they perceive the extant offering systems, generally confirming the relevance of traditional factors, such as quality and price, to hinder or facilitate the ethical purchasing (Bucic et al. 2012). Besides, our findings pinpoint some specificities of this segment, as far as communication and outlets are concerned.

About the product evaluation, an overall quest for reassurance about product features and quality levels emerges among the young adult consumers: the quality perception is one of the main relevant aspects influencing the decision making process in ethical cosmetics. Difficulties to verify the actual superior level of quality emerge as a critical aspect to be addressed by the companies. However, among the young adults that seem more committed to ethical issues, the natural, organic and ethical



labels often acts as a proxy of quality and superior control on the product composition. Moreover, our analysis highlights how much they particularly look for, and appreciate, the bundle of benefits surrounding the core features of the ethical products, such as the attractiveness of the packaging, the perfume and other emotional aspects, that can partially lower the perception of high prices often recognized in ethical rather than conventional cosmetics.

Information and communication represent a critical aspect in the young consumer-ethical cosmetic relationship. The focus groups pointed out a lack of clear information available on the market about the characteristics and specificities of ethical products and of ethical cosmetics in particular. While approaching the young adults, previous researches have pointed out how much this generation has adopted a new set of media habits (Schmeltz 2012), gathering information also through alternative communication channels, such as social media platforms as Twitter or Facebook. Also, the way in which young adult consumers approach communication with people and companies is more proactive and characterized by high levels of involvement. However, according to their perceptions, companies are still very rarely used by ethical cosmetics companies.

As far as ethical, natural and organic cosmetics are concerned, specialised stores appear as the most effective in order to provide the needed levels of information and support to finalise the purchase. In particular, for this kind of products, the role of sales assistants recovers the centrality lost in self-service retail formats, the most widespread formats adopted by companies targeting young adult consumers.

Finally, another relevant aspect emerges from our research: ethical behaviour represents part of the consumers' identity and moral realisation (Thompson and Arsel 2004; Cherrier 2009). Literature on a specific kind of ethical products, Fair Trade products, have pointed out how the ethical purchasing is animated by social motivations in addition to personal ones and that ethical behaviour is also a matter of manifesting the moral side of the person to the collectivity (Varul 2009; Andorfer and Liebe 2012), by distinguishing from mainstream consumers.

In particular, young adults are in the end stage of forming their personal identity and developing a personal system of beliefs and values (Vermeir and Verbeke 2008).

Our findings confirm how much ethical consumption represents for young adults a way to express their self-identity but also to clarify a sort of "social positioning". Moreover, based on our narratives, the role of ethical products in the process of identity formation seems to act in two different manners: by commonality and by counter-dependency. They are getting through a process of self-concept structuring in which specific kinds of products are often used to express their need for social inclusion (Ji 2002) or, on the contrary, to reveal their distance from others and to disclose their negative judgment about the social context in which they live in.

Given the exploratory nature of this study, the findings are limited to a specific kind of ethical products and to a geographical context. Further research could explore the same issues with regard to other ethical products/services and verify through a quantitative approach the extent to which our findings could be generalized to other settings.

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### **Session 3.7. Empowering Customers: Co-Creation, Participation and Self-Service Initiatives**

Room: Swanston #1

Session Chairs: Simon Bell, University of Melbourne and Omar Merlo, Imperial College London

#### ***Co-Creation in a Service Innovation Context***

Shikha Sharma, University of Adelaide

Jodie Conduit, University of Adelaide

Ingo Oswald Karpen, RMIT University

Sally Rao Hill, University of Adelaide

Francis Farrelly, RMIT University

#### ***Potential Dimensions of Customer Co-Creation***

Max Theilacker, University of Melbourne

Bryan Lukas, University of Melbourne

Charles Snow, Penn State

#### ***Customer Satisfaction and Purchase Behavior: The Role of Customer Input***

Andreas Eisingerich, Imperial College London

Omar Merlo, Imperial College London

Jan Heide, University of Wisconsin

Paul Tracey, University of Cambridge

## CO-CREATION IN A SERVICE INNOVATION CONTEXT

Shikha Sharma, University of Adelaide, Australia  
Jodie Conduit, University of Adelaide, Australia  
Ingo Oswald Karpen, RMIT University, Australia  
Sally Rao Hill, University of Adelaide, Australia  
Francis Farrelly, RMIT University, Australia

### ABSTRACT

In the recent past, research on innovation was primarily concerned with processes which were initiated, executed and managed by the provider themselves. Unique skills were developed internally by the organizations and kept secret from the market until launch (Chesbrough 2003). More recently, organizations have realized the importance of collaborating with other actors to advance their capabilities and innovation competencies (Camarinha-Matos 2009; Chen, Tsou and Ching 2011). Current approaches to innovation embrace a multi-actor approach and a paradigm shift has occurred from closed innovation to collaborative and open innovation (Greer and Lei 2012). Aligned with Prahalad and Ramaswamy's (2000) concept of 'co-creation', scholars have started to examine the collaborative role of customers in innovation. While there has been a focus in past on integrating lead users into the innovation process (e.g. von Hippel 1986; Herstatt and von Hippel 1992), more research is needed on general customer innovation and community innovation contributions, particularly in a service context. Attention has accordingly shifted from the tangible aspects of product innovation to the co-produced innovation process and the co-created value between an organization and its customers. Understanding how this notion can be harnessed for the purposes of innovating service and service solutions, is a current managerial and academic challenge (Ordanini and Parasuraman 2011). This paper addresses calls for a greater understanding of the involvement of customers in service innovation and argues for collaborative behaviors to drive service innovation performance. The specific behaviors exhibited by customers in this process will be investigated by way of the proposed *co-creation* construct and its behavioral manifestations (Yi and Gong 2012).

Although customer participation in and contribution to the service innovation experience has been advocated for many years (Greer and Lei 2012), the collaborative behaviors are not well understood (Alam 2011; Ngo and O'Cass 2012). The collaborative process itself is recognized to require learning and knowledge transfer (Ordanini and Parasuraman 2011; Ojanen and Hallikas 2009; Payne et al. 2008), lead user collaboration (von Hippel 2005), participative design (Buur and Matthews 2008), transformational leadership (O'Cass and Sok 2012) and the presence of trust and empathy (Etgar 2008). Etgar (2008) describes co-production as customers participating in the performance of various activities within the production process; however despite this focus, there is no framework explicating the co-production behaviors exhibited by customers during this process. Nonetheless, Yi and Gong (2012) recently introduced a set of 'Customer Value Co-Creation Behaviors', which might also serve the purpose of collaborative service innovation. Yi and Gong (2012) conceptualized and operationalized customer value co-creation behaviors by way of eight dimensions: information seeking, information sharing, responsible behavior, personal interaction, feedback, advocacy, helping, and tolerance. Modeled as a third-order customer value co-creation construct, the first four of these dimensions are linked to a second-order Customer Participation Behavior construct, whereas the remaining four dimensions are part of a second-order Customer Citizenship Behavior construct. While these co-creation behaviors are believed to be generically relevant in co-constructing meaningful experiences, the question is how far these behaviors are also relevant in a service innovation context.

This paper argues that both Customer Participation Behavior and Customer Citizenship Behaviors play an essential role in effective and efficient joint service innovation processes. This paper contributes by providing a perspective on the behaviors required to facilitate service innovation. It takes each of the co-creation behaviors proposed by Yi and Gong (2012) and demonstrates their potential influence on collaborative service innovation. This significantly fosters our understanding of the process of co-innovation and its potential contribution to service innovation performance. We also present a set of research propositions that align customer co-innovation activities with relevant outcomes in a nomological network. Ultimately, higher levels of co-creative behaviors proposed by Yi and Gong (2012) are expected to lead to higher service innovation performance. However, the link between these constructs and potential contingency factors has not been studied empirically in a consumer context and needs to be investigated and validated.

References available upon request

# POTENTIAL DIMENSIONS OF CUSTOMER CO-CREATION

Max Theilacker, University of Melbourne, Australia

Bryan A. Lukas, University of Melbourne, Australia

Charles C. Snow, Pennsylvania State University, United States

## INTRODUCTION

Customer co-creation—the active involvement of customers in a firm’s new product development (NPD) processes—has been shown to improve product quality, reduce the risk of a product failing (Shah 2006; Carbonell, Rodríguez-Escudero and Pujari 2009), and, ultimately, enable firms to achieve a sustainable competitive advantage (Prahalad and Ramaswamy 2004). To date, the open innovation literature (Chesbrough 2003; Chesbrough, Vanhaverbeke and West 2006) has largely adopted a universalistic perspective of co-creation, whereby customer co-creation is treated as an one-dimensional, undifferentiated concept. In a first step towards a more differentiated perspective, the study reported in this paper examines whether dimensions exist that are fundamental (i.e., core) to customer co-creation practice. If such dimensions exist, then it would be possible to explore in follow-up studies whether different co-creation archetypes can be identified by observing if there are any systematic variations in the manifestations of the dimensions in co-creation practice.

## METHODOLOGY

We conducted in-depth interviews with senior members of six management consulting firms specialized in advising client-firms on NPD activities, including customer co-creation. The consulting firms serviced different industries and worked on both the strategic product development level, as well as the operational process level of NPD. The sample thus offered a wide range of co-creation experiences and perspectives. The size of the consulting firms ranged from 22 to 14,000 employees. The interviewees were between 38 and 48 years old, predominantly male, and worked in positions such as Partner, Executive Director, Vice-President, or Principal.

The interviews followed a standardized format. Answers to the following three questions were expected to reveal whether co-creation is comprised of any particular dimensions which could be used (in future studies) to establish whether different archetypes of co-creation are prevalent in practice: (1) what does customer co-creation mean to you; (2) what are the fundamental (core) dimensions of customer co-creation; and (3) does co-creation vary along these dimensions in practice? Each interview took between 45 and 60 minutes.

The collected data was analysed in two steps. First, we conducted a content analysis of the data and identified those dimensions of customer co-creation that appeared to be fundamental and common to all the co-creation activities discussed during the interviews. Then, drawing on this set of fundamental dimensions, we isolated those dimensions which appeared to vary systematically across the different co-creation activities (and thus lend themselves to distinguishing persistent differences in co-creation practice).

## RESULTS

### Dimensions of Customer Co-Creation

Our analysis revealed four dimensions that are likely to be fundamental (i.e., core) to co-creation and useful for distinguishing any existing persistent differences in co-creation practice: (1) the degree of interaction with customers, (2) the amount of information sharing during interactions with customers, (3) the structuredness of interaction with customers, and (4) motivators for customers to interact with the firm. Below, we highlight some of the observations we made in relation to these four dimensions.

The degree of customer interaction includes decisions by the firm on the frequency of customer contact, the continuity of customer contact, and the number of customers involved. We observed that, because future needs are often hard to understand for customers, co-creation requires higher degrees of customer interaction in the early (e.g., ideation) stages of the NPD process.



Further, the amount of information sharing during customer interactions appears to be particularly important for NPD projects that deal with future rather than existing consumer needs. In particular, projects dealing with future customer needs seem to require substantially higher amounts of information shared by the company.

While the structuredness of interaction with customers is important for efficient co-creation, the rigidness and inflexibility which accompanies structure tend to inhibit co-creation, particularly in the ideation stages of developing a new product. To overcome these constraints, some firms create incubators (small, flexible start-ups) to facilitate their co-creation activity in the early NPD stages where the main activity is to uncover unmet customer needs.

In relation to customer motivators, small monetary or other gift-like incentives are considered by firms to be sufficient for product testing and feedback. However, incentives for deeper customer involvement should also include psychological benefits, such as giving the customer sufficient time to vent seemingly trivial product problems and explore their own radical new ideas.

### **General Observations**

The analysis of our interviews confirms that, although customer co-creation has existed for decades, the practise is more relevant than ever. Nevertheless, many organisations still lack an ability to properly approach and maintain contact with their customers. Moreover, firms often lack the tools, or the ability for choosing the right tools, to fully utilize any co-created customer knowledge.

Also evident throughout the interviews was a relationship between approaches to customer co-creation and innovation objectives. Firms focused on developing innovative products tended to focus on customer co-creation in the early (e.g., ideation) stages of the NPD process, whereas the majority of less enterprising firms (such as those happy to follow pioneering firms) tended to rely on co-creation in later (e.g., commercialisation) NPD stages.

## **SUMMARY AND FUTURE RESEARCH**

Our interview results provide an initial basis for further research into whether different archetypes of customer co-creation exist. Based on the dimensions of co-creation discussed above (stage of the innovation process, degree of interaction, information sharing, structuredness, and motivators), different archetypes of customer co-creation might emerge. If this is the case, then it would be interesting to explore whether differences in type relate to variations in new product success. If such a relationship were to be found, then researchers would be better able to predict the success of a new product if the product's development included co-creation activities of a particular type.

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# **CUSTOMER SATISFACTION AND PURCHASE BEHAVIOR: THE ROLE OF CUSTOMER INPUT**

Andreas Eisingerich, Imperial College London, U.K.

Omar Merlo, Imperial College London, U.K.

Jan Heide, University of Wisconsin, USA

Paul Tracey, University of Cambridge, U.K.

## **ABSTRACT**

Prior work emphasizes the role of satisfaction and positive word-of-mouth in affecting customer behavior. This research introduces customer input as an additional important mediating variable and driver of actual customer behavior. Specifically, we combine survey-based data with behavioral data to show that the impact of satisfaction on customer behavior is fully mediated by customer input, while word of mouth acts as a partial mediator in the satisfaction-customer behavior relationship. We thus reveal that the effect of customer satisfaction on actual behavior is contingent on levels of customer input. Furthermore, we demonstrate that satisfaction affects customer input, which ultimately leads to greater future customer purchase from a firm. The results of the study empirically demonstrate that customer participation plays an important role in understanding how satisfaction influences actual customer purchasing behavior.

### **Session 3.8. Advertising in the Age of Social Media**

Room: Swanston #2

Session Chair: Nina Michaelidou, Loughborough University

#### ***Internet Users' Attitudes towards Advertising on Facebook***

Nina Michaelidou, Loughborough University

Caroline Moraes, University of Birmingham

#### ***Consumer Emotional Responses to Emotional Appeal Advertising within an online Social Network Context***

Halimin Herjanto, Auckland University of Technology

Sanjaya Gaur, Auckland University of Technology

Sheau-Fen Yap, Auckland University of Technology

#### ***The Impact of Company Facebook Page on WOM Communication of a New Product***

Melek Demiray, Istanbul Technical University

Sebnem Burnaz, Istanbul Technical University

**Wednesday, 2:30-3:00 p.m.**

**Refreshment Break**

# INTERNET USERS' ATTITUDES TOWARDS ADVERTISING ON FACEBOOK

Nina Michaelidou, Loughborough University, UK  
Caroline Moraes, Coventry University, UK

## INTRODUCTION

Web 2.0 has created new ways of communicating and searching for information and products via social media, which include social networking sites (SNS) such as Facebook, Blogger, Twitter, and video sharing sites such as YouTube. Statistics show that SNS and blogs account for 23% of the time Americans spend on the Internet (Nielsen, 2011). Females between the ages of 18-34 outweigh males as the most active social networkers, making up the majority of visitors on SNS and blogs (Nielsen, 2011). Currently, there are more than 150 SNS; in May 2011, Facebook was ranked first, with over 140 million unique visitors in the US, followed by Blogger and Twitter (Nielsen, 2011). The rate of penetration of companies in the online social networking scene has increased dramatically in the last few years. Companies use SNS as advertising platforms. Recent statistics show that, in the US, advertising spending on SNS is expected to reach \$3 billion, an increase of 55% compared to 2010 (eMarketer, 2011). This figure is expected to rise by almost a third in 2012, and reach \$4 billion (eMarketer, 2011). In the UK, advertising spending on social media (for banner ads) accounted for £240m in 2011 (IAB UK, 2012). Statistics also show that Facebook's global revenues from advertising are expected to reach \$5.7 billion in 2012, while MySpace's worldwide ad revenues are expected to reach \$156 million in 2012 (eMarketer, 2011). This study examines attitudes towards Facebook sponsored ads by modelling key determinants including Facebook users' attitude towards advertising on Facebook, their attitude towards Facebook and their level of attention.

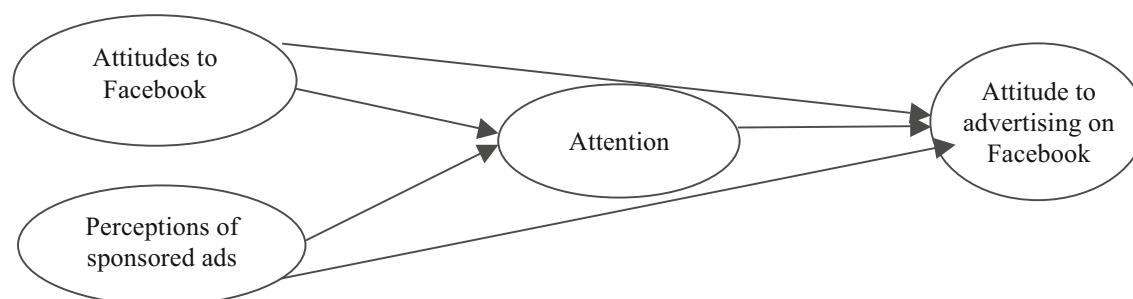
## BACKGROUND

Early research has identified general attitudes toward advertising (Zanot 1984; Andrews 1989; Alwitt and Prabhaker 1992; Mittal 1994), although mixed findings are reported. Shavitt Lowrey, and Haefner (1998) report favorable attitudes towards advertising, suggesting that audiences find advertising enjoyable and informative. Similarly, Mehta (2000) argues that positive beliefs about advertising are more likely to lead to high brand recall. In contrast, other studies report mainly negative attitudes towards advertising (Edwards, Li and Lee 2002). A number of beliefs or ad cognitions (Brown and Stayman 1992) have been found to determine negative attitudes towards advertising, including beliefs that advertising is deceptive and misleading, that it forces individuals to make unnecessary purchases, and that it distorts personal values by promoting undesirable beliefs (Darke and Ritchie 2007; Pollay and Mittal 1993; Shavitt, et al. 1998; Rojas-Méndez, Davies, and Madran 2009).

Research on attitudes toward online advertising also reports mixed findings (Gordon and De Lima-Turner 1997; Mehta and Sivadas 1995; Ducoffe 1996). For instance, research suggests that only a small minority of Internet users dislike and reject advertising; instead, the majority of respondents were found to be indifferent, and to view advertising "*as a fact of life*" (Gordon and De Lima-Turner 1997, p. 372). Similarly, mixed results about consumers' attitudes towards Internet advertising are found in a study reporting that a third of respondents liked, another third disliked, and the other third were neutral towards Internet advertising (Schlosser, Shavitt, and Kanfer 1999). Further, another study on consumers' attitudes and responses to Internet advertising reports that consumers have a tendency to feel ambivalent about Internet ads (Jin and Villegas 2007). Consistent with findings on general attitudes toward advertising, previous research shows that beliefs or perceptions impact attitudes toward online advertising (Wang and Sun 2010). Specifically, perceptions about how informative and entertaining advertising is, as well as beliefs about product information, image, and pleasure evoked by online advertising were found to be positively related to attitude towards online ads (Ducoffe 1996; Wolin Korgaonkar and Lund 2002). Further, research reports that consumers who have positive attitudes towards online advertising buy frequently, and spend more on specific websites (Korgaonkar and Wolin 2002). In contrast, negative attitudes towards online advertising are linked to negative attitudes towards specific websites, and lower purchase intentions (Stevenson, Bruner, and Kumar, 2000). Scant research has examined attitudes towards advertising on SNS (e.g. Taylor, Lewin, and Strutton, 2011). For example, Taylor et al. (2011) have examined entertainment, peer influence, and privacy but nothing is known about how users' perceptions of sponsored ads as well as their attention impact advertising on specific SNS. However previous research has established a link between ad perceptions and attention suggesting that certain characteristics of ads are likely to lead to increased attention (Pelsmacker, Decock and Geuens 1998). Similarly, the type of media context has been suggested to lead to increased attention towards ads (Pelsmacker et al. 1998).

This study builds on the limited research on advertising on SNS (e.g. Taylor et al. 2011) and focuses on a specific social networking site (i.e., Facebook), to examine attitudes towards advertising on Facebook. It is important to examine Facebook specifically as it outweighs other SNS such as Twitter and MySpace in terms of users and advertising spending (eMarketer 2011). Additionally, evaluating users' attitudes towards advertising on Facebook offers advertisers useful insights regarding the viability and effectiveness of Facebook as an advertising platform. Also, the specificity of this research is important because different SNS have different characteristics, so consumers use each SNS for different reasons. Therefore, attitudes toward advertising in each SNS are likely to differ. Based on extant literature a conceptual model is developed that shows the determinants of Facebook users' attitudes towards advertising on Facebook (Figure 1).

Figure 1: A Model of Attitudes Towards Advertising on Facebook



## METHODOLOGY

An online survey was used to collect data and potential respondents were recruited through an online call announced on a web portal, which invited respondents to click on the active hypertext link to complete the questionnaire. A completion incentive was offered in the form of a competition for shopping vouchers. A total of 216 responses were received and analyzed. The sample consisted of 30% males and 70% females aged 18 to 33, and 92% of respondents were under 26 years of age. The sample profile is consistent with statistics indicating that females between the ages of 18 and 34 are the most active online social networkers (NielsenWire 2011). Respondents indicated that they use up to four SNS, and that they spend an average of 12.26 hours (sd. 12.35) on SNS per week. All respondents indicated that they use Facebook, spending an average of 11.23 hours (sd. 11.97) on Facebook per week, with Twitter being the second most popular SNS.

Measures used to capture the constructs were adapted from existing research (De Pelsmacker, et al. 1998; Speck and Elliott 1997; Rojas-Mendes, et al. 2009). Reliability analysis were examined and indicated that Cronbach's alpha values for the measures were above the recommended level and therefore all acceptable at .73 for attitude towards sponsored ads on Facebook, .63 for attention to sponsored ads on Facebook, and .71 for general attitudes towards advertising on Facebook. A single overall measure was used to capture attitude towards the medium (Facebook).

## ANALYSIS AND FINDINGS

Multiple linear regression was used to test the model, examining potential mediating effects in line with Barron and Kenny (1986). Adjusted R square was estimated at .330 ( $p < .000$ ), with ANOVA figures at:  $F 36.23$ ,  $df 3$ ,  $p < .000$ . Beta coefficients are shown in Table 1. Using Baron and Kenny's (1986) 4-steps procedure for testing mediated relationships, mediation was examined using hierarchical multiple linear regression. Findings show that the impact of perceptions of sponsored ads on attitude to advertising on Facebook is partially mediated by attention. The level of this mediation was calculated at: .069. However, this is not the case for attitude to Facebook as analysis indicated that step 1 (e.g. attitude to Facebook to be significant predictor of dependent variable) was not satisfied. Findings of hierarchical regression show a significant  $p < .000$  but trivial effect (R square, .08, Beta, .303) of attitude towards Facebook on attention to ads.

Table 1 Regression Estimates

<i>Dependent variables</i>	<i>Independent variables</i>	<i>Beta</i>	<i>t</i>	<i>P</i>
Attitude to Facebook advertising	Attitude to Facebook	-.022	-.380	.704

Attention	Attitude to Facebook	.303	4.64	.000
Attitude to Facebook advertising	Attention to ads	.129	1.93	.054
Attitude to Facebook advertising	Perceptions of sponsored ads	.512	7.85	.000
Attention	Perceptions of sponsored ads	.491	.824	.000

## **DISCUSSION**

Findings provide support for the impact of perceptions of sponsored ads and attention on attitude towards advertising on Facebook. Specifically, Internet users' perceptions of sponsored ads explain over 50% of the variation captured (33%) in the dependent variable. In other words the extent to which Facebook users view sponsored ads as useful or informative or a waste of time will impact their attitude towards advertising on Facebook. Attention is also found to partially mediate the impact of perception of ads on users attitude towards advertising on Facebook. This means that to some level the influence of Facebook users' perceptions of ads on attitude to Facebook advertising is dependent on Facebook users' level of attention to those ads. This finding is line with previous research, which suggests that attitudes towards off/online advertising are related to perceptions about ads and specifically to perceptions about how informative and entertaining ads are (Brown and Stayman 1992; Ducoffe 1996; Wolin et al. 2002). Similarly, the findings show that attention to ads has a direct impact on users' attitude towards advertising on Facebook. In this case the extent to which users are attentive or ignore sponsored ads on Facebook shapes their attitude towards Facebook advertising. In contrast, the findings show that attitude to Facebook does not predict users' attitude towards Facebook advertising however there is a significant indication that users attitude towards Facebook might influence their attention to sponsored ads. Additional research is required to examine this potential effect further.

## **CONCLUSIONS AND IMPLICATIONS FOR ADVERTISERS ON FACEBOOK**

This research examines Facebook users' attitudes toward advertising on Facebook. The literature review highlights key works in the area of general attitudes toward advertising and attitudes toward Internet advertising. The review also highlights the need to explore users' attitudes towards advertising on Facebook in that huge shares of advertising spending are currently being invested on this SNS (eMarketer 2011), and given the limited research addressing commercial content on social media (Taylor, et al. 2011). This examination of users' attitudes towards advertising on Facebook offers advertisers practical insights regarding the role of attention and Facebook users' perceptions of sponsored ads, both of which are found to significantly impact attitude towards advertising on Facebook. As such, the results of this research suggest that sponsored ads on Facebook must be attention-grabbing without being intrusive; that is, sponsored ads must do a better job at catching users' attention without hindering whatever tasks they engaged in while on Facebook because they lead to positive attitude towards advertising on Facebook. Given that consumers use Facebook in order to keep in touch with family and friends, sponsored ads using attention-catching humor and/or social appeals are more likely to resonate with consumers' use of Facebook and, thus, be seen as more relevant, interesting and beneficial. This, in turn, should lead to more positive attitudes toward advertising on Facebook.

Finally this study is not free of limitations. For example, constructs used as predictors of advertising on Facebook explain only a third of the variance in users' attitudes towards advertising on Facebook. Future research should examine additional constructs.

## **REFERENCES AVAILABLE UPON REQUEST**



# **CONSUMER EMOTIONAL RESPONSES TO EMOTIONAL APPEAL ADVERTISING WITHIN AN ONLINE SOCIAL NETWORK CONTEXT**

Halimin Herjanto, Auckland University of Technology, New Zealand  
Sanjaya Singh Gaur, Auckland University of Technology, New Zealand  
Sheau-Fen Yap, Auckland University of Technology, New Zealand

## **ABSTRACT**

Online social networking sites are the newest media used by advertising and they play a critical role in helping companies to communicate with online communities. This study demonstrates that emotional responses to advertising cannot be ignored; rather, they warrant a company's full attention. The different emotional responses of followers provide an opportunity for companies to understand and address the followers' issues. In addition, emotional responses produce different behavioral impacts.

## **INTRODUCTION**

Over the last few decades, the world of advertising has evolved from the traditional use of print and broadcast media to a concentration on the opportunities supplied by the internet media. Particularly, online social network sites, such as Facebook, Twitter and MySpace, have been well received and have enriched the dynamic of internet media (Tuten 2008). These sites have provided a new platform for users to share, communicate and interact with other users at the same time and without boundaries. Because of such unique features, nearly two billion people around the world have been attracted to and become active users of social network media as their primary tools of communication (Social Networking Blog 2011). The interactive nature of these communications may be more effective for reaching consumers compared to the traditional prints or broadcast media. The massive databases of social media sites as well as their unique features provide a huge advertising platform and opportunity for companies in their attempt to reach existing and potential customers. Nearly 57% of US online retailers have utilised and optimised Facebook, 29% of US retailers have a strong presence on MySpace, and around 21% make use of Twitter (ReadWriteWeb.com 2009). The rapid growth of online social network media has attracted the attention of business practitioners and scholars who hope to understand this phenomenon and find new ways of connecting with online communities for advertising purposes (Hart 2007). For example, Zeng, Huang and Dou (2009) investigate the impact of social identity and group norms in relation to online communities' acceptance of social network advertising. Kelly, Kerr and Drennan (2009) analyse online communities' attitude to online social network advertising whilst Maurer and Wiegmann (2011) examine advertising effectiveness on Facebook. While these areas of inquiry are important and worthy of exploration, the influence of advertising on online social network users' current emotional states has been largely overlooked.

Emotional responses to advertising are an individuals' reaction to real or imagined, past or anticipated, important psychological events (Clore and Ortony 1983). Emotional appeal advertising may contaminate the followers' information processing, which in turn affects their state of emotions (Batra and Ray 1986). Past research relating to emotional responses have primarily focused on emotional response measurement (Hazlett and Hazlett 1999), emotional response typology (Havlena and Holbrook 1986) and the effect of emotional responses on attitudes toward an advertisement (Zeitlin and Westwood 1986), we take a different approach by examining the possible effect of emotional appeal advertising on followers' emotional responses within an online social network context. Some important points of consideration in translating these emotional responses will be discussed.

## **BACKGROUND**

During recent years, online social network sites have become one of the fastest growing media in the internet world (Demerling 2010). The Social Networking Blog (2011) reports that more than 1.5 billion members have signed up to one of the top 20 online social networking sites. Notably, Facebook, Twitter and MySpace represent more than 80% of the total online community. The popularity of online social network sites is generated by the contact comfort, that is, the desire to increase and continue online relationships (Tuten 2008). In the context of online social communities, members of social network sites can fulfil their need for affiliation and entertainment through contact comfort. In addition, contact comfort also permits individuals to elaborate and seek self status (Haridakis and Hanson 2009). In a similar line of study, Greenhow and Robelia (2009) found that the utilisation of online social network sites provides its members with significant emotional

support by assisting them in maintaining their relationship with their families, associates, and relatives, and offers them enough room for self representation. These studies point out the relevance of emotional component in the online social networking research.

*Rational versus emotional appeals in advertising.* The extant literature reveals that the effectiveness of both rational and emotional appeals was intensely debated during the 1980-1990 period. These past studies have produced somewhat mixed findings. For instance, Stafford and Day (1995) found that rational appeals were able to generate a more positive attitude toward advertising than emotional appeals in the retail context. Similarly, Aaker and Norris's (1982) study on broadcasting commercials report that rational appeals have better persuasion effectiveness than emotional appeals. In contrast, other scholars (e.g., Page, Thorson and Heide 1990; Goldberg and Gorn 1987) found emotional appeal advertising to be more effective than rational appeal advertising. For example, Goldberg and Gorn (1987) found that emotional appeal advertising attracted more customer reactions for television commercials. Although the discussion on the effectiveness of these two approaches began three decades ago, it is worth noting that this issue is still currently debated by advertising scholars (e.g., Zinn and Manfredo 2000; Leonidou and Leonidou 2009; Geuens, De Pelsmacker and Fasseur 2011).

*Emotional response.* An emotional response (also known as affective response) is the individuals' affective response to the significant psychological circumstances at the time of an experience (Lutz, 1985). Emotional response can be elicited by emotional appeal advertising (Batra and Ray 1986; Burke and Edell 1989; Kaid and Tedesco 1999). For example, positive emotional appeal advertising creates favourable emotional responses (e.g., happiness, joy, and a sense of pleasure) while negative emotional appeals produce negative emotional responses (e.g., sadness, anger, and fear). Such different emotional response experiences may vary depending on individuals' ability to relate their self-relevant to the specific events, persons or situations (Stout and Leckenby 1985).

Research pertaining to emotional responses can be organised into three main streams. The first stream of research focuses on the measurement issue relating to emotional response. Hazlett and Hazlett (1999) argue that the advertising message contains in an emotional appeal advertisement is specifically designed to create an emotional response which are complex and difficult to measure. According to Micu and Plummer (2010), emotional responses can be measured through three types of measurements:

- (a) Physiological – measurement that helps validate the existence and strength of a spontaneous emotional response, a response that becomes the foundation of later feelings and judgments (e.g., galvanic skin response, heart rate turbulence, facial electromyography, and brain imaging techniques;
- (b) Symbolic – technique that helps to verify the conscious and unconscious emotions (e.g., the Zaltman metaphor elicitation technique);
- (c) Self report – type of measurement that helps to examine the current emotions and thoughts about an advertisement.

Researchers within the second stream provide theoretical support for the relationship between emotional response and attitude toward advertising. Emotional responses to products can be positive (e.g., trust, beliefs and liking) or negative responses (e.g., distrusts, dislike) and such responses are elicited after the exposure to the advertising (Zeitlin and Westwood 1986). Different types of emotional advertising appeals create different emotional responses, which in turn lead to different attitudes toward advertising (Burke and Edell 1989). When different emotional stimuli such as words, music, pictures and the colours of advertisements relate to followers' self-relevance, these stimuli may generate positive or negative emotional responses to the advertising (Rossiter and Percy 1987). While positive emotional responses to advertising are believed to occur when the advertising is perceived as nurturing followers' sense of self relevance rather than attacking it; negative emotional responses occur when advertising presents negative emotions that is regarded as threatening self-relevance (Stout and Leckenby 1985). The next line of research deals with the emotional response typology. Over the years, scholars have attempted to use different emotional typologies to measure the effectiveness of emotional responses to advertisements. For example, Morgan, Appiah-Adu and Ling (1995) utilise Mehrabian and Russell's emotional typology which focuses on three bipolar dimensions (i.e., pleasure/displeasure, degree of arousal, and dominance/submissiveness). While Chaudhuri and Buck (1995) employ Ekman's basic emotion typology, Stout and Leckenby (1985) use Plutchik's (1980) emotional typology. Despite extensive investigation, there is little consensus on the effect of advertising appeals on emotional responses. The mixed findings reported in the literature may be due to the different emotional typologies adopted (Ekman, Friesen and Ellsworth 1982). Each typology employs a different objective, strategies and methods to investigate the emotional stimulus, and hence, some sort of integration of these typologies is needed (Ekman et al. 1982; Holbrook and Batra 1987). This study responds to this call by employing emotional knowledge typology developed by Shaver, Schwartz, Kirson and O'Connor (2001).

To answer this call, Shaver, Schwartz, Kirson and O'Connor (2001) developed a new emotional typology. This new typology integrated some of Ekman's emotional components (i.e., anger, sadness, fear and surprise) and one of Plutchik's (1980) emotional components of joy. In addition, they added a new emotional component of love to this new typology. To the best knowledge of the authors, this new emotional typology has not been employed in the investigation of emotional responses study. Therefore, to contribute to the body of emotional response knowledge, we propose to use this new typology to address this salient research question: What is the effect of emotional appeal advertising on emotional responses within the online social network context?

## RESEARCH METHODS

Extant emotion literature demonstrates that Linguistic Inquiry and Word Count (LIWC) and Latent Semantic Analysis (LSA) techniques have been intensively utilised to identify the features of positive and negative emotions. These techniques can be used to identify and classify similar emotions into the same category. In this study, the netnography technique was used to investigate individuals' emotional responses within an online social network site (Kozinets 1998). Particularly, we employed Shaver et al.'s (2001) emotion knowledge typology which consists of 135 emotion domains that have been grouped into three major categories: positive emotions (i.e., love and joy), negative emotions (i.e., anger, sadness and fear), and a neutral emotion (i.e., surprise). We adopt Shaver et al.'s (2001) typology as it provides comprehensive lists of emotions which help in classifying the emotion domains more accurately. We believe that the use of this typology in our study has potential to add value to the existing literature since it has never been utilized in any emotion response study, especially in relation to emotional appeal advertising.

Consumer electronic goods were selected as the emotional component is of particular relevance to electronic appliances, such as the emotional experience of the user (VanHamme and de Bont 2008). For example, the design of electronic goods can create a positive emotional experience (e.g., "falling in love" with the attractive design of the product) or a negative emotional experience (e.g., fear of the complex nature of the technological features). We address our research questions with respect to Facebook since it is the largest online social network sites and it has been recognized and utilized by nearly 60% of all US companies (ReadWriteWeb.com, 2009). According to the Interbrand website (2011), 13 global electronic brands were registered in a 2011 ranking of the top 100 brands. We have selected the top 11 global electronic brands (Intel, Nokia, Samsung, Sony, Philips, Dell, Nintendo, Blackberry, Panasonic, Apple, and HTC) as our sample. Xerox and Canon were excluded because they have very limited emotional appeal on their Facebook wall. Data was collected based on our samples' emotional appeals and the followers' emotional responses to those appeals during 1 January 2011 – 10 January 2012 in Facebook wall. We classified and distributed all the emotional words found into six different emotional categories according to Shaver et al.'s (2001) emotional knowledge typology. All foreign language comments, photos, emoticons, incorrect spelling texts, and any other symbols (i.e., :-), :-P etc) were excluded to ensure the trustworthiness and the accuracy of the data interpretation.

## RESULTS AND DISCUSSION

161 emotional appeals were published by companies on their Facebook walls. As shown in [Table 1](#), joy was found to be the most common emotions, followed by surprise and love. Collectively, these three emotions represented 97% of the total emotions appearing on companies' Facebook walls. Except for Apple, all companies utilised joy as their communication strategy. Nokia and Blackberry were the only companies that included sadness appeals. Our findings suggest that the present sample utilised positive emotional appeals more frequently than the negative ones. We explain that positive emotional appeals may attract followers by providing a pleasant feeling that evokes a higher degree of comfort and increases the degree of likability toward the advertising and advertised products or services (Morgan et al. 1995). From a total of 161 emotional appeals, companies received approximately 40,000 non emotional responses - and 6,600 emotional responses (see [Table 2](#)). Our result shows that sadness, fear and joy were the three most common emotional responses by followers. One possible reason for the relatively lower followers' emotional response rate as compared to the non emotional responses response could be that followers' response rate is determined by the types of advertised products, advertising media, and advertisement appeals used (Chaudhuri and Buck 1995; 1997). Emotional appeal advertising might not be suitable for durable goods such as electronic appliances since it does not provide objective factual information to activate the followers' cognitive information processing which is required when evaluating electronic appliances (Liebermann and Flint-Goor 1995). In this instance, rational appeal may be more appropriate as it instils greater confidence by offering facts and figures.

Table 3 presents a list of emotions that was found in the followers' emotional responses to companies' emotional appeals. Our findings suggest that the followers expressed their state of love and fear in a very simple way. There are only two emotional words – 'love' and 'like' – to represent the love category. Similarly, 'scary' and 'freaking' are the only two listed emotion words that symbolise the fear category whilst joy, anger, surprise and sadness emotions are represented through a number of emotion words.

Our study revealed that love appeals generally generated emotional responses of love, joy and surprise. For example, when Dell posted customer endorsements, such as: "My first laptop, the inspiron 15R and I love it...the display screen shows crisp detail and bright colours", the followers responded positively, for example: "My first one too! ♥ and in love with it!". In relation to joy, our analysis shows that emotional appeals targeting this emotion were normally followed by love, joy and surprise responses. Examples of followers' positive emotional responses included: "The greatest phone ever. Love it" and "Amazing phone, Galaxy Nexus with 4.0 is in a league of its own."

As for the neutral emotion of surprise, our study revealed that surprise appeals mostly generated love, joy and surprise emotions. For example: "Team Intel you are just totally awesome....." and "Wow, thanks." In very rare instances, followers responded to surprise appeals with sadness and anger, for example, when Apple announced the availability of the white iPhone, a follower expressed his sadness and anger by commenting: "Very late and it sucks." In addition, our findings also show that negative appeals focusing on sadness commonly generate more negative emotional responses than positive emotional responses. For example, followers responded to sadness appeals by publishing negative emotional comments such as: "embarrassing" and "disappointed".

## CONCLUSION

Emotional responses to advertising are very important to companies as they represent the followers' current emotional states, which in turn reflect the followers' attitudes and behaviours toward the advertising and advertised products or services. This study demonstrated that different types of emotional appeals produce different types of emotional responses. More importantly, emotional responses reflect followers' undisclosed desires and wants and as such provide an opportunity for companies to understand and to fulfil these desires and wants. Thus, emotional responses to advertising appeals cannot be ignored but warrant companies' full attention. We believe our study has important implications for advertisers and marketers who use online social networks as their media to communicate with their customers. The findings show the importance of examining the role of emotional responses in terms of modifying individuals' attitude and behaviours toward the advertising and advertised products and services.

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Table 1: Total of Companies' Emotional Appeals

Companies	Love	Joy	Surprise	Anger	Sadness	Fear
Intel	14	5	11			
Nokia		8	6		1	
Samsung	1	19	3			
Sony	4	9				
Philips		7	2			0
Dell	4	9	1			
Nintendo	3	8	4	0		
Blackberry	2	9			3	
Panasonic	3	10	4			
HTC		7				
Apple			5			
Total	30	91	36	0	4	0

Table 2: Followers' emotional responses to companies' emotional appeals

	Followers' responses			
Emotion	Non Emotional	Emotional	Total	Emotion %
Love	6561	840	7401	11%
Joy	23054	3664	26718	14%
Surprise	3407	456	3863	12%
Anger	424	50	474	11%
Sadness	6767	1604	8371	19%
Fear	5	1	6	17%
Total	39909	6590	46499	14%



Table 3: List of emotions related to six primary emotions

	<b>Love</b>	<b>Joy</b>	<b>Surprise</b>	<b>Anger</b>	<b>Sadness</b>	<b>Fear</b>
<b>Intel</b>	love	exciting	Oh my God	suck	boring	
	like	hope	surprise	stupid	sad	
		proud	amazing	hate	miss you	
		awesome	astonishing	don't like	shame	
		enjoy		depressing		
		superb		ridiculous		
<b>Nokia</b>		funny		annoying		scary
				disgusting		
				dislike		
<b>Samsung</b>		interesting	mind blowing	crap	bad	
		fantastic	wonder	damn	worse	
		happy			failure	
		thrill			disappointed	
		satisfied			not happy	
<b>Sony</b>		impress			jealous	freaking
					don't love	
<b>Phillips</b>		brilliant				
<b>Dell</b>		pleasure		lousy		
				shoddy		
				frustrated		
				cheater		
				never again		
				horrible		
<b>Nintendo</b>		super	shock	garbage	embarrassing	
		incredible		angry	worry	
				up set	fail	
<b>Blackberry</b>		glad		don't trust	sorry	
		confidence		stink	confuse	
				useless	unsatisfactory	
				piss off	regret	
				disgraceful		
<b>HTC</b>		sensation				
		cool				
		rock				
		delighted				

# THE IMPACT OF COMPANY FACEBOOK PAGE ON WOM COMMUNICATION OF NEW PRODUCT

Melek Demiray, Istanbul Technical University, Turkey  
Sebnem Burnaz, Istanbul Technical University, Turkey

## ABSTRACT

Online channels, especially social network sites have been widely used since they have allowed their users to connect with other people based on common interest. The technology of social media has created new tools and opportunities for marketing. Facebook as the most popular social media network can be used successfully by companies of all sizes as the main tool of establishing brand community. Online brand communities increase the dialogue between the customer and the company. Although brand community has been a topic of interest for marketing literature in recent years, the studies about company Facebook page as brand community are limited. The purpose of this study is to understand underlying motives to use the company Facebook pages through brand community commitment in the perspective of new product word-of-mouth (WOM) behavior. After a qualitative study provided comprehensive understanding of the main issues, a quantitative research was conducted on Facebook fans of a selected company that uses actively social media in marketing applications. The findings aim to contribute to marketing field by filling the gap in related area and offering valuable implications to marketing managers who utilize online brand community as their new marketing channel.

## INTRODUCTION

Marketing managers are increasingly using social networking services as communication channels especially for representing new products to the market because the social media tools have become indispensable part of daily lives. Facebook is the most popular social networking tool and according to Social Bakers Report (2012), there are more than 901 million active Facebook users in the world. Facebook enables companies to establish their own brand community and provides the opportunity to access their target users and generates dialogue with consumers (Hennig-Thurau et al., 2010). Moreover, brand communities help companies to strengthen relationships with the customers, thereby establishing long-term relationships (Stokburger-Sauer, 2010).

The influence of brand communities in relation with new product activities is valuable especially in terms of word of mouth (WOM) communication impact. To decrease the failure rates of new products which are between 40% and 45% (Hoffman et al., 2010), marketers benefit from the brand communities to forecast what the market needs and to understand which new product attributes and design are important (Muniz and O'Guinn, 2001). Moreover, Sicilia and Palazon (2008) indicate that online brand communities are able to encourage try-out, adoption and use of products and services through WOM.

Although previous researches in marketing literature have primarily analyzed the role of brand community on WOM communication, Facebook community as brand community where the information exchange is fast and easy within the perspective of WOM communication has not been studied yet. Therefore, the aim of this study is to explore the impact of company Facebook page on WOM communication of a new product. Moreover, the research intends to understand the antecedents of brand community commitment such as motives for visiting brand community, attractiveness of brand community website and participation to community activities for establishing strong relationship between company and community members. Based on these objectives, the paper first includes a review of the existing literature. Subsequently, we present qualitative study and its results. Third, we discuss our hypotheses in the specific context of company hosted Facebook community and describe our sample and variables. Fourth, we present the empirical results and key findings of the quantitative study. Finally, we conclude with a discussion of the findings, implications and limitations of our study.

## BRAND COMMUNITIES

Muniz and O'Guinn (2001) analyzed the social relationships constituting brand communities and found them to be based in shared consciousness, the rituals and traditions of the community, and a sense of moral responsibility, all of which stakeholder groups bring into their relationships with the companies that stand behind their brands. Based on these findings, a brand community can be defined as a "... group of consumers with a shared enthusiasm for the brand and a well-developed social identity, whose members engage jointly in group actions to accomplish collective goals and/or express mutual sentiments and commitments" (Bagozzi and Dholakia, 2006). Social identity theory states that individuals develop social identities based on group memberships and in-group bias is the result of the formation of social identities (Heere et al., 2011). As one's social identity within the brand community increases and participation in group activities is stimulated, a

considerable involvement with the brand occurs. Drawing on social identity theory, studies on brand communities have proved that customers in such communities tend to support the relating products and brands (Algesheimer et al., 2005; Muniz and O'Guinn, 2001). This view suggests that social identities would encourage consumers to use WOM communication which reflect favorably on their preferred product or brand. Bagozzi and Dholakia (2006) also state that group behavior is strongly affected by group members' social desire and social intentions.

### **Online Brand Communities**

Online brand communities are brand communities which take place in a virtual setting like Internet (Sicilia and Palazon, 2007). The relationship between firms and customers has become dynamic and strong due to the emergence of online brand communities (Kim et al, 2008a). Online brand communities are used by their members for providing easy access to information exchange and community participation regardless of time and place (Palmer and Koenig Lewis, 2009). Online brand communities could be considered as the subgroup of virtual community. However, although the concept of community is created specifically around brand as explored by Muniz and O'Guinn (2001), virtual communities are built around one good or service within a consumption context (Szymigin et. al, 2005) and their members are engaged by a common interest (Casalo et. al, 2010) such as hobby club or fan clubs.

Many companies today use Internet effectively to manage and maintain their marketing activities among brand communities. For instance, Nutella which is a chocolate brand of the Italian firm Ferrero has the community web site called 'my Nutella'. In this web site, community members may share common interest for exchanging opinions about the product and organize 'Nutella Parties' (Cova and Pace, 2006). There are two types of online brand communities used by companies to communicate with their customers (Kim et al., 2008a): consumer-initiated brand community and company-initiated brand community. People join online platforms voluntarily in consumer-initiated brand communities. Consumers share information, knowledge and their experiences and transact their comments. Company-initiated brand communities are mainly used as marketing communication tools. Organizations have become more interested in launching and organizing online brand communities to gain competitive advantage and build strong relationship with their customers at minimal cost in terms of time and money (Muniz and O'Guinn, 2001). Due to the emergence of social media applications, the number of online brand communities -both consumer and firm-initiated- has increased considerably. Community concept as suggested by Muniz and O'Guinn (2001) is a network of social relations involving emotional bonds. As a marketing communication tool, online brand communities are becoming more embedded into daily lives of both professionals and individuals. The primary reason that makes online communities more significant is the commitment among members of the community that develops through the information exchanged and the impact exhibited by community members on the attitudes and behavior of each other (Williams and Cothrell, 2000). Kim et al. (2008a) indicate that communities enhance the reach and the richness of the dialogue between the customer and the brand and among brand community members simultaneously. Social networking sites offer a potential landscape for the formation of powerful consumer communities. This potential has resulted in great interest in social media and especially in Facebook as a marketing tool. According to the Social Media Marketing Industry Report (2012), Facebook is ranked as the number-one choice of companies in their social media marketing activities, followed by Twitter and LinkedIn. Ninety two percent of marketers are using Facebook and 72% plan on increasing their activities in Facebook.

### **The Effects of Word of Mouth Communication of New Product in Online Brand Community**

According to diffusion theory, social systems and communication channels affect the diffusion of new products by shaping what information individuals are subjected to (Rogers, 2003). Prior research in marketing and social psychology suggest that social identities in brand communities have the potential to influence WOM behavior (Thompson and Sinha, 2008). Therefore, brand identity is crucial for ideas about new products to be accepted by the brand community members (Marchi et al., 2011). Customers get into relationship with a brand community and this interaction influence their intentions and behaviors (Algesheimer et al., 2005).

Both scholars and practitioners of marketing are particularly interested in WOM communication behavior in the context of online communities because of the popularity, growth and influence of such communities. Online communities represent WOM networks, where individuals interact for information such as purchase advice or complaint about products or services (Kozinets, 1999; Hoffman and Novak, 1996). Information and WOM impact play an important role in the diffusion of new products. Organizations which are succeeding in persuading customers to join and participate in their brand community can obtain serious advantages over competitors. Research shows that brand communities help companies to attract customers and to strengthen long-term relationships with them (Stokburger-Sauer, 2010). Thompson and Sinha (2008) have discovered that

membership and participation in a brand community lead to a sense of loyalty among members. They indicate that this loyalty will be beneficial for the company by increasing the likelihood of the members purchasing the company's new products in the future.

Companies can provide better communication on the Internet relating their new product. Besides, large amount of information can be gathered from the brand community web site because members of the community are willing to contribute to product innovation and adoption period (Füller and Matzler, 2007). Therefore, not only new product development managers, but also marketing managers can benefit from online brand community which enables effective, interactive and less costly communication. Concerning these findings, companies use effectively their brand community and make investments to fasten the diffusion of their new product. However, whether and how brand community membership and participation impact new product WOM communication behavior remains unanswered. The major purpose of this research is to understand the factors that influence the WOM communication of new product among online brand community members.

## RESEARCH METHOD

To provide insightful information and interpretations due to the exploratory nature of the current subject, this research is organized involving two consecutive studies. Study I representing the qualitative research includes focus group studies and Study II as the quantitative research is designed based on both existing literature and the results of Study I and uses the survey instrument to collect data.

### Study I: Qualitative Research

For the qualitative research study, focus group discussions were conducted. The total number of participants was 36 in five separate sessions. Each group consisted of 5-11 graduate students whose ages were between 22 and 30. The researchers acted as moderators and semi-structured questionnaire form was used.

The findings present the attitudes and behaviors of people in online platforms. Most of the respondents have Internet applications on their mobile phone and the easy access to Internet and other social media tools without restriction enables them to visit these websites more frequently as some of the participants emphasize that they are online 7/24. The findings reveal that 85% of participants have Facebook account and they have been members of this social media platform for more than 3 years. They use Facebook actively and spend approximately one hour daily. More than half of the respondents have joined brand communities on Facebook for a variety of product or service categories such as Mercedes, Starbucks, gencturkcell (GSM operator service for young people in Turkey), Zara, Gucci, HLMN, Pinkberry, Sobee, Tchibo, Apple, Network, Ipekyol, Twist, Penti, Unilever, P&G, Nestlé. When respondents are asked if community hosting type affects their membership decision or not, almost all of them declare that they prefer to join a brand community which is initiated by the company owning the brand. They find these kinds of brand communities as official and trustworthy and the number of members is high so they are able to get in touch with much more people. This was the motivation underlying our decision to analyze company Facebook page in the quantitative part of this study.

The participants state a variety of reasons explaining why they are part of a community such as keeping up to date with the brand, becoming aware of new product launches, new sales promotions and campaigns without going to the store, benefiting from promotions, gathering information about the existing/new products quickly, saving time for searching, getting into contact with other people with similar characteristics, increasing their attachment to the brand and starting to frequently follow the brand community. An important finding emerging from the discussions is about the website attractiveness of the online brand community. Participants indicate that they follow Facebook page of the brand because of the dynamic and distinctive contents of the website (for example of Mercedes, even they could not afford to purchase the product itself). Website attractiveness is important for not only affecting being member of the brand community, but also visiting frequency of the page and spending time of each visit. On the other hand, the participation to online brand community is seen as crucial to strengthen relationship between members and the community. Therefore, joining activities organized by the brand community, reading and sharing posts, writing comments and complaints on the brand community's online platform are regarded as different degrees of community participation of the respondents.

The majority of the participants report that they become aware of new product because of their closer relationship due to their membership of the brand community. The participants state that they generally recommend others to be a member of the brand community and use the product or try the new product of the brand both in online and offline platforms.

## Research Model and Hypotheses

Based on the literature survey and qualitative research, [Figure 1](#) is proposed as the research model. The aim of this study is to understand the impact of company Facebook page as brand community on WOM communication of new product. Also, the research proposes to explore how motives for visiting brand community, attractiveness of brand community website and participation to community activities affect brand community commitment and WOM behavior.

The research hypotheses of the study are as follows:

H<sub>1</sub>: Motives for visiting brand community are related to brand community commitment

H<sub>2</sub>: Attractiveness of brand community website is related to brand community commitment

H<sub>3</sub>: Participation to brand community is related to brand community commitment

H<sub>4</sub>: Brand community commitment is related to WOM

H<sub>5</sub>: Motives for visiting brand community are related to WOM

H<sub>6</sub>: Attractiveness of brand community website is related to WOM

H<sub>7</sub>: Participation to brand community is related to WOM

Focus group discussions and the study of Sung et al. (2010) were used to develop the statements of motives for visiting brand community. Respondents were requested to state their visiting motivation of company Facebook page by completing the sentence “I visit this brand community ...” with the items such as “to get much more information with less effort” and “to follow the brand community regularly”. The statements of attractiveness of brand company website were derived from the focus group discussions. These items are related to the competence of Facebook website. Items for participation to brand community activities were adapted from the study of Casaló et al. (2011).

Commitment as a psychological attachment leads to customers’ behavior such as positive word-of-mouth (Dick and Basu, 1994). The primary reason that makes online communities more significant is the commitment among members of the community that develops through the information exchanged and the impact exhibited by community members on the attitudes and behavior of each other (Williams and Cothrell, 2000). Brand community commitment is measured by the items such as “I am proud to belong to this brand community”, “I care about the long-term success of this brand community” and “I have psychological attachment to the members of the community”. In this research, the measurement of brand community commitment were adapted from the studies of Kim et al. (2008b), Sung et al. (2010), Hur et al. (2011). For WOM communication measurement, the study of Hur et al. (2011) was used. All items were measured by a five-point Likert scale (1= strongly disagree, 5= strongly agree).

## Study II: Quantitative Study

The purpose of this study is to understand the role of visiting motives, attractiveness of Facebook website and participation to community activities on brand community commitment and WOM for a new product. In this study, the Facebook community page of a large electronic company in Turkey was selected to direct the survey questionnaire. The Facebook page was chosen for three main reasons. First, the page is a good example of how Facebook pages are used by companies for marketing purposes. Secondly, the host company represents a popular brand and the page has more than 680,000 fans, which is a high number with respect to electronic industry in Turkey. Lastly, the company has recently introduced a new brand to the market which presents an opportunity for investigating the effect of new product WOM communication for the purposes of this research. The survey questionnaire was posted in community Facebook page with the support of the company. A total of 186 individuals, who are all community members, replied to the survey. SPSS 18 was used for analyzing the data.

Demographic characteristics of the respondents such as gender, marital status, age and education level are shown in [Table 1](#). Among the total respondents, 86.6 % were male and 19.4% were female. 36% of the participants’ ages ranged from 25 to 34. As for education, 57% were graduates of high school and upper levels.

As shown in [Table 2](#).59% of the respondents visit brand community Facebook page at least once a day. In addition, more than half of the participants spend less than 15 minutes on each visit.

Before testing the research hypotheses, the discriminant validity of all scales in the model were tested. First, a principal component analysis with varimax rotation was performed to determine what underlying structure existed for all variables of the research model. Eigenvalue which is greater than 1.0 is taken into consideration and the remaining items were extracted from the analyses. Related visiting motives for company hosted Facebook community, two items were extracted (to have fun



and to gather information about the existing/new products quickly). Eleven items related visiting motives were split into three factors which explained 67% of the variance. The sixteen items related attractiveness of the company Facebook page was analyzed and it is revealed that all items meet the criteria and were loaded on two factors. All other items were loaded on one factor and the reliabilities of all factors were acceptable. The results of the factor analysis are summarized in [Table 3](#).

H<sub>1</sub>, H<sub>2</sub>, H<sub>5</sub> and H<sub>6</sub> hypotheses of the study are revised after the factor analyses:

H<sub>1a</sub>: Awareness and information related motives for visiting brand community are related to brand community commitment

H<sub>1b</sub>: Communication related motives for visiting brand community are related to brand community commitment

H<sub>1c</sub>: Brand related motives for visiting brand community are related to brand community commitment

H<sub>2a</sub>: Attractiveness of brand community website based on shared content is related to brand community commitment

H<sub>2b</sub>: Attractiveness of brand community website based on the access channel is related to brand community commitment

H<sub>5a</sub>: Awareness and information related motives for visiting brand community are related to WOM

H<sub>5b</sub>: Communication related motives for visiting brand community are related to WOM

H<sub>5c</sub>: Brand related motives for visiting brand community are related to WOM

H<sub>6a</sub>: Attractiveness of brand community website based on shared content is related to WOM

H<sub>6b</sub>: Attractiveness of brand community website based on the access channel is related to WOM

The results of the regression analyses are summarized in [Table 4](#). Since one of the objectives of this study was to identify the visiting motives of company Facebook page on brand community commitment and WOM, multiple regression analyses were performed. The results indicate that “awareness and information related motives” is related to brand community commitment and WOM. Hence, H<sub>1a</sub> and H<sub>5a</sub> were supported. Although “communication related motives” is related to brand commitment (H<sub>1c</sub> was supported), it is not related to WOM (H<sub>5c</sub> was not supported). However, “communication related motives” is not related to brand community commitment and WOM. Therefore; H<sub>5b</sub> and H<sub>5c</sub> were not supported. For the test H<sub>2</sub> (relationship between attractiveness of brand community website and brand community commitment), the R<sup>2</sup> of 0.539, reflecting the overall strength of relationship between the two variables, was statistically significant at the 0.01 level. Therefore, the H<sub>2a</sub> and H<sub>2b</sub> were supported. H<sub>6</sub> states a relationship between attractiveness of brand community website and WOM. H<sub>6a</sub> which identifies attractiveness of website “based on shared content” was supported; however, the relationship between attractiveness of website “based on the access channel” and WOM was not significant (H<sub>6b</sub> was not supported). The results of the regression test for brand community participation as independent variable show that H<sub>3</sub> and H<sub>7</sub> were supported. Lastly, concerning the relationship between brand community commitment and WOM, H<sub>4</sub> was supported (R<sup>2</sup> = 0.314).

## DISCUSSION

Although 19.4% of the sample is female; this might possibly offers a proper representation of the Facebook population. According to Socialbakers Report (2012), 37% of the Facebook users are female in Turkey. In addition, the host company of the brand community offers electronic products which male consumers are predominantly interested in. According to the results of the research, “awareness and information related motives” have the relationship with both brand community commitment and WOM behavior for the new product. On the other hand, “communication related motives” do not have relationship with community commitment and WOM communication. As for attractiveness of brand community website, this factor is important in increasing consumers’ commitment to the company. The improved commitment can be achieved by aligning content shared on company Facebook page to the customers’ requests and expectations, in line with Palmer’s (2002) suggestion that content of websites as to be a significant determinant of the websites’ success. On the other hand, no relationship is found between the “attractiveness of website based on access channel” and WOM communication of a new product. Overlapping with the results of the previous study of Casalo et al. (2011), participation to community activities is positively related to brand community commitment and WOM communication of new product. If the marketers enable their customers to participate community activity, they can be successful for establishing strong relationships with customers with a cost-efficient way and encourage them for spreading positive word-of-mouth communication.

The major result of our study suggests that the relationship between brand community commitment and WOM is strong. Concerning the previous research, commitment can be viewed as a mechanism through which positive behavioral outcomes are maintained (Kim et al., 2008b). Moreover, according to Bagozzi and Dholakia (2006), affective commitment and perceived importance of membership influence brand behavior.

## CONCLUSION

After elaborating on the results of factor and reliability analyses regarding the motives for visiting company-hosted Facebook community and attractiveness of brand community website, it is revealed that the items which were developed from the focus group discussions can be used in other studies researching brand communities on Facebook. Moreover, the findings this study provide evidence to explain the effects of motives for visiting company Facebook community, attractiveness of brand community website and participation to brand community as antecedents of brand community commitment and WOM communication of new product.

The findings reveal some managerial implications for marketing managers who desire using online brand community as a channel to decrease new product failure risk and to increase the positive effect of WOM communication. First, company-initiated brand communities have influence on WOM communication positively through brand community commitment. When companies decide to create their own online brand community, they could develop an effective marketing strategy and strong level of commitment among members toward the community. Online brand community members actively seek out social relationships with other consumers who share similar interests and needs and feel an important connection to them. For example, community members may have objectives of getting and sharing information, solving any brand/product related problems, answering others' questions, influencing other consumers, making decisions and even sharing their past experiences and behaviors through online social interaction and community participation. As Muniz and O'Guinn (2001) suggested, a brand community sets them apart from users of other brands and makes them similar to one another. Second, online brand communities allow consumers to share their opinions by extending the relationships between marketers and consumers as well as from consumer to consumer and, therefore, play a vital role in the word of mouth communication. Finally, this study shows that focusing on providing useful and relevant information on company Facebook pages might actually be a more effective strategy for encouraging new product purchase intention by increasing word of mouth communication level. Prior research (i.e. Brown et al., 2007; Kozinets, 1999; Hoffman and Novak, 1996) shows that there is positive relationship between new product purchase intention and WOM communication in online brand community especially on social media platforms.

## LIMITATIONS AND FUTURE RESEARCH

While the study offers initial insight about given online brand community, further research needs to incorporate studies examining online groups across different product categories in different virtual platforms. It is necessary to generalize and theorize the working mechanism of online communities and enlarge it into the specific context of brand, origin, industry and so on. The factors affect new product WOM communication in online brand communities may be different for users in other countries due to cultural differences.

## TABLES

Table 1: Demographic characteristics of the sample

Gender	n	%	Marital Status	n	%
Male	150	80.6	Married	70	37.6
Female	36	19.4	Single	116	62.4
Age	n	%	Education level	n	%
Less than 18	33	17.7	Less than high school	22	11.8
18-24	40	21.5	High School	84	45.2
25-34	67	36.0	2-year College Degree	29	15.6
35-44	30	16.1	4-year College Degree (BA, BS)	41	22.0
45 +	16	8.6	Master's Degree-Doctoral Degree	10	5.4

Table 2: Usage characteristics of brand community Facebook page

Online Brand Community Usage Frequency			Spending Time on Each Visit		
	n	%		n	%
7/24	15	8.1	Less than 15 minutes	107	57.5
Multiple times a day	53	28.5	15-30 minutes	61	32.8
Once daily	41	22.0	31-45 minutes	10	5.4



Multiple times a week	48	25.8	46 minutes – 1 hour	2	1.1
Once a week	15	8.1	More than 1 hour	6	3.2
Every couple weeks	8	4.3			
Monthly	6	3.2			

Table 3: Results of factor analysis

Factor name	Related Survey Items	Factor loading	Variance Explained (%)	Reliability ( $\alpha$ )
Awareness and information related motives	to become aware of promotions about company products	0.840	32.859	0.654
	to become aware of new product introductions	0.792		
	to keep up to date about the brand	0.767		
	become aware of competitions and their premiums arranged by company	0.692		
	to save time for searching information about products of company	0.675		
	to get much more information with less effort	0.644		
Communication related motives	to follow the brand community regularly	0.805	19.636	0.763
	to get in contact with other people who have similar characteristics to me	0.721		
	to reach authorized people from the company	0.676		
Brand related motives	because of my attachment to the brand	0.881	14.383	0.588
	to make decision for purchasing new product of the brand	0.703		
(KMO=0.863, $\chi^2_{\text{Bartlett test}} = 910.430 (55)$ . p= 0.000)				
Attractiveness based on the shared content	I think company Facebook page offers useful content	0.858	46.694	0.948
	I find the links shared on company Facebook page convenient	0.831		
	I find photos /videos shared on company Facebook page interesting	0.824		
	I think company Facebook page offers a rich content which includes all kind of information.	0.800		
	I think the content shared on the company Facebook page is entertaining	0.792		
	I find short survey questions used on the company Facebook page interesting	0.752		
	I find company support-service on Facebook page helpful	0.739		
	I find the language used by company on the Facebook page understandable	0.725		
	I think authorized people from company take comments posted on its Facebook page into consideration	0.683		
	I think frequency of contents shared on the Facebook page is sufficient	0.677		
	I find the topics shared on the company Facebook page remarkable	0.666		
	I visit company Facebook page whenever I see content shared on my Facebook page from company Facebook page	0.654		
	I think I could not access the information that is shared on company Facebook page about new product from other sites	0.632		
Attractiveness based on the access channel	I access company Facebook page via the links on the company twitter page	0.886	18.929	0.846
	I access company Facebook page via the links on the company YouTube page	0.874		
	I access company Facebook page via the links on the official website of the company	0.704		
(KMO= 0.937, $\chi^2_{\text{Bartlett test}} = 2231.390(120)$ . p= 0.000)				

Participation to Brand Community	I usually provide useful information to other community members.	0.908	72.797	0.937
	In general, I use to stimulate our brand community.	0.886		
	I eagerly reply to postings by the help-seeker of this community	0.884		
	I often post messages on this Facebook page	0.884		
	In general, I feel great excitement while writing message on company Facebook page	0.867		
	In general, I am very motivated to participate actively in activities of this brand community.	0.786		
	I take care the questions of the members of this community	0.745		
(KMO= 0.914, $\chi^2_{\text{Bartlett test}} = 1079.899(21)$ , p= 0.000)				
Brand Community Commitment	I am proud to belong to this brand community	0.917	69.492	0.944
	I will visit this brand community continuously	0.878		
	I care about the long-term success of this brand community.	0.850		
	I am an actively participating member of the community.	0.849		
	I have a sense of belonging to the community.	0.846		
	I will collect information through this brand community	0.812		
	I expect that I will continuously participate in community activities.	0.790		
	I think that exchanging opinion with other members in this community is important.	0.775		
	I have psychological attachment to the members of the community	0.773		
(KMO= 0.920, $\chi^2_{\text{Bartlett test}} = 229.083 (1)$ . p= 0.000)				
Word of Mouth	I recommend the new product of the brand to others	0.910	72.954	0.869
	I often tell others about the new product of the brand	0.900		
	I will leave positive comments about the new product of the brand on community sites	0.856		
	I recommend others to become member of this community	0.739		
(KMO= 0.793, $\chi^2_{\text{Bartlett test}} = 429.393 (6)$ . p= 0.000)				

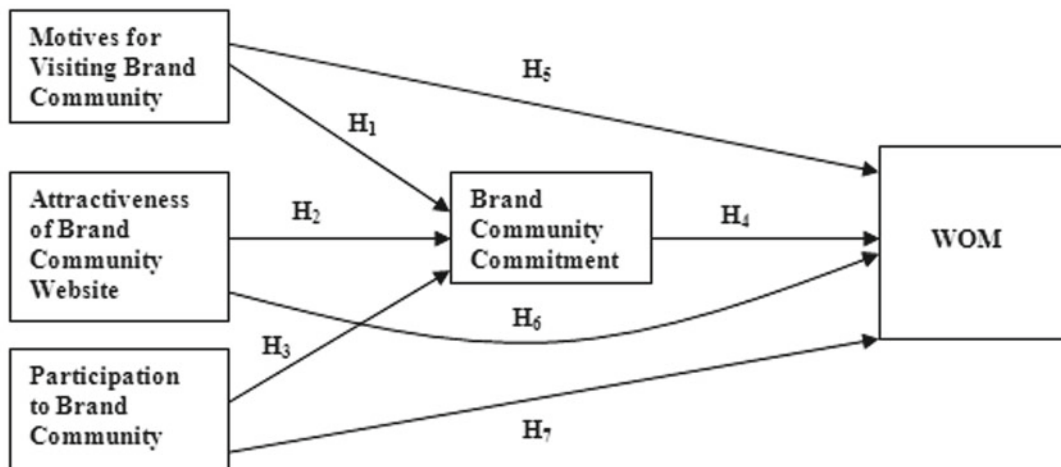
Table 4: The results of regression analyses

<b>Independent variable→dependent variable</b>	<b>Beta</b>	<b>t</b>	<b>R<sup>2</sup></b>	<b>F</b>
(H <sub>1a</sub> ) Awareness and information related motives → Brand Community Commitment	0.532	8.271*	0.390	58.564
(H <sub>1c</sub> ) Brand related motives → Brand Community Commitment	0.168	2.612*		
(H <sub>1b</sub> ) Communication related motives → Brand Community Commitment		-1.451***		
(H <sub>5a</sub> ) Awareness and information related motives → WOM	0.384	5.640*	0.147	31.812
(H <sub>5b</sub> ) Communication related motives → WOM		-1.049***		
(H <sub>5c</sub> ) Brand related motives → WOM		-1.386***		
(H <sub>2a</sub> ) Attractiveness of brand community website based on shared content → Brand Community Commitment	0.591	9.223*	0.539	106.897
(H <sub>2b</sub> ) Attractiveness of brand community website based on the access channel → Brand Community Commitment	0.203	3.162*		
(H <sub>6a</sub> ) Attractiveness of brand community website based on shared content → WOM	0.571	9.435*	0.326	89.015
(H <sub>6b</sub> ) Attractiveness of brand community website based on the access channel → WOM		0.314***		
(H <sub>3</sub> ) Participation to brand community → Brand Community Commitment	0.690	12.922*	0.476	166.975
(H <sub>7</sub> ) Participation to brand community → WOM	0.493	7.687*	0.243	59.089
(H <sub>4</sub> ) Brand Community Commitment → WOM	0.561	9.181*	0.314	84.298

\*p<0.01 ; \*\*p<0.05 ; \*\*\*p>0.05

## FIGURES

Figure 1: Research model



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**Wednesday, 3:00-4:30 p.m.**

**Session 4.1. Non Profit Marketing: Advancing Strategies and Policies**

Room: Flinders

Session Chair: Gillian Sullivan-Mort, La Trobe University

***Countering Counterfeit Branding: An Understanding Incorporating Mimesis and Cultural Appropriation for Emerging Markets***

Tanvir Ahmed, La Trobe University

Gillian Sullivan-Mort, La Trobe University

***Coopetition (Contemporaneous Cooperation and Competition) Among Nonprofit Arts Organizations***

Theresa Kirchner, Hampton University

John Ford, Old Dominion University

Edward Markowski, Old Dominion University

***Sustainability Living in a Carbon Priced Economy: Trade-Offs in Purchasing and Practices and Sustainability Guilt***

Menuka Jayaratne, La Trobe University

Gillian Sullivan-Mort, La Trobe University

***What's in a Name? A Systems Thinking Framework for Resource Types in Nonprofit Marketing***

Erica Brady, Monash University

Linda Brennan, RMIT University

**COUNTERING COUNTERFEIT BRANDING:  
AN UNDERSTANDING INCORPORATING MIMESIS AND  
CULTURAL APPROPRIATION FOR EMERGING MARKETS**

Tanvir Ahmed, La Trobe University, Australia  
Gillian Sullivan Mort, La Trobe University, Australia

Brands designate the most valuable asset that many firms possess, and the associated brand equity is usually the result of years of development efforts. Yet so many brands are becoming increasingly threatened by the worldwide phenomenon of brand counterfeiting (Lai and Zaichkowsky, 1999), whereby counterfeits or imitations of the brands are sold often to unwary consumers as the original. This problem already grasps both developed and developing countries which leads to serious economic, social, and political problem that threaten the lives of unsuspecting consumers, wreaks economic havoc, and weakens consumer confidence in branded products. The global market value of the counterfeit industry is \$600 billion, with a growth rate of 1700% over the past 10 years (U.S. Department of State, 2008). The majority of the research on counterfeiting has focused its attention on individual level consumers' motivation towards counterfeit brands applying theories such as "reasoned action" (Woolley and Eining 2006), "planned behavior" (Chang 1998), "expected utility" (Peace et al. 2003), and "ethical decision making" (Wagner and Sanders 2001). However, no research till now has considered counterfeiting through the conceptual lens of culture. This paper responds to persistent calls for research that goes beyond current dominant perspectives and supports a broader view of counterfeit branding. We have introduced a novel approach of cultural appropriation and the theory of mimesis to understand motivations towards counterfeit brands. Our proposed framework suggests that the concept of mimesis can offer an enhanced perspective to understand consumer motivations in regard to products, supply, sell, buy and use of counterfeits. This study incorporates six derived policies and actions (Cooperative, Collective, Strategic, Performative, Conventional and Covert) to educate both consumers and counterfeiters against this negative behaviour.

References available on request

## **COOPETITION (CONTEMPORANEOUS COOPERATION AND COMPETITION) AMONG NONPROFIT ARTS ORGANIZATIONS**

Theresa A. Kirchner, Hampton University, U.S.A.  
John B. Ford, Old Dominion University, U.S.A.  
Edward P. Markowski, Old Dominion University, U.S.A.

### **ABSTRACT**

Coopetition (cooperation among organizations and individuals which may, in other contexts, view each other as competitors) is a concept that suggests that organizations with mutual interests can cooperate profitably at one level while competing at another. Ray Noorda, CEO of Novell, coined the term and proposed that often, in order to achieve strategic growth in an organization or industry, "You have to cooperate and compete at the same time." Coopetition is viewed as an important research area in marketing strategy because of its potential to improve profitability and competitive advantage. This study broadens research on coopetition to an arena in which it has not yet been formally studied and quantitatively assessed - the nonprofit arts subsector, assessing its manifestation in that environment with both qualitative and quantitative studies.

Academic literature on the concept of cooperation between competitors has its roots in game theory research dating from the 1940s and the work of Hamel et al. (1989). Brandenberger and Nalebuff formalized the idea of coopetition as a strategic management/marketing concept in their 1996 best-selling book. In 1999, Sheth and Sisodia, Varadarajan and Jayachandran, and Day and Montgomery called, in separate articles, for more research on the topic. However, over a dozen years later, relatively little academic work has addressed the topic. Research on coopetition during that period has focused primarily in the areas of information technology and industrial network organizations. This study answers the call for additional research on the concept in a very different arena. The concept of coopetition as a synergistic phenomenon has important implications for the nonprofit arts sector that extend beyond the individual paradoxical constructs of competition and cooperation. In a field that has historically stressed artistic and operational competitive advantage, but struggled with chronic funding and scarce resource issues, the assertion that the best strategy often involves cooperation with competitors and the potential to achieve results greater than the sum of inputs, with multiple winners, is a powerful one for nonprofit arts organizations.

This research has two primary components: (1) exploration, with an in-depth qualitative study, of the nature and extent of cooperation among competitors in the nonprofit arts arena, and (2) assessment, with a significant quantitative study, of coopetition using a relatively homogeneous segment of nonprofit arts organizations: symphony orchestras. Coopetition was evaluated in terms of two constructs: artistic coopetition and operational/marketing/fund development coopetition. Measures of coopetition included coopetition intensity, and range and volume of cooperative efforts. Consequences related to coopetition included perceived organizational financial performance and organizational effectiveness.

The qualitative study explored the nature of coopetition, components of the theoretical model, and related key variables in the context of nonprofit arts organizations. The sample for the study included eleven Executive Directors (or their equivalents) of a variety of types of nonprofit arts organizations located within the geographic area of Hampton Roads, Virginia, which includes 1.7 million people in nine cities and seven counties and comprises the 34<sup>th</sup> largest Metropolitan Statistical Area (MSA) in the U.S. Individual structured, guided interviews were completed with the study participants, using a 21-item format developed to elicit feedback on concepts and related variables suggested by prior research. Finalization and operationalization of the model and component factors assessed in the quantitative study were based on the results of the qualitative study. Six latent constructs contained in the conceptual model of coopetition and its consequences were measured by 43 items in an 80-item questionnaire which was mailed to the executive directors of the entire population of 888 orchestras which were members of the League of American Orchestras. 266 of the 283 returned responses were complete and used for analysis, yielding an effective response rate of 30%. The data was analyzed using AMOS structural equation modeling software. After revision of the model based on the results and theoretical support, confirmatory factor analysis and valuation of structural components of the model indicated support for all of the hypothesized relationships.

The results of both studies indicate that executive directors of non-profit arts organizations cooperate with their peers in varying degrees in multiple areas (operational, marketing, fund development, and artistic), with generally positive financial and organizational results. There is significant potential for these organizations to leverage potential benefits of cooperation, on a carefully-evaluated case-by-case basis, when analysis indicates that win-win, mutually beneficial opportunities exist.

References Available Upon Request



# SUSTAINABILITY LIVING IN A CARBON PRICED ECONOMY: TRADE-OFFS IN PURCHASING AND PRACTICES AND SUSTAINABILITY GUILT

Menuka Jayaratne, LaTrobe University, Australia  
Gillian Sullivan-Mort, LaTrobe University, Australia

## ABSTRACT

Sustainable consumer behaviour is a complex and emergent concept, and involves progress toward creating a more sustainable society. Recent changes in government policy in Australia provide a new context for sustainability consumption. However, little research appears to address how consumers make decisions and carry out practices to realise their own sustainability values from day to day in the context of a society or economy publicly committed to sustainability via a carbon tax, which may also have the influence of not only changing social mores but also social norms regarding sustainability. This paper focuses on how sustainability concerned consumers make their contribution to sustainability living. It finds that consumers 'trade off' purchase and actions. This paper further uncovers how consumers are increasingly experiencing guilt in regard to their sustainable behaviour.

## INTRODUCTION

*"I'm determined to price carbon," [the Prime Minister Julia Gillard] told reporters. The time is right and the time is now."* (Packham, 2012)

Sustainability living can be a challenge. It is a lifestyle that attempts to reduce an individual's or society's use of the Earth's natural resources and his/her own resources (Ainoa, 2009). The concept of sustainability living is to lead a lifestyle in tune with the symbiotic nature of life and the Earth. People who practice sustainability living ultimately seek to use the natural principles of ecology to live in environment, achieve economic and social status without taking anything from it that cannot be replaced. Legislation enacted in Australia in 2012 relating to carbon management and pricing reflect specific approaches to the issue adopted at the level of a society. This paper focuses on how sustainability committed consumers make their contribution to sustainability living. The paper precedes as follows; first the literature review, then the empirical study is described, the findings of the analysis discussed followed by implications and future research directions.

## LITERATURE REVIEW

The publication 'Our Common Future' by the Brundtland Commission has raised worldwide attention to sustainable development. The Brundtland report defined sustainable development as 'development that meets the needs of the present without compromising the ability of future generations to meet their own needs' (World Commission on Environment and Development (Brundtland Commission), 1987).

A universally accepted definition of sustainability remains vague because it is often linked with other concepts such as "sustainable development" or "sustainable consumption". It needs to be factual and scientific, a clear statement of a specific "destination" and the simplest definition of "sustainability is improving the quality of human life while living within the carrying capacity of supporting eco-systems"(IUCN/UNEP/WWF, 1991). Sustainability is also a call to action, a task in progress or "journey" and therefore a political process, so some definitions set out common goals and values (Milne, 2006). Making the concept more complicated, the word sustainability is applied not only to human sustainability on Earth, but into many situations and contexts over many scales of time, from small local base to the global approach of production and consumption. This involves responsible and proactive decision-making and innovation that reduces negative impact and upholds balance between social, environmental, and economic growth to ensure a desirable planet for all species now and in the future.

Every time someone makes a decision about whether (or not) to purchase a product or service there is the potential for that decision to contribute to a more or less sustainable pattern of consumption (Young, Hwang, McDonald, & Oates, 2009). When consumers decide to adopt sustainable lifestyles, they engage with an increasingly complex decision-making process. These everyday decisions on practical environmental or ethical solutions often result in conflicting issues and the motivational and practical complexity of green consumption' (Moisander, 2007). The OECD officially defines sustainable consumption as "the use of goods and related products which respond to basic needs and bring a better quality of life, while minimising the use of natural resources and toxic materials as well as the emissions of waste and pollutants over the life cycle, so as not to jeopardise the needs of future generations" (OECD, 2002). In some literature sustainable consumption refers to the consumption of 'greener' products and is also referred to as green consumption (Ottman, 1993, 2003). Marketers

use this to link with consumers within their communication strategy using greener or environmental friendly claims. The key to sustainable consumption from this perspective relies on rational and environmentally aware consumers who make decisions based on their deep values (Ottman, 1993). These consumers, named 'environmentally conscious consumers' (Ottman, 1993) or 'green consumers' (Elkington, Hailes, & Makower, 1990) are individuals who willing to use some of their time and money to express their concern and care for the environment (Black & Cherrier, 2010).

There are some notable differences that make sustainability and sustainable development separate ideologies. Sustainability attempts to approach issues with an environmentalist aspect whereas sustainable development attempts to approach issues with a business aspect or infrastructure aspect. Sustainability is focused on reducing consumption and changing our lifestyles to save the environment. Extant research on consumer sustainability behaviour can be identified as consumer behaviours that improve social and environmental performance as well as meet their needs. It also studies why and how consumers do or do not incorporate sustainability issues into their consumption behaviour. It studies what products consumers do or do not buy, how they use them and what they do with them afterwards (Belz & Peattie, 2009). We adopt this perspective in researching sustainability living.

Apart what products and services are purchased, sustainability consumer behaviour is about the acceptance and adoption of a lifestyle in which sustainability is reflected in all aspects of consumer's behaviour. Belz (2009) listed five key values in the most advanced form of sustainable consumption behaviour:

Material simplicity- Consuming fewer products and services, and tend to seek out products that are resource efficient, durable and with a reduced ecological impact.

Human scale -Following the principal of "small is beautiful" in tending toward working and living environments those are smaller, simpler and less centralized.

Self-determination- Through a reduced reliance on large commercial businesses, or even large public-sector organization, to meet one's need, or even to influence what those needs might be.

Ecological awareness- Conservation of resources and reduction of waste in order to protect the environment

Personal growth - Emphasizing the creation of satisfaction through experiences and development of personal abilities instead of commercially provided consumption experiences (Belz & Peattie, 2009).

Sustainability living is a complex and emergent theme, and involves progress toward creating a more sustainable society. From this perspective, consumption needs to be understood more holistically as a total process, as part of a broader consumer lifestyle and as a process that is strongly influenced by the social context in which it takes place. Individual changes in purchasing behaviour can contribute to progress toward sustainability, but progress also depends on support from deeper changes occurring within consumer lifestyle and throughout society (Belz & Peattie, 2009).

This leads us to research how consumers can make better decisions about sustainability in their life. However, little research appears to address how consumers make decisions and carry out practices to realise their own sustainability values from day today in the context of a society or economy publicly committed to sustainability via a carbon tax, which may also have the influence for not only changing social mores but also social norms regarding sustainability.

## METHODOLOGY

This study takes a qualitative approach, exploring consumer behaviour in sustainability living. We conducted open ended face to face interviews for data collection to explore consumers' actual purchasing behaviour and their daily living practices underline for this behaviour. These interviews were of 30 to 45 minutes in duration. They were semi-structured using an open ended interview schedule that enabled the exploration of both extant and emergent concepts. The individual interviews allows the interview technique to delve into social and personal matters (DiCicco-Bloom & Crabtree, 2006) and this helped us to understand individual behaviour more deeply. Target recruitments were based in the Melbourne, Australia metropolitan area and employed a snowball sampling approach (Goodman, 1961), seeking out as participants consumers who are regular decision makers who consider how to make good decisions about sustainable, green or ecological products in purchase decisions. Twelve consumers were interviewed and the interviews recorded. This number of interviews enabled us to achieve theoretical saturation in our analysis of the interviews with the target group (Gummesson, 2000). Consumers above the age of 20 years who make their own purchase decisions, irrespective of gender and socio-economic group were sought.

After the interview phase, recordings were transcribed into written form so that they could be studied in detail, linked with analytic notes and/or coded. Using these transcriptions, thematic analysis was carried out. Thematic analysis is defined as a qualitative analytic method for 'identifying, analysing and reporting patterns (themes) within data. It minimally organises and

describes a data set in (rich) detail. However, frequently it goes further than this, and interprets various aspects of the research topic (Braun & Clarke, 2006). The analysis phase followed certain steps. We started with becoming familiar with the data. Then generated initial codes within consumer groups and searched for clustering of concerns / sub-themes in the first stage of analysis. In the next stage we reviewed the sub-themes and then defined and named larger themes. As a final result, we enfolded the emergent findings with literature consistent with Eisenhardt (1989) thereby enhancing internal validity, generalizability and theoretical level (Eisenhardt, 1989). The key study findings based on the analysis are outlined below.

## KEY STUDY FINDINGS AND DISCUSSION

### Theme 1: trade-off between sustainability purchase decision and sustainability practices

Sustainability concerned respondents reported their mixed concern and scepticism about sustainable product choices.

*“...yes we do pay extra ...but it is definite that you get healthy and environment friendly product at that price...”*

*“...I have heard of green electricity...but not convinced enough...rather I invested on solar power...”*

*“...Green energy-I don't find it very attractive...how do we know these projects going to be successful- wind farms? I can't see it as a great deal...”*

Most respondents were aware about the reasoning underpinning a premium price and were more willing to pay extra on certain product categories but very concerned about services. Green electricity and carbon offsetting in travel were central concerns, but they were not convinced about paying extra on intangible outputs.

*“...green electricity...what is the difference? We just pay extra but we get same electricity in same line...”*

However some reported support for another type of intangible attack.

*“...we do pay for the carbon tax and encourage that to help society to involve in that...we should contribute to it, by paying even more .... there is a benefit in it...”*

Price constraints and sceptical decision making can lead consumers to think of trading off sustainable purchasing behaviour with sustainability practices in their everyday life (Luchs, Naylor, Irwin, & Raghunathan, 2007). As consumers who prefer sustainability living, they are ready to do everything possible from their end, and reported higher concern when they couldn't do much about their purchasing decision due to price factors and lack information.

*“...because I am interested in sustainable living I try to do more of it...use vinegar and baking soda in cleaning, not use stuff with too much packaging, no highly processed products...I do composting, have our own vegie patch...”*

*“...I don't use a dryer...I always thought it is not good and I always use the clothes line instead...”*

*“...sometimes environment friendly options can cost you more extra....unfortunately I am not in that bracket...I just try to do it as practically as possible...”*

As displayed in [Figure 1](#), respondents are engaged in both practice and purchase decision making. Sustainability concerned consumers are mostly alarmed about their impact and responsibility to the environment, economy and society. They are trying to reach the satisfaction of sustainability living by trading off buying decisions (due to financial constraints and lack of information) with their own sustainability practices, achieving a total of sustainability.

*“...I do whatever I can personally do [that is] feasible and what I can manage...”*

According to a UNEP research study, while 40% of consumers say they are willing to buy “green” products, only 4% actually do so (UNEP, 2005). Price premium and unavailability of sustainable products in the market, lack of informative sources are the main reasons for this gap between articulated values and consumption behaviour. Apart from these main factors, consumers' “wilful ignorance” of information about product ethicality (Ehrich & Irwin, 2005) and the potential for negative conclusions about the functional performance (Luchs, Naylor, Irwin, & Raghunathan, 2010) of sustainable products are highlighted in recent discussions. Previously, Marketing researchers have studied consumer trade-offs involving different types of attributes, such as hedonic and utilitarian attributes, and the emotional and behavioural consequences (Luce, Bettman, & Payne, 2001; Wertenbroch & Dhar, 2000). Prior research on sustainability identified consumers usually making trade-offs involving the sustainability product and functional performance; that is, if functional performance is not adequate they will not purchase (Clare, Mehdi, Peter, & Roman, 2006; Luchs, et al., 2010)

Price (affordability) has also been identified as the main barrier to buying sustainability products. It is a fact that premiums for sustainability products are often significant, organics costing between 13 and 30% more than regular food products, while fair-trade products could cost up to twice the price (UNEP, 2005). While the majority of consumers around the world (83%) say that it is important that companies implement programs to improve the environment, only 22% say they will pay more for

an eco-friendly product, according to The Nielsen Company's 2011 Global Online Environment & Sustainability Survey of more than 25,000 internet respondents in 51 countries (Nielsen, 2011).

Interest is growing in sustainability by both businesses and by consumers (Gogoi, 2008). There is an ever-present and widely acknowledged gap between articulated positive attitudes toward sustainability and people's actual (mostly unsustainable) consumption behaviour. (Prothero et al., 2011). Extant research has not identified that consumers feel they can "trade-off" purchase and practice of sustainability to achieve a useful and comfortable level of sustainability overall. The trade-off between purchases and practices may help to define the nature of purchase behaviour gap.

## Theme 2: Sustainability guilt

Sustainability concerned consumers are committed to contribute to sustainability living in every possible way. They seek to be aware of the options they have and do extra research to gather more details. Overall, consumers report that they find achieving sustainability is very difficult. They said they do many things to achieve it- mainly in purchasing and improving sustainability practices. Figure 1 shows different purchase decisions and practices consumers follow to attain sustainability living. The research findings indicate most of sustainability concerned consumers tend to feel guilt about their purchase decisions, if they couldn't act in a sustainable manner in their purchases. They acknowledge their mistake and accept blame for that transgression.

*"I used to travel a lot...I know that we can buy offset...but I am **guilty** I didn't buy it due to extra cost"*

*"...probably most of what I do is unsustainable...I **feel bad** but sometimes we don't have a choice"*

*"I try to make the right decision when using the product...but what will happen when it's difficult...that's the point you get in to use candles instead electricity...but that's not a good idea too when considering what and how candles made out, ...then we **feel guilty**...once you get start with informed decisions then you realised everything is not right..."*

Many marketing studies have demonstrated that prompting negative emotions can have desirable effects on consumers' attitude change and behaviour (Goldstein, 1959). Most of these previous studies have focused on fear and not the other negative emotions such as guilt, shame or remorse (Lascu, 1991). A "guilt market" (Edmondson, 1986) has been identified, but optimal appeals to consumer guilt have yet to be determined. Guilt may have a primary role in consumer behaviour decisions, practices and contributions in sustainability living.

In the current research findings, guilt is a main emotion which affects consumers when they are unable to contribute to sustainability as they feel committed to do. In this paper we propose guilt has an impact on consumer pre and post decision making towards sustainability living (Figure 2).

Guilt has been defined as an internal emotional response involving penitence, remorse, self-blame, and self-punishment experienced after violating or contemplating to violate an internalized standard (Lascu, 1991). Kugler and Jones (1992) defined guilt as a one's own acknowledgement of having violated a personal standard. (Kugler & Jones, 1992). Guilt is an independent and unique construct that is different from other emotions (Lascu, 1991). Consumer guilt is the type of guilt that is related specifically to consumption decision situations. The feeling of guilt differs from the concept of guilt (Dedeoglu & Kazancoglu, 2010). Mosak (1987) explained that guilt is established by moral laws set by society to assure safety of life and possessions of the individual (Mosak, 1987). In a society that has legislated for sustainability through a carbon tax, consumers are no longer transgressing a moral code which is likely to have the effect of enhancing guilt. The guilt feeling is correlated with a sense of self-responsibility and self-control, regardless of whether the misbehaviour or reactions involved an act of commission or omission (Dahl, Honea, & Manchanda, 2003). Consumer guilt indicates a strong sense of self-awareness that enhances a consumer's sense of self-inadequacy and prompts the individual to seek corrective action (Mosak, 1987).

As an end result, violating normative or moral standards, such as indulging in immoralities, results in increased feelings of guilt. Likewise, moving away from the goal by omission of an act, such as failing to buy a non-virtuous but desired product, may also lead to feelings of missing out in life (Keinan & Kivetz, 2008). Similarly many consumers feel guilty that they don't do more to be green. In recent literature, green guilt, eco guilt (Matthew, 2009) has entered the discussion but there is less use of the terminology of sustainability guilt. More commonly, people are just feeling guilty about their environmentally unfriendly behaviours, as if they represent a moral failing. Environmental experts define green guilt as the knowledge that you could and should be doing more to help preserve the environment (Ned, 2012). From the sustainability perspective, the consumer is aware of the social and economic responsibility they hold in the sustainability consumption and living. They know they have to contribute to set good examples to others as well as provide continuous predictable and continuous market

to producers of sustainability derived market products. Accordingly National Geographic reported that consumers who live the least sustainably also feel the least guilty (Finkelstein, 2012). Data also suggests a significant divide between how emerging markets and developed nations experience environmental challenges. In emerging economies such as China and India, consumers are among the most concerned about environmental problems such as global warming and pollution while having limited access to green choices. Developed nations like Australia, France, Japan, Canada and the United States pay less regard to the energy they consume, the transport they choose and the water they conserve, while having greater access to sustainability choices.

## **FUTURE RESEARCH**

Future research avenues open up to investigate how emotional reactions link in sustainability living when consumers are unable to contribute to the sustainability basket in their everyday purchases and practices. The distinction between role of guilt and shame in the sustainability context are needs further investigation.

Guilt is generally associated with something one has done or not done with an allied emotion. Shame is often experienced as a feeling of being a bad, unworthy, hateful person. When shame becomes deep-rooted and generalised to who is, it is a very destructive, painful emotion. Guilt and shame are similar emotions in that both involve feeling bad about self. Shame has a similar social value to guilt in regulating behaviour. Consumer can feel ashamed of him/herself for doing things that know to be wrong, but with shame the sense of "badness" goes deeper and affects to the sense of self-esteem. Shame is a social emotion in that it causes people to want to hide themselves from others due to social impact. Stuewig and Tangney (2007) stated shame and guilt are both "negative" and uncomfortable emotions and as such are usually correlated (Stuewig & Tangney, 2007). These two emotions deal with self-evaluative judgements and consumer judge themselves and their actions according to internal standards. In future research opportunities arise to find out the role of shame has in sustainability living.

Literatures discuss differences of guilt and shame in different aspects. Shame results from the negative judgment of others about actions not immoral in the eyes of the offender (Izard, 1977). Some researchers stated that shame is evoked by a broader range of situations including both moral and non-moral failures and transgressions, whereas guilt is more specifically linked to transgressions in the moral realm (Ferguson, Stegge, & Damhuis, 1991; Smith, Webster, Parrott, & Eyre, 2002). Another frequently cited distinction between shame and guilt focuses on the public versus private nature of transgressions (Tangney, Stuewig, & Mashek, 2007). According to this viewpoint, shame is a more "public" emotion impact from public exposure and disapproval of some shortcoming or transgression. On the other hand guilt is regarded as a more "private" experience develops from self-generated morality. Presently the most central basis for distinguishing between shame and guilt—focus on self-versus behaviour (Lewis, 1971) and appraisal-based model of self-conscious emotions (Tracy & Robins, 2006). According to previous research shame involves a negative evaluation of the global self; guilt involves a negative evaluation of a specific behaviour (Lewis, 1971).

Sustainability living is a system that is all about rights and wrongs and gradations when it comes to living well. According to Noelle (2012) 'living well' is inherently stressful, and fills sustainability concerned consumers with guilt and shame when it isn't loading up with the weight of pride and condescension or, conversely, the fear-based drive to do better (Noelle, 2012).

## **IMPLICATIONS**

This study meets the challenges to investigate contemporary sustainability living with research on consumers desiring to achieve sustainability in their lives in the context of a country legislating for a carbon tax. The research main contribution is that it identifies sustainability guilt and a search for trade-offs between purchasing behaviour and sustainability practices.

## **CONCLUSIONS**

In summary this research study opened up new avenues of research within sustainability. Prior research showed sustainability living constrained by price factors, quality and product performance, lack of information and product unavailability. This research revealed that sustainability concerned consumers trying trade off their sustainability purchase decisions with sustainability practices to minimise their sustainability guilt so to reach a mindset of satisfaction with their sustainability living.



## FIGURES

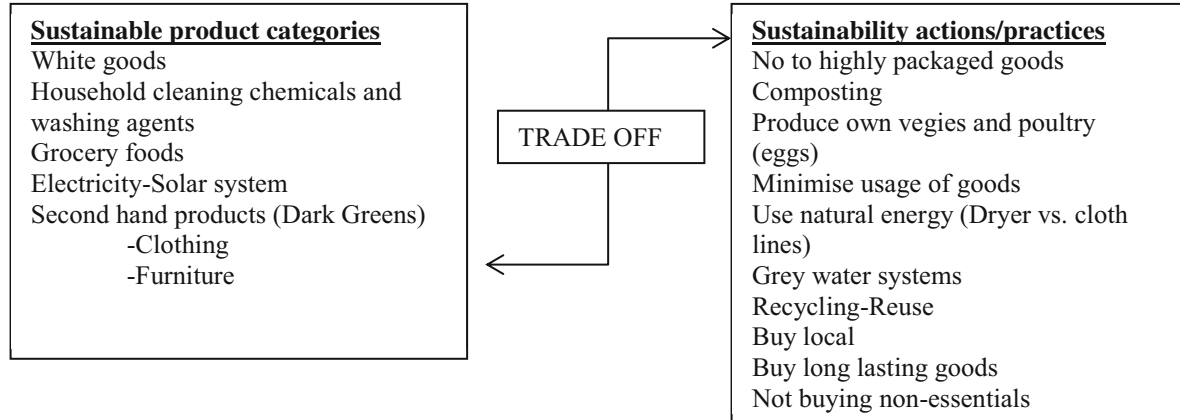


Figure 1- Sustainability product purchase trade off to sustainability actions/practices

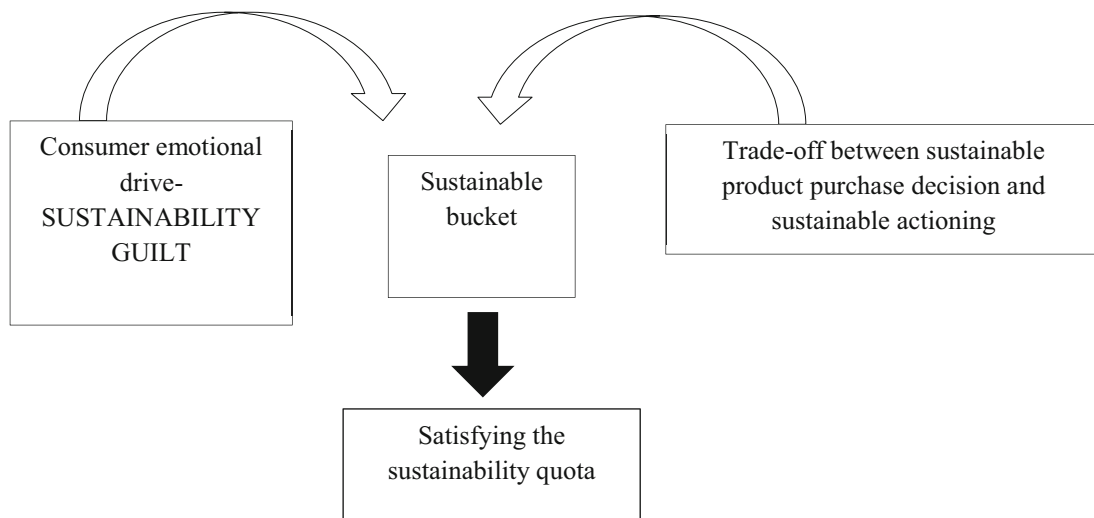


Figure 2: Satisfying the need to fill the sustainability bucket

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# WHAT'S IN A NAME? A SYSTEMS THINKING FRAMEWORK FOR RESOURCE TYPES IN NONPROFIT MARKETING

Erica Brady, Monash University, Australia  
Linda Brennan, RMIT, Vietnam

## ABSTRACT

This paper presents a framework that helps researchers and practitioners to consider the types and nature of resources in the not for profit domain. The framework draws from the existing literature and includes theoretical and practical considerations. Measurement of outcomes in the third sector is problematic, often due to the multiplicity of theoretical domains contributing to the sector. Integral to the third sector is the need to maximize the use of scarce resources to achieve social good, activities that can extend well beyond that of fundraising.

Whilst the application of segmentation is still debated within some areas of the sector, recent research supports its use. Interactants in the NPO exchange system will each have differing motivations for participating in the exchange. However, typing by motivation is a form of 'micro' segmentation. While micro-segmentation is important for attracting a particular individual or designing a promotion strategy, this does not assist in broader thinking about what 'customers' want and therefore what are the appropriate resource acquisition strategies. The dilemma for the NPO is how to identify, not only the motivations, but to also calculate the transaction costs for the interactants in the system.

For the purposes of clarity, in this paper we are only interested in 'customers' who contribute to the resources of an organization, and therefore are not at the receiving end of the resource system (beneficiaries or recipients). Extant work considers 'customers' in categories such as 'volunteer', 'donor', 'philanthropist', however we argue that these labels can be misleading when trying to segment the resource 'market' as each of these labels have connotations that may not match the broader motivations for contributing to an NPO. Unsurprisingly it is not the demographic characteristics that are the most useful discriminants. For greater applicability and transference across NPO contexts more abstract dimensions are required.

Building on prior literature and discussions with NPO practitioners we established that there are four primary dimensions for considering the resource system of an NPO in terms of inputs and desired outcomes. The first of these is 'Accountability', that is how important it is that the organization accounts for what they do with the resource\*. The second is 'Relationship Requirements', which is the level of ongoing contact the giver\* wants from the organization. The third is 'Locus of Reward', which refers to the extent to which the giver expects direct benefit or is more altruistic. The final dimension is 'Planning Requirements', which refers to the amount of prior thought, or level of spontaneity, that goes into the resource contribution.

Considering the dimensions of Planning Requirements and Locus of Reward four segments can be identified; Considerates, Deliberates, Responders and Casuals. Consideration of the other two dimensions results in another four segments; Commercials, Shareholders, Believers and Detached.

The development of this typology will help practitioners in two ways. Firstly it provides a targeting tool that allows the NPO to focus their resource acquisition activities on those segments whose broad needs they can readily fulfill. Secondly it provides guidance for the development of strategies to help acquire and satisfy the targeted

References are available by request

\*To avoid the connotative problems associated with nomenclature in the area the label 'resource' is being used for what the organization gets and the label 'giver' is being used for the entity that is contributing the resource.

**Session 4.2. Marketing in Asia: Branding and Word of Mouth**

Room: Yarra #1

Session Chair: Yoko Sugitani, Sophia University

***Direct Experience and Emotional Attachment to Brands: Protecting Brands from the Negative Word of Mouth Opinion of Japanese Consumers***

Yoko Sugitani, Sophia University

***Ability of the Information Leader to Create Topics of Conversation and Purchase Decision Making***

Takashi Teramoto, Meisei University

***The Effects of Health Claims and the Symbolic Mark: A Case of FoSHU (Food for Specified Health Uses) in Japan***

Makoto Ono, Keio University

Akinoro Ono, Keio University

***Co-Creation of Service Brand Meaning: Initial Findings from an Exploration of Bank Branding in the Vietnamese Banking Sector***

Kiernan Tierney, RMIT International University, Vietnam

Kate Westberg, RMIT University

Ingo Karpen, RMIT University

# **DIRECT EXPERIENCE AND EMOTIONAL ATTACHMENT TO BRANDS: PROTECTING BRANDS FROM THE NEGATIVE WORD OF MOUTH OPINION OF JAPANESE CONSUMERS**

Yoko Sugitani, Sophia University, Japan

## **INTRODUCTION**

Today, the need to build “strong” brands seems increasingly important for companies, since consumers read many negative, as well as positive, word-of-mouth (WOM) messages about brands on the Internet. A “strong” brand in this study refers to a trademark that is resistant to adverse events, such as negative WOM communications and product defects. Consumers with strong brand attitudes will not abandon their positive assessments easily and will continue to buy a product, even if they hear adverse opinions about it. How can companies build such strong brand attitudes? This study empirically verifies that an attitude based on emotional attachment with direct product experience (e.g., product trials) plays a more important role in creating a strong brand than those based on pride or product functionality.

## **BACKGROUND**

Edwards (1990) suggests that attitudes may be broadly divided into two types: cognition-based and affect-based attitudes. According to his framework, the brand attitudes of consumers may also be grouped into two categories: cognition-based ones (i.e., those that are useful, reasonable, and functional) and affect-based ones (i.e., those that are exciting, cool, and fashionable). Many researchers have explored the relationship between message types and the susceptibility of both attitudes to persuasion (Edwards, 1990; Millar&Millar, 1990; Fabrigar & Petty, 1999; Ivanov, Pfau & Parker, 2009; Mayer & Tormala, 2010; Lam, Ahearne, Hu, & Schillewaert, 2010), but few studies have specified what attitudes are more resistant and less susceptible to inducement.

However, recent studies in marketing and brand management have suggested the importance of affective, subjective, and sympathetic evaluations on consumer decision-making (See Fournier, 1998; Schmitt, 1999; Chaudhuri, 2006; Shiv & Bechara, 2010). It has also become common in social psychology to see intuitive judgments as better predictors of social behavior than rational and analytic thinking (See Schwarz, Song, & Xu, 2008; Greifeneder, Bless & Pham, 2011; Kruglanski & Gigerenzer, 2011). These studies imply that an affect-based attitude is more important in building strong brands and more resistant to adverse persuasion than a cognition-based attitude.

A cognition-based attitude is formed by knowing objective facts or evidence. Therefore, if you like brand “A” very much because of its toughness and functionality, you will be very disappointed to encounter a negative WOM communication; for example, if someone says, “I bought brand ‘A’ yesterday, but it is already broken.” In this way, a cognition-based attitude can be refuted by encountering a new fact.

On the other hand, an affect-based attitude is not objectively founded; rather, it is formed of the consumer’s subjective judgment and intuitive sense. If you like brand “A” because it always makes you happy and excited, you will not be disappointed to hear someone say that it is unpleasant and boring. An affect-based attitude is, by its nature, subjective and personal; thus, it does not matter to you if others find it unattractive. Therefore, we predicted that an affect-based attitude would be more resistant to adverse WOM communications than a cognition-based one.

Furthermore, we need to take into account that affect can be diversified. Although positive emotion was long treated as a single construct, researchers have recently begun to offer function-based definitions of specific positive emotions (Griskevicius, Shiota, & Nowlis, 2010; also see Keltner, Haidt & Shiota, 2006; Williams & De Steno, 2008). Griskevicius, Shiota, and Nowlis (2010) find that contentment and pride play different roles in product appraisal. Sugitani (2011) also demonstrates that two emotions, contentment and pride—labeled “emotional attachment” and “pride”—have different influences on brand evaluations. The data of this study reveal that attitudes based on emotional attachment are less susceptible to negative WOM messages than those based on pride are.

Why is an attitude based on emotional attachment more resistant to persuasion than one based on pride? Although both attitudes are surely emotional and subjective, emotional attachment is perhaps very subjective, whereas pride is less so. One cannot feel proud of a product without public agreement regarding its merit. However, emotional attachment is quite personal and mainly rooted in the direct and subjective experiences of consumers. Thus, one of these two attitudes is predominantly based on personal experience and the other is not.

As discussed above, our hypotheses are as follows:

H1: A brand attitude based on emotional attachment could be less susceptible to negative WOM communications than one based on pride or cognition.

H2: H1 would be supported only in the presence of an emotional attachment derived from direct product experience.

## RESEARCH METHOD

To test these hypotheses, we conducted an experiment to demonstrate the effect of direct product experience on attitude. A new attitude toward an unknown brand was formed either by presenting only print advertisements or by direct product experience (actively using the products); we then compared brand attitudes before and after reading negative WOM messages. The attitude gap before and after reading these negative messages indicates the degree of attitude change, that is, the susceptibility of the attitude to alteration.

*Participants.* In all, 186 consumers between 25 and 60 years of age, who were randomly selected in the Tokyo metropolitan area, participated in the study.

*Design.* This study had a two-factor design (with direct experience and with no direct experience).

*Procedure.* All participants were told to read an advertisement for an unknown cup brand. After completing the brand evaluation form, half the number of participants was shown some cups of the brand and drank a little soda from these cups (*direct experience condition*). The other half did not see or drink anything (*no direct experience condition*). Next, all participants were provided with negative WOM messages about this brand on the Internet. They then evaluated the brand again. At the end of the experiment, participants were thanked and told about the purpose of the study.

*Dependent measures.* At the beginning of the assessment, participants rated their brand attitudes (a 7-point scale anchored by “extremely positive” and “extremely negative”). The resulting score is used as the brand attitude score. The participants then completed cognitive and emotional evaluation forms of the brand, a procedure derived from the survey of “Brand Japan” (Nikkei, 2010; Sugitani, 2011). Participants responded to the same evaluation form twice (before and after reading negative WOM messages). It was composed of 16 items (all used 7-point scales; see [Table 1](#)). These scores represent the participants’ appraisal of a brand that functions as the basis for brand attitude.

## RESULTS AND DISCUSSION

*Brand evaluation as an attitude base.* Taking the scores of 16 items of the brand evaluation measure, we conducted an exploratory factor analysis of them. We used the scores before participants read the negative WOM, since our study seeks to verify the effect on attitude before the reception of negative opinions. As expected, we obtained three factors that are consistent with the suggestions of previous research (Edwards, 1990; Griskevicius, Shiota, & Nowlis, 2010; Sugitani, 2011). [Table 1](#) displays the resulting varimax rotated factor pattern and loadings (loadings below  $|\cdot 35|$  are not shown). The first factor contains items representing consumer pride, such as “feel proud of it,” “high-status,” “stylish,” and “cool.” We label this factor pride. A second factor, which we label functionality, includes items indicating the cognitive aspect of brand evaluation, such as “functional,” “convenient,” and “useful.” A third factor indicates emotional attachment. It includes “be emotionally attached to it,” “have a special fondness for it,” and “feel lonely without it,” which represent subjective and personal feelings.

Table 1. Exploratory Factor Analysis Results

	Factor1	Factor2	Factor3	
	pride	functionality	emotional attachment	communality
It's stylish.	.80			.77
It's cool.	.76			.67
It's a high-status brand.	.75			.63
It's fashionable.	.75			.62
It's smart.	.70			.59
I feel proud of it.	.67			.59
It's worthy of trust.	.63			.53
It's convenient.		.86		.82
It's easy to use.		.80		.77
It's functional.		.78		.65
It's useful.		.73		.70
I'm emotionally attached to it.			.81	.78
I have a special fondness for it.			.76	.63
I'm emotionally involved with it.			.67	.55
I feel some nostalgia for it.			.63	.45
I will feel lonely without it.			.57	.53
factor contribution	4.18	3.12	2.97	10.27
Cumulative contribution ratio	26.15	45.65	64.15	

*Susceptibility of brand attitude.* We computed the score of each brand evaluation subscale: pride (Cronbach's  $\alpha = .90$ ), functionality (Cronbach's  $\alpha = .90$ ), and emotional attachment (Cronbach's  $\alpha = .86$ ). Table 2 shows the means and standard deviations of the score of brand attitude and each subscale; it also displays the gap in the brand attitude score before and after reading negative WOM messages. This gap score refers to the degree of attitude change because of the negative opinions of others. Therefore, a higher gap score indicates a more susceptible attitude, while a lower gap score represents a less susceptible (more resistant) one.

To test the hypotheses, we conducted a multiple regression analysis, as shown in Table 3. As expected, emotional attachment enhanced the resistance to negative persuasion, but its effect was only observed when it was derived from direct product experience. Focusing first on the effect of pride, there is no correlation between the scores of pride and the gap score of attitude (i.e., the susceptibility of attitude) in both the direct experience and the no direct experience conditions (direct experience  $\beta = .02$ , *n.s.*; no direct experience  $\beta = -.03$ , *n.s.*). Next, the score of functionality was correlated with the susceptibility of attitude in both conditions (direct experience  $\beta = .52$ ,  $p < .001$ ; no direct experience  $\beta = .22$ ,  $p < .05$ ). The higher the score of functionality, the more susceptible is the brand attitude. In other words, attitude based on the evaluation of functionality could be easily changed and eroded by negative WOM messages. However, the score of emotional attachment has a different impact on the attitude resistance in each condition; there is a negative correlation between the scores of emotional attachment and the susceptibility of attitude in the direct experience condition ( $\beta = -.27$ ,  $p < .05$ ) and a positive one in the no direct experience condition ( $\beta = .16$ ,  $p < .01$ ). This result supports the hypotheses that a brand attitude based on emotional attachment is less susceptible to negative WOM messages than one based on pride or functionality, and this effect is supported only when emotional attachment is derived from direct experience.

### LIMITATIONS AND FUTURE DIRECTIONS

This study suggested that emotional attachment plays a very important role in building a strong brand and protecting it from negative WOM communications. In comparison, a cognition-based attitude was shown to be weak and susceptible to negative persuasion. These findings are consistent with the suggestions of recent research on brand attachment theory (Park, Macinnis, Priester, Eisingerich, & Iacobucci, 2010). However, we have to be careful in generalizing this result, since cultural differences may influence it. For example, East Asians, including the Japanese, are said to think holistically and rely far less



on categories or formal logic; in contrast, Westerners focus on the attributes of objects and think analytically and logically (Nisbett, 2003). The experiment was conducted only in Japan; therefore, future explorations in Western countries are required.

Table 2. Means and standard deviation of brand attitude and each subscale

	direct experience condition					no direct experience condition				
	BEFORE reading negative WOM message		AFTER reading negative WOM message		The gap score of attitude	BEFORE reading negative WOM message		AFTER reading negative WOM message		The gap score of attitude
	<i>Mean</i>	<i>SD</i>	<i>Mean</i>	<i>SD</i>		<i>Mean</i>	<i>SD</i>	<i>Mean</i>	<i>SD</i>	
brand attitude	5.39	1.21	4.96	1.36	.43	5.69	1.08	4.44	1.30	1.25
pride	5.10	1.00	4.81	1.17		5.32	.98	4.46	1.15	
functionality	4.60	1.21	4.71	1.30		4.65	1.14	4.24	1.28	
emotional attachment	3.82	1.36	3.71	1.32		4.02	1.18	3.46	1.18	

\* The gap score of attitude was calculated by subtracting the score of AFTER from that of BEFORE.

Table 3. The effect of pride, functionality, and emotional attachment on the susceptibility of attitude

	direct experience condition			no direct experience condition		
	$\beta$	<i>p</i>	<i>t</i> 值	$\beta$	<i>p</i>	<i>t</i> 值
pride	.02		.14	-.03		-.23
functionality	.52	**	4.05	.22	*	2.03
emotional attachment	-.27	*	-2.08	.24	*	2.08
interest in dishes	-.07		-.73	.06		.61

\*  $p < .05$  \*\* $p < .01$

\*This model passed the multicollinearity test.

## REFERENCES

References Available Upon Request.

## ABILITY OF THE INFORMATION-LEADER TO CREATE TOPICS OF CONVERSATION AND PURCHASE DECISION-MAKING

Takashi Teramoto, Meisei University, Japan

### ABSTRACT

In recent years, it appears that the process in which the consumer obtains information on a new product, recognizes the product and then puts it in his or her consideration set as a candidate for purchase is changing along with the popularity of Twitter, Facebook and other SNSs. The new flow is for the consumer to identify a given product as a candidate for purchase not only through recognition but also after talking about it with acquaintances and friends and realizing that: "The person I trust 'likes' the product," "Everyone is talking about the product" and the like. It is also considered that information-leader types of consumers, who are good at creating topics of conversation, have a greater tendency to make a given product a candidate for purchase. Given the above, this study focused on the ability of the information-leader group to create topics of conversation and revealed how their recognition of a new product and their talk about it actually affected their purchase decision-making. Actual analysis found that a key to a given product being considered more as a candidate for purchase was for the product to be talked about, particularly among consumers who are like information leaders. For a company to introduce a new product and make consumers identify it as a candidate for purchase, it is necessary to implement a communication strategy that starts with the creation of topics of conversation by consumers who are like information leaders and considers how to make them talk about the product.

The analysis used the response data related to a brand evaluation included in CANVASS 2011, which was researched by Yomiuri Advertising Company in October 2011. The respondents in this brand evaluation were segmented according to the level of sensitivity to information, into five groups--"nose for news," "open ears," "crowd ears," "empty ears" and "poor hearing"--from the highest to lowest degree of sensitivity to information. This analysis focuses on the two groups--"open ears" and "crowd ears"--from among the five groups. The "open ears" group consists of consumers who are interested in diverse topics, including home, hobbies and health. They are also very interested in society, environment and communities, and they actively absorb various kinds of information and send out summaries. Market mavens belong to this group. The "crowd ears" group is the largest among the five groups and represents a group of average consumers. It was considered appropriate to compare with the "crowd ears" group, which is an average consumer group, in evaluating the condition of the "open ears" group. The new products covered by this analysis comprised 13 brands belonging to six categories: ponzu (ponzu source), cup noodles, yogurt, soda, functional drink and sparkling liquor/new category, all of which were released in March 2010 or later. The analysis used four questions regarding ad recognition (a brand whose ads are seen often), in-store recognition (a brand often seen in stores), topic of conversation (a brand talked about with family, friends, etc.) and consideration (a candidate brand for the next purchase). For each brand, each question was given an answer of "1" if the statement was true or an answer of "0" if not.

The analysis found the following points: 1) Consumers who are like information leaders, such as those who belong to the "open ears" group, are more likely to talk about a new product as compared to general consumers like those who belong to the "crowd ears" group. 2) Consumers who talk about a new product are more likely to consider the product as compared to consumers who only recognize the product. 3) The likelihood of considering a new product after talking about it increases further in the "open ears" group. These results have the following implications: 1) For a company to introduce a new product and make consumers identify it as a candidate for purchase, it is not sufficient to only implement a communication strategy designed to have consumers recognize the product. 2) Going forward, a communication strategy must be implemented that induces consumers to talk about the product and make it a topic of conversation among consumers. 3) When implementing this strategy, it is necessary to approach consumers who are like information leaders and potential generators of conversation instead of approaching all consumers equally.

References available upon request

**THE EFFECTS OF HEALTH CLAIMS AND SYMBOLIC MARK:  
A CASE OF FOSHU (FOOD FOR SPECIFIED HEALTH USES) IN JAPAN**

Makoto Ono, Keio University, Japan

Akinori Ono, Keio University, Japan

**ABSTRACT**

Informative messages on product packages—especially on packages of food products—should be credible. Otherwise, the firm might experience a serious fall in brand equity. However, because nutrition intake and health promotion are “credence attributes”, it is difficult for consumers to evaluate them. Moreover, if nutrition message or health claims were false or puffery, consumers might suffer a serious health damage.

Regarding the problem mentioned above, in 1991, Japanese Government took the initiative in the world by introducing the FoSHU (Foods for Specified Health Uses) system—a license system in which the government tries to control all health claims on packages of food products launched in the country.

It should be noted that there are two factors which can be appeared on packages only with the permission of Japanese Government. One is health claims, of course, and the other is the “FoSHU seal”—a symbolic mark designed for FoSHU foods. Interestingly, these two licensed factors may have different effects on perceived product value in health. In this research, we conducted two studies to examine the difference of the effects on product value in health.

The results of ANOVA with a consumer dataset showed that consumer evaluations of FoSHU food brands are not affected by health claims. It is because health claims have external effects on evaluations of alternative food brands in the same category. On the other hand, unlike health claims, the FoSHU seal has a strong signaling effect on evaluations of the particular food brands. It is because that FoSHU food brands can be successfully differentiated from non-FoSHU food brands in the same category. However, at the same time, introduction of a FoSHU product also significantly improve consumer evaluations of alternative brands. It means the FoSHU seal also has an external effect.

References available upon request: [shiyagin@hotmail.co.jp](mailto:shiyagin@hotmail.co.jp).

# **CO-CREATION OF SERVICE BRAND MEANING: INITIAL FINDINGS FROM AN EXPLORATION OF BANK BRANDING IN THE VIETNAMESE RETAIL BANKING SECTOR**

**Kieran Tierney, RMIT University, Vietnam**

**Kate Westberg, RMIT University, Melbourne**

**Ingo O. Karpen, RMIT University, Melbourne**

## **ABSTRACT**

Much of the extant literature on brand meaning co-creation suggests the importance of managing the knowledge of various actors and brand constituting factors that influence the co-creation of brand meaning. However, there is no apparent discussion on how to manage the identification of brand constituting factors and knowledge exchange between various actors. The purpose of this research is to explore the co-creation process and propose a conceptual framework for brand meaning co-creation with multiple actors. Preliminary analysis of banking customer interviews reveals a range of factors relevant to brand meaning co-creation. Additionally, there is an emerging picture from the data of variant brand narratives developing between the customers, front-line staff and brand managers involved in this ongoing pilot study and other actors such as peers and family.

References Available Upon Request.

#### **Session 4.4. Co-Creation and Service Strategies**

Room: Clarendon A

Session Chair: Clay Voorhees, Michigan State University

##### ***Co-Creation: Conceptualization and Research Implications***

Kumar Ranjan, Indian Institute of Management

G. Shainesh, Indian Institute of Management

##### ***None of the Glory: An Extended Abstract of the Implications of Customer Attributions of Credit in Successful Co-Productive Service Experiences***

Ryan White, University of Wisconsin – La Crosse

Clay Voorhees, Michigan State University

Brian Bourdeau, Auburn University

Jessica Hoppner, George Mason University

##### ***Congruence in Positioning Service Brands: An Empirical Examination***

Charles Blankson, University of North Texas

Stavros Kalafatis, Kingston University

Markos Tsogas, University of Piraeus

Stanley Coffie, Ghana Institute of Management and Public Administration

## CO-CREATION: CONCEPTUALIZATION AND RESEARCH IMPLICATIONS

Kumar Rakesh Ranjan, Indian Institute of Management, India  
Shainesh G., Indian Institute of Management, India

### ABSTRACT

Research in the domain of value co-creation has progressed extensively over the last twelve years, but the conceptualization of value co-creation is still equivocal. We try to fill this important gap through a systematic review of the co-creation research that appeared in leading Marketing journals during the period 2000-2013. We used the keyword search for the word co-creation and its different variations in the ABI/INFORMS - Proquest and Business Source Complete (EBSCO) databases. After initial round of screening, we reviewed around 175 papers.

The review is organized into three major sections. The first section discusses the progression of the field – for example, the dominant contributors to the field, the key domains of application of co-creation concept across firms and consumers, the major research methods, research context, and sample characteristics. We conclude this section by highlighting the allied and emerging areas of application of the construct and by subsequently trying to map the potential growth of the field. In the second section we systematically analyzed the content on co-creation that was created from the reviewed papers. We create a complex typology of constructs and their adjacent labels and classify them as the antecedent, consequents, mediators, and moderators in the nomological net of co-creation. Additionally, we are able to explicate the concept of co-creation and offer a conceptual framework for the process of co-creation. The third section concludes this review by problematizing some of the assumption and pluralities in the understanding of co-creation. We offer four areas of novel research inquiries - one each in the area of process of co-creation, the phenomenon of exploitation of consumers, the over-emphasis of consumer interaction and the arising need for non-traditional organizational forms, and the related issue of skill and capabilities of consumers.

References available upon request

# **NONE OF THE GLORY: THE IMPLICATIONS OF CUSTOMER ATTRIBUTIONS OF CREDIT IN SUCCESSFUL CO-PRODUCTIVE SERVICE EXPERIENCES**

Ryan C. White, University of Wisconsin-La Crosse, USA  
Clay M. Voorhees, Michigan State University, USA  
Brian L. Bourdeau, Auburn University, USA  
Jessica J. Hoppner, George Mason University, USA

## **INTRODUCTION**

Up to sixty-five percent of satisfied customers have been found to abandon their current service provider and switch to a competing service provider (Reichheld 1996). This finding is troubling considering the widely held belief that satisfied customers are inclined to be loyal customers (Fornell 1992), where they are more likely to make purchases from, spread positive word of mouth about, and have difficulty leaving their service provider (Reichheld and Sasser, Jr. 1990). One possible explanation for this change in the behavior of satisfied customers is the change in the nature of the relationship between customers and their service providers. Traditionally, the relationship between a service provider and their customers was one where the service provider was viewed as responsible for producing the service and the customer was viewed as responsible for simply consuming the service (Vargo and Lusch 2004).

With the introduction of the concept of co-production, however, both service providers and customers are now viewed as responsible for the producing the service, where the customer participates in the actual creation of the service (Lusch, Vargo, and Malter 2006). Consequently, co-production is now seen as essential to the success of the service, which has significant implications for customer satisfaction with the service experience and customer perceptions of the service provider. Within the co-production process, who are customers willing to assign the credit to when the service experience goes right? This paper examines how, for customers satisfied with the service experience, the attribution of credit within the co-production process has significant implications for the customer's evaluation of the service provider's brand equity and subsequently customer loyalty.

## **BACKGROUND**

Co-production is defined as the direct involvement of customers in the design, delivery, and marketing of goods and services that they themselves consume (Schultze and Bhappu 2005). It can be thought of as continuum, where low co-production refers to when the majority of the service is produced by the firm, and high co-production refers to when the majority of the service is produced by the customer. The level of customer co-production can affect the amount of responsibility customers perceive for the service (Van Raaij and Pruyn 1998) and how they attribute credit for a satisfying service experience. In trying to understand who the customer determines to be responsible for a satisfying service experience as a result of the co-production process, the use of attributional theory is the most appropriate model (Weiner 1985).

Attributional theory argues that the future behavior of individuals depends upon how they how they interpret the cause of and provide credit for the responsibility of current consequences (Crittenden 1983). According the attributional theory, one of the primary evaluative criteria used to assign credit for successful outcomes, and the determination of future behavior, is the locus of control. For customers evaluating satisfying service experiences, the locus of control refers to whether they believe they are responsible (i.e., internal) or whether they believe the service provider is responsible (i.e., external) for the successful outcome. The customer's attribution of control for the successful service experience is likely to be determined by the level of effort the customer expends in the co-production of the service as well as the relationship that the customer has with the service provider.

## **HYPOTHESES**

### **Co-production and the Attribution of Satisfying Service Experiences**

Within the co-production process, the customer participates in the actual creation of the service (Lusch et al. 2006). Since the customer is involved in the production of the service, the customer's perception of who is in control of creating the service is different than when the customer does not participate in producing the service. When a customer exerts high levels of effort to produce the service, as in situations of high co-production, the customer will take more responsibility for the service experience (Van Raaij and Pruyn 1998) believing that it was their high level of effort, rather than the efforts of the service



provider, that was essential to the satisfying service outcome. In essence, the customer will exhibit a self-serving bias, a tendency to attribute success internally (Taylor and Doria 1981). Thus:

- H<sub>1</sub>: The higher the level of effort expended by the customer in the act of co-production of a successful service experience, the more internal the attribution of credit for the successful service experience.

### **The Influence of Relationships on the Attribution of Satisfying Service Experiences**

The existence of a relationship between the service provider and the customer is intrinsic to the service experience as co-production requires the interaction between the service provider and the customer in order to produce the service (Lusch et al. 2006). The relationship that develops between a customer and the respective service provider acts as a determinant for how the customer attributes credit for a satisfying service experience. When a customer has a close relationship with their service provider, as a result of developing a shared history and personal relationship with their service provider (Guttek et al. 1999), the customer will be more willing to recognize the effort exerted by the service provider as being valuable to the achieving a successful service experience. As a result, the relationship with the service provider overcomes the self-serving bias of the customer to attribute success internally. Thus:

- H<sub>2</sub>: The closer the relationship of the customer to the service provider in a successful service experience, the more external the attribution of credit for the successful service experience.
- H<sub>3</sub>: The closer the relationship of the customer to the service provider in a successful service experience, the weaker the influence of the level of effort expended by the customer on the attribution of credit to the service provider for the successful service experience.

### **Attribution of Satisfying Service Experiences and the Service Provider's Brand Equity**

Brand equity is developed for service providers through the provision of service experiences and it is the customer's actual experience that disproportionately shapes the brand equity of the service provider (Berry 2000). A satisfying service experience should typically increase the customer's perception of the service provider's brand equity. Within the co-production process, however, when a customer attributes credit to themselves, they believe that they, rather than the service provider, were responsible and the most valuable entity in the ability to repeat a satisfying experience. For the customer's perception of the service provider's brand equity to increase, the customer must view the service provider as indispensable to the repetition of the satisfying experience. Thus:

- H<sub>4</sub>: The greater the level of credit attributed to the service provider in a successful service experience, the greater the level of brand equity of the service provider as perceived by the customer.

### **Implications of the Service Provider's Brand Equity**

The brand equity of a service provider is a promise to customers of future satisfaction with their service experience (Berry 2000). Previous research has found that brand equity has resulted in customers being more likely to make purchases from the service provider in the future, to share positive word of mouth about the service provider, and to view the risk associated with changing service providers as too great (Reichheld and Sasser, Jr. 1990; Berry 2000). Thus:

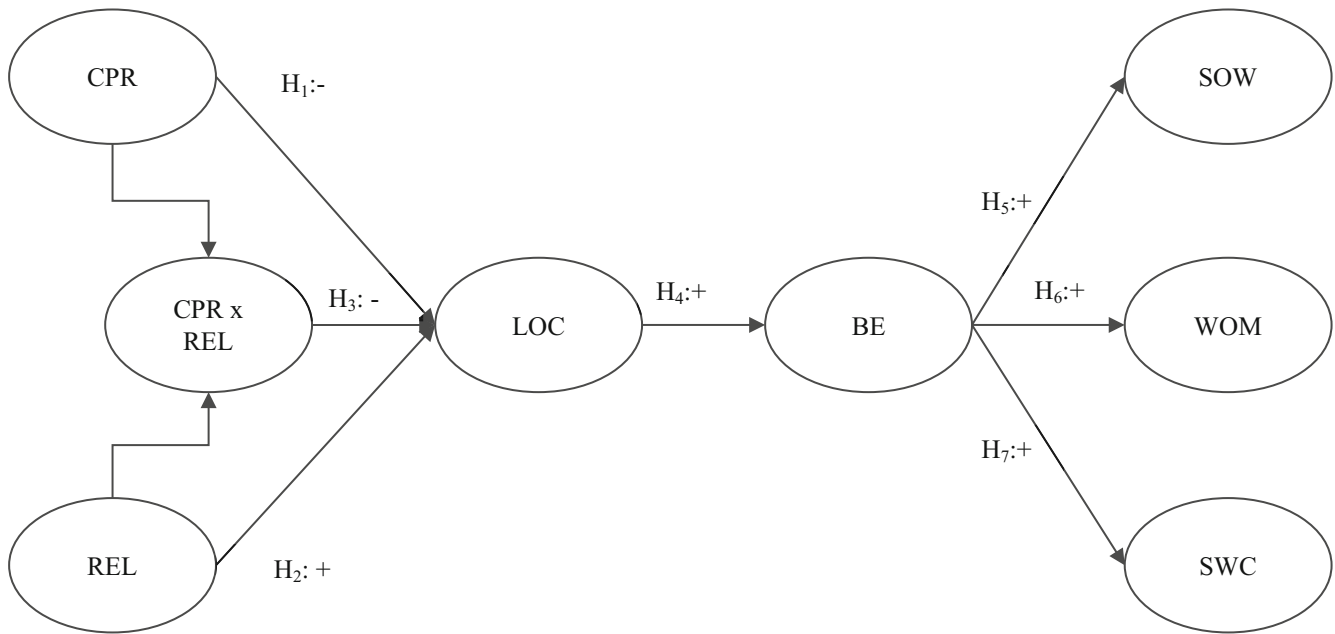
- H<sub>5</sub>: The greater the level of brand equity of the service provider as perceived by the customer, the greater the share of wallet spent by the customer with the service provider.
- H<sub>6</sub>: The greater the level of brand equity of the service provider as perceived by the customer, the greater the level of word of mouth about service provider as shared by the customer.
- H<sub>7</sub>: The greater the level of brand equity of the service provider as perceived by the customer, the greater the level of switching costs for the customer to find a new service provider.

## RESEARCH METHODS

Students from two upper-level marketing research classes, one in the Midwestern United States and one in the Southeastern United States, were used to screen and recruit respondents. 870 responses were collected and 177 responses were removed due to incomplete responses and/or cases of obvious “yea” or “nay” saying, which resulted in a usable sample of 693 responses. Respondents had an average age of 40.99 years ( $SD = 14.85$  years), were primarily Caucasian/White (85.86%), followed by African American (8.95%), Hispanic (1.88%), Asian American (1.88%), and Other (1.44%). 94.20 percent of respondents had completed at least some college and 79.20 percent of respondents had an annual household income of \$40,000 or more. The majority of respondents identified themselves as female (59.40%).

Respondents were prompted to remember a time within the past six (6) months where they worked together with a service employee and it was a successful service experience. Each respondent then provided ratings of co-production (CPR), relationship with the service employee (REL), locus of control (LOC), brand equity (BE), share of wallet (SOW), word of mouth (WOM), and switching cost (SWC) with respect to the recalled service experience. Relationship with the service employee, locus of control, brand equity, share of wallet, word of mouth, and switching cost were measured using seven point Likert, Likert-type, or semantic differential reflective scales adapted from the previous literature. Locus of control was measured where lower values indicate internal attributions and higher values indicate external attributions. Co-production was measured by asking respondents to state the percentage of the total effort required to receive the service that they performed and relationship.

Figure 1: The Hypothesized Structural Model



## RESULTS

A confirmatory factor analysis was conducted using Lisrel v8.80 to assess the psychometric properties of all scales. The resulting fit measures suggest a reasonable fit for the measurement model ( $CFI = 0.97$ ,  $RMSEA = 0.08$ , and  $\chi^2_{(357)} = 1870.33$ ,  $p < 0.00$ ). All composite reliabilities exceeded 0.93 and all factor loadings were greater than 0.74 and significant. Further, convergent validity and discriminant validity was established for all constructs as the average variance extracted values for all constructs were greater than 0.50 and the average variance extracted values were greater than the squared correlations between constructs (Fornell and Larcker 1981).

Following the acceptable measurement model, a structural model was estimated using Lisrel v8.80 to test the proposed hypotheses. The procedure outlined by Ping (1995) was used to incorporate the interaction effect between co-production and

relationship with the service employee. The fit of the structural model was acceptable, with  $\chi^2_{(397)} = 2312.69$  ( $p < 0.00$ ), CFI = 0.96, and RMSEA = 0.08. The results show that all hypotheses are supported and the estimates for the structural path coefficients are available in Table 1. Additional results not shown provide evidence for the negative indirect effect of co-production on brand equity, share of wallet, word of mouth, and switching costs as well as the positive indirect effect of relationship on brand equity, share of wallet, word of mouth, and switching costs.

Table 1: Structural Model Results

Hypothesized Relationship	Standardized Estimate	t-Value	Conclusion
CPR → LOC	- 0.29	- 7.58**	H <sub>1</sub> : Supported
REL → LOC	0.18	4.71**	H <sub>2</sub> : Supported
CPR x REL → LOC	- 0.07	- 1.81*	H <sub>3</sub> : Supported
LOC → BE	0.25	6.21**	H <sub>4</sub> : Supported
BE → SOW	0.76	21.36**	H <sub>5</sub> : Supported
BE → WOM	0.44	11.53**	H <sub>6</sub> : Supported
BE → SWC	0.59	16.19**	H <sub>7</sub> : Supported
R <sup>2</sup> - LOC	12.0%		
R <sup>2</sup> - BE	6.1%		
R <sup>2</sup> - SOW	58.0%		
R <sup>2</sup> - WOM	20.0%		
R <sup>2</sup> - SWC	35.0%		

\*\*  $p < 0.01$ , \* $p < 0.05$  one tailed,

## DISCUSSION

This study was motivated to improve the current comprehension of the relationship between customer satisfaction with the experience and customer loyalty and to answer the question of, “Why do up to sixty five percent satisfied customers not remain loyal?”. To that end, the amount of co-production involved in the service experience and the degree of relationship between the parties involved in the experience was shown to affect customers attribution of credit and ultimately service provider brand equity and customer loyalty. For academics, these results should illuminate the relational nature of exchange as proposed in the service dominant logic and solidify the importance of understanding cause, such as causal attributions, in marketing research. For managers, the demonstrated relationships imply that existing measures of customer satisfaction with the experience alone are insufficient as predictors of customer retention and defection, as casual attributions can positively or negatively alter the understood relationship between customer satisfaction with the experience and customer loyalty. Perhaps the most significant implication for managers is the beneficial effects of developing a strong relationship with the customer. Previous research has underscored that in a failed experience customers are more forgiving to service providers with which they have a relationship. Correspondingly, this paper shows that customers are also more generous with credit to the provider with which they have a relationship in a successful experience. To be sure, through greater attention to the relational aspect of exchange, both academics and practitioners alike can further understand consumer behavior.

## REFERENCES

References Available Upon Request.

# CONGRUENCE IN THE POSITIONING OF SERVICE BRANDS: AN EMPIRICAL EXAMINATION

Charles Blankson, University of North Texas, USA

Stavros Kalafatis, Kingston University, UK

Markos Tsogas, University of Piraeus, Greece

Stanley Coffie, Ghana Institute of Management and Public Administration (GIMPA), Ghana

## ABSTRACT

In view of the relatively high cost to produce extensive advertising campaigns, it is essential that marketing managers and advertising executives justify whether consumers accurately perceive positioning strategies that appear in marketing communications (Fill 1999; Schultz 2006) and whether their adopted positioning strategies are consistent with the former and the latter. While positioning activities and the determination of congruence in terms of management's adopted positioning strategies, the firm's actual positioning practices and target consumers' perceptions are pivotal for the success of the brand in the marketplace (see Porter 1996; Schultz 2006), it is worrisome to realize that congruence in the positioning deliberation of service brands appear to have eluded marketing scholars' attention (Rigger 1995). Therefore, we infer that the main concern in evaluating the effectiveness of the offerings' positions in the marketplace ought to be whether the firm has achieved congruence between management activities and the target audience's perceptions (Park et al. 1986; Hooley et al. 2004; Blankson 2008). Although this dearth in knowledge about congruence in the positioning activities of service brands is now receiving attention (Blankson 2004; Blankson and Kalafatis 2007a), given this state of meagre empirical research, congruence in positioning deliberation is in danger of being under-researched (Pollay 1985; Piercy 2005). This lacuna underscores the timely need for this study.

In order to examine congruence between adopted, communicated and perceived positioning strategies, an appropriate typology is required. However, in the absence of empirically derived consumer-generated positioning strategies (Aaker and Shansby 1982; Crawford 1985; Ries and Trout 1986; Easingwood and Mahajan 1989), the call for, and appreciation of, consumer-based positioning strategies (Dibb *et al.* 1997; Fill 1999; Burton and Easingwood 2006) and criticisms levelled against extant typologies of positioning strategies (Kalafatis et al. 2000; Blankson and Kalafatis 2001), it was decided to adopt the generic, i.e., appropriate for services and goods, consumer-derived typology of positioning strategies put forward by Blankson and Kalafatis (2004). This typology was developed following established psychometric and scale development guidelines. In addition, the rationale for adopting this generic typology of positioning strategies stems from the fact that it has been applied in managerial/corporate contexts (i.e., positioning adopted by managers) (Kalafatis et al. 2000; Blankson *et al.* 2008) and consumer contexts (i.e., consumers' perceptions of firms' positioning strategies) (Blankson and Kalafatis 2007a, b) and exhibits reliability. Moreover, the typology has been found to possess explanatory power, having been applied in the UK services industry (Blankson 2004).

The overall reliability of the 29 items supporting the eight dimensions is high at .875 on the Cronbach coefficient Alpha. In addition, the item-total correlations for the 29 items are acceptable with each item above the cut-off point of .3. We tested the individual dimensions and they exhibit moderate to high internal consistency ["top of the range" = .887; "service" = .894; "value for money" = .813; "reliability" = .736; "attractiveness" = .829; "country of origin" = .681; "the brand name" = .710; "selectivity" = .664]. The validity of the research was tested through content, convergent, and predictive validity. Concerning content validity, the measures developed for the positioning constructs were derived from an exhaustive step by step approach that involved examination of the relevant literature, followed by generation of statements, pre-testing of the questionnaire, and underwent detailed evaluations by academicians and experts in the industry. Convergent validity was tested through exploratory factor analysis where the identified latent factors can be seen as underlying dimensions of the research construct. Previous research on this topic has been limited. However, congruence in the positioning of service brands is an important research agenda for both marketing scholars and practitioners. This study has made contribution to the subject of congruence in service brands' positioning—an important research agenda that was proposed to the research community by Hooley *et al.* (2001, p.514–515) when they noted that the various dimensions of competitive positioning have not been researched empirically and warrant more detailed study.

References available upon request

**Session 4.5. Consumer Behavior: Telecoms**

Room: Clarendon B

Session Chair: Lou Pelton, University of North Texas

***Towards an Understanding of the Motivations to Play Games on Smartphones***

Brian McCauley, RMIT University

Francis Farrelly, RMIT University

Foula Kopanidis, RMIT University

***It's Personal, It's Not Business: The Effects of Moods on Advertisement Recall***

Thuy Nguyen, University of North Texas

Waros Ngamsiriudom, University of North Texas

Lou Pelton, University of North Texas

***The Role of Product Personalization in Effects of Self-Congruity Versus Functional Congruity***

Wenling Wang, Guildford College

Rajneesh Suri, Drexel University

Shan Feng, William Patterson University

# TOWARDS AN UNDERSTANDING OF THE MOTIVATIONS TO PLAY GAMES ON SMARTPHONES

Brian McCauley, RMIT University, Australia  
Foula Kopanidis, RMIT University, Australia  
Francis Farrelly, RMIT University, Australia

## INTRODUCTION

Smartphones are rapidly becoming ubiquitous personal items that continue to evolve and shape our consumption experiences through the applications (apps) used on them, almost half of which are games. The mobile game 'Angry Birds' has been downloaded over one *billion* times. These consumption patterns continue to define what is fast becoming an 'emerging ludic society' (Kallio, Mäyrä, & Kaipainen, 2011) and implications for marketers lie in the growing area of gamification (Deterding, Dixon, & Khaled, 2011). Video gaming is now a social norm (Kallio et al., 2011; Mäyrä, 2008). This research seeks to fill a gap in the consumer behaviour literature by providing a conceptual model to explain motivation as the antecedents of play on smartphones. Since the continuing cultural penetration of video games is inevitable, employing new theoretical models and empirically exploring these domains becomes ever more important in order to inform more effective health and education interventions as well as advancing the basic science of humans at play (Przybylski, Rigby, & Ryan, 2010).

## BACKGROUND

This research establishes a theory of intrinsic motivation as a base, extends it with context relevant variables and then incorporates a variable based on the psychology of play, discussed in the following sections. Also investigated is the impact of player's demographics and playfulness (Barnett, 2007) upon the underlying variables identified as motivations.

Demographics such as age and gender have been demonstrated to impact upon video game uses and gratifications (Greenberg, Sherry, Lachlan, Lucas, & Holmstrom, 2010). Playful individuals, perceive and experience leisure pursuits differently, and have different *motives* and desire different experiences and outcomes from their free time (Qian & Yarnal, 2011). Self Determination Theory, (Deci & Ryan, 1985, SDT) is a theory of intrinsic motivation that has been used in a number of contexts such as sports, health & education and is based on the satisfaction of three universal human needs for competence, autonomy and relatedness. Ryan, Rigby, and Przybylski (2006) developed the Player Experience of Need Satisfaction (PENS) to find that SDT's theorised needs for autonomy, competence and relatedness could predict enjoyment and usage of video games.

An examination of the mobile and video game literature utilising SDT as a reference point, this research has further developed a model according to mobile gaming's key characteristics which include; accessibility (Hjorth & Richardson, 2009), use as entertainment to fill empty time or idle moments (Li & Counts, 2007) and as a socially connected device (Hjorth, 2011).

Eccles and Wigfield (2002) identify the experience of flow as the immediate gratification of our need for competence. Csikszentmihalyi and Csikszentmihalyi (1975) definition of flow (1975, p. 36) is the "holistic sensation that people feel when they act with total involvement." Flow has been shown to be an important factor in the enjoyment of video games (Cowley, Charles, Black, & Hickey, 2008; Hsu & Lu, 2004)

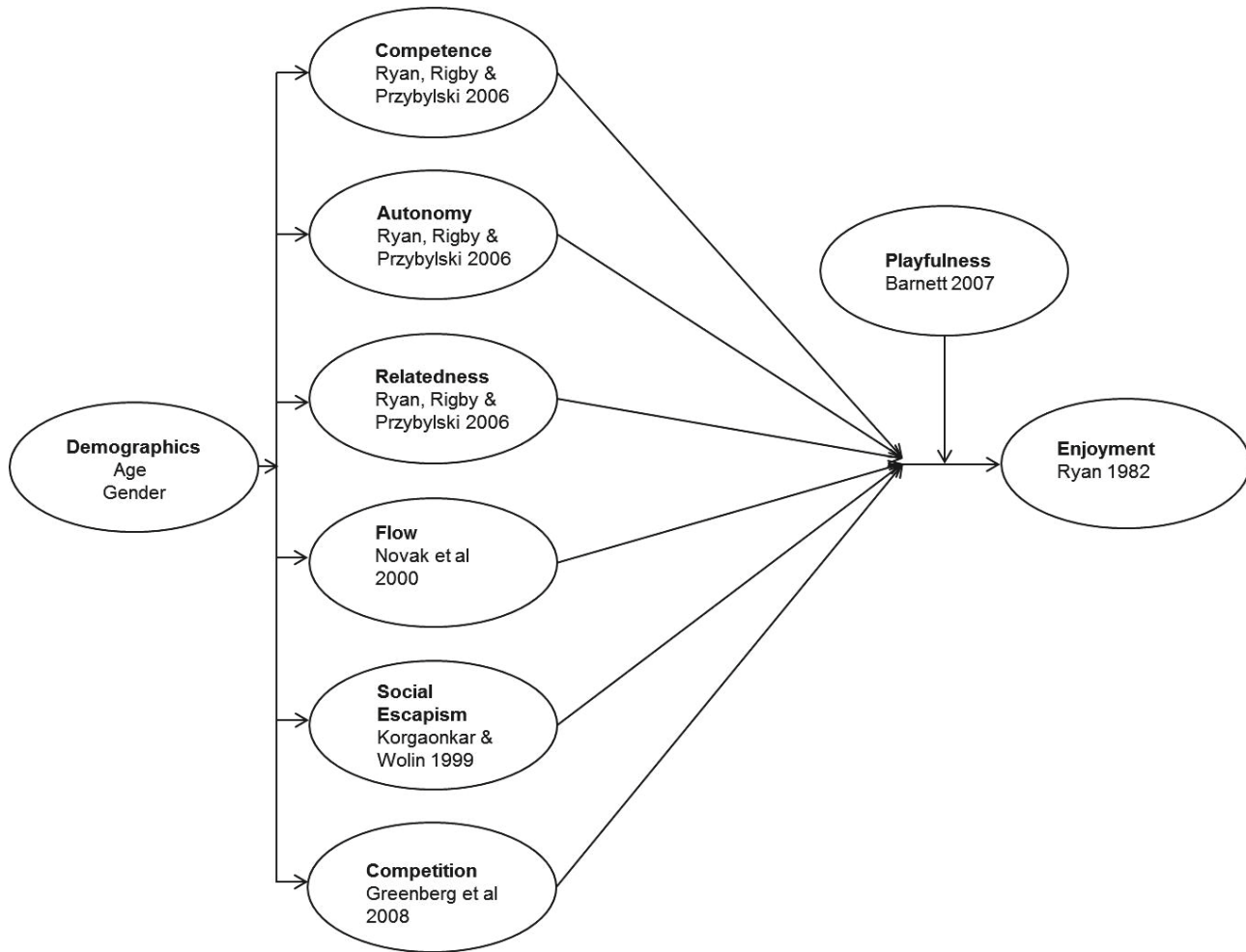
In SDT autonomy concerns the desire to self-organize one's actions, when the individual can freely pursue the activity and feels volitional in doing so (Deci & Ryan, 1985) Given that the phone is always accessible and can be used as entertainment to fill idle moments it can be seen as a form of entertainment that the individual can use as they see fit. One construct that can be seen to represent this autonomy in terms of how people manage their moods and leisure or free time through a form of escapism is Social Escapism. Korgaonkar and Wolin (1999) originally used Social Escapism to examine web usage as a pleasurable pursuit, that allows people to relieve day-to-day boredom and stress.

Vorderer, Hartmann, and Klimmt (2003) identified competition as a major factor in the explanation of video game enjoyment and subsequent usage. Greenberg et al. (2010) came to the conclusion that competition is the most important motive for playing video games and that this fact is what sets video games apart from traditional media.

## PROPOSED CONCEPTUAL MODEL

Based on the preceding theoretical arguments the conceptual model in [figure 1](#) is proposed. An online survey will be conducted and results analysed using Structural Equational Modelling in an approach akin to previous studies of a similar nature (Hsu & Lu, 2004; Nysveen, Pedersen, & Thorbjørnsen, 2005). Results will be analysed through a series of hypotheses that will account for demographic differences amongst the targeted segment of adults who play games on their smartphone.

**Figure 1: Proposed Conceptual Model**



## HYPOTHESES

In order to validate the suggested pathways identified in the conceptual model, seven sets of hypotheses are proposed to identify critical constructs and significant relationships between these variables.

Hypothesise 1: A player's demographics will influence underlying motivations and game enjoyment

Hypothesis 2: A player's category of playfulness has a moderating effect on game enjoyment

Hypothesise 3: The need for competence has a positive influence on game enjoyment.

Hypothesise 4: The need for autonomy has a positive influence on game enjoyment.

Hypothesise 5: The need for relatedness has a positive influence on game enjoyment.

Hypothesise 6: Flow has a positive influence on game enjoyment.

Hypothesise 7: Social Escapism has a positive influence on game enjoyment.

Hypothesise 8: Competition has a positive influence on game enjoyment.

## CONCLUSION

This research seeks to contribute in the consumer behaviour literature by providing a conceptual model to explain the use of motivations as antecedents of consumer's enjoyment of games on their smartphone. Further contributions of this research lie in several domains. This research will allow us to deepen our understanding of the modern mobile consumer as mobile games, "their relationship with the devices they inhabit, and the cultures of use emerging around them suggest that we cannot



understand contemporary styles of mobility without understanding play” (Wilson, Chesher, Hjorth, & Richardson, 2011 , p.354). Importantly, this research explores constructs of motivation examined in the mobile context. Finally this research will be a major contribution in the consumer behaviour discipline dealing with mobile gaming and this model can serve as a base for further studies to replicate, validate and extend.

Note: Data collection is in progress and we anticipate presenting preliminary results at the conference.

## **REFERENCES**

References available upon request.

# **IT'S PERSONAL, IT'S NOT BUSINESS: THE EFFECTS OF MOODS ON ADVERTISEMENTS RECALL**

Thuy D. Nguyen, University of North Texas, USA  
Waros Ngamsiriudom, University of North Texas, USA  
Lou Pelton, University of North Texas, USA

## **ABSTRACT**

The study of mood states is extensive in the literature, providing both consistent and contradictory findings. The question remains, however, why and how mood states affect the ability to *recall* advertisements presented in low involvement situations. Specifically, the purpose of this study is to investigate the effect of mood states on the ability to recall central and peripheral cues in the low involvement situations. The contributions of the study are (1) to be the first to explain mood effects on recall ability in low involvement (to the best of author's knowledge), (2) to identify evidence of how advertisements should be projected to maximize viewers' information recall, and (3) to provide practitioners additional guidelines in executing marketing strategies. The results support dual processing model, but refute theory of affect-as-information. Specifically, recalls of advertisements represented in central or peripheral routes are indifferent when accompanying positive mood states. In contrast to some studies, negative mood states recall less central cues than peripheral cues. This finding is both consistent and contradictory to recent studies, rendering additional future research on negative mood state.

## **INTRODUCTION**

At 6:30 p.m., John and Mary have just arrived home from work. Between cooking dinner, teaching the kids homework, and doing laundry, the couple is trying to catch up with the latest news and watch their favorite TV show. Today news is quite depressing that put the couple in a sad mood. Syrian's slaughterhouse killed 121 people. When the news is over, their most humorous TV show, "*Friends*," is on. Today episode gives them a few laughs. Yet, amidst the evening chaos, news, and sitcoms appear a few commercials showing Katherine Zeta Jones endorsing T-mobile service and the importance of mammogram to prevent the spread of breast cancers. Advertisers wonder how much of the advertisements the couple can recall in this mixture of moods and low involvements, and how information recall ability is affected by various cues presented in the ads.

The purpose of this study is to investigate the effect of mood states on the ability to recall central and peripheral cues in the low involvement situations. The contributions of the study are (1) to be the first to explain mood effects on recall ability in low involvement (to the best of author's knowledge), (2) to identify evidence of how advertisements should be projected to maximize viewers' information recall, and (3) to provide practitioners additional guidelines in executing marketing strategies.

## **METHODOLOGY**

### **Study design and participants**

One hundred and forty nine respondents (N = 149) from a large Southwestern university participated in the study for extra credit. Respondents were fully aware that participation in the survey or lack thereof had no impact on grading, and that the survey was completely anonymous. Participants were randomly assigned to one of the four conditions in a 2 (mood: happy or sad) x 2 (ad contents: central or peripheral) between-subject design.

Fifty nine percent (59%) of the sample made up of male participants. Almost 50% of participants' ages ranged from 21 to 23 years old. Almost 50% are identified as White, and 20% are identified as Asians.

### **Stimuli – emotion induction and low involvement**

Participants were explained that there are two different studies. The first study researched college students' mood states in different real life scenarios. The second study attempted to understand college students' attitudes toward a new bottle water brand introduction. The experimenter emphasized that the two studies are not related to each other. Writing tasks are well known in the literature to induce emotions (Labroo and Mukhopadhyay 2009; Lerner and Keltner 2001). Respondents were asked to list three to five situations that put them in positive or negative moods. After listing the situations, respondents were asked to describe in details one of the scenarios that put them in the most positive or negative moods. They were instructed to describe the scenarios in a way that readers of the situations would feel how they feel. The detailed description of the

writing task was to induce the positive and negative emotions of respondents prior to the actual survey. Immediately after the writing task, participants were asked to indicate the extent to which they feel those emotions using Mood adjective checklist on a 9-point Likert scale (1 = do not feel the emotion the slightest bit; 9 = feel the emotion more strongly than ever) (Nowlis et al. 2002). Following Liu and Shrum (2009) in stimulating low involvement, respondents were instructed that their inputs will be aggregated among 4000 other respondents in the study of new advertisement for bottle water.

## Procedures

Bottle water was a low involvement product and selected as the target product. Paper clip and windshield wash liquid were used as filter products. A total of six different ads were created for the three products. Each product was presented in either in central cues, e.g. listing of benefits, or peripheral cues, e.g. scenery. Careful considerations were devoted to ensure that the number of recall elements was equivalent across central and peripheral routes of the water bottle ads. This procedure was employed to reduce any recall bias associated with element quantity. Next, in either positive or negative mood, each participant was presented a set of three ads for the three products. Each set consisted of three products shown only as central or peripheral. For example, the first set of ad included central cues, e.g. listing of benefits, for all three products. The second set included peripheral cues for all three products. The ads were counterbalanced among the sets, and the sets were counterbalanced among respondents to reduce order bias (Wilcox et al. 2011). The survey was conducted online using Qualtrics.

Please see Appendix for examples of ads

## Recall as dependent variable

Free and unaided recall procedure was employed. Respondents were asked to write down any cues they could remember from the bottle water ad without grammar and sentence structures considerations. Recall scores were calculated based on recorded unit ideas. Recalled units were considered accurate as long as the gist of the idea was presented (McKay-Nesbitt et al. 2011).

## Need for cognition as covariate

The 18-item version of NFC scale was employed (Cacioppo et al. 1996; Cacioppo et al. 2010). NFC questions were measured using 9-point Likert scale (1 = strongly disagree, 9 = strongly agree). In order to assess internal validity of the construct, all items were examined using Principal component analysis and Varimax rotation. Cross loading items were removed to produce two factor structures ( $\alpha_{hiNFC} = .842$ ,  $\alpha_{lowNFC} = .812$ ). These alphas were at acceptable level ( $\alpha > .7$ ) (Nunnally 1978).

## RESULTS

### Manipulation checks

Immediately after writing task, respondents were asked to rate their affective state using mood adjective checklist (Nowlis et al. 2002). Again, Principal component analysis and Varimax rotation were used to extract positive and negative mood items ( $\alpha_{pos} = .86$ ,  $\alpha_{neg} = .946$ ). These alphas were at acceptable level ( $\alpha > .7$ ) (Nunnally 1978). MANOVA indicated significant differences in emotions between the positive and negative conditions. Positive condition experienced significantly more positive emotions than the negative condition, and vice versa ( $M_{pos} = 6.545$ ;  $M_{neg} = 4.189$ ;  $F(1,147) = 129$ ,  $p < .01$ ). Emotion manipulation was successful. In addition, questions identifying benefits-focused of the ads were included to check ad contents manipulation. One-way ANOVA was performed with benefits-focused as dependent variable and routes as fixed factor. The results indicated significant difference between central versus peripheral ads, and no difference between central and both route ads ( $M_{central} = 6.737$ ;  $M_{peri} = 5.383$ ;  $F(1,147) = 27.414$ ,  $p < .01$ ). Routes manipulation was successful. Low involvement check was verified by the total time respondents view the ads. Rajagopal and Montgomery (2011) provided their participants 35 seconds / ad viewing to ensure adequate time and comfortable pace for respondents to process information in the ads (Rajagopal and Montgomery 2011). Descriptive statistic showed that 95% of respondents viewed three ads less than 88 seconds. In addition, analysis of variance, with time as dependent variable and routes as fixed factor, revealed no significant differences in time viewing the ads in two conditions ( $M_{central} = 43.0$ ;  $M_{peri} = 41.79$ ;  $F(1,147) = .119$ , ns). Thus, low involvement manipulation was successful.

## Hypotheses tests

Analysis of variance with ad recall units as dependent variable and routes and moods as fixed factors revealed neither main effect Recall<sub>routes</sub> ( $F_{1,148} = 1.993$ , ns), Recall<sub>moods</sub> ( $F_{1,148} = .068$ , ns), nor interaction effect for Recall<sub>interaction</sub> ( $F_{1,148} = 2.372$ , ns). Thus,  $H_{1a,b}$  and  $H_2$  were not supported. In addition, ANCOVA was performed with the addition of NFC as covariate. Median split was performed to split the sample into high NFC and low NFC. In LNFC showed Recall<sub>routes</sub> ( $F_{1,148} = 1.829$ , ns), Recall<sub>moods</sub> ( $F_{1,148} = .118$ , ns), Recall<sub>interaction</sub> ( $F_{1,148} = 2.168$ , ns); and HNFC revealed Recall<sub>routes</sub> ( $F_{1,148} = 2.013$ , ns), Recall<sub>moods</sub> ( $F_{1,148} = .112$ , ns), Recall<sub>interaction</sub> ( $F_{1,148} = 2.335$ , ns). Thus, NFC did not have covariate effect on ad recall.  $H_3$  was not supported.

However, in a recent study of high arousal and mood stimulus, Xia and Lin (2009) find that when consumers read the ad after mood stimulus, high arousal lead to worse ad recall. When consumers reads the ad before mood stimulus, high arousal lead to better ad recall (Xia and Lin 2009). Since respondents read the ad after mood stimulus, the study was explored by examining only low arousal at one standard deviation below the mean (Winterich and Haws 2011; Fitzsimons 2008). The results showed no significant main effects, Recall<sub>routes</sub> ( $F_{1,146} = 1.459$ , ns), Recall<sub>moods</sub> ( $F_{1,146} = .207$ , ns), but the interaction effect was marginally significant, Recall<sub>interaction</sub> ( $F_{1,146} = 2.982$ ,  $p=.086$ ). Similarly, when include NFC as a covariate, the interaction effect remained marginally significant, High NFC-Recall<sub>interaction</sub> ( $F_{1,146} = 2.897$ ,  $p=.091$ ) and Low HFC-Recall<sub>interaction</sub> ( $F_{1,146} = 2.737$ ,  $p=.10$ ) (Simmons et al. 2011).

Please insert table 1 about here

## DISCUSSIONS

The purpose of the study is to seek to understand why and how different mood states affect advertisement recall ability. First, the results of high arousal study validate the dual processing model in low involvement situations. Both systematic and heuristic information processing strategies work concurrently, providing no significant differences in ads recalls. This finding contradicts to theory of affect-as-information. Second, when examining cases with low arousal at one standard deviation above the mean, the interaction effect between moods and recalls of central and peripheral routes becomes more salient. This finding suggests that arousal intensity is another potential covariate that affects recall of information in low involvement situation (Xin and Liu 2009; Norris and Colman 1994). Third, although not reaching statistical significance, Recalls<sub>pos mood</sub> of central and peripheral cues are similar ( $M_{\text{central}}=2.089$ ;  $M_{\text{peripheral}}=1.979$ ), whereas Recalls<sub>neg mood</sub> of central is much lower than peripheral cues ( $M_{\text{central}}=1.888$ ;  $M_{\text{peripheral}}=2.180$ ) (Norris and Colman 1994). Whereas theory of affect-as-information predicts that negative moods process more central cues vs. peripheral cues, the results show that negative moods process less central cues than peripheral cues. Interestingly, this finding is consistent with Riggs and associates' study (2001). During an eye movement monitoring experimental study, Riggs et al. (2001) present negative and neutral scenes to induce negative vs. neutral moods. Consistent with this study and contradicting to previous findings, they also find that negative emotion does not explain completely the relationship between attention and memory of central vs. peripheral details. Riggs and associates suggest that negative emotion's influences on memory of central vs. peripheral cues may result from other sources in addition to attention and post-encoding processes (Riggs et al. 2011). Fourth, this finding is also consistent with Batra and Stayman (1990), low NFC respondents magnify the differences in recalling central and peripheral routes.

## IMPLICATIONS, LIMITATIONS, AND FUTURE RESEARCH

In summary, the results of the study provide support that recalls of advertisements represented in central or peripheral routes are indifferent when accompanying positive mood states. However, support for negative mood states is still inconclusive. The results suggest that when accompanying positive mood generating programs, such as winning team in sports or comedy, marketing practitioners should present both central and peripheral cues when attempting to maximize information recall among audiences. However, advertisings strategies during news hours are still inconclusive, since most of current news focus on negative aspects of information, which would generate negative moods among viewers. Notwithstanding the significance of the study, since the results both contradict and support previous theories, future research can provide additional support by replicating the study in different contexts and/or manipulations. Specifically, attention on negative mood is needed to enrich the literature. It proves that through the process of developing and refining theories, many studies are required to provide strong support (Bagozzi and Phillips 1982). Finally, the study is not without limitations. Self-reported questionnaire and sample frame of college student population pose limitations on the internal validity and generalizability of the results.

Table 1: Recall as a function of moods and information routes

	<u>Central</u>		<u>Peripheral</u>	
	Positive	Negative	Positive	Negative
All arousal levels	2.057	1.625	2.026	2.333
Low NFC	2.064	1.617	2.047	2.3
High NFC	2.067	1.626	2.038	2.31
Low arousal	<b>2.152</b>	<b>1.625</b>	<b>2.026</b>	<b>2.333</b>
Low NFC	<b>2.153</b>	<b>1.619</b>	<b>2.038</b>	<b>2.326</b>
High NFC	<b>2.161</b>	<b>2.626</b>	<b>2.038</b>	<b>2.311</b>

*Note: bolded means are marginally significant,  $p \leq .100$*

# THE ROLE OF PRODUCT PERSONALIZATION IN EFFECTS OF SELF-CONGRUITY VERSUS FUNCTIONAL CONGRUITY

Wenling Wang, Guilford College, United States  
Rajneesh Suri, Drexel University, United States  
Shan Feng, William Paterson University, United States

## ABSTRACT

Generally, consumers can get three types of benefits from brands (Aaker 1996; Keller 2003): functional, experiential, and symbolic. How to deliver these benefits more effectively than competitors is a critical challenge faced by companies that wish to build successful brands and maintain long-term consumer-brand relationships. To shed light on this managerial problem, much research focuses on the relationship between brand benefits and consumer behavior, such as the research on self-congruity and functional congruity (e.g., Aaker 1999; Kressmann et al. 2006; Sirgy et al. 1991; Wysong et al. 2002). *Self-congruity* refers to the extent to which a brand's personality (image) matches a consumer's self-concept (self-image), which is relevant to the symbolic benefits of a brand (Kressmann et al. 2006; Sirgy et al. 1991; Sirgy et al. 2000). *Functional congruity* is related to a brand's functional benefits (Sirgy et al. 1991) and refers to the extent to which the functional attributes of a brand meet a consumer's expectations "*regarding how the product should perform to accomplish the focal or central goal of the product.*" (Kressmann et al. 2006, p957) Many scholars have examined the impact of self-congruity and functional congruity on brand evaluation and brand loyalty (e.g., Aaker 1999; Kressmann, et al. 2006; Sirgy et al. 1991). However, the effects of such congruities on consumers' trust in a brand have received little attention.

Moreover, Sirgy (1980) examines the moderating role of product personalization in the effect of self-congruity on product preference and purchase intent; this effect is shown to be stronger for products with high personalization than for products with low personalization. Sirgy (1980) defines *product personalization* as the extent to which a product shows an image of the user or has symbolic associations. Products associated with a strong image of the user have high personalization and are considered as value-expressive products; while products associated with a weak user-image have low personalization and are thought of as utilitarian-expressive products (Locander and Spivey 1978). However, little research has investigated the influence of product personalization on the effects of self-congruity versus functional congruity. Although Sirgy et al. (1991) indicate that functional congruity is a stronger predictor of consumer behavior (e.g., store loyalty, brand attitude, purchase intent) than self-congruity, it is still not clear whether this finding holds across all products and all situations.

Our study contributes to the two aforementioned aspects by exploring the effects of self-congruity versus functional congruity on brand trust for products with different levels of personalization. We conducted two experiments and the results indicate that both self-congruity and functional congruity lead to heightened brand trust and functional congruity has a greater impact on brand trust than self-congruity for both value-expressive products (with high personalization) and utilitarian products (with low personalization), which supports the finding of Sirgy et al. (1991). Furthermore, for utilitarian products, the stronger influence of functional congruity is shown to not be influenced by the time horizon of a consumer's purchase decision.

These findings suggest that communicating brand personality in a way that is consistent with target consumers' personality attributes and meeting their expectations of product performance will contribute to building their trust in the brand. For both utilitarian and value-expressive products, in order to be successful, companies should make every effort to offer consumers' desired functional benefits better than their competitors. Additionally, communicating the congruence of a brand's personality with a consumer's self-concept is also important for developing brand equity and a long-term consumer-brand relationship, especially for value-expressive products.

References available upon request

#### **Session 4.6. Consumer Responses to Sustainability Issues**

Room: Clarendon C

Session Chair: Verena Gruber, WU Vienna

##### ***What Does Sustainable Consumption Really Mean? A Three-Dimensional Measurement Approach***

Barbara Seegebarth, Leibniz University of Hannover

Mathis Peyer, University of Potsdam

Anja Buerke, HHL Leipzig Graduate School of Management

Ingo Balderjahn, University of Potsdam

Manfred Kirchgeorg, HHL Leipzig Graduate School of Management

Klaus-Peter Wiedmann, Leibniz University of Hannover

##### ***Sustainable or Conventional? Exploring the Fit of Sustainability Attributes***

Verena Gruber, WU Vienna

Bodo Schlegelmilch, WU Vienna

##### ***Sustainable Retrofits of Apartment Blocks: Developing a Process to Address the Attitude Behavior Gap between the Stakeholders***

Judy Rex, Swinbourne University

Rebecca Leshinsky, ACU

**Wednesday, 5:00-6:30**

**AMS Reception**

**Level 89 Eureka**

**Dinner is on Your Own**



## **WHAT DOES SUSTAINABLE CONSUMPTION REALLY MEAN? A THREE-DIMENSIONAL MEASUREMENT APPROACH**

Barbara Seegebarth, Technische Universität Braunschweig, Germany  
Mathias Peyer, Universität Potsdam, Germany  
Anja Buerke, HHL Leipzig Graduate School of Management, Germany  
Ingo Balderjahn, Universität Potsdam, Germany  
Manfred Kirchgeorg, HHL Leipzig Graduate School of Management, Germany  
Klaus-Peter Wiedmann, Leibniz University of Hannover, Germany

### **ABSTRACT**

The importance of understanding consumers' perceptions of sustainable consumption is increasingly recognized in marketing and consumer research (Prothero et al. 2011). Sustainable consumption patterns have been extensively investigated over several decades by behavioral and social scientists (a review is given by Burgess et al. 2003). Even though the understanding of sustainability is commonly grounded on the triple bottom line approach (Elkington 1997), a one-dimensional operationalization has often been applied in previous empirical research (Bohlen, Schlegelmilch, and Diamantopoulos 1993).

While individual scales to measure the environmental (e.g., Kaiser, Wölfling, and Fuhrer 1999), social (e.g., Sen and Bhattacharya 2001), and economic (e.g., Cowles and Crosby 1986) dimensions of sustainable consumption exist, combined measurements are rare. Thus, the main objective of this study was the development of a scale to measure consumers' consciousness for environmentally friendly, socially just and economically frugal consumption (CSC).

Consciousness was operationalized by combining individual's belief with the importance consumers attach to these dimensions (Cohen, Fishbein, and Ahtola 1972). This scale was administered to 378 graduate and undergraduate students from three German universities in summer 2012. Participants were male (44.8%) and female students from different subjects with a mean age of 23.9 years.

Results indicate an appropriate psychometric quality of the CSC scale and provide support for CSC three-dimensional composite score. Suggestions for future research and validation steps are presented to unleash the considerable potential of the newly developed CSC scale in the study of sustainable consumption.

References available upon request

# SUSTAINABLE OR CONVENTIONAL? EXPLORING THE FIT OF SUSTAINABILITY ATTRIBUTES

Verena Gruber, WU Vienna, Austria  
Bodo B. Schlegelmilch, WU Vienna, Austria

## ABSTRACT

Despite increasing awareness and cognizance of the importance of sustainability, market shares of products integrating social or environmental attributes remain relatively small. This divergence puzzles both academia and industry practice. We propose that in consumers' minds sustainability attributes "fit" only specific product categories and consequently provide empirical evidence for these rather opaque demand side peculiarities. A probabilistic discrete choice design offers insights into consumers' worth functions and our findings show that sustainability is valued differently in high and low involvement categories as well as in hedonic and utilitarian product categories. Furthermore, we identify subject-specific covariates which will allow companies to specifically address the most fruitful target groups.

Given the increasing public awareness concerning sustainability issues, it has been argued that consumers, rather than focusing on traditional functional or emotional brand attributes, specifically opt for socially and environmentally responsible ones (Kotler, 2011). But despite the urge to better understand sustainability in the context of product attribute bundles, there is a paucity of research in this area. A noteworthy exception is provided by Auger et al. (2008, 2003) who report that consumers are not willing to trade off quality aspects of a product for sustainability attributes, even though the latter are valued when considered in isolation (Auger, Burke, Devinney, & Louviere, 2003; Auger, Devinney, Louviere, & Burke, 2008). Another, even more fine-grained examination into the effects of sustainability attributes demonstrates that they are differently valued depending on the benefit sought by consumers (Luchs, et al., 2010). These first insights already point towards the importance of a more detailed examination of sustainability attributes. Within the present research study we therefore focus on varying levels of involvement and hedonic vs. utilitarian products to better understand their different effects on consumers' preferences for sustainability.

Based on attributes elicited within 17 in-depth interviews which have consequently been assessed regarding their real-world occurrence, we developed attribute sets for three generic products: a pullover (representative of a high-involvement product), a chocolate bar (low involvement and hedonic) and shower gel (utilitarian). They all contain either no sustainability attribute (i.e. conventional), are organic (which we posit to be a self-centered attribute) or Fair Trade (other-centered attribute). Our final sample of 638 respondents had to go through 15 paired comparisons (including a "no choice" option) for each of the three categories. A manipulation check supports our a priori classification into above outlined product- and attribute-categories. The final choice data was analyzed using the log linear Bradley-Terry model and we incorporate both subject- and object-specific covariates to get more detailed insights into consumers' preference functions.

We find that involvement interacts with preference as consumers value sustainability more in low than in high involvement products. Other than hypothesized, consumers do not value sustainability differently in hedonic and utilitarian product categories. However, in the former, it is more advisable to integrate other-centered sustainability attributes (such as Fair Trade), as hedonic products might entice consumers to make more altruistic decisions. This finding is especially interesting given the fact that our hedonic representative is chocolate and, as food product, even more likely to increase consumers' preference for organic ingredients due to health considerations. Nevertheless, there is a significant increase in preferences for the other-centered benefit Fair Trade in hedonic product categories as compared to utilitarian ones. Furthermore, we investigate the influence of demographic variables on preference structures and find that especially the level of education impacts the choice for sustainable products.

# **SUSTAINABLE RETROFITS OF APARTMENT BUILDINGS: DEVELOPING A PROCESS TO ADDRESS THE BARRIERS TO ADOPTION**

Judy Rex, ACU, Australia,  
Rebecca Leshinsky, ACU, Australia

## **ABSTRACT**

The increase in the number of people living in apartments, combined with recent debate about the need to reduce greenhouse gas emissions has put pressure on managing bodies to adopt sustainable retrofits for common areas in apartment buildings. The literature posits that involving different stakeholders in the process and developing strategies to overcome the barriers to their implementation will increase the likelihood of adoption. As gaps exist in the literature, a mixed method approach using depth interviews and an online survey with apartment owners is used. The findings demonstrate that some stakeholders have different opinions and expectations with respect to adopting sustainable retrofits, with owners corporation (body corporate) committees members and apartment owners who live in the apartment being the most likely to encourage the adoption of such measures. To overcome the three main barriers to sustainable retrofits, namely, practicality, individuality, and responsibility, this paper recommends three steps be adopted. As well as identifying who are the initiators, an online information tool is needed, as well as financial and other incentives.

## **INTRODUCTION**

The challenge to reduce greenhouse gas emissions and the sustainability paradigm shift has meant that governments and organisations around the world now need to include sustainable development as part of their business plans and policies (Bates 2010). The building industry is not exempt and today's property owners and other stakeholders need to take steps to improve the efficiencies of their properties (<http://www.pmengineer.com/articles/print/87168-sustainable-retrofits>). Adopting sustainable practices that offset and justify some of the high initial investment costs for apartment buildings in cities (Leonidou et al. 2013) have become critical today because, for the first time in history, the majority of the world's population lives in cities (Hopwood & Mellor 2007). This has resulted in an increase in city densities and apartment living (Dredge & Coiacetto 2011). In the built environment, sustainable development strives to reconcile economic growth and social progress with a more considered approach to the use of natural resources to ensure favorable living conditions for current and future generations (Bates 2010). This is important because successful green and sustainable product development needs to be supported by environmental strategies and government policy (Albino et al. 2012).

The growth in apartment living in Australia has been facilitated by the development of strata title complexes, and the evolution of strata law has opened up new opportunities for large scale apartment development (Sherry, 2006; Everton-Moore et al. 2006). This sets the agenda for a discussion about how we want our cities to look and the quality of life they should aim to provide their residents (Pinnegar et al. 2008). In Australia, and presumably in other countries, high-rise apartments have high carbon dioxide emissions on a per dwelling basis (Perkins et al. 2009).

Accordingly, significant improvements to the efficiency and sustainability of existing apartment buildings are needed if countries such as Australia are to meet their international sustainability and carbon emission reduction targets. However, there is evidence to suggest that some older buildings have previously been retrofitted to suit the owners' requirements with respect to their appearance and function, rather than to environmental specifications (Maller and Horne 2011). This is because home improvement, environmental performance and household practice rarely occur together (Maller & Horne, 2011), and supports the call for more action to be taken. This is particularly true in cities such as Melbourne, Australia where urban consolidation and the number of apartments in inner city areas are increasing (Colebatch 2011). As well as being the world's most livable city, Melbourne is a city where many local councils are actively involved in the implementation of sustainable initiatives for their apartment buildings. These are guided by Australian environmental regulation and sustainability policies which are modeled on, or refer directly to the definition from the Australian National Strategy for Ecologically Sustainable Development (ESD).

Despite a growing number of articles in the popular media which point to the increasing importance of the need to address issues related to sustainability and the environment, there has been little research into sustainability and environmental issues in the built environment in the business and marketing literature. This research presented in this paper focuses on understanding the current situation regarding sustainable development initiatives for sustainable retrofits for common areas and shared facilities in apartment buildings, and it is based on a recent study in Melbourne.

## **APARTMENTS AND CONDOMINIUMS**

While the terms 'apartment' and 'condominium' are used interchangeably in some countries (Alterman, 2010; Lujanen, 2010), in this paper, we use the word 'apartment', the term that is commonly used in Australia. The word 'apartment' describes a property where there are privately owned dwellings and where the owners also have a proportionate ownership of the shared areas and shared services in the building (Leshinsky & Libbis, 2009). Such apartments can be built one on top of

each other, or appear in a horizontal form.

In some countries such as the USA and Canada, the difference between a condominium and an apartment complex is purely legal, being defined by the form of ownership. In the USA and Canada, most of the condominiums are privately owned and occupied by the owners, whereas large apartment buildings are often owned by family trusts, Real Estate Investment Funds or statutory bodies, and they are often rented to third parties. Condominiums can be built to a higher quality standard than apartments because of the differences between the rental (apartment) and sale (condominium) markets (<http://www.sheltermtampa.com/what-is-a-condominium-legally-speaking/>). The condominium model in such countries means that owners own their dwelling as well as the space which is defined by the internal walls of the dwelling (Lujanen, 2010), and this is the same model as for privately owned apartments in Australia. Hence, there is much in common between condominium-living in countries such as the USA and Canada, and apartment living in Australia.

### **SUSTAINABLE INITIATIVES FOR APARTMENTS**

Many local and national Governments in countries such as the USA and Australia have adopted sustainable and pro-environmental measures to ensure that the quality of life and the environment are maintained for their residents. This includes improved management and more efficient use of natural resources (Leby & Hashim 2010). In some jurisdictions, this can be achieved via urban planning regulations which mandate that there needs to be a plan for the modernisation and retrofitting of existing high rise buildings, including apartment buildings (Raslanas 2011). For building retrofits to be sustainable in apartment buildings they should aim to achieve cuts in energy consumption and building maintenance costs; reduce the polluting factors; improve the condition of the buildings and their surrounds; and increase the market value of buildings (Raslanas, 2011). This means that achieving sustainable development in existing apartments buildings may also require rethinking current legislation and the governance of the bodies that manage apartment buildings (Andreasen 2002; Rothschild 1999).

Shared facilities in apartment buildings are managed by a homeowners association called an owners corporation (OC) in Victoria, Australia (Leshinsky & Libbis 2009). This is referred to as a Body Corporate in some Australian cities. Under Victorian law, an OC operates in all two-plus lot developments where there are shared or common areas. All lot owners are members of the OC and a committee of management called an owners corporation committee (OCC) looks after the day to day running of the apartment building. As well as annual fees for the upkeep of apartment buildings, many OCC's use special levies to cover unexpected large costs such as lift replacements, concrete cancer and major structural repairs.

The successful implantation of sustainability initiatives in apartments requires the co-operation of and consultation with different stakeholders when developing new plans and pathways aimed at achieving environmental and sustainable goals (Mueller 2010). This includes the residents (Portney and Berry 2010), OCC's, policy makers, government, and special interest groups (Burby, 2003). While stakeholders are familiar with many sustainable retrofit technologies such as using energy efficient light globes, they are often less familiar with the newer technologies such as solar and wind generation equipment and the processes concerning the adoption of such sustainable technologies. By informing and involving stakeholders in the decision making process, the relevant authorities can increase public understanding of the important issues and persuade potential constituency groups of the need for action.

### **BARRIERS, INCENTIVES AND INFORMATION**

Many studies have identified barriers to action. Focusing on achieving sustainable objectives, Blake (1999) identified three barriers that exist between environmental concern and action and labeled them individuality, responsibility and practicality. Individuality includes laziness and a lack of interest in taking action; responsibility includes reasons related to not seeing the need to take action, lack of trust, and not owning the property; and practicality refers to a lack of time, money, information, encouragement, and facilities. Other studies have identified similar barriers, with cost (Boulstridge & Carrigan 2000; Calkins 2005; Smith and Swan 2011) and lack of financial support (Smith and Swan 2011) being the most frequently cited barriers to sustainable retrofits. As well as the cost and value, Boulstridge & Carrigan (2000) also identified quality, brand familiarity, and convenience as barriers to achieving social change for green and ethical purchasing considerations.

To support the adoption of sustainable initiatives more information is needed to overcome stakeholders' resistance to change. Calkins (2005) used Classical Diffusion Theory to demonstrate that the adoption of ecological design requires that innovations are adopted by many entities including the initiator of the innovation or strategy, and other bodies such as local councils. Generating and disseminating information is the key to marketing the advantages and policy issues regarding a new strategy. Therefore, information deficiencies must be addressed for widespread implementation to occur particularly for programs designed to change community perceptions and behaviours (Moraes et al. 2012; Scammon et al. 2011; Smith and Swan, 2011). The City of Melbourne, where more than 70% of the residents live in apartments, has created the "Sustainable Melbourne" network to deliver information that encourages sustainable retrofits of apartment buildings to its stakeholders. This includes initiatives to reduce water and energy use, manage waste and recycling, and environmental upgrade agreements for those who are ready to retrofit their apartment buildings

(<http://www.melbourne.vic.gov.au/Sustainability/Pages/Overview.aspx>).

As well as information, incentives are needed to make such sustainable options accessible and affordable (Bates 2010). Financial incentives exist in various forms such as reducing property taxes and the provision of subsidies from banks, national or local governments (Alterman 2010; Bates 2010; Pinnegar et al. 2008; Leshinsky and Legacy 2011). In Australia, private financial institutions, such as the Macquarie Bank are now offering “strata improvement loans” to fund mechanical, aesthetic, and structural improvements to clients’ strata property (<http://www.macquarie.com.au/mgl/au/business/lending/strata>). Operationally, such loans are structured so that repayments are incorporated into lot owners’ quarterly strata levies. While these are most often used to cover the costs of regular maintenance such as updating common areas and mechanical maintenance, there is no reason why they should not be used to fund sustainable retrofits in the future. Another example of an incentive that has been successfully implemented is illustrated by The City of Port Phillip, a council area in a densely populated area close to Melbourne. This council has successfully changed the behavioural habits and social norms of its apartment residents by offering sustainable incentives in the form of free energy audits and free devices such as low-water-using shower heads (Socs and Blocks, 2012).

### RESEARCH QUESTIONS/PROPOSITIONS FOR THIS STUDY

As the different stakeholders are faced with the need to adopt a more sustainable approach to the maintenance of their apartment buildings, research is needed to understand current state of the adoption of sustainable retrofits in apartment buildings and to determine if there are differences between the stakeholders. The paper does this by posing three research propositions and five research questions which are outlined below. The research propositions are addressed by data from qualitative research (depth interviews), and the research questions are addressed by data from quantitative research (an online survey). For this study, sustainable retrofits were described as installing energy efficient lighting, upgrading heating and cooling systems, and improving recycling facilities to common areas in apartment buildings.

Portney and Berry (2010) and Mueller (2010) demonstrated that different stakeholders need to co-operate and be consulted with, regarding the implementation of environmental and sustainable initiatives in apartments. However, if consensus cannot be reached, then conflict may occur. Hence, to advance the adoption of sustainable retrofits, research is needed to explore the difference in answers given by those on the OCC and apartment owners. For the research questions (quantitative research), the hypotheses test whether there are significant differences between those on the OCC and those not on the OCC, as well as apartment owners who live in the apartment (owners) with those who own but don’t live in the apartment (don’t live).

The first two research questions explore the gap between the importance and the likelihood of adopting sustainable retrofits, using quantitative research.

RQ1: How important is it for the OCC to undertake sustainable initiatives?

H<sub>1a</sub>: Members of the OCC believe it is more important to undertake sustainable retrofits.

H<sub>1b</sub>: Apartment owners believe it is more important to undertake sustainable retrofits.

RQ2: How likely is it that the OCC will undertake sustainable retrofits?

H<sub>2a</sub>: Members of the OCC are more likely to believe that sustainable retrofits will be undertaken.

H<sub>2b</sub>: Owners are more likely to believe that sustainable retrofits will be undertaken.

Previous research has demonstrated that barriers such as the cost and lack of financial support can act as deterrents to sustainable improvements (Boulstridge and Carrigan 2000; Calkins 2005; Smith and Swan 2011). As the barriers to sustainable retrofits in Melbourne have not yet been explored, qualitative research is used to explore this research proposition (RP):

RP1: What are the barriers to undertaking sustainable retrofits?

Further exploring the cost and financial barriers, the following research question is developed:

RQ3: How easy is it to make financial decisions about capital expenditures and operational costs within the OCC?

H<sub>3a</sub>: Members of the OCC believe it is easier to make financial decisions.

H<sub>3b</sub>: Owners believe it is easier to make financial decisions.

As stakeholders tend to be resistant to change, information is needed to understand the perceived ease of finding information about sustainable retrofits. Hence, research question four is developed:

RQ4: How easy is it to find information about how to implement sustainable retrofits?

As there was no existing information about who initiated the sustainable retrofits, the following research proposition is developed:

RP2: Who initiates sustainable retrofits?

Many of the challenges with implementing sustainable retrofits can be addressed by providing more information to support the adoption of these strategies (Calkins, 2005). Hence, the following research question is developed:

RQ5: How useful would it be to have an online information tool describing the processes for sustainable retrofits?

H<sub>4a</sub>: Members of the OCC believe the information tool is useful.

H<sub>4b</sub>: Owners believe the information tool is useful.



To understand the kinds of information that should be included in the information tool, the following research proposition is developed:

RP3: What information should be included in an information tool?

## METHODOLOGY

The study reported in this paper is part of a larger study that includes depth interviews (qualitative) and an on-line survey (quantitative) with apartment owners in inner areas of Melbourne, Australia. This study was funded with a research grant from The City of Melbourne.

The qualitative research comprised 12 semi-structured depth interviews with apartment owners to obtain information to gain insights into the research propositions where there was no existing data available (Saunders et al. 2008). This study included 3 depth interviews from each of the Cities of Melbourne, Port Phillip, Moreland and Yarra, all of which are in close proximity to Melbourne's CBD and which have a high incidence of apartment living. The recruitment strategy adopted a convenience and a referral sampling method with initial contacts being provided by The City of Melbourne. All of the apartment owners lived in different buildings; all but one had some involvement with a sustainable retrofit of their current apartment block; half of the sample was male, with ages ranging from young (in their 20's) to older (in their late 60's). Seven of the participants owned and lived in their apartment, with the remaining five owning but not living in their apartment. An inductive approach grounded in the data was used to analyse the findings, to ensure that patterns, themes, and categories of analysis emerged from the data (Saunders et al. 2008). The researchers used the interview transcripts to develop themes based on the verbatim comments, which are shown in *italics* in this paper.

The quantitative study used an anonymous on-line survey with initial contacts provided by The City of Melbourne. This was used to quantify the measures such as the importance of undertaking sustainable retrofits, and to replicate existing research. By also using a referral sampling approach a final sample size of 130 apartment owners living in the Cities of Melbourne, Port Phillip, Moreland and Yarra was achieved. About three quarters of the sample owned and lived in their apartment, about two thirds were on the OCC, and the majority lived in buildings of less than 99 apartments. It can be assumed that not all owners in the sample lived in different apartment buildings. The sample for the quantitative study was generally very involved with the OCC (5.37). A seven point Likert scale was used to measure the variables, where 1=not at all important/likely/ easy and 7=very important/ likely/ easy.

## FINDINGS

This section summarises the findings according to the five research questions and the three research propositions. All the research hypotheses were accepted, except for H<sub>3a</sub> and H<sub>3b</sub>.

### **Importance and likelihood to engage in sustainable retrofits (RQ1, RQ2)**

Three quarters (77%) of the sample rated sustainable retrofits to common areas as being important (rating of 5, 6, 7), and one third (35%) rated them as being very important (rating of 7). Those who owned and lived in their apartment were significantly more likely ( $p<.05$ ) to say it was important (5.12 compared to 3.01) as were those on the OCC (4.07 and 2.71). While on the one hand they felt it was important that sustainable retrofits were initiated (5.50), they felt it was not very likely that their OCC will undertake sustainable retrofits (3.82). Again, owners and OCC members were significantly more likely to say that sustainable retrofits were likely to happen in their apartment building.

### **Barriers to sustainable retrofits (RP1)**

The depth interviews revealed that there were five main barriers to sustainable retrofits, of which cost and financial issues were foremost in their minds. Other barriers included Governance, lack of knowledge, behavioral issues such as the stakeholders not being comfortable with sustainable retrofits, and having "other priorities". Governance issues related to subdivision issues and the decision making process and gaps in the legislation. These five barriers are related to Blake's (1999) framework and summarised in [Table 1](#).

### **Ease of making financial decisions and finding information (RQ3, RQ4)**

The sample were divided about whether it was easy or difficult to make financial decisions about capital expenditures and operational costs within their OCC (3.99), and about finding information about how to implement sustainable retrofits in their building (3.39). Those who were on the OCC again rated making financial decisions significantly higher (easier) ( $p<.05$ ) than those who were not on the OCC (4.45 compared to 2.59), as did owners (4.17 vs. 3.01). On the other hand, there was no significant difference between those on the OCC and not on the OCC, or owners/live in apartment and those who don't live in the apartment, with respect to the ease of finding information about how to implement sustainable retrofits in their building.

### **Initiating the retrofits (RP2)**

The depth interviews revealed that the retrofit process was often initiated by a member of the OCC. While the OCC was the driving force, the sample noted that ideas from all apartment owners were both welcome, and encouraged. The following comment is indicative: "*if the owner knows a member of the committee, they would approach them and say, I've*

*got a really good idea. They would be welcomed with open arms to either write to the committee or come along to a committee meeting to tell what the good idea would be...”*

The level of involvement required by the whole OCC depended on the task at hand. If the required task was small in terms of cost, then the OCC was able to give the maintenance company the go-ahead as long as it was within the maintenance budget. Retrofits that were more costly needed a majority vote of approval from the owners, either at the AGM or if it was more urgent, then information will go out to all owners, and a special (extraordinary) meeting would be convened.

### **An online information tool (RQ5, RP3)**

The study demonstrated an interest in the development of an online information tool, with the majority (81%) of the sample saying that this would be useful (ratings of 5, 6, 7). Those who owned and lived in an apartment were twice as likely to say that such a tool be very useful (57% rated it 7) compared to those who own but do not live in their apartment (26% rated it 7). Those on the OCC were also more likely to rate this tool as very useful (51%) compared to 37% of those not on the OCC. In both cases, those on the OCC again rated the usefulness of an information tool significantly higher ( $p < 0.05$ ) than those who were not on the OCC, as did owners.

When asked to describe what information they would like to be included in the online tool kit for sustainable retrofits, there were six main themes. The sample wanted general information about the kinds of retrofits that can be done; information on cost comparisons/cost benefit analysis; a contact list of experts, suppliers and product information; examples of case studies on successful retrofits; information on the costs of a retrofit; and information on subsidies, funding, rebates, grants and how to get them. Two illustrative comments are shown below: *“Cost benefit analysis and how many years pay off. Options to retrofit and contacts for who can implement locally. What works best for the size of apartments (small blocks compared to large blocks.”*; and *“Practical examples of specific retrofits projects - i.e. retrofit a rain water collection system for irrigation and cleaning of common areas in an older (15 years old) multi building/unit environment and a costing example.”*

## **CONCLUSIONS AND FURTHER RESEARCH**

This paper demonstrates that there are differences in the understanding and likelihood of adopting sustainable retrofits. OCC members and apartment owners who lived in their apartment believed it was significantly more important to adopt sustainable initiatives for their apartment block; they think it is significantly more likely that the OCC will undertake sustainable retrofits in their building; they find it significantly easier to make financial decisions about capital expenditures and operational costs within their OCC; and they find it significantly easier to find information about how to implement sustainable retrofits in their building. Those who were not on the OCC and apartment owners who did not live in their apartment were less confident and more reluctant to support the adoption of sustainable retrofits, particularly when it came to spending money on them.

Confirming previous research, the main barriers to the adoption of sustainable retrofits were practicality issues, most notably cost and the need for financial support (Blake, 1999, Boulstridge and Carrigan, 2000; Calkins, 2005; Smith and Swan, 2011). Other main barriers were a lack of knowledge, behavioral issues, Governance issues, and having “other priorities”. This suggests that, in order to improve the awareness and adoption of sustainable retrofits, programs are needed to explain their benefits to all stakeholders, as the incidence of their adoption will not progress without their full support. Supporting the findings of Calkins (2005), some of the challenges concerned with implementing sustainable retrofits can be addressed by developing an online information tool to provide information supporting the adoption of these strategies. As sustainable retrofits are often initiated by the OCC, such a tool needs to be targeted primarily to those on the OCC, as well as apartment owners, including those who own but who don’t live in their apartment. It was suggested that such an online information tool could include general information about retrofits, as well as details of funding and the costs associated with a retrofit. The concern about Governance issues suggest that these need to be made clearer to the stakeholders, and that maybe changes in law and governance issues are needed to increase their rate of adoption. Further, to overcome the financial and cost barriers, it is recommended that incentives such as strata improvement loans are provided, to facilitate the uptake of such initiatives as suggested by Bates (2010).

Drawing on the findings from the Melbourne study, strategies are needed to address the barriers for sustainable retrofits in apartment buildings and to develop practices that are both relevant and agreeable to all parties. Such strategies can consider that some private institutions are now offering financial incentives to fund improvements to strata property. What is clear is that there is certainly more scope for the contemplation of best practice tools to assist those interested in adopting sustainable retrofits. Hence, the authors propose the process described in [Figure 1](#) be used to increase the adoption of sustainable retrofits for apartment buildings. It shows that in order to reduce greenhouse gas emissions in apartment buildings, three steps need to be attended to. As well as identifying who are the initiators, an online information tools and incentives need to be developed to assist the decision makers. These will then be used to address the main barriers to sustainable retrofits, namely, factors relating to individuality, responsibility and practicality to ensure that OCC and apartment owners are motivated to



undertake sustainable retrofits to common areas in apartment buildings.

### FURTHER RESEARCH

The most obvious limitation of this research is that the sample is not representative of the population. Hence, the authors recommend that the study be replicated with a national sample of private apartment owners both in Australia and in other countries. Such national and international comparative research could consider the uptake of sustainable retrofits, and the motivations behind their adoption. For example, existing research has indicated that personal norms, knowledge, emotional values and attitudes are important in the decision making process (see for example Shaw et al. (2005)), and such issues could be an important focus for further research. Further research is also needed to identify the awareness and improvements that need to be made to existing law and governance to ensure good practice that does not hinder the adoption process.

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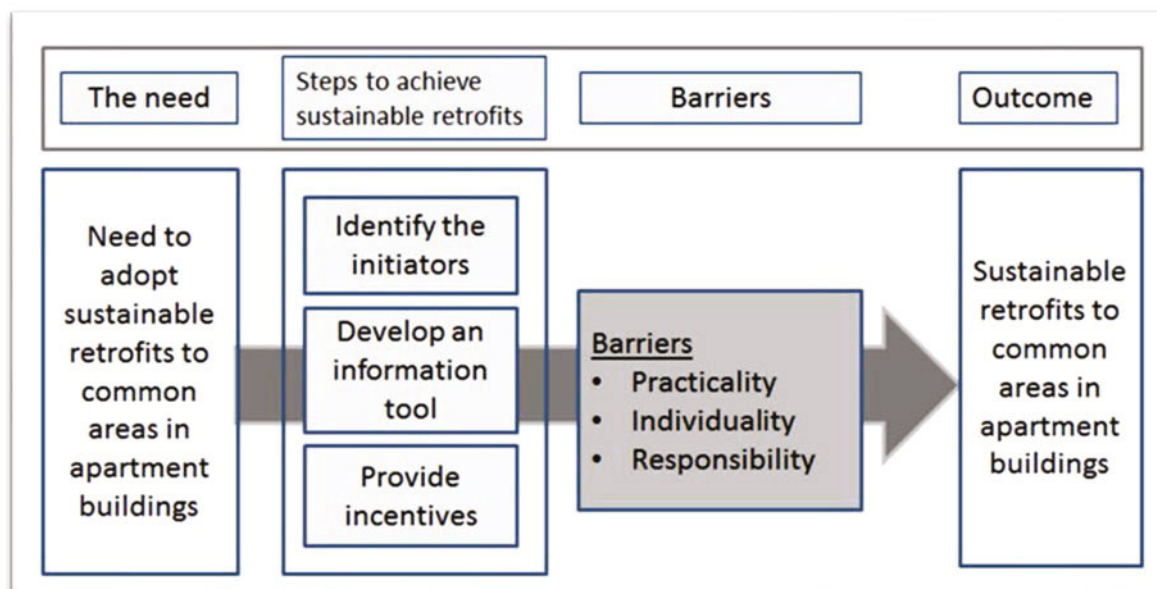
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**Table 1: Barriers and issues associated with sustainable retrofits**

Blake's (1999) classification	Barriers (Current study)	Issues
Practicality	Cost/ Financial	The expense of retrofitting Split incentives between investors, owner-occupiers and tenants Access to funds by owners corporations for retrofitting projects
Practicality	Knowledge	Lack of clear communication, and therefore lack of understanding, of the benefits and process for retrofits Lack of education about owners corporations and owning in strata Confusion about available technology and best practice for retrofitting Inability to verify information due to the sheer multitude of it
Individuality	Behavioural	Sustainability is often outside people's comfort zone People can be change resistant if they don't perceive a genuine personal benefit Absentee ownership means disconnection with the issues
Responsibility	Governance	Subdivision issues (i.e. ownership boundaries within buildings) Owners corporations decision making and funding requirements Gaps in legislation and policy supporting and incentivizing sustainability in Class 2 buildings
Responsibility	Other priorities	Profit driven, decision making Differing parties with differing priorities

**Figure 1: Process to address the barriers to adoption for sustainable retrofits in apartment buildings**



DAILY HIGHLIGHTS

Thursday, July 18

Registration  
Langham Hotel Ballroom  
8:00-5:00 p.m.

Awards Luncheon  
Melbourne Town Hall  
12:10-1:40 p.m.

Wine Tasting Event  
5:30 p.m.  
Swanston Rooms

**Thursday, July 18**

**Thursday, 8:30 – 10:00 a.m.**

**Session 5.1. International and Cross-Cultural Marketing: Brands and Luxury Consumption**

Room: Flinders

Session Chair: Gaetano Aiello, University of Florence

***Consumer Desire for Luxury Brands: Individual Luxury Value Perception and Luxury Consumption***

Nadine Hennings, Leibniz University of Hannover

Christine Klarmann, Leibniz University of Hannover

Stefan Behrens, Leibniz University of Hannover

Klaus-Peter Wiedmann, Leibniz University of Hannover

***Are You Like Me? I Will Be Attached to You. Empirical Findings from an International Research about Consumer, Brand and Store Personality Congruence in the Luxury Sector***

Raffaele Donvito, University of Florence

Gaetano Aiello, University of Florence

Bruno Godey, Faculté du Groupe ESC Rouen

Daniele Pederzoli, Faculté du Groupe ESC Rouen

Klaus-Peter Wiedmann, Leibniz University of Hannover

Nadine Hennings, Leibniz University of Hannover

Christiane Klarmann, Leibniz University of Hannover  
Priscilla Chan, Manchester Metropolitan University  
Chris Halliburton, ESCP Europe – London  
Junji Tsuchiya, Waseda University  
Taro Koyama, Chubu University  
Irina Ivanovna Skorobogatykh, Plekhanov Russian University of Economics  
Bart Weitz, University of Florida  
Hyunjoo Oh, University of Florida  
Mike Ewing, Monash University  
Joshua Newton, Monash University  
Yuri Lee, Seoul National University  
Li Fei, Tsinghua University  
Cindy Rong Chen, Tsinghua University

***The Effect of Offshore Shifts on Brand Attitude and Corporate Image***

Cassandra France, Griffith University  
Nigel Pope, Griffith University

# CONSUMER DESIRE FOR LUXURY BRANDS: INDIVIDUAL LUXURY VALUE PERCEPTION AND LUXURY CONSUMPTION

Nadine Hennigs, Leibniz University Hannover, Germany  
Christiane Klarmann, Leibniz University Hannover, Germany  
Stefan Behrens, Leibniz University Hannover, Germany  
Klaus-Peter Wiedmann, Leibniz University Hannover, Germany

## ABSTRACT

Along with the rising global appetite for luxury brands, luxury brand managers have to balance the tremendous demand for their goods in the global marketplace without threatening the key characteristics of exclusivity and uniqueness that are necessary preconditions of luxury. With respect to the serious challenges inherent in luxury brand management such as the risks of brand over-extensions and counterfeiting, an integrative understanding of luxury and the multifaceted desires an individual seeks through luxury consumption are key success factors in luxury brand management. Recent research gives evidence that the desire for and the consumption of luxury brands involves several dimensions of customer perceived value including financial, functional, individual, and social consumer perceptions. Nevertheless, to date, the interplay of the customer perceived value dimensions and the assessment of their effects on individual luxury value perception and related behavioral outcomes are poorly understood and widely unexplored.

Against this backdrop, incorporating relevant theoretical and empirical findings, this study focuses on the investigation of the interplay of the customer perceived value dimensions (financial, functional, and social value) and the assessment of their effects on individual luxury value perception and related behavioral outcomes (purchase intention, recommendation behavior, willingness to pay a price premium). The paper is structured as follows: first, the conceptual model and related hypotheses are presented based on existing research insights on luxury brands and customer perceived value; second, the methodology and results of our empirical study are described. Third, the analysis results are discussed with reference to managerial implications and further research steps.

To measure the antecedents and outcomes of individual luxury value perception, we used existing and tested measures. Items were rated on five-point Likert scales (1=strongly agree, 5=strongly disagree). The first version of our questionnaire was face-validated using exploratory and expert interviews to check the length and layout of the questionnaire and the quality of the items used. To investigate the research model, an online questionnaire was conducted among consumers in Germany in July 2012. A total of 782 questionnaires were received.

In our study, SPSS 19.0 and PLS structural equation modeling (SmartPLS 2.0) were used to analyze the data. A reliable and valid measurement of the latent variables was confirmed. Referring to the antecedents of individual luxury value perception, our results verify that the perceived financial, functional and social value of luxury brands are significantly positive related to the key construct of individual luxury value perception. Moreover, the individual luxury value perception has a positive impact on purchase intention, recommendation behavior, and the willingness to pay a price premium. With reference to the evaluation of the inner model, the coefficients of the determination of the endogenous latent variables (R-square) reveal satisfactory values at .637 for individual luxury value perception, .618 for purchase intention, .565 for recommendation behavior, and .526 for the willingness to pay a price premium. Moreover, Stone-Geisser's Q-square yielded a value higher than zero for the endogenous latent variables, suggesting the predictive relevance of the explanatory variables.

The results presented here have important implications for luxury brand management and future research in the domain of luxury goods. By addressing the specific value aspects that are highly relevant for consumer loyalty to the brand, a luxury company can stimulate purchase behavior with appropriate marketing campaigns that emphasize the most important value aspects. In this context, a study focusing on different luxury brands, different luxury industries or the comparison luxury vs. necessity might enhance current knowledge of consumer behavior in the luxury industry. On an international level, the specific consideration of cultural issues is required and therefore, possible cross-cultural similarities and differences have to be examined in future research to generalize the results and to sell successfully luxury goods to consumers of different nationalities.

*References Available Upon Request*

**ARE YOU LIKE ME? I WILL BE ATTACHED TO YOU.  
EMPIRICAL FINDINGS FROM AN INTERNATIONAL RESEARCH ABOUT CONSUMER, BRAND AND  
STORE PERSONALITY CONGRUENCE IN LUXURY SECTOR.**

Raffaele Donvito, University of Florence, Italy  
Gaetano Aiello, University of Florence, Italy  
Bruno Godey, Rouen Business School, France  
Daniele Pederzoli, Rouen Business School, France  
Klaus-Peter Wiedmann, Leibniz University of Hannover, Germany  
Nadine Hennings, Leibniz University of Hannover, Germany  
Christiane Klarmann, Leibniz University of Hannover, Germany  
Priscilla Chan, Manchester Metropolitan University, United Kingdom  
Chris Halliburton, ESCP Europe – London, United Kingdom  
Junji Tsuchiya, Waseda University, Japan  
Taro Koyama, Chubu University, Japan  
Irina Ivanovna Skorobogatykh, Plekhanov Russian University of Economics, Russia  
Bart Weitz, University of Florida, USA  
Hyunjoo Oh, University of Florida, USA  
Mike Ewing, Monash University, Australia  
Joshua Newton, Monash University, Australia  
Yuri Lee, Seoul National University, Korea  
Li Fei, Tsinghua University, China  
Cindy Rong Chen, Tsinghua University, China

**ABSTRACT**

The paper analyses the phenomena of congruence between consumer, brand and store personality and its effect on attachment to brands in luxury sector at an international level. From a theoretical point of view, human personality, brand personality, store personality, congruence and attachment constructs are considered. From an empirical point of view, the paper presents the results of a quantitative primary research run on a sample young people “luxury experienced” from 10 countries. The empirical research considers specifically 6 luxury brands. In term of results this paper presents the validation of the personality congruence measurement scale proposed by the authors; furthermore the research highlights the existence of a correlation between personality congruence and brand attachment.

**INTRODUCTION**

The construct of “personality” has been theoretically studied and empirically observed since a long time; however, according to our knowledge, marketing scholars have not yet deeply investigated the phenomena of “congruence between human, brand and store personality”. Our work try to bring new insights within this conceptual area proposing a method to measure this triple congruence and starting to discover what happens when it exists. As a starting point we decided to address our attention to the luxury sector for analyzing the personality congruence in this specific environment and measuring the impact of this congruence on the attachment towards brands.

**THEORETICAL BACKGRUOND**

**Human-consumer personality.** As known in the last two decades there has been a growing interest and acceptance (Harvey, Murry, Markham 1995) of the so called Big Five view of the structure of personality (Cortina, Doherty, Schmitt, Kaufman, & Smith, 1992; Digman, 1990; McCrae & Costa, 1987). According to the Big Five taxonomy, the dimensions of human personality are Extraversion, Agreeableness, Conscientiousness, Emotional Stability, and Openness to Experience. According to Schmitt et al (2006), the most comprehensive instrument designed to measure the Big Five or FFM is the Revised NEO Personality Inventory (NEO-PI-R; Costa & McCrae, 1992, Costa & McCrae 1995).

**Brand personality.** Aaker (1997, p. 347) defines brand personality as “the set of human characteristics associated with a brand”. The term “characteristics”, however, makes this definition too broad and vague according to Ferrandi et al (2003). Therefore Ambroise et al. (2003) propose to define the brand personality as “all human personality traits associated with a brand”. Anyway it is relevant to consider Aaker developed this theoretical framework taking into account the Big Five human personality dimensions. As known Aaker propose a measurement scale of brand personality based on 5 dimensions



(Sincerity, Excitement, Competence, Sophistication, and Ruggedness), and 42 traits. Recently Heine (2009; 2010) has focused the attention on Luxury Brand Personality Dimensions. The results of this study suggest that consumers perceive luxury brands through five distinct personality dimensions: modernity, eccentricity, opulence, elitism and strength.

**Store personality.** Long before Aaker, Pierre Martineau proposed the idea that stores have a personality, that he states as “the way in which the store is defined in the shopper’s mind, partly by its functional qualities and partly by an aura of psychological attributes” (Martineau, 1958, p. 47). He identifies several aspects, named personality factors, as latent causes for the creation of a store personality: layout and architecture, symbols and colors, advertising, and sales personnel. Only in 2003 d'Astous and Levesque proposed a specific scale to measure store personality. At the end of the scale purification process, 34 personality terms remained, summarized in 5 factors named sophistication, solidity, genuineness, enthusiasm and unpleasantness.

**Congruence between human, brand and store personality.** Levy (1959) asserts the output a consumer buys have personal and social meaning capable to strengthen the way the consumer contemplates himself. Brands performs its role as social congruity mean between brand and user self-image, that is considered as a significant motivational element in consumer choice (Homburg et al. 2009). The first studies on this phenomenon of perceived congruence see it as a structural correspondence between two entities (Mandler, 1982). Self-congruity is defined as the similarity between the symbolic attributes of the labeled product and self-concept of the individual (Sirgy, 1982). The measure of congruence between individual and brand has taken two main directions (Kressmann et al., 2006): differential and direct. It is important to highlight only few research dissociate conceptually and empirically congruence through the self-image and brand personality (Supphellen and Helgeson, 2004).

**Brand attachment.** Consumers can be intensely committed or lightly linked to a brand (Thomson, MacInnis, and Park, 2005). Potential causes of differing attachments are consumer and brand features (Robins et al., 2000) such as personality traits. Even if the academia has mainly examined attachment in interpersonal contexts, research in marketing filed asserts that consumers can also develop attachments to marketplace entities, such as product, brands, store (Fournier 1998; Keller 2003). The possible attachment consequences could consist of loyalty and willingness to pay a premium price for the brand (Thomson et al., 2005). So brand attachment can be finally considered as “a psychological variable that refers to a long lasting and inalterable (the separation is painful) affective reaction towards the brand, expressing psychological proximity with this one” (Lacoeuilhe, 2000).

## RESEARCH METHODOLOGY

**Research objectives and methodology.** This study is a working in progress output of a wider international research project about luxury sector; our research group is composed by scholars from 12 countries (Australia, Brazil, China, France, Germany, India, Italy, Japan, Russia, South Korea, United-Kingdom, and the USA). In a previous step of this international research project (Godey et al., 2012), a specific measurement scale of personality congruence was built and tested on a sample of 160 respondents (young people from Italy, France, Germany and India). This scale originally including 134 items for each measurement (Brand/Store/Human personalities) was reduced to 5 dimensions (Prestige/Emotion/Trust/Anxiety/Order) and 13 items (Upper-class, Prestigious, High priced, Upscale, Happy, Enthusiastic, Feelings, Trust, Trustworthy, Anxious, Vulnerable to stress, Well-organized, Orderly) through a principal component factor analysis with Varimax rotation (Godey et al., 2012). The measurement scale of personality congruence based on 134 items was built retaining five personality scales: Human personality NEO-PI-R (30 traits) McCrae and Costa (2005), Brand personality (42 traits) Aaker (1997), Adapted Aaker’s brand personality scale (42 traits) Chan et al. (2003), Luxury brand personality (31 traits) Heine (2008, 2009), Store personality (34 traits) d'Astous and Levesque (2003). The two main tasks of this step of the research are: a) the validation of the personality congruence measurement scale (5 factors, 13 items). To do this, exploratory and confirmatory factor analysis was used; b) the identification and the measurement of the eventual causal relationship between “congruence” and “brand attachment” for luxury goods will be tested. To do this the Lacoeuilhe (2010) attachment scale was used. To measure congruence between the perception that the individual has of himself and his perception on brand and store personality, we calculate a distance representative of this congruence. The congruence score is of the form:  $\sum_{i=1}^n |PerB_i - PerC_i| + |PerS_i - PerC_i|$ , where  $PerB_i$  measures the score on the items of brand

personality,  $PerS_i$  on the items of store personality and  $PerC_i$  on the items of individual personality and, where  $|PerB_i - PerC_i|$  measures the distance between brand personality and consumer personality and  $|PerS_i - PerC_i|$  the distance between store personality and consumer personality. Finally, we get:

$$Congr_{i=1}^n = \frac{\sum_{i=1}^n |PerB_i - PerC_i| + |PerS_i - PerC_i|}{2}$$

which represents a mean of the two various types of congruences. The scores then have been reversed so that the smallest distances are ones which get the highest scores. This classical form of measurement, although criticized (Sirgy et al. 1997; Supphellen and Helgeson, 2004; Kressmann et al.,

2006), has been widely used in works about image congruence and continues to be (Vernette, 2003). From this first calculation, we performed a factor analysis to replicate the measurement scale developed in the first step of our research program (Godey et al., 2012).

**Sample and Data Collection.** In this study we decided to analyze the population of young people aged 20-26 “luxury experienced” that is to say a population of young has already bought one or more luxury goods and that is informed about the luxury world. The empirical research considers specifically 6 luxury brands i.e. Louis Vuitton, Gucci, Hermes, Armani, Burberry and Salvatore Ferragamo. A convenience sample of young people was built using the following screening variables: age: 20-26 (extremes included); luxury purchase experience: one or more luxury goods (including luxury accessories such as sun-glasses, belt, perfume, etc.) bought during the last 3 years and a half (2012-11-10-09); luxury brands knowledge: at least 4 luxury brands over the 6 under analysis.

An on-line structured questionnaire was built. All items under analysis (scale of personality congruence and attachment scale) were rated on a five-point Likert scale. The process of questionnaire development was based on the approach recommended by Churchill and Iacobucci (2002). The first version of the questionnaire was face-validated twice using exploratory and expert interviews and pre-tested with 40 respondents. For establishing the translation equivalence a verbal translation committee approach was adopted (Craig Douglas 2005; Harkness, 2003). To analyze the brand personality perceived by the respondents non-verbal stimuli (1 logo picture, 4 iconic products picture for each brand) were used (Troiano, Costa, Guardado 2002); to analyze the store personality perceived by the respondents other non-verbal stimuli (4 store pictures for each store) were used. Brand and store non-verbal stimuli were selected after a pre-screenings of more than 40 pictures for each luxury company under analysis; the pre-screening was run on a sample and through the collection of luxury experts’ opinions. In October 2102, a total of 928 valid and completed questionnaires were obtained. The sample is not evenly distributed across the 10 countries (Australia, China, France, Germany, Italy, Japan, Korea, Russia, UK, USA) participating in the research; results regarding the influence of each country should be analyzed with caution. The sample was composed of 66.2% women and 33.8% men with an average age of 22.5 years old. Considering the main tasks of the current study, first the measurement scale structures was validated. To do this, exploratory and confirmatory factor analysis was used successively for “congruence” and “brand attachment” scales. Then, the causal relationship model between “congruence” and “brand attachment” for luxury goods was tested. Finally, we ranked the constitutive dimensions of the congruence according to their influence depending on the country and the brand.

## MAIN EMPIRICAL RESULTS

**Exploratory factor analysis.** On the basis of this sample, a principal component factor analysis with Varimax rotation was performed. We thus try to identify underlying variables to explain the origin of correlations within all of our observed variables. As a preliminary, tests were carried out on the suitability of the data sample for factor analysis<sup>1</sup>. We also tested the internal reliability<sup>2</sup> of this measure. Cronbach’s alpha ( $\alpha = .825$ ) showed good internal consistency of this measurement scale. The resulting factor solution (Table 1) with 5 dimensions initially developed is confirmed for 73.0% of explained variance.

1. The first dimension (4 items, 22.6% of variance explained, Cronbach's  $\alpha = .878$ ) includes items illustrating the “elitist” and “prestigious” sides of luxury associated with its “price”. This is a classic vision of luxury highlighted in research on this topic.
2. The second dimension (3 items, 13.8%,  $\alpha = .662$ ) shows the “emotional” part of luxury consumption which is also recognized as a major driving force for the consumption of luxury brands.
3. The third (2 items, 12.7%,  $\alpha = .778$ ) corresponds to the items of “trust” generated by luxury in general.
4. The fourth (2 items, 12.2%,  $\alpha = .723$ ) marks the “stress” and “anxiety” experienced by consumers. At this point, two conflicting interpretations are possible. On the one hand, this could be related to the stress felt by consumers when facing an involving decision with for example financial stakes or, conversely, to the absence of stress-related risk reduction and confidence attributed to luxury brands.
5. The fifth (2 items, 11.6%;  $\alpha = .672$ ) is representative of the seriousness through the “organization” and “order”.

<sup>1</sup> To conduct a factor analysis, the KMO test must be greater than .5. This measure varies between 0 and 1, and values closer to 1 are better. A value of .6 is a suggested minimum. The Bartlett’s Test of Sphericity tests the null hypothesis that the correlation matrix is an identity matrix. The Bartlett’s Test must be significant. For this analysis, the two conditions are verified (KMO = 0.811 and Bartlett test  $\chi^2(78)=4029.3$ ,  $p<0.001$ ).

<sup>2</sup> The reliability or internal consistency of a measurement scale measures the degree of stability of results when applying the instrument again in identical conditions. In this phase of analysis, reliability is measured by Cronbach's  $\alpha$  (1951). It must be greater than .60 for exploratory research and .80 for applied research (Nunnally, 1978, Peterson 1994).

**Confirmatory factor analysis.** Confirmatory factor analysis (Figure 1) shows a satisfactory fit of the congruence scale to its data (Table 2). The internal consistency coefficients<sup>3</sup> of the scale is measured by Jöreskog's  $\rho$ . Convergent validity is measured using  $\rho_{cv}$ . Whilst indicators suggest a good reliability for the scale since Jöreskog's  $\rho$  is slightly above a threshold of .70 ( $\rho_{Jöreskog} = .745$ ), its convergent validity is well lower than the accepted standard of .50 ( $\rho_{cv} = .370$ ). A low convergent validity may have an impact on the quality of the prediction of our measuring instrument (Podsakoff *et al.*, 2003). It can result from the characteristics of the sample or its homogeneity. Without "strong convergent validity" which is achieved when at least half of the total variation is trait variance, "weak convergent validity" was assessed by investigating the significance of  $t$ -values representing the relationships between the dimensions and the latent construct. All the  $t$ -values were positive and significant ( $p < .001$ ), suggesting that at least "weak convergent validity" is achieved (Bagozzi and Yi, 1991). Future extensions of our research on a more homogeneous sample will certainly address this weakness.

**"Personality congruence → Brand attachment": Structural equation model.** A structural equation model linking the "personality congruence" to "brand attachment" is tested. The global model testing results show fit values of GFI (.951), AGFI (.935), RMSEA (.050), and normed  $\chi^2$  (3.275) coefficients better than commonly accepted standards. The CFI and TLI, which compare the tested model with a model where all the manifest variables are independent of each other, are beyond the acceptable (CFI = .958 and TLI = .951). In addition, PGFI (.717) which is based upon the GFI by adjusting for loss of degrees of freedom is also up to standard. These results allow us to conclude that the model fit is good. It seems therefore possible to analyze the results of structural equation modeling.

As the model fit is acceptable, estimates of standardized regression weights coefficients and squared multiple correlations for the dependent variables can be calculated<sup>4</sup>.

Results highlight the existence and relative importance of the link between "personality congruence" and "brand attachment" with a coefficient of determination ( $R^2 = .190$ ) significant at the 0.1% level. This congruence model explains 19.0% of the "brand attachment" variance for the global sample

**Comparisons between countries.** We now want to compare results country by country and brand by brand. To the extent that our samples per country are too small, it is not possible to use a procedure of multiple-group analysis with Amos. Multiple regression ( $D_i\text{Congr} \rightarrow \text{Personality congruence}$ ) and simple linear regression ( $\text{Personality congruence} \rightarrow \text{Brand attachment}$ ) are performed.

To compare, country by country, the weight of each dimension in the formation of congruence, a multiple regression is performed. Standardization of the coefficient ( $\beta$ eta) is usually done to answer the question of which of the independent variables ( $D_i\text{Congr}$ ) have a greater effect on the dependent variable (Personality Congruence) in a multiple regression analysis. It is then possible to rank the dimensions according to their influence. Before that, a one-way ANOVA analysis was conducted to determine whether there are significant differences between countries in terms of congruence (Table 3).

This analysis must be conducted with caution since the samples from each country are mostly unequal. However, it is interesting to note that there is no real common structure to countries where luxury is traditionally implemented and other countries when the deployment of luxury brand is more recent. This result is interesting in itself because it justifies further study of the peculiarities of each country (Table 4). The first dimensions are "emotion" and "prestige" for three countries, when order and trust occupy the first place for two countries each. If we look at the first three ranked dimensions, "emotion" and "prestige" appear as the main common elements, because these dimensions are present respectively for nine and eight out of the ten countries surveyed. Other dimensions present a more contrasted weight:

- Trust is present as a key component in six countries, mainly new comers on the luxury consumption as the USA, China, Australia and Japan, but it is an important dimension also for the UK and German consumers.
- "Anxiety" has a very important weight in France, Italy and Russia.
- "Order" occupy one of the first three places for Eastern Consumers, especially Japanese, Korean, Chinese, but it is also quite relevant in France.

These initial results would therefore require to be replicated on a larger sample to obtain more significant data. In this research we have applied a scale measuring the personality of brand, store and respondents to a sample of 928 students from 10 countries. We have measured the congruence amongst the personality of the brand, the store and the respondents and in a second phase we have measured the link between congruence and attachment towards the brands. Finally, we have compared the dimensions of personality country by country. We can note that congruence of the personality of luxury brands, stores and individuals can explain at a significant level the "brand attachment". It is very difficult to find similarities among countries

<sup>3</sup> This first measure of reliability was complemented in the confirmatory factor analysis with Jöreskog's  $\rho$  (1971) which is considered more reliable than Cronbach's  $\alpha$  as it is less sensitive to the number of items in the scale. In this same phase of analysis, convergent validity was measured through the  $\rho_{cv}$  which must be greater than .50.

<sup>4</sup> The confirmatory analysis provides lambdas ( $\lambda_i$ ) which are the standardized correlation coefficients of variables with latent variables. They are all statistically significant at the 5% significant level since the critical ratios are all above 1.96.

using mainly the level of development and the history of luxury consumption. Each country should be analyzed as a different market, even if some common luxury dimensions have emerged from our study.

## **CONCLUSION, LIMITATIONS, FURTHER DEVELOPMENTS**

The purposes of this research are to explore if there is coherence between brand personality, store personality and consumer personality; and its effect on brand attachment at an international scene. Statistically significant results of the structural equation model linking “personality congruence” with “brand attachment” showed we can conclude congruence of the personality of luxury brands, stores and individuals can explain “brand attachment”.

Results country by country show remarkable differences even amongst developed countries when luxury consumption is well established. This reflects cultural differences instead of the differences generated by the maturity of luxury consumptions. Based on the results we got, “prestige” and “emotion” are the two dimensions that ranked highest among majority countries. Interestingly, for Japan, Korea and China, the dimension “order” that is more important, probably because of the cultural nature that prefers neat and order, and systematically well-organized. Whereas for Italy, France and Russia, “anxiety” is the dimension that also has higher scores, this has the traits of anxious and vulnerable to stress, explaining a feeling of uncertainty related to the buying experiences. Trust is the value that is highly operated in UK and USA, it is not surprise to find this reflected in the higher scores of “trust” dimension. The results country by country should be analyzed with great care because the respondents sample is very different in terms of number of interviewed in each country and for each brand. A more detailed analysis will be realized in a further step of our research using comparable and larger sample of respondents for each country.

Further steps of the study can be analyzing the results brand by brand among all countries, each brand among different countries, as well as the coherence between brand personality and store personality, and the coherence between personal personality and store personality.

The results of this research can be interesting for both academic and professionals. From the academic point of view, we have tested a purified scale of personality that can apply to luxury brands, stores and consumers. From the managerial point of view, we have discovered that the main dimensions explaining personality of luxury brands and stores are the same for countries under analysis, but that some interesting differences remain in the relative weight of each dimension. If managers want to propose luxury products in the countries we have studied, the elements to underline to attract customers and to stimulate brand attachment are not the same in each country.

## TABLES AND FIGURES

Table 1: Personality congruence between luxury consumers, brands and stores: Rotated Factor Matrix<sup>aa</sup>

		Factor				
		1	2	3	4	5
Congr2	Upper-class	,866				
Congr3	Prestigious	,837				
Congr4	High priced	,814				
Congr1	Upscale	,807				
Congr6	Happy		,813			
Congr7	Enthusiastic		,806			
Congr5	Feelings		,598			
Congr8	Trust			,876		
Congr9	Trustworthy			,865		
Congr11	Anxious				,861	
Congr10	Vulnerable to stress				,858	
Congr12	Well-organized					,839
Congr13	Orderly					,836

Extraction Method: Principal Axis Factoring. Rotation Method: Varimax with Kaiser Normalization. a. Rotation converged in 5 iterations<sup>5</sup>.

Table 2: Personality congruence between luxury consumers, brands and stores: Fit indices

Fit Indices			Suggested minimum <sup>6</sup>	Value for the tested model
<b>Absolute</b>	Absolute fit indices determine how well an <i>a priori</i> model fits the sample data (Kaplan, 2000; McDonald & Ho, 2002)	GFI	$\geq ,90$	.978
		AGFI		.966
		RMR	$< ,050$	.033
		RMSEA	$< ,050$ : Satisfying $< ,080$ : Tolerable	.037
		Normed $\chi^2$	$\leq 5$ and if possible $\leq 2$ ou 3	2.294
<b>Incremental</b>	Incremental fit indices are a group of indices that do not use the chi-square in its raw form but compare the chi-square value to a baseline model (Hair et al., 1995; McDonald & Ho, 2002)	TLI	$\geq ,90$	.975
		CFI		.980
<b>Parsimony</b>	Parsimony-based indexes of fit take into account the complexity (ie number of estimated parameters) of the hypothesized model in the assessment of overall model fit. (James, Mulaik & Brett, 1982; Mulaik et al., 1989)	PGFI	$> .50$	.645

<sup>5</sup> This table contains the rotated factor loadings, which are the correlations between the variable and the factor. Because these are correlations, possible values range from -1 to +1. We used the option, which tells SPSS not to print any of the correlations that are .5 or less. This makes the output easier to read by removing the clutter of low correlations that are probably not meaningful anyway.

<sup>6</sup> Steiger and Lind, 1980; Pedhazur and Pedhazur Schmelkin, 1991; Browne and Cudeck, 1993; Hu and Bentler, 1999; Tabachnik and Fidel, 2007; Steiger, 2007



Figure 1: Personality congruence between luxury consumers, brands and stores: Model

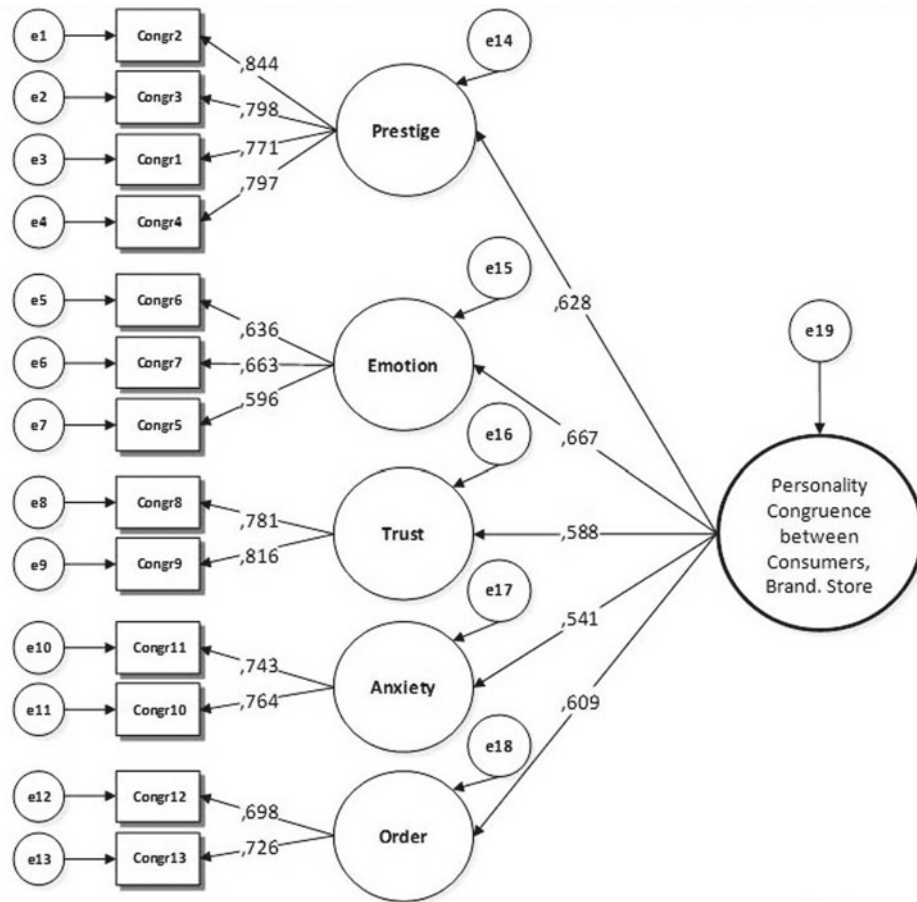


Table 3: One-Way Anova “ScoreCongr”: Significant differences between countries (N=928)

	Australia (N=121)	China (N=49)	France (N=61)	Germany (N=43)	Italy (N=128)	Japan (N=111)	Russia (N=110)	UK (N=81)	USA (N=104)	Korea (N=120)
<b>Australia</b>		***		***			***			
<b>China</b>	***		***			***		***	***	
<b>France</b>		***								
<b>Germany</b>	***					***				
<b>Italy</b>						***				
<b>Japan</b>		***		***	***		***		***	***
<b>Russia</b>	***					***		***		
<b>UK</b>		***					***			
<b>USA</b>		***				***				
<b>Korea</b>						***				

Table 4: Multiple regression “D<sub>i</sub>Congr → Personality Congruence”: standardized coefficient (βêta) and **country rankings**

D <sub>i</sub> Congr → Congr	Overall		Australia		China		France		Germany		Italy	
D <sub>1</sub> Congr: Prestige	,332	①	,328	①	,265	④	,375	④	,331	②	,346	①
D <sub>2</sub> Congr: Emotion	,316	②	,301	②	,320	③	,462	①	,367	①	,338	③
D <sub>3</sub> Congr: Trust	,308	③	,298	③	,341	②	,356	⑤	,314	③	,269	⑤
D <sub>4</sub> Congr: Anxiety	,285	⑤	,248	⑤	,204	⑤	,430	②	,167	⑤	,342	②
D <sub>5</sub> Congr: Order	,299	④	,270	④	,386	①	,397	③	,256	④	,313	④
N	928		121		49		61		43		128	

D <sub>i</sub> Congr → Congr	Overall		Japan		Russia		UK		USA		Korea	
D <sub>1</sub> Congr: Prestige	,332	①	,317	②	,346	①	,323	③	,341	③	,313	③
D <sub>2</sub> Congr: Emotion	,316	②	,272	⑤	,338	③	,390	②	,344	②	,348	①
D <sub>3</sub> Congr: Trust	,308	③	,306	③	,269	⑤	,415	①	,356	①	,289	⑤
D <sub>4</sub> Congr: Anxiety	,285	⑤	,305	④	,342	②	,216	⑤	,289	⑤	,312	④
D <sub>5</sub> Congr: Order	,299	④	,321	①	,313	④	,239	④	,324	④	,348	①
N	928		111		110		81		104		120	

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# THE EFFECT OF OFFSHORE SHIFTS ON BRAND ATTITUDE AND CORPORATE IMAGE

Cassandra France, Griffith University, Australia  
Nigel Pope, Griffith University, Australia

## INTRODUCTION

Increased competitive pressure has led modern organisations to seek measures to reduce costs and maximise profits, without significantly adjusting their product offering. The practice of offshoring is increasingly being utilised to provide a competitive cost advantage in the market place. However, business managers are engaging in the practice for cost efficiencies and access to skills (among reasons) without fully understanding the potential impacts on consumers and their buying intentions. This paper explores the question of whether engaging in the practice of offshoring influences consumer attitudes' towards product brands and corporate brands.

## BACKGROUND

Offshoring literature traditionally has an internal business operations focus, dealing with issues around human resourcing, intellectual property and other business practices. There is a distinct lack of research dedicated to the consumer and the effects on brand attitude and corporate image, caused by a shift in ownership or production offshore, regardless of the country to which these elements are shifted. Unlike the Country-of-Origin (COO) effect, where country associations influence evaluations of brands, this research explores the shift offshore, independent of the specific country of relocation. Here, the focus is on the effect of the shift offshore and not on the COO influence.

It is expected that when consumers hold positive evaluations of offshoring as a practice, where offshoring refers to local companies shifting production, services and/or ownership to a foreign nation, this will result in an adjustment of existing brand attitudes and corporate image evaluations with a more positive, or less negative, result. This expectation is based on two key factors, positive attitudes toward offshoring and the need for attitude consistency.

Investigation on the influence of offshoring on brand attitude and corporate image appear to be non-existent in current literature. However, while there is a lack of focus exploring the effect of offshoring on brand evaluations, research conducted by Sharma, et al. (2006) showed a negative influence on service quality, customer satisfaction and complaint behaviour when offshoring was present, with a less significant influence on brand image, brand loyalty and repurchase intentions. Research exploring consumer evaluations of offshoring has been conducted by Durvasula and Lynsonski (2009) finding the mean attitude to offshoring (hereafter  $A_{OS}$ ) to be favourable. However, these results may be influenced by the use of a broad attitude scale, as adapted from Muehling (1987). Muehling developed a three-item item global attitude scale to measure the acceptability of a concept without measuring influences derived from specific dimensions which underlie the attitude. It is theorised that the use of a broader seven-item-scale by Durvasula & Lysonski (2009) measures not only an individual's attitude toward offshoring but also other dimensions underlying the attitude, which may have influenced the results. Further, as noted by Durvasula and Lysonki (2009), the highly educated MBA student sample may also be considered more open minded to foreign concepts (Brodowsky, 1998; Sharma & Durvasula, 2009). The results of this study contradict with the limited findings in academic and non-academic research which suggest negative evaluations and influences of offshoring (Sharma, et al., 2006). However, as the only known study which specifically measures consumer attitudes toward offshoring, and given the student only sample population which will be used for comparison in the first part of this study, the positive results will be influential in the expected findings of this research.

In the area of congruency, it is known that in most situations attitudes require internal consistency between the two attitudinal components of affect and cognition to remain stable (Alba & Hutchinson, 2000). Further, attitude evaluations which are linked also require some level of consistency to remain stable (Antonides, 1996; Zajonc, 1960). This need for individuals to have internal consistency between attitudes suggests that the individuals' attitude to offshoring may influence both brand attitude ( $A_{BR}$ ) and corporate image (CI) evaluations.

Incongruent information creates dissonance causing the individual to adjust attitudes to ensure congruency remains and further this may influence the development of new attitudes (Chao, 2001). This consistency can be seen in an example of animal testing, where negative attitudes toward the practice of testing products on animals may lead an individual to re-assess  $A_{BR}$  and CI evaluations if they become aware that a preferred brand engages in the practice, likely resulting in a more negative, or less positive, evaluation and potentially a change in buying behaviour, switching to a different brand. It is expected that  $A_{OS}$  may act in a similar manner, influencing consumer evaluations of  $A_{BR}$  and CI.

Where the individual holds no prior  $A_{BR}$  or CI and are presented with the offshoring cue, the existing  $A_{OS}$  may be activated in the formation of the  $A_{BR}$ , or utilised as a product cue, also influencing the result in a positive manner.

It is anticipated that the influence of a positive  $A_{OS}$  and the application of congruency theory will lead the treatment group to hold more positive evaluations of  $A_{BR}$  and CI than those in the control group not exposed to the offshoring stimulus. Further, it is expected that the significance of the  $A_{OS}$  influence will differ between CI and  $A_{BR}$ . Research has shown that the influence of global and local restructuring, and the related treatment of employees, has been noted as potentially diluting and damaging CI (Richey, 2006). As such, when a corporation shifts business practices or ownership offshore, and consumers hold positive attitudes toward offshoring, it would be expected that a  $A_{OS}$  will have a stronger yet consistently positive influence on CI, as such the following hypotheses are proposed:

*H1: An individual presented with offshoring stimuli will display a more favourable brand attitude than a similar individual presented with the same stimuli.*

*H2: An individual presented with offshoring stimuli will display a more favourable corporate image than a similar individual not presented with the same stimuli.*

*H3: The mean attitude toward offshoring will represent a positive evaluation.*

## RESEARCH METHOD

The scales used to measure brand attitude, corporate image and also offshoring attitudes in the questionnaire are all pre-existing scale measures presented as close-ended Likert scale responses, with high reliability results, as shown in [Table 1](#).

The  $A_{OS}$  scale utilised was adjusted from Muehling's (1987) attitude-toward-advertising-in-general scale (Cronbach's alpha = 0.97) and from Durvasula and Lysonski (2009) investigation into offshoring attitudes, for its simplicity and ability to measure the attitude without measuring underlying dimensions of the attitude. The brand attitude measure was replicated from the evaluation of brand instrument reported by Keller and Aaker (1992) (Cronbach's alpha > .070), while the CI utilised an existing scale reported by Pope and Vogues (1999) (Cronbach's alpha 0.76), all with high levels of reliability.

**Table 1. Scale Reliability Results**

Scale	Cronbach's Alpha Coefficient	n
Neighbours $A_{BR}$	.86	215
Billabong $A_{BR}$	.85	218
Fremantle Productions CI	.83	210
Billabong International CI	.82	215
$A_{OS}$	.84	214

A convenience student population was utilised for the first part of this study. It was important to gain a measure from a student only population for comparison with prior studies. However, as a student only population limits the external validity of results, especially given the nature of this study, further research will be conducted in multiple convenient populations to ensure a broader cross section of relevant demographics relating to age, education and income. For this initial exploration, individuals were randomly assigned to the treatment or control group by alternative distribution of the self-administered questionnaire. A total of 97 students were surveyed and analysis of the group showed a high level of younger, highly educated, low income earners, all residing in Australia for longer than five years. A quasi-experimental two-group post-test only design tested the causal relationship. The treatment group were exposed to stimulus of the independent variable, which was presented as a statement that the organisation is involved in offshore manufacturing or owned offshore, but without disclosing the specific country to which the organisation had shifted. The control group did not receive the statement. Through the manipulation of stimuli, the influence of the independent variable on the dependent variables, of brand attitude and corporate image, were quantifiably evident without influence from specific country of origin effects (Wilson, 2006).

## RESULTS AND DISCUSSION

The research investigated the effect of engaging in the practice of offshoring on consumer evaluations toward brand and corporate attitudes. Hypothesis testing revealed that brands engaging in offshoring are unlikely to be influenced in relation to attitudes toward the product brand and corporation, as presented below in [Table 2](#).

**Table 2. ANOVA Results**

Brand	N	SS (Btwn Groups)	SS (Total)	F	p
Neighbours A <sub>BR</sub>	93	9.046	210.175	3.917	.051
Billabong A <sub>BR</sub>	97	.350	168.615	.197	.658
Fremantle Productions CI	90	2.850	87.710	2.859	.094
Billabong International CI	95	.707	93.812	.701	.405

Analysis of respondents evaluations using one-way ANOVA, at a confidence interval ratio of 95% revealed that there was no significant difference between the group for any of the corporate and product brands investigated, Neighbours ANOVA ( $F(1,91)=3.917$ ,  $p=.051$ ), Billabong ( $F(1,95)=.197$ ,  $p=.658$ ), Fremantle Productions ( $F(1,88)=.197$ ,  $p=.094$ ) and Billabong International ( $F(1,93)=.701$ ,  $p=.405$ ). These results show no statistically significant difference between the two group means in their evaluation of the A<sub>BR</sub> and CI, meaning no causal effect from the independent variable of offshoring and no support for both *H1* and *H2*.

Beyond showing no causal effect, results also revealed a mean neutral response of offshoring attitudes for the respondents, not supporting *H3*. This may be influenced by the younger, highly educated student only sample used in this study, however, the result provide new insight into offshoring attitudes, which previously were relatively untested, showing a mean evaluation of 4.316 on a 7-point-scale, thus a neutral response, as seen in Table 3.

**Table 3. A<sub>OS</sub> results**

Mean A <sub>OS</sub>	SD	N
4.316	.965	94

The neutral A<sub>OS</sub> result has a significant impact on the anticipated effect on consumer evaluations of brands. Congruency requires a readjustment of attitudes when linked attitudes hold conflicting evaluations (Antonides, 1996; Heath & Gaeth, 1994; Zajonc, 1960). However, the neutral response found for A<sub>OS</sub> means that the level of internal conflict created for the brand and offshoring attitudes is not likely to be influential enough to cause an adjustment of A<sub>BR</sub> and CI, for either negative or positive brand evaluations.

The lack of effect of offshoring on A<sub>BR</sub> and CI evaluations is likely to be the result of several influential factors including offshoring and brand/corporate attitudes not significantly conflicting and therefore not stimulating the internal dissonance required to activate a modification of attitudes. Further, offshoring as a product cue, may not be a valued cue due to its inability to offer a conclusive prediction of the product offering. Another consideration for the results relates to the brands explored which were relatively low involvement and low risk products and services, which may have influenced the level of consideration given to the offshoring stimulus, and as such may influence the result effect. At the time of this work, further research is underway, exploring the effect across a broader sample population to explore variances which may result from the limited sample population.

### IMPLICATIONS FOR THEORY AND PRACTICE

This study fills a gap in current theory by exploring the effect of offshoring on consumer evaluations of brands and corporations. The research addresses a key deficiency in the existing literature and provides a new consumer focus to the considerations of offshoring effects. Further, it is important that managers considering offshore solutions understand the potential long term impacts on their business which is affected by the underlying value of the brand to loyal customers. While negative media sentiment is evident for organisations shifting, this does not appear to translate into negative influences to the brand for the brands explored in this study.

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**Session 5.2. New Approaches to Research Methodology**

Room: Yarra #1

Session Chair: Ralitza Nikolaeva, ISCTE Business School

***The True Nature of Non-Linear Dynamic Effects: A Methodology to the Rescue of Imprecise Theory***

Ralitza Nikolaeva, ISCTE Business School

***What Was Brand Equity Anyway, and How Did They Measure It?***

Daniil Muravskii, St. Petersburg University

Olga Alkanova, St. Petersburg University

Maria Smirnova, St. Petersburg University



# **THE TRUE NATURE OF NON-LINEAR DYNAMIC EFFECTS: A METHODOLOGY TO THE RESCUE OF IMPRECISE THEORY**

Ralitza Nikolaeva, ISCTE-University Institute of Lisbon, Portugal

## **ABSTRACT**

There are two major problems with the fundamental advancement of empirical research in the management sciences – there is very little theory regarding temporal effects and methodologies to measure complex relationships are not well known. The goal of the study is to address these concerns with an example of a firm survival study. First, theoretical arguments based on the notions of imprinting of initial conditions and inertia explain why survival determinant effects would change as firms age. The mechanisms of imprinting and inertia affect firms' awareness of which capabilities need more investment. As capabilities change over time, firms' interaction with the environment changes as well. Further, organizational capabilities and resources are contextual. Hence, it is the firm interaction with the environment that determines its success and ultimately its mortality. Because this interaction is dynamic and because firms evolve, even constant factors may affect an organization's mortality in a different way at different stages in the organization's life. The second goal of the study is to improve the state of the art method of estimating the Cox proportional hazards model in management. This type of model has a good tradition of utilization in the marketing and management literature. Yet, although, it has a pronounced methodological requirement for the possible inclusion of dynamics, the assumption of proportional hazards is rarely tested. Using available methods mostly from the medical literature, the study emphasizes the importance of testing the proportionality assumption and demonstrates a method to alleviate the problem of non-proportionality based on fractional polynomials. The flexible method accounts for time-varying effects by interacting covariates with fractional polynomials of time. The study is set in the online retailing segment, which offers a good context for testing the time-variability of various effects on survival probabilities. Being characterized as a turbulent environment and as a recent case of a market bubble, it is a telling example of the fault in assumptions of constant effects. Compared to a constant effects model, the dynamic model provides a better fit and complies with the theoretical predictions. Based on the findings, it is recommended that researchers incorporate a check of the proportionality assumption as a routine procedure in the estimation of proportional hazards regressions.

## **References**

Available upon request.

# WHAT WAS BRAND EQUITY ANYWAY, AND HOW DID THEY MEASURE IT?

Daniil Muravskii, St. Petersburg University Graduate School of Management, Russia  
Olga Alkanova, St. Petersburg University Graduate School of Management, Russia  
Maria Smirnova, St. Petersburg University Graduate School of Management, Russia

## INTRODUCTION

By reviewing the most influential works of the last decade, where the concept of brand equity was applied we discuss the different conceptualizations and measures of the construct used by scholars. We return to Feldwick's 1996 brand equity classification in order to integrate existing research into a single brand equity framework. As a result a systematic view on the brand equity conceptualization is argued, a new approach is introduced as to how brand equity measures should be chosen and insights are presented regarding where brand equity research should go in the future.

In branding literature, numerous opinions exist regarding the essence and the right way to measure brand equity, or the value, which brand attributes endow a product. Some authors understand brand equity as brand awareness and brand associations that exist in the minds of the brand's customers (e.g., Keller, 1993; Lassar, Mittal, and Sharma, 1995; Raggio and Leone, 2007). Others define brand equity as customers' attachment to the brand which may result in repeated purchases and acceptance of high price premiums (e.g., Leuthesser, 1988; Aaker, 1991, 1996). There are also those, who regard brand equity as the estimation of the brand's ability to bring profits to the owner (e.g., Simon and Sullivan, 1993; Srivastava, 1991). Difficulties arise as a result of this dispute when it comes to comparing findings of various works dealing with brand equity as in different approaches to defining and measuring brand equity are used.

## BACKGROUND

Due to consensus absence regarding brand equity conceptualization and high demand for brand equity measurement instruments from brand-managers, numerous interpretations of the concept are currently used simultaneously. They are either regarded as mutually exclusive (e.g., Srivastava and Shocker, 1991; Lassar, Mittal and Sharma, 1995) or applied together in order to check convergent validity (e.g., Agrawal and Rao, 1996). Up to now surprisingly few models exist that take a systematic approach to viewing the relationships between different conceptualizations (e.g., see Dyson, Farr and Hollis, 1996; Keller and Lehmann, 2003; Raggio and Leone, 2007) and almost none among them have been tested empirically.

One of the first authors, who introduced the brand equity concept to a wide audience, was P. Farquhar, who has defined it as the "added value" with which a given brand endows a product (Farquhar, 1989). In the following years, various approaches to defining brand equity had been introduced, differing in terms of the perspective from which the "added value" was considered: from the perspective of financial estimations (e.g., Mahajan, Rao, and Srivastava, 1994; Simon and Sullivan, 1993), the perspective of the firm (e.g., Park and Srinivasan, 1994), or the perspective of the customer (e.g., Keller, 1993; Raggio and Leone, 2007). P. Feldwick proposed to distinguish these approaches using 3 terms: *brand value* (total value of a brand as a separable asset, when it is sold, or included on a balance sheet), *brand strength* (a measure of the strength of consumers' attachment to a brand) and *brand description* (description of the associations and beliefs the consumer has about the brand) (Feldwick, 1996). Although the research community quickly adopted the classification and Feldwick's work got cited by such marketing gurus as K.L. Keller and J.-N. Kapferer, in the years to come the terms "brand value" and "brand equity" have been often used as synonyms, brand strength and brand description have rarely been used since and the customer-based brand equity became the dominant paradigm in the field.

## METHODOLOGY

In this paper, we present a result of a systematic analysis of the most influential works on brand equity, tracking the meaning each author imported in the key term. For that purpose Scopus, Web of Science and Google Scholar databases are used to distinguish the 150 most cited scholarly works including both articles and books, which are found under any of the following keywords: brand equity, brand value, brand strength, brand description and brand knowledge. We then use Feldwick's distinction of three approaches to conceptualizing and measuring brand equity to separate the three streams of research. We also kept a track on how the terms "brand value", "brand strength", "brand description", "brand knowledge" and "customer-based brand equity" were used through the last decade. Each work had been additionally analyzed in terms of the usage of various brand equity outcomes and sources. The later were then classified according to the brand equity perspective, which they relate to the best. During the analysis, part of the

chosen works was eliminated from the examination as their contents had little relevance to the topic of brand equity. These studies were not taken into consideration, when analyzing the results, leaving the articles sample to 112 pieces.

## RESULTS AND DISCUSSION

The analysis had illustrated that due to the rapidly increasing amount of studies, where the customer perception of brand equity is applied, nowadays brand equity is generally perceived as customer-based brand equity defined by K.L. Keller (1993) (e.g., Boo, Busser, and Baloglu, 2009; Kayaman and Arasli, 2007). Although the term “brand description” was not able to properly “stick” in the stream of research, it can be considered synonymous with “brand knowledge” defined by K.L. Keller in terms of brand awareness and brand image and conceptualized according to the characteristics and relationships of brand association. By doing that, we distinguish Keller’s understanding of brand knowledge as the source of brand equity from Feldwick’s idea of brand knowledge (brand description) being one of three aspects of brand equity. In the later case, the ability of consumers to recall and recognize the brand and develop strong, unique and favorable associations with it could be rightfully considered as sources of brand knowledge, instead of general dimensions distinguishing brand knowledge. Hence the outcomes of brand equity, which may result from brand knowledge and brand knowledge alone, would be brand preferences, brand consideration, purchase intention and brand trust.

The development of brand equity theory from the customer perspective has contributed to the separation of the terms “brand value” and “brand equity”, which regardless to Feldwick’s classification were previously often used interchangeably. As a result, the understanding of brand equity from the perspective of financial estimation had not been fixed in the term “brand value” up until recently (e.g., see Raggio and Leone, 2007). Based solely on this perspective, the brand is considered valuable if it is able to bring profits for the owner. Hence, the source of brand value is every factor that might affect future profits estimation, such as, for instance, current profits related to the brand, patents, trademarks and tax incentives.

The result of brand strength as defined by Feldwick could be the brand leadership in a product category, the frequency and amount of purchases, price premium and price elasticity. In turn, these effects will accrue only if the customer is satisfied with his purchase, perceives the product quality as being high, and if the level of distribution is sufficient enough so that the customer can easily find the brand in the shop. Unlike previously mentioned aspects of brand equity, the distinction between the brand equity perspective of the firm and the other two is not that obvious. Many authors combine the firm perspective with the financial estimation perspective (e.g., Srivastava and Shocker, 1991; Lassar, Mittal and Sharma, 1995) or with the customer perspective (e.g., Aaker, 1991, 1996). However, in this paper, we apply a three-perspective classification of brand equity as we believe that this approach allows solving several issues. First, by this we can escape from using second level classification of brand equity outcomes into behavioral- and market-related (e.g., see Keller and Lehmann, 2003; Raggio and Leone, 2007). Then, it allows a clearer and more convenient manner of further distinction of the different goals pursued by a brand manager when using this or that measure of brand equity. Also, we find such a classification to be a more intuitively understandable distinction, which does not provoke the desire to take an outcome of one brand equity perspective and consider it as also the outcome for the brand equity from the other perspective.

### Outcome Measures and Source Measures

Different measures of brand equity are currently used in literature as equity estimation can be based on financial market value data (Lane and Jacobson, 1995; Simon and Sullivan, 1993), sales information (Kamakura and Russell, 1993), or on customer surveys (Park and Srinivasan, 1994). Financial metrics correspond to brand value and are of high importance for the company as they are used to compensate the inability to reflect the profits related to the brand in the company’s balance sheet. Collecting financial data is a common practice, when preparing to deals of buying and selling companies or trademarks, when going public or requesting a loan. The measures that correspond to brand strength are considered more objective than brand knowledge or brand value measures as they allow to identify the current position of the brand in the market compared to its competitors, to see how much and how often the branded product is purchased and how willing are the customers to do repeated purchases and recommend the brand. Based on brand knowledge measures it is possible to actually track the changes in customer perception of the brand and diagnose the reasons behind these changes as the data collected often has a qualitative nature.

It is possible to further classify the brand equity measures to source and outcome (or direct and indirect) measures (e.g., Agarwal and Rao, 1996; Keller, 1993). Source measures are based on estimating the source of brand equity, be it brand knowledge, brand strength or brand value, and they are considered to offer high explaining power as they show the cause of the estimate change. However, due to the fact that for different brands and product categories the details and relevance of particular brand equity sources are often different, it is rather difficult to compare brand equities of different brands (Ailawadi

et al., 2003; Keller, 1993). On the other hand, as outcome measures are characterized by higher objectivity, the possibility of different brands comparison is higher and also data collection is relatively easier. Yet, an important limitation of such measures is the difficulty in estimates interpretation and sources tracing (Agarwal and Rao, 1996; Ailawadi et al., 2003). In the following table (see Table 1), we integrate the mentioned classification with the previously discussed three-perspective approach to conceptualizing brand equity and propose that the resulting six sets of measures should be treated as distinct and chosen according to the goals, which the brand manager has in mind, when estimating brand equity parameters.

Table 1. Brand Equity Measures Classification

		<b>Goal</b>	<b>Advantages</b>	<b>Limitations</b>
<b>Brand Knowledge</b>	<b>Source measures</b> (awareness, recognition, recall, image, attitude)	Brand identity audit to reveal brand associations. Marketing programs effectiveness analysis to detect changes in brand knowledge and attitude.	Flexible structure. Deep immersion in consumer perceptions. Basis for brand diagnostics. Consider potential consumers brand awareness.	Interpretation subjectivity. Consumers may distinguish the brand not by name but by other external visual identifiers. Do not allow comparison of brands from different product categories.
	<b>Outcome measures</b> (preference, consideration, trust, purchase intention, influence on the purchase decision)	Marketing programs effectiveness analysis in comparison with competitors to detect consumer bias when selecting a brand.	Information collection and analysis of consumer brand perception is rather clear. Allow consideration of potential consumers brand awareness. Allow comparison of different brands of product categories.	Due to small sample size inherent to such studies the findings cannot always be extrapolated to general population. Do not provide the reasons for consumers' assessment of indicators.
<b>Brand Strength</b>	<b>Source measures</b> (brand satisfaction, perceived quality, willingness to recommend)	Analysis of brand promise fulfillment to determine brand compliance to consumers' expectations.	Provide an idea about the key factors affecting the customers' repeated purchases.	Complexity of utilization due to high focus on the identification and assessment of consumers' preferences and opinions. Do not allow comparison of brands from different product categories.
	<b>Outcome measures</b> (brand market share, purchase increased, repeated purchasing, maintenance of customer interaction with the company, price premium, price demand elasticity)	Market analysis to study brand merchantability compared to competitors and identify the willingness of consumers to pay for the brand more than for competing brands.	Collected data objectivity (sales statistics). Allow comparison of different brands of product categories.	Hard to diagnose the nature of indicators values. Necessary to possess a significant amount of empirical data and market expertise for calculation. Difficult to use for products that involve a one-off transaction or have a long usage cycle. Promotions in the short term can significantly distort the figures.
<b>Brand Value</b>	<b>Source measures</b> (extra profit, extra income from the brand, total development costs of the brand, etc.)	Measurement of the purchase value and achievement of selling profitability in case of mergers and acquisitions. Additional financial resources attraction (guarantees for loans or franchising).	Brand added value is considered in the long-run. Allow comparison of any brands based on ownership profitability.	Estimation accuracy depends on evaluators' intuition and experience. Separation of profit or revenue associated with the brand is a difficult task with no well-established accounting techniques.
	<b>Outcome measures</b> (Interbrand index, Brand Finance Index)	Managerial decision-making for resources allocation, strategy development, financial reports preparation.	Brand added value is considered in the long-run. Allow comparison of any brands based on ownership profitability. Consider future brand profitability.	Estimation accuracy depends on evaluators' intuition and experience. Reliance on sales forecast accuracy, period of brand active market presence and its efficiency.

## **CONCLUSIONS AND IMPLICATIONS FOR THEORY AND PRACTICE**

In the title of this paper, we make an allusion to a famous work by P. Feldwick called “What Is Brand Equity Anyway, and How Do You Measure It?” for two main reasons. One reason is to draw attention back to an essential and yet very crucial idea of the need to systematize the existing literature on the topic of brand equity and distinguish three streams of studies on the subject. The other reason is to illustrate that although 16 years had passed since Feldwick’s piece was published it is still a complicated task to explain what brand equity is and almost impossible to navigate among the numerous measures of the construct used in current research.

All of the three discussed perspectives represent attempts to explain the nature of consequences of possessing a powerful brand. However, each perspective offers a different point of view. The fact that customer-based brand equity had become the dominant paradigm in the field may be due to the ease of data collection for scholars and the freedom of interpretation, which goes with applying brand knowledge measures. Yet, based on the analysis presented in this research one may conclude that this instead indicates that scholars are becoming more and more interested in measuring brand communications effectiveness, studying the essential components of brand equity and finding out why customers like brands and get attached to them. However, this doesn’t necessarily imply that studying brand value and brand strength is in any way less important or that those perspectives are somewhat limited in comparison to studying brand knowledge.

We argue that a unified brand equity concept should integrate all three perspectives and view them as a system in terms of inputs, outputs and stages (i.e., sources, outcomes and perspectives). More importantly, scholars should be more precise in choosing the limits of the studied aspect of brand equity that they take, and use the brand equity measures, that correspond with the chosen perspective and level of analysis (sources versus outcomes). Finally, we argue that there is a strong need in empirical studies, which would compare different sets of measures and show the differences and similarities in what they explain and in the ways they are limited.

## **REFERENCES**

References Available Upon Request.

#### **Session 5.4. Innovations and New Insights in Social Marketing**

Room: Clarendon A

Session Chair: Krzysztof Kubacki, Griffith University

##### ***Scared Topless: Why Social Marketers Need to Encourage Marketing-Like Activities in Avoidance-Service Workers***

Jo Previte, University of Queensland

Rebekah Russell-Bennett, Queensland University of Technology

##### ***Not Quite Playing the Game? Mobile Applications for Healthier Lifestyles***

Lynne Eagle, James Cook University

Stephan Dahl, University of Hull

Melody Muscat, James Cook University

David Low, James Cook University

##### ***A Service Approach to Social Marketing***

Matthew Wood, University of Brighton

Rebekah Russell-Bennett, Queensland University of Technology

Jo Previte, University of Queensland

##### ***Perceived CSR Authenticity***

Sarah Alhouti, University of Alabama

Betsy Holloway, Samford University

Catherine Johnson, University of Alabama



# SCARED TOPLESS: WHY SOCIAL MARKETERS NEED TO ENCOURAGE MARKETING-LIKE ACTIVITIES IN AVOIDANCE-SERVICE WORKERS

Josephine Previte, UQ Business School, Brisbane, Australia  
Rebekah Russell-Bennett, QUT Business School, Brisbane, Australia

*A breast examination in the shoe department? ... I can't think of anything more incongruous than having my breasts screened for cancer in the place I head to blow cash. After all, one of those pursuits asks you to contemplate the deeply discomfiting idea of one's mortality; the other, a finite line of credit, and I find it helpful, wherever possible, to keep the sacred and the profane apart.*

(Catherine Ford 2012, SMH Online)

## INTRODUCTION

Catherine Ford's recounting of her breast screening experience in a Sydney Morning Herald new story (2012) reveals an interesting insight into a health customer's reaction to the marketization of health services. As government decision-makers attempt to find market solutions to the increasing costs of today's health system and make health services convenient and appealing to target audiences, social marketers are being called upon to deliver innovative strategies to encourage positive health behaviours (French 2007). BreastScreen Australia's venture into the 'retail emporium' is an example of an innovation in service design to make access to a health services easy and desirable for consumers.

It is thought-provoking for social marketers to hear Catherine's service experience of the "retail-health-world" as her account reveals mixed emotions and clear articulation of avoidance behaviour, which some women experience when using preventative health services (Zainuddin et al. *in press*). Avoidance behaviours include negative behaviours that can be directed at a particular place, such as a desire *not* to stay, explore and affiliate (Bitner 1992). In Catherine's news story she also describes her negative feelings when approaching getting her breast screen, describing herself as: *a woman dragging herself to disrobe in the presence of a total stranger and have her breasts flattened between Perspex plates, like focaccia in a sandwich-maker with cherries on the side, in a machine that detects cancerous growths in mammary glands* (Ford 2012). The insight for social marketers is that as we become more involved in marketplace solution for health, we also need to consider the consumer behaviour influences that evolve from services which create approach-avoidance conflict – even when positive health outcomes are obvious. Furthermore, we suggest that negative service encounters will influence some target audiences' motivation and capacity to sustain positive behaviours.

Catherine's breast screen experience reveals two interesting services marketing insights, which social marketers should be more cognizant of: first, health customers experience mixed emotions when consuming preventative health services and some will display avoidance behaviours, which will impact the social interaction between the health service employee and the customer. Second, how health service employees respond to ambivalent clients and manage avoidance behaviours will influence the *value formation* that accrues from health service encounters. Social marketers have many tools and techniques that they use to understand and influence external customers – target audiences; less well developed are tools to influence and manage internal customers – employees. In this paper, we discuss the role of internal social marketing (ISM) as a means of selling social marketing practices to health service employees and argue for the development of new tools and techniques designed to enhance social marketing value formation focused on achieving internal and external alignment in social marketing practices.

## LITERATURE

In this paper, we draw upon the argument of service marketers who have claimed that marketing is not only realized through the traditional 4P marketing oriented efforts coordinated by marketing managers, but is also created during interactions between providers and customers (Gummesson 1987). Additionally, we extend the service-centred view for social marketers arguing that to achieve success in health services and positive engagement with individual health behaviours, social marketing strategy needs also to incorporate internal marketing principles. We adapt Rafiq and Ahmed (2000, p. 456) internal marketing definition for the purposes of Internal Social Marketing (ISM) defining it as: a planned effort using a marketing-like approach to overcome health care worker's resistance, to change and to align, motivate, and integrate employees towards the effective implementation of social marketing programs, interventions and health care service policy in order to deliver customer satisfaction through the process of creating motivated and customer-orientated employees focused on achieving sustainable client behaviours. From this platform, social marketers will be better prepared to build a more detailed profile of the 'generic'



health service employee, and turn to a deeper considering of the important resources, skills and knowledge that they manage and share at the provider-customer interface in healthcare.

## METHOD

This study involved the participation of employees from BreastScreen Queensland (BSQ); a government based health service that provides free breast cancer screening services to eligible women using digital mammography technology.<sup>i</sup> We conducted focus groups and interviews with staff (n=60) from all service locations (n=12) to document the factors that impact upon staff knowledge, service role practices and the successful implementation of social marketing-like activities. Drawing from the established IM literature (*see*: Lings and Greenley 2005) staff members were asked questions which explored four key IM dimensions: formal information generation (written and face-to-face), informal information generation, information dissemination and responsiveness. The IM dimensions were adapted for the BSQ context and additional questions were also asked concerning staff knowledge and attitudes towards social marketing, intelligence generation about external customers' breast screening behaviours and employees' service responses to managing women's needs.

## FINDINGS: INSIGHTS INTO EMPLOYEES SOCIAL MARKETING PRACTICES

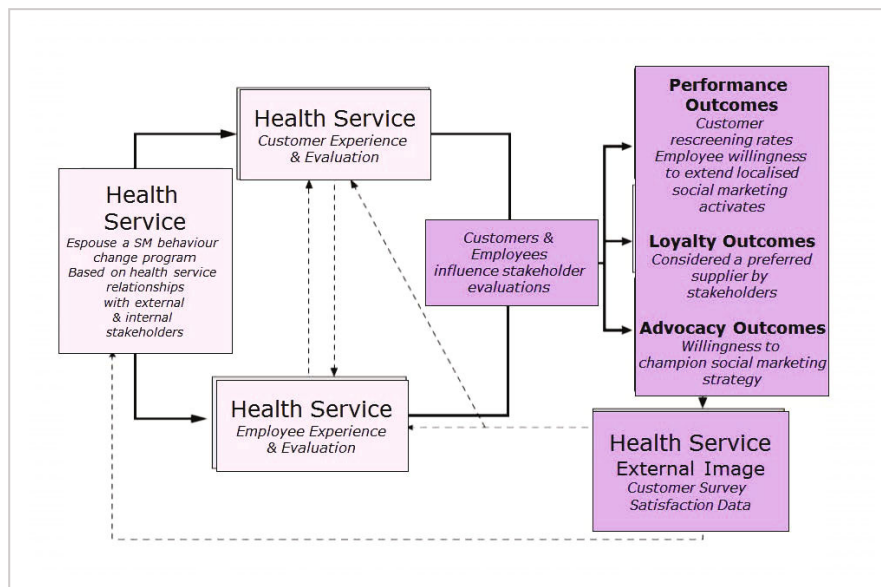
Many marketing scholars have spoken of the need for organisations to focus efforts on developing and sustaining an organisational culture that emphasises internal customer well-being (e.g., staff morale and self-esteem) as a means to attract and retain external customer commitment (*see*: Bansal et al, 2001). However, few have considered the influence of internal marketing on social marketing outcomes (*see*: Smith, 2011). From our research we identified four distinct social marketing challenges that need to be considered when encouraging health-service staff motivation and alignment with customer service thinking. These are:

1. **Social marketing practices need to be performed by all service-facing staff.** Within breast screening services, the responsibility for implementing social marketing activities in local services was considered the sole responsibility of Health Promotion Officers (HPOs). Typically, these staff coordinate awareness-raising activities such as breast screening information workshops, promotions at public events (e.g., participating in community events), and distributing local service information at invited presentations. Some staff at critical service-touch points, such as administration officers and radiographers believed they were not expected, nor required to perform marketing-like practices.
2. **Social marketing practices should extend beyond advertising and promotion.** The Queensland breast screening social marketing campaign introduced in 2007 – 2010 focused on 1 of the 4 marketing mix Ps (mass media communication), reflecting the strong general perception in health services that social marketing is limited to advertising and promotion activities (Grier and Bryant 2005).
3. **Health service staff need to embrace a whole-of-service philosophy to providing customer care.** Health workers primarily focused on their role responsibilities. For example, radiographers focused on the technical quality and clarity of the mammogram service provided. Other staff also felt negatively about information generation and internal communication about social marketing practices in the health service. Some claimed they were excluded from service and marketing decision-making (e.g., no consultation with them about branding, or campaign messages). More positively, some HPOs used the launch of the large promotion effort, "The Facts" campaign (2007-2010), to engage managers in more open discussion of marketing-like activities and the use of service resources to promote the programme.
4. **Decision-makers in service-centres need social marketing experience.** Breast screening services are predominately managed by decision-makers with a clinical health background. As a result, there is limited service marketing experience and interest in marketing-like tactics focused on improving internal and external customer satisfaction.

## DISCUSSION

Service-focused thinking benefits social marketing programmes which rely on service employees to: communicate with target audiences, distribute social marketing product ideas (e.g., the need to repeat the behaviour) and tangible objects (e.g., information brochures), and create a pleasant and accessible physical environment in which target customers feel comfortable and at ease. Whilst social marketing strategy and practices are focused on external customers, to date there has been little attention on the role of the health employee and the resources they deploy to create or destroy value formation in sustainable, health behaviours. Within health services both the customer and the employee bring different resources – skills, knowledge and practices – which create fundamental preconditions for resource integration, and influences an actor's ability and allowance to

use or integrate a resource. Returning to Catherine’s “retail-health-world” experience which opened this paper we are reminded by her of the tangible and emotional resources she brings to the health service exchange; she notes: “*I got to the store half an hour early, wearing a painstakingly chosen top I could undress out of instantly at a radiographer’s request. ... My name was called. I went in. I took my top off at record speed. In describing the resources provided by the service provider, Catherine’s story details: “ The mammogram was performed. It was not painful. It took all of 10 minutes. And then I dressed again and stumbled back out into Retail World ....* What is unmentioned in Catherine’s account are any richer insights into employee interactions – at the point of service entry, in the waiting area, or during her mammogram, which might have assisted in managing her anxieties and fears of having her breast screened for cancer; glaringly unmentioned is Catherine’s intention to return for a regular breast screen. Which begs the question: had *any* BreastScreen service employees taken the opportunity to remind their customer that she should return in two-year’s time? It is these health management and social marketing practices that can be designed and planned for in internal social marketing programmes. We argue that future social marketing strategy needs to focus on the actions of all actors in creating sustainable behaviours in target populations. *Figure 1: Alignment of internal and external social marketing practices*, presents a number of constructs and their interrelationships to inform future practices and social marketing research for avoidance services.



**Figure 1:** Alignment of internal and external social marketing practices (Adapted from Simmons 2009)

In commercial marketing, it is well documented that the quality of service impacts upon consumers’ behaviour; this is particularly true of health-related behaviours (Smith, 2011). In avoidance-services, such as cancer care and treatment service, the value formation process facilitated through the employee-customer interaction is likely to significantly influence the individual’s quality of life (Dagger and Sweeney, 2006). Social marketing practices and allocation of resources focused on improving individual quality of life indicators and/or population health thus need to adopt a more consistent lens which views the alignment of service-for-service value formation between employees and customers. Via this view, social marketing strategists can better embrace and manage the significance of employee engagement as a pre-condition of customer engagement and long-term sustainable behaviour programs. *Figure 1* indicates the links and feedback loops between the health care system, external and internal actors; stakeholder evaluations of these, and the potential beneficial outcomes that will deliver sustainable health behaviours in the population.

## References

References available upon request

<sup>i</sup> BreastScreen Queensland (2012), About Us, <http://www.health.qld.gov.au/breastscreen/about-us.asp> Accessed 1 June 2012.

# NOT QUITE PLAYING THE GAME? MOBILE APPLICATIONS FOR HEALTHIER LIFESTYLES

Lynne Eagle, James Cook University, Australia  
Stephan Dahl, University of Hull, England  
Melody Muscat, James Cook University, Australia  
David R. Low, James Cook University, Australia

## ABSTRACT

This paper focuses on the use of mobile “app”-based interventions as tools to influence health-related behaviour. Apps are software applications designed to run on smart phones and other mobile devices. We review the extensive but fragmented literature relating to serious games and gamification in order to identify the key concepts and frameworks that can be used to underpin the design and evaluation of these apps. We then use these criteria to review a range of current apps developed by one public body, the UK NHS and commercial developers of health-related apps and compare these to commercial apps promoting unhealthy food items. We suggest that there are serious weaknesses evident in the apps provided by public bodies and that this sector could learn from an analysis of the development strategies used in the commercial sector. Directions for future research conclude the paper.

## INTRODUCTION

Electronic games have increased in popularity substantially, with digital games estimated in 2005 as being worth \$10 billion per year (Susi, Johannesson, & Backlund, 2007); some recent estimates suggest it is now worth some \$25 billion per year (Entertainment Software Association, 2012). The mobile applications (“apps”) market is estimated to be worth a similar amount (PR Log, 2012). We cannot determine what portion of these estimates relates specifically to serious games and applications aimed at improving health and lifestyles.

While the primary purpose of many games and mobile apps has been to provide fun and enjoyment, the limited effectiveness of many behaviour change interventions delivered through traditional channels ((Baranowski, Buday, Thompson, & Baranowski, 2008) has led to interest in using electronic technologies such as Internet or, more recently, mobile phone-based games as a platform for persuasive communication aimed at changing lifestyles and behaviours. For example, mobile phones are seen as having potential for providing information to encourage people to change behaviour because phones are nearly always with their users (Andrew, Borriello, & Fogarty, 2007), being seen as a bridge between online and offline worlds (Lathia, 2012).

Interest in the use of electronic technology for more than entertainment has led to the advent of serious games, i.e. games that have an explicit purpose in changing knowledge, beliefs, attitudes and behaviours, solving problems or building competencies (de Wit-Zuurendonk & Oei, 2011; Göbel, Hardy, Wendel, Mehm, & Steinmetz, 2010; Hummel et al., 2011). The sector is also referred to as persuasive games (Khaled, Barr, Noble, Fischer, & Biddle, 2007) or gamification (Groh, 2012). Gamification is the application of games related elements, such as design, mechanics and game-like thinking especially to non-game contexts (Deterding, Dixon, Khaled, & Nacke, 2011), for example to mobile applications that promote behaviour change or healthy behaviours. [Table 1](#) shows the breadth of serious game topics.

Given the breadth of this evolving field, an examination of all types of games is well beyond the scope of any single paper. Our focus here is only on health-related serious games delivered via mobile apps, excluding games designed for use in other settings, such as advergames which comprise embedded commercial messages within the content of retail-accessible video games and on-line electronic games (Dahl et al., 2008). We note the small number of papers investigating the use of commercially-originated ‘advergames’ (i.e. that purport to positively influence health and nutritional behaviours (Pempek & Calvert, 2009; Staiano & Calvert, 2012), compared to the much wider literature evaluating advergames for commercial products.

While there is evidence of the success of games in contributing to health sectors such as rehabilitation (de Wit-Zuurendonk & Oei, 2011) and disease management (Thompson et al., 2010), potential effectiveness is not automatic: simply presenting material in a game-like setting is insufficient to motivate their use (Breuer & Bente, 2010) and there is evidence that some game-based interventions are ineffective (Graham, Satchell, Rouncefield, Balmford, & Benda, 2007; Huss et al., 2003). Further, there is evidence that enthusiasm for videogames wanes in a short time period (Baranowski, Baranowski, O'Connor,

Lu, & Thompson, 2012), although games with storylines engage players for longer (Brox, Fernandez-Luque, & Tollefsen, 2011).

Literature within the sector has been criticized as being fragmented, lacking in coherence regarding theoretical underpinnings and in documenting the way games should be developed and organized for specific topics (Boyle, Connolly, & Hainey, 2011). The extant research reported in the literature has also been criticized for using small sample sizes, short time periods and inconsistent success measures, making inter-study comparison difficult (Baranowski, et al., 2008; Biddiss & Irwin, 2010; Woodruff, Hasbrouck, & Augustin, 2008), resulting in conclusions being presented that “*cannot be considered valid evidence to support or refute efficacy*” (Kato, 2012 : 74). There is a need to identify which concepts and theoretical frameworks and what design principles are most likely to be effective. Further, traditional games provide opportunities primarily for shallow learning rather than building the skills to enable higher order thinking and transfer of knowledge to the real world that are desired in serious games (Bang, Gustafsson, & Katzeff, 2007; Charsky, 2010). This paper contributes to extant knowledge by reviewing the range of theoretical frameworks claimed to be in use in the serious games sector and then contrasting the design principles used by serious and commercial games delivered via mobile apps.

### **Theoretical Frameworks**

Theory-driven approaches have been found to lead to more persuasive messages across the range of socio-economic groups in the wider behaviour change area (Peng & Schoech, 2008; Schneider, 2006), primarily because theories can help identify causal determinants of behaviour change (Michie, Johnston, Francis, Hardeman, & Eccles, 2008). Similarly, health-care games based on behavioural models have been shown to have improved rates of success (Peng & Schoech, 2008). A range of theoretical frameworks have been cited in the extant literature, as shown in [Table 2](#) below, however studies drawing on these have been criticized for merely listing features rather than presenting coherent predictive models (Boyle, et al., 2011).

This is a common problem within the wider behaviour change literature, “Theory is too often used as a ‘loose framework’ to which passing reference is made, rather than as an integral part of a rigorous scientific process. Where a theoretical base for an intervention is stated, there is seldom reference to a method describing how the theory informed the design of the intervention or how the intervention tests the theory”(Michie & Prestwich, 2010: 1). We have not been able to locate any serious games studies that provide any discussion of how the cited theories were used, nor have we been able to locate any studies that provide a systematic comparative analysis of the relative strengths and weaknesses of different theories across a range of behavioural tasks and population segments.

Of the theories cited, several assume a direct link between attitudes and behavioural intentions, yet the attitude-behaviour gap is well documented in the literature (Sniehotta, Scholz, & Schwarzer, 2005). Behaviour is a result of complex interactions between multiple factors and change is therefore complex and frequently a multi-step process (Thompson, et al., 2010). Furthermore, the extant serious games literature focusses on games in isolation rather than as part of a wider range of intervention tools (Osorio, Moffat, & Sykes, 2012).

### **Design Principles**

Given the diversity of game types and objectives, even within the health sector, it is unlikely that a single set of ‘rules’ is universally applicable. Most research to date has originated from the USA (Kimura & Nakajima, 2011) and the application of findings from this source has not been tested in other cultures; there appears to be cultural and gender factors that impact on the way games are perceived (Guadagno & Cialdini, 2007; Khaled, et al., 2007; Watson et al., 2010). Specific population segments such as children, adolescents and the elderly may vary widely in terms of the types of games that appeal and the game structure (Morais, Rodrigues, Machado, & Valença, 2010; Rego, Moreira, & Reis, 2010). As has been shown in message framing, there are likely to be differences in approach effectiveness depending on whether new behaviour is being promoted or whether ceasing current behaviour is targeted (Snyder et al., 2004). Similarly, behaviours with varying levels of visibility within social groups may also require different approaches (Guadagno & Cialdini, 2005).

Like the theoretical frameworks, design principles are equally fragmented and implicit rather than explicit. A frequently used framework to classify persuasive strategies in a technical content is shown in [Table 3](#).

Other factors proposed for inclusion as design principles include:

- Targeting at specific demographics (Cowley, Moutinho, Bateman, & Oliveira, 2011)
- Age-appropriate features (Marin, Navarro, & Lawrence, 2011)

- Goal setting, rules, problems to solve, unifying themes, rewards and feedback, relevance, interesting and persuasive (Brox, et al., 2011; Thompson, et al., 2010)
- Flow – engagement in the task, leading to concentration and focus (Ruggiero, 2012)
- Structure – initial simple problems set up generalizations for later more complex problems (Gee, 2003)
- Immersion / transportation – suspension of disbelief and creation of personal experiences (Lu, et al., 2012)
- Positive feedback and success, enjoyment, avoidance of excessive demands on players which may lead to frustration -e.g. elderly / those not familiar with computer-based games (Assad et al., 2011)
- Motivation and reward (Hopson, 2001).

The effects of these individually or in combination have not been explicitly studied. There are also some concerns with the way that these factors have been assessed. The reliance on self-reported measures that are not confirmed by other objective means has been criticised (Maloney, Threlkeld, & Cook, 2012). In addition, satisfaction does not necessarily result in positive impact on objective outcome measures (Trautmann & Kröner-Herwig, 2008) and potential boomerang effects whereby a game may be enjoyable but result in reinforcement of existing behaviours has also been noted (David, Cappella, & Fishbein, 2006).

## METHODOLOGY

The NHS uses applications and other mobile tools to achieve behavioral outcomes. For example, it uses podcasts to encourage physical activity. More recently, the NHS has also developed a limited number of mobile applications, largely similar to commercial software encouraging self-monitoring for example, tracking alcohol intake, BMI or mood (mental health), or suggesting physical activities.

The study reported here represents an initial exploratory stage of what is intended to be a much larger program of investigation. We used the design principles framework shown in [Table 3](#) to compare five apps developed by the National Health Service (NHS) in the UK with

- a) five top-selling, commercially available apps for similar health behaviour outcomes,
- b) five commercial apps not related to health outcomes: three apps for unhealthy food items (one each from alcohol, soft-drinks and fast-food category respectively) and the top two free games (all categories, UK iTunes store).

We downloaded and coded each of the apps using the persuasive strategies being used during the game, based on the seven design principles identified by Andrew, Borriello, Fogarty (2007) based on Fogg, (2003) and Fogg, Cuellar, & Danielson (2003).

## RESULTS & DISCUSSION

The results are given in [Tables 4 - 6](#).

**Reduction:** This strategy can minimize barriers to behaviour change (Fogg, et al., 2003), yet none of the NHS-derived games applied this principle; whereas all five of the commercial apps use reduction strategies. Typically, the NHS apps avoided simple, instructional language and instead relied on more cautious language. For example, using phrases such as “Many people find that reducing portion sizes, swapping high-fat treats for other options (...) and swapping high-calorie drinks for a low calorie alternative...” (Measure your BMI) Commercial apps used more simple language, for example, the Livestrong app gives more assertive “Seven tips for Success”, with simple rules such as “Eat real food.” or “Eliminate all processed items from your diet”.(see [Figure 1](#) for two examples)

**Tunnelling:** Four of the five NHS apps provided some form of guided persuasion, for example by showing a boundary line of how many alcohol units were allowed each week (Drinks Tracker) or what healthy weight is (BMI Tracker). However, in the absence of reductionist strategies, this may lead to uncertainty how to achieve the goals.

**Tailoring:** Given that this strategy increases personal relevance and thus has a stronger potential for behaviour change (Lustria, Cortese, Noar, & Glueckauf, 2009), its use in the NHS apps is encouraging, however all of the apps in the three categories enabled customization to make information relevant to the app user. A particularly good example of tailoring was the NHS Smokefree App, which calculated the amount of money saved by giving up smoking to date.



**Suggestion:** Only two of the NHS apps provided any form of ‘compelling suggestion’ during the use of the app, but on the user opening and using the app – and then providing some form of hint or tip what to do. Typically, commercial apps, used push notification functions to remind users frequently, sometimes daily, to use them and provide, sometimes tailored, suggestions on how to achieve target goals (see [Figure 1](#) for an example). For example, suggesting additional exercises in case of eating over the calorie goal (Caloriecount).

**Self-monitoring:** Three of the NHS apps allowed self-monitoring, i.e. a tracking of progress towards a set goal. As previously stated, self-monitoring appears to be the main function of NHS app based activity, though monitoring could be enhanced by systematic inclusion of further persuasive strategies.

**Surveillance:** None of the NHS apps allowed for the public sharing or observation of results, whereas all five commercial health apps did so, for example, by posting results to twitter and facebook. The mostly positive role of social networks and social commitment to achieving long-term health outcomes is well documents (c.f. Uchino, 2006; Cohen & Lemay, 2007), thus non-implementation of this fairly easy strategy at least as an option is perplexing.

**Conditioning:** The provision of computer-generated praise or advice can provide defacto social support (Fogg, et al., 2003), yet none of the NHS apps provided any means of reinforcing behaviour, whereas four out of the five commercial health apps and all of the unhealthy food apps did so, for example by giving daily trophies for new records, sometimes even small sound bites from celebrities congratulating people on an achievement. The lack of this facility in the NHS apps mirrors concerns raised almost a decade ago that many health behaviour change websites did not include the basic strategies deemed necessary to influence health behaviours (Evers et al., 2003).

It appears that the NHS apps use fewer persuasive design strategies than the two other sets of apps. Commercially developed apps to support behavior change (with one exception) apply a wide range of strategies and follow the design principles much more closely than do the NHS apps. It is of particular concern that the NHS apps lack the ability to break complex tasks down into simpler units, or to reinforce behaviours once performed. Given the evidence noted earlier that enthusiasm for videogames wanes in a short time period (Baranowski, Baranowski, O'Connor, Lu, & Thompson, 2012), the lack of reinforcement of positive behaviours may be a serious barrier to the effectiveness of these apps.

Similarly, the lack of ability to share results is puzzling, given the positive value of social influence and peer support in activity such as weight loss (Harvey-Berino, Pintauro, Buzzell, & Gold, 2012), smoking cessation (Christakis & Fowler, 2008), alcohol use reduction and other health promotion and behaviour risk reduction activities (Portnoy, Scott-Sheldon, Johnson, & Carey, 2008).

It would appear that organisations such as the NHS – and possibly similar organisations in other countries - have much to learn from the commercial sector and could benefit from deconstructing programmes using commercial apps in order to learn from their activity.

## **Directions for Future Research**

In future phases of research within this program, we will identify health behaviour app providers and investigate what theory or combinations of theories were used in planning the apps. We will also consistent with Michie and Prestwich’s (2010) observations noted earlier, investigate how the theory informed the design of the intervention or how the intervention tested the selected theory or theories. If theories were not explicitly or implicitly used, we will work with these providers to identify how theories can strengthen planning and development activity in the future. Future research can then address if a set of theories can be identified that are most suitable for future app development.

Consistent with the caveats noted, but not explored, in the extant literature, we will also investigate whether, and in what way, age, gender and cultural factors impact on the way games are perceived (Guadagno & Cialdini, 2007; Khaled, et al., 2007; Watson et al., 2010, Morais, Rodrigues, Machado, & Valença, 2010; Rego, Moreira, & Reis, 2010). Future research should investigate whether the potential differences in message framing approaches noted in the literature regarding whether new behaviour is being promoted or whether ceasing current behaviour is targeted (Snyder et al., 2004) do impact on mobile apps approach effectiveness.

We have noted earlier that behaviours with varying levels of visibility within social groups may require different approaches (Guadagno & Cialdini, 2005); the total lack of consideration of this evident in the small number of NHS-originated apps reviewed indicates that an exploration of whether and how visibility can be achieved to enable peer support to be enlisted would aid in the development of future health-oriented apps.

Prior research has identified weaknesses in the way in which on-line health interventions evaluate effectiveness in terms of behavioural influences (Abroms, Schiavo, & Lefebvre, 2008) and cost effectiveness relative to other forms of interventions (Cugelman, 2010). To this we would add the need to evaluate apps as ‘stand-alone’ devices versus part of multi-component interventions. This will require transdisciplinary approaches to the development of appropriate evaluation systems.

## TABLES

Table 1: Serious Games Typology

<b>Serious Games overall</b> (Breuer & Bente, 2010)	<b>Health-related serious games</b> (Susi, et al., 2007)
Military	Exergames (physical activity and exercise)
Governmental	Health education
Educational	Biofeedback
Corporate	Therapy
Healthcare	
Political	
Religious	
Art	

Table 2: Overview of Theories Most Frequently Cited in Serious Games Literature.

<b>Theory</b>	<b>Overview</b>	<b>Author</b>
Theory of Planned Behaviour	Proposes that attitudes, perceived behavioural control and social norms are important predictors of behavioural intentions	(Boyle, et al., 2011; Kharrazi, Faiola, & Defazio, 2009; Lu, Baranowski, Thompson, & Buday, 2012)
Self-determination Theory	Explains motives for playing games, including needs for competence and autonomy, together with the reduction of differences between the ideal self and actual self. The theory also acknowledges the impact of social environments on behaviour.	(Deci & Ryan, 2008; Lu, et al., 2012; Lynch, La Guardia, & Ryan, 2009; Przybylski, Weinstein, Murayama, Lynch, & Ryan, 2012)
Uses and gratification theory	Explains technology use in everyday life.	(Kamal, Fels, Blackstock, & Ho, 2011)
Flow theory	Based on the adaptation of concepts and measures from sports (Scoresby & Shelton, 2011). Proposes that immersion in tasks, together with channeling and energising emotions and learning results in enjoyment and fulfillment. In the serious games context, the need for clear goals, direct feedback, self-efficacy and control are acknowledged.	(Pavlas, Heyne, Bedwell, Lazzara, & Salas, 2010)
Multiple Identity Theory	Holds that players identify with games at affective, cognitive and behavioural levels, resulting in positive alternations to attitudes and thus behaviours.	(Christenson et al., 2012; Williams & Williams, 2011)
Health Belief Model	Attempts to explain and predict behaviours by focusing on attitudes and beliefs, assuming a rational weighing up of perceived risk against likelihood of alternative outcomes from behaviour change. Accepts that knowledge alone is insufficient to change behaviours.	(Brox, et al., 2011; Peng & Schoech, 2008)
Transtheoretical Model	Explains behaviour change as a progression of stages from lack of knowledge about a behaviour and its impact, through to sustained behaviour change.	(Lin, Mamykina, Lindtner, Delajoux, & Strub, 2006; Ross & Tomlinson, 2011; Shegog, 2010) (Brox, et al., 2011)
Social Cognitive	Describes the reciprocal and interacting influences of	(Annetta & Bronack, 2011; Lu, et al., 2012)



Theory	personal, environmental and behavioural factors and includes learning from past and current behaviours and from observing the behaviour of others.	
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Table 3: Design Principles (based on Andrew, Borriello, Fogarty, 2007, from earlier work (Fogg, 2003; Fogg, Cuellar, & Danielson, 2003))

Persuasive Strategy	Description
Reduction	Making a complex task simpler
Tunnelling	Guided persuasion; giving control over to an expert
Tailoring	Customization; providing more relevant information to individuals
Suggestion	Intervene at the right time with a compelling suggestion
Self-monitoring	Automatically tracking desired behaviour
Surveillance	Observing one's behaviour publicly
Conditioning	Reinforcing target behaviour

Table 4: NHS Mobile Phone apps

App Name	BMI Tracker	Smokefree	Moodometer	Drinks Tracker	Fungenerator
Category	NHS	NHS	NHS	NHS	NHS
Reduction	×	×	×	×	×
Tunnelling	✓	✓	×	✓	✓
Tailoring	✓	✓	✓	✓	✓
Suggestion	×	✓	×	×	✓
Self-monitoring	✓	×	✓	✓	×
Surveillance	×	×	×	×	×
Conditioning	×	×	×	×	×
No of Strategies	3	3	2	3	3

Table 5: Commercially available apps for similar health behaviour outcomes

App Name	5K Runner	Myplate	iFitness	Caloriecount	Drink In My Hand
Category	Commercial	Commercial	Commercial	Commercial	Commercial
Reduction	✓	✓	✓	✓	✓
Tunnelling	✓	✓	✓	✓	✓
Tailoring	✓	✓	✓	✓	✓
Suggestion	✓	✓	×	✓	×
Self-monitoring	✓	✓	✓	✓	✓
Surveillance	✓	✓	×	✓	✓
Conditioning	✓	✓	×	✓	✓
No of Strategies	7	7	4	7	6

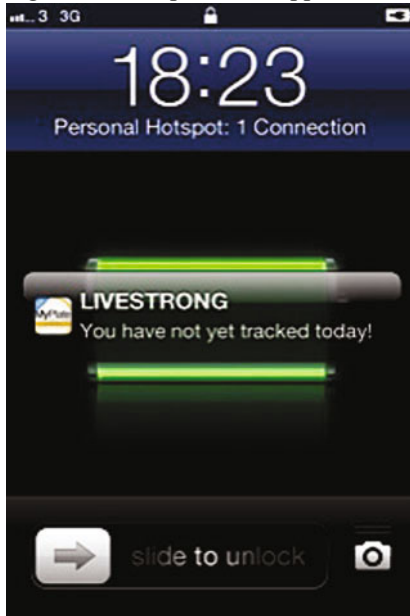
Table 6: Three apps for unhealthy food items (alcohol, soft-drinks and fast-food) and the top three free games (all categories, UK iTunes store)

App Name	Stella 9 Step	Fanta King of the Park	McDonald's Morning	Family Fortune	The Simpsons
Category	Alcohol	Soft Drink	Fast Food	Game	Game
Reduction	✓	×	×	✓	✓
Tunneling	✓	×	✓	×	×

Tailoring	✓	✓	✓	✓	✓
Suggestion	✓	✓	✓	✓	✓
Self-monitoring	×	✓	✓	✓	✓
Surveillance	✓	✓	×	✓	✓
Conditioning	✓	✓	✓	✓	✓
No of Strategies	6	5	5	6	6

## FIGURES

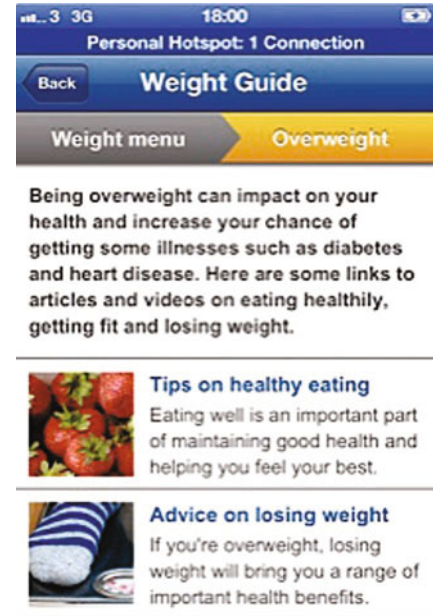
Figure 1: Examples from apps



Push Notifications



Reduction:  
Livestrong



Reduction: Measure your BMI

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## A SERVICES APPROACH TO SOCIAL MARKETING

Rebekah Russell-Bennett, Queensland University of Technology, Australia  
Matthew Wood, University of Brighton, United Kingdom  
Josephine Previte, University of Queensland, Australia

### ABSTRACT

Governments and not-for-profit organisations are increasingly adopting a social marketing approach as a means of facilitating voluntary behaviour change to improve social and individual welfare. However, a fundamental question to ask is: “What is the overriding purpose of social marketing?” Although early definitions of social marketing emphasise the use of marketing approaches to promote social ideas (Kotler and Zaltman, 1971) or change the behaviour of individuals for their own or societal benefit (Andreasen, 1994), Wood (2012, p100) argues its primary function is: “the cost-effective provision of non-profit services to help and support people”. These social services are usually delivered by public and voluntary organisations, and should be developed and implemented on the basis of insight and “customer” engagement. Lefebvre (2012) notes the move to a customer, rather than producer, perspective and the rise of a “service-dominant logic” (Merz et al., 2009; Vargo and Lusch, 2004). According to this perspective service, skills and knowledge, rather than products, constitute the fundamental unit of exchange.

The recent conceptualisation of transformational service research indicates that services marketers agree that service marketing can positively influence well-being and quality of life (Rosenbaum et al, 2011). A service focus would help social marketers move away from product-oriented models to more relevant theories and models from services, non-profit and organisational marketing. Services’ marketing offers theories that not only address individual responses but also incorporate structural and environmental factors and is aligned with the upstream approach to social marketing. While many scholars have identified the need for an upstream rather than downstream approach to social marketing (Gordon, 2011; Hoek and Jones, 2011) few have conceptualised how this might be done. We suggest that service marketing offers relevant frameworks.

At the heart of service marketing lies the notion of value exchange. Zainuddin, Russell-Bennett and Previte (2013) argue that there is a growing acknowledgement in social marketing that customers can create service value by cooperating with service personnel (see also Ouschan *et al.*, 2006) however there has been little research that explains how. The notion of experiential value draws on the value-in-use perspective and moves beyond the study of utility derived from customer engagement with service processes (Vargo and Lusch, 2004). It is further argued that many social marketing services assume that technical and clinical factors are the key drivers of customer behaviour; for example the provision of a technically reliable health screen will ensure consumers repatronage. This over-emphasis on technical expertise has resulted in service strategy and resource allocation focussed on technical service aspects rather than a balanced approach that also incorporates the interaction with staff and service atmospherics (Berry and Bendapudi, 2007). So, interactions between customers and service delivery staff are crucial to perceptions of value and satisfaction and play an influential role in decisions to maintain a behaviour change; for example, to be screened on a regular basis. This supports arguments put forward by Fowlie and Wood (2011) that emotionally supportive relationships are essential for effective social marketing interventions and the development of customer-driven services. In this paper, we outline key services marketing theories relevant to social and demonstrate their applicability through case studies from social marketing researchers and practitioners.

To achieve the aim of social marketing in improving people's lives through better services and reduced social inequalities, we need to equip practitioners with the tool and theories to deliver cost-effective, client-centred services. Therefore, the challenge for scholars is to soften the disciplinary boundaries between services and social marketing; to integrate ‘service thinking’ into social marketing models. Services marketing theories are the building blocks for any social marketing program that uses services as the key social product.



## **PERCEIVED CSR AUTHENTICITY**

Sarah Alhouti, University of Alabama, USA

Betsy Holloway, Samford University, USA

Catherine Johnson, University of Alabama, USA

### **ABSTRACT**

Marketing literature shows that while consumers often respond positively to corporate social responsibility (CSR) initiatives (Bhattacharya and Sen, 2004) they are also known to be skeptical of corporate social responsibility (Webb and Mohr, 1998). This paper argues that these contradictory and changing consumer attitudes towards CSR may be attributable to consumers' perceptions as to the authenticity of a company's CSR. While it is intuitive that inauthentic CSR would create a negative consumer evaluation of a company (Wagner, Lutz, and Weitz, 2009), this paper contributes to the literature in that it seeks to uncover what, exactly, it is that influences the perceived authenticity of CSR initiatives. To begin to understand the thought processes behind consumer's evaluations of CSR, a qualitative analysis of interviews was undertaken. Initial findings suggest that consumers' perceptions of what makes CSR authentic or not can be fall into several broad categories including how well a CSR initiative fits the company, firm reputation, and whether or not the firm seems to be motivated by profit instead of altruism.

References available upon request.

### **Session 5.5. E-Buyer Behavior**

Room: Clarendon B

Session Chair: Lou Pelton, University of North Texas

#### ***Predicting Disloyalty to a Search Engine: The Role of Satisfaction, Brand Relationship, Reputation and the Search Engine's Features***

Cleopatra Veloutsou, University of Glasgow

#### ***Risky Business? Consumers' Propensity to Engage in Online Banking Services***

Stephen Wang, Taiwan National Ocean University

Maxwell Hsu, University of Wisconsin - Whitewater

Lou Pelton, University of North Texas

Annie Liu, Victoria University of Wellington

#### ***Effective Interactive Websites: Examining the Moderating Role of Involvement***

Polyxeni Palla, University of Macedonia

Rodoula Tsiotsou, University of Macedonia

Yorgos Zotos, Cyprus University of Technology

# **PREDICTING DISLOYALTY TO A SEARCH ENGINE: THE ROLE OF SATISFACTION, BRAND RELATIONSHIP, REPUTATION AND THE SEARCH ENGINES FEATURES**

Cleopatra Veloutsou, University of Glasgow, Scotland

## **INTRODUCTION**

Brand loyalty is helping companies secure customers in the long run and is a widely research concept. Brand disloyalty can be producing the opposite results than brand loyalty and can be equally important. However, very limited work has been published to brand disloyalty. Using data collected online from 495 individuals in the UK, this research is investigating the antecedents of online brand disloyalty to a search engine. The results indicate that the best predictor of brand disloyalty in this context is the brand reputation, which reduces it, while the characteristics of the search engine (including each complexity) and the communication that individuals receive and provide to a search engine is increasing the loyalty to this search engine.

## **BACKGROUND**

Although loyalty is a widely research concept and has been attracting the interest of academics and practitioners for several years, there is very little published work in customer disloyalty, both in the consumer and the business to business market contexts. This may be because managers seek advice on how they can secure support from their customers, rather than understanding the behaviour of individuals who are familiar with their brand but they are not interested or have negative attitudes towards this brand. The papers published on brand disloyalty are mostly recent and very few and researchers often are still exploring the concept of brand disloyalty and therefore some of the research is employing a qualitative methodology to approach the topic (Andersson-Cederholm & Gyimothy, 2010).

In this limited work on the concept, there is no universally accepted definition of disloyalty. Given the lack of work in the area, it is not surprising that some of the published work that is touching the concept of disloyalty in the marketing context does not even attempt to define the construct in their investigation (Andersson-Cederholm & Gyimothy, 2010). Those who are attempting to give some explanation on what they mean when they use the term disloyalty clearly do not agree. Some see as disloyalty the use of multiple products or services, rather than revealingly using the same, and they find this to be the norm in certain sectors, such as banking (Lam & Burton, 2006). This behaviour is also defined in the literature as dual loyalty (Veloutsou & McAlonan, 2012). However other researchers suggest that disloyalty can be viewed as separate concept from other concepts used in the literature (Rowley and Dawes, 2000). Loyalty as a construct embodies a willingness to support the object of one's loyalty and to continue this support for a longer period of time, thus forming an attachment and commitment on the part of the individual to the object (Schaar, 1967). One would expect disloyalty to be on the other end of the feelings of the individuals. No loyalty does not mean disloyalty, since it is neutral and not negative (Rowley & Dawes, 2000). In this latter approach, disloyalty has a clearly negative connotation for the brand, rather than dual loyalty that could be the case in the first definition. In this study, brand disloyalty is conceptualised here not just as the lack of loyalty and support to the brand, but as an active negative feeling and attitude towards the brand. Consumers that are disloyal to the brand know the brand, but feel that it is inferior are unfaithful to this brand, will be willing to betray and to badmouth the brand.

Since loyalty, no loyalty and disloyalty are different constructs, the identification of the antecedents of each one of these constructs can help managers develop different strategies. Loyalty can help in the retention of customers, while by managing disloyalty a firm can secure the reasons that make customers unwilling to revisit the firm and the spreading of negative word of mouth can be eliminated thus, possibly eliminating disloyal behaviours (Blodgett, Hill, & Tax, 1997).

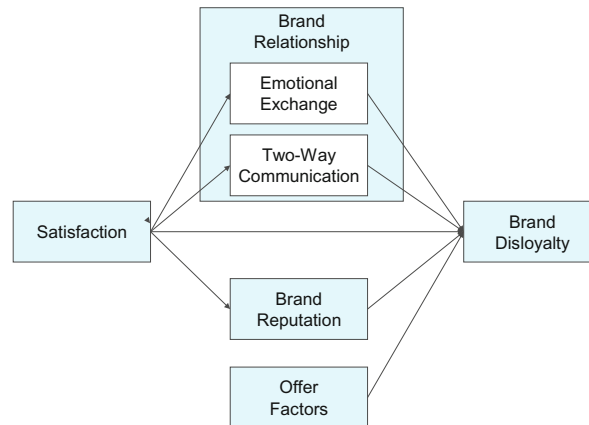
Clearly, the concept of disloyalty need to be further investigated. Some of its key antecedents need to be identified in order to be able to help managers to at least understand why consumers are brand disloyal and possibly develop ways to influence them if desired.

Surprisingly from the limited literature on loyal and disloyal behaviour there is some on the online environment. Some of it is focusing on internet retail stores with a particular focus on price sensitivity (Choi, Kim, Kim & Kim, 2006), while there is some research examining the disloyalty of consumers with very specific demographic profile to search engines (Veloutsou & McAlonan, 2012). Certainly certain emotional dimensions can be seen as important in the context of search engines. The

strength of the brand relationship, for example, represents an important outcome of the online brand experience (Thomas-Morgan & Veloutsou, 2012). Past research suggested that the involvement with computers, the lack of satisfaction and the high levels of communication when attempting forming a relationship with the consumers are good predictors for brand disloyalty to a search engine, at least for young in age users (Veloutsou & McAlonan, 2012).

Based on the above literature, it is proposed that satisfaction is a determinant of the strength of brand relationship with and the reputation of the brand engine, while the brand disloyalty to the brand of the search engine will be predicted from the strength of brand relationship with the engine, the brand reputation and the characteristics of the search engine itself (figure 1).

**FIGURE 1: THE PROPOSED MODEL**



## METHODOLOGY

Since collecting data on line for on line topics is not an uncommon practice (Christodoulides, de Chernatony, Furrer, Shiu & Abimbola, 2006), an online survey was used. The primary data collection process was conducted over the period of around eight weeks in the UK. The UK currently has the most active online population in Europe, with users averaging over 34 hours online per month and the most popular activity is online shopping (The Office of National Statistics, 2007). An online questionnaire was used to collect data.

The questionnaire was developed in five weeks. Because there was limited research in the context, there was a need for a qualitative phase in the project, which was aiming to help in the validation of the original model as well as the identification of relevant items to measure the constructs. Therefore, some qualitative data was collected to help in the better conceptualisation and operationalisation of the quantitative study, through four interviews with people who are using the internet more than 40 hours a week. Based on these findings, various dimensions and items were generated, some of them from the literature and some from the analysis of the interviews. The interviewees were then contacted again to discuss the suitability of the items. When possible and in an agreement with the informants items suggested in the literature for on line users were adopted. The instrument that was constructed was then uploaded on a web based survey service. The online version was continuously refined and pre-tested using ten individuals, different from the interviewees, resulting in the final web based instrument. All responses were recorded using a 5-point Likert scale (1=Strongly Agree, 5=Strongly Disagree).

The respondents were asked to state the first search engine that comes to their mind (top of mind recall) and answer the questionnaire the part of the questionnaire that was on a specific search engine having this brand in mind. The link with the instrument was sent to a comprehensive high school in the UK and other on line forums. In total, 751 individuals started the questionnaire, with 495 questionnaires being completed satisfactorily – a 66% completion rate.

## RESULTS AND DISCUSSION

The study follows a measure validation procedure with confirmatory factor analysis (CFA) as suggested by Anderson and Gerbing (1988). The measurement model is presented in [table 1](#). All standardized loadings are above .50 and t-values are significant ( $p < 0.01$ ). The results of CFA (reflective causal model) are satisfactory  $\chi^2 = 701.33$ ,  $df = 325$ , Chi-square/df. 2.16; root mean square error of approximation (RMSEA) = .048; CFI at .948; GFI at .910 and TLI at .94 (Hair et al., 2006). All the Average Variance Extracted (AVE) values are very close to or higher than .50, while the Construct Reliability (CR) higher than .70. It is possible to further improve the measurement model by removing the weaker indicators but this approach is not desirable since the reduction in the number of indicators is likely to diminish the theoretical constructs (Hair et al. 2006).

**Table 1: Measurement model**

CONSTRUCTS	Mean	Std. Dev.	Loading
<b>SATISFACTION (Cronbach Alpha=.83, AVE=.62, CR=.83)</b>			
This search engine provides everything I would want from a search engine	2.28	.84	0.81
Is as good as I expected	2.06	.76	0.77
Entirely fulfils my needs	2.15	.84	0.79
<b>EMOTIONAL EXCHANGE (Cronbach Alpha=.86, AVE=.52, CR=.87)</b>			
This search engine means more to me than other search engines	2.67	0.99	0.66
I care about the developments relevant to this search engine	2.79	0.92	0.75
This search engine and I make a good online team	2.65	0.95	0.74
This search engine is like a close friend who helps me	2.94	1.13	0.73
Both this search engine and I benefit from this link	2.73	0.91	0.68
Over time this search engine becomes more important to me	2.82	0.98	0.76
<b>TWO WAY COMMUNICATION (Cronbach Alpha=.85, AVE=.52, CR=.84)</b>			
I want to be informed about this search engine	2.87	0.94	0.66
I am more willing to learn news about this search engine than other search engines	2.76	0.95	0.75
I listen with interest to information about this search engine	2.89	0.98	0.74
I will be willing to be informed about this search engine in the future	2.90	0.93	0.73
I am willing to give feedback to the developers of this search engine	2.83	0.96	0.68
<b>SEARCH ENGINE REPUTATION (Cronbach Alpha=.78, AVE=.47, CR=.72)</b>			
This search engine is honest	2.33	0.79	0.65
This search engine is trustworthy	2.29	0.83	0.72
This search engine brand has a good reputation	1.89	0.81	0.67
<b>SEARCH ENGINE FACTORS (Cronbach Alpha=.86, AVE=.50, CR=.86)</b>			
I can always find what I am looking for with this search engine	2.32	0.92	0.73
This search engine provide up-to-date results	2.15	0.77	0.73
This search engine provides results at the right level of detail	2.19	0.76	0.71
This search engine provides accurate results	2.16	0.80	0.70
I think this search engine can address the specific needs of each user	2.28	0.77	0.73
The results are customised exactly to by search criteria	2.47	0.80	0.66
<b>BRAND DISLOYALTY (Cronbach Alpha=.86, AVE=.57, CR=.87)</b>			
I believe that other search engines provide better results than this one	3.15	0.95	0.69
I believe that the results of this search engine are badly suited to what I expect	3.29	1.00	0.78
I have a negative attitude towards this search engine	3.47	1.05	0.86
I dislike the results returned by this search engine	3.42	1.03	0.85
I have repeatedly found the features of this search engine inferior	3.11	0.99	0.56

Structural equation modelling with maximum likelihood estimation was used to test the derived hypotheses. The path between satisfaction and disloyalty was not proven to be statistically significant and therefore this path was removed from the estimated model. The fit indexes for the estimated structural model show an acceptable fit with Chi-square 730.126;  $df$  331, Chi-square/df 2.20; CFI.95; GFI .91; RMSEA .05 and TLI at .94.

Table 3 provides a summary of casual paths in the structural model and the results illustrating the confirmed relationships and their direction. The data does supports that satisfaction is a good predictor of the strength of brand relationship and brand reputation. The data also supports that disloyalty is predicted from brand reputation, the personalisation of the search engine and the degree of communication between a search engine and the users. The effect of satisfaction on disloyalty is totally meditated from brand relationships and brand reputation.

**Table 3: Summary of SEM results**

	Standardized path estimate	Path estimate	CR	sig
<b>TWO WAY COMMUNICATION (<math>R^2=.25</math>)</b>				
Satisfaction	.52	.43	8.49	.00
<b>EMOTIONAL EXCHANGE (<math>R^2=.31</math>)</b>				
Satisfaction	.57	.62	10.44	.00
<b>BRAND REPUTATION (<math>R^2=.88</math>)</b>				
Satisfaction	.95	.73	13.40	.00
<b>DISLOYATY (<math>R^2=.28</math>)</b>				
Emotional Exchange	.15	.11	1.34	.16
Two Way Communication	.38	.37	3.53	.00
Search Engine Factors	.49	.35	2.46	.01
Brand Reputation	-.86	-.81	-4.30	.00

## CONCLUSION

To reduce brand loyalty, managers should be advised to moderate the amount of information that they are sending to the users of search engines. It is extremely surprising to see that having a good search engine with personalised features increases brand disloyalty. Although some qualitative research is needed in the area to explore issue, one could assume that the complexity in the operation of a search engine could be one of the reasons behind this finding. Building good reputation over time is another strategy that could reduce the degree of dissatisfaction from the offer. Attempts to increase the satisfaction of consumers from the search engine will help in the development of brand relationships and positive reputation.

## ACKNOWLEDGEMENTS

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## REFERENCES

References available upon request

## **RISKY BUSINESS? CONSUMERS' PROPENSITY TO ENGAGE IN ONLINE BANKING SERVICES**

Stephen Wang, Taiwan National Ocean University, Taiwan, ROC  
Maxwell Hsu, University of Wisconsin-Whitewater, U.S.A.  
Lou E. Pelton, University of North Texas, U.S.A.  
Annie H. Liu, Victoria University in Wellington, NZ

### **ABSTRACT**

The Internet is an innovative and increasingly popular medium with unique characteristics and features not to be observed in the traditional off-line channels. The use of the Internet is gaining importance across a variety of industries. In the retail banking industry, the appearance of online banking is one of the most influential information and communication technology. Consumers can now conduct financial transactions, automate tedious tasks (e.g., e-payment), access their account information online anytime (Rotchanakitumnuai and Speece, 2004), and keep important account records in an easy-to-track digital format. The term “Internet banking” and “online banking” have been used interchangeably, and they often refer to the instances in which customers engage in an exchange of information and transactions with a bank via the Internet. In general, this new self-service technology may widely imply usage of computers, mobile phones, digital TVs, etc. for accessing Internet branches (Curran and Meuter, 2005; Lawrence *et al.*, 2009; Sayar and Wolfe, 2007).

The perceived psychological risk (i.e., anxious, nervous, and uncomfortable) appears to be relatively more important than other dimensions of the perceived risk concept and this finding points out people’s increasing concern over the protection of their financial assets in the networked world. Banks that are sensitive to privacy concerns should display up-to-date privacy policies and avoid sending its customers unsolicited e-mail. Since the complex functionality of the Internet security features may be beyond the scope of a typical online banking customer’s technological understanding (Grabner-Kräuter and Faullant, 2008), bank managers should translate the sophisticated security advances to understandable marketing promotions with the goal to influence their customers’ risk perception. As online banking risks (e.g., identity theft) are likely to remain when we move toward the digital environments, bank managers need to update banking system’s security system and prevent their employees from unwittingly sharing individual customers’ personal data with unauthorized entities. Consequently, online banking users’ psychological risk and private risk could be dramatically reduced.

Safe banking online needs to start with good decision-making – decisions that will prevent an Internet banking user from costly surprises or even scams. If customers are seriously concerned with the risk perception involved in online banking services, the result may be that they stop using the OBS. In this event, banks would not be able to maximize the potential of their online banking offerings. Only when a bank’s online information infrastructure is reliable and has the capacity to recover from malicious attacks, the bank’s marketing planners can apply the principles discussed in this paper to their online marketing communications and figure out a way to convert potential OBS customers to loyal consumers.

References Available Upon Request



Polyxeni (Jenny) Palla, University of Macedonia, Greece  
 Rodoula H. Tsiotsou, University of Macedonia, Greece  
 Yorgos C. Zotos, Cyprus University of Technology, Cyprus

## INTRODUCTION

Consumers' responses toward an interactive website are moderated by a number of factors. The present study examines whether different levels of product involvement moderate the website interactivity effectiveness in terms of attitude formation and pre-purchase intention. Although numerous, previous studies in online environments have either been conducted in a single product sector (e.g. Sicilia, Ruiz and Munuera 2005), or when employing several product categories they did not consider the potential moderating effects of product involvement on the interactivity –attitude formation and pre-purchase intention (Coyle and Thorson 2001; Bezjian-Avery, Calder, and Iacobucci 1998).

## BACKGROUND AND RESEARCH HYPOTHESES

Interactivity has been defined as *“the immediately iterative process by which customers' needs and desires are uncovered, met, modified, and satisfied by the providing firm”* (Bezjian-Avery et al. , 1998, p. 23). The most significant characteristics of interactivity are: “synchronicity”, “active control” and capacity for a “two-way communication” (Voorveld, Neijens and Smit 2011). Despite the central role of interactivity in the online media, the available literature provides conflicting findings. A stream of research supports the view that increased levels of interactivity in a web environment are positively related to effective advertising results such as formation of positive attitude and increased pre-purchase intentions (Sicilia et al., 2005; Sundar and Kim, 2005). However, another stream of studies posits that enhanced levels of interactivity impair and interrupt any cognitive effort in most people and are associated with negative effects on the online communication process (Bezjian-Avery, et al., 1998; Sohn, et al., 2007).

Recent studies indicate that there are factors which moderate the effect of enhanced levels of interactivity on advertising [e.g. expected interactivity was proposed by Sohn et al. (2007) and user Internet experience was proposed by Liu and Shrum, (2009)]. Expected interactivity is defined as *“the extent of interactivity that a person expects to experience during a prospective interaction with a message vehicle such as web site”* (Sohn et al, 2007, pg. 110). In addition, Sohn et al (2007) suggested the exploration of product involvement, as a personal factor that may operate as a moderator in the relationship between interactivity and advertising effectiveness

Zaichkowsky (1985, 1986) suggests that product involvement can be conceptualized as its own construct, separately from purchase (situation) involvement and issue involvement. Traylor (1981) defines involvement based on how consumers recognize or understand the product. The level of the involvement depends on the degree of consumer's consideration for the product. The higher the consumer's consideration for the product is, the higher the level of involvement with the product will be. Zaichkowsky (1985) attributes the importance, the perception and the personal demand for the product to the involvement. When someone is involved, he pays more attention, perceives importance and behaves in a different manner than when someone is not (Zaichkowsky, 1986). Moreover, she added that *“the level of involvement with product categories varies gently over individuals. For any product category, there seem to be individuals who have low involvement with the product and individuals who have high involvement with the product”*. Thus, consumers perceive the same product in a different way (Lastovicka and Gardner, 1978; Zaichkowsky, 1985) meaning that product involvement encapsulates a person's specific characteristics. In the present study we propose that high levels of interactivity have the potential to generate an effective communication outcome, in terms of attitude towards the site and pre-purchase behavior, for websites that promote a high involvement product. Whereas medium interactivity appears to be the most appropriate for the websites that presents a low involvement product.

Highly interactive websites provide consumers with the ability to organize the information in such a way that the cognitive process is facilitated. Consumers are able to select and organize the presentation of the information (Bezjian-Avery et al., 1998; Rodgers and Thorson, 2000). High interactivity reduces consumers search cost and provide to them more room to focus on the most important product claims (Sicilia et al. 2005). Overall, it offers a customized experience which is important when the advertised product is of high consideration and great interest such as high involvement product. Therefore, it is expected that

H1: Individuals exposed to a high interactive website that presents a high involvement product will formulate more positive attitude as compared to those exposed to (i) medium and (ii) low interactive ones.

Many studies in the marketing context suggest a positive relationship between attitudes toward advertising and predisposition for advertising as well as subsequent behavior (Smith and Swinyard, 1983). In the web environment, Wolin *et al.* (2002) show that there is a positive relationship between attitudes toward web advertising and web advertising behavior. Therefore, it is expected that individual's intention to revisit the website and pre-purchase intention will be consistent with their attitude formation. Extending the previous hypothesis it is proposed:

H2: Individuals exposed to a high interactive website that presents a high involvement product will formulate more positive intention to revisit the website as compared to those exposed to (i) medium and (ii) low interactive ones.

H3: Individuals exposed to a high interactive website that presents a high involvement product will formulate more positive pre-purchase intention as compared to those exposed to (i) medium and (ii) low interactive ones.

However, high levels of interactivity demand the management of information flow (Tremayne and Dunwoody, 2001). Interactive information needs to be structured and this process activates an extensive cognitive effort (Coupey, 1994). As a result interactivity may become a distracting and irritating factor for a low involvement product in which the personal interest, the attention and the concern are low. Taking into consideration the low effectiveness of the non interactive websites (e.g. Sicilia, *et al.*, 2005) and the linkage between attitude formation and pre-purchase intention, we propose the following set of hypotheses:

H4: Individuals exposed to a medium interactive website that presents a low involvement product will formulate more positive attitude as comparing to those exposed to (i) high and (ii) low interactive levels.

H5: Individuals exposed to a medium interactive website that presents a low involvement product will formulate more positive intention to revisit the website as comparing to those exposed to (i) high and (ii) low interactive levels.

H6: Individuals exposed to a medium interactive website that presents a low involvement product will formulate more positive pre-purchase intention as comparing to those exposed to (i) high and (ii) low interactive levels.

## RESEARCH METHOD

The first pretest was employed in order to detect for which of them the subjects hold "high" and for which "low" product involvement. The terms "high and low involvement" were explained to undergraduate business students ( $n=20$ ). Then, they were invited to list ten products of low and ten of high involvement. The participants' involvement with the four more frequently mentioned groups of high and low involvement products was measured using the Personal Involvement Inventory (PII) developed by Zaichkowsky (1985). Findings indicated the refreshment as the low involvement product and the laptop as a high ( $F: 11.505$ ,  $Sig.: .005$ ). A fictitious brand for a laptop and a fictitious brand for a refreshment drink were designed in order to avoid pre-attitudinal effects.

There were designed one webpage for the laptop (high involvement product) and one for the refreshment (low involvement product). For the needs of the experiment, there were also designed three interactive versions (low, medium, high) of each webpage. The amount of the provided information and the related images remained constant in all three versions of the website (Sicilia *et al.*, 2005). The interactive features employed in every level followed the recommendations of the relevant literature. Consistent with previous studies, the level of actual interactivity was operationalized by varying the presence or absence of interactive elements. However, in order to obtain a comprehensive picture of interactivity, we measure actual and perceived interactivity levels.

Two experienced web-designers served as judges to verify the actual level of interactivity on each website. An additional pretest, the Measure of Perceived Interactivity (MPI) developed by McMillan and Hwang (2002) was employed to assess the perceived level of interactivity by 60 students. The results confirmed that each webpage provided the expected level of interactivity.

The experiment was conducted in a university lab. The selected sample was a convenient one consisted of students. The undergraduate business school students that took part in the experiment had to be internet users. 240 questionnaires were considered usable. Each subject was exposed to only one version of the website. Once the navigation process was completed,

the participants were invited to log out and respond to the questionnaire of the study. The questionnaire measured the students' attitude towards the website (Chen and Wells 1999), their intentions to revisit the website and their pre-purchase intentions (Kim and Biocca, 1997).

## RESULTS AND DISCUSSION

120 participants were exposed to the website that presented the high involvement product. From these, 40 students were exposed to the high interactivity version of the website, 40 to the medium and 40 to the low. MANOVA was conducted (interactivity as the fixed factor and attitude toward the website, intention to revisit the website and pre-purchase behavior as the dependent variables) in order to test the effect of interactivity on attitude and pre purchase behavior.

The MANOVA procedure and Post Hoc Tukey's indicated that participants exposed to the highly interactive website promoting a high involvement product formulated significantly more positive attitudes as compared to those exposed to low interactive version (High-Low: .4458, Sig.: .004). Participants exposed to medium interactive websites do not statistically differ from those exposed to high and low versions (Medium - Low: .2875, Sig.: .092; Medium - High: -.1583, Sig.: .478). The same pattern was followed concerning individuals' intention to revisit the website (High - Low: .7000, Sig.: .032, Medium - Low: .6000, Sig.: .078; Medium - High: -.1000, Sig.: .930). Therefore, H1(i) and H2(i) are rejected, while H1(ii) and H2(ii) are accepted (Figures 1 & 2).

Also, MANOVA and Post Hoc Tukey's indicated that individuals exposed to highly interactive websites did not differ in their pre-purchase intention comparing to those exposed to medium and low versions (High - Low: -.4917, Sig. .243; and High - Medium: .3583, Sig.: .469). It is worth mentioned that individuals exposed to low interactive websites expressed significantly more positive pre - purchase intention comparing to those exposed to the medium interactive versions (Low-Medium: .8500, Sig.: .017, Low- High: -.4917 , Sig.: .243). Therefore, H3(i) and H3(ii) are rejected (Figure 3).

120 participants were exposed to the website that presented the low involvement product. 40 participants were exposed to the highly interactive website, 40 to the medium and 40 to the low one. MANOVA procedure and Post Hoc Tukey's indicated that participants exposed to the medium interactive websites formulated significantly more positive attitudes as compared to those exposed to low and highly interactive versions (Medium - Low: .8667, Sig.: .000, Medium - High: .6083, Sig.: .000 ). Participants exposed to the highly interactive website did not statistically differ from those exposed to low versions (High - Low: .2583, Sig.: .208). Therefore, H4(i) and H4(ii) are accepted (Figure 4).

Individuals exposed to the medium interactive websites generated a significantly higher intention to revisit the website as compared to those exposed to the low and highly interactive versions (Medium - Low: 1.6500, Sig.: .000, Medium - High: .9333, Sig.: .015). Participants exposed to highly interactive websites did not statistically differ in average performance from those exposed to low versions (High - Low: .7167, Sig.: .079). Thus, H5(i) and H5(ii) are accepted (Figure 5).

Concerning pre-purchase intentions, the most positive outcomes resulted from the medium interactive website (Medium - Low: 1.6500, Sig.: .000, Medium - High: 1.0417, Sig.: .003). Participants exposed to highly interactive websites did not statistically differ from those exposed to low versions (High - Low: .6083, Sig.: .128). Therefore H6(i) and H6(ii) are accepted (Figure 6).

Previous study suggests that high levels of interactivity do not lead to stronger attitudes toward the website (Coyle and Thorson, 2001). In the present study this finding is verified for the website of a low involvement product while it is controversial when a high involvement product is exposed. In particular, data analysis indicated that individuals' attitude grow positively as the level of website interactivity increases when the product under consideration is of high involvement. However, when the product under consideration is of low involvement the most positive attitudes are formulated for the medium interactive website.

Also, individuals showed the greatest intention to revisit a website of a high involvement product when the high interactivity level was employed. However, the medium interactivity level seems to be the most appropriate concerning the website of a low involvement product. These findings underline that every level of interactivity yields different outcomes.

Participants expressed the highest pre-purchase behavior when the website of a high involvement product employed the low interactivity level. A plausible explanation may be that individuals need for cognition is high for this product category (high involvement product, new brand and pre-purchase decision) and they need to elaborate the information at their own pace and

time. Increased levels of interactivity may interrupt this procedure. Concerning the low involvement product category, individuals expressed the highest pre-purchase behavior when the medium interactivity level was employed.

The current research suggests that when designing an online marketing strategy, online marketers should consider two key questions. The first question involves the level of product involvement that will be presented on the website whereas the second question involves the main objectives of the advertising strategy. The results of the present research can help business to select the appropriate interactivity level and design effective interactive web pages and therefore, increase their marketing edge.

The results of this survey have provided some initial insights into how the attitude toward the website is formulated based on the level of product involvement and the interactivity level. More research is needed to identify the persuasion process under which the attitudes are formulated. An important question for online researchers is: when will an online consumer actively seek and process product and website-relevant information? Techniques such as eye-tracking would enhance our understanding of the online persuasion process.

## REFERENCES

References available upon request



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## APPENDIX

Figure 1: The interactivity effect on attitude (toward the website) formation (high involvement product)

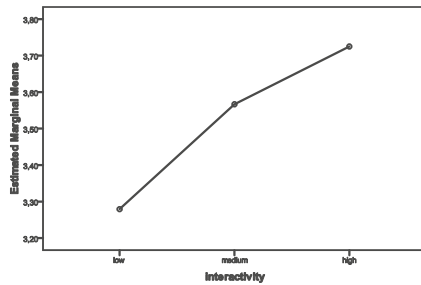


Figure 2: The interactivity effect on intention to revisit the website (high involvement product)

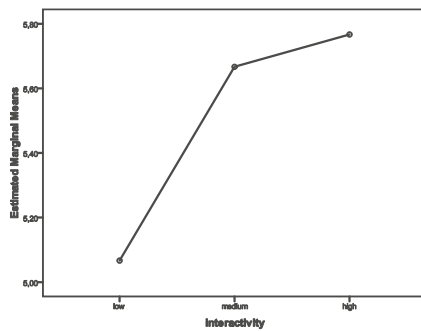


Figure 3: The interactivity effect on pre-purchase intention (high involvement product)

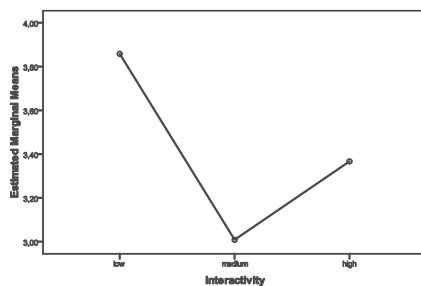


Figure 4: The interactivity effect on attitude (toward the website) formation (low involvement product)

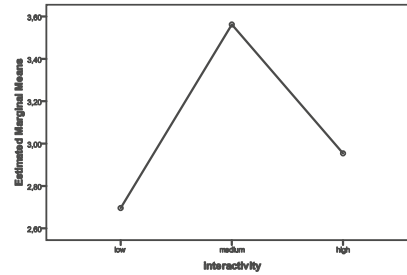


Figure 5: The interactivity effect on intention to revisit the website (low involvement product)

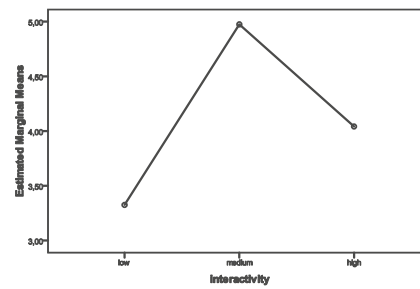
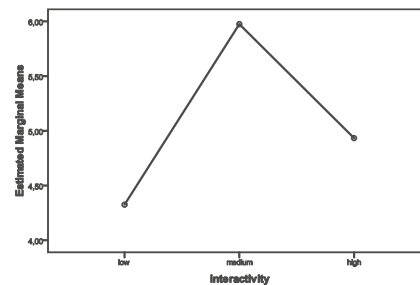


Figure 6: The interactivity effect on pre-purchase intention (low involvement product)



**Session 5.6. Issues Involving Children, Exercise and Health Campaigns**

Room: Clarendon C

Session Chair: Yelena Tsarenko, Monash University

***Employee Health: Motivations and Constraints to Fitness Program Participation***

Mark Pritchard, Central Washington University

Nancy Graber, Central Washington University

Tiffany Nichols, Arizona State University

***Supporting Children of HIV Positive Parents***

Rudolf Conradie, Monash University

Yelena Tsarenko, Monash University

***Influence of Parents on Child Eating Practices in Low SES Communities: Identifying Insights for Health Promotion Campaigns***

Stephanie Judd, Monash University

Fiona Newton, Monash University

Joshua Newton, Monash University

Michael Ewing, Monash University

***A Regional Approach to Implementation and Evaluation of Strategic Health Communication Campaigns to Support Non-Communicable Disease Prevention in Pacific Island Nations***

Tahir Turk, World Lung Foundation



# EMPLOYEE HEALTH: MOTIVATIONS AND CONSTRAINTS TO FITNESS PROGRAM PARTICIPATION

Mark P. Pritchard, Central Washington University, U.S.A.

Tiffany Nichols, Arizona State University, U.S.A.

Nancy Graber, Central Washington University, U.S.A

## INTRODUCTION

Health research reports regular physical activity can substantially reduce the risk of heart disease, stroke, colon cancer, diabetes, and high blood pressure. It also aids weight control, contributes to muscular and skeletal health, reduces falls among older adults, helps relieve arthritic pain, lessens symptoms of anxiety and depression, lessens dependence on medication and leads to fewer medical visits. Despite these benefits many in the U.S. lead sedentary lifestyles and are not active enough to realize these advantages. Physical inactivity is a national issue, as 62% of children do not participate in any organized sport during their non-school hours and 23% do not engage in any free-time physical exercise (CDC, 2002). The problem plagues older age groups too, as 65% of adults and 16% of youth are overweight or obese (CDC, 2003).

The benefits of physical activity and a healthy workforce also translate into positive outcomes for organizations. Physical activity in employees reportedly leads to diminished absenteeism, reduced job stress, and less employee turnover (Cox et al., 1981). Employers have become increasingly aware that less physical activity impacts not only on the health and productivity of their employees, but also on the “financial health” of their businesses (Berry et al., 2010). While the number of employers who support worksite health practices or encourage employee fitness activities has increased over the past thirty years, the focus and scope of these efforts vary substantially across companies. Organizations who do emphasize health have found positive effects on job performance and employee productivity (Goetzel & Ozminkowski, 2008). While it is often difficult for studies to attribute a causal relationship between the worksite programs and their effects, or generalize findings to other locations, many studies have focused specifically on the return on investment. In one study, nine employers who provided health and wellness programs to their employees found significant returns on investment. Benefit-to-cost ratios ranged from \$1.49 to \$4.91 per dollar spent on the programs, with a median of \$3.14 (Goetzel et al., 1999). These programs promoted healthy lifestyles and typically included exercise courses, health-risk appraisals, weight control education, nutrition information, stress management, disease screenings, and smoking cessation seminars for employees.

The current study explores the effectiveness of worksite health programs in prompting employee willingness to become involved in physical activity. Specifically, the research examines employee decisions to participate in physical activity and fitness programs, and the nature of individual motivations and constraints that support or diminish that intent. Many people understand the benefits and the importance of physical activity but still aren’t participating in recreation or fitness programs to help maintain a healthy weight and improve overall health.

In general, motives behind participation reflect desires to satisfy internal needs through that behavior. Typically motivation serves as “a collective term for processes and effects, where... a person chooses a certain behavior for its expectant results” or benefits (Petrick et al., 2001). Constraints on the other hand are defined as “the factors perceived by individuals that inhibit or prohibit participation” (Alexandris and Carroll, 1999). When it comes to explaining why people participate, attitude-based explanations of motives can be fairly weak predictors of that behavior. This is due to the fact that certain mechanisms can “intervene between attitudes or preferences on one hand and behavior on the other” (Bagozzi, 1993, p. 216). This gives place for researchers to extend their gaze beyond positive drivers and take in those factors that ‘constrain’ the behavior of interest. Thus, while motivation prompts patronage, constraints act as the ‘dark-side’ to consumption, preventing or dampening participation. Incorporating this notion into a motivation→behavior sequence is the primary focus of the current study. This means modeling how barriers intervene to prevent motivated consumers from acting consistently (Bagozzi, 1992). But what are some of the motivations and constraints (Courneya & Hellsten, 1998) behind whether or not we exercise? According to surveys by Godin (1985) and more recently by Ingledew (1998) who studied government employees, motivations to exercise commonly included the improvement of health, the development of fitness, control of bodyweight as well as an improvement in personal appearance, socializing, and simply a wish to ‘feel better’. The main reason people dropped out was a lack of time, although often the individuals making this complaint appeared to have substantial free time (Godin et al. 1986). Another related study found the most common constraints to physical activity were fatigue from work, household duties, lack of interest, laziness and inefficiency, and other hobbies (Vuolle, 1989).

Participation studies by economists found it beneficial to consider both positive and negative elements to behavior. Marketers also argue the strategic merit of including negative factors when explaining consumption. Work has identified the tactical



implications of five constraints to people's (purchase) behavior (Pritchard et al., 2009). These are defined as: (1) Marketing Constraints, a failed fit between product and consumer, as the type of barrier most easily controlled, (2) Cultural Constraints as prevailing cultural norms and values that inhibit patronage, (3) Social Constraints as the dampening influence of reference groups and social expectations on action, (4) Personal Constraints as restrictions that arise from a pattern of living or lifestyle, and finally (5) Structural Constraints which curtail patronage as a result of certain physical, temporal or spatial challenges. Inquiries on marketing constraints look at the range of service failures behind discontinuance. Keaveney (1995) determined 58% of time patronage was terminated as a result of poor service. Others dispute the number as they reported that the majority (85%) discontinue for other reasons (Ganesh et al. 2000).

In the context of leisure participation, researchers have classified barriers in simpler terms, considering the constraint's locus and whether it originated from internal or external sources. Crawford et al. (1991) described structural constraints as external/situational barriers that block leisure behavior due to a lack of resources (e.g., financial, work commitments, accessibility), and depicted personal constraints as internal states or personal factors that prevent continuance (e.g., limited knowledge, interest, other personal family priorities). Factor analytic research with Greek sport participants expanded the taxonomy when it identified 8 constraints functioning within the broader internal/external categories (Alexandris et al. 1999).

## METHODOLOGY

A voluntary, anonymous, web-based Health and Wellness survey was administered to US municipal employees electronically through a web link on a western city's intranet Site for approximately three weeks. The four-page survey assessed employee physical activity levels, health status, motivations and constraints to participation, and intentions to exercise at health clubs in the future. Five point scales, ranging from 1 (Disagree) to 5 (Agree), were used for 30 questions relating to motivation, constraints to participation, and future participation. Questions were derived from the CDC Behavior Risk Factor Surveillance System and studies by Petrick (2001), Alexandris (1999), and Ingledew (1998). Demographic information helped to assess the sample population and determine if the survey results were representative of the employee population. Factor analysis and internal consistency coefficients refined construct estimates prior to SEM assessing the structural question of how motives and constraints operate together to explain participation in exercise programs.

## RESULTS AND DISCUSSION

In total, 10% of 2,677 city employees completed all of the questions on the survey (n=270). On a scale of 1-5, 94.2% of the employees rated their overall health as being good (3), very good (4), or excellent (5) and 86.1% indicated they have participated in physical activity during the past month. However, only 27.1% had participated in a city recreation and/or fitness program in the past year. Motivation and constraint variables were analyzed using Principal Component Factor Analysis. Thirteen variables were retained from the survey to identify motives to participate in physical activity programs. Consistent with previous work with this instrument, factor analysis with a varimax rotation identified four factors that explained 72.8% of variance in the items. The first component, "Social Acceptance", was the largest motivation factor relating to how well participants interact with others in a recreation setting and whether they felt accepted as part of a group. The second motive, titled "Cathartic Fitness", included items related to stress reduction and relaxation benefits that can result from exercise and fitness. An achievement-based "Self-confidence" factor was the third motivational benefit derived from participating in exercise programs, and personal "Bonding" with significant others was the final factor retained to represent employee motivations for participating in exercise (see Table 1). Internal validity estimates reported attest to the stability of the factors in motivation and constraints tables.

Fourteen items from the survey were used to identify constraints to participation in physical activity programs. Factor analysis results show five constraint factors emerging to explain 64.7% of the variance in the item pool. A "Social Support" constraint factor on the availability of friends was the largest barrier (i.e., 23.8% of total item variance). A second physical constraint component related to physical limitations to participate explained 14.8% of the variance. Three further factors, "Service Disconfirmation" (11%), "Introversion" (7.8%) and "Facility Fit" (7.1%) also figured in the solution (Table 2). Using summary measures of the motivation and constraint factors to form latent estimates, structural work (SEM) supported their respective links to employee intentions to participate in exercise ( $\chi^2 = 106.8$ , df 25, GFI=.92, SRMR=.08). Regression coefficients show constraints acted as the largest driver ( $\beta = -.41$ ) of employee program participation ( $R = 21.7\%$ ) and motivation a secondary role ( $\beta = .15$ ). Demographic (i.e., gender) and physiological (i.e., BMI classifications) characteristics also influenced the antecedents behind employee participation. Having other personal or situational moderators impact on antecedents like this leaves room for other factors to be included in subsequent accounts of behavior (Courneya et al., 1998; Ingledew et al., 1998). Differential effects also emphasize how important it is for worksite health and HR professionals to

take stock of the nuances behind both motives and constraints to engagement. A practical discussion of this matter offers strategic insights on integration and how to negotiate barriers while inspiring adoption in employees (Crompton et al., 2005).

**Table 1. Motivational Drivers of Employee Participation (n=270)**

Factor/Motivational Benefit Items	Mean (St.Dev.)	Factor One	Factor Two	Factor Three	Factor Four	Comm. <sup>1</sup> IC <sup>2</sup>
<b>Social Acceptance</b>						<b>.87</b>
Be with others who like the same things	3.6(1.1)	<u>.89</u>				.82
Feel like part of the group	.3.4(1.1)	<u>.86</u>				.82
Like meeting new people	3.5(1.2)	<u>.84</u>				.72
<b>Cathartic Fitness</b>						<b>.82</b>
Help reduce stress	4.6(0.7)		<u>.87</u>			.77
Feel physically fit	4.4(0.8)		<u>.79</u>			.72
Relax physically	4.1(1.0)		<u>.63</u>			.70
Increases physical endurance	4.6(0.6)		<u>.70</u>			.67
<b>Self-Confidence</b>						<b>.81</b>
Improves my skills and abilities	3.9(1.0)			<u>.77</u>		.70
Increases my self-confidence	4.2(0.9)			<u>.81</u>		.80
Gives a sense of accomplishment	4.3(0.8)			<u>.66</u>		.69
<b>Bonding</b>						<b>.74</b>
Share with a close companion	2.9(1.4)				<u>.84</u>	.77
Be with friends	2.7(1.3)				<u>.73</u>	.73
Join those who share same values	3.1(1.1)				<u>.41</u>	.66
% Variance Explained	37.59	21.42	7.49	6.31		
Eigen Value	4.88	2.78	0.97	0.82		

<sup>1</sup> Item Communality Estimates <sup>2</sup> Internal Consistency, Coefficient Alpha shown.

**Table 2. Constraints to Employee Participation in Exercise (n=270)**

Factor/Constraint Items	Mean (St.Dev.)	Factor One	Factor Two	Factor Three	Factor Four	Factor Five	Comm. <sup>1</sup> IC <sup>2</sup>
<b>Social Support</b>							<b>.75</b>
Friends not familiar with programs	3.1(1.4)	<u>.80</u>					.72
Friends have no time to participate	3.0(1.2)	<u>.81</u>					.67
Nobody to participate with	2.6(1.4)	<u>.79</u>					.70
<b>Physical Limitations</b>							<b>.61</b>
Phys. activity makes me feel tired	1.5(0.9)		<u>.64</u>				.44
Concerned about injury	1.8(1.1)		<u>.57</u>				.42
Health issues limit participation	1.6(1.1)		<u>.78</u>				.62
Not fit enough to participate	1.4(0.8)		<u>.57</u>				.51
<b>Service Disconfirmation</b>							<b>.78</b>
Participated but don't like program	1.6(0.9)			<u>.86</u>			.74
Participated but don't like facility	1.6(0.9)			<u>.88</u>			.81
<b>Introversion</b>							<b>.79</b>
Don't feel confident around people	1.7(1.2)				<u>.85</u>		.77
Don't mix well in social situations	1.8(1.1)				<u>.83</u>		.73
<b>Facility Fit</b>							<b>.58</b>
Facility too crowded	2.4(1.1)					<u>.63</u>	.57
Hours of operation don't fit	2.8(1.3)					<u>.77</u>	.65
Equipment is unsafe or outdated	2.1(1.1)					<u>.73</u>	.63
% Variance Explained	23.80	14.88	11.01	7.81	7.18		
Eigen Value	3.33	2.08	1.54	1.09	1.01		

<sup>1</sup> Item Communality Estimates <sup>2</sup> Internal Consistency, Coefficient Alpha shown.

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## SUPPORTING CHILDREN OF HIV-POSITIVE PARENTS

Yelena Tsarenko, Monash University, Australia

Rudolf Conradie, Monash University, Australia

### INTRODUCTION

The HIV endemic is on the rise in Australia despite the efforts government departments, healthcare providers, and community organisations to stabilise it and prevent new infections from occurring. The community of HIV-positive people is constantly expanding, with between 1000 and 1100 new diagnoses being registered each year from 2006 to 2010 (The Kirby Institute, 2011). The field of medicine has made significant improvements in terms of treatment options, which means HIV is no longer seen as the death sentence it once was (Lynch et al, 2012). People are *living with* HIV, rather than *dying from* it, with some living two or three decades longer than they ever expected to after being diagnosed. Given that people live longer and have an opportunity to lead a healthier and more fulfilling life than was previously the case, other issues beyond their health are now becoming increasingly important.

The needs of the HIV-positive community are evolving given that many members of this community are choosing to become parents, which was previously very strongly discouraged by medical practitioners (Sherr & Barry, 2004). A wider array of support services have been developed for HIV-positive people in response to their changing needs over the previous decade or two (Sherr & Barry, 2004; Segurado & Paiva, 2007), but in recent times there has been a shift in the structure and design of these services. Support services for children of HIV-positive parents are becoming more and more important. This study investigates issues relating to children of HIV-positive people in Australia, with an emphasis on support services and disclosure assistance.

### BACKGROUND

Kennedy et al (2010) state that parents who learn that they are HIV-positive need to decide if, when, and how they will disclose their illness to their children. Although they are often encouraged by medical practitioners to disclose to their children (Armistad & Forehand, 1995; Corona et al, 2006), many parents hesitate due to fear of negative consequences arising from disclosure (Schrimshaw & Siegel, 2002). These parents are concerned that the psychological affliction of shock, fear, and stigma will be too much for their children to handle (Corona et al, 2006; Hazard Vallerand et al, 2005). Some parents even believe that they protect their children by not disclosing their HIV status [Nöstlinger et al, 2006].

Various researchers have explored the relationship between disclosure and mental health, however their definitions of disclosure vary (Comer et al, 2000). Pennebaker (1997) found that written disclosures of painful experiences led to some short-term increases in distress, but also led to long-term enhancements in mood and indicators of wellbeing. Larson and Chastain (1990) report that self-concealment, as in a predisposition to actively conceal from others personal information that one perceives as distressing or negative, significantly contributed to increases in depression, anxiety and physical symptoms, even when known correlates such as social support and trauma level were controlled. Hays et al (1993) report that when HIV-positive homosexual males perceived significant others as responding favourably, disclosure of their status was related to decreases in depression and anxiety. Disclosure is shown to have mostly positive outcomes in developing countries as well (Medley et al, 2009).

Having children is an important part of living a normal and healthy life for many people (Segurado & Paiva, 2007), thus it is important that those infected by HIV have support in fulfilling their role as parents. Women indicate in other studies that although concern for their children is stressful, children can be an important source of social support and self-esteem, motivation to refrain from drug use, and a welcome distraction from HIV-related issues (Andrews, Williams, & Neil, 1993; Lugton, 1997). Motherhood is an important cultural construct that affords women an opportunity to participate in a legitimate social role and, hence, feel normal (Ciambrone, 2002). Motherhood might be especially important for marginalised women who cannot participate fully in other valued social roles such as spouse or employee (Bonuck, 1993; Lea, 1994). Fatherhood is also seen by many HIV-positive men as something that gives meaning to their lives and provides a reason to live (Sherr & Barry, 2004).

## METHODOLOGY

A hermeneutically grounded interpretive research framework is employed, focusing on unfolding personal stories and experiences. From a hermeneutic perspective, the stories informants tell about their experience is a prime locus of discovery (Thompson, 1997). Applying the hermeneutical circle as a methodological process for interpreting data implies active engagement in the iterative process through which a “part” of the qualitative data (a text) is interpreted and reinterpreted in relation to the developing sense of the “whole” (Thompson, Pollio & Locander, 1994). This study is conducted following procedures suggested by Thompson (1997) which include (1) selecting an a priori context of investigation (overview of research phenomenon – HIV domain); (2) generation of textual data (interviews based on limited pre-planned questions expanded into dialogue with informants to stimulate the further examination of his/her experience of being HIV-positive, as well as that of their children); and (3) interpreting the text of interviews (conceptualising the themes that arise both explicitly and implicitly, in order to gain deeper insight into the difficulties involved in raising children as an HIV-positive parent).

Information flyers were used to promote the project directly to individuals, through a range of community-based organisations, in order to recruit respondents for this study. In addition, support workers agreed to disseminate information about the project to clients. Individuals who were interested in participating in the study contacted researchers directly to arrange an interview.

Data collection and analysis occurred simultaneously. First, two interviews were conducted following a broad exploratory process to elicit general life stories, which were then transcribed verbatim. The transcripts were analysed for emergent categories of information that were then used as the basis of further interviews, with the categories compared and refined throughout the additional interviews. When theoretical saturation (Strauss & Corbin, 1998) was achieved, the process of recruiting respondents was terminated. This process resulted in 9 self-selected HIV-positive people residing in or near the capital in one state of Australia, who are the key informants for this study. The participant profiles are presented in [Table 1](#).

**Table 1 - Participant Profiles**

Participant Pseudonym	Gender	Age	Diagnosed	Marital Status	Children
Anita	Female	50	1983	De facto	2
Bridget	Female	52	1992	Divorced	1
Charlotte	Female	35	1998	De facto	1
Donna	Female	46	1987	De facto	2
Estelle	Female	30	2000	Divorced	2
Fiona	Female	44	1989	Single	3
George	Male	45	2006	Divorced	5
Heather	Female		1989	Divorced	2
Iris	Female	38	1992	Married	1

## RESULTS AND DISCUSSION

### Problems with Existing Support Services

Some respondents indicate that whilst support services are available, there are often barriers to making use of these services. A common problem is the lack of awareness of support services for HIV-positive people.

*Fiona: You need to know what's out there and a lot of the time that's half the problem is not enough people know about the services and know what can happen and how to stop it happening and how to stay healthy. It's all kept under layers of paperwork and big secrets... because a lot of them are not named, they're not advertised as "for positive people", so you can't just look it up in the phone book, you need to know somebody that knows what's going on that can inform you...*

Iris: *The doctors don't always know where the services are. That's not their job. The clinics in the waiting rooms they often advertise things, but ... you don't know what's available until you start talking to people.*

### **Lack of Support Services for Children of HIV-Positive Parents**

A common theme that is evident in the interviews is the lack of support services that cater for children of parents with HIV.

Anita: *One of the major things for me ... is support for my daughter and support around my daughter because, as I said, there is still so much lacking in terms of HIV aware services for our kids because most of the HIV services exist for the infected person or their partner. Very few of them cater for the children.*

A major area where support is often desperately needed is practical assistance with running a household, particularly during times when the infected person's health deteriorates. Anita continues

*...if I have a period of ill health that went on for 3 or 4 months, I should be able to get the appropriate support to enable me to keep [my daughter] with me. I shouldn't have to make the decision to put her into care...*

### **Difficulties in Disclosing to Children**

Choosing if, how, and when to disclose their HIV status to their children is another issue faced by the respondents, as suggested by Kennedy et al (2010).

Charlotte: *I think that the issue needs to be addressed about children and about disclosing to your children. I think that's a very big thing... I think a lot of parents don't know how to tell them or when to tell them. I have a nine year old step-daughter and we haven't told her. And I wouldn't, you know... we think she's not emotionally ready.*

George: *How do I tell all my children because in the beginning, when I first told them, I had to tell them, "I am dying" because that is what the doctors told me. It affected all my children and it made me feel useless, no good, a failure to my children... I think if I had proper support... There was no pre- or post-counselling.*

### **Need for Support Services those Affected by HIV**

Respondents frequently mention the desperate need for support services for their children and other family members.

Fiona: *some counselling services for teenagers who are affected by HIV would be excellent... just support services for them so there's a safety net if something happens to me. That's what worries me the most, I would say, if something was to happen to me what was going to happen to my children.*

### **Help with Disclosure**

Given that each family is unique, it is debatable whether or not it is feasible for support services to offer disclosure assistance. As a support worker, Donna finds it hard to offer expert advice around disclosure to children:

*...only you can make the decision, I can't say to you "this is what you should do, this is what happened with my family, you should do this"... you're the expert of your family, you know your kids and you still might get it wrong, but that's life.*

### **Disclosing HIV Status to the Child's School**

Respondents face a further obstacle in choosing whether or not to inform the school, once their children had been informed of their HIV status.

Donna: *... it was brought to my notice that some of the older children at my daughter's school knew that I was HIV-positive and were saying it in the playground. So I had to go to the headmistress and tell her and talk to her about how we were going to address it. I had to do that basically on my own.*



Anita: ... we're looking once again at contacting the Education Department and saying to them 'We have some children entering primary school that are going to need support about disclosure issues at school' and saying 'How can you support them?' and there's nothing there because the need hasn't been there for a number of years...

## CONCLUSION

Undoubtedly, public health resources are scarce and it is imperative to allocate these in a manner that will maximise the benefits of multiple communities and stakeholders, especially where at-risk children are concerned. For children of HIV-positive parents, issues such as being ostracised and stigmatised, being constantly anxious about parents' longevity, and some incidence of drug abuse within the family unit, are but a few that come to mind.

Communication and marketing programs should be designed skilfully and at the same time delicately, in order to effectively target the specific audiences – HIV-positive parents and their children – whilst being sensitive to protecting their privacy and human dignity. It is obvious that parents need assistance with issues that may arise either pre-disclosure, during disclosure, or post-disclosure. Areas to focus on are raising awareness of services and availability of programs, designed for children, ranging from social networking to enhancing their resilience and protecting their mental health.

As some parents indicate in this study, the professional counsellors, social workers, and psychologists that they deal with are not always trained in this specific area of HIV-related issues, and are not always equipped with the knowledge or skills to assist children growing up in families affected by HIV.

HIV-positive parents face not only the gruelling physical, emotional, and psychological battle of dealing with their disease on a daily basis; they also face a multitude of issues in managing their condition as HIV patient and fulfilling their role as parent, simultaneously. Support services in this area are mainly perceived as inadequate or non-existent, with children often suffering as a result.

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References available upon request.



# **INFLUENCE OF PARENTS ON CHILD EATING PRACTICES IN LOW SES COMMUNITIES: IDENTIFYING INSIGHTS FOR HEALTH PROMOTION CAMPAIGNS**

Stephanie Judd, Monash University, Australia  
Joshua Newton, Monash University, Australia  
Fiona Newton, Monash University, Australia  
Michael Ewing, Monash University, Australia

## **INTRODUCTION**

Epidemiological evidence suggests that a diet high in fruit and vegetables helps to promote health and to prevent chronic disease (Bofetta et al. 2010; Hung et al. 2004; Turrell, Stanley, de Looper and Oldenburg 2006). However, Australian data indicates that the consumption of fruit and vegetables is well below the recommended daily intake (Australian Bureau of Statistics [ABS] 2009). Unfortunately, socioeconomically disadvantaged groups are particularly likely to have a diet characterised by low fruit and vegetable intake compared to their less disadvantaged counterparts (Ball, Crawford and Mishra 2006; Giskes et al. 2002). Thus, gaining a better understanding of the factors that intersect with an individuals' ability to obtain a healthy diet, especially for the socioeconomically disadvantaged, is an important issue in health promotion research.

## **METHODOLOGY**

The current study utilised qualitative, semi-structured, multiple stakeholder interviews to investigate factors that influenced fruit and vegetable consumption for residents of two socioeconomically disadvantaged areas of Victoria, Australia. The two areas that were selected as the focal points of data collection are suburban communities, located approximately 40 kilometres south of the Melbourne central business district. These areas were chosen because they are both low socioeconomic areas with very poor fruit and vegetable consumption, as measured by Socio-Economic Indexes for Areas (SEIFA; ABS 2006) and the Victorian Health Population Survey (2008), respectively.

Data was collected using a multiple stakeholder perspective in order to provide a nuanced understanding of the phenomenon under investigation. Utilising a purposive sampling technique, the interviewed stakeholders included residents ( $n = 11$ ), allied health care practitioners ( $n = 7$ ), and community/government workers ( $n = 8$ ) living or engaged with the sampled communities. This study therefore moves beyond the monochromatic perspectives of previous studies, which have tended to focus solely on the views of residents.

The interviews utilised a protocol of standardised open-ended questions, where each respondent was asked the same pre-planned questions to highlight differences in responses, yet retaining the flexibility to probe further into participants' answers. Qualitative data extracted from the interview transcripts were analysed using a grounded theory framework (see Glaser and Strauss 1967). This technique involved within case analysis to identify key components and the formulation of codes that then produced common themes. Cross-case analysis was then utilised to compare similarities and differences with respect to respondents' response patterns and themes. Constant comparisons between and within the key components were undertaken throughout this process to ensure that each concept provided an accurate representation of the original qualitative data. To enhance methodological rigor, a second coder independently analysed the data using the key components generated by the first coder. The coding schemes from the first and second coders were then compared, and any coding inconsistencies were resolved through discussion.

## **RESULTS**

Parents have been found to influence the food consumption practices of their children (Hughes, Power, Fisher, Mueller and Nicklas 2005), although the nature of this influence may vary as a function of their parenting practices. The consumer behaviour literature points to three styles of parenting: authoritarian, permissive, and authoritative (Baumrind 1971). Authoritarian parents place heavy limitations on their child's independence and demand unquestioned obedience to set parental rules and regulations (Baumrind 1980; Carlson and Grossbart 1988; Rose, Dalakas and Kropp 2003). In contrast, the permissive parenting style is characterised by a loose set of parental rules and regulations as parents have very few behavioural expectations for their child (Baumrind 1980; Carlson and Grossbart 1988; Rose, Dalakas and Kropp 2003). Finally, in a more child-centred approach, an authoritative parent establishes rules and regulations while encouraging child autonomy in decision-making processes (Carlson and Grossbart 1988; Rose et al. 2003). As outlined in the following sections,

these parenting styles appear to intersect with the feeding approaches that parents use to manage childhood food consumption practices.

### **Authoritarian feeding style**

Many of the interviewed residents recalled childhood experiences where they felt compelled by their parents to consume certain foods. These parental practices, characteristic of an authoritarian feeding style, not only curtailed their food choices as a child but also appeared to engender a feeling of disempowerment. As a result, when interviewees established their own adult eating habits, they appeared to deliberately rebel against the food choices that their parents had imposed upon them. Thus, evidence emerged of adult negative food consumption habits being grounded in childhood reactance to authoritarian feeding practices.

*[Children] have been castigated by their mothers and forced to eat the food that they didn't want to eat. And when they've got into adulthood or mature they've said 'Bugger it, I'm not going to eat that' because they have still got their mothers voice in the back of their head.* Resident, male

### **Permissive feeding style**

Evidence also emerged of parents who were disinclined to exert control on their child's food consumption. That is, food consumption choices became the purview of the child rather than being the domain of the parent. These practices were indicative of a permissive feeding style.

*I don't care what they eat – they can make it themselves.* Resident, female

This parental permissive feeding style was often born from food fussiness on the part of the child. Specifically, with a preference towards less healthy food options, children tended to dictate family food consumption in favour of such items.

*Our weekly meals usually consist of at least spaghetti, lasagne, at the moment pies, they'll eat pies, family meat pies.... They are so fussy on what they eat and what they're wanting to eat.* Resident, female

Initially, respondents attempted to force their children to consume more healthy food but after some time, and numerous lost battles, it was not uncommon for feelings of emotional exhaustion to overpower inclinations to enforce a more healthful diet. As such, respondents surrendered to their child's unhealthy food preferences in attempts to maintain some form of family equilibrium. Consequently, food preparation is perceived as an arduous task and one that fosters negative food consumption habits.

*I used to slip in one [healthy] meal a week that I think may pass, but more often than not it won't. I'll cook it and they won't eat it.... So now, if you don't want to eat it get something else. It's exhausting.... It's just easier to cook what they are going to eat rather than try and fight them.* Resident, female

Evidence also emerged that the eating patterns condoned by permissive parenting may have contributed to restrictive diets that hampered palate development. That is, because children were not exposed to new and different foods early on in life, they developed taste preferences for a limited variety of foods.

*I was always a fussy eater. I was not into fruit and veg. I wasn't told what to eat. I ate chicken nuggets until I was 17.* Resident, female

Support for this notion also came from interviewed allied health care professionals.

*Children don't eat the stuff.... [Parents] do not introduce kids to vegetables early.* Allied health care practitioner, female

*That's how they are bringing their kids up, if you try and put vegetables in front of them they will not eat them. Now we have children... refusing to eat vegetables. [They] eat chicken and toast.* Allied health care practitioner, female

### **Authoritative feeding style**

Some of the interviewed residents recalled fond memories of being regularly involved as a child in the process of shopping and preparing meals. These inclusive and engaging parental practices were indicative of an authoritative feeding style, which in turn fostered opportunities to try new foods and to learn skills that could facilitate healthful eating.

*I went to the market with Dad every Saturday, and we spent the rest of the day learning to cook. I used to get up very early on a Saturday, and go with dad to the market, and help him buy [fruit and vegetables], and then we would bring it home, and I would watch him cook, and help him cook, and then eventually learn how to cook.... Being able to cook has enabled me to cook a wide variety of vegetables.* Resident, female

Recognising the importance of preserving such treasured family feeding practices for future generations, these respondents have tried to adopt similar authoritative feeding styles with their own children. Mirroring their own upbringing, these respondents tended to involve their children in the food preparation process and to teach their children about the benefits of healthy eating. This has fostered a common interest in fresh produce where their children are willing to try new foods, and respondents reported rarely having to force their children to eat healthily.

*They wouldn't be able to live without... fruit and vegetables, and other fresh produce.... They are interested in [food].... I want [to teach] them to be able to appreciate it, but in a way they already do.* Resident, female

### **Potential moderating influences on parental feeding styles**

While parental feeding styles played an important role in the development of food habits, these styles appeared to be moderated by several processes that are outlined below.

#### Parents as producers, preparers, and consumers of fruit and vegetables

It was not uncommon for the interviewed residents to recall fruit and vegetables being grown by the family for home consumption. As such, their parents were simultaneously engaging in the roles of producer and consumer. Such practices, however, seemed to have had varying impacts on child eating patterns depending on the feeding style adopted by parents. For example, if parents dealt with seasonal gluts in the supply of particular vegetables in an authoritarian manner, it engendered negative connotations in the mind of the child that seemed to endure into adulthood.

*You see as a child my mother would make me eat silverbeet because that is what they had in their veggie patch.... You are never forced to eat fruit as a child. You know as a child you are always forced to eat vegies?.... For us now it is just fruit all the way.* Resident, female

#### Separation of the roles of producing and consuming fruit and vegetables

Interestingly, the action of producing fruit and vegetables was spoken about as something from a bygone era. When reflecting on their current practices, most respondents indicated that they had become totally reliant on supermarkets for their fruit and vegetable needs. As such, the roles of producer and consumer had become unhitched from each other. Whilst this had enabled greater choice, it had also presented new pitfalls that families must navigate around. For example, family purchasers spoke about trying to balance the multiple and often competing preferences of family members.

*[My daughter] doesn't eat much meat.... [She] also won't eat a lot of vegetables.... [My son] won't eat spicy foods.... [My husband] won't eat any fruit.* Resident, female

*Only two of them [will eat fruit and vegetables]. The other one won't eat them at all.... I cook one meal for four, and one meal for one.... [My son] is a very fussy eater.* Resident, female

While the availability of choice does not automatically result in a permissive feeding style, the results suggested that it does allow for the possibility of such feeding styles to emerge. After all, when growing one's own food, it is less easy to cater to the preferences of individual family members because food consumption patterns are influenced by that which is available in the vegetable patch.

*Our cupboards can get really bare because I just don't want to shop for them... I'm walking around [the supermarket] going I have to make the decision of what they're going to eat...you're doing that week in week out and it's frustrating. It's exhausting and I hate it.* Resident, female

#### Perceived parental obligation to provide healthful food

Another core theme to emerge among interviewed parents was how their desire to do what is best for their children acted as a catalyst to improve fruit and vegetable consumption within the family and to limit less healthful foods.

*I am going to be a foster care mum soon. I have to get better [in terms of eating fruit and vegetables].* Resident, female

*I don't want him learning the takeaway [food] role, because it's not good nutrition.* Resident, female

Not surprisingly, the dissonance between knowing and doing often caused self-reproach.

*There is this fear around 'I know what I should be doing, and I am not doing it, I feel kinda guilty about it' [not providing fruit and vegetables to their children].* Community worker, female

Although a desire to provide children with more healthful food options was evident among many respondents, there were often barriers to the successful implementation of these desires. One barrier that was particularly evident, especially among those with a permissive feeding style, was an inability to deal with child food fussiness. Specifically, parents perceived that the restricted food preferences of their children made it difficult to establish the dietary habits necessary for healthy living. These parents therefore considered that making fruit and vegetables available was sufficient to meet their parental obligations regarding the need to provide a healthy diet, even if their children did not actually consume this food.

*Some of the kids will eat some of it, some of them won't, but it is all there if they want to eat it, they can eat it.*

Resident, female

From the perspective of the allied health care practitioners working in these communities, child food fussiness was a barrier to healthy food consumption because parents felt ill equipped to manage such selective food preferences. That is, parents seemed to lack the skills necessary to circumvent the fussy eating behaviours that prevent the adoption of healthy dietary habits. As such, although parents felt obliged to provide their children with a nutritious diet, they reported difficulties in surmounting the barriers preventing this desire from coming to fruition.

*I think parents are unsure of what to do with the food fussiness when it arrives, and what are some of the tips and techniques so they are more looking for parenting advice around tips and techniques and managing fussy eaters.*

Allied health care practitioner, female

## DISCUSSION

The results from this study highlight the importance of social networks, particularly those embedded within the family unit, on food consumption. That is, children's food consumption practices appear to be influenced by the feeding styles adopted by their own parents. For example, authoritative parental feeding styles were often associated with healthier child food consumption practices relative to authoritarian or permissive feeding styles. As such, authoritative practices, such as involving children in family food shopping and preparation processes, may foster healthier eating practices.

Moreover, there is evidence of intergenerational transmission of eating patterns and food choice preferences. Therefore, future efforts to ameliorate low intake of fruit and vegetables may benefit from targeting familial communication around food shopping and preparation.

Two processes appeared to moderate the influence that parental feeding styles had on the development of food consumption practices. First, a separation of the roles of producer and consumer opened the possibility for family members to influence the food purchase decisions of families, giving rise to the possibility that permissive parenting food styles would be adopted. Second, although children seemed to motivate parents to make healthy food options available within the home, child food fussiness often presented as a barrier to the actual consumption of such food items. As such, these findings point to a need to better equip parents with the skills necessary to manage child food fussiness in order to encourage the adoption of healthy food consumption practices.

In conclusion, the complex relationships that underpin the parent-child dyad appear to have a strong impact on the consumption of fruit and vegetables. Efforts to improve fruit and vegetable consumption within low socioeconomic communities should therefore consider how the bilateral relationships that characterise parent-child interactions influence food habits.

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# **A REGIONAL APPROACH TO IMPLEMENTATION AND EVALUATION OF STRATEGIC HEALTH COMMUNICATION CAMPAIGNS TO SUPPORT NON-COMMUNICABLE DISEASE PREVENTION IN PACIFIC ISLAND NATIONS**

Tahir Turk, World Lung Foundation, USA.

## **ABSTRACT**

In the Pacific region, the burden of Non-Communicable Diseases (NCDs) is an immediate threat to Pacific Island countries. NCD related mortality and morbidity is rising at an alarming rate as a result of a combination of unhealthy lifestyles and environmental changes which have driven increased levels of physical inactivity, unhealthy diet, tobacco and alcohol use. In September 2011, the United Nations General Assembly held a high-level meeting on the Prevention and Control of NCDs to accelerate the implementation of global strategies to prevent NCDs and to influence greater investment in these strategies as part of global development. The UN agency resolutions highlight the urgent need for a regional, evidence based, best practice approach to communication programs for NCD prevention in the Pacific. Strategic Health Communication (SHC) has been identified as a priority for Pacific countries to support NCD prevention programs and protective behavioural changes. This paper seeks to explore the issues involved in leveraging strategic health communication campaigns in the Pacific.

## **INTRODUCTION**

Non-communicable diseases (NCDs), such as heart disease, cancers, diabetes and stroke, are a leading cause of death globally with indicators identifying that low-and middle-income countries (LMICs) carry a major burden of disease.<sup>1</sup> In 1998, 77% of the total number of NCD deaths occurred in developing countries, and 85% of the NCD burden was borne by LMICs.<sup>2</sup> These diseases place a significant burden on health systems already struggling to cope, and they reduce workforce productivity and household income.<sup>3</sup>

In the Pacific region, the burden of NCDs is an immediate threat to Pacific Island countries. NCD related mortality and morbidity is rising at an alarming rate as a result of a combination of unhealthy lifestyles and environmental changes which have driven increased levels of physical inactivity, unhealthy diet, tobacco and alcohol use.<sup>4 5</sup> In September 2011, the United Nations General Assembly held a high-level meeting on the Prevention and Control of NCDs to accelerate the implementation of global strategies to prevent NCDs and to influence greater investment in these strategies as part of global development. A key resolution of the meeting was to underscore the need for concerted action and a coordinated response at the national, regional and global levels in order to adequately address the developmental and other challenges posed by NCDs, in particular the four most prominent non-communicable diseases, namely, cardiovascular diseases, cancers, chronic respiratory diseases and diabetes.<sup>6</sup> The UN agency resolutions highlight the urgent need for a regional, evidence based, best practice approach to communication programs for NCD prevention in the Pacific.

## **BACKGROUND**

### **Strategic Health Communication**

Strategic Health Communication (SHC) has been identified as a priority for Pacific countries to support NCD prevention programs and protective behavioural changes.<sup>7</sup> SHC approaches have evolved to incorporate a comprehensive range of audience-focused processes in which insights from dialogue with stakeholders and research findings with target audiences inform decisions about the best ways to affect behaviour change.<sup>8</sup> Some of the approaches include identification of problems and populations at most risk, defining of program objectives, identifying an overall strategic approach, articulating key messages, selecting communication tools and channels, and developing a management and monitoring system.<sup>9</sup>

From a SHC perspective, the World Health Organisation (WHO), Secretariat of the Pacific Community (SPC) and the Australian Sports Outreach Program (ASOP) managed by the Australian Sports Commission (ASC) have been providing technical assistance to a number of Pacific countries to encourage the up-scaling of strategic health communication approaches.<sup>9</sup> This includes the development and evaluation of population level, social marketing communication programs. Thus community based activities are supported by the agenda setting functions of mass media. The approach is underpinned by robust evidence that timely and well constructed messages delivered through mass media channels of communication can rapidly set the program agenda, promote community discussion, build knowledge and risk perceptions of the risks of unhealthy lifestyles and support community activities for health problems including NCDs.<sup>10 11</sup>



## **The Communication Problem**

Up to 80% of heart disease, stroke, and Type 2 diabetes and over a third of the most common cancers, could be prevented by eliminating obesity, unhealthy diets and physical inactivity.<sup>12</sup> To address these health challenges the WHO Global and Regional NCD Action plan has called for a commitment to action on regulation, policy and strategies for NCDs at international and national level. The 'Pacific Framework for the Prevention and Control of Non-Communicable Diseases' has also guided the development of the '2-1-22' Pacific NCD Program. This support funded by AusAID and NZAid from 2008-2011 has ensured that most countries in the Pacific have developed or are working towards National NCD Plans which focus on NCD prevention addressing the main risk factors.<sup>13</sup>

## **Challenges to Evidence Based Communication Campaigns in the Pacific**

Despite considerable evidence of the potential for SHC and social marketing campaigns to achieve protective behavioural outcomes in high-income countries, as well as emerging evidence from some low-and middle- income country settings, a number of programming challenges are evident in the Pacific. One of the key challenges in developing effective communication interventions to address NCDs in the Pacific are the scarce financial and human resources across the small island communities – 22 island nations totalling around 10 million people; comprising Melanesia (8.8 million or 88%), Polynesia (668,000 or 7%) and Micronesia (546,000 or 5%), scattered over thirty million sq. km. of mostly ocean area (SPC, 2011<sup>14</sup>).

Opportunities to build a strong evidence base for programming are, therefore, particularly difficult in the region. Health economists have identified the “under-populated, dispersed, and different nature of the public health evidence base” due to the “few outcome evaluations of public health interventions and fewer still that examine the distributive effects of interventions across different social groups. Furthermore the researchers add; “This research can assist in shedding light on the most effective means of reducing health inequalities.”<sup>15</sup> It is likely that these programming challenges are compounded in the Pacific Island countries.

Opportunities to develop comprehensive SHC programs given the considerable resources required for formative research, message design and pre-testing, materials development and outcome evaluations will continue to hamstring program coverage unless a more expedient, cost effective and academically rigorous approach to communication campaign design, implementation and evaluation is considered. The communication challenges identified in the Pacific are not unique to this region but affect public health communication programs to varying degrees in many LMICs, due to resource limitations. However, communication programming problems may be exacerbated in the Pacific given the small and dispersed populations. For example, human resource and financial costs for the development of a national SHC campaign conducted in a country like Tonga with a population of around 100 thousand people across an archipelago of 175 islands<sup>16</sup> can be expected to be similar (excluding media placement and community delivery) to evidence based, health communication campaigns developed for much larger low-and middle-income countries such as India: 1.25 billion pop., China: 1.35 billion pop.,<sup>17</sup> or Russia: 138 million pop.<sup>18</sup>

A recent Strategic Health Communication Training Needs Assessment Survey conducted by SPC identified that overall, 62.3% of respondents selected research, monitoring and evaluation as their top need.<sup>19</sup> This highlights the desire by stakeholders to build a stronger evidence base for communication programming in the Pacific Island countries. These combined country and regional challenges impact on the efficient delivery of timely, evidence based, NCD communication campaigns in the region, despite considerable funds being available from donors for these efforts. The poor absorption capacity of Pacific country's to expend donor funds due to limited human and technical capacity has created a 'vicious cycle' to further erode confidence to implement effective communication, social marketing and behaviour change programs. Ultimately, these challenges undermine country opportunities to source additional donor funds given their inability to demonstrate academic rigour in their communication interventions or achieve measureable behavioural impact for NCD prevention with target populations.

## **Opportunities for Leveraging Strategic Health Communication Campaigns in the Pacific**

Currently the Australian Sport Outreach Program (ASOP) Tonga is conducting a SHC 'demonstration project' to promote Netball in the country as a viable, fun and health promoting physical activity for women who are at particular risk of NCDs. As well as support from the lead agency of the Ministry of Training, Employment, Youth and Sport (MOTÉYS), SHC also has strong support from the Ministry of Health (MoH) in Tonga, which has been working with WHO to deliver SHC training to key health sector stakeholders, including members of the four sub-Committees mandated to complete SHC plans supported by the Tonga Health Promotion Foundation (GOT, 2010<sup>20</sup>). The use of needs assessment and 'rapid assessment and response' approaches has supported the development of a comprehensive communication strategy as well as eliciting engagement of program stakeholders and the broader community in the strategy.<sup>21</sup>

The communication strategy developed for the Netball Physical Activity Phase 1 Communication Campaign articulates a staged approach to the roll-out of national campaigns to promote Healthy Islands Through Sport (HITS). The strategic approach could also be applied to other NCD communication programs. The SHC planning model for the Tonga Netball Communication Strategy has been adapted from other evidence based health communication strategies developed for Pacific Island countries<sup>22 23 24</sup> and elsewhere.<sup>25 26</sup> To date, the approach has been endorsed by both Ministers from MOTEYS and MoH as well as receiving support from Tongan stakeholders. Preliminary outcome evaluation results for the Phase 1 Communication Campaign indicate a number of positive behavioural outcomes.<sup>27</sup> This bodes well for the application of the strategic approach to other Pacific Island country NCD campaigns.

### **Potential for Regional NCD Communication Approach**

A relatively recent development utilised in the resource constrained settings of LMICs has been an international approach to the identification and cultural adaptation of communication materials to address NCDs. A ten country message testing study was undertaken by World Lung Foundation (WLF) to evaluate the efficacy of a priority NCD area; tobacco control communication campaign messages.<sup>28</sup> A similar study was conducted 8 years prior, across three high-income countries of Australia, the USA and Gt. Britain.<sup>29</sup> Since that time the communication testing approach has been replicated with a three country study (second-hand smoke)<sup>A</sup> in India, China and Russia; and a regional four country study in Africa (tobacco control) currently underway in Kenya, Nigeria, Senegal, and South Africa.<sup>30</sup>

Based on the successes of these global and regional communication pre-testing studies, the methodological approaches to evaluating and adapting communication materials has also recently been applied to the area of Road Safety (study currently underway) in Cambodia, China, Kenya and Mexico.<sup>31</sup> The study items and scales have also been utilised for evaluating the efficacy of threat communication appeals for an illicit drug public communication campaign in Serbia.<sup>32</sup>

The findings from these multi-country message testing studies identify that despite different histories and cultures, people from varied regions are likely to respond in similar ways to specific types of communication stimuli, accepting the need for minor cultural adaptation. This hypothesis is subject to the communication materials initially being pre-tested as well as evaluated for their efficacy though post-intervention outcome evaluations in other country settings. The success of the multi-country evaluation approach has been demonstrated through considerable cost and time savings, whilst maintaining campaign message impact. Since 2008 WLF has rolled-out more than 90 national/regional, high-impact, strategic, population-level, communication campaigns in 21 low-and middle- income countries.

### **METHODOLOGICAL APPROACH**

In line with the abovementioned message testing studies, the goal of a regional approach to NCD communication campaigns would be to assess the comprehension, acceptability, and potential effectiveness of specific communication materials to promote NCD prevention issues in the Pacific Region. Specific objectives could include the potential of the communication materials to:

- Increase awareness and build risk perceptions of the health harms of NCDs;
- Change attitudes and beliefs toward NCD risk behaviours;
- Increase self-efficacy/perceived behavioural control (skills and perceived ability) and behavioural intentions to engage in health promoting activities;
- Increase levels of preventive NCD health related behaviours.

The efficacy of pre-testing and adapting communication campaign materials has been acknowledged as a viable and cost effective approach to global and regional design of health messages (Cotter et al., 2010<sup>33</sup>). It is likely that a similar methodological approach for NCD communication materials design and development can also be applied to communication campaigns in the Pacific region. However, a research challenge that emerges relates to the styling of existing evidence based, NCD communications available from high-income countries. Potential cultural incongruence's in the visual depiction of

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<sup>A</sup> Study data currently being analysed. See World Lung Foundation at: [http://67.199.72.89/mmr/english/ads\\_shs.html](http://67.199.72.89/mmr/english/ads_shs.html)



scenarios may require the rendering of the communications into more culturally adapted storyboard ‘animatic’ formats.<sup>B</sup> This additional ‘rendering stage’ may eliminate any cultural or styling issues which may bias the final pre-test results. Other methodological considerations include the use of an expert panel of assessors to develop assessment criteria, and collect and rate world’s best practise NCD communication materials which could be used for the Pacific regional message testing study.

### **Regional Countries Participating in the Study**

It is recommended that the study be conducted in at least five of the 22 Pacific Island nations. These could include a number of the current ASOP countries: Tonga, Samoa, Kiribati, Nauru, and Vanuatu. However, if a truly regional approach is to be considered for roll-out of evidence based, communication campaigns across all the Pacific Islands, other countries in the region should be considered. This could include countries which cover all three of the Pacific Regions that are most likely to have existing internal capacity to conduct the study fieldwork. Therefore, other countries to be considered for the study could include: Fiji and Tonga (Polynesia), Papua New Guinea (Melanesia), Pulau and Marshall Islands (Micronesia).

### **Human Resources Technical Support**

Adequate technical support will need to be provided to efficiently complete the study in the five country settings. Technical assistance could include support through an expert panel of selectors for the initial selection of at least five international best practise messages from each of the four NCD areas. Additionally, locally selected spots [if available] could also be selected and tested against the international best practise communication messages. Local market research suppliers would have to be contracted to conduct the field research, data analysis and presentation of raw data. Final collation and report writing would be managed by the chief researchers.

Additionally, technical assistance will be needed to adapt the messages and research instruments into local languages. The final determinations on the level of support required—number of technical advisors, relevant skill-sets and the number of human resource days, will require an initial assessment with various country stakeholders and program beneficiaries. The objective of this stage of the program development will be to assure long term capacity development and a level of sustainability in technical programming for future implementation of NCD communication campaigns.

### **Regional Hub for Centres of Communication Programming Excellence**

One possibility for creating and expanding a regional approach to strategic communication programming in the Pacific is to establish ‘centres of programming excellence’ through a regional hub. This could be located in a country with an existing level of programming capacity such as Fiji or Papua New Guinea. Staff from academic, private or public sector institutions could be trained on specific aspects of communication programming, particularly in the areas of formative research, needs assessments, message pre-testing and adaptation of communication materials, as well as communication campaign outcome evaluation methodologies. The establishment of a regional hub of programming excellence could provide long-term sustainability of best practise programming approaches. The centre could also provide training opportunities for skills transfer and capacity building of other Pacific Island, communication program staff.

### **Online Repository for Best Practise Pacific Health Communication Campaign Resources**

An internationally recognised and academically rigorous approach to NCD communication design, implementation and evaluation could provide long lasting benefits to Pacific Island countries tackling the current challenges of NCD prevention. Given the potential to identify and adapt up to 5 or more best practise messages for each of the NCD areas through a regional message pre-testing protocol, and standardised approach to campaign implementation and evaluation, considerable impact could be achieved through the rapid roll-out of strategic health communication campaigns. Following the initial pre-testing and capacity building stages, long-term savings could also be achieved by country programs. This would be done by negating the need for individual country message design and pre-testing and development of regional media materials which could be easily culturally adapted and integrated with community programs.

The adaptation and dissemination of existing best practise communication materials could be facilitated through an online communication resource repository. The Website would allow country staff and other stakeholders to quickly review adapt and contribute to this valuable resource centre for best practise NCD communication campaign materials. An example of a similar online communication materials repository for tobacco control campaigns can be viewed at:

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<sup>B</sup> Animatics are illustrator rendered storyboards in a televised format with soundtracks and other graphics used for formative market research studies. As well as providing a cost effective alternative to producing final TV spots, animatics provide an accurate interpretation of how the final recorded PSA may look. The technique allows for cultural ‘nuancing’ and reducing of distracting message factors such as locations, talent and wardrobe representation.

<http://www.worldlungfoundation.org/ht/d/sp/i/5835/pid/5835> The online communication resource centre can be developed and maintained by consultants or devolved to SPC/WHO staff currently operating across the Pacific region.

### **Level of Effort**

A staged approach to the message pre-testing, adaptation of materials and eventual roll-out of communication campaigns is proposed. Estimates of the level of effort (LOE) required to complete each stage of the strategic health communication planning cycle, are contingent on a number of factors. These include Pacific country internal capacity—public and private sector—to support various deliverables. Also acknowledged are the differing skill-sets required for completion of various stages of the campaign's roll-out. For instance, Stage 1- Formative research would require commissioning of a market research agency in each country (or a regional agency working across a number of countries) to recruit the focus groups and administer the protocol.

Given these considerations, there are a number of aspects of the research and development program that will not be able to be ascertained until the completion of the initial scoping study. This could include an assessment of country capacity to conduct audience research for the message pre-testing component as well as implementation and evaluation of the communication campaigns. Following the scoping study, more specific advice could be provided for the research and evaluation stages.

## **DISCUSSION**

NCDs are an imminent and growing problem in the Pacific with considerable resources from Health budgets depleted through the treatment of a growing number of largely preventive lifestyle diseases. The small scale and limited technical capacity of many Pacific Island nations make it difficult to adopt evidence based communication approaches. A regional message testing study for NCD communication campaigns, coupled with training in effective implementation and outcome evaluation can greatly speed-up the roll-out of best practice communication campaigns to support community based NCD prevention activities across the Pacific. The approach has proven successful for the implementation of more than 90 population level tobacco control communication programs conducted across large, high-burden LMICs such as China, India, Russia, Turkey, Mexico and Bangladesh. Indications are that it would also provide many benefits worthy of donor consideration in the Pacific Island countries.

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**Session 5.7. Nonprofit Marketing: Contemporary Challenges**

Room: Swanston #1

Session Chair: Anne Lavack, Thompson River University

***Internal Competition and Cooperation at Art Museums: A Qualitative Exploration***

Sandra Mottner, Western Washington University

John Ford, Old Dominion University

Theresa Kirchner, Hampton University

***SERVAQUA: Towards a Model For Service Quality in Potable Reticulated Water Services***

Peter Prevos, La Trobe University

***Development of a Market Orientation Research Agenda for the Nonprofit Sector***

Paul Chad, University of Wollongong

Elias Kyriazis, University of Wollongong

Judy Motion, University of New South Wales

**Thursday, 10:00-10:30 a.m.**

**Refreshment Break**

## **INTERNAL COMPETITION AND COOPERATION AT ART MUSEUMS: A QUALITATIVE EXPLORATION**

Sandra Mottner, Western Washington University  
John B. Ford, Old Dominion University  
Theresa Kirchner, Hampton University

Internal competition and internal cooperation and/or collaboration are constructs that are defined most often in managerial literature. The two constructs are generally seen as having a poor influence on outcomes in the case of internal competition and more positive outcomes in the case of cooperation/collaboration. However, outcomes in the nonprofit world are not so easily defined as in for-profit businesses. Further, the concepts on internal competition and internal cooperation are not well understood in the nonprofit arena. This research explores the concepts using qualitative in-depth interviews from a variety of U.S. non-profit art museums in order to begin the development of a better understanding of how the presence, intensity and nature of internal competition and internal cooperation manifest themselves.

The art museums studied include a variety of art museum venues from vast collections to single medium collections. Some are funded or partially funded by government agencies. Some are solely funded by donations and grants. The footprint and collection size as well as amount of paid and volunteer staff varied. At each art museum three perspectives were gathered and analyzed. The subjects of the in-depth interviews included an executive with strategic responsibilities, someone with marketing and/or financial support responsibilities and then someone with collections or curatorial responsibilities.

What developed from a synthesis of these interviews was a relatively complex view of the nature and intensity of internal competition and cooperation. In general, internal cooperation that had a strong understanding of and unity around a central mission seemed to be most effective in achieving the art museum's mission. Internal competition was more complex in nature. Depending on personal characteristics such as personal ego, the strength of the museum's mission as understood by various players and a variety of other factors, internal competition appeared to play a role in both detrimental effects and/or positive effects in terms of art museum mission achievement.

References available upon request.



# **SERVAQUA: TOWARDS A MODEL FOR SERVICE QUALITY IN POTABLE RETICULATED WATER SERVICES**

Peter Prevos, La Trobe University, Melbourne

## **ABSTRACT**

The purpose of this paper is to propose a conceptual model for total service quality in the provision of networked technological services, dominated by tangible elements, with specific reference to reticulated water for customers in urban environments. A range of methods to measure the level of service provided by water utilities exists, most of which focus on the intrinsic quality of water supply, measured from the perspective of the service provider. These methodologies largely omit the quality of service as experienced by the customer, limiting their ability to drive customer centric management. A conceptual model is derived from a synthesis of literature on services quality. The face and content validity of the model are assessed using a qualitative case-study approach in which the views of organisations representing customers in this industry were sought. It was found that existing service quality methodologies cannot account for the specific context of water services, a service with high tangibility and low customer interaction. The paper concludes with suggestions for further research into this problem.

## **INTRODUCTION**

The provision of reticulated potable water, i.e. tap water, is a natural monopoly, which exist in most markets for networked services, such as telecommunication, transport, electricity, gas and sanitation and occur when “due to the economies of scale of a particular industry, the maximum efficiency of production and distribution is realised through a single supplier” (DiLorenzo, 1996, p. 34). Distinguishing issue for services provided in a natural monopoly is that dissatisfied customers can not change service provider. This impacts how water utilities manage their customers; without the threat of defection there is no intrinsic motivation for the organisation to maximise service quality (Flynn, 1990). Monopolised service provision and the associated absence of consumer choice has necessitated the regulation of such markets, often through so called ‘yard-stick competition’, where the performance of monopolistic service providers is compared with peer organisations in similar markets (Braadbaart, 2007).

These regulatory frameworks have driven many water utilities to initiate customer service programs. These are, however, often driven by the reporting requirements of the regulator rather than by an internally motivated customer-focus imperative (Karbowski, 2003). A range of methodologies to implement performance measurement of reticulated water services exists (Berg, 2010; Cabrera, 2011), most of which focus on the intrinsic quality of water supply, they focus on technical parameters such as chemical composition and electrical conductivity, which are measured from the perspective of the service provider. These methodologies are problematic because they largely omit the quality of service as experienced by the customer, limiting their ability to drive customer focused management. The literature on service quality in networked services is sparse, with only one empirically tested model for service quality developed for reticulated water (Babakus, 1993). This methodology is, however, incomplete as it focuses on the supplementary services provided by water utilities, omitting consumer perceptions of core services.

The purpose of this paper is to propose a conceptual model for total service quality in the provision of networked technological services, dominated by tangible elements, with specific reference to reticulated water for customers in urban environments. A conceptual model is derived from a synthesis of literature on services quality. The face and content validity of the model are assessed using a qualitative case-study approach in which the views of organisations representing customers in this industry were sought. The paper concludes with suggestions for further research into this problem.

## **RETICULATED WATER SUPPLY AS A SERVICE**

The supply chain for water and sanitation services is a closed system that forms part of the natural hydrological cycle (Grigg, 2012). Water in its natural environment has limited usability for customers in an urbanised setting as it is generally not fit for human consumption. The service provider extracts water from the natural environment and adds value through purification and pressurisation of the natural resource, delivering the final product into the customer's premises. Water is used by customers and subsequently returned to the natural environment.

The provision of tap water is a service as customers effectively only purchase the *right to use* the water and pay for the value

added by the service provider. The water itself does not change ownership, since the natural water cycle forces it back to the environment through evaporation or natural water flows. Consumption of water is thus defined by a reduction in quality of the technical parameters salient to customers (Zetland, 2011): purity and pressure. After water has been used by the customer, it is dispersed back into the natural environment at a level of quality lower than potable water. Unlike other products, water is returned to its original state as a raw product through technological and natural processes; ready to be harvested and included into the next value stream, closing the natural water cycle.

Reticulated water as a service is dominated by tangible elements as the water is a physical product, making it high in experience qualities (Rushton & Carson, 1985), i.e. the customer is able to assess the level of service through their own experience. Experience qualities are attributes, such as taste and aesthetic appearance, that can only be discerned after purchase or during consumption. A water service also contains credence qualities, which are attributes which customers find impossible to evaluate, in part because they do not possess the knowledge or skills to do so (Rushton & Carson, 1985). Credence qualities in reticulated water are particularly important with reference to the chemical and biological composition of the water required to maintain public health.

Reticulated water is provided at arm's length from the service provider as the water is directly delivered to the customer's premises. The service can as such be classified as a *service factory*. These are services with a low degree of human interaction, minimal options for customisation, low labour intensity and a higher ability to manage heterogeneity than other types of services (Schmenner, 1986). The only interaction between staff and the customer occurs in situations of exceptions, i.e. updating customer information, billing or service recovery. These characteristics do, however, only apply to the core service provided by water utilities, i.e. the actual water as supplied to the customer's tap. The supplementary services, such as information provision, billing and complaints handling (Grönroos, 1990; Lovelock, 1992), require a much higher degree of interaction between service provider and customer and are in fact the only time when the customer directly interacts with the service provider. These characteristics are important considerations in defining a model for service quality of potable reticulated water, as proposed below.

## MODELS OF SERVICE QUALITY

Service quality is a model of how the quality of service provision is perceived by customers (Zeithaml, Berry, & Parasuraman, 1993). Understanding how services are evaluated is of importance as it will enable the organisation to influence these evaluations in the desired direction (Grönroos, 1990). Service quality is of academic and managerial importance because of its apparent relationship to costs, profitability, customer satisfaction and positive word of mouth. Service quality is widely regarded as a driver of corporate marketing and financial performance (Buttle, 1996; Carrillat, Jaramillo, & Mulki, 2007). A rich literature on service quality has been published in the past three decades, which saw the development of two distinct schools of thought, the Anglo-Saxon and the Nordic model (Brogowicz, Delene, & Lyth, 1990).

The discourse on service quality is dominated by the ubiquitous SERVQUAL gap-model approach (Parasuraman, Zeithaml, & Berry, 1988). In this model, service quality is conceptualised as a gap between what the customer expects from a class of service providers, e.g. all hotels, and their evaluation of the performance of a particular service provider, e.g. The Langham Hotel (Buttle, 1996). The SERVQUAL construct consists of five dimensions, i.e. reliability, assurance, tangibility, empathy and responsiveness, four of which are related to intangible elements of service provision.

The presuppositions of the SERVQUAL model have been repeatedly criticised (Buttle, 1996). Firstly, there is evidence that the five dimensions of the construct have a high degree of intercorrelation. Research in a water utility by Babakus (1993) produced a single factor model of service quality instead of the traditional five factors. Possible explanations of this are mainly related to the nature of reticulated water as a service, being a low involvement service factory. The service quality construct might be factorially complex in some industries, but uni-dimensional in other industries. Service quality measurement should thus be context specific, accounting for the characteristics of the service under consideration. The generic model needs tailoring to industry-specific circumstances and several alternative models, building on the SERVQUAL methodology, have been developed over the years, such as HEDPERF in higher education (Abdullah, 2005) and LibQUAL+ in libraries (Cook, Heath, & Thompson, 2002). Secondly, the dimensions of SERVQUAL are weighted towards the intangible aspects of a service, which makes it less suitable to services dominated by tangible elements where the customer is better able to directly assess the quality of the service. Last objection to SERVQUAL germane to this paper is that the gap model has a process orientation and focuses on the process of service delivery, ignoring the outcomes of the service encounter (Buttle, 1996). Although the gap model recognises that actual service delivery influences perceived service quality, the model only measures the gap between expected service and perceived service, ignoring the gap between actual service delivery and perceived service delivery.

In the Nordic model of service quality, popularised by Christiaan Grönroos (1984, 1990), total perceived service quality is the outcome of an evaluation process where the customer compares context specific expectations of quality with the experienced quality. The expectations of quality are context specific to the firm under consideration and not based on the total class of service providers, as is the case in the Anglo-Saxon model. The expected service is influenced by the marketing activities of the service provider and external influences, such as word-of-mouth, corporate image and customer needs.

In the Nordic model, the outcome of the service and the process of service delivery are both recognised as forming part of the experienced quality. Services are characterised by the inseparability of production and consumption and the outcome of this production process is that which the consumer receives as the result of interacting with the service provider. In the Nordic model this outcome is expressed in the *technical quality* of the service, which can be assessed by the customer, like the technical dimensions of a product. But as services are produced in interaction between the consumer and the service provider, technical quality alone cannot account for the quality as perceived by the customer. Customers are not only interested in the outcome of a service process, they are also interested in how the service is provided, they are interested in the *functional quality* of the service.

Third quality dimension identified by (Grönroos, 1984, 1990) is the image of the service provider, which moderates both technical and functional quality to arrive at a perceived level of service. The public image of the service provider appears in both sides of the total perceived quality equation as it is also considered to moderate expected quality. Grönroos indicated that technical and functional quality are interrelated, but argued that functional quality was more important to the quality of the service, as perceived by customers, than the other factors and that the performance of staff in direct contact with customers can compensate for a lower technical quality (Brogowicz et al., 1990).

### CONCEPTUAL MODEL: SERVAQUA

Several performance measurement models for water services have been reported in the technical literature on water supply (Berg, 2010; Cabrera, 2011). These methodologies are not customer centric as they are predominately focused on intrinsic quality of the water supply instead of service quality. These methodologies are based on measuring the technical parameters of service delivery, thus focusing on the product-like aspects of water services from the perspective of the service provider. Due to their internal perspective, these methodologies are not likely to be effective in driving customer focused behaviour by service providers.

The SERVQUAL methodology has been reviewed in the literature for use in water services (Vloerbergh et al., 2007), but little research has been undertaken to confirm its applicability. The SERVQUAL model has been investigated for an energy retailer, a service that can be considered analogous to water. It was found that SERVQUAL cannot fully account for service quality in these essential services (Babakus & Boller, 1992). This finding subsequently led to the development of a context specific service quality model for reticulated water (Babakus, 1993). This model comprised of a 15-item uni-dimensional service quality construct, consisting primarily of service attributes concerning the behaviour of employees. Both the model proposed by Babakus and the standard SERVQUAL methodology only account for the process aspects of water services and ignore the technical outcomes. These methodologies are heavily weighted towards supplementary services, which have different characteristics to core services in water supply, mainly due to the higher level of interaction between service provider and customer and the lower level of tangibility of supplementary services compared to core services. The inclusion of core services in measuring service quality in reticulated water is essential as the large majority of interactions between the customer and the service provider happen at the customer's tap and there is rarely any need for direct interaction between employees of the service provider and its customers.

The distinction between technical quality and functional quality makes the Nordic model a more suitable framework to develop a service quality framework in reticulated water. Technical quality constitutes the set of measurable physical parameters of the tangible aspects of the service, as perceived by the customer, i.e. the level of purity, pressure of the core services. Due to the lack of customer interaction in the provision of core services in water, it is reasonable to propose that functional quality in water supply is fully located in the supplementary services, e.g. billing, information provision and so on. To develop a salient model for service quality in water a distinction needs to be drawn between core service (technical quality) and supplementary services (functional quality).

#### Technical Quality: Core Services

The core service in reticulated water is dominated by tangible elements as water can be directly experienced by customers.

Evaluation of the service is based on experience qualities because the customer is able to assess most aspects of the core service through visual, tactile, olfactory and gustatory verification. Each opening of a tap consists of two Moments of Truth: the pressure and purity of the water are assessed against the customer's expectations. The technical quality of the service can, however, not be fully assessed by customers as some aspects of purity of water are imperceptible, i.e. some impurities can not be seen or tasted, although they do constitute a reduction in quality. These imperceptible qualities are credence qualities and although these qualities of the water can not be directly verified by the customers senses, they can be determined by the service provider.

Practical experience in the provision of water services reveals an inherent tension between technical quality and functional quality. Operators of drinking water systems are required to comply with local regulatory requirements. Meeting these requirements can, however, lead to a reduction in service quality. For example, adding chlorine is essential to ensure public health in that it destroys micro-organisms. In some communities, however, chlorine is perceived as an unwanted chemical, leading to a reduction in service quality (Kot, Castleden, & Gagnon, 2011). This example shows that the quality of a service can be defined from two perspectives: that of the customer and that of the service provider. The customer assesses the experienced quality attributes with reference to what is capable of being perceived. From the service provider's perspective, quality resides intrinsically within the service itself. The recognition of intrinsic quality does not negate the importance of the customer's perception, but relying on service quality alone fails to accommodate the importance of attributes intrinsic to the service in influencing service quality and value offered to the customer (Walker & Johnson, 2009). A distinction can thus be made between extrinsic and intrinsic technical quality. Extrinsic technical quality is based on the perception of customers, while intrinsic technical quality is embedded within the service itself and includes credence qualities not directly observable to the customer. These considerations lead to the suggestion that technical quality needs to be determined from both perspectives in order to provide a complete view of service quality.

To measure intrinsic technical quality from a customer's perspective, the time-price for water can be used to conceptualise this aspect of the construct. Customers don't only pay for the service with their money, but also with their time. This is specially important in services as production and consumption occur simultaneously (Becker, 1965; Davies & Omer, 1996). The time-price of residential water consumption in developed markets is negligible due to the technological advancement in hydraulic and chemical engineering. This is stark comparison with areas without reticulated water where woman may spend hours every day obtaining their daily allocation of water (Williams & Mountjoy, 2012). A time-price is, however, incurred when the core service does not meet the expectations of the customer, either water does not have the expected purity and can not be used for its intended purpose or the pressure is either too low or too high, or even zero. This leads to the idea that a water utility providing a perfect level of service is invisible to the consumer (Prevos, 2012). A perfectly invisible water company delivers water whenever customers wants it; customers never need to contact the service provider; bills are accurate, easy to understand and pay and so on. Customer pay additional time only in cases of service failures, in those instances where water is not available or needs to be boiled before it is suitable for human consumption due to treatment failures. Using this time-price concept and its relation to service failures, the intrinsic technical quality of the core service can be estimated by assessing the likelihood that a Moment of Truth is confirmed, i.e. the likelihood that expectations are met at each interaction with the service provider. Using methodologies developed for the Six Sigma improvement system (George, 2003), the level of service can be expressed in Defects per Million Opportunities (DPMO):

$$DPMO = \frac{\text{disconfirmations} * 10^6}{2 * \text{Moments Of Truth} * \text{population}}$$

For example: a water utility serves a population of 100,000 people who each use their tap an estimated ten times per day. On average, a service failure occurs to 10 customers in the system where water is dirty or not available for a period of half a day. This can be expressed as 50 disconfirmations of service expectations regarding purity. The level of service for that day, expressed in DPMO equals 25. This can also be expressed stochastically in that for 99.998% of all Moments of Truth in the core service, expectations were confirmed. To fully develop this measure, further technical modelling is required, which falls outside the context of this paper. Similar approaches to determine intrinsic technical quality can be developed for analogous service factories dominated by tangible elements.

Second perspective on technical quality are the extrinsic views of technical quality of the customers themselves. Customers will, however, only be able to evaluate the experience qualities of the water through sensory verification. Given the fact that the technical quality of the water supply also contains credence (intrinsic) qualities that cannot be assessed by customers, it is hypothesised that the intrinsic technical quality and extrinsic technical quality will not be the same.

### **Supplementary Services**

The functional quality of water services is almost exclusively located in the provision of supplementary services, which are characterised by a high level of customer interaction with the service provider and a low level of tangibility. The scale developed by Babakus (1993) illustrates the importance of supplementary services in the development of service quality perceptions as almost all items identified in his model relate to organisational behaviour. The uni-dimensional model consists of fifteen elements, all of which mainly relate to the supplementary services:

1. Billing accuracy
2. Reliability of services
3. Efficiency of services
4. Customer service
5. Safety consciousness
6. Dependability
7. Knowledge level of employees
8. Providing services at the promised time
9. Responsiveness
10. Reassurance and understanding
11. Having customers' interest at heart
12. Willingness of employees to assist customers
13. Quality of management
14. Billing clarity
15. Politeness of employees

In this list of scale items we can recognise several of the five dimensions of SERVQUAL, i.e. reliability (items 2 and 8), assurance (item 6), empathy (items 10–12 and 15) and responsiveness (item 3 and 9). There is, however, no mention of tangibility related items, which are all presumed to be located in the technical quality.

### **Conceptual Model**

To measure service quality in reticulated water and analogous services, such as energy provision, the Nordic model of service quality is preferred over the SERVQUAL methodology due to its ability to distinguish between technical quality and functional quality. Reticulated water being a service factory, dominated by tangible elements, the technical quality is located in the provision of the core service, while the functional quality is considered to be located in the supplementary services. The conceptual SERVQUAL model is defined as follows:

- Technical Quality (core services):
  - Intrinsic: Likelihood of confirmation of expectations
  - Extrinsic: Consumer perception of technical quality
- Functional quality (supplementary services): Uni-dimensional model identified by Babakus (1993).

## **METHODOLOGY**

To test the face and content validity of SERVQUAL an exploratory qualitative case study was undertaken to identify the antecedents of service quality in reticulated water services. Face validity is an intuitive form of judgement whether a scale measures what it is designed to measure (Burns & Bush, 2010). Content validity is the degree to which elements of an assessment instrument are relevant to and representative of the defined construct (Haynes, Richard, & Kubany, 1995; Lee & Lings, 2008). The concepts of face and content validity are sometimes used interchangeably, although not synonymous with construct validity, which is the degree to which an instrument measures the targeted construct (Churchill, 1979). Face validity can be interpreted as a precursor of construct validity (Turner, 1979) and content validation provides evidence of the construct validity of an instrument (Haynes et al., 1995).

Case studies are widely used in organisational research. The use of case studies is, however, problematic from a methodological perspective as there are virtually no specific requirements guiding case research (Meyer, 2001). The case study approach is a study in which a single case study or a small number of cases and information obtained from these cases is analysed in a qualitative manner (Dul & Hak, 2008). Case studies and other qualitative designs differ in that case studies are open to the use of theory or conceptual categories to guide the researcher (Meyer, 2001).

A qualitative methodology was employed by interviewing five organisations that represent customers of water utilities within



the same market in Australia. Most respondents also represent customers of energy retailers. One interview was conducted with a former water utility customer service manager. The interviews followed a semi-structured approach and questions focused around the respondent's perception of what constitutes a good level of service from the customer's perspective. Interview questions were modelled around the provision of core and supplementary services.

The literature on case studies generally advises to include several cases for analysis in order to strengthen generalisability and external validity (Eisenhardt, 1989). In this particular study only one reticulated water market was investigated. The generalisability of this research is justified by the reasonable assumption that reticulated water services are highly uniform across markets in developed urban areas. Respondents to this research are involved with customers of all water utilities that operate in the market under consideration. The interviews can thus be considered equivalent to a multi-case analysis and the findings generalises to reticulated water services in general.

### **Data Collection And Analysis**

Interviews were recorded and transcribed using outsourced transcription services. All transcripts were confirmed by the researcher and subsequently coded and analysed using the RQDA software package (Huang, 2012), which forms part of the *R* computing language, an Open Source environment for statistical computing (R Core Team, 2012). Data was analysed using an a-priori coding approach, with codes identified from the literature review (Liamputtong & Eddy, 2005). The interviews were structured around the distinction between core services and enabling services and the impact of organisational behaviour on customers. The data was coded over three iterations. During the open coding stage, a-priori codes were assigned to relevant chunks of text, revealing forty individual topics. In the second stage, axial coding of the data organised the identified codes into seven categories. Some codes were associated to multiple categories, other codes were merged, renamed or removed. The last interview was coded after all other interviews had been analysed. This last interview did not introduce any new codes, indicating that the data was saturated and that the case study provides a complete overview of the market under consideration.

## **RESULTS**

### **Core Service**

Most respondents predominately interact with customers that had a negative experience with their services provider through either consumer advocacy, complaints handling or regulation. The provided information is therefore heavily skewed towards instances of service failure and recovery. Customers are, in the words of one respondent: “not ringing ... to congratulate you, they just [ring when] the water ... taste different [or] looks different”. From the respondents it became clear that the technical quality of the service is, due to the high level of technological investment in Australian water networks, not a major concern, as water utilities “don’t get many complaints around the core services of water”.

Customers of reticulated water have a low level of involvement and are generally “passive receivers of service”. Expectations are simple and customers “want very basic things”. The expectations for core service delivery were succinctly expressed by respondents: “efficient delivery of water services to their homes at a potable quality at a fair and reasonable cost ... [without] interruptions to their delivery” and “clean, potable water that’s safe for people to drink and to use for other domestic purposes”. Customers are also concerned about non-technical aspects of water and there is “increasingly an expectation about the aesthetic water quality”, both visual and in taste.

Although the level of involvement with the service is considered low, customers have high expectations of the reliability of the core service: “people remember that one hour when slug of dirty water went through after a repair”. There is an expectation that service provision is seamless, “people expect the service to be there and have no concerns unless the service is not there” and customers only contact the service provider when “something unusual or different has occurred”.

### **Supplementary Services**

The most prevalent topic raised by stakeholders were related to billing: “accurate and reliable bills, that they be timely, that they be simple to read and understand”. Respondents reported the importance of individual service, specially in cases of service recovery related to billing. Service providers implementing best practice offer a wide range of payment options, including “incentive schemes to help [customers] stay on track”. This is in contrast with the core service, where differentiation is almost impossible. The most sensitive issue raised was around managing customers that struggle pay their bills and the importance of “the ways in which water companies deal with that”.

Key issue identified by respondents was the ability of service staff to understand the needs of the individual customer when an issue arises. Service staff are required to “tease out what it is [customers] are concerned about” instead of indiscriminately

following scripts. Issues arise when, for example, staff don't use the language of the customer as “terminology is often the problem”. Some organisations have “specialised complaint-handling teams” that are trained in dealing with sensitive issues, which is a specialised competency. Due to the importance of human interaction in supplementary services it was identified that “a culture of actually wanting to understand complaints, wanting to ... find the root cause and ... prevent [future] complaints”.

The ability of utility employees to solve the issues raised by customer was perceived as important and staff that provide first contact to the service provider need to have “enough knowledge to be able to solve the problem”. The level of service provided, specially with regards to facilitating services, related to “how empowered their staff are”. Some water companies were able to provide a high level of service by initiating “specialised ... hardship teams to deal with people who are struggling with affordability”.

The monopolistic nature of service provision was linked to a low level of customer focus as there is no “threat of losing customers” which can make service providers “pretty passive”. The monopoly situation was linked to organisational behaviour as it creates a “risk-averse industry”. Providing good service to customers was considered a “cultural issue” about “what water businesses think about their role ... if they think their role is to ... provide good quality services to customers ... they are more likely to ... listen to what they need and resolve a problem. If they see their business as an engineering business ... then they're less likely to take that approach.” A good service provider was considered to have a “culture of actually wanting to understand” customers.

In relation to supplementary services respondents acknowledged the importance of customer communication. Good water companies were seen to be “publishing messages about security of supplies” and “water efficiency advice”. Last salient aspect of the interviews was the importance of responsiveness in cases of service recovery: “people expect if there is leaks or anything, there's a rapid response”.

## DISCUSSION

Based on the outcome of the interviews, the proposed model for service quality in reticulated water has passed the face validity test and the proposed conceptual model is *prima facie* suitable for the measurement of service quality in core services for reticulated water. Respondents confirmed that core services play a lesser role in their interaction with water utilities due to the low involvement of customers with the service and the high technical development of water supply in Australia. The concept of using the rate of service failure and expressing a confirmed Moment of Truth stochastically as a service quality indicator was confirmed given the high importance placed by customers on a seamless service experience. The difference between extrinsic and intrinsic technical quality was also confirmed by respondents, given the high importance customers place on sensory qualities of the water over the intrinsic technical parameters.

With regards to supplementary services, the content validity of the proposed model was partially confined. Billing was the most common issue mentioned in the interviews, both accuracy and clarity (items 1 and 14). The issue of reliability of services (item 2), efficiency (item 3) and dependability (item 6) were mainly expressed with reference to the provision of core services. Customer service (item 4) was not directly mentioned by respondents, but given the generic nature of this item it can be considered a composite of other aspects of the responses. Mention was made several times to the relationship between monopolistic service provider and a lack of customer focus. Respondents did not confirm the importance of safety consciousness (item 5). The knowledge level of employees (item 7), and in extension their empowerment to solve problems, was identified by respondents as an important determinant of service quality. The responsiveness of service providers (items 8 and 9) was seen as important in cases of service recovery. Another issue that was strongly represented in the responses was the importance of empathy from water utility employees, which relates to items 10–12 and 15 in the proposed model. The quality of the management of the service provider (item 13) was discussed in detail with respondents. Respondents repeatedly mentioned the fact that many water utilities are engineering focused organisations that occasionally lose sight of the customer perspective. One aspect mentioned several times by respondents, but not forming part of the model, is importance of providing timely and accurate information.

## CONCLUSION AND FURTHER RESEARCH

Reticulated potable water is a service provided at arm's length, with a high level of tangibility. This implies that the ubiquitous SERVQUAL method has limited applicability in measuring service quality in reticulated potable water services due to its focus on intangible elements and customer-service provider interaction. An enhanced model, based on the Nordic



model of service quality and a recognition of intrinsic quality, incorporating physical quality of core service provision, is proposed to measure total service quality in reticulated water.

The results of the interview largely confirm the proposed model. The information provided by the respondents allows for further fine-tuning of the model and identify dimensions and moderating factors to further develop and operationalise the proposed construct. Further research is required to test the theoretical assumptions in this paper and further develop the SERVAQUA construct.

The separation of technical quality in an intrinsic and extrinsic component is intuitively correct and was confirmed by the interviewees. This relationship requires further investigation through quantitative research. The relationship between technical quality and functional quality within high tangibility services has not been explored in detail in existing literature. The main question to be answered is whether there is a correlation between technical and functional quality. In other words, if a service provider supplies a high level of technical quality, will this result in an enhanced level of service quality? Second consideration is the relationship between extrinsic and intrinsic technical quality. The practice of reticulated water supply shows that these are not the same, due to the difference in experience and credence qualities. Quantitative research is required to further investigate this issue. These deliberations lead to the following null-hypotheses that require further research:

H1<sub>0</sub>: There is no correlation between technical quality and functional quality.

H2<sub>0</sub>: Intrinsic technical quality is equal to the extrinsic technical quality.

These hypotheses will be need to tested using quantitative research, including testing the model for construct validity.

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## **DEVELOPMENT OF A MARKET ORIENTATION RESEARCH AGENDA FOR THE NONPROFIT SECTOR**

Paul Chad, University of Wollongong, Australia  
Elias Kyriazis, University of Wollongong, Australia  
Judy Motion, University of New South Wales, Australia

### **ABSTRACT**

The concept of market orientation (MO) is the overarching framework by which practitioners and academics make sense of the interplay between customers, competition, stakeholders and the organization within the commercial for-profit arena and is the way the marketing concept is put into practice. Academics have suggested that MO would also benefit nonprofit organizations (NPOs) by generating more funds in an increasingly competitive environment and improving service delivery. Based upon a systematic review of the overall MO literature, we identify gaps and develop a research agenda for MO research within the under-researched nonprofit sector. The paper offers suggestions for researchers to extend the concept of MO from the commercial for-profit arena into the nonprofit arena, thereby looking forward for the nonprofit sector by looking back on the for-profit sector.

**Thursday, 10:30 a.m. – 12:00 p.m.**

**Session 6.1 Consumer Behavior: Innovation**

Room: Flinders

Session Chair: Ben Lowe, University of Kent

***Antecedents and Consequences of Consumer Perception of Product Innovativeness***

Ben Lowe, University of Kent

Frank Alpert, University of Queensland

***An Alternative Model of the Diffusion Curve for New Products***

Evan Douglas, Griffith University.

***Variety Promotes Flexibility: The Effect of Exposure to High Variety on New Product Evaluations***

Zixi Jiang, Peking University

Jing Xu, Peking University

Ravi Dhar, Yale University

***The Transition from Complement to Substitute: Determinants Of Consumer Disadoption of Old Technologies***

Ralitza Nikolaeva, ISCTE

# ANTECEDENTS AND CONSEQUENCES OF CONSUMER PERCEPTION OF PRODUCT INNOVATIVENESS

Ben Lowe, University of Kent, United Kingdom  
Frank Alpert, University of Queensland, Australia

## ABSTRACT

Scholarship in innovation has increasingly sought to understand diffusion of new products by examining individual consumer behaviour processes (Alexander, Lynch, and Wang, 2008; Hoeffler 2003; Moreau, Lehman, and Markman, 2001), whereby an innovation is only new if it is *perceived* to be new by consumers (Rogers 2003). But *how new is "new"*? Or, in terms of this study's focus, how innovative is an innovation? Currently, the literature contains neither complete agreement as to how to define and measure perceived innovativeness nor an existing model of its antecedents and consequences. This study addresses two main research questions: (1) What is perceived innovativeness and how should researchers define, conceptualize and measure it? and (2) What are the antecedents and consequences of perceived innovativeness, defined here as Consumer Perception of Product Innovativeness (CPPI), and how can the relevant constructs be put together into a logical and useful theory? This study contributes to the literature on innovation management by addressing calls from significant and highly cited studies in the field to "...examine the dimensions and effects of the newness of products to their prospective customers." (Danneels and Kleinschmidt, 2001, p.371).

To gain a deeper understanding of the consumer's perspective and to specify the domain of the construct, the first step of this research comprised qualitative interviews with 20 consumers. Respondents were interviewed to ascertain what they understood innovativeness to be and what makes a product innovative to consumers. Specifically, the qualitative interviews suggest that *innovativeness is more than just newness*, contrary to some prior research. Thus, a true innovation not only has to be new but also must offer a significant improvement to consumers, and must extend beyond a purely cognitive set of dimensions. It was also found that consumers seemed to rate technology newness as an important influencer of CPPI. To follow up the qualitative study a pilot study was then conducted based on a questionnaire administered to 104 students, quantitatively examining the constructs highlighted by the qualitative research. A big question that remains unanswered is whether and which of these dimensions and related constructs are part of the definition of an innovation, or are better conceived of as proximal antecedents and proximal consequences. That is, the concept of an innovation can be conceived of as a *multidimensional construct*, or a *core unidimensional construct surrounded in its nomological net by proximal antecedents and proximal consequences*. Using structural equation modeling the evidence suggests CPPI is a distinct unidimensional construct, explained largely by the three proximal antecedents of perceived concept newness, perceived relative advantage, and perceived technological newness, contrary to some studies in the literature. The initial model was then extended to provide a more complete understanding of the key antecedents and key consequences of CPPI and key moderating factors. It was also tested on 826 consumers using a national panel from a commercial market research organization. To extend the analysis, consumer evaluations of innovations were modeled by decomposing attitudes into their hedonic and utilitarian components, and to complete the hierarchy of effects, the effect of attitudes upon purchase intention. Therefore, this study builds on prior literature by measuring consumers' affective response to innovative products using an established measurement framework (HED-UT), and by viewing these affect variables as a consequence of perceived innovativeness, rather than a dimension of perceived innovativeness, as has been the dominant view in prior, yet untested research. Key moderators are also tested using structural equation modeling.

The findings from this research suggest that CPPI is a unidimensional abstract concept, not a multidimensional concept as much past research implies. This study also shows that consumers evaluate innovations along affective dimensions rather than solely along rational dimensions such as how much time and money it saves, and that affect is a consequence of CPPI rather than a dimension of CPPI. Therefore, the model in this study also implies managers can try to influence CPPI through their marketing communications by attempting to raise CPPI's antecedents. Overall, the theory allows for a new *operational* definition for CPPI, defined as *consumers' overall innovativeness assessment, resulting from perceptions of product concept newness, technology newness, and relative advantage, and influencing consumer utilitarian (cognitive) and hedonic (emotional) response*. A key finding of this research relates to the dimensionality of CPPI. The literature contains fragmented definitions of the construct. However, one theme is that innovativeness equates with newness (Hoeffler, 2003). The findings from our study show that perceived "concept newness" is indeed a key proximal antecedent of CPPI, although newness is not a sufficient condition. Other constructs, including perceived relative advantage and perceived technology newness, are also important, and these three constructs together offer a richer explanation of variance in CPPI. In sum, this article presents a theory of consumer perception of product innovativeness, starting with introducing the term consumer perceived product innovativeness. References available upon request.

# AN ALTERNATIVE MODEL OF THE DIFFUSION CURVE FOR NEW PRODUCTS

Evan J. Douglas, Griffith University, Australia

## ABSTRACT

Whereas the conventional model explains the approximately normal distribution of time to adoption of a new product by consumers in terms of the unobserved higher-order construct “consumer innovativeness” (Rogers, 1965; Bass, 1969; Midgely & Dowling, 1978), this conceptual paper examines the diffusion curve phenomenon not from the viewpoint of what drives consumers to early adoption but rather from the viewpoint of what inhibits early adoption. Much effort has been expended by prior authors to measure consumer innovativeness and a variety of scales have been suggested to better capture the essence of innovativeness (e.g. Hurt et al., 1977; Mahajan et al., 1990; Goldsmith & Hofacker, 1991; Roehrich, 2004; Tellis et al., 2009). The ability of such measures to predict the time to adoption by particular consumers has unfortunately been generally poor (Roehrich, 2004; Tellis et al., 2009; Chao et al., 2012). Better prediction is critical for planning purposes, since firms must build a productive facility of sufficient size, raise adequate financial capital, and put in place appropriate distribution arrangements, to avoid the financial stress that is associated with under- or over-estimation of consumer demand for their new product. Several marketing scholars have recently called for “a new parsimonious measure of consumer innovativeness that can predict consumers’ adoption of new products” (Tellis et al., 2009:2); that “further research needs to be carried out to more fully assess what exactly drives adoption” (Peres et al. 2010:100); and Chao et al., (2012: 216) state “To effectively investigate individual adoption decisions, researchers should elaborate on the individuals-level models by separating the adoption process into a hierarchy of effects (awareness, consideration, liking, choice, purchase, and repeat purchase), integrating into each stage findings from behavioral studies.” This paper responds to these calls for individual-level research into the adoption decision by building an alternative model that reflects the observed diffusion curve phenomenon but does not rely on innovativeness to explain it. The model identifies six factors that constitute steps in the adoption-decision process through which the potential customer must progress before adopting the new product. The six discrete stages are dubbed awareness, appreciation, aversion, alternatives, affordability, and accessibility. As each impediment to adoption is overcome, the consumer moves forward towards purchase of the product and does so only when the six stages are completed. This schema allows marketing managers to focus on removing the impediments rather than attempting to measure or predict consumer innovativeness. ‘Awareness’ is defined here as the extent of knowledge that consumers have about the product, its purpose and manner of use, its quality attributes and differentiation, its price, place of sale, and so on. It is the converse of consumer ignorance as defined by Shepherd, Douglas & Shanley (2000). ‘Attraction’ refers to the potential customer’s initial positive feelings toward the new product or service as they adopt a promotional regulatory focus (Higgins, 1987, 1996; Shah & Higgins, 1997). As attraction builds the prospective consumer is hypothesized to then adopt a preventative regulatory focus and enter the ‘Aversion’ and ‘Alternatives’ stages. The first of these refers to the target customer’s quality-risk aversion, or their fear that the quality of the new product may fall short of claims made by the firm (Sweeney, Soutar & Johnson, 1999; Tellis et al., 2009; Peres et al., 2010). ‘Alternatives’ refers to the availability of other means to satisfy the customer’s needs or wants and includes consideration of switching costs associated with adoption of the new product, which include the extent of personal inventories of an alternative product currently held by the potential customer, and the investment of time, effort and costs required to convert to the new product, including learning costs (Klemperer, 1987; Burnham, Frels & Mahajan, 2003). Netting the disutility of the aversion and alternatives perceptions against the utility of the attraction stage, the consumer then decides to adopt or not adopt depending on the price of the new product (affordability) and the costs of accessing the vendor to effect the purchase (accessibility). The passage of time causes the decay of the inhibiting factors, such that in each discrete time period some number of potential customers will decide to purchase, since they are now more aware; more attracted; less quality-risk averse; alternatives are less satisfying; the product is more-affordable; and the new product is more accessible. The consumer makes the decision to purchase when the new product becomes the best value proposition taking into account these six factors. Each of the six impediments to adoption is likely to be unimodally distributed across the target market. It is hypothesized that when these six frequency distributions are summed vertically over time the aggregate distribution is approximately normally distributed around a mean time to adoption. Thus we contend that the frequency distribution of the time to adoption is alternatively explained by the sum of the frequency distributions of the six inhibitors to adoption and occurs as these inhibitors decay and prospective consumers cascade through the six stages and finally adopt the new product.



# **VARIETY PROMOTES FLEXIBILITY: THE EFFECT OF EXPOSURE TO HIGH VARIETY ON NEW PRODUCT EVALUATIONS**

Zixi Jiang, University of New South Wales, Australia

Jing Xu, Peking University, China

Ravi Dhar, Yale University, U.S.A

## **ABSTRACT**

Variety is an important attribute that impacts consumer preferences in the marketplace. This research contributes to the literature by examining the subtle effect of exposure to high variety on consumer evaluations of unrelated new products. Specifically, I propose that the exposure to high variety induces cognitive flexibility, which in turn leads to more favorable evaluations for new products. Five studies demonstrate the effect of exposure to high variety on cognitive flexibility and new-product evaluations. I also demonstrate that the mechanism underlying the effect is through the increased cognitive flexibility in Study 3. Studies 3 and 4 investigate boundary conditions that the exposure to high variety does not influence new product evaluations when the evaluation contexts do not require cognitive flexibility.

Reference available upon request

# **THE TRANSITION FROM COMPLEMENT TO SUBSTITUTE: DETERMINANTS OF CONSUMER DISADOPTION OF OLD TECHNOLOGIES**

Ralitza Nikolaeva, ISCTE-University Institute of Lisbon, Portugal

## **INTRODUCTION**

The pace of substitution of an old technology with a new one is irregular. There are technologies that are quickly supplanted by innovations, yet others continue co-existing side by side with the new technologies for a long time (Ansari and Garud 2009). Why? This question is important to both technology providers and policy makers as the switch to new technologies might require significant investments by the business and public sectors (Ansari and Garud 2009; Geels and Schot 2007). Also, incumbents tend to misread the potential substitution power of new technologies that can ultimately prove detrimental (Sood and Tellis 2011).

The literature has advanced significantly on technological innovation and diffusion, but has remained more or less silent on the maturity and decline stages of the diffusion cycle. Most studies have looked at the successive generations of technologies almost exclusively from the supply side overlooking the potential qualitative changes on the demand side and especially regarding old technology usage (Adner and Snow 2010). Thus, the question of why consumers continue or stop using an old technology has been grossly under-researched.

The goal of the current study is to augment the demand side story of technology substitution by examining the determinants of consumer disadoption of old technologies. Specifically, I recognize that consumers do not immediately disadopt the old technology after adopting the new one. There is a period during which consumers continue utilizing both technologies as complements. This period can eventually come to an end when the consumer substitutes the old technology for the new one by disadopting the old technology. I propose that the disadoption decision depends on not only on consumer-specific factors, but also on supply effects on the sides of both the old and the new technology as well as environmental factors. The interplay of these factors differs based on the type of technology product – a) “stand alone”, not subject to network or subscription effects; b) subject to network effects, but no subscription required; c) subject to both network and subscription requirements.

## **BACKGROUND**

While many studies have explained the rate of diffusion of new generations of technologies with consumer heterogeneity in the propensity to adopt innovations, there has been no clear discussion of the fact that for some time the old and new technologies continue to co-exist not only in the market, but in consumer homes as well. An implicit assumption has been that each successive technological generation dominates the old one (Kim et al. 2000). In fact, Wei and Xiao (2012) state that the question of successive technological generations is not simply a question of displacement, but instead we have to look at psychological and socio-economic factors underlying the process. While some consumers may directly substitute the old technology, for many, there would be a transition period, i.e. they will utilize both technologies for a while in the form of complements and they will transition to substitution.

Consequently, we have to investigate the problem both from the technology life-cycle perspective and the complementarity/substitute consumer usage. There have been plenty of studies about complementary and substitute goods/technologies, but they have all looked at the macro level – either industry level or the introduction of new destructive technologies. Liu et al. (2010) investigate the sources of complementarity and substitutability in the context of home broadband services. The question becomes especially interesting when looking at different generations of technology products because of the disruptive potential of new technologies (Christensen 1997).

Shocker et al. (2004) categorize the case of different technological generations as dynamic intercategory relationships. When products are substitutes, we can have either product displacement (the new technology dominates and eventually substitutes the old one) or product perseverance (the new technology fails). When products are used as complements, we can have either enhancing complements (the newer technology enhances the old one and both sales are increased) or augmenting complements (the newer technology adds new benefits that were not present in the old one). The authors discuss how changes in consumer demands can shift categories from complements into substitutes and vice versa. They point at categorization as one of the driving factors of inter-category effects. The goal of our study is to explain how these changes in consumer demands occur.

## A COMPLEMENT-SUBSTITUTE TRANSITION: THE CONSUMER DISADOPTION DECISION

Ansari and Garud (2009) acknowledge that technological transitions are associated with the actions of representatives of the supply, demand, and institutional domains. Similarly, I propose a framework of determinants of the consumer decision to fully substitute an old technology for a new one based on three broad factors: supply effects, consumer characteristics and behavior, and environmental effects. These would play different roles depending on the type of successive technology products. I classify them in three categories:

A) **“Stand alone” technology (A)** – consumer usage does not depend on continuous provision of service (subscription base) or network effects; e.g. alarm clocks, electronic photo displays, watches, electric bulbs.

B) **Network dependent technology (N)** – consumer product usage depends on other products/network availability; e.g. music players, video players, (digital) cameras, e-readers, automobiles.

C) **Network and subscription dependent technology (N&S)** – consumer product usage is on subscription/periodic renewal basis and depends on other products and networks; e.g. phones, internet access devices, TVs.

### Environmental Factors

*Socio-technical landscape* The sociotechnical landscape is described as a backdrop, as something we are part of, as something that sustains us (Geels and Schot 2007). Actors cannot influence it in the short run – it is an exogenous environment. If a dominant technology is part of the sociotechnical landscape, it would be very hard to dislodge it. Thus, a new technology, even if it achieves high penetration rates, would continue being used as a complement, rather than a substitute. It might take a generational shift for such a transition to occur. Because of the multiple actors involved in the generational transitions for technologies N and N&S, the socio-technical landscape would be a more important determinant in these categories than for a technology of type A.

*Socio-technical regime* Geels and Schot (2007) discuss the role of social groups as active regime changers. The socio-technical regime can be broadly described by the institutional factors in place. What Geels and Schot (2007) describe as trajectory stabilizing mechanisms of socio-technical regimes – cognitive routines, regulations and standards, and adaptation of lifestyles – have direct correspondence to the three institutional pillars: cognitive, regulative, and normative (Scott 1995). For example, the collective framing of the old technology would have a negative effect on the likelihood of disadoption. Also, the collective framing of the new technology is more likely to influence the disadoption of the old technology if it is negative, i.e. consumers would postpone disadoption. Overall, the institutional context would have a profound influence on the disadoption decision. A telling example is the institutionally imposed replacement of incandescent light bulbs with alternatives such as CFL or LED. Because institutional factors depend upon many actors, the socio-technical regime is expected to be of greater importance for the disadoption decision in the cases of N and N&S type of technologies.

*Network effects* Any effects that are related to third party providers/products belong to this category. These include, but are not limited to content providers/enablers, infrastructure installment, user connectivity, etc. Network effects play a crucial role in the decision to abandon an old technology. If the new technology does not offer at least the same network effects as the old one, users would be more hesitant to substitute. Also, one of the prerequisites for substitution is the establishment of a dominant design, which is network dependent. A strong push for the new technology is the establishment of a network of powerful support providers. If these are lacking, consumers would be unwilling to disadopt the old technology. On the other hand, lack of support for the old technology would speed disadoption – e.g. the decreasing availability of movies on VHS tapes accelerates the disadoption of VCRs. As expected, the network effects would be of utmost importance for N and N&S type of technologies, but would not matter so much in the disadoption decision for A type of products.

*Market structure* Shocker et al. (2004) discuss the possibility that new categories change the existing product-market structure. If a previously dominant player in the old technology market exits, this may signal the end of an era for the old technology and speed the disadoption decision. For example, the exit of Kodak might encourage consumers to discard their old film cameras. Alternatively, the shift of market power to the new technology would result in overall higher quality levels of the new technology, which might cause a general shift in consumer preferences for certain features (Tripsas 2008). That would make consumers more likely to disadopt the old technology. This effect would be relevant for all kinds of technology products.

## Supply Side Factors

*Price/quality ratio* Probably the most important factor driving the disadoption of old technologies in the case of N and N&S type products is the price-quality relationship. The moment when the price/quality ratio of new technologies exceeds the one of old ones, there would hardly be a compelling reason for consumers to keep on using the old technology.

*Features and reliability* Levinthal (1998) discusses how the new technology should satisfy both a minimum threshold of functionality considered essential for the new market and the relative importance of attributes to potential consumers. A technology that does not meet a minimum threshold does not have a chance to substitute the old dominant technology and thus would never turn into a disruptive one. Only when the threshold is passed for the mass market, disruption can occur (Sood and Tellis 2011). However, the relative importance of attributes can change over time and suppliers can strategically drive this change (Tripsas 2008). Consequently, the more new technology providers are able to change the relative importance of attributes in their favor, the more likely would be consumers to disadopt the old technology. This effect would be relevant across all types of technology products.

*New technology information/availability* Delays in the development of technology enablers (sometimes from third parties) can give the window of opportunity for the old technology to keep on improving and thus make consumer's interest in substituting the old technology fade. Also if there is not sufficient information about the capabilities of the new technology, consumers would delay the disadoption of the old one. While relevant for all technology categories, the effect would be more pronounced for N and N&S type of products as they require more coordination across multiple actors and information and availability would depend on several sources.

*Competition between old and new technology* There are two major paths that the competition between the old dominant technology and the new one can take. In the first case, incumbent actors eventually become disillusioned with the old technology due to changes in the socio-technical landscape, and they gradually re-direct resources to new technologies. This situation would facilitate the individual consumer transition from complementary to substitute status of the new technology as support for the old technology would be phasing out. In the second case, though, incumbents do not acknowledge the legitimacy of the innovation and may invest significant resources in improving the dominant technology, which would prevent substitution to take hold for a long time (Howells 2002). Consumers would have sufficient incentives not to discontinue using the old technology even if they have adopted the new one. Consequently, the complementarity of the two technologies can last for a long time. This would hold across the three types of technologies – A, N, and N&S.

## Consumer Characteristics and Behavior

*Consumer learning* As consumers learn using a new technology, their preferences might shift. Thus, an attribute that is not present with the old technology might gradually grow in relative value increasing the chances of consumers discontinuing using the old technology. For example, a consumer may be willing to disadopt a land line because it lacks the mobility and text messaging features even though the new technology offers worse connectivity and is more expensive. This would be relevant for the three categories – A, N, N&S.

*Initial endowment* Consumer reference points are conditioned on their initial endowment and consumers are loss averse (Tversky and Kahneman 1991). Therefore, consumers may be especially reluctant to part with the old technology even though they may not use it so much anymore. This effect would increase with the size of the investment in the old technology across all three product types.

*Inertia and switching costs* What matters is not the performance of technology 'as developed', but 'as used' by consumers (Adner and Kapoor 2011) and many consumers use new technologies in the way they use old ones by inertia. While inertia might be a factor in sticking to old technology with the three type of products, existing contracts with providers and switching costs would delay the disadoption of old technology of type N and N&S.

*Uncertainty avoidance* The more risk averse a consumer is, the less likely s/he would be to disadopt the old technology. Because the outcome of a dominant design struggle is more relevant in the N and N&S categories, it follows that consumer uncertainty avoidance would play a bigger role as well.

*Consumer characteristics* Consumer characteristics such as demographics and lifestyle are bound to affect the disadoption of old technology. For example, older consumers have a preference for older products (Lambert-Pandraud and Laurent 2010).

Social class, education, income level would affect the disadoption of old technologies. However, their effect is more likely to be interacted with other factors.

## **CONCLUSION**

With its innovation bias, the extant literature has missed to investigate an important determinant of the trajectory of technology regimes – the consumer disadoption of an old technology. There has been an implicit assumption that the adoption of a new technology necessarily happens at the expense of the old one. In reality, this is more often the exception rather than the rule. Many consumers continue using the old technology after the adoption of the new one in a complementary fashion. The complementary usage transitions to substitution when consumers disadopt the old technology. I discuss the determinants of the consumer disadoption decision. Specifically, these include: 1) environmental factors – the socio-technical landscape and regime, network effects, and market structure; 2) supply side determinants – price/quality ratio, features and reliability, new technology information and availability, and competition between old and new technology; 3) consumer factors – consumer learning, initial endowment, usage related contracts, switching costs, and inertia, uncertainty avoidance, and demographics and lifestyle. All these factors vary in relevance across three technology types – stand alone, network dependent, and network and subscription dependent. Understanding of the factors leading to disadoption of old technologies would be a helpful addition in the increasingly difficult prediction of technological regime shifts. Improvement in technological trajectory forecasting can be of tremendous use not only to businesses, but also to policy makers as it can lead to improved usage of resources at societal level.

References Available Upon Request

**Session 6.2. Using Social Marketing to Address Consumer Misbehavior and Problem Behavior: Insights from Theory and Practice**

Room: Swanston #1

Session Chair: Jo Previte, University of Queensland

***Thou Shalt Not Steal: Illegal Downloading Behavior in a Church Community Context***

Riza Casidy, Swinburne University

Ian Phau, Curtin University

***How Social Marketing Can Address the Obesity Issue: The Role of Corporate Reputation***

William Lake, University of Adelaide

Jodie Conduit, University of Adelaide

***Investigating Consumer Message Processing of Fear and Challenge-Based Advertising: A Conceptual Framework***

Svetlana de Vos, University of Adelaide

Roberta Veale, University of Adelaide

Pasquale Quester, University of Adelaide

Jasmina Ilicic, University of Adelaide

# **THOU SHALT NOT STEAL: ILLEGAL DOWNLOADING BEHAVIOUR IN A CHURCH COMMUNITY CONTEXT**

Riza Casidy, Swinburne University of Technology, Australia  
Ian Phau, Curtin University, Australia

## **ABSTRACT**

This study investigates the role of ‘relevant others’ in influencing illegal downloading behaviour of pop music within the church community context. Specifically, it examines how personal factors (“spirituality”, “moral judgement”, and “attitude towards the church”) and social factors (“facilitating conditions”, “teaching of the church”, and “reference group influence”) affect “attitude towards illegal downloading” that lead to the intention of downloading pop music illegally from the Internet. The Theory of Planned Behaviour will be used as a theoretical foundation of this study. A number of implications for social marketers will be discussed along with future research directions.

**Keywords:** illegal downloading, church, theory of planned behaviour (TPB), music piracy

## **INTRODUCTION**

Illegal downloading of pop music has become an ever-increasing problem in Australia. It was estimated that one in four internet users use the services of illegal music provider every month (Adams 2012). Digital piracy has had significant impact upon legitimate music sales worldwide, leading the music industry advocates to call for government intervention to stop illegal downloading by enforcing tougher laws and regulations for Internet Service Providers (IFPI 2012). In Australia, the growth of illegal downloading behaviour, particularly among young listeners, have an adverse impact upon the sales of recorded music in stores, as people prefer to download music from the internet (legally or illegally) than buying recorded music in the traditional store settings (IBISWorld 2012).

Few studies in the past have presented inconsistent findings on the relationship between church attendance and illegal downloading attitude and behaviour. A study by Gerlich & Lewer (2007) found that church/temple/mosque attendance is positively associated with high moral attitudes towards file sharing. Another study also found significant negative correlation between church attendance and illegal downloading behaviour (Chi 2008). The findings of these two studies are in contrast with a more recent study by McCallum (2012), who concluded that regular church ‘very frequent’ attenders (those who attend the church more than once a week). Lewer, Gerlich, and Lucas (2008) also found that Christian education has no significant effects on students’ attitudes and actual illegal downloading behaviour.

Despite the common perception of Australia as a secular society, religious activity remains an important aspect of the life of Australians (Bellamy and Castle 2004; Kaldor 1987). Findings from the Australian Community Survey (NCLS 1998) have indicated that two-thirds of the Australian population regards ‘spirituality’ as an important aspect of their lives. The 2006 census data indicated that 64% of the Australian population were affiliated with some form of Christianity. However, Bellamy and Castle (2004) suggested that only 8.8% of the population attended church services regularly (at least once a month). In this regard, Bentley and Hughes (1998, p.25) contended that most Australians do not express their spirituality by attending churches because “... regular attendance at a church is not necessary for the maintenance of [spiritual] values”. Despite the important role of churches in Australia, there have been no studies done to examine the role of church in discouraging illegal downloading behaviour.

The present study looks beyond church attendance and proposes a conceptual framework to examine the role of ‘relevant others’ in influencing illegal downloading behaviour. In particular, this study takes into account: (i) the church’s view and teaching on illegal downloading behaviour, (ii) spirituality, (iii) engagement with the church community, and (iv) motivation to comply with the church teaching as integral part of the conceptual framework.

## **LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT**

### **The Theory of Planned Behaviour (TPB)**

The TPB has been extensively used in the marketing literature and considered as a useful framework to explain behaviour. The premise of the theory is that an individual’s behaviour might be dependent upon the perception of relevant others,



motivations to comply (subjective norms), the limitations of resources, and opportunities that can be obtained (perceived behavioural control).

Some studies in the past have applied the TPB to explain illegal behaviour. Beck and Ajzen (1991) applied the theory to predict illegal or unethical behaviour such as cheating in exams, lying, and shoplifting. Other studies have also used the theory to predict music piracy (Cronan and Al-Rafee 2008; Kwong and Lee 2002) and software piracy behaviour (Peace, Galletta and Thong 2003). The findings from previous studies reveal that TPB can assist in understanding the antecedents of illegal or unethical behaviour.

As argued by the TPB, an individual's intention to perform a certain action would lead to actual behaviour. However, since illegal downloading behaviour is a complex subject, it is important to explore the antecedents of behavioural intention in this context. The following hypotheses are based on the theory of planned behaviour as applied to the illegal downloading context:

H1: An individual's general intention to download music illegally is positively associated with actual illegal downloading behaviour

H2: An individual's general attitude to music piracy is positively associated with general intention to download music illegally

H3: Perceived Behavioural Control is positively associated with an individual's general intention to illegally download music

### **Church-specific variables**

In this study, we are interested in the relationship between the doctrinal position of the church with regards to illegal downloading behaviour, the individual's motivation to comply with the church's teaching, and the individual's motivation to comply with relevant others within the church circle

## **ANTECEDENTS**

### **The teaching of the church**

Whereas previous studies look at church attendance as the antecedent of ethical behaviour, few studies in the past have examined the effect of the church's view of what is ethical or unethical into consideration. In this study, the teaching of the church is considered an important factor affecting people's attitude towards illegal downloading of music. Churches have long been considered as a socialisation agent where consumers learn what is acceptable and unacceptable in the society. An in-depth review of the literature and official sources of major denominations (e.g. Uniting Church, Catholic Church, and Assemblies of God) in Australia has found little information as to their views whether illegal downloading of music is considered a 'sin'. It can be argued that a church with a strong position and teaching against illegal downloading of music will instil stronger moral values in the congregations which then will have significant impact upon the congregations' attitude towards illegal downloading behaviour (Conroy and Emerson 2004).

H5: The teaching of the church in regards to illegal downloading behaviour is positively associated with the church member's attitude towards illegal downloading behaviour

### **Subjective Norms**

*Motivation to comply with the church teaching*  
*Motivation to comply with church friends*

This study incorporates two factors within 'subjective norm': the motivation of an individual to comply with the church teaching and the motivation to comply with church friends. It is argued that a church member who has a strong motivation to comply with the church teaching and church friends is less likely to be involved in illegal downloading behaviour than those with little motivation to comply with the church teaching and church friends (Harris, Stevens and Williamson 1997).

H4a: A church member's motivation to comply with the church teaching is positively associated with the church member's intention to download music illegally

H4b: A church member's motivation to comply with church friends is positively associated with the church member's intention to download music illegally

### **Church Engagement**

In this study, 'church engagement' is argued as the antecedents of subjective norm. This study looks beyond church attendance and more into 'church engagement'. For the purpose of this study, church engagement is defined as the extent to which a church member is involved with the church beyond attending the formal services of the church (Levin, Taylor and Chatters 1995). A person may attend a church to fulfil his or her religious obligations and therefore not necessarily 'engage' with the church beyond the church services. In this study, it is argued that a church member who is involved with the church community beyond the formal services is more likely to comply with the church teaching and church friends due to his or her close relationship with other church members and leaders of the church.

H6a: Church engagement is positively associated with the church member's motivation to comply with the church teaching

H6b: Church engagement is positively associated with the church member's motivation to comply with church friends

Studies in the past have suggested that spirituality is positively associated with submission to the teaching of the church and respect to others (Morselli and Passini 2012). This study proposes that the spirituality of an individual may have significant impact upon his or her motivation to comply with the teaching of the church and church friends. The following hypotheses are thus proposed:

H7a: Spirituality is positively associated with the church member's motivation to comply with the church teaching

H7b: Spirituality is positively associated with the church member's motivation to comply with church friends

### **MODERATING FACTORS**

In the conceptual framework, church engagement and spirituality are also argued as having moderating effects on the relationship between the teaching of a church and the church member's attitude towards illegal downloading. The extent of an individual's engagement with the church may strengthen or weaken the relationship between the teaching of the church and his or her attitude towards illegal downloading. For instance, a church may have strong views against illegal downloading behaviour but lack of church engagement will mean that the church member does not feel 'obliged' to conform to the teaching of the church. Likewise, the extent of an individual's spirituality may strengthen or weaken the relationship between the teaching of the church and his or her attitude towards illegal downloading.

H8: Church engagement moderates the relationship between the church teaching and the church member's attitude towards illegal downloading behaviour

H9: Spirituality moderates the relationship between the church teaching and the church member's attitude towards illegal downloading behaviour

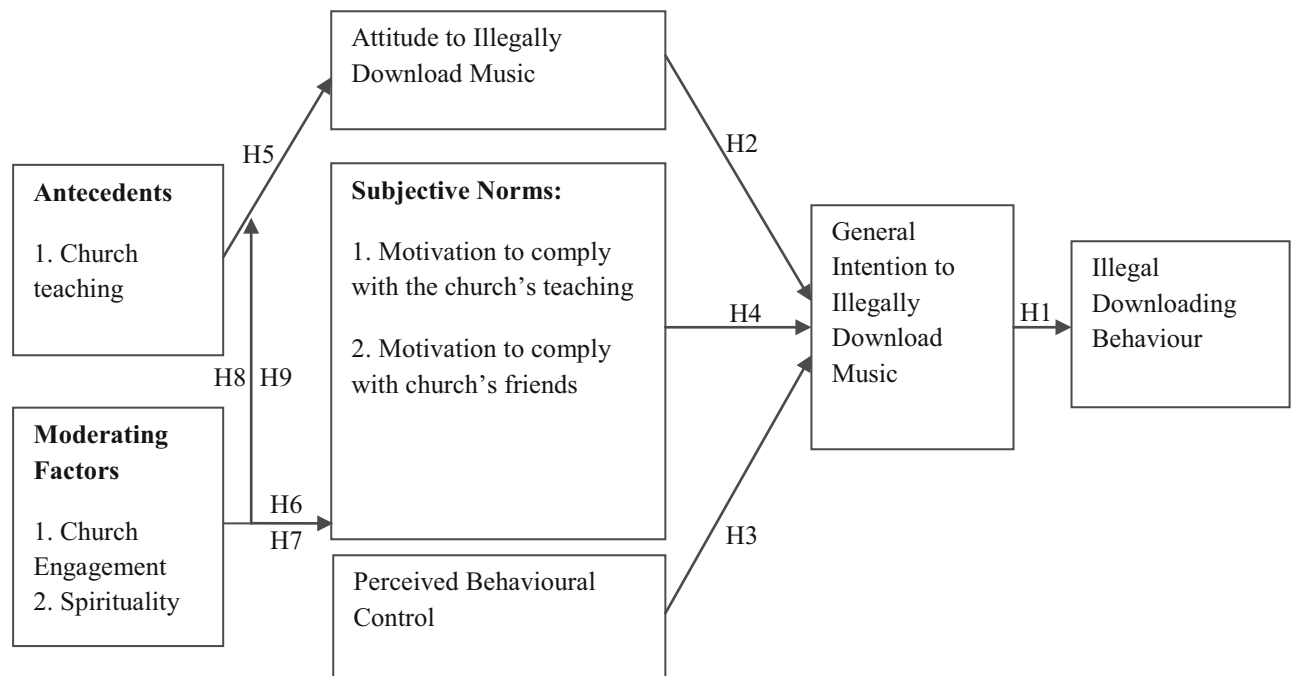
### **CONCLUSION**

The literature review presented in the preceding sections provides the basis for the proposed theoretical framework highlighting the personal and social factors that will affect consumers' attitude towards downloading music illegally that lead to behavioural intention and the actual behaviour itself. In addition to the traditional TPB model, the conceptual framework of the present study also reflects the role of church in influencing individual's attitude and behavioural intention. The conceptual framework has divided the 'subjective norms' component of the TPB into two constructs: (i) motivation to comply with the church's teaching and (ii) motivation to comply with relevant others in the church circle. The subsequent step of the study is to design a research methodology and test the proposed hypotheses.

The study has offered a number of significant theoretical contributions and practical implications. Theoretically, this study builds upon the TPB model to develop a framework in which to incorporate factors relating to church engagement, church teaching, and spirituality into illegal downloading behaviour. Previous studies in this area have only taken into account church attendance and thus excluded the significance of other church-related factors incorporated in the present study. The framework of the present study can be a useful addition to the existing literature in the area, particularly in the application of TPB to explain illegal or unethical behaviour. From a more practical perspective, the effect of personal and social factors that influence respondents' attitudes towards downloading music illegally and showing their effect on respondents' intention will guide the music industry and policy makers in developing appropriate social marketing messages through relevant channels. In this context, churches (as well as temple and mosques) might be an effective channel to deliver this message across to the targeted audience.

## FIGURES

Figure 1: Conceptual Framework



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# HOW SOCIAL MARKETING CAN ADDRESS THE OBESITY ISSUE: THE ROLE OF CORPORATE REPUTATION

William Lake, University of Adelaide, Australia  
Jodie Conduit, University of Adelaide, Australia

## ABSTRACT

There is an increasing level of government and non-profit organisations holding organisations to account for their social responsibility (Zyglodopoulos, 2002). Such efforts often consist of social marketing campaigns with the ultimate goal to bring about attitudinal and behavioural change in undesirable behaviours such as smoking, gambling, drinking and obesity (Hastings, MacFayden, and Anderson, 2000; Andreasen, 1994). The impact of social marketing can be explained using institutional theory, which draws an association between social norms, the norms of an organisation, and the support of key stakeholder groups. It recognises that an organisation's environment contains social and cultural norms that define social reality (Handelman & Arnold, 1999; DiMaggio 1988). The purpose of a social marketing campaign is to impact on these societal norms and values (Hastings, MacFayden & Anderson, 2010). These social norms define the institutional norms which stakeholders expect the organisation to adhere (Handelman & Arnold, 1999). Maignan & Ferrell (2004), in proposing a stakeholder view of corporate social responsibility, recognised the need for managerial processes to conform to stakeholder norms. Organisations that conform to social norms provide a show of cultural allegiance with their stakeholders and are to be rewarded for this support (Mohr & Webb, 2005). Conversely, where social norms shift as a result of a social marketing campaign and they are no longer consistent with the norms of an organisation, customers would be expected to disassociate from the organisation. Where customers are able to draw a connection between the social marketing message and the products or operations of a company, it is feasible to predict a positive influence on the firm's corporate reputation. Bhattacharya & Elsbach (2002) considered the concept of social marketing and organisational identification and highlighted circumstances where social marketing impacted upon corporate reputation (Bhattacharya & Elsbach, 2002). This paper further investigates this interplay of social marketing, consumer-based corporate reputation and purchasing intentions. It demonstrates the impact of being exposed to a social marketing campaign on customer perceptions of corporate reputation and their subsequent purchasing intentions.

This study utilised an experimental design with respondents exposed to a series of social marketing messages prior to completing a five dimensional customer-based corporate reputation construct (Walsh & Beatty, 2007) and indicating their purchase intentions. The 'control' survey contained social marketing messages on smoking, drinking and gambling that did not relate to the operations of the commercial organisations investigated. The 'test' surveys contained the same social marketing messages with the addition of social marketing messages pertaining to obesity. These images and messages reflected negatively upon the operations of the organisation (a well-known, global fast food organisation). An online panel was accessed and a sample size of 288 usable respondents (144 for each of the groups).

The results of the group exposed to social marketing were significantly different from the group not exposed to the social marketing with regards to overall corporate reputation. There was a significant difference between the test groups for the corporate reputation dimensions of customer orientation and product and service quality, but not for the financial strength and reliability of the organisation. There was also a significant difference in purchasing intentions for products between the test and control groups, with the exposure to social marketing having a negative impact upon purchasing intentions of consumers.

The findings of this research provide some support for social marketing campaigns as an avenue for governments and not-for-profit organisations to facilitate change in consumer perceptions. It furthers the idea that social marketing can impact corporate reputation and purchasing intentions. These findings support the continued use of social marketing campaigns to impact on product-related anti-social behaviour such as cigarettes, fast food and alcohol. Interestingly, this could give rise to a self-fulfilling prophecy. As organisations recognise the impact that social marketing campaigns can potentially have on the attitudes of their consumer groups, they will be inclined to devote more resources to their corporate social performance.

References available upon request

# INVESTIGATING CONSUMER MESSAGE PROCESSING OF FEAR AND CHALLENGE BASED ADVERTISING: A CONCEPTUAL FRAMEWORK.

Svetlana de Vos, University of Adelaide, Australia  
Roberta Veale, University of Adelaide, Australia  
Pascale Quester, University of Adelaide, Australia  
Jasmina Ilicic, University of Adelaide, Australia

## ABSTRACT

The proposed conceptual framework further advance our theoretical understanding of consumer cognitive, emotional and behavioral processes associated with fear/challenge message appeals in a social marketing context. We integrate disparate areas of knowledge from the fields of psychology and personality research and examine moderating effects of individual differences such as experiential avoidance, distress tolerance, and identity styles on information processing and behavior when exposed to a combined fear/challenge appeal. The proposed theoretical framework combines an information processing construct with a revised protection motivation model, to more explicitly reveal how cognitive processing affects persuasion of fear/challenge appeals. The conceptual framework also tests the mediating effects of response efficacy and self-accountability on depth of information processing and attitude change. Understanding the intricate details of information processing should enable social marketers to tailor messages to specific psychological profiles of customers in order to alter their behavior.

## INTRODUCTION

The present study explores the potential benefits of fear and challenge oriented social marketing messages. Researchers continue to utilize fear appeals in social marketing advertising, acknowledging its cognitive, physiological, and behavioral nature (Munoz et al. 2010; Terblanche-Smit and Terblanche 2011). Claims are made that message needs to generate a certain level of arousal to produce persuasive effect (de Hoog et al. 2007). This arousal level would be elicited by threatening information in the case of fear appeals and could generate a higher degree of attention from the viewer for the message (Ordoñana et al. 2009). Additionally, negative affective states inform people that they may be facing a problem and this may provoke systematic processing of information better suited to problem solving and stronger attitude formation (Clore and Storbeck 2006). However, despite decades of research, understanding of the cognitive and emotional processes contributing to the effects of fear appeals and how individual consumer attributes may moderate these processes remains limited (Roskos-Ewoldsen et al. 2004). This study seeks to address this important gap. Relative to appeals based on fear, less focus has been placed on understanding and/or explaining the persuasive process of mixed emotions.

The concept of mixed fear and challenge appeals is particularly interesting yet is absent in social marketing advertisements and warrants further investigation. Empirical evidence suggests that fear is managed by repressive defense mechanisms which generate escape as well as withdrawal responses such as cognitive avoidance in some consumers who tend to eliminate threatening material from consciousness (Nestler and Egloff 2010). On the contrary, challenge is associated with approach motivational tendencies and is “an appraisal that one can gain and grow from a demanding encounter with positive emotional implications, expressed in terms like enthusiasm, excitement, exhilaration”(Lazarus 1991, p. 83). In some extreme instances (e.g. irresponsible gambling) the emotional rewards of the behavior itself (excitement, anticipation, and fun) is greater than the perceived consequences (susceptibility and severity of a threat) which may constrain respondents’ attendance to the warning message. Challenge may prompt respondents into a thorough advertisement evaluation by fostering affective openness to the message and greater message elaboration (Schneider et al. 2009).

Additionally, challenge may boost intentions to act, as well as behavior change (Passyn and Sujana 2006) and may mitigate/diminish consumers’ negative perceptions caused by elicited fear. Adding challenge to fear appeal should expose respondents to the notion that individuals can master risky behavior by applying self-regulatory strategies, avoiding self-blaming and mobilizing self-accountability. Fear coupled with challenge may thus be important forces enhancing respondents’ message processing and drive positive behavior change in public health contexts such as irresponsible gambling, for example. In such risky behavior, an element of addiction is often present. Individuals that engage in addictive behavior may not respond to pure fear appeal (Wolburg 2006) whereas challenge, which is accompanied by positive emotions, may counteract the boomerang effect which stems from denial, and threatens the respondents’ personal freedom. However, no studies have yet explored the potential benefits of combining fear appeals with challenge in an addiction laden context such as excessive gambling.



Problem gambling is associated with strongly adverse social and public health outcomes, specifically with respect to pathological gambling (Wheeler et al. 2011). According to the Australian Productivity Commission Gambling Report (2010), problem gambling is an issue of national concern with the number of Australians categorized as problem gamblers ranging from 115,000 and approximately 280,000 people categorized at moderate risk. The significant social cost of problem gambling in Australia is estimated to be at least \$4.7 billion a year (Productivity Commission Gambling Report 2010), suggesting that identifying any measure for reducing harm, such as advertising, is worthwhile. Combining fear mixed with challenge may be a more effective approach to address various social issues. The proposed theoretical framework aims to address these existing gaps in our understanding of mixed emotional appeal effectiveness. Furthermore, it is necessary to explore the processes underlying the experience of mixed emotions and how they influence consumers' decision making. Our conceptual framework investigates and deepens our understanding of how people interpret and manage complicated emotional experiences arising from emotional advertising.

## **MIXED EMOTIONAL APPEALS**

Emotion-based persuasion in the form of fear appeals is commonly used in the health-related context as a communication device embedded in social marketing advertisements addressing various social issues (Munoz et al. 2010). These appeals aim to influence individual attitudes, intentions, and behaviors (Lee and Shin 2011). Fear appeals may be an effective communication device under certain conditions (de Hoog et al. 2007; Witte and Allen 2000) and for certain segments of population (Arthur and Quester 2004; Terblanche-Smit and Terblanche 2011), however they are not universally accepted and can have unintended negative ethical effects on consumers (Arthur and Quester 2003). Numerous studies (Brown and Locker 2009; Kessels et al. 2010; Nielsen and Shapiro 2009) suggest that consumers confronted with threatening health information may downplay or discharge the warnings. Indeed, other appeals may be more effective overall in influencing behavior, particularly when used in combination with fear. Recently, Morales et al. (2012) explore the role of disgust in enhancing compliance with fear appeals. The results, across a series of four studies, reveal that adding disgust to fear noticeably enhances message persuasion and compliance beyond that of appeals eliciting only fear. The authors explain that the increased persuasive effects of fear mixed with disgust messages are based on strong and immediate avoidance reactions associated with disgust.

Experimental studies conducted by Brehm and Miron (2006) also conclude that when an emotion is followed by one of opposite valence, if the second emotion is of equal or greater strength with regard to the first, the affect valence will alter. In this instance, the second positive emotion acts as distracter, changing the focus of attention and mitigates the consumers' negative perceptions caused by fear. Carrera et al. (2010) empirically extend such findings in the health context of binge drinking. They report results from two studies based on appeals mixing sequential emotions (sadness/fear-joy/relief). The results from study 1 suggest that a mixed message (fear/joy) generates lower post-message discomfort than an exclusively negative message. More importantly, reported probability of performing binge drinking in the future is also lower in the mixed condition. The mixed emotional message (fear with joy) in study 2 repeatedly generates lower post-message discomfort than the pure fear based appeal. Moreover, participants evaluate response efficacy more positively in the mixed condition. The authors state that "the mixed message (fear /joy/relief) generates a less unpleasant mood state, and is associated with a more positive appraisal of the behavior alternative to the risk behavior (drinking in moderation) and lower reported probability of performing the risk behavior in the near future. These differences indicate that the consequences of the mixed message are more positive than those obtained with the negative message (Carrera et al. 2010, p. 735). Importantly, the fear mixed with joy message, even when it generates a higher level of post-message discomfort, does not result in higher probability of performing risk behavior. This boomerang effect is predominately associated with purely negative, fear based, message used in the study. Additionally, Mukherjee and Dub   (2012) provide empirical evidence that humor mixed with fear appeal can reduce defensive responses, and therefore, enhance the persuasive effect of fear advertising. The results of their two studies portraying protective sunscreen lotion messages show that increasing fear tension arousal from moderate to high enhanced persuasion when humor was added in the message but diminished persuasion when humor was absent in the message. Further, results of both studies suggest that the interaction of humor and fear tension is mediated by a reduction in defensive responses to the ad, measured by positive thoughts about the brand and perceived vulnerability to the threat.

## **Combined Fear and Challenge Appeals**

Research to date has ignored the potential effects of mixing fear and challenge appeals in social marketing advertisements, warranting further investigation. The definition of fear appeals is well established as "persuasive messages that arouse fear by depicting a personally relevant and significant threat, followed by a description of feasible recommendations for deterring the threat" (Witte and Allen 2000, p. 605). However, there is no clear definition of challenge appeals in the extant literature.



Advertising appeals in the challenge format, would include cues of optimism, social inclusion, personification of the health concern, and combat (Smith 2007). “Battle the health concern” recommendations in a challenge format are very action oriented, list multiple opportunities and types of action, including prevention, treatments, testing, support, and research. Frequently, situations portrayed in advertising are perceived as challenging if they provide the chance to succeed on a task that is difficult, but achievable and they stimulate performers to behave with the main goal of establishing that they can succeed (I can do it!) (Wright and Kirby 2003). The challenge condition in the study of Passyn and Sujan (2006) was created by portraying patient’s cancer confrontation and acknowledgment of the situation, self-blame avoidance and focusing on understanding and mastery. Although threat and challenge appraisal are related in that they generate extensive physiological and psychological adaptation when the stakes are high, and both necessitate coping, they differ notably in that challenge is accompanied by positively toned emotions such as excitement, hope and eagerness (Lazarus et al. 1980). Effortful optimism and potential for success are core relational themes of challenge (Smith et al. 1993). Additionally, an important appraisal component of challenge is high (problem focused) coping potential. While fear provokes thoughts and actions to escape the crisis rather than problem-oriented actions to address it, challenge is connected with the motivation to prevent problems through mastery (Smith et al. 1993) and is therefore associated with a strong appraisal of *self-accountability*, defined as “an assessment of the degree to which oneself is responsible for the situation” (Smith and Kirby 2011, p. 201).

Empirical evidence regarding fear appeals mixed with challenge is scarce. Only one study by Passyn and Sujan (2006) directly examines the effects of mixed emotional appeals (challenge in particular) on motivating consumer behavior in the context of sunscreen usage and eating high fiber foods. They mix emotions high in self-accountability such as hope, guilt, regret, and challenge with fear, and report that fear appeal combined with high self-accountability emotions (hope, challenge) results in stronger behavioral intentions and higher behavior compliance. Interestingly, both negative emotions (regret/guilt) and positive emotion (challenge), when combined with fear are effective in motivating action prompting the authors to declare that “feeling good or bad is irrelevant for action, as long as one feels responsible to act” (p.586). Surprisingly, hope, characterized as a low-self accountability emotion, produces less effective persuasion outcomes. A second study confirms that greater intentions to use sunscreen occur in the high self-accountability conditions in which guilt, regret, and challenge are combined with fear. Participants report actual sunscreen usage 3, 10, and 18 days after the distribution of the brochure. Cognitive appraisals of self-accountability alone are inadequate as only emotions have the capacity to prompt action over and above the cognition that accompanies them. Although the study’s outcomes are promising, they should be interpreted with caution and vigorously tested in more complex and risk ridden health contexts, such as gambling. Kelly and Edwards (1992); LaTour and Rotfeld (1997) warn that fear appeal findings cannot be generalized across health contexts as respondents react differently to health and/or social marketing campaigns based on personal relevance.

## INDIVIDUAL CONSUMER CHARACTERISTICS AND FEAR APPEALS

Many researchers have emphasized the need to explore the role of individual consumer characteristics in the processing of fear appeals as responses to the same fear-related emotion are likely to differ across individuals, specific target groups, and personality types. Recent research explores various individual variables that affect consumer reactions to fear appeals such as: dispositional threat orientations (Thompson et al. 2011); health threat resistance (Dickinson-DelaPorte and Holmes 2011) and avoidance orientation (van ’t Riet et al. 2012). Further, researchers suggest that personality factors not only explain certain defensive strategies used by individuals responding to health messages, but also that they influence actual motivation to elaborate on the message. Bertolino et al. (2005) state that fear appraisal may differ among individuals with phobic personalities who tend to employ a certain cognitive style while interpreting threatening information. Phobic personalities are biologically predisposed to exaggerate potential threat information. The study’s fMRI results indicate that phobic prone subjects selectively mobilize the amygdala to a larger extent and focus more on fearful stimuli. Krohne and Hock (2011) present a personality-oriented coping theory which distinguishes vigilant and cognitively avoidant coping processes and view them as dispositional preferences associated with personality. Avoiders are inclined to reduce a negative affective state by turning their attention away from threat-related cues or by inhibiting the further processing of the information. On the other hand, vigilants are inclined to minimize a negative affective state by the intensified intake and processing of threat-related information.

### Fear and Information Processing: Inconclusive Empirical Evidence

The extant literature on whether negative emotion facilitates or damages information processing produces mixed empirical findings on both emotion-dependent facilitation and impairments. (de Hoog et al. 2007) fear elicitation and arousal can act as a motivator to engage in intensive and thoughtful message processing. According to Lang (2006), emotional content in media messages automatically activates two fundamentally different motivational systems, the appetitive and aversive systems. The

appetitive system, which becomes active when encountering a positive emotional message, promotes exploration of the environment and information intake. The aversive system, activated by negative emotions such as fear, serves the purpose of self-protection and increases cognitive resources allocated to the encoding and storing of the message. Evoked fear may lead individuals to scrutinize the message because they believe it contains valuable and relevant information, leading to more involvement and systematic information processing (Das et al. 2003). Ordoñana et al. (2009) argues that threatening information in a common fear appeal would not prompt a fight-or-flight defensive response but, rather, facilitate the increased attention to capture information helpful to evaluate the threat. Increased skin conductance and decreased cardiovascular activity of respondents exposed to the high threat stimulus in Ordoñana's experiment reveals a response pattern related to heightened attention to the message and better information capturing. These findings imply that fear facilitates information processing, directly contributing to the probability of recommendation acceptance prompted by high threat and high efficacy appraisal of a message.

However, numerous authors also advocate the opposite, stating that threat-based negative emotional stimuli impair information processing. Several studies demonstrate that people for whom the health message is self-relevant produce an attentional bias away from threatening health information when affirmation resources are missing, and tend to spend less time reading the high-threat message (Brown and Locker 2009; Klein and Harris 2009). Kessels et al. (2010) provide the first neuroscientific support for the hypothesis that threatening health information causes more efficient disengagement among those for whom the health threat is self-relevant, concluding that use of high-threat information may be counterproductive for people engaged in the risky behavior. Kessels et al. (2010) claim that even though high threat images capture more attention in smokers and non-smokers, simultaneously high-threat smoking pictures cause more efficient disengagement processes than low-threat smoking pictures, but only in smokers. Overall, such inconclusive empirical findings prompt us to question the role of elicited fear on information processing and motivate us to examine whether fear coupled with challenge would result in message information processing impacting positively on mode and depth of information processing.

### **A-Priori Individual Consumer Characteristics and Information Processing of Fear Appeals in Applied Social Psychology**

Consumer traits and personality characteristics are known to exert considerable influence on information processing (Baumeister 1998). Indeed, insights from social psychology and personality research may cast some light on a-priori individual differences which may benefit the fear appeal research.

*Distress tolerance* is the a-priori consumer ability to experience and cope with negative emotions (Simons and Gaher 2005) which might influence the tendency to engage in danger control. Persons low in distress tolerance who attempt to avoid negative emotions might be more likely to engage in fear control. Distress may be the result of cognitive or physical processes, but it manifests itself in an emotional state often characterized by action tendencies to alleviate the emotional experience. Distress tolerance is considered a meta-emotion construct that consists of consumer's evaluations and expectations of negative emotional states in respect to tolerability and aversiveness, appraisal and acceptability, tendency to absorb attention and disrupt functioning, and their ability to regulate emotions, particularly, the strength of action tendencies to either avoid or immediately soothe the experience (Simons and Gaher 2005). The distress tolerance construct originates from the field of applied social psychology, and clinical psychology and is often tested in the addiction context. Clearly, such construct might provide additional insights on fear information processing in the communication/social marketing fields. It is stipulated in the current conceptual framework, that such meta-emotion construct, specifically its appraisal and acceptability properties, as well as inherited tendency to absorb attention and disrupt functioning may moderate the interplay between evoked fear and the depth and mode of information processing.

*Identity processing style* theory (Berzonsky 1992) posits that the processing differences underlying the three identity styles (diffuse-avoidant, information oriented and normative style orientations) should give rise to differing ways of coping with problems and stress and may impact on information processing, especially if information relates to the source of stress/problems. Generally speaking, a diffuse-avoidant style orientation indicates a tendency to ignore problems and self-relevant information; information style orientation signals a tendency to seek out and elaborate self-relevant information under problem-solving conditions; and a normative style orientation indicates a person's tendency to rely on the standards of referent groups in problem solving situations. Berzonsky (1992) proposes links between identity processing styles and adaptive or maladaptive coping. Informational style is positively related to the use of problem-focused coping, normative style is positively related with seeking social support and problem focused coping (Soenens et al. 2005) and diffuse avoidant style is positively associated with the use of emotion-focused coping. Beaumont and Seaton (2011) confirm the diffuse-avoidant style is positively associated with denial, disengagement, and substance use. The informational style is the only

identity style that is positively related to acceptance and positive reinterpretation and growth. Identity processing style impacts an individual's decisional strategies (Berzonsky and Ferrari 1996) by actively seeking out, evaluating, and utilizing self-relevant information or exhibiting maladaptive decisional strategies (denial, behavioral and mental disengagement). Diffuse-avoidant, information oriented and normative style orientations individual difference constructs are rooted in the fields of personality and social psychology and adolescents research and warrant further exploration of its applicability in the fields of consumer behavior, social marketing and communication. It is assumed in the current conceptual framework, that diffuse-avoidant, information oriented and normative style orientations may exert their moderating properties on the emotional-cognitive interplay between elicited fear/challenge and the depth of information processing.

### **Individual Consumer Characteristics and Elicitation of Fear in Social Psychology**

Persuasive fear appeal messages have the ability to create intricate emotional responses (Dillard and Peck 2001) that represent evaluative reactions to events, objects and agents and vary in intensity (LeDoux 2012). The potency and depth of an emotional response may depend on a-priori level of consumer emotional reactivity. Indeed, Kuo and Linehan (2009) argue that individuals may be biologically predisposed to experience more intense emotions and display heightened emotional reactivity. This may in turn lead to habitual avoidance of, and marked efforts to inhibit, the experience of emotional arousal. *Experiential avoidance* is a-priori individual's trait characterized by aversion to experience feelings, physiological sensations, and thoughts, particularly those that are negatively evaluated (fear), as well as attempts to alter the form/frequency of these events and the contexts that occasion them (Hayes and Wilson 1996). Experiential avoidance is studied in the field of clinical psychology and its applicability to the field of marketing is unknown and yet to be tested in the present conceptual framework. The experiential avoidance construct clearly seems to have properties to act as a potential individual difference moderator that determines specific interplay between perceived threat and fear elicitation for certain individuals.

## **PROPOSED THEORETICAL FRAMEWORK**

The present model incorporates the major tenets of the revised protection motivation model (Arthur and Quester 2004) such as threat, fear and efficacy, as well as the challenge and self-accountability constructs (Passyn and Sujun 2006) combined with an information processing construct linking heuristic-systematic mode and depth of processing. The revised PMT model delineates how coping and threat appraisal processes interact and influence consumers' motivation to protect themselves and enable coping behaviors. However, it only focuses on fear. Our proposed framework investigates the causal relationships within the revised PMT model for fear coupled with challenge emotional appeals. Additionally, the issue of fear appeals information processing has been raised outside of the PMT models (Das et al. 2003; de Hoog et al. 2007) and the current research attempts to incorporate such an important construct with the revised protection motivation model. Information processing emphasizes the importance of explaining how cognitive processing affects persuasion of fear appeals and inclusion of an information processing construct (its mode and depth) in the proposed conceptual framework may enrich the model's predictive and explanatory powers. Some researchers argue that PMT models do not provide a sufficient account of decision making relating to health and other social issues (Hodgkins and Orbell 1998). By delineating the information processing of respondents into modes (heuristic/systematic) and measuring the depth of processing, the current framework can reveal the differentiating role of such variables and their effect on consumers' elaboration, and decision stages. Cognitive and emotional processes engaged into during message exposure lay the foundation for any subsequent persuasive impact and our proposed framework attempts to underline how the mind processes the distinct features of such advertisements addressing the following questions:

1. Which appeals, fear based or fear appeal coupled with challenge, will have a greater impact on consumers' positive attitude change and behavioral intentions?
2. Do the a-priori individual differences such as experiential avoidance, distress tolerance, and identity processing styles orientation, moderate response outcomes of fear/ fear and challenge based advertisements? To what extent do they moderate the relationship between cognitive and emotional message processing and response outcomes?
3. Will fear coupled with challenge impact on consumers' mode (systematic/heuristic) and positively influence depth of information processing?

The causal relationships in the current model are inferred from the empirical evidence accumulated in the extant literature on fear appeals, mixed emotional appeals, personality research, social and applied psychology. The Protection Motivation Theory (Rogers 1975) is based on the argument that fear appeals can lead to adaptive coping responses, or maladaptive responses, based on individuals' threat appraisals and coping appraisals. Further, threat appraisals engage assessment of *perceived severity* and *perceived vulnerability/susceptibility* of the threat which lead to the elicitation of fear, while coping appraisals engage individuals' belief in the effectiveness of the recommended action for preventing the threat (*response-*

*efficacy*) and assurance in their ability to implement the recommended action (*self-efficacy*). However, recent empirical evidence suggests that only perceived vulnerability/susceptibility is causally linked with the fear elicitation (Arthur and Quester 2004; Munoz et al. 2010). Therefore, our conceptual framework predicts that perceived vulnerability positively influences fear elicitation. Additionally, our model predicts that the relationship between perceived vulnerability and fear elicitation will be moderated by a-priori individual difference, such as *experiential avoidance*. Evidence from the clinical psychology suggests that experiential avoidance acts as a potential individual difference moderator that determines specific interplay between perceived threat and fear elicitation for certain individuals.

An individual's *involvement with the advertisement* is an important construct to include in the quest to understand risk information processing of fear or fear and challenge appeals. Cauberghe et al. (2009) claim that message processing factor such as involvement with an advertisement, can be important variable between evoked cognitions and emotions on the one hand and message acceptance on the other hand. Cauberghe et al. (2009) show that message involvement has a direct effect on intentions and indirectly influences anti-speeding attitudes mediating the impact of elicited fear, threat, and efficacy cognitions. In studying drug appeals, Kavadas et al. (2007) identify that addressing an audience as high versus low involvement is a more effective fear appeal approach than viewing the audience as a sufferer or non-sufferer. Personal relevance and involvement with the advertisement has been found to be fundamental situational variables that influences elaboration and are theoretically supported by the Elaboration Likelihood Model (Petty et al. 1993). The proposed conceptual framework suggests that involvement with the advertisement will moderate not only the relationship between perceived vulnerability of a threat and fear elicitation but also the relationship between fear and mode and depth of information processing. Munoz et al. (2010) empirically support that highly involved respondents engage more in information processing than low involved respondents. Additionally, threat appraisal determines the depth of information processing and elicited fear can trigger a motivation to engage in intensive and thoughtful (systematic) message appraisal (de Hoog et al. (2007). However, others argue that highly involved respondents will not embark on message processing and will disengage themselves from the fear appeal message processing (Kessels et al. 2010), or produce an attentional bias away from threatening health information when affirmation resources are missing, and that they tend to spend less time reading the high-threat message (Brown and Locker 2009; Klein and Harris 2009). Based on such controversy, our conceptual framework stipulates that fear-based message will impact on the depth and mode of information processing, although whether the impact is positive or negative remains uncertain.

Some a-priori personality characteristics, such as *distress tolerance* and *identity processing styles* may predispose persons to engage in fear control and employ maladaptive coping responses during cognitive-emotional assessment of threatening message, those imposing moderating effect on *mode of processing (heuristic or systematic)* and *depth of message processing* in the presented conceptual framework. Heuristic processing is defined as "a limited mode of information processing that requires less cognitive effort and fewer cognitive resources" (Eagly and Chaiken 1993, p. 327). Systematic processing, by comparison, involves a much more comprehensive effort to analyze and understand information. Consequently, attitudes based on systematic processing tend to be more permanent, whereas attitudes based on heuristic processing are relatively more unstable. Conversely, both forms of processing can take place simultaneously as people process information to the point they regard as sufficient (Eagly and Chaiken, 1993). The depth of information processing additionally differentiates the levels of elaboration and personalization as responders process information and is understood as the degree to which information receives semantic elaboration (Craik and Tulving 1975). We can also tentatively hypothesize that fear coupled with challenge, will positively impact both the mode and depth of information processing. Larsen et al. (2003, pp. 213, 220) suggest that mixing negative and positive emotions in a message "may allow individuals to make sense of stressors, to gain mastery over future stressors, and to transcend traumatic experiences. Co-activation of positive and negative emotional processes may be central to one's ability to focus on stressful information long enough to find adaptive solutions". Challenge enhances message elaboration and may positively impact information processing, as claimed by Schneider et al. (2009). Respondents in the prolonged-exposure challenge condition (low worry/high efficacy) have greater message elaboration and higher intentions to get tested against ostensible illness. Challenged participants may have been affectively primed to be open to the message processing, fostering higher intentions to get tested (Schneider et al. (2009). However, the challenge based message is strictly separated from the threatening message, and no mixed messages are tested in their study. Message elaboration is measured using a thought listing technique only.

Accumulated empirical evidence suggests that response and self-efficacy are not moderating the relationship between elicited fear and attitude (Arthur and Quester 2004; Terblanche-Smit and Terblanche 2011). Moreover, elicited fear is not directly and causally linked to the attitudes and intention variables in the study by Cauberghe et al. (2009). The current conceptual framework stipulates that information processing (mode/depth) may better explain the causal relationship between fear and fear combined with challenge, on attitudes. Response efficacy and self-accountability should mediate the relationship



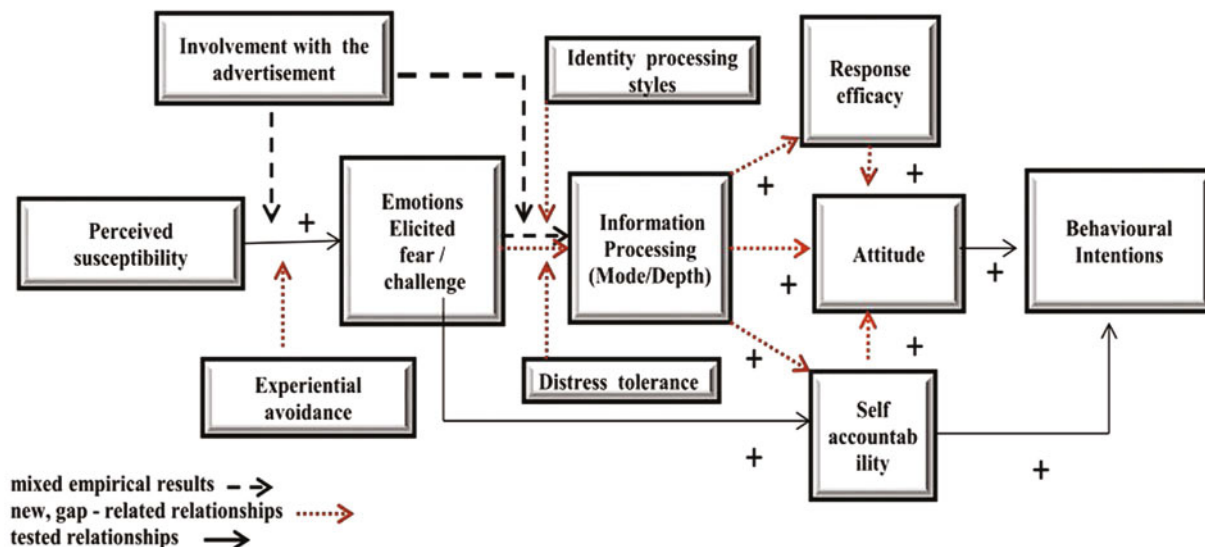
between information processing and attitudes. Attitudes are known to be causally linked to behavioral intentions (Arthur and Quester 2004; Munoz et al. 2010; Terblanche-Smit and Terblanche 2011) and our proposed framework suggests a direct impact of attitudes on behavioral intentions in both conditions (fear/ fear with challenge messages).

## CONCLUSION: FEAR AND CHALLENGE APPEALS

Despite decades of research, our understanding of the cognitive and emotional processes underlying consumer responses to fear appeals is still limited. Several gaps remain in the field of fear appeals advertising which the proposed theoretical framework addresses. Fear may be idiosyncratic or unique to the individual, predisposing consumers to certain appraisal tendencies or even certain biases in the appraisal process. Individuals who differ on fear appraisal dimensions can be expected to evaluate messages differently and consequently to experience different emotional reactivity. A-priori consumers' characteristics such as experiential avoidance, distress tolerance, and identity processing styles orientation entrenched in applied social and clinical psychology and personality research all exert a potential moderating effect on fear elicitation, mode (systematic/heuristic) and depth of information processing in fear and fear/challenge based advertisements .

This research contributes to the existing literature in several ways. First, our conceptual framework represents an attempt to theoretically and empirically investigate the effect of mixed emotions, such as fear combined with challenge, on respondents' information processing. Hence, this work adds to research that is focused on the multiple roles of emotions in information processing, and complements the work on mixed emotional appeals in social marketing communications (Carrera et al. 2010; Passyn and Sujun 2006). Second, the current conceptual framework incorporates relevant, yet disparate areas of knowledge from the fields of psychology and personality research, and examines a-priori individual differences(experiential avoidance, distress tolerance, identity processing styles),thus contributing to the extant literature examining the roles of individual consumer characteristics on message processing within the fear/mixed emotional appeals domains. Additionally, the current framework is capable of testing the moderating effect of respondents' involvement with an advertisement and information processing of mixed emotional appeals, based on fear and challenge. Third, the approach of combining fear with challenge appeals can be embedded in the context of specific social marketing campaigns targeting undesirable or harmful behaviors, such as irresponsible gambling contributing further to addiction research (Hammond 2007; Munoz et al. 2010).

Figure 1: Conceptual Framework



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### **Session 6.3. The Role of Service Employees**

Room: Yarra #2

Session Chair: Simon Bell, University of Melbourne

#### ***The Dual Impact of Socio-Emotional and Operational Demands on Stress and Burnout***

Ian Lings, Queensland University of Technology, Australia

Geoffrey Durden, LaTrobe University, Australia

John Cadogan, Loughborough University, United Kingdom

Nick Lee, Aston University, United Kingdom

#### ***Personality and the Creativity of Frontline Service Employees: Exploring Quadratic and Moderating Effects***

Carlos Sousa, Durham University, United Kingdom

Filipe Coelho, University of Coimbra, Portugal

Cristiana Lages, Loughborough University, United Kingdom

#### ***Dealing with Variability in Professional Services: The Role of Scripting Versus Improvisation***

Jessica Vredenburg, University of Melbourne, Australia

Simon Bell, University of Melbourne, Australia

# THE DUAL IMPACT OF SOCIO-EMOTIONAL AND OPERATIONAL DEMANDS STRESS AND BURNOUT

Ian N. Lings, Queensland University of Technology, Australia  
Geoffrey Durden, La Trobe University, Australia  
Nick Lee, Aston University, UK  
John W. Cadogan, Loughborough University, UK

## INTRODUCTION

Exhibiting appropriate behaviors toward customers often requires service employees to suppress genuine emotions and/or express other emotions, genuine or contrived. Managing one's emotions to act in a socially appropriate manner constitutes a form of labor; emotional labor. Front line service employees have finite resources (e.g. time, energy, knowledge, emotions) to dedicate to the service role. Conservation of resources (COR) theory (Hobfoll, 1988, 1989) predicts that if job demands exceed the limits of these resources, employees will experience stress. This is often associated with employee burnout, which can compromise performance (Karatepe and Uludag, 2008). Stress is an integral factor in up to 80% of work-related injuries and 40% of employee turnover (Atkinson, 2004). Furthermore, burnout can cost organizations billions of dollars in disability claims, absenteeism and lost productivity and may cost up to 10% of a country's GNP (Ongori & Agolla, 2008).

Non-clinical health care workers, (especially allied health professionals) typically have high degrees of face-to-face interaction with patients. In such settings, the logic of value co-creation suggests that job demands include both operational demands and socio-emotional demands. Previous burnout research has focused either on the consequences of operational demands, or socio-emotional demands (see for example Ashill and Rod 2011; Karatepe and Uludag 2008). However, to the best of the authors' knowledge none have examined the simultaneous effect of these different job demands on burnout symptoms. Examining the simultaneous roles of operational and socio-emotional demands is particularly important given that the logic of value co-creation suggests that high contact service roles encompass high operational demands, associated with the service task, concurrent with high socio-emotional demands, associated with the interpersonal interaction, and COR theory predicts that if these job demands exceed the employees' resources, stress will occur. Understanding the simultaneous impact that operational and socio-emotional demands have on employees is essential if firms are to develop better procedures to ameliorate the detrimental impact that excessive job demands may have on employee wellbeing, value co-creation and service performance.

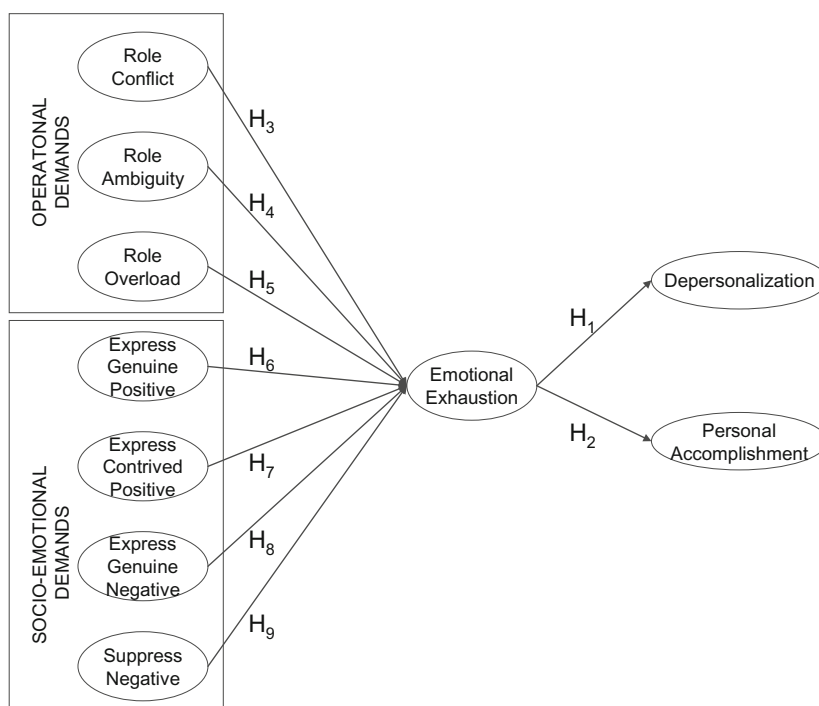
## BACKGROUND

Service roles, where the stakes for customer satisfaction and value creation are high, are inherently stressful. Service employees are required to simultaneously fulfill the operational demand to enact value creating behaviors (serving customers), and fulfill the socio-emotional demands inherent in these behaviors, i.e., modify their individual behaviors in order to act in a way that is consistent with the position of their employer. Inherent in these requirements are the foundations for several managerial challenges. For a variety of reasons, service employees may not fully understand the task related behaviors that they are required to enact. Customer service behaviors may not be well understood by the firm and so expectations of service staff behaviors may be unclear, giving rise to role ambiguity. Even if the employer is clear about the task behaviors that service personnel should enact, this may not be clearly communicated to service staff, again giving rise to role ambiguity - or, in the case where task behaviors are clearly communicated, but are too demanding on employees, role overload. Role conflict is also thought to be important in the co-creation process. Role conflict occurs when the firm and its customers have different views of what constitutes value, which places conflicting demands on employees (Chung & Schneider, 2002). Supporting such contentions, recent work by Ashill and Rod (2011) reports a significant relationship between operational role stressors and burnout symptoms in non-clinical health care workers.

Leaving aside issues of self-image and status within the customer and employer roles, it appears that employees may be required to modify their innate behavior to some extent in order to facilitate the service interaction (Jeanquart Miles & Mangold, 2004). This may require service employees to suppress certain emotions that are seen as inappropriate to the service role (such as boredom, disliking or anger), whilst expressing others (such as excitement, friendliness and empathy), even if they do not genuinely feel these emotions. Expressing job demanded emotions to customers requires employees to expend energy to ensure that they display appropriate feelings, a process that is referred to as emotional labor (Hochschild, 1983). Previous studies report that emotional labor induces emotional dissonance (Grandey, 2000; Hochschild, 1983) and that sustained emotional dissonance leads to feelings of stress, frustration, or burnout/emotional exhaustion (Grandey, 2000; Hochschild, 1983; Judge, Woolf, & Hurst, 2009).

Socio-emotional and operational demands appear to be a common characteristic of the allied health professional's role, where value creation requires close interaction between the health professional and the patient. Previous work has shown that both operational demands, in the form of role stress, and socio-emotional demands, in the form of emotional labor, independently give rise to employee burnout and that this has a deleterious impact on employees' mental and physical health (e.g., Spector, Chen, & O'Connell, 2000).

## 1. Conceptual Framework



**Figure 1: Conceptual Framework**

Figure 1 shows our conceptual framework. Following Maslach, Jackson, & Leiter (1996), burnout is conceptualized as a set of three components, emotional exhaustion, depersonalization, and (reduced) personal accomplishment. Emotional exhaustion is predicted by high socio-emotional demands associated with service interactions, where socio-emotional demands are conceptualized as the extent to which service operatives are required to (a) display emotions that are socially appropriate to their role, and (b) suppress emotions that are seen as socially inappropriate. Emotional exhaustion is also believed to result from role ambiguity, conflict and overload, deriving from operational demands of the service role.

Despite the significant aforementioned consequences of burnout, to the best of our knowledge, no study has simultaneously examined the impact of role stress and emotional labor on burnout. Axiomatically, we believe that it is important to understand the dual mechanism of task and socio-emotional job demands in order to most accurately explicate the underlying service logic.

## METHOD

In order to test the relationships between the constructs in our study, we collected data, by means of a self-administered paper and pencil questionnaire, from a census of the Diversional Therapy Association of NSW membership (n=520). Diversional therapy (AKA recreational therapy in the UK and US) is an allied health service in which customers are often very physically and emotionally dependent on the actions of service employees, and in which emotional displays are particularly important,

and so is an appropriate context in which to test our model. All constructs were measured using commonly employed scales from published literature. A total of 129 complete responses (25%), representing membership at all levels of the profession, were received. Respondents were overwhelmingly female (94 per cent), which is representative of the gender split in the profession.

## RESULTS

Initial analysis examined the convergent and discriminant validity of the scale items as recommended by Fornell and Larcker (1981), Anderson and Gerbing (1988). All scales were found to be suitable for use.

To test our model, the data were analyzed using structural equation modeling, employing LISREL 8.8 (Jöreskog and Sörbom, 2007).

**Table 1** Standardized parameter estimates for the structural model

	Hypotheses	Path estimate	t-value
H1	Emotional Exhaustion -> (+) Depersonalization	.50	3.82
H2	Emotional Exhaustion -> (-) Personal Accomplishment	-.21	-1.88
H3	Role Conflict -> (+) Emotional Exhaustion	.42	1.86
H4	Role Ambiguity -> (+) Emotional Exhaustion	-.04	-.46
H5	Role Overload -> (+) Emotional Exhaustion	.65	3.60
H6	Expressing genuine positive emotions -> (-) Emotional Exhaustion	-.41	-3.74
H7	Expressing genuine negative emotions -> (+) Emotional Exhaustion	.25	1.89
H8	Expressing contrived positive emotions-> (+) Emotional Exhaustion	.28	2.41
H9	Suppressing negative emotions-> (+) Emotional Exhaustion	.10	.78

Variance explained: Emotional Exhaustion 55%, Personal Accomplishment 5%, and Depersonalization 25%

Fit information: Chi-square = 496.41 (df=433)  $p = .02$ , RMSEA = .034, NNFI = .96, CFI = .97, SRMR = .08

The results show that the hypothesized relationships between the components are supported, with emotional exhaustion significantly predicting a substantial degree (25%) of depersonalization (H1) and a relatively minor degree (5%) of personal accomplishment (H2). The model also reveals partial support for the view that operational demands lead to emotional exhaustion. Role conflict (H3) and role overload (H5) both significantly increase emotional exhaustion; role ambiguity (H4) on the other hand does not.

The data also provide partial support for the thesis that socio-emotional demands impact burnout. Specifically, we find that expressing genuine positive emotions alleviates emotional exhaustion (H6) and does not undermine employee well-being. In contrast, expressing genuine negative emotions is emotionally taxing and leads to emotional exhaustion (H7), while contriving positive emotions (surface acting) is confirmed as a form of emotionally demanding work (H8) and has the potential to damage the well-being of service employees. However, suppressing negative emotions does not appear to constitute emotional labor and has no significant impact in emotional exhaustion (H9). In line with our original assertion, we find that Diversional therapists find no need to contrive negative emotions, nor to suppress genuine positive emotions. That is, 87% of respondents report that they never contrive negative emotions at work and 80% report that they never suppress positive emotions at work. Overall, the operational and socio-emotional demands predict over half of the emotional exhaustion that employee's experience.

## DISCUSSION

The findings of our study suggest that both socio-emotional demands and operational demands are powerful determinants of workplace stress. Taken together, it can be argued that these two effects (socio-emotional and task related demands) are reflective of the operating characteristics of professional service organizations, namely, high levels of service employee-client contact and interaction, and associated high levels of service customization. In such settings, roles dominate the underlying service logic and clearly defined and explicated roles determine the ultimate quality of the service experience - for both parties.

In light of the above, it is imperative that managers recognize the socio-emotional demands made on employees in front line service settings, and the consequences that these demands have for employee well-being. Typically, task demands are well

understood in organizations and form an integral part of the job description and performance appraisal. Productivity targets are generally managed through task oriented negotiations and failure to recognize the socio-emotional demands corresponding to these tasks can compromise both employee and organizational performance. That being said, the essential challenge for organizations involved in service delivery is to find ways of ensuring that roles are properly defined and embedded in the design of the underlying service logic. Based on our study findings, there is strong evidence to suggest that this challenge is not being met, at least within the sample group.

## **REFERENCES**

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# **PERSONALITY AND THE CREATIVITY OF FRONTLINE SERVICE EMPLOYEES: EXPLORING QUADRATIC AND MODERATING EFFECTS**

Carlos M. P. Sousa, Durham University, UK  
Filipe Coelho, University of Coimbra, Portugal  
Cristiana Lages, Loughborough University, UK

## **ABSTRACT**

Previous studies investigated the relationship between the five factor model of personality and creativity. However, we go beyond this model and consider additional personality traits that have recently been investigated in the marketing literature as influencers of employee behavior, namely competitiveness, materialism, need for learning, and need for activity (see Brown, Mowen, Donavan, and Licata, 2002; Harris, Mowen, and Brown, 2005).

Additionally, past research has focused on linear effects, but we examine both linear and non-linear effects of personality, given the mounting evidence that personality has non-linear effects on other employee behaviors. Finally, considering the evidence on the interaction effect of personal and contextual characteristics in creativity studies (e.g., Oldham and Cummings, 1996), we also investigate the moderating effect of job autonomy on the personality/creativity relationship. Autonomy constitutes an important contextual factor, reflecting the nature of tasks and the decision latitude supervisors have passed on to subordinates.

The results indicate that four personality traits have non-linear effects, and that autonomy moderates the effects of some personality traits.

References Available Upon Request



# DEALING WITH VARIABILITY IN PROFESSIONAL SERVICES- THE ROLE OF SCRIPTING VERSUS IMPROVISATION

Jessica Vredenburg, University of Melbourne, Australia  
Simon Bell, University of Melbourne, Australia

## ABSTRACT

The speed with which customers are embracing new Internet-enabled technologies is quickly changing the professional services landscape. Customers are better equipped with the tools to gather real-time information, ask probing questions of their service provider and, ultimately, make fully informed purchase decisions. More fundamentally, customers are increasingly seeing value in being able to participate in the design and delivery of professional services (Eisingerich & Bell, 2006). Increased customer involvement, however, implies increased variability and uncertainty within the service encounter (Chan, Yim, & Lam, 2010).

Traditional management practice, in the event of variability, has been to more closely manage the service process. Variability has been seen as something to be controlled or 'managed out' of the process in order to increase consistency and predictability for both employees and customers. Accordingly, the literature has been occupied with prescriptions for managing variability through either customer or employee training. More recently, as a result of the service-dominant 'turn' within the literature and the emergence of co-creation as an approach to doing business, we have seen firms begin to embrace variability as a potential source of customization, innovation, and value. The evidence for the effectiveness of co-creation is emerging as scholars are increasingly embracing this topic of research (Bendapudi & Leone, 2003; Prahalad & Ramaswamy, 2004).

Remaining somewhat neglected, however, has been the role of the employee as firms embrace the variability that is endemic to co-creation business models. This we see as an oversight. As such, we argue that variability can be dealt with in one of two ways; 1) by controlling the service process thus minimising the variability as has been the more traditional approach, or 2) by embracing, and working with, the variability. We propose a typology that reflects these two approaches in the context of supply (i.e., the management of service employees) and demand (i.e., the management of the customer interface) strategies. For instance, by educating customers on how to conduct themselves within the service, behavioural variability can be reduced. Similarly, through service process blueprinting or scripting, employees' actions are able to be tightly controlled and monitored as appropriate for each service offering. Alternatively, firms can choose to embrace customer behavioural variability by embracing co-creation business models. The LEGO corporation, well known for its employment of a co-creation mindset, allows customers to submit new product ideas, to interact in online platforms with LEGO employees and other LEGO users, and actively participate in internal innovation processes (Hatch & Schultz, 2010).

Perhaps less frequently explored by firms are supply-focused approaches for embracing service process variability. The idea of improvisation, where employees react in the moment to the customer as they see fit, is one potential management strategy. Improvisation can be defined as the convergence of planning and action. A main tenet of improvisation is 'yes-anding' which involves accepting the offers of others and building on them. It enables individuals to focus on the in-the-moment process of creation rather than on forcing a desired result (Crossan, 1998; Vera & Crossan, 2004). This typology of controlling versus embracing customer variability was explored through qualitative research comprising semi-structured interviews with practitioners and employees in a health services context. The format of the interviews followed a broad discussion guide; however there was significant latitude to explore constructs further as needed. Interviews were structured to gain insight into the changing roles of employees and patients within the realm of professional health services and explore employee's current use of and opinions regarding improvisation as a tool to manage variable patient interactions.

Overall, the findings of this study indicate that the service process in the healthcare industry is changing and requiring a revision of the roles and responsibilities of all parties involved. Several key themes emerged from the semi-structured interviews. Evidence of service procedure deviance, increasing customer involvement and differing expectations of the service encounter emerged as anticipated. Firstly, despite the generally tightly controlled technical processes in a healthcare practice, interviews uncovered that quite often things will happen that cause a procedure to deviate from the norm. Secondly, and further complicating this potential deviance, are changes in the patient-provider relationship and how this is manifested depending on different patient characteristics. Interviews on the whole indicated that there is a shift in the healthcare profession towards having patients more involved in interactions and treatment decisions. And thirdly, patients also vary in their opinions of what it means to be treated well in a service encounter and their expectations of the service encounter (Frei,

2006). The resultant concern then is how to train employees to adapt and respond appropriately to this new customer role. In this paper, improvisation is proposed as a useful strategy to work with customers and the inherent variability as opposed to attempting to reduce it. It is argued that employees could be trained to incorporate customers' contributions and together construct the service process. Due to the high involvement nature of health services, strategies to control or reduce variability such as employee blueprints or scripting are not ideal. In these more high involvement situations, the interaction between the service employees and customers needs to create value for the customer by making them feel understood and cared for, and essentially embracing the variability that they bring to the table. Interviews also revealed evidence of improvisation being used in this way.

Our intention in this paper was to explore the validity of the control versus embrace typology of managing customer variability with the goal of setting the groundwork to now empirically investigate customer behavioural variability, with a focus on the potential utility of improvisation training to manage this variability.

References available upon request

**Session 6.4. Marketing in Asia: Retailing and Services**

Room: Clarendon A

Session Chair: Charles Ingene, University of Mississippi

***The Evolution of Japanese Retailing: 1991-2007***

Charles Ingene, University of Mississippi

Ikuo Takahashi, Keio University

***Online Perceived Value in the Low Cost Carrier Business***

Pey Chyi Lim, University of Malaya

Brian Imrie, Sunway University

Nicolas Grigoriou, Monash University Sunway Campus

***Adoption of Online Shopping in South Asia: A Technology Acceptance Perspective***

Abdul Ashraf, University of New South Wales

Aqsa Akbar, University of Lahore

Mohammed Razzaque, University of New South Wales

## THE EVOLUTION OF JAPANESE RETAILING: 1991 – 2007

Charles A. Ingene, University of Mississippi, United States of America  
Ikuko Takahashi, Keio University, Japan

### ABSTRACT

In this research we theoretically address, and empirically estimate, key factors that affect sales at four major lines of retail trade that include frequently purchased consumables (food and drink), less frequently bought non-durables (apparel, shoes and dry goods), to infrequently acquired durable goods that range from moderately costly (furniture) to truly expensive (autos). We examine Industrial Classifications 56, 57, 58, and 59: Dry Goods, Apparel and Apparel Accessory stores (largely clothing, shoe, linen and accessories); Food and Beverage stores (primarily grocery, liquor, and specialty food stores); Motor Vehicles and Bicycle stores (because our measure is sales, autos dominate); Furniture, Household Utensils, and Appliances. These four lines of trade collectively comprise about 60% (1991: 62%, 1997: 60%, 2002: 59%, 2007: 58%) of all retail sales.

Our data is drawn from four successive Japanese retail trade censuses (1991, 1997, 2002, 2007); it encompasses 528 cities, in all 47 prefectures, that are home to over 75% of Japan's people.

Our theoretical model argues that retail sales are determined by three fundamental factors: the Market Environment (which is beyond the control of retail managers), Intertype Competition (which is influenced, but not controlled, by managers in the line of trade), and the Marketing Mix in each line of trade (which is set by managers). The essence of our argument is that the Market Environment determines a base level of sales per household. Intertype Competition takes sales away from the focal lines of trade. Finally, the Marketing Mix in each line of trade augments sales by (a) doing an above average job of appealing to customers and (b) countering the negative impact of Intertype Competition.

Turning to our empirical model, within the Market Environment we include seven variables: income per capita, household wealth (proxied by household size in square meters), the five year population growth rate, daytime population relative to residential population, mobility (proxied by auto ownership per capita), out-shopping (proxied by distance to the prefecture's capital city), and newspapers per capita. We expect each of these independent variables to increase our dependent variable of interest: retail sales per household.

For the Marketing Mix we measure three variables: assortment (proxied as square meters of selling space per store), service (employees per square meter of selling space), and access (number of stores per capita); each of them should increase retail sales per household in its line of trade (e.g., the marketing mix for Food stores should only affect food sales per household).

For Intertype Competition we use General Merchandise Stores (largely department stores and supercenters) that, in Japan, directly compete with Apparel, Furniture and Food stores. We focus on the same three variables (assortment, service, and access); they are expected to lower sales per household in the lines of trade with which they compete. (There is no intertype competition in our Motor Vehicle regressions.)

In the first stage of our analysis we use the Market Environment to explain the variation in retail sales per capita across the four census years and four lines of trade (i.e., sixteen regressions). The Market Environment generates adjusted  $R^2$ 's of 16.5% – 40.6%. In our second-stage analysis our dependent variable is the residuals from the first stage regressions. Here we include the Marketing Mix and Intertype Competition variables as explanatory; they account for 24.2% – 45.0% of the variation in the first-stage residuals. Taking the two stages together, we are able explain some 50% to 70% of the variation in retail sales per capita across the four lines of trade over four census years.

Our empirical research makes four contributions. First, we use two independent variables that infrequently appear in studies of sales per household: out-shopping and home size. Second, we include, and show the importance of, intertype competition in affecting sales at specific lines of retail trade. Third, we investigate data from four censuses that span a sixteen year period; few previous studies have examined changes in retail structure over time. Fourth, we examine retailing in Japan; the world's third largest economy has rarely been the focus of retail trade studies.

## ONLINE PERCEIVED VALUE IN THE LOW COST AIRLINE BUSINESS

Pei Chyi Lim, Graduate School of Business, University of Malaya, Malaysia  
Brian C. Imrie, Sunway Business School, Sunway University, Malaysia  
Nicholas Grigoriou, Monash University Sunway Campus, Malaysia

### ABSTRACT

The global airline industry has been hit hard by the global financial crisis (Goetz and Vowels, 2009). While full service airlines have struggled to be financially viable in this lean global environment, low cost carriers (LCCs) such as Air Asia and Firefly have changed the value proposition experienced by consumers when considering airline travel by lowering their costs and ticket prices to remain competitive. By choosing to fly with LCCs, consumers forego some of the value-added services provided by full service carriers such as complementary on-board meals, in-flight entertainment, and airline lounge services (Mathews, 2004). The emergence of low cost carriers (LCCs) has also changed the way in which consumers engage with airlines, particularly with regards to air ticket purchasing behaviour (Park et al., 2004). Due to time constraints and advancements in information technology, there is an increasing consumer preference in using the internet compare prices and purchase flight tickets (Goh, 2005).

We empirically examine Malaysian consumers' perceptions towards online perceived value in the LCC business. Perceive value is the consumer's overall assessment of the utility of a product based on perceptions of what is received and what is given (Zeithaml, 1988). In an e-commerce context, the consideration of online perceived value is gaining in strategic prominence due to an awareness that consumers increasingly compare product features and prices online. The provision of effective online search and browse methods are considered mechanisms that will enhance the perception of value (Cheng et al., 2008). The results offer a different perspective of the antecedents of online perceived value from that found in the extant literature. We found a strong correlation between LCC flight ticket pricing and online perceived value. Our findings have implications for managerial decision makers in LCCs. Managerial decision makers in LCCs must make their online service promises realistic, relevant, and deliverable.

The principal limitation inherent within this study was the use of convenience sampling. Consequently, the resulting sample is not representative of the broader Malaysian population in terms of gender, age, income, or educational level.

References available upon request

## **ADOPTION OF ONLINE SHOPPING IN SOUTH ASIA: A TECHNOLOGY ACCEPTANCE PERSPECTIVE**

Abdul Rehman Ashraf, University of New South Wales, Australia

Aqsa Akbar, University of Lahore, Pakistan

Mohammed Abdul Razzaque, University of New South Wales, Australia

### **ABSTRACT**

The worldwide proliferation of online shopping during the past decade has created a need to better understand the adoption of such activity across the globe. Viewing online shopping as a 'process', this study addresses some of the gaps in the online shopping adoption literature (i.e., consumer acceptance of online shopping in the Emerging Asian markets) by focusing on culture specific dimensions of the technology acceptance phenomenon. More specifically, it uses an extended version of TAM combined with literature on information technology and culture to identify the drivers of online shopping adoption in Pakistan. It then makes an attempt to validate the applicability of TAM in a cultural setting other than the developed Western world. An empirical study was conducted to test the proposed extended TAM model using data from university students in Pakistan. Contrary to previous research, results of this study render support for the applicability of TAM in a culture that scores high on uncertainty avoidance, collectivism, power distance, and masculinity.

**Session 6.5. Current Issues in Social Media Marketing**

Room: Clarendon B

Session Chair: Kate Letheren, Queensland University of Technology

***Social Presence's Affects on User Relational Performance, Relational Information Process' Role of Mediating, and Moderating Effects Caused by Variety of Social Media Websites***

Su-Fang Lee, Overseas Chinese University

Chee-Wha Yann, Overseas Chinese University

***A Qualitative Exploration of Student Perspectives on Social Media Use, Abuse and Content***

James Mick Andzulis, University of Alabama

Jessica Ogilvie, University of Alabama

Lenita Davis, University of Alabama

Catherine Johnson, University of Alabama

***Strategically Social - Drivers and Patterns in Social Media Management***

Lukasz Bochenek, University of Neuchatel

Sam Blili, University of Neuchatel

***Me or Not Me? The Avatar as Consumer Identity in Virtual Worlds***

Leila El Kamel, Tele-Universite du Quebec



# **SOCIAL PRESENCE'S AFFECTS ON USER RELATIONAL PERFORMANCE, RELATIONAL INFORMATION PROCESS' ROLE OF MEDIATING, AND MODERATING EFFECTS CAUSED BY VARIETY OF SOCIAL MEDIA WEBSITES**

Su-Fang Lee, Department of Business Management, Overseas Chinese University, Taiwan

Chee-Wha Yann, Department of Business Management, Overseas Chinese University, Taiwan

## **ABSTRACT**

The dramatic popularity of social media, e.g., blog and Facebook has drawn attention on their roles and momentum to internet marketing. It is assumed that if customers can perceive communication-via-internet as real as face-to-face conversation, then a high level of social presence is generated; which helps to establish communication linkages with customers, then becomes a decent relational network. Meanwhile, the members of social media societies utilize relational networks to share and exchange information via relational information process, in which new intelligence capital merges and helps to raise users' relational performance. The theoretical models is constructed with Structural Equation Modeling (SEM), empirical results show that social presence indirectly affects users' relationship performance by way of information process. The results also reveal that social presence affects intellectual capital exchange and merge vial social capital; it further affects the newly generated intellectual capital and users' relationship performance. It concludes that relationship information process and social capital are both important mediating factors in the paths of cause-and-effect. The results of theoretical model from travelers' blog and Facebook fan page are found different. Finally, managerial issues are suggested for future studies on the issues of searching behaviors for travel information.

Key words: social presence, social capital, relationship information process, user relationship performance, new intellectual capital

## **INTRODUCTION**

Contemporary members of networks society often adopt enthusiastic attitude to post and review information on the website, networks society members usually regard social media websites as the exit of information searching and opinion fermentation (Kane et al. 2009). It is assumed that if social media websites can construct the circumstances for social presence, and create the atmosphere of friendly intimacy, it will be beneficial to help members to formulate social capital of social networks; furthermore, through the share and exchange of intellectual capital between individual social society members, a new intellectual capital is expected to emerge. Above all, it is also possible to undergo the relationship information process for information exchange of social society websites and enable the exchange and merge of intellectual capital to formulate a new intellectual capital. Both ways are expected to raise the relationship performance of social society websites' users. Based on the above assumption, this study construct a travel's blog to explore if its social presence is helpful to raise social capital and relationship information process, and further formulate a new intellectual capital through the exchange and merge of intellectual capitals to raise users' relationship performance. At the same time, another social society website "Facebook" is

adopted to function as a contrast group to compare the difference of different internet society platforms and the effectiveness of social presence of traveler's blog. Therefore, this study intends to explore:

- i) Social presence's affect on relationship information process and social capital.
- ii) The mediating effect of relationship information process on social presence's affect on user relationship performance.
- iii) The mediating effect of exchange and merge of social capital and intellectual capital on the influential relationship between social presence and new intellectual capital.
- iv) The moderating effect of traveler's blog and Facebook in the context of overall theoretical model.

## **LITERATURE RESEARCH**

### **Social Presence**

Short, Williams, and Christie (1976) described the concept of social presence by pointing out the difference between communications through computer media and face-to-face surrounding, and suggested that if individuals acquire low level of social presence, they are subjective to limited cohesion force among society members; on the contrary, high level of social presence will lead to higher society amalgamation. Social presence is referred to the kind of face-to-face feeling, which is aimed to explain the behavior of communication process of propagation media (Short 1976, Westmyer 1998). Content transmitters tend to choose media according to the level of presence under different circumstances; if involved communicators need to mutually communicate, then the communication media needs to offer high level of social presence. However, if they only need simple information exchange, then only media of low level of presence is required. Social presence is capable of transforming media from information to abundant resources (Straub and Karahanna 1998). Gefen and Straub (2003) defined "social presence" as the degree of a media permitting users' mindset showing experiencing other members. It produces psychological contact between users can help users perceive that websites are warm, personalized, social, and creating the feeling of human contacts (Yoo and Alavi 2001). Hassanein and Head (2006) also proposed that touching content and humanized pictures will make the websites embedded with higher social presence.

### **Social Capital**

Bourdieu (1986) suggested that social capital is a valuable resource, and social relationship entity owned by individuals and group; however, the acquisition of social capital requires the establishment and maintenance of relationship, and also the implementation of social activities, mutual invitation, and the maintaining of mutual habits, etc.

Naphapiet & Ghoshal (1998) delineate social capital with the component of structural, cognitive, and relational. Structural dimension indicates the objective configuration that link people or organization. Cognitive dimension represents the expression, explanation, and implication system of share offered by resources. Relational dimension illustrates the personnel relationship developed and owned by previous interaction. Structural dimension is further divided into three parts: networks ties, network configuration, and appropriable organization. Cognitive dimension consists of shared codes and languages and shared natives. Relational dimension is further divided into four ingredients: trust, norms, obligations, and identification

Coleman (1990) stressed that cohesive force or intensive network structure produce norms and sanction against society and will enhance trust and cooperation. When both sides begin to trust each other, they are more willing to share their resources; highly trusted relationship makes people more willing to undertake social exchange and cooperative interaction. The mutual cooperation and communication between social networks and capital-related stakeholders will formulate social capital (Adler & Kwon 2002).

### **Intellectual Capital Exchange, Combination, and New Intellectual Capital**

The concept of “intellectual capital” was first proposed by Galbraith (1969); he proposed that intellectual capital is the activity of utilizing brain power. By means of controlling knowledge, experience, technology, customer relationship, intellectual capital can bring competitive advantage to business; at the same time, the internal knowledge of organization is systematically processed and produce new resources through the process of resources combination and exchange, and enable it to create the knowledge with business value (Stewart 1997, Edvinsson & Malone 1997).

Nahapiet and Ghoshal (1998) argued that social capital is the trust, cooperation and group behavior developed from personal networks, and proposed the conceptual framework to create social capital and intellectual capital; in which he emphasized that social capital can exchange and combine existing social capital and create new social capital. By means of the intra-relationship between organization and relationship network constructed exterior to the organization, the necessary resources and information are more likely to access and even diffuse in the organization. However, the interior diffusion depends on whether the entities acquiring information and resources are willing and capable to share with other entities, and whether these recipient entities are willing and capable to absorb these resources and information. Furthermore, there needs to be the integral capability, and then the new intellectual capital can be created. In summary, only when both parties are equipped with opportunity, expectation, motivation, and capability, can the new knowledge require be effectively created, which is intellectual capital.

### **Relational Information Process and User Relational Performance**

Jayachandran, Satish, Subhash Sharma, Peter Kaufman, and Pushkala Raman (2005) proposed relational information process from the viewpoint of relational marketing to act as a process of handling customer information in light of customer relations management, which focus on the interactive information between customers and business. Through the interactive information, the customer’s requirement can be understood; the customer relations can be established and maintained to raise customer relations performance. Relational information process consists of information reciprocity, information capture, information integration, information access, and information use, in which information reciprocity process ensure effective information communication, information capture and integration processes can prevent information from lose, information access process can limit information from overloading, and information use process can regulate customer information to fulfill the needs of customer relations management.

Thanks to the growth of information technology development, internet media and rapid information accumulation, the problem encountered by internet information searcher is no more information insufficiency, but rather how to manage and utilize information from overflowed information effectively. It only takes a few clicks to register as a member of social media

website; however, the follow-on development and interaction with other members are the maneuver to continuously maintain the relationships.

## RESEARCH METHODOLOGY

### Hypotheses

The dimensions of relational information process and customer relations performance proposed by Jayachandran et al. (2005) are adopted to explore the traveler's blogs' relational information process and user relations performance, in which the user relational performance is measured with user satisfaction and user loyalty. While companies endeavor to communicate and interact with customers and yield customers to commit to maintain a valuable relation, trust is an important factor of commitment (Morgan and Hunt 1994); there need to be sufficient communication channels to generate customers' trust towards companies and sufficient communication between both parties to encourage them to share information.

Websites equipped with social interaction and social supports are subjective to make visitors feel distance-free and enjoyable, even produce trust and perception of utility, finally create loyalty to the websites (Cry et al. 2007). Gefen and Straub (2003) argued that social presence in a key element to construct the relationship of trust. A high-intensity social presence environment is more comfortable to create trust (Gefen and Straub 2003, Wang and Emurian 2005), and a low-intensity social presence environment tends to produce more information conceal and distrust behavior (Hassanein and Head 2007).

Simon (2001) argued that social presence under an internet environment is a concept comparable to information sufficiency which helps to reduce information asymmetry, increase trust, and reduce risks. Cry et al. (2007) suggested that users' continuance utilizing websites equipped with on-line interaction and social support is due to the perception of social presence and entertainment, the produce to trust and perception of their utility, and the production of loyalty to the websites, which shows that the raise of social presence can increase user relational performance consisting user satisfaction and user retention. It follows that this study infers:

H<sub>1</sub>: Social presence positively affects relational information process.

H<sub>2</sub>: Social presence positively affects user relational performance.

The formulation of social capital is the result of interpersonal cross-relationship accumulated through trust, cooperation, and communication along the axis of time (Jacobs 1965), members constitute a valuable resource by means of social affairs of relational networks and provides with members with a co-owned capital (Bourdieu 1986). It is assumed that when social media cultivates a circumstance with touching social presence, it can make users comfortably produce trust by means of communication and further formulate cooperative social network resources. Social presence makes users feel a travel blog is touching, personalized, and companionable (Yoo and Alavi 2001) and willing to open up their mind, supply travel information, share travel photos, and exchange experience. It is obvious that the sociability of social presence encourages the development of relational networks and encourages the accumulation of travel social network's social capital. This study proposes that:

H<sub>3</sub>: Social presence positively affects social capital.

Jayachandran et al. (2005) suggested that business implementing relational information process helps to elevate customer relation performance, a travel blog equipped with relational information process will have its travel information process be more efficient due to the emphasis of user relationship, encourage the share and integration of travel information, and improve user retention and user satisfaction which will elevate user relation performance. Therefore, this study suggests:

H<sub>4</sub>: Relation information process positively affects user relational performance.

Nahapiet & Ghoshal (1998) proposed a model of combination of social capital and intellectual capital, which emphasized that through the combination and exchange of original social capital following the process of intellectual capital, a new intellectual capital is created. Following the same route, members of social media websites accumulate social capital based on relational networks and exchange information through social media websites, individual users utilize the relational networks of social capital to strengthen relational information process and move on to the exchange and combination of intellectual capital and new social capital is formulated. It is assumed that after users acquire new social capital from social medial networks, their satisfaction will be elevated and continue to utilize the travel blog and increase user relation performance. Woolock & Narayan (2001) suggested that social capital can increase the circulation of information and resources through the norms and networks of members' group behavior, therefore social capital will affect members' utilization behavior towards information. Social capital doesn't only play as an important role in explicit (objective) knowledge collection and storage, with perspective to implicit (subjective) knowledge, it also encourages members to develop communion networks and achieve effective knowledge share and accumulation. Therefore this study infers:

H<sub>5</sub>: Social capital positively affects relational information process.

H<sub>6</sub>: Social capital positively affects the exchange and combination of intellectual capital.

H<sub>7</sub>: The exchange and combination of intellectual capital positively affect new intellectual capital.

H<sub>8</sub>: New intellectual capital positively affects user relational performance.

Jayachandran et al. (2005) stressed that relational information process of user trust and relation can increase the opportunity of knowledge exchange between users on the ground of user relation and trust, elevate the expected value and motives of users on knowledge, and improve the capability of integrating new and old travel knowledge. Therefore this study suggests:

H<sub>9</sub>: Relational information process positively affects exchange and combination of intellectual capital.

The more threads a transmitting media can convey, e.g., face expression, body gesture, outfit, distance, and language, the more it can generate rich interpersonal impression, and achieve high level of inter-personal interaction, then, it is cauterized to the media of high social presence, otherwise it belongs to low social presence (Short et al. 1976). It is assumed that the users browsing different type of social media websites e.g. blogs and Facebook will experience differently against social presence, and yield different result of theoretical models. This study assumes:

H<sub>10</sub>: The distinction of social media websites bears with moderating effect against theoretical models.

## Research Framework

This study assumes that a travel blog with the format of social media websites can make websites perceived with social presence by users to promote the relational information process of travel information and help travel society to accumulate social capital based on relational networks. It follows that users affect the exchange and combination of intellectual capital through the relational information process of travel blog and social capital of relational networks, and further generates a new intellectual capital, in which the relational information process and social capital are equipped with the role of mediating, and relational information process and new intellectual capital both help to elevate user relational performance. The comparisons of moderation effects of travel blog and Facebook against the theoretical models are also conducted. The research framework is shown as [figure 1](#).

(Fig. 1 here )

## Data Sampling and Analysis

The sampling population is targeted at the users of a designated travel blog, i.e. Travel Dreamers, and its Facebook fans group, and the survey was carried out by linking questionnaire survey website i.e. My3Q to Travel Dreamers' blog and Facebook as suggested by Hoffman & Novak (1996) that question survey under internet environment can lead to higher reliability for measuring consumers' internet behavior. Examinees were invited to fill out the questionnaire according to internet circumstances they perceived. 430 questionnaires were received for travel blog and 291 were received for Facebook.

## Sample Distribution

With respect to total samples, 45.8% are male and 54.2% are female; for Facebook users, the average internet usage hours between one and two hours constitute 32.8%, and between two and four hours occupy 25.1%.

## Reliability and Validity Analysis

The Standardized Factor Loading (SFL) of each construct is greater than 0.7, which illustrates that all constructs encompass convergent validity (Hair et al. 1998). The Average Variance Extracted (AVE) of each construct is greater than 0.5, which shows that the degree of constructs' explaining capability for question is satisfying (Fornell & Larcker 1981). The Composite Reliability (CR) of each construct is greater than 0.7, which demonstrates that they are equipped with reliability (Rindfleisch & Moorman 2001).

The squared root of AVE (diagonal cells) is greater than the correlation coefficients (other cells) between each construct, which represents the existence of discriminant validity (Komiak & Benbasat 2006).

## EMPIRICAL RESULTS

### Offending Estimates and Normal Distribution Review

Before the investigation of overall goodness-of-fit index, Hair et al. (1998) suggested that the model parameters should be inspected for the phenomenon of offending estimates, which can be identified by: i) the existence of negative error variance; ii) the standardized regression weights are over or too close to one; iii) if the value of standard error is too high. Only if there is no signs of offending error can the overall goodness-of-fit investigation can proceed. The values of standardized regression

weights of this study are between 0.028 and 0.589, which do not exceed the threshold of 0.95, secondly, according to error variance estimates, there is no negative error variance in the model, and finally, it is significant that there is no standard error which is too high. It concludes that there is no offending estimate in the empirical model. The results of verification show that all absolute values of skewness coefficient are less than 3, absolute values of kurtosis coefficient are less than 8, and average values are approximate to 0, which confirms that the samples fulfill the requirements for normal distribution.

### **Verification of Theoretical Model**

The result of hypotheses test are shown in Fig. 1, the goodness-of-fit of samples and models are satisfactory, in which GFI=0.893, AGFI=0.864, NFI=0.936, CFI=0.949, RMSEA=0.072. H<sub>1</sub> is supported as the Standardized Structure Coefficient (SSC) is 0.592(t value=14.305), which means that social presence positively affects relational information process significantly. H<sub>2</sub> is not supported as SSC is -0.028(t value=-0.611), which depicts that social presence doesn't significantly affect user relational performance. H<sub>3</sub> is supported as SSC is 0.144(t value=2.764), which illustrates that social presence positively affects social capital. H<sub>4</sub> is supported as SSC is 0.291(t value=6.168), which demonstrated that relational information process positively affects user relational performance. H<sub>5</sub> is supported as SSC is 0.192(t value=0.417), which proves that social capital positively affects relational information process. H<sub>6</sub> is supported as SSC is 0.112(t value=3.176), which expresses that which proves that social capital positively affects exchange and combination of intellectual capital. H<sub>7</sub> is supported as SSC is 0.113(t value=2.852), which expresses that exchange and combination of intellectual capital positively affects new intellectual capital. H<sub>8</sub> is supported as SSC is 0.076(t value=2.018), which indicates that new intellectual capital positively affects user relational performance. H<sub>9</sub> is supported as SSC is 0.589(t value=14.818), which shows that relational information process positively affects exchange and combination of intellectual capital.

### **The Mediating Role of Relational Information Process**

Mackinnon (2008) suggested that Sobel test is the best estimate for standard errors of mediating effect. Most of current SEM software, e.g. LISREL, EQS, AMOS, adopt Sobel test as a significant examination method to test mediating effect. Therefore this study adopts Sobel test to verify mediating effect to achieve stricter and statistics-comprehensive examination (Lafreriere, Jowett, Vallerand, Donahue, & Lorimer 2008, Madrgal, & Chen 2008, Sagar, & Stoeber 2009, Stoeber).

With respect to the overall effect of user relational effect, social presence's indirect effect ( $0.529 \times 0.291 = 0.154$ ) is stronger than direct effect (-0.028), which shows that social presence could only indirectly affect user relational performance through relational information process. After Sobel test is carried out,  $z=5.629$ ,  $p<0.05$ , it reveals that the mediation effect that social presence affect user relational performance through relational informational process exists.

### **The Moderating Effect by Distinction of Social Media Websites**

The significance of moderating effect caused by nature of distinctive websites is proposed to measure by Critical Ratios for Differences between Parameters (CRDP) using Amos 20, it is suggested that if the absolute value of CRDP is greater than 1.96, it represents that significant difference exists between two groups of parameters under the significance level of 0.05; if the result is significant, it illustrates that at least one group differentiates from others, and the moderating effect exists (Byrne



2010). In order to exploit the moderating effect, all samples need to be categorized and contain more than 100 samples in each group to converge. The numbers of Travel Dreamer blog and Facebook have all surpassed the threshold; the CRDP reveal greater moderating effect on  $H_1$ ,  $H_8$  and  $H_9$  from Facebook, and  $H_4$  from blog,  $H_{10}$  is supported.

## **CONCLUDING REMARKS**

### **Conclusion**

This study has demonstrated the manipulation of a travel blog's social presence on travel information exchange; the relational information process is strengthened, the efficiency exchange and combination of information is improved, and new social capital is formulated to elevate user relation performance by way of individual user's social capital of their relational networks. It reveals that social presence can indirectly affect user relational performance through relation information process and therefore relation information process plays a crucial role of mediating. Relational information process and new intellectual capital are both helpful to increase user relational performance. It concludes that relational information process can encourage society members to increase users' satisfaction and accumulate long-term loyalty to the blog.

### **Managerial Issues**

In order to raise the social presence of travel blog, it is necessary to develop warm, personal, touching, and interactive atmosphere to reduce the feeling of distance between both interacting parties (Short et al. 1976) and update travel information timely in order to enable users to immediate acquire professional, useful, abundant, and multi-aspect travel information.

The empirical results show that if a social media website can provide inter-user information, e.g., information reciprocity for interaction and sharing process; information capture enabling users acquire information from various resources and channels; and information integration encouraging users to combine their information, which will increase user retention and satisfaction and further increase user relational performance. This result is identical to the conclusion suggested by Jayachandran et al. (2005) that business conducting relational information process consisting of information reciprocity, information capture, information combination, information access, and information use can improve customer relationship performance.

As shown in the overall theoretical model verification result, the members of social media websites accumulate social capital based on relational networks, individual users exchange and share information by way of relational networks of social capital to proceed the exchange and combination of intellectual capital and formulate new intellectual capital. This result is identical to the model of social capital integrating with intellectual capital proposed by Nahapiet & Ghoshal (1998) which emphasizes that originating from ordinary social capital and proceeding exchange and combination of intellectual capital will lead to creation of new intellectual capital.

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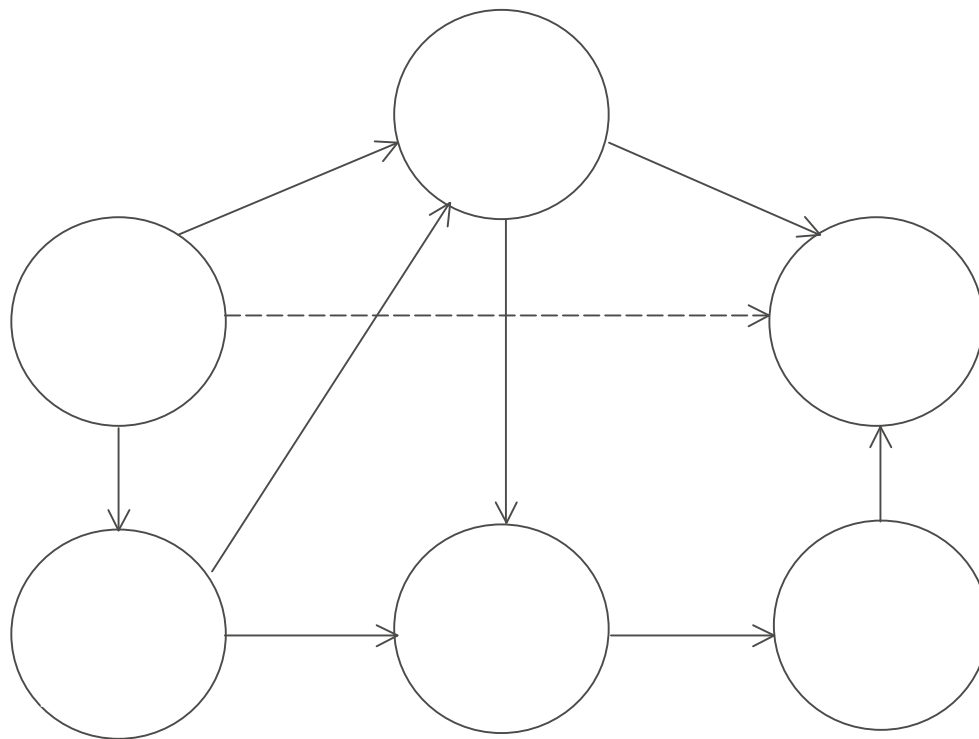


Fig. 1 Research Framework and Empirical Results

# **A QUALITATIVE EXPLORATION OF STUDENT PERSPECTIVES ON SOCIAL MEDIA USE, ABUSE AND CONTENT**

James “Mick” Andzulis, University of Alabama, USA  
Jessica L. Ogilvie, University of Alabama, USA  
Catherine M. Johnson, University of Alabama, USA  
Lenita M. Davis, University of Alabama, USA

## **ABSTRACT**

We review relevant literature from the social media domain, identifying common research foci, as well as a gap and justification for this study which seeks to bring about a better understanding of, and contribute to, the nascent literature stream in the field of social media marketing research. We investigate just exactly how this powerful new force, social media, is being adopted, utilized and leveraged by students, the one group of individuals most likely to walk a delicate balance between personal and (budding) professional lives. We then share four major themes (ease of use, self-censoring and privacy, community and collectivism, and relationships with brands and businesses) and eighteen sub-themes which capture the essence of the impact this phenomenon is having on our target population. We conclude with a discussion of the findings and their associated implications, as well as insight into the limitations of our study and ideas for future research.

References available upon request

# **STRATEGICALLY SOCIAL - DRIVERS AND PATTERNS IN SOCIAL MEDIA MANAGEMENT**

Lukasz M. Bochenek, University of Neuchatel, Switzerland  
Sam Bili, University of Neuchatel, Switzerland

## **ABSTRACT**

Social media open new opportunities for companies from both b2c and b2b sectors. They can engage directly with the consumers, customers and stakeholders within nanoseconds. These new opportunities create also dangers related to crisis management. The information can spread instantly and destroy corporate reputation. Therefore, the management of social media becomes strategically important for the companies. Management of the Facebook and Twitter profiles are not anymore considered as summer internships. Those are actually core managerial functions which are governed within the organizations.

## **INTRODUCTION**

Social media create for companies both dangers and opportunities. The dangers are related to the reputational issues. The information circulates instantly and cannot be controlled. The third sector actors can voice their concerns directly and influence corporate behaviors. At the same time, the companies can dialogue directly with their stakeholder. That dialogue creates the platforms on which multiple stakeholders interact and advocate.

Social tools allow companies to build communities. These communities are focused around the brands, products and corporations. The community management is not limited to providing the content for community members. It is strategically important part of Corporate Communications efforts. These efforts can bring increased awareness of the company, brand and products, and ultimately third party endorsement. From the simple strategies driven by the fascination of the new tools, the social media management evolved toward complex cross-departmental strategies. Social media policies, procedures, reporting and measurement are more and more sophisticated.

The following paper analyzes the sophistication of the social media management in Swiss companies listed in the Forbes 2000 list from 2010. This theoretical sampling aims to provide an overview of the operations and strategies used by the leading Swiss companies. Cross-sector sample helps to draw the sophistication model which can be applicable both to b2c and b2b companies.

## **THEORY BUILDING**

Social media has been studied as a new means of communications for businesses. These studies included the analyses of the usage of social media and the interaction from the customers/consumers (Heller Barid and Parasnis, 2011). There were few studies analyzing strategic implications of the usage of these new tools for overall CC management. Participatory potential of the social media was assessed from the point of view of the end user (Cammaerts 2008). Engagement with the brand and engagement with the cause were parts of the same participatory ecosystem (Heinonen 2011). Studies on the NGOs communications focused on the creation of networks and advocates (Harvey et al 2011). The question of social media as a word of mouth (WOM) draws new areas for marketing studies (Jansen 2009).

International businesses use social media for marketing, HR and communications (Mills 2012; Liang and Scammon, 2011). Focus on the interaction with end-users gave insights to the interactions which occur between institutional actors and consumers (Meek 2011). The managerial implications of this phenomenon draw potential for more direct communication in the corporate context (Heinonen, 2011). Heller-Barid and Parasnis proposed the model of change “from social media to social customer relation management” (2011).

Online groups constitute an interesting field for marketing research as they offer a large amount of data which is relatively easily accessible. The information on composition and behavior can be easily retrieved by the data mining techniques (Barbier et al., 2011). The research looked for a proxy to predict the offline behavior of group members in the “real world”. Internet may be also used to measure public attentiveness to the events and overall social trends (Ripberger, 2011). Trend measurement is another level on which corporate communications can build momentum for messaging (i.e. by using priming techniques). 140 signs to send a corporate message seem to be little, but the

potential for externalization and directing traffic to a corporate website and content cannot be underestimated. Moreover, studies show that the messages with negative sentiment spread faster on social media, and Twitter in particular. In consequence, monitoring and corporate reputation management of these channels remains top priority (Thelwall et al., 2011). The engagement of the public is streamed in the corporate communications activities – especially in corporate messaging.

The potential impacts of crisis on corporate performance (McCusker, 2005; Fearn-Banks, 2011) demand a more holistic approach in which reputation building is managed on all organizational levels. The need for 24-hour responsiveness moves corporate communications to the strategic level. The management of social media needs to be executed at a high level which elevates the strategic role of corporate communications to the board level function (Maon et al 2011). CC is the organizational unit which manages corporate reputation (Bochenek and Blili, 2012). The social media are one of the tools used by CC (Bochenek and Blili, 2012). Therefore the organizational learning of the CC management and its governance system impacts importantly social media strategic management (Bochenek and Blili, 2012).

### **Towards Conceptual Model of Social Media Sophistication**

The literature overview led to the conceptual model of social media sophistication. The drivers of the social media management include:

- **Importance of the brand for the operations** – the companies which are strongly depended on the brands in their operations (i.e. FMCG) are more likely to invest in advance CC campaigns and social media (Briggs, 2010).
- **Risks of crises in the industry** – the high risk of crisis would likely impact corporate listening behaviors. Social media trends can be used as early warning systems (Gonzalez-Herrero and Smith, 2008; Efron, 2011).
- **Customer type** – b2c companies are likely to reach out to their customers through social media. The b2b companies would be more likely to target their key stakeholders (Sharma et al. 2011; Plangger, 2012; Robertson et al., 2012).
- **Organizational culture and CSR programme** – companies which are more open at the level of disclosure have more developed communications cultures. They are more likely to use new communicational tools. CSR programmes are one of the information programmes which provide content for the social communication and marketing (Waddock and McIntosh, 2011; Sweester 2010).
- **Internationalization of the operations** – global companies would use social media to address the customers and stakeholders in various countries using social media as an effective communication tool.

The drivers of social media management influence the sophistication process. The sophistication criteria are influenced by Bochenek and Blili's proposals of CC management and Gibb and Blili's proposals related to IA management (Bochenek and Blili, 2012; Gibb and Blili, 2012). The sophistication criteria are described later. The sophistication process leads to social media results where the output measures include interaction level (i.e. number of likes, discussions, replies on social media channels) and externalization of the communication (i.e. number of shares, number of people Tweeting about the company, or talking about the company).

## **METHODS**

### **The Research Model**

The design of the methodology of the research is inspired by methodological proposals of Hamilton and her study on entrepreneurial learning (Hamilton, 2010). It draws also from Bezençon and Blili's proposals of case studies analyses of fair trade behaviors of the Swiss companies (Bezençon and Blili, 2008).

The study has been composed from two stages. First, we analyzed social media presence of all Swiss based companies present on the list Forbes 2000. The sample included 50 companies. In the second stage we selected 5 champions and described them in the in-depth case studies.

The analysis and observations presented in this paper is but one interpretation of the empirical material with no intention to generalize the findings (Hamilton, 2010). Rather the empirical data offers some tentative support for the theoretical propositions of the strategies in social media corporate management (Hamilton, 2010).

## The Sample

The study is based on 50 Swiss based companies. We selected 5 champions to illustrate the social media sophistication processes across the sectors. The sampling is theoretical rather than random to clearly illustrate corporate behavioral patterns (Yin, 2003). The businesses were identified through review of the operations of 50 Swiss-based companies listed in the Forbes 2000 ranking. We identified the 5 which show the most sophisticated usage of social media. A purposive sample is determined by the experience of the processes being studied that any particular individual or group may be able to draw upon (Hamilton, 2010). The companies are therefore selected based on their ability to showcase best practices. The companies are in that approach playing the role of “experiential experts” (Morse, 1995). The selection process, although based on theoretical sampling, also included elements of calls “maximum variety sampling” in selecting a heterogeneous sample (Morse, 1995; Hamilton, 2010). We looked at the global companies from various sectors with international scope of operations. We included both b2b and b2c companies. They were different at the level of size and revenues. The decision to focus on large companies was driven by the fact that they tend to have larger and more visible communications operations.

## Research Process

In the exploratory study we looked at Swiss-based companies present in the Forbes 2000 list. We looked at their presence on the respective social media channels. We analyzed their usage of the channels and basic output measures (numbers of fans/followers, interaction<sup>1</sup>). In the next step we analyzed the sophistication of the usage of the respective platforms (see table 2 and 3). The focus on Facebook and Twitter in the first stage of the research allowed us to identify 5 champions analyzed in the second phase of the research. The analysis is based on the observation model which incorporates the operations of the companies and analyzes them in the context of our conceptual model. Analyses of the communications of the companies benefit from the visibility of the tactics and operations. In the second step the researchers were able to reconstruct the strategies of the companies at the level of strategic communication.

## Key variables and descriptions

- Social media awareness - Presence and integration of the social media in the corporate communications operations
- Social media sophistication- Level of the usage of the platforms. Cross-platform integration of the corporate communications messages.
- Social media staff - Responsiveness on the channels. Presence of the social media staff on the channels. Level of the personalization of the social media messages on the channels.
- Social media integration across the channels - Cross-referencing of the channels. Integration of the social media channels across the corporate communications platforms. Integration of the corporate messaging on the social media platforms.
- Maturity of the usage of social media- Level of presence on the platforms. The establishment of the practices. Time of the uninterrupted presence on the respective social media platforms.

## Analytical Process

Contents of the websites and social media channels have been analyzed according to our model. Based on the operational observations, the researchers analyzed the strategic principles of the companies. The observations with the propositions are presented in the following section which presents and describes case studies. In the second term, the observations have been synthesized in a comparative table showing all the profiles with all the characteristics.

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<sup>1</sup> Interaction was measured on Facebook meaning the number of comments/shares/likes during the period of three months. Due to the tool functionalities the data has been collected manually.



## ANALYSIS

### **Social Media Presence – Awareness**

Leading Swiss companies embrace relatively slowly social media. New tools demand new skillset from the channel managers. Communication on these channels is driven by the “many to many” principles which means that the message is not controlled by the organization. However, the companies which are present on the channels do embrace engaging features of the platforms. They share the content (i.e. pictures), use applications and engage with the users. Nevertheless, the awareness of social media differs from organization to organization. There are few organizations which are leaders of the use of platforms and applications while the others are just present on social media channels

### **Channels**

The companies present on social media, were present on both main channels (Twitter and Facebook). The channels were used to address different publics with Facebook being customer-oriented and Twitter stakeholder-oriented. On Facebook, the leading companies used a portfolio of activities including applications, galleries. On Twitter, they tend to diversify their Twitter accounts according to public (i.e. careers, regional accounts, media relations accounts). In general, most of the companies present on social media had a presence on multiple channels with different distribution valuation of the concrete channels.

### **Social Media Sophistication**

The diversification of the usage of the channels and platforms was one of the elements of sophistication of the social media usage. There is a big difference between leading companies and others. Leading companies were ahead at the level of usage of the tools.

### **Usage of the Tools and Applications**

The tools available for the companies are most visible on Facebook. The platform allows the creation of customized welcome pages, applications, galleries, pools etc. It also allows interacting publically and not publically with fans. Championing companies, such as Company, position social media efforts high in their marketing efforts. That leads to the creation of the content and co-creation by users. For example, users are able to post pictures on the corporate account in the gallery.

### **Branding of the Channels**

Branding of the channels varies from very simple layouts with just corporate logos to the fully branded channels aligned with corporate look & feel present on the other channels of communication. The main elements include: picture on the profile of the company (both in timeline and main picture), section “about”, potential personalization of the posts by social team members. On Twitter it means profile image and background.

### **Alignment of Corporate Messaging**

The question of branding on social media channels leads to the question of alignment of corporate messaging across the channels. The question is not only which messages had been posted on which channel. It is also how their language took into account the specific aspects of the channel.

### **Social Media Interaction**

Interaction on the social media is driven by the activities of the companies, as well as their communications strategy. Companies using social media as marketing “push” channels to interact less on the social media platforms. The ones which have embedded corporate culture of dialogue and communication interact more. The interaction which we observed has 3 levels:

- Soft interaction from users: liking of the posts, sharing, re-tweeting
- Deeper interaction from users: commenting of the posts, tweets
- Dialogue: when companies actually do comment on the comments of users, interact with them, let them initiate discussions.

## Social Media Maturity

Social media started as a phenomenon in late '2000. They were considered as a sphere for amateurs created by amateurs. In 2006, Time named "You" as a person of the year. However, growing success of the platforms and engagement were spotted by the marketers. What was supposed to be an uncontrollable threat for the companies became an opportunity to interact directly with key stakeholders. Companies in our study are on the different stages of social media maturity. Most of them were not present on social media. However, those which were present executed developed strategies based on long, uninterrupted presence on the platforms.

## Strategy for Social Media

The question of strategy on social media is difficult as social media are a tool used by companies to communicate with their customers and stakeholders. In our study we identified 5 champions from different sectors that execute the strategies throughout social media. From the overview of operations and tactics of the companies, we discover several steps (elements) for the social media strategy implementation:

- Stakeholders mapping and review (i.e. mapping of the NGOs and influencer accounts to interact with).
- Policy for social media (i.e. responses to the requests and reactions to criticisms on the profiles of identified champions are consequent).
- Social media staff and training procedures (social media presence requires responsiveness which can only be achieved by identifying and training social media teams).
- Internal cross-organizational strategy (social media may be considered as "nice to have", but the strategic approach requires involvement of multiple departments: HR, CRM, Corporate communications).
- Clear content policy (content on social media targets concrete groups of stakeholders and needs to be adapted to their needs and to the platform set up).

## OBSERVATIONS

Leading Swiss companies are slow adapters to the social media. In 2011 only 34% of the companies were present on Twitter and 28% on Twitter<sup>2</sup>. In the Swiss context it seems that the key driver of the social media sophistication is the importance of the brand for the operations and business. The companies from the b2c sector (or having b2c operations), at the national and international levels, tend to be more present and more sophisticated on the social media channels. These companies focus mainly on Facebook as this tool allows them to engage directly with the customers and prospective customers. The overall business sensitivity to the crisis seems to be the second driver of the presence on the social media channels. It includes reactivity to the opinions of stakeholders and customers, as well as building of the third party endorsement. At the same level, the presence (listening) of the companies helps them to mitigate the risks of the communications crises. The companies can therefore use social media as an "early warning system".

Strategic choices of the companies drive their presence on social media. The gravity center can position the social media as the leading communications tools. Also, social media, despite low entry costs, require investment if they are used at the strategic level. It includes branding of the platform, usage of sophisticated applications and staff to be present on the channels in order to secure real-time responsiveness. Even the study which was conducted at the operational level gives an indication of these strategic choices.

As we observed selected companies in 2 timeframes, it is possible to indicate some evolution at the level of practices. The companies which were identified as champions grew their fan/follower base significantly. Their usage of social media platforms is more strategic and aligned with corporate communications messaging. Also, the segmentation of the accounts (corporate, brand levels, business unit level) is deeper. Companies interact more and in a more personalized tone with the stakeholders and fans/followers.

The process of the learning of the tools seems to start with establishment of the accounts to secure brand presence on the platforms. In the second step, companies tend to listen and potentially respond to the questions and requests from the fans/followers. Then the social media tools are used at more sophisticated level (applications, engaging features). It includes also integration of the corporate communications messaging and cross-departmental involvement (CRM,

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<sup>2</sup> December 2011

HR, Marketing). It requires more significant investment to secure responsiveness on the channels. In the last step, social media are included and drive the multi-stakeholder CSR activities of the company.

## CONCLUSIONS

Social media become more and more sophisticated and social media becomes more and more sophisticated at the same time. New tools require new strategies. The social media management is not anymore considered as “nice to have”, it is a “must to have”. Community managers are core corporate communicators – they act as spokespeople when they interact with the fans and followers. Social media management is not driven just by output measures. The number of fans and followers in the companies’ communities is not as important as their quality and amount of interaction generated. Also, the fans and followers can be categorized into different groups. In consequence, social media management is a cross-departmental function. It involves CC, CRM, marketing, HR to name the most frequently present departments. Moreover, the targeting requires creation of the local accounts in the local languages to target the publics in other countries. The example of 5 selected companies shows that the social media management is a core concern for the companies from different industries. Corporate reputation (one of the intangible corporate assets) becomes actually tangible in social media environment and can be measured in terms of ROI (sales leads, externalization of the brand image etc.).

### Limitations of the Study

This study proposes a discussion on the strategic model for the social media management. It provides a literature review and suggests research paths which are described on 5 case studies. It doesn’t aim to generalize at any point. However: it shows several trends which are important from the managerial perspective. Selected companies (“champions”) as early adopters in the respective industries are not representative. Nevertheless, these companies are likely to set the trends, so they provide “rich examples”.

## TABLES

**Table 1 Key variables**

Variable	Company 1	Company 2	Company 3	Company 4	Company 5
<b>Social media awareness</b>	Company is present on the respective social media channels. Its strategy is diversified according to the channel (Facebook addresses mass customer while Twitter and LinkedIn are aligned with the thought leadership programmes of the company).	Company present on social media channels. It uses all the main channels and has both regional and global accounts.	Company is present on social media channels. It uses social media to support marketing activities and build connection with the customers. There is lower focus on the dialogue with the stakeholders and more focus on the customers and potential customers.	Company is present on social media channels. It uses social media to support marketing communications activities and build brand awareness.	Company is aware of the social media and uses it to support its campaigns and activities. Company uses the social media across its mass market campaigns.
<b>Social media sophistication</b>	Company uses social media proactively. It uses a portfolio of applications. The company is present on the social media both on the corporate level as well as on the brands level. The company interacts with the stakeholders and fans on social media in real time on the daily basis.	Company uses portfolio of available applications on the channels. It features an original application on Facebook called “social map” which links all the local accounts of the company.	Company uses social media tools and portfolio of the applications. The company posts interactive content on the social media channels. It asks questions, posts surveys and uses games on the profiles to interact with the fans/followers. The company runs competitions and features application (top fans).	Company uses a portfolio of activities on the social media platforms. It interacts with fans/followers but it is more one-way communication.	The sophistication of the usage of the platforms varies. On Facebook the company uses portfolio of activities and creates a specific social media content. On the other platforms the sophistication seems to be relatively lower (i.e. on Twitter company rarely interacts with stakeholders and doesn’t use platform features i.e. RT, # etc.)
<b>Social media staff</b>	Social media team is actively present on the social media. It manages the channels. However the messages are not personalized. The social media staff speaks on behalf of the company as a company.	Company is present on the social media channels on the daily basis. Social media teams interact with the fans/followers on the respective channels.	Social media team is actively and daily present on the social media channels. The company interacts with the customers/fans on the social media channels (i.e. responds to the requests etc.).	Company maintains social media activities at the daily basis. The interaction with fans is limited. It might be linked to the fact that the fans rather “like” social media posts than comment them.	Company posts regularly on Facebook and less regularly on Twitter. It seems that there is dedicated internal resource which is dedicated to the social media activities,

<b>Social media integration across the channels</b>	CC messaging is included on the social media channels. CSR programme is promoted across the corporate channels including (Facebook, LinkedIn and Twitter). Social media are also integrated interdepartmentally (HR, R&D activities on the social media)	CC is integrated to the social media activities.. Social media channels present corporate messaging (at HQ and local levels) Social media channels integrate operations, tactics and strategies of the different departments.	Social media are visibly integrated to the overall marketing strategy of the enterprise. The messages on the social media are aligned with the promotional/campaign messaging of the company.	Social media is integrated across the channels. Channels are partly interlinked. The respective channels have respective content policies and execution varies across the channels.	Social media are integrated in the overall marketing efforts of the company. Most of the posts link to the corporate material related to the campaigns. Social media messaging integrates overall corporate messaging and tactical execution of the marketing communications campaigns.
<b>Maturity of the usage of social media</b>	The company adapts its messaging to the target audiences likely to be present on the respective channels.	Social media are used in a strategic way. They are integrated to the activities of marketing communications. Its usage happens on the global and local levels.	Social media are used for several years. The company includes advanced social media messaging in its strategies. Tools are aligned with the communication present on the main corporate communications channels (website).	Social media are used at the corporate level and at the marketing communication level. Social media seem to be integrated in the overall marketing activities of the company.	Social media seem to be deliberately used mainly in marketing communication directed to the mass market. Facebook accounts usage is more mature than in the case of other channels.

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# ME OR NOT ME? THE AVATAR AS CONSUMER IDENTITY IN VIRTUAL WORLDS

Leila El Kamel, T luq University, Canada

## ABSTRACT

The purpose of this research is to better understand the phenomenon of virtual worlds as a consumption experience in which consumers define aspects of their identity. A qualitative research conducted in the virtual world *Second Life* permits to clarify the different dimensions of the identity construction project in the virtual world, the antecedents that influence the choice of these dimensions, and the implications in terms of consumption. The identity construction project was discussed in terms of the distance that the consumers perceive between their avatars and themselves.

## INTRODUCTION

This research aims to shed light on virtual worlds from the perspective of consumption. It is believed that the anonymity and freedom available to choose a virtual identity that may be different from the real identity are of great importance in virtual worlds. The purpose of this research is to better understand the phenomenon of virtual worlds as a consumption experience in which consumers define aspects of themselves by interacting with others. More precisely, this research will clarify the different dimensions of the identity construction project, the antecedents that influence the choice of its components, and the implications in terms of consumption. This paper is organised as follows: first, it presents a literature review on virtual worlds as a consumer experience and on avatars as consumer identities in virtual worlds; second, it describes the method adopted to achieve the defined objectives; and, lastly, it provides the main results and discussion.

## LITERATURE REVIEW

### Virtual worlds as a consumer experience

In virtual worlds, residents live individually or in groups, create objects, scenery and stories, and have discussions. The fact the residents are connected for extensive periods of time results in the creation of synthetic worlds, which are often parallel to their real worlds. The residents have the freedom to choose one or more individual and collective identities (avatars and groups) throughout the experience. These choices imply consumption choices. The universes are defined by the publishing company (the game developer company) and are inspired from fantasy, historical battles, science fiction, sports practices, real life, etc. The worlds differ in their themes, in the attributes of the avatars, in the items that residents can create and manipulate, and in the residents' actions. Thus, the residents can choose their worlds, in part, according to the construction and expression of their desired individual and collective identities.

Due to the importance of consumption activities within virtual worlds (Kaplan and Haenlein, 2009), several researchers in marketing have looked at the study of the universe in the context of consumption. Indeed, these universes give the opportunity for residents to fulfill some consumption desires that are unattainable in real life (Boujbel and El Kamel, 2012). There are almost no limits to what can be done within these worlds, with the exception of the technical aspects of the universes and the imagination of the residents (Castronova, 2005). Given that the consumption experience allows residents to consume virtual objects and avatars, several studies have focused on the implications of virtual worlds in terms of consumption. El Kamel and Bricmont (2011) distinguished different types of research in the domain, for example, studies addressing the representation of identity through avatars (Parmentier and Rolland, 2009; Messinger and others 2008; Vidcan and Ulusoy, 2008; Becerra and Ann Stutts, 2008; Boostrom, 2008; Bryant and Anna Akerman, 2009; Sundar and Kim, 2009; Belisle and Bodur, 2010); studies addressing the consumption of products and brands as well as possessions and attachment to virtual objects (Haenlein and Kaplan, 2009; Landay, 2008; Martin, 2008; Park et al., 2008); and researches on the implications of social interactions involving consumption in virtual worlds (Hinsch and Bloch, 2009; Brown and Tracy, 2009; Crete et al., 2009). While some researchers have sought to highlight the specificities of the consumer experience in virtual worlds, Denegri-Knott and Molesworth (2010) present a detailed overview of the concepts and practices of digital virtual consumption. They conclude that the practices of the online consumers are not at odds with consumers who directly buy material goods and services. Rather, the practices of online consumers are an extension of the use of their imagination in the generation of pleasure and fun (Boujbel and El Kamel, 2012). On one hand, the virtual universe appears to offer an experience of consumption. On the other hand, the avatars and the evolution of avatars are considered the main activity of



residents in these universes. Although studies on consumption in virtual worlds are of interest and pertinence, it is not yet understood how residents choose their avatars and how these choices are reflected in their consumption activities in virtual worlds.

Tambyah (1996) considers the online self to be relational, democratic and experiential. First, it is relational in the sense that it is constructed through relations with others. Second, it is democratic because the anonymity allows consumers to free themselves from the constraints of their real selves. Last, it is experiential in that consumers give free rein to their imagination in order to define and build themselves. It is therefore considered that anonymity on the Internet encourages the imagination of the consumers to develop and to transform new identities and to live symbolically. Indeed, via the Internet, consumers can experience the thrill of another “me” or even adopt many “me” (Dampérat, Drago and Larivet, 2002). Tambyah (1996) showed that during the online consumption experience, consumers are engaged in deliberate liminal states in which they stand back from their real selves by positioning themselves in a state of transition that can lead to the construction of new selves. Other authors have explored the notion of an extended self through the symbolic association in an online context. Coyle and Gould (2000), Nguyen and Alexander (1996), Muniz and Schau (2002) and Schau and Gilly (2003) indicate that web spaces offer opportunities for personal expression and an extension of self. More specifically, web spaces enable the fulfillment of self-concept by inserting references and digital stimuli. Unlike with material symbolic consumption, online self-expression is done through the manipulation of digital images, icons, and hyperlinks to other websites. In addition, this form of self-expression is conscious on the part of the residents and has no geographical limits. Likewise, the association with certain consumption brands has no financial constraints, unlike the case in material real life. Virtual worlds are particular online spaces where consumers express particular aspects of their identities. Lankoski (2005) considers the avatar to be the most important aspect in virtual worlds. Residents of these universes manifest themselves through graphic and virtual identities, which are intangible and scalable. The avatar is a communication vector for the residents to convey what they want others to think of them and what they think of themselves. Identity considerations in virtual worlds have taken a prominent place in the existing literature. The majority of the work focusing on the aspects of identity associated with the avatar can be grouped into three categories: (1) the relation to the body of resident versus that of the avatar, (2) the multiple-self through the use of multiple avatars and (3) the choice of avatars.

## RESEARCH DESIGN

### Research objectives

As presented in the literature review, few of works have focused on identity in virtual worlds from the consumption perspective. Therefore, the purpose of this research is to analyse identity construction in virtual worlds and discuss its implications for consumption. Despite the vagueness of the notions of self and identity in marketing and other human and social sciences, in the context of this research, the identity and the self are considered distinct in that the avatar is seen as an identity construction project (tool) that the residents build to express some aspects of their self-concept (process). The two main objectives of this research are: (1) the elucidation of the different dimensions of virtual identity, the factors that influence the choice of these dimensions and the implications of virtual identity construction project in terms of consumption, and (2) the discussion of this project regarding the degree to which the residents identify with their avatars.

### Method

In order to achieve the above objectives and in order to explore the construction project of the virtual identity from the perspective of consumption, a qualitative study was conducted using a model of inductive reasoning. The purpose of the methodology used was to approach the field without preconceptions and to develop a model from the analysis and interpretation of the data collected. A detailed presentation of the methodological approach adopted is below. The major methods of qualitative research when selecting the case study were compared. Yin (1984) defines a case study as an empirical inquiry that examines a contemporary phenomenon in its real life context. The boundaries between phenomenon and context are not clearly evident, and multiple sources of information are used. In addition, Gagnon (2005) states that the methodology of a case study provides access to a deep understanding of phenomena, processes that compose them and the actors involved. In this research, the case study is instrumental in that the case studied is of accessory interest. It plays a supporting role in order to facilitate the understanding of the dynamics of the construction of avatars by the consumers in a virtual world. The choice focused on the virtual world *Second Life (SL)*, created by Linden Lab in California in 2003 and co-produced with the residents (Bonsu and Darmody, 2008). Consumers choose one or more avatars to lead a life experience and dreams in a parallel world without having a pre-defined quest or objective. The popularity of the virtual world is due to

the almost absolute freedom available to consumers when creating their avatars and virtual objects. In addition to the entertainment aspect, *SL* is a place of creative, intellectual, artistic, social and financial accomplishment. The choice of this universe has been greatly influenced by its frequent visits by hundreds of thousands of avatars that often possess inventories containing thousands of virtual items (in 2009). In their work on social media, Haenlein and Kaplan (2010) classified *SL* as a virtual social world (MSV) as opposed to virtual game worlds, such as *The World of Warcraft*. The difference in the two types of worlds is that one of the main activities of the residents of *SL* is to communicate and meet people whereas in virtual game worlds the residents simply animate imaginary avatars. Firms, such as TELUS, IBM, Toyota, American Apparel, Wells Fargo Bank, BBC, and Harvard University, used *SL* to promote their products and services. In addition to the methodological approach that guided the methods of data collection for this study, the sources were chosen to meet two important criteria: (1) to have an individual and collective dynamic, and (2) to have the dynamic both inside and outside the virtual world. For data sources were used: individual interviews focus groups, and non-participant observation of blogs and forums on *SL*.

Eighty interviews were conducted. Participants were recruited through a convenience sampling method in French-speaking locations (*Sims*) of the virtual world *SL*. The exchanges between the researcher and the participants took place through their avatars. The first part of the interview was structured to include some points to guide the interviews. Given the exploratory nature of this research, and although the interview was structured around the research objectives, the participants were also invited to address other topics related to their experiences and avatars. This contributed to the disclosure of information that had not previously been considered. The discussion with the interviewees focused on the following points: their avatar profiles, their avatar choices, their distance from their avatars, their perception of self, their social interactions, their gender, etc. Three main locations (*Sims*) were selected to conduct the interviews. Sites with a high concentration of French-speaking residents were chosen. Some interviews were conducted on the sites themselves. However, when requested by the residents, interviews were conducted on private lands belonging to the residents. The interviews were conducted by private instant messaging (*IM*). Two synchronized focus groups were conducted on *SL* (FG1 and FG2). The animator and participants acted through avatars. The focus groups were held as follows: (1) the recruitment of French-speaking avatars via invitations; (2) the selection and preparation of an appropriate site which permitted the installation of the technical tools necessary to do the interviews and which was geo-located so as to permit a reference field (*landmark*) to teleport the participants; (3) the sending of invitations to participants in order to inform them of the purpose of the interview, the place, the date and time; (4) the registration of participants by sending them two notes (*note cards* which explained the instructions for the interview) upon their arrival at the site; and (5) the animation of discussions on the main themes. Non-participant observation enabled the additional collection of data by observing discussions between residents of *SL* about their avatars and themselves. The non-participant observation of 14 forums and 1 blog were conducted as recommended by Kozinets (2010) and took place as follows: (1) *The Entrée*: two sites were favored, the general forum on *SL* on the French web site [www.jeuxonline.info](http://www.jeuxonline.info) and the blog of a *SL* resident, Myster Welles (MW) [www.maviedavatar.com](http://www.maviedavatar.com); (2) *Data Collection*: in addition to the blog, 14 forums (F1 to F14) were selected due to their relevance to the research objective and the quantity of messages exchanged; and (3) *Duration of the Observation*: the two sources in this study were activated in December, 2006. All messages exchanged from 2006 to 2009 were recorded and analyzed.

## RESULTS AND DISCUSSION

The data analysis was inspired by the approach outlined by Spiggle (1994) and data resulted in two principal contributions.

### Consumer identity construction in virtual worlds

The analysis and interpretation of the data permitted the exploration of the construction of the avatar as an identity project built by the residents in which they may choose to include some elements from their real identities. The first descriptive analysis revealed the main themes of the data that pertain to the avatar in the virtual world, *SL*. A second interpretive reading of the data permitted an understanding of the avatar construction in the virtual world as an interaction among three factors: (1) the elements that constitute the avatar itself; (2) the elements that influence that construction project; (3) and the implications in terms of consumption. Figure 1 summarizes the framework of this construction project and the following sections detail the content of each of its elements.

The residents choose two categories of dimensions for their identities in the virtual world: basic dimensions and socio-psychological dimensions.

In order to become part of a virtual world, residents are required to make choices. Their first choices concerned their avatars and, consequently, their virtual identities by which they exist and evolve in the universe, i.e., their nickname, gender and appearance.

**Pseudonym (nickname):** Just as in real life, the nicknames of avatars consist of a first and last name. In the universe *SL*, residents can choose their first name; but they must choose a family name from among the list of names given by the publishing company. Both the choice of a first name and a family name requires decision-making on the part of the residents. This is the first step involved in their decisions regarding what aspects of their real identity they want or do not want to include in their virtual identities. The data show that the residents consider four factors when determining the choice of a nickname: *real life* (e.g., first name or real nickname, real memories (books, series, movies, and games), places, pets, and ethnicity); *other virtual lives* (e.g., role playing, social media); *practicality* (e.g., sound, ease of memorizing) and *originality* (the mirror effect, uniqueness, difference, metaphors). The pseudonym can be felt and lived as a true second identifier through which the residents manifest and convey something of themselves to others. “...*This is a notable difference from the real life. Here, at first glance, the anonymity is no longer a liability. There is a little more. It is not a "foreign" but rather a kind of "brother"...*” (MW).

**Gender:** Residents can choose to be male or female avatars, regardless of their gender in real life. The same avatar can also have a male, female or androgynous appearance. It may likewise have a neutral-gender when it is a non-human avatar, for example, a furry, an imaginary creature, or an object. Transgender is an aspect that has been discussed in several existing works on virtual worlds (Yee, 2001; Turkle, 1995, Hussain and Griffiths, 2008). The data shows that residents choose to be the opposite gender from their real gender for the following reasons: *necessity* (e.g., role playing, testing creations); *relationships* (e.g., escape from an ex-partner, spying on other residents); *experience* (e.g., freedom of expression in virtual worlds, the experience of being the opposite gender); and for *entertainment* (e.g., amusement, exploitation of the abundance of consumer objects for women). Although some residents consider being transgender as a manifestation of freedom in the virtual world, others consider this practice as lying. “*Well ... I have a good friend very nice :) but naïve a little, she was in love with a female avatar that is man in real life... Actually, I met a lot :) we can speak of falsehood, a lie...*” (A121).

**Appearance:** After having chosen the nickname and the gender, residents must decide on the appearance of their avatars. They may or may not choose to include some aspects of their real identities in their virtual ones. Choices must be made about the appearance of avatars, for example, the *shape* (e.g., body, head, eyes, ears, nose, mouth, chin, chest, and legs), *skin* (e.g., face, makeup), hair (e.g., color, style,), and *clothing* (e.g., shirt, pants, shoes, socks, jacket, gloves, underwear, skirt). In addition, residents can improve the appearance of their avatars by including such details as tattoos and animations that enable avatars to move. Moreover, the data collected show that these choices are neither fixed nor final. “... *One of the benefits of virtual life is the ability to transform at will. The physical, the "virtual matter" is flexible to infinity. We can choose to be what we want to be when we want. This plasticity of the body, which is analogue to that of the brain, is probably a new communication tool with others...*” (MW).

The residents tend to change the appearance of their avatars over time due to the following four reasons: *the personal desires* (e.g., amusement, aesthetics); *pressure of others* (e.g., compliance with others, distinction from others); *activity* (e.g., business, role playing); and *events* (e.g., special events, location, party themes).

In addition to the basic elements of their avatars, the second major step that residents undertake is choosing the socio-psychological elements of their identities in the virtual world, such as the image they want to have (the self) and to communicate to others (the role). It should be noted that, as mentioned in [Figure 1](#), there exists a link between the self and the role. The images that the residents wanted to give of themselves to themselves and that which they wish to present to others are interrelated. According to the apprehension of the identity concept based on general principles of symbolic interactionism, the self and the role are intrinsically linked because the individual is confronted regularly by different commitments (Stryker, 1980).

**Self-identity:** Malhotra (1988) states that consumers tend to choose products and brands in accordance with actual, ideal and/or social self-concepts. Via avatars, residents also express actual (“... *Rather close to what I am in real life. I think...*” S129), ideal (“... *It is a "me" that I'd want to look like...*” S112) and/or social (“... *What others see in me, yes, I display my passion for sport and I want that others identify me as a "sportsman" in SL...*” T160) self-identities. These results agree in part with those of Messinger, et al. (2008), who claim that residents choose avatars that represent their real images albeit with some modifications to age, size and body. Some residents see in their avatars as being a combined self “appearance” and “trait.” These residents see their avatars as a manifestation of the look they aspire to have but with their real life traits. Their

avatars are, therefore, an improved extension of themselves. In addition, the data shows that avatars can be the expressions of a second self, which is specific to virtual worlds and does not necessarily coincide with the actual, the ideal, or the social self. This second self is manifested through *an imaginary self*, such as a furry, a vampire, or a fantastical creature (“... *The dragon is my dream inside, the little boy in me goes back and speaks, and it flies free...*” T107); *a muffled self*, the residents were aware of a muffled self, but did not necessarily attempt to manifest it in real life (“... *It is the image of a part of me that I do not call in real life ... I am serious in real life...*” H162); *a lost self*, this is a self that has already lived but was lost and for which the residents felt a certain nostalgia (“... *rather an image of myself in real life but a few years ago as a result of a lot of real life injuries...I practice a lot of rugby and sport, but I'm pretty dilapidated now lol ...*” S150); and *a revealed self*, this self was discovered by the residents in the virtual world, but was never manifested in real life (“...*it helps me see ... in fact it gives me opportunities that I have not in RL (real life) ... opportunities to be me ... but ... a me that I discovered...*” (S134)). The image that residents want to convey evolves and is dynamic. This is consistent with the conclusions of Markus and Wurf (1987) with regards to the dynamics and the malleability of self-concept in real life. Lastly, according to Hajji and Tordo (2009) and Chen (2005), as residents can have multiple avatars or only one avatar with different appearances, the virtual world becomes a space to express multiple selves. The data show the following reasons which motivated the residents to have multiple avatars: *technical reasons* (e.g., inventory security and financial resources, testing creations, advertising); *anonymity* (e.g., relaxing, engaging in taboo activities, spying on a partner and/or friends, escaping); *creating a new life* (e.g., an unhappy love affair, self questioning); and *entertainment* (e.g., role playing, jokes).

**Role-identity:** The second major socio-psychological component for which residents constructed their virtual identity via avatars are roles they want to play in the virtual world. This component includes the social interaction aspect of the identity project. The identity of role was manifested in two ways: first, the activities that the residents attribute to their avatars, and, second, the perceptions they want others to have of their avatars. The activities attributed to avatars can be grouped into four categories: *professional activities* (e.g., real estate, models, club management, auctions); *intellectual and artistic activities* (e.g., creation and construction, group animation, promotion of art); *social activities* (e.g., mentoring and listening, relationship building, dredging); and *entertainment activities* (e.g., exploration and discovery, role play, dance and concerts, sports, shopping). In addition, in order to describe how they wanted their avatars to be perceived by others, the residents tended to use two types of description: the perception of their traits (e.g., *available, spontaneous, eccentric, intellectual, joker, no heart, wicked, crazy, friendly, funny, manipulative, kind, crazy, hard-working, stressed out, discreet, distant, mysterious, submissive, dependent*), and the perception of the appearance of their avatars (e.g., *cute, sexy, androgynous, beautiful, seductive, handsome*). Both the choice of activities and the desires that the residents manifested about the perceptions of others towards their avatars are indicative of the enactment of the role identity they chose in the virtual world.

It should be noted that, just as in real life, there is an obvious interrelationship between the basic and the socio-psychological dimensions of virtual identities. In virtual worlds, this reflexivity is particularly facilitated by the freedom for the residents to make changes to their virtual identities. The residents who choose to convey certain images in a given period of the lives of their avatars changed the appearance of their avatars accordingly.

The second part of the virtual identity project focuses on factors that affect the entire construction project of virtual identity as presented above. The data collected show that the motivation, experience and perception of residents regarding the virtual world influence the way they choose to change their avatars.

**Motivation:** Six categories of motivations emerged from the analysis of the data: professional, artistic and intellectual achievement; the discovery and exploration of the self, places and cultures; entertainment (leisure and role playing); the release of real-life financial social, psychological and physical limits; friendships and sexual relationships; and financial enrichment. The influence of motivation on the choice of the avatars is obvious. For example, the residents who are motivated by entertainment and recreation choose a look that suits this type of activity, and they choose places where entertainment and recreation occurred (“... *try going to Avilion Castle in jeans...*” F1). Similarly, residents attending the universe to role-play tend to have more original and fantastical avatars and change their appearances depending on the game they play.

**Experience:** The experience in the virtual world was valued according to the period of residence in the universe. This experience can affect the ability and the competency of residents to control and, thus, to change their avatars and the environments in which they were evolving. Thus, it is relatively easy to recognize beginners without viewing their profiles and the date of creation. Their avatars generally did not begin with a good definition and their appearances generally are basic. (“... *The closer we get over of reality our avatar seems more real and the difference between the real and the virtual becomes blurred... It includes everything from eyes, tattoos, facial skin, or body... When we say a new skin purchased in*



stores, we say much more details... we say less blur... more beautiful...more real...oldest avatar... In short, the better". MW). This observation is consistent with that of Coggerino (2009) when he describes the physical appearances of avatars as an indicator of the virtual ages of the residents. Several residents also expressed having gone through several stages in their virtual lives. The evolution in the universe is like a phase of socialization in which the residents were looking for a trial and error approach until they reached equilibrium. Markus and Nurius (1986) highlight that virtual identities evolve via the accumulation of experiences of the residents and the evolution of the self-concept expressed in the virtual world is consistent with the dynamics of self-concept in the real world. They argue that the dynamics of self-concept is constructed, created and chosen according to experiences in a particular area.

Relation to the virtual: The data show that the residents had three conceptions of their virtual worlds: some residents see SL as a being purely virtual world in opposition to reality. They perceived to share things in their lives, but did not mix their real and virtual worlds ("*... I do not make confusion between SL and RL...*" O157); some see SL as a very real world and confused the two spheres ("*... A virtual presence in SL is a real presence ... an SL avatar is a real person ... his opinion matters to me...*" H122); and others see SL as the coexistence of virtual and real worlds. These residents consider the existence of the two spheres, but believed strongly in the permeability and complementarity between the two ("*... I find it unfortunate to contrast real and virtual; my virtual life is part of my real life as any other leisure...*" (F3)). As residents conceived the universe differently, it is clear that their conceptions of the world affected their relationships with their avatars. Residents who consider SL as a game did not necessarily identify with their avatars or felt that they are temporarily in the "game." They are mainly role players. Residents who were offended at the idea of considering the world as a game identify with their avatars. Similarly, residents who perceive the virtual world as part of their real lives saw the avatar as an expression of a part of themselves.

The construction of the virtual identity involves the acquisition of virtual consumption goods. ("*The clothes... it has the same dress style as me! I to this style grunge and I do not see me in stilettos! I chose to invest financially in my avatar... given the hours I spend there; it's ok that I invest money... I compare it to go to nightclub, see a show... In SL everything costs money too ...*" F10). The residents tend to consume two types of virtual objects: first, items for their avatars (e.g., attributes, clothing, entertainment, accessories) and, second, items for the lives of their avatars (e.g., house, transportation). Through the possession of these objects, the residents tend to express an identity for themselves and for others.

Decisions pertaining to the virtual identity involve choosing a certain appearance and a particular look. The avatar itself becomes a consumer item and a symbol of expression. This is consistent with the research by Belk (1988) on the extended self. According to Belk, the objects of consumption are symbols of the self that become a part of the consumer and, therefore, an extension of himself. Similarly, the avatar as an object can be considered a form of an extension of the self in the virtual world. The relation to the avatar becomes a reflection of a certain attachment/detachment to the object. Indeed, residents who invest emotionally and financially in their choices and the creation of their avatars show a certain attachment to these objects and the objects become a part of their extended selves. In contrast, residents who stand apart and distance themselves from their avatars maintain distinct real and virtual identities.

Avatars can also be considered subjects that consume in that they impose some consumer choices on the residents. Given the evolving nature of avatars due to their interactions with others, in some cases the virtual identities of the residents escaped from the residents themselves ("*... The brain creates a pattern of behaviour for each avatar ... these differences are instinctive and spontaneous ...the general envelope is different ... so one of my avatars always reacts differently than me ... I am the brain ... I have an avatar more futile, and so on. It struck me, it was almost against my will ... One of my avatars is totally stupid ... I come not to manage simple situations ... with this envelope I'm shy, down...*" P172). This change can require the residents to make unexpected consumer choices. Consequently, there is a loss of control that is transferred from the residents to their avatars.

In addition to the avatar being a consumed object and a consumer subject, it can also be seen as a consumption experience. The data show that this experience has characteristics that are consistent with the contributions from the experiential perspective of consumption (Holt...). This experience is manifested in two ways: (1) *the re-enchantment of consumption* by the evolution of the virtual identity in the universe that is specially marked by hyper-reality (interaction of an alternative reality) and by the immersion experience of creating the identity projects. Unlike other re-enchantment consumption experiences in which the consumers' experiences are fleeting, the experience of an avatar in a virtual world usually spans long period. Hence, virtual worlds can offer an intense enough consumption experience so that the consumers wish to extend or repeat the evolution of the identity experience. The life of an avatar is never predetermined in advance. It is scalable and built during the course of the story through the persistent nature of the world; (2) *the co-production of the consumption*: the

data show that one of the primary motivations of the residents was the freedom to create and modify their avatars and lives. The residents actively participate in the creation of their own consumer experiences. They were involved in the creation of the universe in order to make the most attractive and immersive décor for the evolution of their avatars.

### **My avatar, me or not me?**

As shown in the model above, in each dimension of the identity project, the residents decide whether or not to put a complete or partial part of themselves in their avatars ("*...everyone put what he wants in his avatar, some to make a digital double, the other a mere delusion, others true copy of the real life...*" F10). In order to better understand the dynamics of the virtual identity project, it was important to analyze the distance perceived by residents between themselves and their avatars. The data analyzed indicate three categories of perceived distance between residents and their avatars: confusion, floating and breaking.

Confusing... "It is me": This category involves an extreme but rare situation, which is characterized by the perception of a total lack of distance between the residents and their avatars. The avatars became essential for the real lives of the residents. Rather than seeing their avatars as being merely a part of themselves, residents see their avatars as being their total selves ("*... my look ... it's almost me ... I say almost the same hair and same body now.... When I started SL because I wanted to have my hair and I made much better damn, and in two years by dint of being on SL... Eat less to save time; less sleep ... (much less) to save time ... I lost about 20 pounds ... in fact now I look like the avatar that I created at the start.... I learned to love myself in shape in real life as much as I love my avatar ...*"(A175).

Floating... "It is a part of me ... but it's not me": This category is a quite common among the *SL* residents who participated in the research and is characterized by the existence of a distance between the residents and their avatars. It goes without saying that the establishment and scope of this distance differed from one resident to another. Residents in this category consider, to varying degrees, the avatar to be a part of themselves but not necessarily all of themselves. When this distance is well-established, it permit residents to be in a state of symbiosis with their avatars ("*...I admit this is not always simple, and if indeed a stroke of " click " to close SL is always possible, a " click " in my head and my thoughts have no effect!! And after what I do in my real life, I often think back to a particular situation, said such a word here or there, such a meeting...*"F1).

Breaking... "*Nothing to do with me*": This category also involves an extreme but rare situation and is characterized by the perception of total separation between the residents and their avatars. For these residents, the avatar is simply a support in the virtual world. It is also interesting to note that there are many role players in this category. Indeed, they tend to animate quite imaginative and fantastical avatars often chosen according to the role-play in which they played.

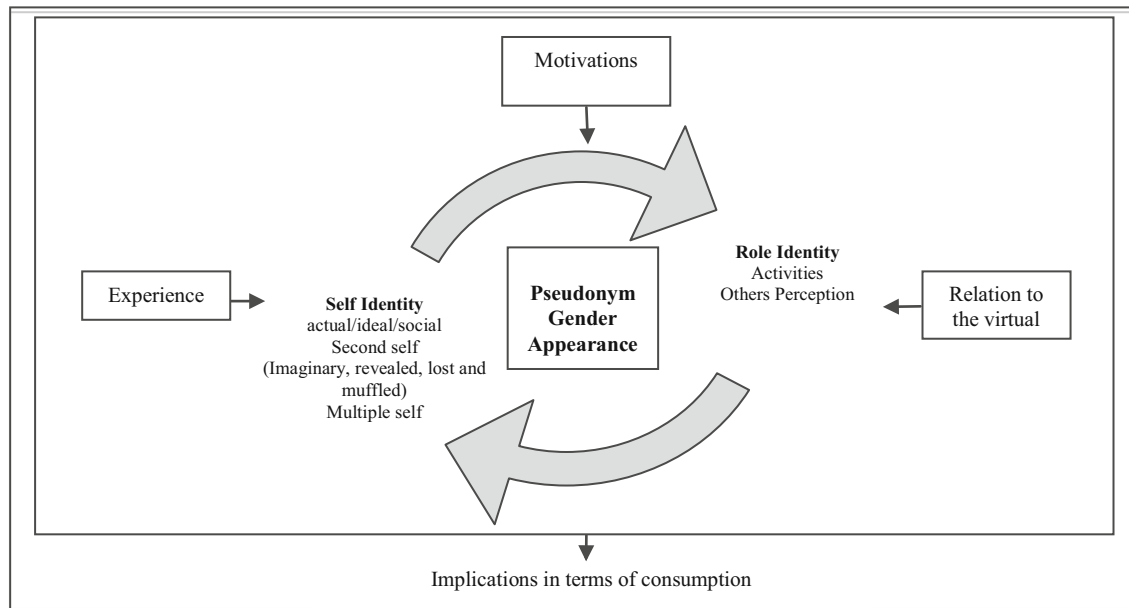
Considering the three distances perceived by the residents in reference to the model of understanding of the construction of the avatar, its dimensions, its antecedents and its implications, it is possible to define the profiles of the residents by the distance that they perceive putting between themselves and their avatars and other variables of the model. The profiles "confusing" and "breaking" are very extreme states whereas the profile "floating" is a moderate state in which residents float between their real and virtual lives and, therefore, between their real selves and their avatars. This typology is in line with the typology of identity construction by Parmentier and Rolland (2009). However, the typology of consumer virtual identity differs from the typology of identity project in that it serves to discuss the virtual identity model presented in the analysis and interpretation of the data from this research. Figure 2 presents the interpretation of the virtual identity project according to the perceived distance separating residents from their avatars. Moreover, it should be noted that both the first and the second readings of the data collected show the dynamic and evolving nature of the residents' relation to the avatar, its dimensions, its antecedents and its implications. Often these changes resulted in the questioning among residents internally or in response to external events. For instance, one resident may begin life with a virtual state of confusion, have an incident trigger his/her curiosity and enthusiasm, go into a state of uncertainty, and end up in a state of failure. Another resident may follow the reverse path in the sense that the more he spends time with his avatar the more he identifies with it and it merges with him.

## **CONCLUSION**

The qualitative research conducted in the virtual world *SL* has clarified the different dimensions of virtual identity project, factors that influence the choice of these dimensions and the implications of this project in terms of consumption. The identity project was discussed in terms of the distance that the residents perceive between their avatars and themselves. The goals achieved in this research have added to an increase in knowledge in the field of consumption in virtual worlds at the conceptual, methodological and managerial levels. The first contribution is the conceptual genesis of a nested conceptual

model in relation to virtual identities. An analysis of the distance that consumers perceive between their avatars and themselves resulted in the second main contribution of this research. Depending on the type of distance (confusing, floating and breaking), a typology highlighting three different profiles of consumers with regard to the choice of their avatars, the factors influencing these choices and their implications in terms of consumption was generated. Four different sources of data were used to generate these two conceptual contributions. The data were analysed and contributed significantly to the results obtained. The method used enabled the convergence of individual and collective dynamics and the collection of data from within and out of the virtual world. The results of this research may help firms operating in various sectors, namely the publishing companies of virtual worlds, private and public companies that use virtual worlds to promote their products and services and marketing research firms. Nonetheless, the approach used presents some limitations. While this study initially intended to be of an exploratory nature rather than to offer a generalization of the findings, it is important to note that the data collected in the world *SL* comes from exclusively French-speaking residents and, hence, the conclusions based on the study of a single virtual world. Further research with English-speaking populations and in other virtual worlds would contribute to the findings of this study.

**Figure 1 Virtual identity construction**



**Figure 2 Premises of virtual identity typology**

		Confusing	Floating	Breaking
<b>Dimensions</b>	<b>Basic</b>			
	Pseudonym	Real life, other virtual lives	↔	Convenience, originality
	Appearance	Exclusively humanoid	↔	Humanoid or fantastic
	Gender	Transgender is cheating	↔	Transgender is possible
	<b>Socio-psychological</b>			
	Self identity	Ideal, social Revealed, muffled, lost Refusal of the multiplicity	↔	Actual Imaginary One avatar for each context
	Role identity	Social and entertainment activities Perceptions in relation to the appearance	↔	Professional, intellectual and artistic activities Perceptions defined in relation to the traits
<b>Antecedents</b>	Motivations	Discovery of self, liberation from physical psychological and social limitations, relationships and sexual	↔	Artistic intellectual, and professional achievements, discovery of cultures and the universe, friendly relations, Role Play, financial enrichment
	Experience	More experience	↔	Less experience
	Relation to the virtual	The universe is purely real	↔	The universe is purely virtual



Implications	Consumption	Attachment	←→	Detachment
		Consumer	←→	Producer

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**Session 6.6. Social Media as a Source of Communication**

Room: Clarendon C

Session Chair: Cesar Zemudio, Kent State University

***Who has Written It? How Reviewer-Reader Similarity Moderates the Factuality of Online Reviews***

Sonja Grabner-Krauter, Alpen-Adria-Universitat Klagenfurt

Martin K.J. Waiguny, Auckland University of Technology

***What Type of Birdsong Carries? Twitter: Source Credibility and its Links to Value Creation in the Wine Business – A Tentative Model***

Damien Wilson, Burgundy School of Business

Sarah Quinton, Oxford Brookes University

***Examining Factors Affecting Mobile Social Media Customer-to-Customer Interactions in Real-Time Service Encounters***

Ben Lucas, University of Newcastle

Jamie Carlson, University of Newcastle

***The Effect of WOM Communication with Close Others on Repeat Purchase***

Kaichi Saito, Meiji Gakuin University

# **WHO HAS WRITTEN IT? HOW REVIEWER-READER SIMILARITY MODERATES THE FACTUALITY OF ONLINE REVIEWS**

Sonja Grabner-Kräuter, Alpen-Adria-Universität Klagenfurt  
Martin K.J. Waiguny, Auckland University of Technology

## **ABSTRACT**

It is increasingly common for consumers to consult online reviews before making their (online) purchase choice. This is especially true for holiday decision-making processes and hospitality services, as trip planners tend to rely on others' experiences for their decision making to reduce their perceived risk due to the experiential nature of tourism products. Previous research has demonstrated that a recipient's information evaluation is a crucial determinant of electronic word of mouth (eWOM) adoption. This paper contributes to the existing body of research by focusing on potential influence factors on information evaluation for which either ambiguous findings exist in the literature or which can be considered as an understudied aspect of eWOM: perceived similarity of the reviewer as a source characteristic and review style as a message characteristic.

Literature offers contradictory findings about the influence of review style, which may result from its context dependence. Based on this reasoning we expect that similarity moderates the effect of review style. Reviews that focus on simply describing the facts and do not refer to the feelings of the reviewer might be more influential over consumers' decisions when the information source is perceived similar, or, in other words, individuals may consider the advice of others who are "like-them" even more if it is factually written because they rely on hard facts. Hence we expect factual written reviews to be more influential when the reviewer is similar to the recipient. At the same time, more emotional and experiential reviews might be better evaluated if the reader sees himself as different from the reviewer and needs more information to understand and evaluate the review.

In two experimental studies we investigate how content and content structure influence the trustworthiness and perceived usefulness of the review and the attitude toward the reviewed business. Study 1 uses a 2 review style (factual vs. emotional) x 2 similarity (similar vs. dissimilar) x 2 valence (positive vs. negative) design with 174 undergraduate and graduate students. Negative valenced reviews were perceived as more trustworthy and more useful. The results also indicate that emotional reviews were seen as more trustworthy, but only in the dissimilar condition. A 3-way interaction was found for perceived usefulness of the review. In the positive condition emotional reviews were seen as more useful if the reader was similar to the reviewer. On the other hand, in the negative condition factual written reviews were evaluated better if the reader was similar to the reviewer whereas emotional written reviews were perceived as more useful if the reviewer was dissimilar to the reader.

Study 2 again investigates the moderating effect of similarity but this time only positively valenced reviews for restaurants were used. Furthermore another approach to manipulate factuality was used by showing a more experiential (so more subjective) and less experiential (so more objective/factual) review. The results with 130 undergraduate and graduate students tend to confirm the findings of study one. While factual reviews did not differ between the similar and dissimilar conditions, more experiential reviews again were superior if the reviewer is dissimilar to the reader.

Summarizing, our data suggest that less factual written (thus more experiential respectively emotional written reviews) are better evaluated if the reader is not similar to the reviewer. The same is true for the attitudes towards the reviewed business. Altogether, the more similar the writer is to the reader the more important are factual reviews.

References available upon request

# **WHAT TYPE OF BIRDSONG CARRIES? TWITTER: SOURCE CREDIBILITY AND ITS LINKS TO VALUE CREATION IN THE WINE BUSINESS – A TENTATIVE MODEL**

Damien Wilson, Burgundy Business School, France  
Sarah Quinton, Oxford Brookes University, UK

## **ABSTRACT**

Organisations are facing the opportunities and challenges that social media has brought. To justify resource investment in adopting social media, organisations are appraising the potential value of this social phenomenon. Social media facilitates electronic word of mouth (e-wom) distribution of information, referrals and reviews through social networks such as discussion forums, blogs and micro-blogs including Twitter. As the quantity of information increases in the digital environment it becomes increasingly germane to determine the credibility of the message, the source and the medium in order to assess the believability of the communication overall.

This paper builds on earlier work, published in 2012 and the focus of this second stage research is the exploration of the identified constructs of source credibility and their connection to value creation. Interviews with participants of Twitter both consumers and professionals within the wine industry were conducted. Timeline narrative analysis was employed and the raw data was evaluated against the Twitter content previously collected. A tentative model has been created which now requires further validation. This paper extends the limited knowledge on the potential business value of engaging with Twitter for the wine industry which, until very recently, has been sceptical of the potential of social media.

## **INTRODUCTION**

The availability and amount of information that has been facilitated by the adoption of digital technologies by both businesses and consumers has increased significantly. Social media as a set of digitally enabled platforms encourages the sharing and distributing of information, between individual consumers, communities of consumers and businesses. As the quantity of information available to consumers, through multiple channels, increases it becomes necessary to appraise the credibility of the information, in order to decide which information might influence behaviour.

Word of mouth (wom) is purported to be more persuasive and more credible with consumers when combined with a positive message (Luo and Donthu 2006; Nan 2009). Herr et al (1991) provided a seminal paper, on the effectiveness of wom in the absence of any additional cues for the consumer. Word of mouth sharing (wom) has evolved in to electronic word of word (e-wom) and social media platforms are frequently now the mechanisms for distribution of e-wom. Consumer generated content written by bloggers in the form of blogs and mirco blogs can increase interest in and activity to not only their own site but that of the others, corporate or individual, about which they write Sepp et al (2011). If Gruen et al's (2006) assertion is to be believed that e-wom has even higher levels of credibility and relevance to consumers than marketer-based sources of information, and De Matos and Rossi's (2008) opinion that e-wom might be stronger in a service based or complex product context (owing to the greater importance of relationships between customers and sellers, and customer and customers) then businesses should be interested in understanding how e-wom and consumer sourced information can be used to add value to their business. The potential for improved value for businesses through using indirect communication such as e-wom was made explicit by Andzulis et al (2012).

The concept of social media is not easy to outline, though Andzulis et al (2012: 308) provide an insightful definition 'the technological component of the communication, transaction and relationship building functions of a business which leverages the network of customers and prospects to promote value co-creation'. Social media is not one medium but a series of platforms of differing media which share some core principles but may have different purposes. For example, sharing and dissemination of digital material may be held in common, though micro blogs such as Twitter have an immediacy of information sharing whilst discussion forums have a depth of information sharing.

Businesses are considering whether to invest resources in social media which may or may not encourage sales. Specifically, the concentration of small businesses in the wine sector and their lack of financial and human resource capacity to take advantage of mass media communication would suggest that social media might be a viable alternative to create the required brand awareness to encourage sales. Wine producers may have an opportunity to benefit from the widening of communication channels available (Wilson and Quinton 2012). This study aims to create a tentative model which will

illustrate the connection between source credibility and value creation through the use of social media within the wine industry.

## **THE CHALLENGE TO BE CREDIBLE**

### **The Wine Industry**

The wine sector is experiencing the tail of a 30-year decline in wine consumption, coupled with a concurrent increase in the number of producers entering the market (Euromonitor 2013), thus wine producers are in a pressured situation in the modern wine market. The competitive nature of this market means that wine producers must find ways to stand out against the increased competition. The increase in competition has led to consumers being inundated with an array of new offers. Consumer scepticism of communications messages has made consumers more demanding of the wines offered to the market (Horverak 2009; Steiner 2004). Wine producers are therefore compelled to find more effective ways to appeal to the consumer.

Most wine producers are relatively small businesses engaging in the international arena. Wine's largest producers control less than 5% of the global share of sales unlike other sectors such as consumer technology where Apple and Microsoft are the dominant players (Goodman 2012; Resnick 2008). Wine's composition of tiny producers means that very few can afford to consider advertising as a method of communication and most producers rely on word of mouth communications for creating awareness of their brands, and to encourage sales of their wines (Hall and Mitchell 2007; Wagner et al 2007).

The importance of word of mouth in the wine sector can be illustrated by the fact that the fourth-largest wine producer in the United States claimed in 2008 that it was their preferred communication method (Datamonitor 2008). This sentiment was supported by Parsons and Thompson (2009), who found that consumers shopping in specialist wine stores value the recommendations of staff and experts over other forms of promotion. As the only growth in the global wine sector's sales in the past 30 years has come from new consumers to the category (Euromonitor 2013), the wine sector needs to understand how these new consumers come to measure credibility in a winery's communications and the role that social media plays in that. As the phenomenon of social media develops and matures the requirement for wine businesses to facilitate credibility through their use of social media, as one way to encourage trust, relationships and sales, becomes more pressing (Rajagopal 2008; Doyle et al 2012). The emergence of consumer recommendations or critiques through social media and micro blogs such as Twitter means that the wine marketer now needs to find a way to utilise social media to engage and become part of the conversation.

### **Electronic Word of Mouth (e-wom) and Credibility**

E-wom credibility may relate to either the content or the sender or the medium whilst source credibility refers to only the source or sender or passer-on of the content, not necessarily to the content itself. The content may be, by inference, judged in conjunction with the source as it is linked to the source (Hung and Li 2007). Credibility is not fixed but fluid and may change owing to the level of interaction with others online over time (Mackiewicz 2010), consumer ties may also impact upon e-wom credibility (Hung and Li 2007).

Early work by Harrison-Walker (2001) suggested that word of mouth valence (positive, negative or neutral) required further research, his suggestion can be seen as a precursor to later sentiment analysis of e-wom. Cheung et al. (2009) define e-wom credibility as the extent to which one perceives a recommendation/review as believable true or factual within the context of internet enabled communications. The initial interaction with the message was deemed to be more influential in the formation of a conclusion than the repetition of the same messages. How messages are judged to be credible has been investigated by O'Reilly and Marx (2011) in the context of online reviews, they posited four factors; the logic and articulation of posts, the polarity and quantity of posts, the availability of independent supporting information and the previous experience of the participants. Chevalier and Mayzlin (2006) highlighted that a relatively small number of negative reviews tended to render the message more powerful, whilst Angelis et al (2012) illustrated that consumers are more likely to reproduce positive wom when they have first-hand experience of it and negative wom was more likely to be diffused as a third-party viral message.

Both message content credibility and the medium credibility are acknowledged as contributing to credibility overall and though not the focus of this paper deserve a limited discussion which now follows. Early internet content credibility research



included Johnson and Kaye (2004) who found that information gathered through weblogs was considered to be more credible than that from traditional print sources. The blog authors were interested in their topic and not paid for their contribution, thus the respondents perceived these weblog authors to be more impartial and informative than traditional sources of information (Johnson and Kaye 2004). Despite suggestions of the potential influence of e-wom on consumer behaviour, its value to a business is constrained by the source's credibility as a communicator on a particular topic (Nan 2009), in addition to the quality of the message conveyed (Hung and Li 2007). Establishing the credibility of the medium may depend on the purpose of the message and the message content itself, for example declaring an en primeur offer via Twitter as opposed to within an exclusive wine members' site where the medium may impact on the perception of the receivers of the message. In addition, the credibility of the medium might be influenced by the target audience who might expect to see certain messages communicated through certain media, such as wine vintage information provided by corporate or authoritative websites. In a study of blog content and the interaction effects between on-line and traditional communication media, Onishi and Manchanda found that the interaction between user generated content blogs and TV advertising had a positive effect on market launches but that the relationship became weaker after launch (Onishi and Manchanda 2012).

## **SOURCE CREDIBILITY**

Source credibility is the degree to which the message recipient believes that the source has relevant knowledge and/or expertise in the field of interest. Credibility of sources of information is linked to trustworthiness (Al-Khalifa and Al-Eidan 2011). For example, quality indicators of buyer and seller ratings may be tools to create credibility on an on-line sales site. Explicit indications of experience in a category is a key indicator of the quality of an information source (Li et al 2009). The role of source credibility has been linked to; building relationships with consumers, assisting in persuading consumers when combined with contrasting messages Eisend (2010), moderating a consumer's sensitivity to in-store promotions (Moalla and Kammoun 2012) moderating consumers' perception of risk (Grewal et al 1994) and as a third party endorsement (Eisend and Kuster 2011). If the source credibility of the message was low, consumers perceive a greater risk of performance risk in a product (Grewal et al 1994) thus, increasing source credibility is perceived as an important precursor to generating a sale. Source credibility can persuade and help build relationships by reducing perceived risk in a purchase. The source of the message was identified by Nan (2009) as being more influential when the recipient was aware of the source's credibility prior to evaluating any message content from that source. Furthermore, Naylor et al determined that if the demographics of followers matched a new potential participant, the credibility conveyed by the familiarity was a significant influence on the new participant's likelihood to respond to the messages (Naylor et al 2012).

Source credibility may be a moderator of behaviour, but only when the respondent is sufficiently aware of the source's credibility. Consumers with less knowledge on the topic of interest are more likely to rely on source credibility to judge the value of a review (Cheung et al 2009). In the context of social media and Twitter specifically, consumers choose whom to follow based on the credibility attached to the provider of the micro-blog message. Therefore, whether amateur or professional, if the profile is considered credible in the field of interest for the Twitter active consumer, the content will be predetermined as credible. Further to this Sepp et al (2011) posited that bloggers' influence is based on their place in the social network. Those that are active, and have an established membership are more likely to have influence as opinion leaders. Vanden Bulte and Joshi (2007) devised an asymmetric influence model to take into account the fact that some consumers have the ability to influence others whereas other consumers, known as 'imitator' do not exert a reciprocal impact on the influencers. In addition, Liu-Tompkins and Rogerson (2012) found that subscribers who each had a small number of friends to pass along a message to was a more effective method of message diffusion than having a few subscribers with a high number of friends. The established motivations (social interaction, self-promotion, validation from others, desire to assist others, altruism, reciprocity and economic incentive) to share within social networks were reviewed by Smith et al (2007) who determined that the strength of ties between people was not necessarily a determinant to pass along across groups at macro level but strength of tie was influential in micro sharing within groups.

## **VALUE CREATION**

### **Creating Value through Social Media**

With consumers increasingly relying on the advice and recommendations of their peers, identifying a process for how those using an emerging media platform establish credibility of what they read and or participate in, is integral to understanding how social media strategy might be formed, in order to create value for a business. Value may be subjective and dependent



on internal and external drivers for each consumer and organisation. Within marketing value has often been described as the something extra that is added to a product in order to achieve a perception of the product being improved or enhanced in some way (Vargo and Lush 2004). Consumers' perception of value was explored in depth by Holbrook who based his views on value being drawn from consumption experiences (Holbrook and Hirschman 1982). He determined that generating value required interaction, that it may be situationally based and that consumers used value as a comparative mechanism in order to express preferences (Holbrook 1999). More recently, Kowalski (2011) discussed the dynamics of value propositions and found that the ability of a business to communicate its value propositions clearly is a cornerstone of competitive advantage.

Within business Amit and Zott (2001) outlined that value can be created through use of technology and digital activity, though consumers or customers are not explicitly mentioned as value drivers. Value as discussed by Amit and Zott is internally created through efficiencies in processes and application of Porter's value chain. Virtual value incorporates the gathering and interpreting and redistributing information, integration of resources and relationships across stakeholders. Social media offers potential value for businesses if businesses devise social strategies which are consumer centric and revolve around meeting expectations, creating links/relationships between people, reducing costs for people or increasing willingness to pay (Piskorski 2011).

Interactions between consumers and interested parties have been enhanced by the advent of internet and digital technologies and have encouraged co-creation of value between consumers and consumers and consumers and businesses. These groups or value constellations (Michel et al 2008) of co-creation networks have been recognised as value contributors (Contractor 2009; Muniz and Schau 2011) through their consumer generated content. Thus, individuals, groups, systems and practitioners can all create value, though the value created might be unforeseen at the outset by the original provider (Mirandi et al 2010).

Value from the perspective of the business has two distinct elements. Hard value is that which is easily and transparently converted into financial value for a business, for example a correlation between blog activity and sales (Gruen et al 2005; Graham and Havlena 2007). Micro blogs such as Twitter contribute hard value as it is a short lead medium (Case and King 2010), saving time and resources when used as a push based promotional tool. The ability to collect market research data also contributes hard value (Jansen et al 2009). E-wom (which includes micro-blog sharing) has been asserted to significantly influence buying decisions (Angelis et al 2012). Bloggers can create hard value through their influence on readers' subsequent behaviour (Chu and Kamal 2008).

Soft value has either no direct conversion to financial return or will take a longer time to convert to hard value (Case and King 2010; Davis and Khazanchi 2008). For example having a social media presence and adopting certain communications practices can add to soft value (Naylor et al 2012; Liu 2012). Sharing sentiment (Greenberg 2010), brand monitoring (Klara 2010), level of discussion about a brand (Reyneke et al 2011), extending an audience (Davenport and Beck 2002), acquisition of new social network members via e-wom (Trusov et al 2009) and community building (Gruzd et al 2011) are all components of soft value.

## METHOD

This paper builds on a recent earlier work (Wilson and Quinton 2012) exploring the identification of value from Twitter messages. The first study methodology already reported in detail elsewhere comprised the collection, cleaning and analysing through Nvivo. 1500 Twitter comments relating to the concept of wine over a one month period in 2011 were analysed against a set of identified soft and hard value elements. (Soft value comprising; reputation monitoring, level of buzz, audience extension, sentiment and community building; and hard value comprising direct sales, market research data, relationship management, immediacy of offers). The second study involved the selection of eight interviewees based on the following criteria; 1) their level of expertise in the topic (Stremersch et al 2007) determined by their professional roles within the wine sector, 2) their experience levels in the use of Twitter, which was measured according to how long the respondents had been using the platform and how many tweets they had made during that time, 3) their contributions as the original Tweet creators from study 1 (those whose Tweets had been categorised into contributing to hard or soft value). In addition a snowball sample derived from active wine Tweeters, based on recommendations by the original tweeters was used to supplement the initial respondents. In all interviewees included; a wine writer, a wine blogger, a wine business consultant, a wine marketer, wine consumer, wine retailer, wine distributor and a wine sommelier from across four continents (Table 1). As a supplementary request the interviewees were asked to provide their Klout score. There are a number of indices being generated on the user's power of influence. One of the earliest and more popular tools is 'Klout'. As a way to assess the

respondent's influence in a consistent, though not impartial, manner, each respondent was asked to indicate their Klout score as their measure of influence.

An historical timeline narrative approach was employed for the recorded skype/telephone interviews (Golder 2000) commencing from prior to the respondent's adoption of Twitter, through to the point of interview. The participants were asked to explain how they discovered, and used Twitter, were prompted for details over a timeline, as they introduced events and people over time within their Twitter environments. The resulting transcript data was coded into Nvivo using the constructs of source credibility (Table 2) as first order codings and key nodes (Maguire and Philips 2008).

## EARLY STAGE RESULTS AND TENTATIVE MODEL

The criteria were reviewed for consistency between construct and transcript, and evidence of each criterion was collected during the interviews. The next part of analysis was to identify relationships between the constructs through a comparative analysis of interview findings (Seidman 1997). With the need to be exploratory in this early stage of research, the need for an example of Obermeyer's (1997) so called 'eclectic approach' to methods helps to provide useful insights into this emerging digital culture. Reviewing the codings for each transcript revealed two emerging themes. Firstly, perceived expertise in the subject, and secondly experience with Twitter as a communication medium may have a relationship with value creation.

Expertise in the subject relates to the respondent's knowledge of the topic. Expertise is a time-independent construct, and is related to the user's ability to attract followers on Twitter owing to their expertise and demonstrated knowledge about the subject of wine, from this there may be an accrual of soft value components, such as audience extension and community building. Expertise could also be achieved via an endorsement, and Twitter uses this method for encouraging users to follow other users. By identifying the person or business with similar interests and authority and influence (Naylor et al 2012; Eisend and Kuster 2011; Al-Khalifa and Al-Eidan 2011), the user is expected to use endorsement and third party approbation as a safety measure that indicates that the author is worth following and is a proxy for quality of expertise.

Experience with the medium, was mentioned by the wine producer, consultant and critic, the importance of being skilled in the use of the medium, and the time taken to learn and practice in the early stages of Twitter adoption were explained by each interviewee, thus experience is a time dependent construct. Respondents specified that there was a delay between adoption of Twitter, the frequency of postings and their perception of creation of value for the business and this echoes the work of Li et al (2009) and O'Reilly and Marx (2011).

These time-dependent and independent constructs have illustrated a relationship with value creation in the wine sector for those using Twitter. What is as yet to be established are the conditions surrounding this relationship, and the strength of each construct in creating value. This early stage model requires further validation through an increased sample size and across different industry sectors, possibly as a quantitative study.

The value of this paper resides in the identification, through a small scale qualitative study, of the links between source credibility and value creation for businesses in the use of one social media platform, Twitter. Understanding what type of information and from whom influences behaviour within social media will be increasingly useful to businesses as they adopt new communication technologies.

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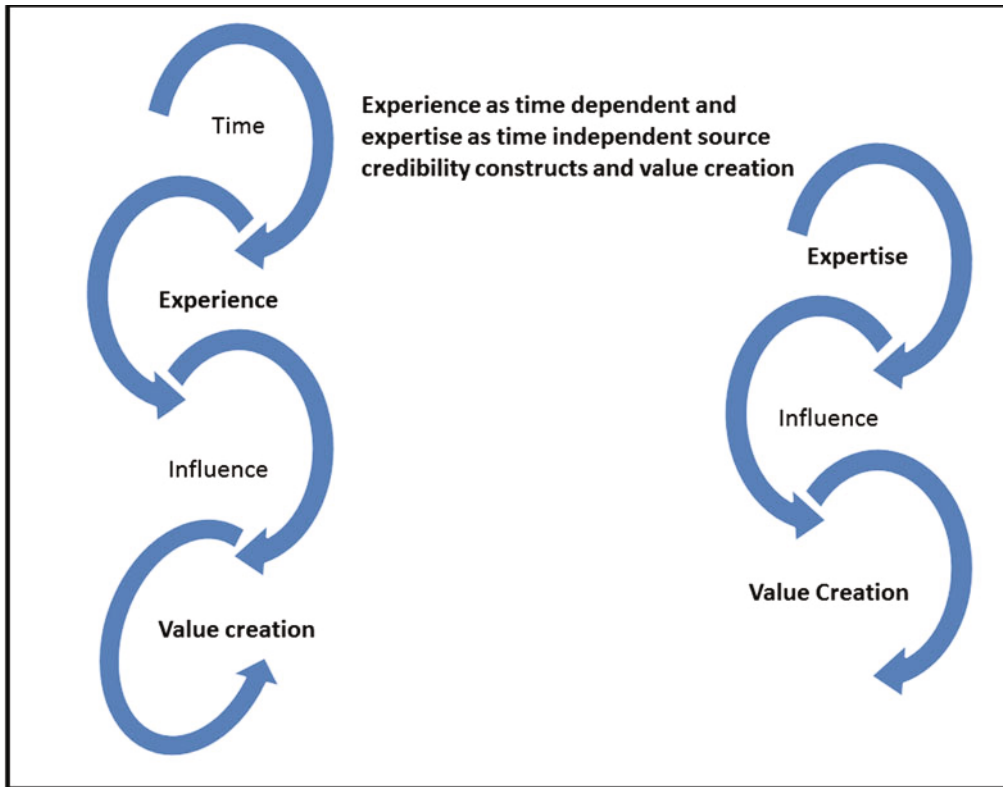
**Table 1. Interviewee profiles**

Respondent	Twitter years	Number of tweets	Klout Score
Consultant	6 years	10,900	56
Blogger	5 years	23,700	45
Wine Marketer	3 years	8,450	32
Wine Consumer	4 years	2,047	26
Wine writer	6 years	1,314	47
Distributor	18 months	1,448	28
Wine Producer	3 years	34,100	65
Sommelier	5 years	594	17

**Table 2. Source credibility constructs**

Source credibility constructs	Authors
Experience	Li et al 2009; O'Reilly and Marx 2011
Moderating risk	Grewel et al 1994
Influence	Nan 2009; Naylor et al 2012; Sepp et al 2011; Eisend 2010
Expertise	Cheung et al 2009, Al-Khakifa and Al-Eidan 2011
Trustworthiness	Al-Khakifa and Al-Eidan 2011
Third party endorsement	Eisend and Kuster 2011

**Figure1. Tentative Model of Source Credibility and Value Creation of Twitter**





# **EXAMINING FACTORS AFFECTING MOBILE SOCIAL MEDIA CUSTOMER-TO-CUSTOMER INTERACTIONS IN REAL-TIME SERVICE ENCOUNTERS**

Ben Lucas, University of Newcastle, Australia  
Jamie Carlson, University of Newcastle, Australia

## **ABSTRACT**

Mobile social location based services have emerged in the marketplace as a potentially valuable mechanism for consumers in real-time service encounters to share their location, and comments about service experiences that they experience to others. Despite this growing trend, a lack of understanding exists regarding what factors drive the adoption of this form of mobile social media technology in offline service environments. This study empirically tests a theoretical model of factors influencing mobile social location based services at the time of service consumption. Implications for theory and practice of this emerging consumer behavior are discussed, with guidance for future research presented.

## INTRODUCTION

In recent years, the increasing penetration of smartphones by consumers combined with advances in telecommunication infrastructure, have enabled consumers to now access Mobile Location-based Services (MLBS) such as Facebook, Twitter and Foursquare in real world service encounters. However, social media pioneer Facebook, with its 955 Million monthly active users, and 543 million monthly active mobile users (Facebook, 2012) worldwide, have enabled its users to access one form of MLBS called 'check-in'. When users select the Facebook 'check-in' feature via their mobile device, the technology detects a check-in point established by the service provider where users can declare to their social network on Facebook the service provider they are currently visiting, as well as post comments about the service provider (e.g. how good [or bad] the service experience is). Consequently, this form of customer-to-customer electronic communication provides an opportunity of the user's social network to view this information (i.e. potential customers) and observe any positive (or negative) comments relating to the service provider. Therefore, we argue that this process initiated by the user within real-time service encounters provides important opportunities for the service provider including increasing awareness, enable customer participation with the service brand and facilitate word-of-mouth diffusion. Furthermore, extending the process beyond customers posting e-word of mouth (e-WoM) on the Facebook platform, users may also opt to select the 'like' button on the service provider's Facebook brand page at the time to willingly receive updates from the service provider. This being the case, we argue that MLBS such as Facebook's 'check-in' technology acts as an "engagement platform" (Sawhney et al. 2005; Ramaswamy 2009) for firms to facilitate relationship marketing and enabling the development for virtual brand communities to form leading to greater customer engagement (Brodie et al. 2011).

Customer adoption of MLBS, and its use in service encounters, is at the emerging stage of adoption but is expected to dramatically increase with 28% of U.S. adults adopting MLBS such as exhibiting check-in behavior at a service location (Pew Research 2011). In the U.S brands such as American Express and Starwood Hotels now incorporate mobile Facebook check-ins into their reward programs (e.g., "Check in at the hotel and get 250 bonus points") instead of providing rewards at the point of sale. In Australia, the trend of ubiquitous mobile computing is expected to increase rapidly given that by 2015, almost 90% of all mobile phone users will own a smartphone as their primary mobile device, with the number of mobile internet users set to overtake the number of desktop internet users in 2014 (Morgan Stanley, 2012). This indicates the potential for the growing number of consumers to adopt MLBS in the marketplace, including at the point of physical service encounters.

Despite the practical significance to marketers and service providers of MLBS, no scholarly attention in marketing has been given to investigating mobile social media interaction by customers, which take place in real-time service encounters. Particularly since new media has been argued to be a useful tool in facilitating customer interactions leading to enhanced customer engagement, and ultimately firm benefits (Brodie et al. 2011; Hennig-Thurau et al. 2010). Therefore, this theory-building study represents a first step to shed light on some key variables that influence consumers' use of MLBS at the time of the service encounter to advance marketing theory and practice. The paper proposes a theoretical framework (Figure 1) guiding the development of propositions that works towards the assumption that environmental and individual consumer characteristics influence customer's MLBS, such as mobile Facebook check-in, at the time of consuming the service. Implications for theory and practice in the context of MLBS for service firms are discussed, with directions to guide future research presented

## THEORETICAL FRAMEWORK: CONSUMER ADOPTION OF MLBS IN SERVICE ENCOUNTERS

The literature within the field of consumer behavior, services marketing and information systems are reviewed and analyzed to form an integrated framework which identifies situational involvement, service encounter satisfaction, self-enhancement, status of the service provider and convenience in relationship maintenance influencing consumer attitudes and behavioural intentions towards the use of a form of MLBS, being mobile Facebook 'check-in' service. As we outline below, these factors are argued to compel individuals to use the 'check-in' feature on a mobile device during a service encounter (e.g. dinner at a restaurant) to communicate to others where they are (i.e. the service provider), and to post comments about the service experience (e.g I'm having a great time, the food is excellent).

### THE ROLE OF SITUATIONAL INVOLVEMENT

Prior studies in consumer behaviour have shown that the situational dimensions of involvement influence consumer attitudes and behaviours in service encounters. Situational involvement represents a 'mental state' in the form of a temporary concern with a stimulus object (an activity such as a purchase occasion or dining at a restaurant), which refers to the degree of, the

amount of or the level of interest, motivation, or arousal (Rothschild 1984). In this sense, highly involved individuals engage in more complex decision-making than do low involvement consumers because the situation becomes more personally relevant (Houston and Rothschild, 1978). This is because highly involved consumers are interested in all kinds of information regarding a product (and objects related to that product such as websites and the like) that is of personal relevance to them (Bloch and Richins 1983; O'Cass 2002; Richard and Chandra 2005), and are motivated to process information in detail. Therefore, given the growing prominence of the MLBS in many consumer lives, it can be argued that MLBS services, such as mobile Facebook check-in, may be a channel to facilitate the interest of highly involved consumers with a service brand due to the occasion (e.g. a celebratory occasion) giving rise to heightened sense of arousal and motivation to share information with others. Thus,

*H1a: A consumer's level of situational involvement is positively related to attitude toward mobile check-in behaviour at the point of service consumption*

*H1b: A consumer's level of situational involvement is positively related to mobile check-in behaviour at the point of service consumption*

## **THE ROLE OF SERVICE ENCOUNTER SATISFACTION**

Customer satisfaction in the context of services is an immediate emotive response to tangible and intangible service attributes, processes and related information (Grace and O'Cass, 2004). Furthermore, Cronin et al, (2000) found that in a variety of service industries, customer satisfaction directly influences customer behavioural intentions such as repeat purchase intentions and WoM recommendation intentions. This being the case, we raise the contention that consumers will be more likely to engage in mobile Facebook check-in behavior at the time of service consumption, arising from a satisfactory service encounter experience. On this basis, it can be argued that satisfaction felt by the customer in the service encounter will drive attitude and behavioural intentions toward mobile Facebook check-in for the purpose of communicating to others about a positive service experience. This reasoning leads to the following hypotheses:

*H2a: Service Encounter Satisfaction as felt by the customer in relation to the service experience is positively related to attitude toward mobile check-in behaviour at the point of service consumption*

*H2b: Service Encounter Satisfaction as felt by the customer in relation to the service experience is positively related to mobile check-in behaviour at the point of service consumption*

## **THE ROLE OF SELF-ENHANCEMENT**

Gentile et al (2012) found that social networking sites are regularly used for self-focused activities such as building and maintaining ones positive self-views and self-esteem, in other words, for self-enhancement purposes. Self-enhancement is an important motivation for consumption based on the desire of an individual to be recognized positively by others (Sundaram et al, 1998; Hennig-Thurau et al, 2004), through signifying some level of expertise regarding their product choice, consumption and knowledge (Hennig-Thurau et al, 2004). This being the case, we argue that service consumers may use Facebook check-in to pursue personal self-enhancement objectives by displaying their skill in choosing a highly desirable service experience, and/or communicate that they live interesting lifestyles to their social network. Based on this discussion and drawing from the prior literature, we argue that consumer pursuit of self-enhancement gains (e.g. recognition from others), will positively influence consumer's attitudes and behaviour toward mobile check-in use whilst in the service encounter in real-time. On this basis, the following is proposed:

*H3a: Self-enhancement is positively related to attitude toward mobile check-in behaviour at the point of service consumption*

*H3b: Self-enhancement is positively related to mobile check-in behaviour at the point of service consumption*

## **THE ROLE OF PERCEIVED STATUS OF THE SERVICE PROVIDER**

Consumers are known to purchase and display purchased goods and services to build self-image, showcase their feeling and form social relations with others. (Eastman et al, 1999). Mobile social location-based services, such as Facebook's check-in feature, is argued to be one such means for consumers to display the consumption of (goods and) services for the attainment of psychological gratification and image presentation to others. For example, a consumer may check-in on Facebook in real-time when they are at an up-market restaurant or bar to showcase the status that this service brand embodies to their social network. On this basis, it is also argued that consumer's who perceive the service brand to confer high status, will demonstrate stronger attitude and intentions toward mobile check-in behavior. Thus,

*H4a: The more status a service provider has as perceived by a customer, the higher the customer's attitude toward mobile check-in behaviour at the point of service consumption*

*H4b: The more status a service provider has as perceived by a customer, the higher the propensity of a user to engage in mobile check-in behaviour at the point of service consumption*

## **THE ROLE OF CONVEIENCE IN RELATIONSHIP MAINTENANCE**

Social benefits (i.e. that customers feel they will gain) from posting on, and participating in, consumer opinion online platforms have an especially large impact on e-WoM behaviour (Hennig-Thurau et al, 2004). Krasnova et al (2010) found that convenience in maintaining social relationships is a driver of self-disclosure behaviour on social networking sites, highlighting the ease with which users can share messages with large groups of friends quickly and efficiently. On this basis, we argue that users of MLBS, such as Facebook check-in, wish to share experiences with others for the purpose of maintaining social connectivity and relationships. Furthermore, it can be argued that the more a user perceives mobile check-in behaviour as a convenient means of relationship maintenance, the more likely they are to use the mobile service to share details of their service experiences that they consume with friends for the purpose of maintaining social connections and relationships, consequently influencing their attitude toward mobile check-in behaviour. Thus,

*H5a: Convenience in relationship maintenance deriving from using Facebook check-in is positively related to attitude toward mobile check-in behaviour at the point of service consumption*

*H5b: Convenience in relationship maintenance deriving from using Facebook check-in is positively related to mobile check-in behaviour at the point of service consumption*

## **EFFECT OF ATTITUDE ON BEHAVIOURAL INTENTIONS TO REUSE MOBILE CHECK-IN TECHNOLOGY IN REAL-TIME SERVICE ENCOUNTERS**

It is widely regarded that positive attitude toward use of a particular technology is a major determinant of use by a consumer whilst negative attitude toward a use of a technology will lead to rejection by a consumer (Davis, 1993). A number of studies have since found a positive link between attitudes and behavioral intentions in the adoption and reuse of a variety of technology contexts including, web-based information services (Luo, Chea and Chen, 2011), blog usage (Hsu and Lin, 2008), handheld internet devices (Bruner and Kumar, 2005) and online shopping websites (Carlson and O'Cass 2010). This finding has also been found to be consistent in the context of social networking site (e.g. Pinho and Soares, 2011, Lorenzo-Romero et al, 2011). Drawing upon these studies from a broad range of technologies, it can be argued that positive consumer attitude toward the use of mobile Facebook check-in at the time of service consumption will influence intention to use. Thus,

*H6: A consumer's positive attitude toward mobile check-in use is positively related to behavioural intentions of mobile check-in at the point of service consumption*

## **METHOD**

A questionnaire was administered via a paper-based survey to a convenience sample who have previous usage experience of mobile Facebook check-in at a large Australian University. Given that younger consumers (i.e. Generation Y or Millennial's) are the largest group of social media users, accounting for 75% of total users (Pew Research Center, 2010), it is appropriate to conduct the study with University students who make up a substantial portion of that population. Respondents were asked to base their assessment on their most recent service encounter where they used the mobile Facebook check-in feature and posted a positive comment. Items to measure each construct were drawn from the academic literature. For example, items measuring situational involvement were adapted from Beldona, Moreo and Mundhra (2010). Items measuring self-enhancement sourced from Hennig-Thurau et al (2004). Items measuring service encounter satisfaction were drawn from Grace and O'Cass (2005). Items measuring perceived status of the service provider were drawn from Eastman et al. (1997). Items measuring attitude toward the behaviour adapted to mobile Facebook check-in were sourced from Hsieh, Rai and Kriel (2008). Items to measure behavioural intentions to reuse mobile Facebook check-in at the service provider were drawn from Ajzen and Fishbein (1980). We also controlled for prior mobile Facebook check-in usage and attitude towards the service brand. All items were measured via seven-point scales ranging from strongly disagree (1) to strongly agree (7).

## ANALYSES AND RESULTS

A total of 192 usable responses were obtained. The sample consisted of 37% of males and 64% of females. After careful consideration component analysis was undertaken via partial least squares (PLS) using SmartPLS graph v2 (Ringle, Wende, and Will 2005). PLS is a technique capable of calculating key outer model output such as factor loadings, weights, average variance explained (AVE) and composite reliabilities (CR) to establish the validity and reliability of measure (Fornell and Cha, 1994). Outer model analysis indicated that the items in the model had component loadings ranging from 0.56 - 0.94, all above Shi and Wright's (2001) criteria of  $> 0.35$ . CR analysis indicated reliabilities ranged from 0.56 to 0.94, which were all above the  $> 0.70$  criteria, indicating good reliability of all scales. All constructs had an AVE greater than or equal to 0.50. The results indicated that the loadings were acceptable for all items and all t-values were greater than the recommended cut off criteria of 1.96.

To test the inner model, an examination of regression weights, bootstrap critical ratios and average variance accounted for (AVA) was undertaken. As shown in Table 1, the significance of individual paths for each variable showed that H2A, H3A, H5A were greater than the .015 (1.5%) recommended cut-off (Carlson and O'Cass 2010), with bootstrap critical ratios greater than 1.65 ( $p < .05$ ), whereas H1a, H4a, H2B, H3B, H4B were not. The predictive relevance of the structural model (without regard to the measurement model) was then assessed via AVA, which is the mean  $R^2$  of the structural model (Fornell and Bookstein, 1982). The results indicate acceptable magnitudes for the inner-structural model at .29, which is greater than the recommended cut-off of .10 (Falk and Miller 1992).

**TABLE 1: PLS HYPOTHESES RESULTS**

Hypotheses	Predictor Variables	Predicted Variables	$\beta$	$R^2$	Critical Ratio
H1A	Situational involvement	Attitude towards the Behaviour	0.01		0.14 <sup>^</sup>
H2A	Service Encounter Satisfaction		0.23		2.71**
H3A	Self-enhancement		0.17		1.94*
H4A	Status of the Service Brand		0.05		0.59 <sup>^</sup>
H5A	Relationship maintenance		0.24		2.58**
				0.24	
H1B	Situational involvement	Behavioural Intentions to reuse	0.19		2.66**
H2B	Service Encounter Satisfaction		0.05		0.76 <sup>^</sup>
H3B	Self-enhancement		0.02		0.15 <sup>^</sup>
H4B	Status		0.04		0.52 <sup>^</sup>
H5B	Relationship maintenance		0.14		1.83*
H6	Attitude		0.43		4.12**
				0.34	
<b>AVA:</b>				<b>0.29</b>	

N.B. AVA = Average variance accounted for; <sup>^</sup> Not significant; \* Significant 1.65,  $p < 0.01$ ; \*\* Significant 1.96

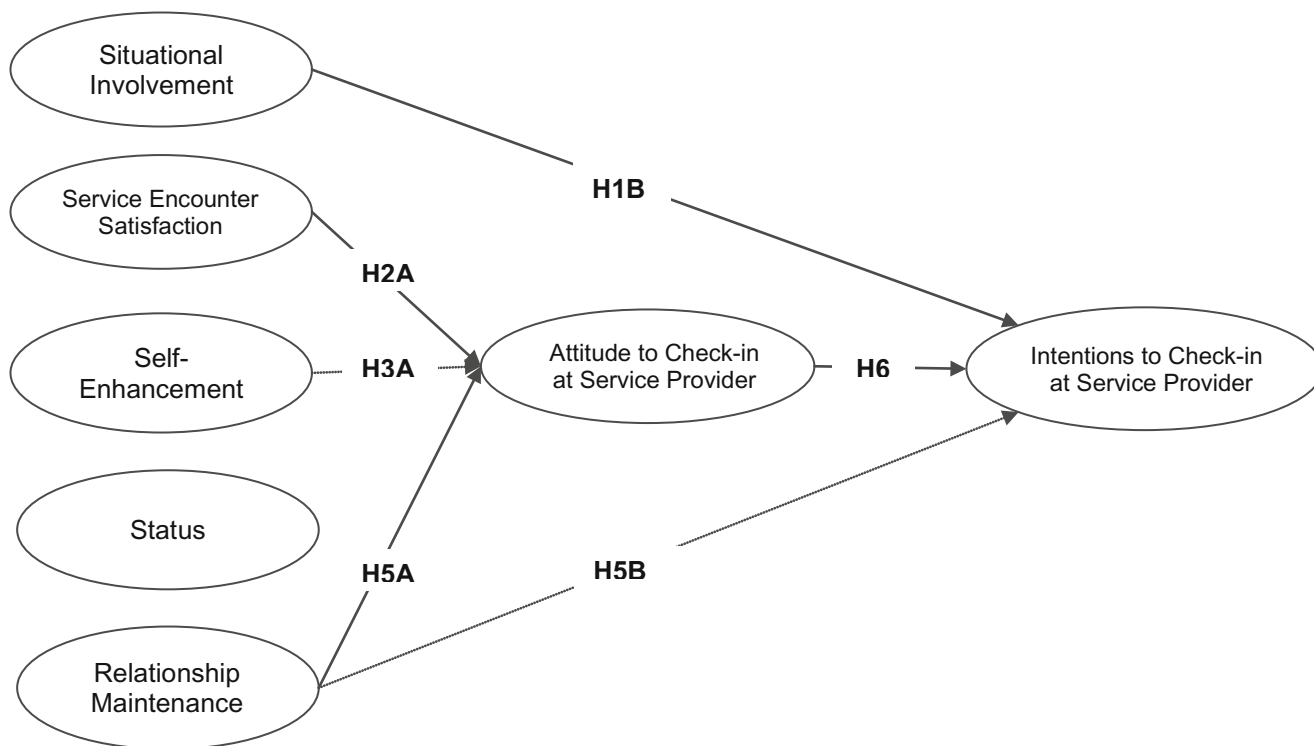
Following the assessment of the measurement and structural models, and testing the predictive power of the inner-structural model, we explored the goodness-of-fit (GoF) of the model using the procedure outlined by Amato, Vinzi and Tenenhaus (2004) to assess the fit of the outer-measurement and inner-structural model to the data simultaneously. The GoF is a compromise between communality and redundancy in which the communality index measures the quality of the measurement model for each construct and the redundancy index measures the quality of the structural model for each endogenous construct taking into account to the measurement model (Tenenhaus et al., 2005). Drawing upon the categorization of  $R^2$  effect sizes by Cohen (1988) and using the cut-off value of 0.5 for communality (Fornell & Larcker,

1981), GoF criteria for small, medium, and large effect sizes are .1, .25 and .36 respectively (Scheepers, Wetzels & Ruyter, 2005). The calculated GoF for model was 0.45, indicating good fit of the model to the data.

## DISCUSSION AND RESULTS

This paper empirically examined factors affecting the use of mobile Facebook check in behavior, a form of MBLS, by customers in real-time service encounters. As illustrated in Figure 1 below, our results show that three hypothesized paths were supported at the .01 level of significance whereas, two hypothesized paths were supported at the .05 level of significance. The remaining five hypothesized paths were found not to be supported.

FIGURE 1: STRUCTURAL MODEL RESULTS



NB: Dashed line denotes path significant  $p < 0.05$ ; Firm line denotes path significant  $p < 0.01$

Based on the collective findings, service encounter satisfaction, self-enhancement and relationship maintenance positively influence attitude toward mobile Facebook check-in behavior at the time of service consumption. Furthermore, attitude was found to have a strong positive influence on behavior intentions followed by situational involvement and relationship maintenance. Interestingly, perceived status of the service brand had no influence on attitudes nor behavioural intentions to use mobile check-in on Facebook. This is a surprising finding given the volume of studies in marketing and information systems demonstrating that consumers often share information to meet status needs.

These collective findings provide first insights into how service firms, and practitioners, can facilitate customer-to-customer interactions via the engagement platform of mobile check-in technology on Facebook in real-time service encounters. As such, the study sheds light on how marketers can facilitate and manage interactions with customers and encourage consumers to share commercially beneficial messages to their social network. For example, showing marketing collateral (e.g. on websites, point of purchase displays) that encourages check-ins, depicting situations of high situational involvement, such as patrons participating in a private birthday celebration in a restaurant. Other options for appeals to arouse interest in the mobile check-in include depicting viewers of the check-in made by a consumer appearing impressed with the location of the check-in to reinforce the self-enhancement benefits pursued by check-in users.



Importantly, given the findings of the study, it may also be advantageous to promote that the technology is as a convenient way for customers to maintain social relationships and share information about fun and exciting service experiences with friends. Service encounter satisfaction emanating from the service encounter was also shown to be a driver of attitude toward use. As such, satisfaction with tangible and intangible service attributes, processes and related information delivered in the service encounter may influence customers to exhibit mobile check-in behaviour. This findings reinforces the well establish view that high levels of service quality and servicescape are fundamental in influencing satisfaction, but interestingly the findings of this study show that these positive perceptions may trigger or spark consumers to engage in mobile check-in activity about the service provider. On the other hand, it can also be expected that poor levels of service quality and servicescape may still influence check-in activity, but result in the posting of negative WoM comments about the service experience. Such behavior could become damaging and detrimental to the service brand, which opens the door for future avenues of research.

## FUTURE RESEARCH DIRECTIONS

This study represents a first step into this emerging phenomenon of MLBS used in real-time service encounters. Hence, further studies are required to better elucidate other drivers and antecedent forces to explain mobile Facebook check in behavior on social media platforms in service encounters not examined in this study. Furthermore, studies may also investigate consequences of check-in behavior to detect greater levels of commitment and bonding between the customer and the service brand. Along these lines, an interesting avenue to investigate would be to determine if the customer 'liked' the service providers Facebook brand page, which has important relationship marketing opportunities and development of virtual brand communities. Such brand communities have potentially important strategic implications as they represent useful sources for enabling service brand advocacy and managing the co-creation of value in the long-term. Further studies should test research model in a variety of specific service settings with greater sample sizes (e.g. gyms, cafes, airports) to determine if some variables have a stronger effect than others in these different service contexts (e.g. a consumer may check-in at the gym to satisfy self-enhancement needs, a consumer may check-in at a restaurant based on emotions of excitement) and the role of moderators in the research model (e.g. past mobile check-in behavior/usage, service type and relationship strength). In sum, this paper offers valuable insights into a new form of consumer behavior in relation to a mobile social media technology used by customers in service encounters. A theoretical framework was proposed and empirically tested. The paper represents a first step in developing an understanding of mobile social media interactions in service encounters and how this emerging technology can be used as an 'engagement platform' to be leveraged for facilitating greater customer engagement and loyalty, as well as informing marketing application.

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# THE EFFECT OF WOM COMMUNICATION WITH CLOSE OTHERS ON REPEAT PURCHASE

Kaichi Saito, Meiji Gakuin University, Japan

## ABSTRACT

Consumers often talk about consumer packaged goods (CPG) brands with their family and friends. One notable feature of word-of-mouth (WOM) communication is that a brand that has been purchased by all participants in the conversation often becomes a topic. For example, consumers who have purchased Red Bull often talk about the brand among themselves. Previous studies have actively examined the effect of WOM on the first purchase of a new brand (i.e., a brand that has not been purchased) in the categories of books (Chevalier and Mayzlin 2006), movies (Liu 2006), and games (Zhu and Zhang 2010). However, how WOM influences repeat purchases of a CPG brand has remained virtually unexplored, although some studies imply that consumer interactions promote repeat purchases (e.g., Baghurst, Record, and Leppard 2000).

This study examines the effect of WOM on a consideration of a brand that has been purchased, as well as of a brand never purchased before, since recent studies show that WOM has a greater impact on consideration set composition than on choice from the consideration set (e.g., Jang, Prasad, and Ratchford 2012). The present study considers consumer heterogeneity in consideration set formation and explores how the responses to the WOM are moderated by consumer characteristics.

I hypothesize that consumers are more likely to consider a brand that he/she has purchased when the brand becomes a topic of conversation with close others, for the following two reasons. First, brands can function as a means of bringing the consumer closer to family and friends (e.g., Bearden, Netemeyer, and Teel 1989). When talking about a given brand with the family and friends, the consumer realizes that his/her family and friends have purchased the same brand and are interested in that brand. This information allows the consumer to understand that, by purchasing and talking about the brand repeatedly, he/she can build a closer relationship with family and friends. By recognizing such a social function of the brand, the consumer is more likely to consider the brand. Another reason is that WOM communication with close others on a purchased brand makes the brand more accessible in the consumer's memory (cf. Berger and Schwartz 2011). The more accessible the brand is in memory, the more likely the brand will be considered (Bronnenberg and Vanhonecker 1996; Nedungadi 1990).

An empirical analysis was conducted using the survey data provided by Yomiuri Advertising Company. In this survey, respondents were presented with 15 brands of beer and asked questions about consideration, purchase experience, and WOM from close others of each brand, as well as several consumer characteristics. The data contained 9326 consideration observations from 863 respondents. Approximately 60% (1.24/2.1) of WOM received were on previously purchased brands. The data was fitted to a hierarchical Bayesian binomial logit model (Allenby and Ginter 1995). In this model, the response parameter vector of consumer  $h$  is formulated as:  $\beta_h \sim N(\Gamma z_h, V_\beta)$ , where  $z_h$  is a characteristic vector of consumer  $h$ , includes the intercept and consumer characteristics. The coefficients of the consumer characteristics in  $\Gamma$  capture the moderating effects of the consumer characteristics, whereas the intercepts capture the effects of explanatory variables not dependent on the characteristics.  $V_\beta$  captures unobserved heterogeneity. Parameters are estimated by using MCMC.

The estimate of intercept of WOM about a previously purchased brand was significant and its sign was positive ( $\gamma = 2.42$ ), as expected. The estimated moderating effects of consumer characteristics reveal that the response to WOM about a brand previously purchased is moderated by the tendency of conformity in brand choice ( $\gamma = .96$ ). One inducement of conforming purchase behavior is the intent to build a closer relationship with one's family and friends by purchasing/using the same brand and talking about the consumption experience of the brand. Thus, consumers who tend to choose the same brand as many other people purchase more sensitively respond to WOM about a purchased brand. The results also show that, consistent with previous research, WOM about a brand never purchased has a positive impact on the brand consideration ( $\gamma = 2.33$ ) and the effect of WOM on a brand never purchased is moderated by the importance of experience attribute ( $\gamma = .33$ ).

This study contributes to WOM research by showing that (1) WOM promotes the consideration even of a purchased brand and (2) the influence of WOM on the consideration of brands previously purchased and brands never purchased are moderated by different consumer characteristics. One limitation of this study is that the empirical analysis was conducted using only the data on beer. The empirical results should be validated using data on other categories.

References available upon request

**Session 6.7. Innovative Approaches to Marketing Education**

Room: Swanston #1

Session Chair: Peter Wagstaff, Monash University

***Foundations for Effective Sustainability Education***

Lynne Eagle, James Cook University

David Low, James Cook University

Peter Case, James Cook University

Lisa Vandommele, James Cook University

**Thursday, 12:10-1:40**

**AMS Awards Luncheon**

**Melbourne Town Hall**

**Walk to the Venue from the Langham Hotel**

## FOUNDATIONS FOR EFFECTIVE SUSTAINABILITY EDUCATION

Lynne Eagle, James Cook University, Australia.  
David Low, James Cook University, Australia.  
Peter Case, James Cook University, Australia.  
Lisa Vandommele, James Cook University, Australia.

### ABSTRACT

Universities are increasing their focus on sustainability and related issues, and the ways in which these can be effectively communicated via curricula. While many issues have significant implications for future business practices and individual lifestyles, simple communication of information will not be sufficient to change student's attitudes, beliefs and, ultimately, behaviours. There is increasing concern regarding a number of aspects of sustainability and the disjuncture between issue-awareness and individual actions that might address sustainability challenges. The identification of key barriers to and enablers of behaviour change to reduce sustainability problems is of particular pedagogical and public policy importance. This paper investigates undergraduate students' perceptions, attitudes and beliefs regarding sustainability. It explores perceptions of their own contributions to sustainability problems and barriers to, and enablers of, behaviour. Findings reveal naïve awareness of the potential impact of, and individual contributions to, sustainability and environmental challenges. Respondents exhibited a tendency to regard major issues as 'beyond personal control', and solutions as being the 'responsibility of others'. These perceptions are coupled with a reluctance to consider major lifestyle changes. The findings of the study have multiple uses including guiding the development and implementation of curriculum content. They will also provide the foundation for the development of intervention strategies and tactics that should be considered in order to achieve long-term positive behaviour change.

### INTRODUCTION

Universities are increasingly recognising that they have a responsibility to help society to move towards more sustainable futures (de la Harpe & Thomas, 2009). Successful educational strategies appear to be grounded in a clear understanding of the knowledge and attitudinal base from which students start studying the themes and how their studies change their knowledge, attitudes and beliefs (Buissink-Smith et al., 2011). The main drivers for the increased focus on sustainability within curricula are widespread (not universal) agreement that sustainability and climate change are major issues facing society (Peattie & Peattie, 2009) and recognition that continued pursuit of economic growth based on exploitation of finite resources is unsustainable (Burroughs, 2010). These concerns have yet to be reflected in the majority of standard business texts and other pedagogical material. Of further concern is the indication that sustainability orientation "vanishes with business experience" in some European countries (Kuckertz & Wagner, 2010: 524). The fact that education alone will not change behaviours was signalled as far back as 1990 (Hungerford & Volk, 1990) and knowledge will not be used unless real benefits are perceived (Lourengo et al., 2012).

### COMPLEXITY AND LACK OF CLARITY

There is an erroneous assumption among policy makers of "spillover effects", i.e., small and simple behaviour changes will act as catalysts for wider behavioural change (Corner & Randall, 2011). The challenges presented by climate change and sustainability are not 'single issues' and consumer perspectives are complex. If comparison and purchase process is too complex, sustainability criteria are likely to be disregarded (Jones, Clarke-Hill & Comfort, 2008). Further research is needed into how these factors vary across population segments and in the types of potential programmes that will engage students and the wider public in the issues in order to change individual and community behaviours sufficiently to adapt to changing environmental conditions and more sustainable societies.

#### Sustainability Defined

There is a lack of clarity on what the term sustainability means and a lack of clear strategies by which it can be achieved. The following illustrate different perspectives:

- *"Development that meets the needs of the present without compromising the ability of future generations to meet their own needs"* (World Commission on Environment and Development, 1987: 55).

- *“Sustainability ... translates into a ‘triple bottom line’ responsibility, with the implication that assessment of business results should be based not only on economic performance but should take into account the environment and social impact as well”* (Sheth, Sethia, & Srinivas, 2011: 21).

Persuading both students and business personnel of the legitimacy of a commitment to environmental, as opposed to economic, sustainability will require integrated, sustained effort, with a danger that over emphasis on negative business examples may increase student cynicism about the validity of environmentally sustainable behaviours (Thomas, 2008).

### **Attitude-behaviour gap and the Deficit Model of information provision**

A lack of knowledge (i.e. ‘information deficit’) is cited as causing misconceptions and apathy (Owens & Driffill, 2008). Knowledge, including formal education, is necessary, but not of itself sufficient to change behaviour. A gap between reported attitudes towards environmental issues and actual behaviours is well documented in the literature (Ockwell et al., 2009). Attitudes are multi-factored and interact with a number of other key factors in influencing behaviour, especially norms and self-efficacy (Fishbein, 2008). A major reason for the inability of attitude change alone to be effective in achieving sustained behaviour change is that a focus on individual voluntary change ignores financial, social, structural environmental and institutional barriers to behaviour change (Ockwell et al., 2009).

### **Communication Effects and Effectiveness**

The way that climate change science is communicated has been criticised, with the suggestion that current strategies result in “islands of knowledge in a sea of ignorance” (Meinke et al., 2006: 101). There is a need for salience, legitimacy and credibility to also be considered in communications. Amotivated people cannot see the link between behaviour and its outcomes, therefore do not see the point of taking action (Cooke & Fielding, 2009). Further, some 40% of the population of developed countries have limited functional literacy capacity, making it difficult for them to comprehend and act on complex information (ABS, 2006). Other factors that makes comprehension difficult for those who lack specialised scientific knowledge include the invisibility of climate change causes, a tendency to discount the impact of distant events, lack of immediacy, disbelief about the impact of people overall and the efficacy of any individual action, uncertainty, perceptual limits and self-interest (Moser, 2010). Climate change deniers also appear more accomplished at communicating their message to the public than the climate scientists (Washington & Cook, 2011).

### **Strength of Social Norms**

Behaviour change messages will not occur in isolation, but instead be subject to a range of competing messages and social encouragement or discouragement (Peattie & Peattie, 2003). Social norms may override knowledge and even individual desire to change behaviour, particularly if this would be at odds with observed peer behaviour. Norms may be injunctive or descriptive; the former focuses on perceptions of what behaviours would typically be approved or disapproved; the latter on perceptions of what behaviours are typically performed (Nolan et al., 2011). Decisions regarding which type of norms to stress can have unintended consequences for message effectiveness. For example, interventions that have attempted to use injunctive norms may have inadvertently have reinforced descriptive norms and the belief that individual actions will not have any impact on the problem (Cialdini, 2007).

### **Improving Communication Effectiveness**

A key factor that needs to be considered in terms of facilitating effective communications is whether messages are framed in terms of potential losses or gains to an individual. Research exploring the effects of different types of message framing has led to conflicting results (Rothman & Salovey, 1997). The level of personal involvement in a message topic impacts on the efficacy of message framing. Evidence suggests that in low-involvement conditions positive messages are more effective, whereas the reverse is true for high-involvement conditions (Donovan & Jalleh, 1999). People are reluctant to act in response to information that contains ambiguity or uncertainty and that high uncertainty combined with negative framing, i.e., stressing potential harm or loss, decreased individual’s intentions to adopt pro-environmental behaviours (Morton et al, 2011).

*Negative framing – fear appeals.* Fear appeals are a specific subset of negative framing. Those who have responded to past fear-based campaigns appear to be better educated and more affluent than average, and thus better able to respond to the persuasive message (Hastings et al., 2004). For climate change and environmental protection, fear appeals appear effective only when they convey a sense of personal relevance and vulnerability and are coupled with ways of building or reinforcing



self-efficacy and present solutions that involve low response costs and social support (Spence & Pidgeon, 2010). Alarmist messages, a subset of fear appeals, are ineffective as they contradict beliefs in a stable world. This may explain the lack of long-term impact of Hollywood movies that have used disaster and apocalyptic narratives to portray the potential impact of climate change (Howell, 2011).

### **Reactance and Boomerang Effects, Unrealistic Optimism / Personal Risk Denial**

Factors such as reactance, unrealistic optimism and risk denial are significant barriers to behaviour change. The theory of psychological reactance states that direct or potential perceived threats to personal freedom, such as engaging in particular behaviours, may be resisted. People may become motivated by the perceived threat itself to assert their freedom and regain control of their own decision making and, thereby, of their threatened freedom (Ringold, 2002). An additional challenge relates to unrealistic optimism, bias and denial of personal risk, whereby individuals estimate their own risk of negative outcomes as lower than the wider population (McMath & Prentice-Dunn (2005). People also tend to overuse resources due to underestimation of the damage their actions may be doing to the environment (Grothmann & Patt, 2005). Protection Motivation Theory (Floyd et al., 2000) may explain why some responses may actually be maladaptive, reinforcing existing behaviours rather than positive behaviour change. The theory suggests that where a threat is not seen as severe and an individual does not feel high levels of personal vulnerability, the threat will be disregarded. Maladaptive responses may result from individuals feeling that they cannot take effective action. Responses may include apathy, denial, anger and counter-productive behaviours such as buying an SUV in anticipation of environmental challenges – although SUVs are less fuel efficient than other vehicles (Moser & Dilling, 2004).

Trust and legitimacy are important potential barriers or enablers of communication effectiveness and there is a growing body of research showing declining trust in government sources. Passive acceptance of government information or advice is no longer assured, particularly when it merely reiterates existing policy stances (Stroud, 2005). Source expertise is known to directly influence perceived credibility of a message (Blackstock et al., 2010) and evaluation of the credibility of information has moved from passive acceptance of authority-based information, to judgement based on the synthesis of input from multiple sources, including consumer / news media (Lankes, 2008). Lack of trust leads to both reactance and risk denial (Gifford, 2011; 2008). There is therefore a clear need to determine who the trusted information sources for different population segments are and what the implications are if their messages are incorrect or disputed.

## **RESEARCH OBJECTIVES AND METHODOLOGY**

### **Rationale for Student Focus**

A university student sample was chosen, as students are recognised as trendsetters with reported influence over the purchasing decisions of not only their immediate peers but also family members (Beard, 2003). The point at which adolescents leave high school also reflects a lessening of parental influence regarding many lifestyle behaviours (Baranowski et al., 1997). Young adults may be critical in “reorienting consumption patterns towards sustainability” and making “sustainable consumption ‘fashionable’” (Fien et al., 2008: 56 & 58).

The key aim was to provide a benchmark measure of new incoming undergraduate students’ knowledge of, and attitudes towards, a range of sustainability issues and thus inform the development of a revised undergraduate curriculum. Questions were derived from common themes in the literature and previously used instruments, including: Michalos et al. (2011), Shephard et al. (2009) and Kagawa (2007). Familiarity with key terms was tested, followed by 34 statements covering a range of knowledge, attitudes, behaviours and normative influences, perceived self-efficacy, and optimism versus pessimism regarding the future. Good internal consistency was evident ( $\alpha = .89$ ). A five-point Likert scale was used, with anchor points of strongly agree and strongly disagree. A 6<sup>th</sup> option of don’t know / not interested was included to provide an alternative for those who have only vague understandings or no true opinion on the statements listed (Sturgis & Smith, 2010) rather than forcing an artificial pseudo-opinion (Malone et al., 2010). These statements were followed by a number of open-ended questions relating to benefits, incentives and actions regarding behaviour change and a further set of open ended questions regarding questions respondents had regarding a range of sustainability and climate change issues. The questionnaire was run across two North Queensland campuses (Townsville and Cairns) as different societies are known to react differently to pressures on the environment (Lee, Barlowe & McNabb, 2005). Over 25% of employment within Cairns but only 17% within Townsville is within the tourism-focussed sectors of accommodation, food and retail. Townsville also has a considerably



larger public administration and safety employment base and a substantial Defence presence (Deloitte Access Economics, 2011).

## Demographics

Two hundred and twenty-four usable questionnaires were obtained, 73% from Townsville and 27% from Cairns. Both samples comprised predominantly Australian students, 87% in Townsville and 73% in Cairns. There was a non-significant difference in percentage of female students (77%) in the Cairns sample compared to 68% in Townsville. There was, however, a statistically significant difference in age group composition between the two campuses, with Townsville students being younger and thus more likely to have come straight from secondary school.

## ANALYSIS

### Familiarity with Key Terms

Previous studies (e.g. Kagawa, 2007) have opted to examine only the broad concept of sustainability and sustainable development. Given the multiple dimensions of sustainability noted in the earlier sections of this document (see, for example, Sheth et al., 2011; WCED, 1987), we opted to examine the three sustainability concepts (economic, environmental and social) separately and to compare familiarity across the terms and also against related terms such as conservation and climate change. Table 1 indicates higher awareness of subjects that are most frequently featured in news items and significant differences between the two campuses for three items: social sustainability, conservation and climate change. For the first two, the higher levels of awareness within the Cairns cohort may reflect the greater concentration of small communities in the immediate vicinity and also the higher reliance of the regional economy on tourism, particularly wildlife-based activity. In common with previous studies (Marcell et al, 2004), familiarity does not necessarily transfer into pro-environmental behaviours. Low levels of interest were evident for all these topics. In a series of open-ended questions, respondents were asked what their most important question was for each of the topics. Over 90% of Townsville students and 75% of Cairns students had no questions. Of the few questions that were listed, most related to what the term actually meant, how it was to be responded to and what the most effective actions might be.

### Knowledge (correct or incorrect)

While Table 2 indicates moderate acceptance of human induced climate change and the impact of coal, oil and gas, there is much lower recognition of the impact of the use of personal computers, particularly among the Townsville cohort. Pereira-Heath and Chatzidakis (2011) note that people do not perceive their own actions as negatively impacting on the environment or accept personal responsibility for environmental damage, yet Sodhi (2011) suggests that 30 – 40% of environmental degradation is due to private household consumption practices. The misconception regarding ozone depletion has been noted in prior US studies (Marcell et al., 2004) and reflects faulty mental models of causes (Smith & Leiserowitz, 2012). Of interest here is the stronger agreement of the Townsville cohort with ozone depletion rather than CO<sub>2</sub> as the cause of the greenhouse effect.

### Current Behaviour regarding sustainability and environmental issues

Unsurprisingly, respondents reported taking actions that required minimal lifestyle changes, such as switching off lights or using environmentally friendly light bulbs, with the following comments being provided: *“I will live my life as sustainably as possible as long as it’s not too inconvenient”*. This is consistent with previous studies (see, for example, Schuetz et al., 2011), and likely to be motivated more by financial savings than environmental concerns (Lorenzoni et al., 2007). We then investigated how respondents actually used sustainability in making choices about products or services. For the majority of students, it is not a major part of their decision processes, with the following comments being made by respondents: *“I am a student, I buy quality and affordable products”*; *“Is in the background but easy to forget”*; *“If two products are mostly the same, I would choose the one with sustainability practices”*. The financial imperative driving resource-use behaviours was also evident in the responses to an open-ended question regarding perceived benefits of turning off electric appliances, with financial savings or incentives to convert to renewable energy such as solar power being the primary motivator to reduce future electricity use. Intended future actions also reflect this, with recycling and energy / water use reduction signalled as the most likely actions.

Car use is identified in the literature as a difficult area in which to achieve significant behaviour change (Andersen et al., 2009). As CO<sub>2</sub> emissions from private vehicles is recognised as a major contributor to greenhouse gases, we investigated, via two open-ended questions, consideration of environmental impact from students' personal vehicle use and incentives that would encourage reductions in use. The results indicate some of the challenges faced in provincial centres without suburban tram or train options. The lack of enthusiasm for cycling also reflects both climate and the limited availability of dedicated cycling lanes. Among the comments made by respondents were: *"Need to drive – live too far out of town to walk"*; *"public transport is horrible so I will always drive"*; *"I cycle / walk for fitness and to save money, not for environmental reasons"*. Few questions were asked about sustainable transport, with most centring on practical issues as the following quotes indicate: *"What would be the most sustainable transport?"*; *"Will people actually use it?"*; *"When will we see the first solar / alternative hybrid public transport?"*; *"I need my car to get places. What can I do to still be sustainable?"*

### **Interest, Norms and perceived Responsibility**

There is a contradiction between the student's declared interest in environmental issues, especially among the Cairns cohort, their lack of active seeking of signs of environmental damage, and their perception of the interest levels of family and fellow students as shown in Table 3. This is consistent with prior studies that reflected a lack of perceived personal relevance of potential climate change impacts (Lorenzoni et al., 2007; Marcell et al., 2004). The apathy, disengagement with the issues shown above and determination to live life the way they want is consistent with the literature (Moser & Dilling, 2004). Wray-Lake et al. (2010) note that US adolescents see that responsibility for environmental problems rests with government rather than individuals, views reflected by the cohorts in this study. Agreement with collective societal environmental stewardship rather than individual action is consistent with previous studies, e.g. Schuetz et al., 2011).

### **Unrealistic Optimism / Risk Denial and Alarmism**

Of more concern is evidence in Table 4 of unrealistic optimism and risk denial which, as noted earlier, are resistant to change (Morton & Duck, 2001). While there is low agreement regarding unlimited resources and nature's ability to restore itself, there is over-optimism regarding society's ability to solve problems and evidence that concerns are perceived as exaggerated. As discussed earlier, this is likely to result in overuse of resources and failure to recognise the negative impacts of so doing (Grothmann & Patt, 2005). A further barrier to change may also be a perception that changing one's own behaviour will not make any difference to the impact of climate change (Semenza et al., 2008). The levels of agreement with this statement must therefore give cause for concern. We tested for evidence of acceptance or resistance to alarmist perspectives and the types of apocalyptic messages and catastrophic 'tipping points' portrayed in both the news and entertainment media (O'Neill & Nicholson-Cole, 2009) and found moderate disagreement that climate change rates cannot be changed, coupled with moderate agreement with potential consequences.

## **DISCUSSION AND DIRECTIONS FOR FUTURE RESEARCH**

The disconnection between (partial) awareness and concern is totally consistent with the attitude-behaviour gap noted earlier (Owens & Driffill, 2008) and represents a substantial barrier to meaningful behaviour change (see, for example, Ockwell et al., 2009). Information provision alone is not likely to overcome the complex combination of psychological, social and institutional barriers that exist (Lorenzoni et al., 2007). The findings reflect the need to move sustainability education from prescription to real-world practice and to reflect the types of sustainability problems and challenges that current students will face in the 'real world' (Everett, 2008). The findings also identified a number of significantly under-researched areas that warrant systematic investigation. For example, there is a clear need to investigate potential enablers of behaviour change and the most effective media channels and message types that will make communication issues discussed in this paper personally relevant in terms of immediacy and significance of local impacts. In addition, communications must address social norms and habits, reflect the way that personal values and beliefs impact on the way that information is interpreted, and be sensitive to cultural and contextual differences (Nisbet and Scheufele, 2009).

In this study, we focussed only on new entrants to university. The extant literature indicates that students "undergo profound changes in epistemological assumptions and in identity during their undergraduate years" (Myers & Beringer, 2010: 51), thus changes in knowledge, attitudes and behaviours regarding sustainability and related issues are likely to occur as students progress through their studies. For these reasons, future phases of research will extend the current study, following the students who commenced under the 'old' curriculum through their studies, and comparing them to students who commence under the 'new' curriculum that contains considerably more explicit sustainability content as an integrated theme throughout

their programme of study. The longitudinal design will also extend to following the cohort into the workforce in order to understand how their workplace experiences influence their attitudes and beliefs towards sustainability.

**Table 1: Self-reported familiarity with terms and their meaning**

6-point scale where 5= very familiar, 1 = not familiar at all and 0 = don't know / not interested

* = Significant difference between campuses	Townsville		Cairns	
	Mean	Std Dev.	Mean	Std Dev.
Economic Sustainability	3.47	1.19	3.44	1.19
Environmental sustainability	3.79	1.08	3.77	1.10
Social sustainability * p = .000	3.25	1.12	3.77	1.19
Sustainable development	3.45	1.16	3.23	1.15
Conservation * p = .005	3.64	1.21	3.97	1.03
Climate change * p = .023	3.98	1.11	3.54	1.11
Climate change adaptation	4.13	0.97	4.00	1.15
Environmental protection	3.80	1.19	3.51	1.06
Energy conservation	4.25	1.07	3.95	1.02

**Table 2: Agreement with statements regarding climate change and contributing factors**

*= Sig difference between campuses	Townsville		Cairns	
	Mean	Std Dev	Mean	Std dev
Human induced climate change is occurring at some level	3.83	1.14	3.90	1.03
Every time we use coal, oil or gas we contribute to climate change	3.75	1.14	3.52	1.27
My personal computer use contributes to climate change * p = .001	3.08	1.35	3.59	1.42
Carbon dioxide is the primary gas responsible for the greenhouse effect * p= .029	3.10	1.30	3.66	1.29
The greenhouse effect is caused by an ozone hole in the earth's atmosphere	3.37	1.36	3.56	1.33

**Table 3: Personal Interest, perceived norms and perceived responsibility**

* = Significant difference between campuses	Townsville		Cairns	
	Mean	Std Dev	Mean	Std Dev
Environmental issues are very important to me * p = .001	3.30	1.25	3.92	1.13
I often look for signs of ecosystem deterioration * p = .012	2.13	1.26	2.56	1.38
My friends and family believe they should alter their behaviour to prevent global climate change	2.83	1.26	3.0	1.25
The average JCU student is not at all concerned with the issue of climate change	2.96	1.29	2.6	1.34
The government should take an active role in the global effort to curb the problem of rapid climate change	3.68	1.28	3.84	1.25
We must set aside areas to protect endangered species * p = .016	3.96	1.17	4.25	1.33
Economic development, social development and environmental protection are all necessary for sustainable development * p = .001	3.70	1.24	4.07	1.48
Overuse of our natural resources is a serious threat to the health and welfare of future generations * p = .002	3.71	1.19	4.20	1.24
Taxes on polluters should be increased to pay for damage to communities and the environment	2.97	1.30	3.43	1.36
We, as a society, should radically change our way of living to offset the danger of climate change	3.29	1.12	3.28	1.47

**Table 4: Unrealistic Optimism / Risk Denial and Alarmism**

* = Significant difference Townsville / Cairns	Townsville		Cairns	
	Mean	Std Dev.	Mean	Std Dev.
Society will continue to solve even the biggest environmental problems	3.22	1.22	3.23	1.31
Worrying about the environment often holds up development projects	3.19	1.23	3.10	1.39
Our planet has unlimited resources	1.94	1.27	1.61	1.10
Nature is always able to restore itself	2.40	1.31	1.98	1.22
Humans have the right to change nature as they see fit	2.22	1.24	1.85	1.24
People worry too much about pollution	2.46	1.26	1.87	1.16
People worry too much about climate change * p = .031	2.62	1.30	2.02	1.25
The so-called 'ecological crisis' facing human beings has been greatly exaggerated	2.98	1.33	2.82	1.32
There is little action that I can take to reduce the threat of climate change	2.69	1.31	3.10	1.42
Humankind will die out if we don't live in tune with nature	3.19	1.34	3.54	1.29
If things continue on their present course we will soon experience a major ecological catastrophe	3.18	1.28	3.25	1.44
We cannot slow the rate of climate change	2.59	1.34	2.15	1.23

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**Thursday, 2:00-3:30 p.m.**

**Session 7.2. International and Cross-Cultural Marketing: Country of Origin**

Room: Yarra #1

Session Chairs: Klaus-Peter Wiedmann, Leibniz University of Hannover and Nadine Hennigs, Leibniz University of Hannover

***Global Consumer Culture and Local Identity as Drivers of Materialism: An International Study of Convergence and Divergence***

Mark Cleveland, University of Western Ontario

Michel Laroche, Concordia University

Nicolas Papadopoulos, Carleton University

***A Model Linking Corporate Brand, Industry Image and Country-of-Origin Image***

Carmen Lopez, Plymouth Business School, Plymouth University

George Balabanis, City University, London

***Ambivalence in Ethnocentric Bias***

Ting-Hsiang Tseng, Feng-Chia University

George Balabanis, City University, London

Matthew Liu, University of Macau

***Acculturation and Advertising: Evidence from South Korea***

Caroline Gauthier, Grenoble School of Management

Marianela Fornerino, Grenoble School of Management

Alain Jolibert, Pierre Mendès University

# GLOBAL CONSUMER CULTURE AND LOCAL IDENTITY AS DRIVERS OF MATERIALISM: AN INTERNATIONAL STUDY OF CONVERGENCE AND DIVERGENCE

Mark Cleveland, University of Western Ontario, Canada  
Michel Laroche, Concordia University, Canada  
Nicolas Papadopoulos, Carleton University, Canada

## ABSTRACT

Globalization profoundly affects societies and individual consumers. Materialism is presumed to be a core characteristic of global consumer culture. Consumption-related values like materialism are pertinent for understanding the establishment, maintenance, and expression of cultural identity in the era of globalization. Worldwide, advertisers employ numerous themes associated with materialism: luxury, success, accumulation, happiness, glamour, and exclusivity, which serve to reinforce status, social class and the desirability of upward social mobility. Whereas much scholarly work has attended to materialism, cross-cultural studies examining its drivers are relatively scarce, inhibiting theory generalization to international contexts.

To what extent does globalization promote the diffusion of a materialistic global consumer culture? Are national and ethnic cultures revitalizing in the face globalization and if so, is there any evidence that nationalistic and parochially-inclined consumers are resisting materialistic tendencies? More specifically, how and to what degree do the facets of global consumer culture and ethnic affiliation drive materialism, and how uniform are these relationships across countries and cultures? This question is probed with survey data drawn from more than 2000 consumers living in eight countries, drawn from North and South America, Western and Eastern Europe, as well as South and East Asia. Likert and semantic differential scales included multidimensional measures for ethnic identity (43 items) acculturation to global consumer culture (65 items), materialism (9 items), consumer ethnocentrism (4 items), as well as numerous socio-demographic indicators. Three levels of analyses (within-, between-, and across- country samples) were conducted, consisting of factor, reliability and correlational analyses; as well as multivariate analyses of covariance.

Robust support emerged for the proposition that acculturation to global consumer culture drives materialistic values. Whereas most constituent dimensions associate with increasing levels of materialism, merely speaking more English does not, by itself, promote materialism. Rather, materialistic dispositions are shaped by intensive exposure to the marketing activities of multinational firms, via global (particularly, American) mass media, and also, by first-hand intercultural encounters. Possessions and luxury are important to the global consumer, and s/he is indifferent as to whether these material goods are produced locally or abroad, as evidenced by the lack of association between consumer ethnocentrism and materialism. Although mixed results were evidenced for the relationship of materialism to ethnic identity facets, the bulk of the significant relationships were positive, demonstrating that cultural traditions are not incompatible with materialistic tendencies, particularly with respect to interpersonal relationships with fellow ethnic members. Other similarities and differences are reported. Overall, the results underscore the notion that identity positions are fluid and in motion, as the result of reconciling the various acculturation factors facing individuals under different contexts. The results further suggest that materialism is inherent as well as learnable. Segments spill over national boundaries, and therefore, it is imperative to identify conditions under which consumer commonalities and dissimilarities are most likely to emerge.

References available upon request.

## **A MODEL LINKING CORPORATE BRAND, INDUSTRY IMAGE AND COUNTRY OF ORIGIN IMAGE**

Carmen Lopez, Plymouth Business School, Plymouth University, UK  
George Balabanis, Cass Business School, City University, UK

### **ABSTRACT**

The image of the country is an important asset that directly influences the welfare and development of a nation. However, despite the efforts of many boards and industry associations in their communications to promote a country's image very little is known about the cumulative process and sources that shape a country's image. Most of the current research treats a country's image as an exogenous variable and is concentrated on its consequences and the possible ways for it to be exploited. The proposed research seeks to address this gap in the literature by analysing the impact of a country's corporations and industry image on their country's image.

This study focuses on the case of Spain and is based on empirical evidence provided by collecting qualitative and quantitative data from a face-to-face survey. For the purpose of this study three industries were considered, namely the automobile industry, the fashion industry and the tourism industry. Findings reveal that (1) the breadth of a country's corporations in consumers' memory affects the industry image of a country and (2) the specific industry images of a country at varying degrees affect the image of the country. This study extends previous research by analysing corporate brand, industry image and country of origin image simultaneously in an integrative model. The methodological approach and the findings from the empirical analysis complement extant research on the country branding literature.

## **AMBIVALENCE IN ETHNOCENTRIC BIAS**

Ting-Hsiang Tseng, Feng Chia University, Taiwan  
George Balabanis, City University London, UK  
Matthew Liu, University of Macau, China

### **ABSTRACT**

Research indicates that consumers unequivocally tend to be biased in favor of their home country's products and against foreign products (Herche 1992; Levin and Jasper 1996; Shimp and Sharma 1987; Supphellen and Gronhaug 2003; Supphellen and Rittenburg 2001; Verlegh 2007). This bi-directional phenomenon of biased perceptions of products according to their domesticity is called "ethnocentric bias" (toward domestic and foreign products). Nevertheless, ethnocentric bias could be contradict between explicit and implicit attitudes (Maison et al. 2004), and varied across product categories as well (Balabanis and Diamantopoulos 2004; Cleveland et al. 2009). Although extant research has empirically established the existence of those variations, systematically theoretical explanations are still in their infancy.

This paper focuses on the variations of ethnocentric bias between explicit and implicit attitudes across product categories. Based on previous research, the study attempts to identify the kinds of product categories to which consumers will show similar patterns in explicit and implicit ethnocentric biases, and the kinds of product categories to which consumers will not. Empirical studies have found that when consumers hold ambivalent attitudes toward a country, their willingness to buy emblematic brands of that country will become weaker (Russell et al. 2011). Thus, to identify product categories toward which ethnocentric consumers may hold ambivalent attitudes (e.g., inconsistent explicit and implicit attitudes) is critical for international marketers.

The results exhibit several interesting findings: for typical products, consumer ethnocentrism is positively related to consumers' explicit attitudes toward domestic products, and negatively related to consumers' explicit attitudes toward foreign products. However, such ethnocentric bias cannot be found for consumers' implicit attitudes. In other words, ethnocentric bias is obvious explicitly but not implicitly for typical products. Ethnocentric consumers will show their preference for domestic typical products and their prejudice for foreign typical products, but at the same time hold implicit attitudes similar to less ethnocentric consumers.

For atypical products, consumer ethnocentrism is positively related to consumers' attitudes toward domestic products both explicitly and implicitly. There is no ambivalence in this case. Atypical products are usually products of those weak industries of a country. Ethnocentric consumers have strong sympathy toward those domestic products and would like to sincerely support those industries. On the other hand, there is ambivalence in ethnocentric bias again for foreign atypical products. Although ethnocentric consumers tend to consistently show explicit prejudice to foreign products, associations with atypical foreign products are so weak in consumers' minds that no significant relationship between consumer ethnocentrism and consumers' implicit attitudes could be found.

In summary, consumers tend to show ambivalent ethnocentric bias toward typical products. While their explicit ethnocentric biases are quite obvious, their implicit ethnocentric biases are not. This result implies that typical foreign products may suffer less from consumer ethnocentrism.

References Available Upon Request

# ACCULTURATION AND ADVERTISING: EVIDENCE FROM SOUTH KOREA

Caroline Gauthier, Grenoble Ecole de Management, France  
Marianela Fornerino, Grenoble Ecole de Management, France

## ABSTRACT

To enrich the literature on the links between communication strategies and acculturation, this study first proposes an *in-situ* research approach as a complement to the widely explored *ex-situ* acculturation perspective. South Korea provides an exemplary case for the analysis of this phenomenon due to its strongly dominant traditional culture and its recent relative cultural invasion in the context of market globalization. The study then explores the values conveyed by advertisements vs. the values used by consumers in the interpretation of these advertisements, investigating two dimensions: use, as represented by community (food) vs. personal products (cosmetics), and origin, i.e. local vs. global products. Our results primarily suggest that traditional values coexist with non-traditional values in the advertising content rather than in the values used by consumers. Additionally, a large set of non-traditional values are used by consumers, evidencing a high level of *in-situ* acculturation.

## INTRODUCTION

In an international communication strategy, standardization is not an obvious choice. Despite the convergence of modern markets, cultural divergences hinder consensus from both academic and managerial perspectives (Melewar & Vemmervik, 2004). Several models attempt to identify the cultural dimensions that best support comparative analyses of various cultures (e.g. Schwartz, 1992) recognizing cultural convergences and divergences across markets. Furthermore, local culture remains a complex construct: comprise a combination of traditional values with other, perhaps more modern, values. This study examines acculturation using an *in-situ* approach. It attempts to investigate the set of values (traditional or not) that consumers (belonging to a dominant traditional culture) use to interpret advertisements for products for global or local and personal or communitarian use. This study examines the case of a country with a strongly dominant traditional culture that has experienced very little outside cultural influence until recently: South Korea.

## BACKGROUND

Acculturation means the adoption of different aspects of another culture: subjective aspects (norms, roles, laws, and values) and objective aspects (tools, materials, and products) (Lee, 1993). The main body of marketing literature pertaining to acculturation notes how a population that has left its home culture integrates its native values into its new setting. Such studies of acculturation thus adopt an *ex-situ* point of view because the topic of interest is how immigrants integrate their home country values.

In the context of open markets and modern globalization, even consumers who never leave their native culture are likely to confront values other than those that have traditionally dominated their culture because consumers are increasingly exposed to international commercial marketing strategies by mass media (Watson, Gillan, Lysonski & Raymore, 2002). Consequently, local populations are subjected to an *in-situ* acculturation process. To address acculturation from such an *in-situ* standpoint therefore represents a necessary and pertinent complement to extant research in the *ex-situ* tradition. In particular, no research has addressed the acculturation question with an *in-situ* approach in the context of a culture with strong traditional values that is suddenly confronted with other cultures.

Advertising campaigns particularly depend on the degree of acculturation by populations. Studies clearly demonstrate that the level of acculturation is a pertinent segmentation variable in communication strategy (Ueltschy & Krampf, 1997; Lee, 1993; Khairullah & Khairullah, 1999; Chow and Amir, 2006). This study addresses the following research questions:

- 1) Do consumers still use traditional values to interpret advertising? That is, do the values of the dominant culture remain?
- 2) Do consumers use non-traditional values to interpret advertising? That is, is there evidence of *in-situ* acculturation?
- 3) Do consumers use both traditional and non-traditional values when interpreting advertising (*in-situ* acculturation)?
- 4) Do the values used depend on the local or global origins of the advertised products?
- 5) Do the values used depend on the type of product advertised?

## RESEARCH METHODS

This study explores whether the *in-situ* acculturation has left Confucian values (traditional values) in a position of prominence in advertising in Korea and how traditional values coexist with other, non-Confucian values (non-traditional values). In particular, this study focuses on two product dimensions that frequently appear in advertising messages, namely, origin (local vs. global) and use (personal (food) vs. communitarian (cosmetics)).

This research adopts a qualitative approach to gather rich and detailed data (Weinreich, 1996). This study employs 13 representative advertisements (6 involve food (5 local/2 global), 7 involve cosmetics (4 local/3 global)). Two advertising experts analyzed the contents of the messages. The advertisements were then shown to 22 Korean consumers during interviews, and the consumers were asked to analyze and interpret the advertisements. These two sets of interviews were recorded, transcribed and submitted to a thematic content analysis by two researchers external to this study (Ahuvia, 2001). The conveyed values by advertisements were identified from the expert interviews, and the values used in the interpretation of advertisements were identified in the consumer interviews. To apply our experimental data to our theoretical model, we regrouped the lexical fields into four main Confucian value dimensions: hierarchy, belonging to a group, reputation and social harmony. The other lexical fields that emerged from the analysis were also conserved, namely, external appearance, technology, celebrity, beauty, well-being and individual success. This set of fields is hereafter referred to as the non-Confucian values.

## RESULTS AND DISCUSSION

### The values conveyed in the advertisements as assessed by the experts

The results concerning the values conveyed in the advertisements as reported by the experts are presented in Table 1. The conveyed values are both Confucian and non-Confucian, regardless of the nature of the products and their origins, except in the advertisements for global cosmetics, which only convey the beauty value. More Confucian values are conveyed for food (belonging to a group and hierarchy) than for cosmetics (reputation). Food is identified with belonging to a Confucian group, and well-being is identified with non-Confucian values, for both local and global products. Hierarchy is only conveyed by one local food advertisement. Both local and global cosmetics advertisements convey the non-Confucian beauty value. Well-being is a non-traditional value frequently conveyed in both food and cosmetics advertisements.

Product	Origin	Values	
		Confucian (Traditional)	Non-Confucian (Non-traditional)
Food	Local	Hierarchy; Belonging to a group	Individual success; Well-being
	Global	Belonging to a group	Well-being
Cosmetics	Local	Reputation	Well-being; Beauty
	Global		Beauty

Table 1: Conveyed values in advertisements (Experts)

### Consumer values: Local versus global in food and cosmetic advertisements

Regarding food products (see Table 2), consumers refer to a larger number of Confucian values in interpreting advertisements for local food than for global food. Hierarchy is the only common value used for foods of both origins. Concerning non-traditional values, consumers use a wider range of values in interpreting advertisements for local foods than for global foods. Only well-being is used in interpreting global food advertising.

Regarding cosmetics (see Table 2), hierarchy is the only common value used in interpreting cosmetics advertisements for both local and global products. Concerning non-traditional values, individual success, outward appearance, well-being and beauty are used for both local and global products. For global products, the importance of celebrities and westernization are observed in interpreting global products' advertisements.

In summary, the majority of the Confucian values are used by these consumers in interpreting advertisements for local food products but not for global food products or cosmetic products. Only local foods appear to encompass Confucian values, perhaps with the exception of the reputation dimension. For global food advertisements, the set of values used is very restricted.

Product	Origin	Values	
		Confucian (traditional)	Non-Confucian (non-traditional)
Food	Local	Hierarchy; Social harmony; Belonging to a group	Individual success; Outward appearance; Celebrity; Well-being; Beauty; Westernization

	<b>Global</b>	Hierarchy	Well-being
<b>Cosmetics</b>	<b>Local</b>	Hierarchy	Individual success; Outward appearance; Well-being; Beauty
	<b>Global</b>	Hierarchy; Reputation	Individual success; Outward appearance; Celebrity; Well-being; Beauty; Westernization
<b>General</b>			Technology

Table 2: Values used by consumers to interpret advertisements

The fit between the conveyed values by advertisements and the values used by consumers (Table 3)

Except for global food, consumers use a very rich set of non-Confucian values. Well-being is conveyed by food advertisements for both local and global products and for local cosmetics. Consumers also used this value to interpret all advertisements. Beauty is conveyed by cosmetic advertisements for both local and global products. Beauty is also used by consumers to interpret the same advertisements.

More Confucian values are conveyed for food (belonging to a group and hierarchy) than for cosmetics. The same trend is observed for the values used by consumers for their interpretation. Hierarchy is only conveyed by one local food advertisement, but consumers often used hierarchy, regardless of the products' nature or origin. This finding suggests that hierarchy is a very important value for consumers' interpretations of advertisements. Belonging to a group is conveyed for both local and global food advertisements.

In summary, consumers use non-traditional values more intensively than expected for global or personal goods, reflecting the values conveyed in advertisements. Confucian values are conveyed and used by consumers in a richer way for local food advertisements. In particular, hierarchy is always used by consumers in interpreting the entire set of advertisements, even when this value is not conveyed by any of the advertisements.

Extrapolating the case of South Korea to others countries with dominant traditional cultures subject to acculturation, we can formulate the following propositions:

Prop 1: Whether the products are local or global, traditional or non-traditional values coexist in the consumer's perception (there is *in-situ* acculturation).

Prop 2: Traditional values are more likely to be perceived for products more closely related to dominant traditional culture (food) than products less related to these values (cosmetics).

Prop 3: Several traditional values (hierarchy) remain whether the product is local or global and whether it is more related to dominant culture or less so.

Our results confirm the pertinence of an *in-situ* approach to acculturation as a means of optimizing future communication strategies for various product offers. We also demonstrate that this acculturation permits the coexistence of traditional and non-traditional values, even in the same advertisement. Overall, it is clearly important to explore *in-situ* acculturation along these different dimensions. Moreover, the results highlight the difference between values conveyed by advertisements and the values used by the consumer.

Product	Food/ Cosmetic	Local/ Global	Values used (Consumers)	Ad content values (Experts)
<b>Kimchi</b>	F	L	Hierarchy*; Belonging to a group*; Well-being	Belonging to a group*
<b>Soy sauce</b>	F	L	Hierarchy*; Social harmony*; Belonging to a group*	Individual success
<b>SK2 cream</b>	C	L	Hierarchy*; Reputation*; Belonging to a group*; Beauty; Well-being; Individual success; Appearance; Technology; Celebrity	Beauty
<b>Korean beauty product</b>	C	L	Hierarchy*	Well-being
<b>Dior Snow</b>	C	G	Reputation*; Beauty; Technology; Appearance; Westernization	Beauty
<b>Skin food</b>	C	L	Well-being; Beauty	Well-being
<b>Pond's cream</b>	C	G	Hierarchy*; Politeness; Beauty; Well-being	Beauty
<b>Coffee Maxim</b>	F	G	Well-being	Well-being
<b>V8 Drink</b>	F	G	Hierarchy; Well-being	Belonging to a group*



<b>Green tea drink</b>	F	L	Appearance; Beauty; Celebrity; Well-being; Individual success	Well-being
<b>Shampoo 2 in 1</b>	C	L	Hierarchy*; Reputation*; Individual success	Reputation*
<b>Green tea/ Soy drink</b>	F	L	Well-being; Belonging to a group*	Belonging to a group*
<b>Bouillon</b>	F	L	Hierarchy*; Social harmony*; Reputation*; Belonging to a group*	Hierarchy*; Belonging to a group*

Table 3: Summary of results (\* traditional value)

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#### **Session 7.4. Online Advertising and WOM**

Room: Clarendon A

Session Chair: David Waller, University of Technology, Sydney

##### ***How Companies Use Facebook to Promote Alcohol Brands to Young Adults***

Nina Michaelidou, Loughborough University

Caroline Moraes, Birmingham University

##### ***I'm Friends with Louie the Fly, not Mortein: Conceptualizing the New Brand Relationships on Social Media***

Kate Letheren, Queensland University of Technology

Kerri-Ann Kuhn, Queensland University of Technology

##### ***From Bricks to Clicks: Consumer Search Strategy as a Basis for Multi-Channel Management***

Gerrita Van Der Veen, University of Applied Sciences, Utrecht

Robert Van Ossenbruggen, University of Applied Sciences, Utrecht

# HOW COMPANIES USE FACEBOOK TO PROMOTE ALCOHOL BRANDS TO YOUNG ADULTS

Nina Michaelidou, Loughborough University, UK  
Caroline Moraes, Coventry University, UK

## INTRODUCTION

How do alcohol brands use Facebook to promote drinking to young adults? This topic is important due to the ethical issues involved in alcohol promotion through social media platforms that are particularly appealing to young people; due to the lack of advertising regulation on social media until March 2011 in the United Kingdom (Plunkett 2010); given the scant attention received by this subject within the marketing and business ethics literature, and finally due to the recent data on alcohol consumption which shows that 24% of British adults (33% men and 16% women) are classified as hazardous drinkers (NHS 2011).

This study therefore aims to explore how alcohol brands use Facebook to promote alcohol consumption among young adults aged between 18 and 24, since SNS such as Facebook may be potentially harmful channels for alcohol brands to reach young consumers. Specifically, the research objectives are: to explore what contexts and topics alcohol brands associate with alcohol consumption; to understand how alcohol brands engage young people in alcohol-related content creation through Facebook; and to examine how such promotional activities impact young people's attitudes toward alcohol and alcohol brands.

## BACKGROUND

Early research identified four internal reasons that explain why young people drink alcohol, namely avoidance, socialization, sensation-seeking, and enjoyment (McCarty and Kaye 1984). Later research highlights that social and enhancement motives explain young people's situational alcohol consumption (Kuntsche et al. 2005; Szmigin et al. 2007), as young people drink moderately when socializing with friends, and heavily for mood-enhancement reasons. Additional external factors influencing alcohol consumption include low prices, promotions and advertising (Hingson et al. 2005; Szmigin et al. 2007). According to Trigg (2009), alcohol brands spend £800 million per year to promote alcoholic beverages in the UK. Previous research shows that frequent promotions and low prices are linked to higher rates of binge drinking among university students (Hingson et al. 2005), and this shows the need for increased responsibility among alcohol marketers.

Studies focusing on traditional media have examined associations between media exposure and young people's alcohol use (Fox et al. 1998; Russell et al. 2009). Alcohol advertising is particularly appealing to young people and can influence initial development of drinking behavior; it has also been suggested that media depicting or promoting alcohol use may encourage drinking among young viewers (Goldberg et al. 2006; Robinson et al. 1998).

Further, Hastings et al. (2010) suggest that new media such as social networking sites (SNS), viral marketing, emails and mobile marketing are growing media channels for alcohol advertising, as they are interactive and allow for creativity, which engages audiences with the brand at a very young age. Media convergence theory (Jenkins 2004; 2006) is used to explain how alcohol brands use marketing content to transcend multiple media channels (including SNS) to communicate with young people, and how young people engage with such content.

Convergence theory suggests that consumers are now more actively involved with specific media (e.g., social media), and search for content across different media platforms (Jenkins 2004). The theory also suggests that convergence fosters a participatory culture by enabling consumers to co-create, store and re-circulate content (Jenkins 2006), and this changes the way in which consumers use media (Jenkins 2004). In this way, media consumption (or, rather, co-production) becomes a collective intelligence process, which depends on our ability to "*pool our resources and combine our skills*" to create "*an alternative source of media power*" and content (Jenkins 2006, p.4). In the case of SNS, companies share their marketing content with consumers and allow them to participate in their sites by posting comments and sharing their brand experiences with other consumers and the company, including alcohol companies. The use of SNS has become a popular activity among young people, and over a third of global Facebook users are aged 13 to 24 ([www.checkfacebook.com/](http://www.checkfacebook.com/)). However, research which examines how SNS (e.g., Facebook) are used by companies to communicate with young people and promote their brands is non-existent. Yet, a multitude of brands, including alcohol brands, maintain a Facebook page to co-produce media content with their audiences, which include young people.

## RESEARCH METHODS

Due to the exploratory nature of our research, a qualitative approach was considered appropriate. Firstly, three offline focus groups were conducted at the end of February 2011. Young Facebook users, aged 18-24, were recruited through a web portal call for participants. Fifteen participants attended their sessions, and group discussions followed a semi-structured protocol. Secondly, a netnographic study on Facebook was carried out between March and June 2011. Netnography can be seen as a type of online ethnography that entails the use of qualitative research methods to explore the community cultures that are emerging through the internet (Kozinets 2010). It encompasses the observation of online textual discourse to gain understanding of the symbolic meanings, attitudes and consumption discourses of online groups (Kozinets 2010). As such, it is a useful methodology to examine both how alcohol brands promote themselves through SNS, and how such promotions impact young people's attitudes toward alcohol and alcohol brands. In line with Kozinets (2008) we used the following sampling criteria for selecting Facebook groups and pages for the netnographic study: relevance to the research topic, number of members, level of traffic, number of posts and interactions between members, relevance of interactions given the research aim and objectives, and richness of the data. Twelve alcohol-related Facebook groups, brand pages, and club pages were purposefully shortlisted and observed (table 1). Facebook downloads and field notes generated over 63,000 words of textual data, after a preliminary screening to exclude irrelevant information.

Template analysis was the approach used for data analysis, which permits the consideration of theoretical concepts from the start of the research, and accepts the adaptation, rearrangement and addition of themes as they emerge through the analytical process (King 1998). Interpretive quality was ensured by respecting the worldview of participants, providing evidence to support the emerging interpretations, considering the contributions to the extant theory (Pratt 2009), engaging in ethical research, and providing opportunities for participant feedback (Kozinets 2010).

## FINDINGS AND DISCUSSION

### Promoting Drinking through Context Association

For focus groups' participants one of the most relevant Facebook features is the events application, where they invite people (or are invited) for parties and other social events. As highlighted by Szmigin et al. (2007), young people associate drinking to specific socialization contexts and situations: *"I like white wine, but that's mostly when you met friends at home. The times we drink most are when we go out with the basketball team. The sports nights socials are crazy, I can't keep up with it."* [Karen, FG1]. Netnographic results show that alcohol brands make use of such thematic associations to reinforce their positioning in the minds of young consumers. Clubs and brands are actively using Facebook to further engage with their target audiences, by fostering a dialogue with their consumers. Themes used by alcohol brands on Facebook include the weather, places, varied types of music and music venues, moods, eating, celebrations, and parties. However, online identities are problematic and no one can be sure of the ages of the people who choose to engage with these promotions. Young people, including underage consumers, can be exposed to such promotions via social media such as Facebook.

### Engaging with Young Consumers through Sales Promotions

Observed examples of Facebook alcohol promotions include a competition to win CDs and another to win tickets for sports matches (e.g. Lager 2). Focus groups' participants also demonstrated unaided recall of alcohol promotions: *"Only [remember] FJ cider, I noticed it as a direct [Facebook] advert. It was just an image, but it's something I'm aware of through other advertising sources, too. They sponsor a TV programme called Celebrity Juice that I'm very fond of... I think it's quite funny that's linked together. Also, there are certain pages for nights out. Here, on a Thursday night in Club1, you have Vodka-Energy"* [Ted, FG2]

Netnographic evidence suggests that competitions seem to attract a higher number of Facebook users than freebies, and this is expressed by young consumers either through 'liking' promotional posts or by commenting on walls and discussion spaces related to a particular promotion or competition that they liked: *"I even enter for my friends. My boyfriend is a music producer and I even entered a sound engineering thing for stuff for him."* [Sophie, FG1]

Thus, sales promotions efforts are successful not only in terms of getting young consumers to participate, but also regarding the amount of online content that such promotional activities generate on clubs and brands' Facebook pages. Of course, alcohol brand and club page administrators encourage this type of discursive behavior, as it increases traffic and word-of-mouth on their Facebook pages. However, what is interesting is that winners' feedback is possible via Facebook, which

contributes to providing alcohol brands or club pages with a sense of authenticity, as Facebook promotions without information on previous winners do not seem genuine (e.g. Alcopop). Indeed, the positive experiences related to one's ability to get good deals and compete for freebies via Facebook is further enhanced by this SNS's ability to offer direct participation and co-creation (Jenkins 2006) opportunities between clubs, alcohol brands, and young consumers.

### **Building Positive Attitudes through Participation and Co-Creation**

Although the observed alcohol groups had many members, such members mostly used the groups as a means to express their online identities; as an 'attitudinal statement' rather than as a platform for interaction, and co-creation. Clubs' and alcohol brands' pages were more participatory, and such interactions took place around promotions. One Facebook participant, for example, tried to get sponsorship from Lager3 in exchange for tattooing their logo on his skin, and another attempted to organize a tasting event through Whiskey's brand page. These are indications of consumer-led co-creation, which are encouraged by alcohol brands and clubs. Administrators also try and engage users in ways that do not overtly entail alcohol-related promotional actions as a means to involve consumers with their brand's or club's Facebook pages. For example, Vodka-Energy sends emails to users through the events section of Facebook in order to advertise their parties. This, in turn, indirectly promotes their site, and alcohol deals. Also, by tapping into drinking contexts and situations, alcohol brand pages upload numerous posts, such as quizzes asking questions related to sports, and relevant events. This helps brands and clubs to develop page loyalty amongst young Facebook users; it also instigates alcohol consumption discourses, given that relevant promotions are advertised concurrently and indirectly through such interactions. Facebook interaction is essential; young people are very critical of the amount of emails they receive through Facebook, and clubs and alcohol brands are aware of this. However, by expressing their enthusiasm and co-creating content with alcohol-related pages on Facebook, consumers 'spill over' their positive attitudes toward alcohol brands to other consumers, which can have negative implications for younger consumers.

### **CONCLUSION**

This study explores how alcohol brands use Facebook to promote alcohol consumption among young adults, and this is an original topic that has business ethics and public policy implications. The findings support previous studies that highlight the external determinants of alcohol consumption among young adults (McCarty and Kaye 1984; Kuntsche et al. 2005; Szmigin et al. 2007), and show that alcohol brands and nightclubs are using the social motives and socialization contexts of young people to connect with them through Facebook promotions. In line with previous research (Hingson et al. 2005; Szmigin et al. 2007), our study demonstrates that low prices and sales promotions impact young adults' consumption of alcohol significantly, and Facebook has proven an effective medium through which to disseminate such promotions.

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**Table 1: Sampled Facebook Groups and Pages' Characteristics**

Page name	Type	Target market	Facebook category	Members	Promotions
Vodka	Spirits Brand Group	International	Common interest – Food & Drink	42,067	No
Lager 1	Beer Brand Group	International	Common interest – Food & Drink	10,700	No
Consuming Alcohol	Generic Group	International	Common interest-philosophy	2,379	No
Alcohol Rules	Generic Group	UK	Business- Marketing & Advertising	1,127	No
Whiskey	Spirits Brand page	International	Business Company	516,738	Yes
Alcopop	Spirits Brand page	UK; Youth	Brand product	103,274	Yes
Lager2	Beer Brand page	UK	Business Company	18,728	Yes
Lager3 for England	Beer Brand page	UK	Business Company	16,422	Yes
Club 1	Club page	UK; students	Club	4,472	Yes
Vodka-Energy	Club page	UK; students	Entertainment & Arts – Nightlife	1,084	Yes
Club2	Club group	UK; students	Business Company	2,362	Yes
Club3	Club group	UK	Entertainment & Arts – Nightlife	1,962	Yes



# I'M FRIENDS WITH LOUIE THE FLY, NOT MORTEIN: CONCEPTUALISING THE NEW BRAND RELATIONSHIPS ON SOCIAL MEDIA

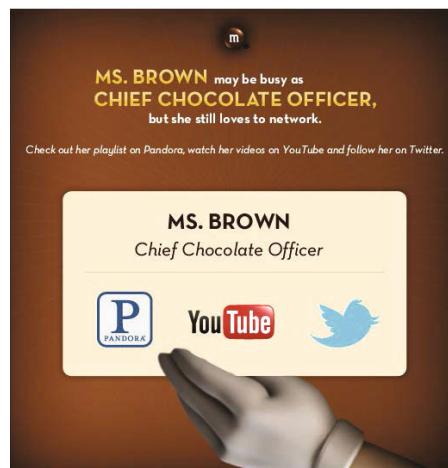
Kate Letheren, Queensland University of Technology, Australia  
Kerri-Ann L. Kuhn, Queensland University of Technology, Australia

## INTRODUCTION

Spokes-characters are ‘...animated beings or objects, created to promote a product, service or idea’ (Phillips 1996, p.155). They were first used in the late 1800s when they emerged as registered trademarks, but the use of spokes-characters for marketing communications has since grown, owing to their ability to remind consumers about a product, transfer positive associations to a brand, and give a corporate company a more ‘personal’ face (Callcott and Lee 1995). One example is the Michelin Man, who has served as spokes-character for Michelin tyres since 1898, after starting out in print advertising.

Spokes-characters have become important brand representatives, no longer seen as simply entertaining cartoons featured in television and magazine advertisements. Corporations have now extended their use to interactive, social media platforms, where a consumer can be ‘friends’ with a spokes-character via Facebook, read their comments on the latest iPhone release through Twitter, and watch their family histories being documented on YouTube (see Figure 1). The interactions that consumers once had with two-dimensional spokes-characters have undergone significant transformation in the digital space. With spokes-character Facebook pages achieving significant numbers of ‘likes’ and interactions with consumers, one question concerns whether this strategy is creating characters that are more engaging than the brands they represent, and what impact this has on brand outcomes.

**Figure 1: Ms Brown’s social media presence**



## INTERACTIVE SPOKES-CHARACTERS AND ANTHROPOMORPHISM

One of the great benefits of creating a social media presence for spokes-characters is that it allows characters to interact one-on-one with consumers, which can help foster relationships, particularly when anthropomorphism occurs. Based on the Theory of Mind, which describes the ability to attribute a ‘mind’ to someone or something (Frith and Frith 2005), anthropomorphism is a cognitive bias exhibited by humans when they attribute human personality characteristics, free will or intentionality to non-human agents (Kwan and Fiske 2008), such as cartoon characters. Character interactivity can trigger anthropomorphism (e.g., Kim and Sundar 2012), leading to positive consumer responses. For instance, Phillips and Lee (2005) found that interactive spokes-characters on company websites positively increased perceived entertainment, social presence and website liking beyond what was achieved by static spokes-characters on such websites. Social media sites, however, make anthropomorphism more likely, as they facilitate not only interactivity, but also make it possible for one to see personality, free will or intentionality in a non-human agent (Kwan and Fiske 2008). Consider for example the following tweet from Ms Green to Ms Brown of the M&M’s spokes-characters, which shows personality, free will and intentionality:

*“Red says he and Yellow are hanging out this weekend. @mmsbrown, you want a girls weekend?! :)”*



When there is a shift from seeing brands as representations of impersonal corporations to characters full of life and personality, consumers may begin to interact with them as if they were human. A recent study conducted by LeBel and Cooke (2008) found that consumers participate in the narratives surrounding spokes-characters, by using their own imaginations to assign numbers of children or types of cars to spokes-characters they favour. Anthropomorphism can result in consumers seeing an agent (a spokes-character) as deserving of consideration and respect (Epley, Waytz and Cacioppo 2007), leading to moral care and concern for the agent (Waytz, Cacioppo and Epley 2010). Further, when brands are anthropomorphised, consumers may begin to emulate behaviours that they perceive as consistent with that brand personality (Aggarwal and McGill 2012). Indeed, it has been suggested that once a mind has been perceived in an object, the responses of an individual to this object may become just as complex as responses to another human being (Kim and McGill 2012).

Recent research has indicated that the tendency to see characters and other non-human agents as ‘real’ may also be based around fulfilling social needs (Epley et al. 2008; Gardner and Knowles 2008), which can be well-facilitated through social interaction over the internet (e.g., Shaw and Gant 2002) and social media channels (e.g., Ryan and Xenos 2011). These channels require no physical contact, hence consumers may have Facebook friends that they have never met in person, and never speak to in an offline context, yet they perceive these relationships as ‘real’, not purely ‘virtual’. Similarly, these relationships may be fostered with spokes-characters who are more humanised in the online space.

As a result of the opportunities that social media channels like Facebook and Twitter offer for relationship-building with spokes-characters, there is a lot of discussion in the practitioner literature about the positive outcomes for brands. For example, comparethemarket.com claims its market share doubled after introducing meerkat character Aleksandr Orlov and his social media presence (Costa 2010). They attribute Aleksandr Orlov with making the company one of the most recognised in the saturated insurance market (Costa 2010), which tends to be characterised by low consumer engagement. But beyond anecdotal evidence, scarce attention has been given to empirical research that investigates what is likely to be a complex interplay of factors between the consumer, a spokes-character and the brand.

## **BRAND VERSUS CHARACTER ENGAGEMENT**

The digital environment broadly, and interactive social media such as Facebook and Twitter specifically, allow consumers unprecedented choice in how they ‘engage’ with an object; or in other words, ‘the level of an individual customer’s motivational, brand-related and context-dependent state of mind characterised by specific levels of cognitive, emotional and behavioural activity in direct brand interactions’ (Hollebeek 2011, p.790). In the context of social media, a consumer directly interacts across cognitive, emotional and behavioural levels. But consumers may choose to interact with the parent company, the brand, the character or any combination of these. Spokes-characters can be perceived as more ‘real’ as a result of interactivity and anthropomorphism, which can lead to greater imaginative engagement on the part of the consumer (e.g., LeBel and Cooke 2008), but with the character.

When reading and commenting on status updates and tweets from Ms. Brown, the latest spokes-candy for M&M’s, the consumer is interacting with Ms. Brown, not Mars Inc. There is a certain suspension of disbelief that occurs, whereby comments from Facebook friends and Twitter followers are directed straight to Ms. Brown, perhaps without conscious recognition by consumers that they are engaging with a brand representative through a fictitious spokes-character, and not with a ‘real’ friend. The cross-over between the real and the fictitious, especially as a result of anthropomorphism, increases the complexity of the engagement that occurs. As a result, the goodwill towards a spokes-character may not always translate to goodwill towards the brand itself.

One recent example to illustrate concerns Louie the Fly. In 2011, Mortein launched a social media campaign designed to encourage consumers to vote on whether to kill or save Louie: their iconic spokes-character that was ‘born’ in 1957 (Reckitt Benckiser 2011). Consumers felt betrayed, and vented their emotions on Louie the Fly’s Facebook page with comments, such as:

*“NO Louie = NO Customers”*

*“Don’t care about the product just love Louie...he ‘made’ mortein what it is today!!!!”*

*“Let’s start a Facebook page ‘Sack the CEO of Mortein to save Louie’ who agrees?”*

The comments were overwhelmingly in support of Louie (and not in support of Mortein), showing consumer engagement on an emotional and behavioural level with the character, but not with the brand. In this instance, Louie the Fly and Mortein had become separate entities in consumers’ minds.

After being saved in early 2012, Louie has continued to interact with consumers via his Facebook page. It is also revealing to consider the Facebook likes (the equivalent of friends on a business page). At the time of writing, Reckitt Benckiser, the parent company of Mortein and other brands, has 75,451 likes. Mortein has only 121 likes and Louie the Fly has 273,866. This story is not an unusual one on social media. Popular spokes-character for comparethemarket.com, Aleksandr Orlov, has 811,195 Facebook likes, while his company does not have an official Facebook page at all. The M&M's characters share a Facebook page which has 3,970,196 likes, while the parent company of M&Ms, Mars Inc, has only 6,745 likes.

Evidence suggests that consumers are engaging with brand *characters* via social media, but brand managers need to consider whether this engagement is transferring to the brand itself, and ultimately, leading to brand outcomes like loyalty and sales. Companies may be at risk of creating spokes-characters that are so engaging that consumers lose interest in the brand behind the character.

RESEARCH QUESTIONS

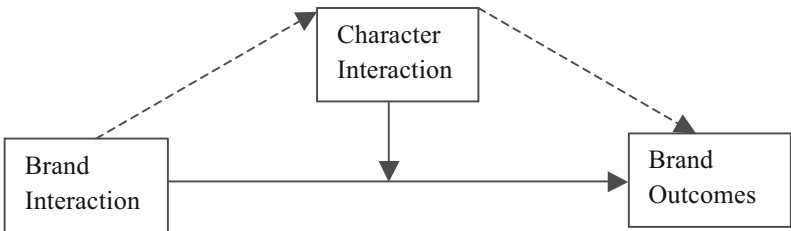
Limited research is available on how the aforementioned interactions occur, and whether they are actually of benefit to the brand represented by the spokes-character. While previous research on spokes-characters and how they operate is available (e.g., Garretson and Niedrich 2004; Phillips and Lee 2005), none have studied interactions on social media like Facebook and Twitter, and what this might mean for the brand.

The following research questions are proposed in order to begin to fill the gap in both theoretical and practical knowledge that has been left in the wake of rapid technological development:

- 1. How do consumers interact with spokes-characters on social media?
- 2. What value do online spokes-character interactions have for consumers?
- 3. How does spokes-character engagement influence brand outcomes?

We propose that technology may in fact create distance between brands and consumers through the very tool marketers are employing to try and foster relationships: spokes-characters. In order to test these questions, a multistage study is required, involving firstly observation of interactions between consumers and a character/brand on social media, followed by overt questioning of consumers to determine the value derived and subsequent brand outcomes. Given that consumers may be unaware that anthropomorphism has occurred, experimental research will be particularly appropriate to test these relationships. A proposed model is presented at [Figure 2](#).

Figure 2: Proposed Model



CONCLUSION

Spokes-characters have long been used in traditional marketing communications as brand and product representatives, and have shown they have a high degree of longevity owing to their ability to change with current culture and technology. Technology potentially offers new opportunities to create engaging relationships between spokes-characters and consumers, but ultimately the over-arching goal to create positive brand outcomes must not be forgotten; spokes-characters are but a tool to try and facilitate these outcomes. It is not enough to create an engaging character that consumers care about, interact with and emulate in their attitudes and behaviours. Strong links between the brand and the character are just as important, if not more important, than the relationship between the character and the consumer. In a world where we have both human and cartoon ‘friends’ that we have never met, the line between fantasy and reality has become blurred. We propose that this presents both challenges and opportunities for brands, which require further study.

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CONSUMER SEARCH STRATEGY AS A BASIS FOR MULTI-CHANNEL MANAGEMENT

Gerrita van der Veen, HU Business School, Utrecht – The Netherlands

Robert van Ossenbruggen, CustomerCentral, Amsterdam – The Netherlands

ABSTRACT

Many companies tailor their communication and interaction with consumers by segmenting consumers into channel usage groups. This study argues that simply focusing on channels has limited effectiveness. As more and more consumers nowadays use multiple channels, the ‘online’ channel contains many different forms, and channels are increasingly blended, the common distinction between ‘online’ and ‘offline’ is becoming irrelevant. We have identified several strategies that reveal how consumers find their way through a multi-channel landscape during the various phases of a purchase. By explaining channel usage through these so-called search strategies, we propose a clear and robust model that will support companies in developing an effective multi-channel strategy.

THE CHALLENGE: 1001 VARIATIONS IN CUSTOMER CONTACT

The rapid increase and changing role of the Internet means that the ‘online’ channel has now become very widely used and the choice of online and other digital channels has become very diverse. This has led to more choice options for consumers, more varied and intensive use of channels, constantly changing channel preferences and more control for consumers over the process of orientation and the purchase of goods and services. Companies are becoming ever more aware of the necessity of a good multi-channel strategy. However, they are still struggling with the implementation. Several studies show that consumers are not being served effectively because companies are not servicing customers adequately through all channels (for example Booz, Allen Hamilton, 2007; Niemeier, 2011). So, where does the problem lie?

Firstly, in many companies the various channels are organized in silos, meaning that staffs still ‘think’ in separate channels. This is impeding the development of a multi-channel strategy. In companies where there is a multi-channel strategy, this strategy is often still based on individual channels existing next to each other. For example, many companies intend to migrate their customers from one channel to another. The multi-channel strategy then involves opening new channels while simultaneously making it more difficult to access the traditional channels. In practice, the increase in the number of channels however means that consumers consult more channels before deciding to make a purchase (Konus et al, 2008). Furthermore, consumers use different channels in different stages of the decision process (Verhoef et al., 2007; Bronner & De Hoog, 2013). In other words, the different channels are interdependent and need one another to achieve sales targets. Moreover, it turns out that multi-channel shopping leads to higher sales than single-channel shopping (Verhoef, 2010). Accordingly, we should consider the question how channels can complement and reinforce one another in organizing customer contact. Unfortunately, retailers often fail to take account of how synergies among channels influence consumer behaviour (Berry et al, 2010).

Secondly, the existing business models in retail tend to place the emphasis on transaction. As long as sales targets for individual channels are leading (conversion rates, margins on sales), the services offered through these channels will be transaction-driven. Although many retailers claim to focus on customer relationships, most of them pursue sales in the short run (Berry et al, 2010). According to Keller (2010), a multi-channel strategy should incorporate short-term sales strategies as well as long-term customer relationship building (i.e. brand and customer loyalty). Neglecting the long-term customer relationship goals leads to a multi-channel strategy, which focuses on transaction efficiency instead of customer satisfaction.

Thirdly, online shopping has become commonplace, and the various manifestations within ‘online’ have now become so diverse, that deeming ‘online’ to be a single channel will not leave us much the wiser. Comparison sites, sites related to consumer organizations, social media sites and sites of retailers with or without a physical shop can all be interpreted as different channels within the Internet medium. A web-tracking survey by Synovate (2010) showed that consumers looking for a PVR (Personal Video Recorder) searched in an average of over 31 domains within the ‘online’ channel and spent 6.5

hours of their time there. How can companies derive a strategy from such intense yet varied behaviour? We believe that companies could profit from these developments by examining how consumers do this. How do they find their way through this profusion of channels and information? In other words, as a company, the relevant question is not 'how do I get to grips with the growing diversity of channels?', but 'how does the consumer get to grips with the growing and ever-changing diversity of channels?' The answer to this question will provide the most appropriate approach, which does not take the (separate) channels as its starting point for developing an effective multi-channel strategy, but rather the customer and the customer's needs. This approach starts by understanding the customer: how do different customers interact with the channels available and the opportunities for contact? What are their needs? And what search strategy does this lead to? To gain a better understanding, Livecom (a Dutch provider of integrated customer contact software) placed a call on Twitter and LinkedIn for joint research into these areas. Several companies<sup>1</sup>, all of which are active in the field of customer contact, have responded to this call and formed a research partnership with the aim of exploring consumer search strategies.

## STARTING WITH THE CUSTOMER: OUR VISION

### Segmentation by Channel Usage

There are several reasons for companies to establish a multi-channel strategy (Neslin and Shankar, 2009). Cost efficiency is one such reason, which usually results in a strategy that aims to provide customers with the services they need through self-service channels. Another aim of a multi-channel strategy is optimizing the distribution network to reach as many (potential) customers as possible. A third aim is to arrange the channels in such a way that they can accommodate the needs of the customer as much as possible. This is also called the customer journey approach (Booz, Allen and Hamilton, 2008; Neslin and Shankar, 2009). There is no evidence that one strategy is preferred above another. According to Keller (2010), a multi-channel strategy is well-integrated '*when the target market is fully covered, each consumer has channel and communication options to his or her liking, and channels and communications work together in a cost-effective fashion...*', which implies that we need to integrate all three factors for an optimal result.

The aim of a customer journey approach to multi-channel management is '*the design, deployment, and evaluation of channels to enhance customer value*' (Neslin et al., 2006). In other words, how do the various channels enhance the customer experience and how can they help consumers in their search for information, services or specific products? But of course, customers are not heterogeneous groups and needs will vary (Berry et al. 2010). Therefore, strategy development usually begins with an analysis of consumer behaviour resulting in a segmentation that provides insight into channel behaviour (Neslin and Shankar, 2009; Zhang, 2010; Niemeyer, 2011). Several studies have been in which customers are segmented according to their channel choice (online versus offline shoppers) or channel usage (multi-channel versus single-channel users) (see Dohlakia et al., 2010 for an overview). For example, Konus et al. (2008) developed a segmentation on the basis of differences in attitude towards channels, resulting in a segment of enthusiastic multi-channel users, a segment of (offline) shop-focused customers and a third segment of uninvolved shoppers. Verhoef et al. (2007) focused on channel patterns, and found that the pattern 'online orientation followed by purchase in store' was the most dominant. In their study, Chiu et al. (2011) made the distinction between channel switching between different providers (so-called 'free-rider' behaviour) or within the same provider.

The underlying assumption of these segmentations is that each channel has its own characteristics, which satisfy different customer needs (Schroeder & Zaharia, 2008). Consumer needs are often seen in terms of product-related costs and benefits (quality, price, assortment, etc.) and costs and benefits related to the purchase process itself, such as the time/effort needed, the risks involved and purchase pleasure gained (Broekhuizen et al., 2007). The Internet is for example associated with speed and convenience and is seen as the preferred channel for price-conscious consumers. Offline shops on the other hand are better for people who place a high value on good service and advice. Consulting multiple channels is attributed to consumers' desire to reduce risks when making their decision. The greater the perceived likelihood of a wrong purchase decision, the more likely the consumer is to use multiple channels, especially in the orientation phase. The reward gained through making the purchase is also important. Consumers who enjoy shopping will be more inclined to consult multiple channels. By contrast, brand or retailer loyalty is among the factors, which are more likely to lead to the use of only one channel, usually the offline shop (Konus et al., 2008) or multiple channels of the same retailer (Chiu et al., 2011).

However, it is debatable whether we are talking here about (stable) characteristics of channels or channel usage. It appears that some of the relationships between motivational factors and channel choice are difficult to discern. This is the case for price-consciousness, for example, which cannot be linked solely to the online channel (Konus et al., 2008; Venkatesan et al., 2007). Besides some ambiguous results, we see that due to all the developments, particularly in the digital arena, the extent to which channels can fulfil certain functions is subject to change. If online is supposed to equate to 'quick and easy' and as



such is perfect for people for whom time is a scarce resource (Verhoef & Langerak, 2001), the overload of possibilities that are being offered through the Internet these days may mean that consumers can achieve the desired result much faster and more easily with a trip to the store or a phone call. For example, in their study of reasons why people chose to call companies by phone, Dixon et al. (2010) found that 57% of respondents had already attempted to find their way through the many self-service channels (websites, IVR, e-mail, chat, online support communities, social media), but in the end had picked up the telephone as a last resort. Finally, in the changing landscape, we are seeing channels converging more and more. Originally, shops came to the Internet, but the reverse now also seems to be the case. Examples of this include digital fitting rooms, scanning tickets purchased online at the cinema or ordering shoes online in the shop if the required size is out of stock. In this way, the specific advantages and features of the various channels become blended. In addition, more and more online environments are becoming intertwined. Today, companies have Facebook pages or provide comparative price information on their website. In other words, it is not always clear who is the sender of the information provided. This also sheds a new light on concepts such as brand / retailer loyalty and free-rider shopping behaviour in relation to multi-channel usage.

### **Decision-making in a Multi-Channel Environment**

The rapidly changing landscape is calling for segmentation, which is more stable in time. We therefore need to acquire a deeper understanding of *how*, *why* and *when* people choose specific channels rather than *where* they are looking (Balasubramanian et al., 2005). The assumption is that the way consumers search and move between channels can in part be attributed to process-related factors in people's shopping habits. While some are inclined to consider all the options before choosing, others simply try to follow the most familiar route. The way in which people search for information and select the best option is an important part of any decision-making process, including purchasing, and is seen as a dynamic development that depends on the product and the situation, but to a large extent also on the individual. Personality characteristics, cognitive abilities, needs and emotions are all seen as important variables that determine differences in information-seeking behaviour (Tidwell & Sias, 2005).

To carry out a segmentation along the lines of the general characteristics of people's shopping habits, we looked at factors that influence the consumer's decision-making process. From the literature on multi-channel behaviour we derived the following two basic dimensions:

- *Exploratory versus goal-oriented*: From earlier studies, it has been clear that the fundamental difference between multi-channel and single-channel users is that the former are inclined to spend more time and energy searching than the latter (ref.) According to Balasubramanian et al. (2005), this is related to whether consumers derive satisfaction from investing time and energy in the purchase process. Whether that satisfaction takes the form of simple pleasure in shopping (emotion), or risk avoidance (rational, calculating behaviour), the result is that an extensive search is conducted, whether this is within one provider, among various providers, within the same channel, or among various channels. And conversely, whether due to time constraints or brand loyalty, the result is that a more focused search is conducted within one provider or within one channel, or including multiple providers or multiple channels. The literature on information-seeking behaviour supports this distinction between various types of information seeking, which can be seen as a continuum with exploratory searching at one end and targeted searching at the other (Choo et al, 2000).
- *Self-reliant versus advice-reliant*. Consumers can either look for the information needed to arrive at a decision themselves, or they can rely on the advice of others. This distinction is reflected in various studies on the difference between online (self-seeking) and offline (advice-seeking) shopping (ref.). However, this often largely depends on the extent to which people consider themselves capable of making a decision, irrespective of whether this is simply easier or due to a lack of trust in the retailer. Balasubramanian et al. (2005) have explained this as a search for self-affirmation, playing out a subjectively experienced feeling of one's own expertise via channel choice. The confidence that one is able to arrive at the right decision is also called self-efficacy. Self-efficacy is a concept from social-cognitive psychology and refers to people's confidence in their own abilities (Bandura, 1997). Chiu et al. (2011) introduced the concept of self-efficacy into channel research and defined multi-channel self-efficacy as 'the ability and confidence of consumers to employ multiple channels' (p. 270). We see self-efficacy rather as the general tendency of people to make decisions for themselves, regardless of the channel involved.

Our hypothesis was that on the basis of these two dimensions, four different personal orientations could be distinguished which impact on consumer behaviour in a multi-channel environment. By investigating how consumers go through the process of purchase within each of these orientations, we were able to understand what they want and need. Each consumer profile displays characteristic behaviour patterns when it comes to channel behaviour and the way they interact with retailers.

'Search strategies' were then developed on the basis of the similarities and differences in channel behaviour.

## RESEARCH DESIGN

The research was carried out among more than  $n=3000$  Dutch households and concerned their latest purchase in the following areas: white goods, financial products or travelling. The interviews were conducted online using the Cendris Monitor ([www.cendris.nl](http://www.cendris.nl)). Respondents were randomly selected from the Cendris panel. The Cendris panel includes 900,000 households, making it one of the largest panels in the Netherlands. Panellists were asked to take part if they had purchased a white goods item, a financial product or a travel product within the past 12 months. The fieldwork took place in the spring of 2011. The sample distribution was as follows:

- White goods:  $n = 593$  (incidence rate 39%)
- Financial Services:  $n = 504$  (incidence rate 26%)
- Travel:  $n = 2,087$  (incidence rate 67%)

The questions involved the self-reporting of channel usage in relation to this last purchase. It was decided to ask respondents to focus on the most recent purchase in order to stay as close as possible to actual behaviour. The purchase was mapped according to the different stages in the process (orientation, transaction, after-sales). The starting point was the distinction between the main categories: print, telephone, Internet, offline shop/branch visits, social environment and e-mail /chat. Next, more detail was added in terms of information type (general or specific product information, pricing information, product terms and conditions, advice, quote, advice / experiences of others in the social environment) and domains within the channels. For the Internet, for example, comparison sites were included (such as Kelkoo, ElCheapo), the sites of consumer television programmes and organizations, social media (blogs, forums, social networks such as Hyves, Facebook, LinkedIn and Twitter) and the sites of providers with or without a physical shop.

The two dimensions that form the basis for the segmentation were investigated using eight statements. Respondents were asked to indicate the extent to which they apply, using a 5-point scale (see [Tables 2a](#), [2b](#) and [2c](#)).

## RESULTS

### Everyone Multi-channels

The research results showed firstly and unequivocally that multi-channel behaviour has become commonplace within all the sectors mentioned. Only a minority continue to use a single customer-contact channel. Both in the orientation phase and during the entire purchase process, at least half of the respondents used two or more channels.

Secondly, the Internet has without doubt acquired an important position as a channel for orientation and transaction, but it would be a mistake to assume that offline channels are no longer relevant. Our research shows that offline channels have a clear role to play in each of the three phases. [Table 1](#) shows that Internet and shop visits were the most dominant contact channels within the sectors investigated. Although the Internet as a channel had the highest overall score, offline channels also play an important role in the orientation process. Approximately 1 in 5 holidaymakers visited a travel agency in the run-up to a purchasing decision. For financial services, almost 30% of the respondents visited a bank branch or broker. The preference for offline was the strongest for purchases of white goods: at least 61% wanted to evaluate the device in the shops for themselves. In the travel industry (20%) and in finance (26%), written sources of information are also consulted relatively frequently. Friends and acquaintances are also regularly asked for advice.

More people still choose to carry out transactions in stores than on the web, but the differences between the sectors are striking. For white goods, there is a strong preference for making purchases in shops (67%); for travel services, the opposite is true, with 16% ordering in shops, versus 56% on the web. Within financial services, there is a good balance between placing an order online and offline. The scores above are 35% and 34% respectively.

Not every channel has specific contact opportunities in order to arrive at solutions. Some questions can be monitored with a simple answer (e.g. "*What time does the store open?*"). Other questions require more information or additional study before



an answer can be given (e.g. "What is the best pension insurance, given my current income?"). Simple questions can easily be answered on web pages or self-service environments. This is not the case for more complex questions. Interaction opportunities on the web are also limited, and where they do exist, they are often totally impersonal. When it comes to service, this becomes an issue when a customer has questions after making the purchase. In those cases, the Internet scores below average for the first time. There is a widespread preference for asking questions, or communicating problems or complaints regarding a purchase by telephone (60% for financial services, 51% for white goods). For travel services, the preferred channel is e-mail (40%), and for white goods, there is a clear preference to return to the store itself (36%).

### Search Strategies

We have so far described *which* channels are used at particular stages, but we have not yet examined *why* these combinations are chosen. The question of 'why' can, in our view, be answered by looking more closely at the differences in the underlying personal orientations. First, using factor analysis, the structure of the statements was laid bare (criterion: Eigenvalue > 1, see [Tables 2s - 2c](#) for enlarged factor matrices). For white goods, the two factors correspond exactly with the theoretical model. For travel services and financial services, the analysis produces a three-factor solution. On the basis of these factors, we used cluster analysis to construct a set of four segments. We used a hierarchical cluster analysis to do this (cluster method: Ward's). This cluster technique yields effective and robust solutions in the absence of outliers (we controlled for these).<sup>ii</sup> This form of analysis provides well-differentiated and clearly interpretable segments of sufficient size. Although for the financial service and travel service sectors the factor analyses produced three factors, the four-cluster solution revealed strongly contrasting values for the factors 'advice-reliant' and 'self-reliant'. In the white goods sector, the cluster solution corresponded clearly with the factor analysis. The result of this segmentation analysis is the formulation of four consumer profiles that differ along the dimensions described in section 2.2. This is represented in [Figure 1](#). The different segments can be characterized as follows:

- *Information seekers* actively look at what is on the market, and then make their choice without being overly influenced by what others may think.
- *Reassurance seekers* also look actively for several purchase possibilities but sometimes there is so much choice that they appreciate good advice on what would best suit them.
- *Peace-of-mind seekers* are not actively looking for all purchase possibilities, but are happy to be advised on the best purchase for them.
- *Convenience seekers* often know what they want and perform targeted searches to find an offering that best fits their wishes.

But of course, people are people. We should look at the personal orientation as a basic predisposition or preference that varies from person to person, but depending on the product or situation, we will sometimes not act according to our basic preference. The amount of time available is one important factor, but also whether the product is a *high* or *low involvement* product, for example. For a holiday or travel services, customers often experience pleasure even during the searching and booking phases. By contrast, purchasing white goods or financial services is a simple necessity and, in contrast to travel products, will often have negative associations and will not result in a pleasurable experience. These kinds of factors mean that we do not always act according to our basic predisposition. This also explains the differences in segment size for the different categories. We would therefore rather talk about search strategies than personal orientations.

Two thirds of all the journeys that were booked in the past six months were planned after extensive exploratory search: discovering new worlds versus familiar destinations. A destination outside Europe led more frequently to *reassurance seeking* behaviour, while those travelling closer to home more often looked for a good deal. Those looking for financial services were more advice-reliant than the other two types of products. Two thirds of consumers who made purchases in that category sought advice prior to making a purchase. This varied from product to product. For example, we see that the purchase of a mortgage led to more '*peace-of-mind seeking*', while opening a new savings account or taking out a new health insurance policy coincided with more exploratory search behaviour, with or without advice. Indemnity insurance policies are products where relatively little advice is needed and it seems that here people were more likely to make a choice themselves, whether or not this was after extensive 'shopping around'.<sup>iii</sup>

### Characteristics of Channel Usage

But whether behaviour is determined by personal predisposition, the product or the situation, what matters is the impact on channel behaviour: the strategies that consumers use to navigate through the existing channels. *Information seekers* focus the most on the Internet channel in their search for information. They often use the Internet as their only channel and visit several different websites. The information that they obtain from the Internet more often plays a decisive role, and they more often

end up making purchases through the Internet too. The reasons for this (convenience, speed and price) are significantly more often identified as reasons for making purchases on the Internet. This is a typical 'self-service' profile. However, we see that even in a sector where the Internet is already fairly well established (e.g. travel products, which 87% explore and 56% buy through the Internet), not all searching took place according to the self-service profile.

*Reassurance seekers* are just as likely to spend time exploring the market, but use offline channels as well as the Internet. These are the ultimate multi-channel purchasers. They search for a great deal of information through many different channels, both general and specific, and also seek out good advice, partly on the basis of the experiences of others. In relative terms, they visit and purchase more frequently from shops and other personal providers. The availability of personal advice and familiarity with the provider are often cited as reasons for choosing shop purchases over Internet purchases. Security and risk aversion would also seem to be important factors here. This is especially apparent when it comes to purchasing financial products. Declining consumer confidence in the financial sector has resulted in an increased need for security and an increase in risk-averse attitudes, which is reflected in a larger role for the social environment: reassurance seekers consult their social contacts more frequently (31% versus 14% on average in the other segments) and this is more often considered as reliable (80% versus 67%). Remarkably, this does not mean that the other channels are not seen as less so. Furthermore, reassurance seekers express the most doubts about whether they would return to the same provider if they were going through the whole process again. They also indicate that they have more difficulty than the others during the whole process of making a purchase.

*Peace-of-mind seekers* are the least intensive channel users. They use relatively few channels, and they use the Internet less and less intensively, particularly for financial service products (42% orient themselves using the Internet versus 76% in the other segments). Confidence seems to be the key word here. They seek advice from someone they know and trust. For travel services and white goods, they often rely on their social environment. To purchase a financial product, they prefer personal contact with a provider (44% versus 20% average in the other segments), and knowing the provider personally is cited more often as a reason (26% versus an average of 6%).

The *convenience seekers* do not use many channels either, but there are some important differences. They are motivated primarily and very specifically by finding the best deal on what they want. In particular, they will be looking for specific information on terms and pricing. As with the *information seekers*, the Internet plays an important role in their search, but the self-service element is less prominent. For example, for travel products, where many purchases are already made on the Internet, they will use e-mail more often, especially when booking a trip (26% versus 13% in the other segments). In the other sectors, more offline channels are consulted during the orientation phase compared to the *information seekers* and they are also more likely to buy their financial products from a physical provider (27% versus 17% for *information seekers*). This is certainly not due to the personal advice they receive or because they know the staff personally, because they attach less importance to these than other offline purchasers. Convenience or a good deal would seem more plausible explanations for this.

## CONCLUSIONS AND RECOMMENDATIONS

### Is Channel Control Feasible?

Particularly during the last decade, with the advent of the Internet channel, the range of customer contact channels for consumers has greatly expanded. It seems that consumers have many options when they have a question to ask. As our research confirms, consumers are taking advantage of these options. In other words, multi-channel behaviour has become commonplace, while single-channel behaviour is now the exception. But even though attention is shifting from individual channels to identifying the different channel patterns that - depending on the context (sector) and situation - are the most common, it will not get any simpler for companies to find the right channel mix to help their consumers as effectively as possible. In this study alone, with three stages in the purchase process and six media outlets, there were almost 200 unique channel patterns. This is why we argue that if companies want to get to grips with the channel mix, the question that needs to be answered is how consumers will get to grips with the increasingly diverse and complex landscape of channels. This research has contributed to achieving this by building on our understanding of channel behaviour and focusing on factors that play a crucial role in all purchasing processes - namely, the extent to which people perceive themselves as capable of making the right choices (self-reliant versus advice-reliant) and the way in which they seek information (exploratory versus goal-

oriented). On the basis of these two dimensions, we have formulated four different search strategies. Table 3 summarizes the main characteristics of these four strategies.

Segmentation is nothing new in multi-channel literature, but it is usually done according to channel usage. Given the rapidity with which the channel landscape is changing, we prefer the more stable type of segmentation that can be achieved by using people's general characteristics, regardless of the channel, product or situation. These characteristics reflect the factors that influence decision-making behaviour. In our view, these form an important link between motivational variables such as time constraints, risk aversion, high and low involvement, etc. and channel selection. For example, risk aversion is seen as an important factor that determines whether the consumer will use multiple channels to shop. In our view, there are also other possibilities to avoid risk. For example, the *convenience seeker* may avoid risk by choosing to stick to the products he already knows. The *information seeker* will be more inclined to gather as many reviews and experiences from others via social media to reduce the risk of a bad purchase. This example, therefore, shows various manifestations of the same underlying motivation. It is possible that this may also explain the sometimes-ambiguous relationship between motivational factors and channel selection that emerge from the various literatures available on the subject.

### Synergy and Differentiation

As a result of all the new (mainly digital) opportunities for contact with customers, it remains to be seen whether the difference between online and offline remains relevant to the way consumers shop around and make purchases. But that does not mean that offline methods are any less important. With the exception of the travel sector, most transactions continue to take place in shops and stores. Channels have a different function when it comes to communicating with customers. Websites are particularly suitable for one-dimensional communication (information questions), while channels such as telephones, live chat, an office or shop are better for dialogue and therefore more suitable for giving more complex advice. After all, before you can give good advice, you first need to know the wishes of the customer. Customers therefore do not so much choose specific channels, but look for an environment that supports their interaction needs the best. The interaction that people need will vary between products and people, as we have seen. Although it is cost-efficient, moving towards self-service for everything is also simplistic and ineffective. Companies need to reflect on the role that communication channels play for the customer. What type of questions do the customers ask? This will largely determine the channels they choose. In certain sectors, such as the financial sector, there are plans to close down some offices and focus mainly on the Internet. Such a restriction on the channel used would only succeed if other channels can meet the customer's need for dialogue. Online service provision still has considerable limitations. Complex questions are hard to answer online. To date, there are few sites on which consumers can enter into a dialogue with sales or service staff. Social media can currently only meet this demand to a limited extent. Because customers are becoming ever more active, and taking the initiative, responding, informing and communicating ever more, it is increasingly important for companies to include these more interactive channels in their strategy. In short, against this background it is not advisable to think of online and offline as separate domains. The important thing is to create coherence between both these areas and look at how sales and service processes can be strengthened or simplified (*synergy*).

'Is the end of the shop approaching?' is the often-asked question (Molenaar, 2011). The answer is yes for as long as shops try to compete with the Internet. The challenge for retailers is therefore to find an additional role in shaping the dialogue. For this a shift is needed in the mind-set of retailers towards a more customer-oriented way of thinking: 'Stop thinking about what you want to sell, and think instead about what your customers want to buy' (Molenaar, 2011). But customers vary. The *information seeker* would rather not go shopping unless it is really necessary, while the *peace-of-mind seeker* prefers to go to a shop because he has a natural need for dialogue. Developing customer profiles or search strategies, as we have done in this research, is a way of looking at whether, as well as differences between consumers, we can also see similarities, which could help us understand what consumers want and need (see Table 4). Explorative behaviour, for example, requires a product focus (a great deal of choice); while for goal-oriented behaviour, service is of particular importance. Self-reliant behaviour requires operational excellence, but when asking for advice, the personal relationship is more important. This gives us plenty of food for thought in terms of approaching customers in a range of ways that correspond with their particular needs (*differentiation*). To give a few suggestions:

- *Convenience*: Nowadays, the Internet provides an excellent opportunity for personal advice. Customer requirements in this area should be met so that the Internet promotes dialogue.
- *Reassurance*: Customers are looking for ways to mitigate risks during the orientation phase. As such, it is important to store and verify information centrally to avoid the dissemination of confusing information through different channels. This will put customers off.

- *Information*: Ensure that information is freely accessible and complete. This means that customers in the orientation phase are not forced to move to another area to find or verify information.
- *Peace-of-mind*: Customers may change channel when a particular channel does not meet their needs. It is important to ensure that this is understood in the organization, especially in departments that deal with customers. A service question in a shop is important for the customer. The employee who answers this question must show that he/she understands this, and not only focus on sales.

## LIMITATIONS AND IMPLICATIONS

This study was conducted in partnership with businesses, which are active in the field of customer contact. They all felt that the current understanding of the multi-channel behaviour of customers was failing to provide sufficient leads for the establishment of an adequate multi-channel strategy from a customer's perspective. Since marketing practitioners usually look for 'tools' rather than scientific theories, we have opted for a segmentation analysis with an explorative character. The value of this type of segmentation as far as organizations are concerned lies primarily in its ability to offer direction and focus, to raise awareness of the group or individual you wish to impact, and to provide a framework, a common language for communicating with one another. This is where we find the difference between science and practice: whereas science aims to find valid segmentations, practice is not at all interested in how accurate or valid a segmentation may be. The advantage of segmentations in practice is that they can be used to simplify reality. In other words, whereas science requires validating research, practice is best served by exploratory research (Stienstra, 2010).

Nevertheless, we believe we have raised a number of issues, which are relevant for future research. First of all, we argued that current research relies strongly on individual channel characteristics. However, consumers do not so much 'choose channels', as choose to satisfy their needs. The way channels can satisfy consumers' needs is dependent on the way businesses use them to establish their customer processes (cf. Keller, 2010). A focus on customer processes leads to a consistent and long-term multi-channel management strategy, which is to a certain degree independent of the expansive and rapidly changing scale of digital, Internet and online channels.

Second, we have presented a consumer typology, which discloses different patterns of channel behaviour. Although, other consumer typologies can be found in the literature (cf. Dholakia et al., 2010, Kollmann et al., 2012) more research is needed on the underlying motivational dimensions and the relevance for multi-channel behaviour. In our research we have pointed to the psychological concepts of information-seeking, decision-making and self-affirmation as relevant starting points for building a customer typology, which remains stable in a rapidly changing multi-channel environment and which holds true beyond the borders of the Netherlands.

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## NOTES

<sup>i</sup>In alphabetical order: CCM ([www.ccmonline.nl](http://www.ccmonline.nl)), EarlyBridge ([www.earlybridge.com](http://www.earlybridge.com)), HIGHValue ([www.high-value.com](http://www.high-value.com)), LiveCom ([www.livecom.net](http://www.livecom.net)) and Utrecht Business School ([www.hu.nl](http://www.hu.nl)). The data collection was made possible by Cendris ([www.cendris.nl](http://www.cendris.nl)) and the Open University ([www.ou.nl](http://www.ou.nl)).

<sup>ii</sup>Moreover, it is possible to use this technique to correct stubborn response-style effects, by standardizing the scores at the respondent level. Response-style effects are distortions in the data that come about as a consequence of the tendency of respondents to questions in a particular direction, irrespective of the content of the questions themselves (known response styles are ‘affirmative’, ‘extreme’ and ‘neutral’)

<sup>iii</sup>In the case of white goods, we did not ask which type of product was involved

## TABLES AND FIGURES

*Table 1: Channel choice for each sector and stage in the purchase process*

	White goods				Travel				Financial services		
	Orientation (n = 593)	Transaction (n = 593)	After- sales (n = 149)	Total (n=593)	Orientation (n = 2,087)	Transaction (n = 2,087)	After- sales (n = 182)	Total (n=2,087)	Orientation (n = 593)	Transaction (n = 504)	After sales (n = 60)
Written	12%		11%	12%	20%	1%	8%	21%	26%	8%	17%
Telephone	2%	2%	51%	7%	5%	8%	41%	13%	19%	9%	60%
Store Visit	61%	67%	36%	78%	19%	16%	16%	22%	28%	35%	24%
Internet	74%	24%	13%	75%	87%	56%	25%	89%	64%	34%	10%
Social environment	17%		4%		22%		6%		19%		7%
E-mail / chat	1%	1%	16%	4%	12%	15%	41%	25%	13%	4%	24%
Other:		3%	3%	5%		4%	9%	10%		11%	7%
Media channels (avg.)	1.8				1.7				1.8		
Channels within media (avg.)	5				4.5				4.8		

Table 2a: Travel factor analysis

Travel	Advice-reliant		Explorative		Self-reliant	
	Factor Weighting	%Top2 Box	Factor Weighting	%Top2 Box	Factor Weighting	%Top2 Box
I like to book organized trips because I find it more convenient when everything is arranged for me.	.74	29%			-.34	
I like to book through travel organizations because they can put together a better trip than I can.	.71	37%			-.39	
I look mainly for holidays / holiday destinations that are recommended by others, e.g. by a consumer test.	.62	30%				
It is important to me that I know what I will get, so I like to stick to a holiday (or destination) that I already know.			-.82	30%		
I almost never return to the same destination twice.			.76	52%		
I prefer to find a destination where I can get to know new worlds and meet new people.	.34		.59	57%	.35	
I prefer to put together my own trip, without using a travel organization.					.79	57%
I actively search for information without being led by what others think.					.69	79%
<i>Cronbach's alpha</i>	.60		.59		.48	

Table 2b: Financial services factor analysis

Financial services	Goal-oriented		Advice-reliant		Self-reliant	
	Factor Weighting	%Top2 Box	Factor Weighting	%Top2 Box	Factor Weighting	%Top2 Box
I usually know in advance exactly which financial product I want.	.81	83%				
I usually know in advance exactly what requirements a financial product must meet.	.81	84%				
I usually like to get some advice on the best product for me to buy.			.85	70%		
Sometimes there is so much choice that I would like good advice about what suits me the best.			.80	70%		



It is important to me that I know what I will get, so I stick to the provider that I know.		.64	78%	
I look mainly for financial products that are recommended by others, e.g. by a consumer test.			.72	48%
I like to do my own research in order to get a good idea of the best terms for what I want.	.53		.61	72%
I actively search for information myself without being led by what others think.	.57		.57	85%
<i>Cronbach's alpha</i>	.68	.66	.50	

Table 2c: White goods factor analysis

White goods	Goal-oriented		Advice-reliant	
	Factor Weighting	%Top2 Box	Factor Weighting	%Top2 Box
I like to do my own research in order to get a good idea of what the best specifications are for what I want.	.74	65%		
I usually know in advance exactly what requirements a product must meet.	.71	96%		
I actively search for information myself without being led by what others think.	.69	89%		
I usually know in advance exactly which product I want.	.65	90%		
Sometimes there is so much choice that I would like some good advice about what suits me the best.			.84	65%
I usually like to get some advice on the best product for me to buy.			.82	54%
It is important to me that I know what I will get. That's why I stick to the brand or product that I know.	.36		.56	85%
I look mainly for financial products that are recommended by others, e.g. by a consumer test.			.38	53%
<i>Cronbach's alpha</i>	.67		.76	

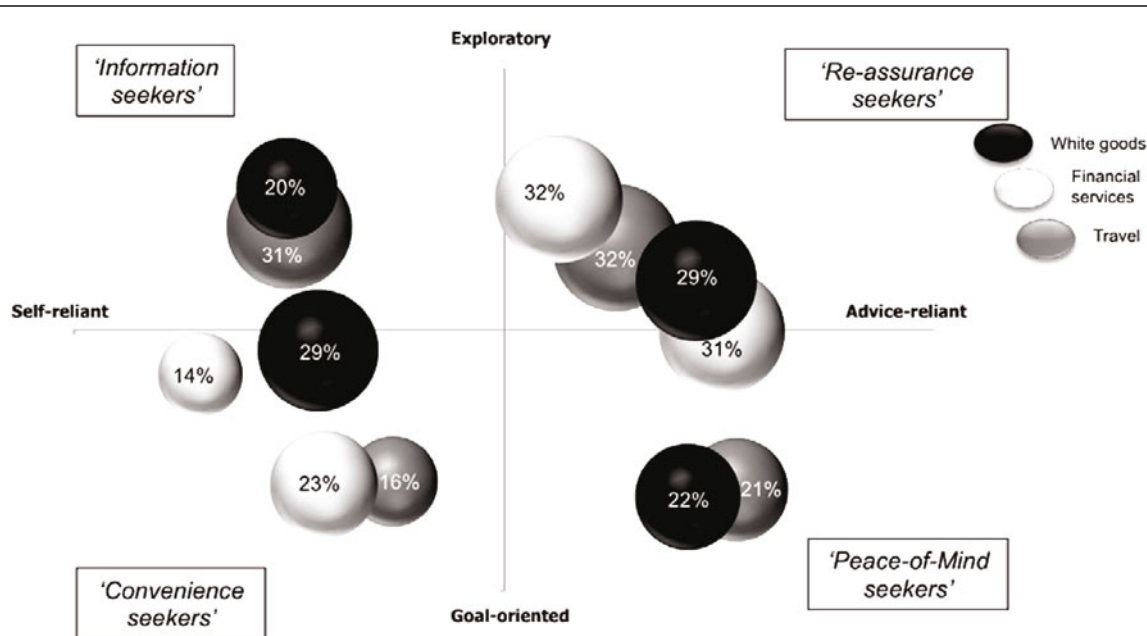


Figure 1. Size of segments in each sector

Table 3: The four search strategies

Type	Description	Needs	Characteristic of channel
Information	Self-reliant Exploratory	Information Control	Internet only
Reassurance	Exploratory Advice-reliant	Choice Validation	True multi-channel users
Peace of mind	Advice-reliant Goal-oriented	Confidence Service	Less intensive channel use / offline shops important
Convenience	Goal-oriented Self-reliant	Simplicity Speed	Interactive channels (e-mail / phone / chat)

Table 4: Implications for channel management

Type	Focus	Role of provider	Message

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<i>Information</i>	Product Operational excellence	Provision of Information	<i>"Look no further!"</i>
<i>Reassurance</i>	Product Relationship	Advisory role	<i>"Trust me!"</i>
<i>Peace of mind</i>	Relationship Service	Expert Expertise role	<i>"I know what you need!"</i>
<i>Convenience</i>	Service Operational excellence	Facilitator Mediation	<i>"It will be delivered tomorrow!"</i>

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## **Session 7.5. Dealing with Negative Incidents**

Room: Clarendon B

Session Chair: Gianfranco Walsh, Friedrich-Schiller University of Jena

### ***Reporting Complaints: Scale Application and Replication***

Gianfranco Walsh, Friedrich-Schiller University of Jena

Arne K. Albrecht, Friedrich-Schiller University of Jena

Patrick Hille, Friedrich-Schiller University of Jena

David Dose, Friedrich-Schiller University of Jena

Simon Brach, Friedrich-Schiller University of Jena

### ***Fellow Customers as a Source of Unfriendliness: The Role of Descriptive Norms in Deviant Customer Behavior***

Arne K. Albrecht, Friedrich-Schiller University of Jena

Gianfranco Walsh, Friedrich-Schiller University of Jena

Simon Brach, Friedrich-Schiller University of Jena

### ***Exploring the Positive and Negative Aspects of Customer-Brand Relationships: Why Disengagement Matters***

Jana Bowden-Everson, Macquarie University

Mark Gabbott, Macquarie University

## **REPORTING COMPLAINTS: SCALE APPLICATION AND REPLICATION**

Gianfranco Walsh, Friedrich-Schiller-University of Jena, Germany  
Arne K. Albrecht, Friedrich-Schiller-University of Jena, Germany  
Patrick Hille, Friedrich-Schiller-University of Jena, Germany  
David Dose, Friedrich-Schiller-University of Jena, Germany  
Simon Brach, Friedrich-Schiller-University of Jena, Germany

### **ABSTRACT**

The concept of willingness to report service complaints (WRC) appears in previous service marketing literature that validated this scale. However, the original scale development took place in the context of Israeli service organizations, and wider uptake of the scale has been slow. The present study examines the meaningfulness and validity of the construct by applying the scale to a culturally different country. Comprehensive validation procedures with a sample of more than 230 service employees demonstrate the reliability and validity of the WRC scale.

References available upon request

# **FELLOW CUSTOMERS AS A SOURCE OF UNFRIENDLINESS: THE ROLE OF DESCRIPTIVE NORMS IN DEVIANANT CUSTOMER BEHAVIOR**

Arne K. Albrecht, Friedrich-Schiller-University of Jena, Germany  
Gianfranco Walsh, Friedrich-Schiller-University of Jena, Germany  
Simon Brach, Friedrich-Schiller-University of Jena, Germany

## **ABSTRACT**

This research investigates how customers influence one another in the servicescape, as well as how this influence affects deviant behavior toward service employees. Drawing on social norm and social identity theories, the authors hypothesize that the appropriateness of fellow customers' behavior predicts customers' friendliness toward employees, as long as fellow customers appear similar to the self. The hypotheses tests use data obtained from a sample of more than 200 shoppers. By applying multivariate regression and moderator analyses, the authors determine that fellow customers serve as critical antecedents of deviant behavior. If customers perceive fellow customers' behavior as inappropriate, they are less friendly toward service employees, but only when those customers perceive their fellow customers as similar to themselves. These results have theoretical and practical implications within a social norm framework.

References available upon request

# EXPLORING THE POSITIVE AND NEGATIVE ASPECTS OF CUSTOMER-BRAND RELATIONSHIPS: WHY DISENGAGEMENT MATTERS

Jana Lay-Hwa Bowden, Macquarie University, Australia  
Mark Gabbott, Macquarie University, Australia

## INTRODUCTION

Conceptualizations of customer-brand relationships have tended to focus on relationship development and maintenance (e.g., Fournier, 1998; Palmatier et al. 2006). However, it has been noted that focusing on only the more positive aspects of relationship development and engagement, instead of examining this in tandem with the process of relationship termination, risks the creation of a schism in our understanding of customer-brand relationships (Bendapudi & Berry 1997). Morgan and Hunt (1994, p. 33) have reiterated this point in noting that “just as medical science should understand both sickness and health, marketing science should understand both functional and dysfunctional relationships.” It follows that if marketing firms are to continue to promote the development of engaged, long term relationships with their customer base then a more complete relationship development model which examines not only engagement, but also disengagement is required. This paper will focus on this important process.

## BACKGROUND

To date conceptualisations of relationship ending in the literature have been largely speculative underscoring our ignorance about disengagement itself, as well as the processes by which it operates. The study of relationship ending is subsequently still in its infancy, and is described disparately in the literature under terms such as ‘dissolution,’ ‘exit,’ ‘termination,’ ‘withdrawal,’ ‘discontinuation’ and ‘uncoupling’ (e.g., Mai & Conti, 2008; Coulter & Ligas, 2000; Michalski, 2004). Research has typically conceptualised relationship development and breakdown as linear in nature with the transition to each new stage triggered by specific events (e.g., Pressey & Mathews, 2003). However the disengagement process may in fact be much more complex, governed by the nature of the prior relationship, and accelerated or decelerated by a range of trigger-based events. To this end it seems logical to suggest that the disengagement process may not involve a linear deconstruction of the relationship and may instead have a range of possible trajectories.

To date there has been no study which has closely examined the nature, process and strength of relationship engagement on the process of relationship disengagement, its processes and its outcomes. This raises the question of whether disengagement is the inverse of relationship development and engagement, or whether departing from this assumption would be more productive. It also raises the question of whether disengagement and engagement are better described simply as separate phenomena or opposite sides of the same coin which are involved in a more continuous, intertwined and dynamic process. This latter approach runs counter to the more static current models of relationship evolution which address these processes as hierarchical and discrete. As a result, relationship development and breakdown models may be useful for providing broad analytical structures with which to understand customer-brand relationships, however they leave unexplained the characteristics, circumstances and processes of disengagement and the way in which disengagement is interconnected with engagement. Thus a more dynamic and interactive process oriented view of disengagement and engagement seems to be required.

Service context may also be an important under researched moderating factor. The context may in fact shape the meaning and significance of the relationships that are formed, since “relationships both affect, and are affected by, the contexts in which they are embedded” (Fournier, 1998, p. 346). What is required therefore is to explore the possibilities of a theoretical and conceptual model that not only describes the similarities and differences between customer engagement and customer disengagement, but also a model which embraces the notion that the psychological processes of engagement and disengagement can and do occur within individual consumers at the same time, in degrees of intensity and valence, across different service categories and following different levels of expectations.

The purpose of this paper is to address these important gaps in the literature. Firstly, drawing on the literature from social psychology, interpersonal relationships and marketing, this paper will conceptualize the nature of customer disengagement, the triggers for disengagement, the process and its outcomes. Secondly, this study will explore the way in which customer disengagement operates across multiple service sectors in order to investigate the moderating effects of service category on the nature and level of disengagement that the customer experiences. Thirdly, this paper will explore the interrelationship between the processes of customer disengagement and engagement across multiple service categories.



## RESEARCH METHOD

Participants were selected on the basis of having experienced a recent negative service event which led them to change service providers or to strongly consider changing service providers within the past 12 months. Respondents were asked to discuss a range of service experiences. An equal sample of male and females were recruited. Respondents were selected on the basis of equal quotas between the ages of 30-35; 36-40; 41-45 years of age. Focus groups and in-depth interviews were selected as the primary method for this study as they allow for an analysis of the meanings, processes and normative understandings of the participants (Creswell 1998). Four focus groups and eight in-depth interviews were conducted. These were designed to explore participants' individual experiences and therefore yield three complementary types of specific information: (1) a description of the participant's historical service relationships, engagement with purchased brands, and general experiences with those brands and (2) contextual details concerning disengaging experiences which led participants to consider ending, or end their service relationships and (3) comparative mapping of customers propensity to engage or disengage across service categories. Stories concerning the genesis, evolution and deconstruction of service experiences from a variety of service sectors were elicited.

## FINDINGS & DISCUSSION

The analysis generated three central insights into the existence, nature and process of customer disengagement; (1) customer-brand relationships are strongly influenced by prior category-based expectations (2) these category-based expectations subsequently influence customer engagement levels leading engagement and disengagement processes to be dynamically intertwined (3) the customers' propensity for disengagement is much higher for utilitarian and functional services when compared to relationship-oriented services where customers tolerate a greater variation in service performance.

Broadly, the findings of this qualitative study were as follows. Firstly, for utilitarian services, customers' expectations played a significant role in influencing the nature and intensity of engagement and disengagement in the sector. Expectations were in large part, based on the utilitarian value and functional outcomes derived from individual service product attributes. Little emphasis was placed on the qualitative nature of the interpersonal relationship formed between customer and service provider. Rather, the customer viewed their relationship with their provider as transactionally-based (e.g., as per Tynan, 1997; Ng, Russell-Bennett & Dagger, 2007). As a result customers frequently held negative attitudes towards the service category and described a level of cynicism towards providers in this category. Customers' were also less likely to believe marketing communications messages which were designed to promote a relationship orientation in this category. Because the relationship was based almost solely on utility and was not of an interpersonal nature, customers subsequently demonstrated a low tolerance of variance in service performance.

This somewhat superficial relationship based on functional outcomes in turn confirmed customers' negative perceptions of the service providers and acted to reinforce the detached, non-personal and transactional relationship that had been built between the exchange partners. Unlike prior models of relationship development, relationships in this service category did not provide relationship benefits beyond the core, value-based utility of the service. This had a knock-on effect of leading to a stunted and fragile type of relationship in which customer engagement levels were low and spurious and in which the relationship was prone to not only competitor and situational influence, but also a high propensity for disengagement. Thus, the potential to deliver an interpersonal and relationship-oriented service in this category was undermined from the outset.

Due to the weak levels of engagement, disengagement was easily triggered in this context by minor service failures on utility-based attributes. In other words, disengagement was linked closely to the frail and spurious nature of the engagement process itself. Service failure at the attribute level subsequently negatively reinforced customers' perceptions that their relationship with their provider was transactional, based on utility and did not consist of any interpersonal ties. This information ultimately fed back into customers' expectations and a recalibration process then took place. Relationships in the utility-based category could subsequently be conceived of as a negative, iterative and spiral-like cycle.

For relationally-based services, it was apparent once again that customers' expectations play a significant role in influencing the nature and intensity of both customer engagement, and disengagement in the sector. Expectations were based on the nature and quality of the interpersonal interactions that occurred between the customer and the service provider and these relational factors outweighed the contribution of individual service attributes to the service relationship. Customers subsequently held positive attitudes towards the service category and described an optimistic outlook with regard to the type of relationships that could be developed with their service providers in this category. Customers' were also more likely to believe marketing communications messages which were designed to promote a relationship orientation in this category. Thus, customers displayed a strong and common predisposition towards the potential to develop, foster and maintain an interpersonal, relationship from the outset. Because the relationship was of an interpersonal nature, customers demonstrated a

high tolerance of variance in service performance. In other words, customers frequently demonstrated a stickiness through their affective bonding to the provider which mitigated against service failures.

The strongly interpersonal and bonded nature of relationships in this sector in turn confirmed customers' positive perceptions of the service providers and acted to reinforce the interpersonal, affect-laden and experiential relationship that had been built between the exchange partners. It also enabled the relationship to continue to develop, strengthen and flourish beyond value derived from the core service itself. Unlike the utility-based category, the relationship-oriented category was characterized by intense and high levels of customer engagement. Customers spoke fondly of their service providers and often referred to them using the language of interpersonal relationships (i.e., 'my mechanic', 'she is genuine', 'like a best friend', 'cares about me'). It follows that the relationship between the provider and the customer was viewed as an ongoing interpersonal relationship which involved a mutual sense of value and reciprocity. Thus, the potential to deliver an interpersonal and relationship-oriented service in this category was supported from the outset.

This inherent relational predisposition in turn affected the nature of disengagement. In other words the tendency for customers to demonstrate a reluctance to disengage from their service providers, particularly in the long-term, was closely related to the powerful, affective bonds developed during the engagement process itself. Due to the strong levels of engagement, disengagement was not easily triggered in this context. In other words, disengagement was linked closely to the strong and enduring nature of the engagement process itself. Service failure at the relational level was found to occur and trigger disengagement from time to time, however the disengagement process often ended abruptly. That is, the customers' displeasure with their experience often subsided quickly as customers either a) reflected on their affective experience with the provider, or b) allowed the provider a 'second chance' to prove themselves. Often following this reflection, the customer re-engaged. It appears that in this category a relational-inertia existed and moderated the propensity for disengagement. This subsequently positively reinforced customers' perceptions that their relationship with their provider was strong. This information ultimately fed back into customers expectations and a recalibration process then took place. Relationships in this category could subsequently be conceived of as a positive, iterative cycle.

Summarizing, the results suggest that relationship development and disintegration from an engagement and disengagement perspective is not a linear process. Further, the process by which customers disengage from a service is quite complex and dependent on (1) the strong influence of prior category-based expectations, (2) the way in which these expectations subsequently influence customer engagement levels, and (3) the flow on effect that this has on the customers' propensity for disengagement in utilitarian and relational service categories. Management need to be cognisant of the way in which customers evaluate their service experiences in each service category. Thus a more integrated approach to managing customer-brand relationships in all of their variability and complexity is required.

**References available upon request**

## **Session 7.6. When Consumers Get Creative**

Room: Clarendon C

Session Chair: Karen Robson, Simon Fraser University

### ***The Coca Cola Experience with Creative Customers***

Karen Robson, Simon Fraser University

Kirk Planggar, Simon Fraser University

Adam Mills, Simon Fraser University

### ***The Brand Personality of a Copycat Product: The Case of the Tribute Bands***

Francois Marticotte, University of Quebec, Montreal

### ***Measuring Consumer-Based Brand Authenticity***

Julie Napoli, Curtin University

Sonia Dickinson, Curtin University

Michael Beverland, University of Bath

Francis Farrelly, RMIT University

## **CONSUMER CREATIVITY AND THE WORLD'S BIGGEST BRAND**

Karen Robson, Simon Fraser University, Canada  
Kirk Plangger, Simon Fraser University, Canada  
Adam Mills, Simon Fraser University, Canada

### **ABSTRACT**

Consumers are creative with the products and services they use. But all these consumer innovations are not equal in terms of creativity. This paper examines 51 consumer generated uses for Coca-Cola using two creativity dimensions: novelty and utility. Using these dimensions, we propose a consumer creativity typology, which includes: low value uses, marketed uses, unusual uses, and potentially marketed uses. Implications, risks, and opportunities are discussed for how a firm may respond to creative consumers based on how creative is their innovation.

References available upon request

# THE BRAND PERSONALITY OF A COPYCAT PRODUCT: THE CASE OF TRIBUTE BANDS

François Marticotte, ESG-UQAM, Canada

## INTRODUCTION

Recent statistics (*Billboard*, Vol. 121, No. 51, p. 166; December 19, 2009) show that music concerts generating the biggest incomes are those from artists who have reached their peak of popularity decades ago. There are many reasons for this popularity: an aging population, the difficulty for contemporary artists to generate sufficient interest to perform in large venues and/or to tour for a long time, the fragmentation of musical styles, etc. This context makes it suitable for the popularity of tribute bands. A tribute band is a musical group that plays the music of an original group that used to be popular. It does so with a variable level of mimicry. Not only do they act legally, but they may be endorsed by the genuine band. Furthermore, a tribute band like *The Queen Extravaganza* is even produced by the original *Queen* drummer Roger Taylor! Tribute bands do not only play the hits made popular by the band to which they pay tribute, but they may also copy other characteristics associated with the original band. These characteristics are numerous and may include songs, vocal harmonies, stage accessories, physical appearance of the original musicians, costumes, signature moves by the group leaders, etc. These groups usually have a brand name that refers explicitly to the original group without literally copying it (e.g., *Brit Floyd* for *Pink Floyd*, *Led-Zepplica* for *Led Zeppelin*, etc.). Some tribute bands have their own fan base who shares news and opinions about the band through virtual brand communities on the Web. Professional tribute bands like *The Australian Pink Floyd Show* even have their own merchandise (T-shirts, programs, CDs, etc.) sold at their concerts and on their Web site. But unlike other forms of copycats, their intentions are not malicious since they do not want to deceive the consumers. They always promote themselves as a copy of an original act. Thus, we are not in presence of a counterfeit product, although some tribute bands are successful at emulating every aspect of the original band (e.g., *The Musical Box*, a tribute band fully reproducing the original concerts of *Genesis*). Consumers are well aware that they are in front of a copy. The copy can then act as a substitute for the original band (1) that no longer exists; (2) that is composed of aging and less efficient musicians; (3) that will no longer play its former hits; and (4) where the ticket price for the show may be too high. During the live performance, the tribute band tries to play in such a way that consumers could have an experience as good as the one produced by the original group. Tribute groups use a copycat strategy based on elements that are “attribute-based” and “theme-based” (Micelli and Peters (2010), which is a mixture of more or less tangible elements specific to the original group. But can these bands that mimic the work and the stage performance of an original group also emulate the (brand) identity of the original group?

Using the concept of brand personality (Aaker, 1997), the main purpose of this study is to assess the brand image that emerges from these copycat groups and to know whether it compares with one of the original groups. This study is part of a broader context of the literature on copycat products. To our knowledge, this literature has not addressed the concept of transferability of brand personality from an original product to a copycat.

## BACKGROUND

Brand personality is a concept designed to provide a brand with human traits. Since the seminal work done by Aaker (1997), this concept has gained popularity despite being plagued by many critics (Avis, 2012). Among the benefits attributed to brand personality is the ability to differentiate a product from that of the competition. But does a copycat product, e.g., a tribute band, have its own personality or does it share the same human traits as those of the original band?

Although the concept of brand personality has been mainly applied to inanimate objects (Tsiotsou, 2012), and more specifically to consumer goods, there is also an application to products that have a human component such as retail stores (Austin *et al.*, 2003; Arora & Stoner, 2009), industries such as the sports sector (Braunstein & Ross, 2010; Tsiotsou, 2012), cities (De Carlo *et al.*, 2009; Kaplan *et al.*, 2010), businesses (Venable *et al.*, 2005; Keller & Richey, 2006), and public figures (Vincent, Hill & Lee, 2009). But, to our knowledge, this concept has yet to be applied to a music band. The personality of a band is probably the result of a synergy between the individual members, the music they play, the era in which they performed, etc. Since music bands are composed of individuals, it is plausible that the bands, which are trademarks, are also endowed with a personality. This personality can be transmitted by the projected or actual image of the

members who act as spokesmen for their group. For instance, Garretson, Netemeyer & Burton (2012) showed that personality traits of spokespeople have an impact on consumer attitudes toward the advertised brand. For example, despite their fiftieth anniversary of existence as a band, the Rolling Stones, are still seen and marketed as the "bad boys of rock'n roll." This consistency in the transmitted image is convergent with the results presented by Wee (2003), who showed that brand personality is constant in time.

Given members of the tribute band are not the same as the ones in the original group, especially with regard to the leaders of the respective groups, we believe that the tribute band cannot perfectly emulate the same personality as the original group, even if the level of imitation of the performing act is high. The original group has built its popularity and its reputation around its ability to create and perform genuine works. The original group should be perceived by the consumers as a more "creative" band than the tribute band. In comparison, a tribute band does not create but rather reproduces the work of others. Therefore, facets identified by Aaker (1997) as "honest", "daring", "spirited", "imaginative", "successful", "upper-class" that make up four of the five dimensions of brand personality should be more associated with the original group than with the copycat group. In other words, the copycat group cannot reflect the same personality as the original group. Accordingly, we formulate our first hypothesis:

H<sub>1</sub>: The brand personality of the original group will be stronger for the tribute band than it is for the tribute band.

The assessment of the personality of an original band (and of a tribute band) can be influenced by the knowledge that the consumer has of the original band (brand knowledge) and the attachment (brand attachment) that he/she has to it (d'Astous & Gargouri, 2001). Thus, a consumer who perceives to be an expert on the group (e.g., fully knowledgeable of all the facts about the original group) should be more able to see the differences between the original and the tribute bands. The knowledgeable consumer might rely more on "attribute-based" elements (e.g., the physical appearance of the members of the tribute band; the quality of the sound; the unique voice of the lead singer, etc.) to evaluate the differences between the original and the copycat group, and then conclude that those groups have different personalities (Micelli and Peters, 2010). The expert fan will also have a better understanding of the history of the original group, and he/she may give it more importance. Since the original and tribute bands' origins are different, this will increase the perceptual difference of personality between the original group and the tribute band. Alternatively, differentiated brand personalities occur when consumers are not able to perceive differences in associated attributes and benefits (Schmitt, 2012).

H<sub>2</sub>: The more the consumer knows about the original group, the more he/she is able to distinguish the personality of the original group compared with a tribute band.

Brand attachment refers to the emotional bond between a consumer and a brand (Bozzo *et al.*, 2003). Louis & Lombart (2010) showed that attachment is linked with certain personality traits of the brand. This attachment has several origins. The attachment to a music band can come from emotional listening to the band's music, messages that are transmitted, the sound quality of the music, the atmosphere evoked by the music, the nostalgia effect of a particular song, the group members' lifestyles, etc.

Since the attachment to a group can come from different sources, it is asserted that a high level of attachment can be based on elements other than those that are reproducible by the tribute band (voice and music). The tribute band will put into place a scenic layout that predisposes the consumer to be in a "relational mind set" (Micelli & Pieters, 2010), which decreases the difference in perception between the original and the copy, thus increasing the confusion between the real and the fake. The confusion caused by the copycat product is at the heart of the counterfeiting industry (Mitchell & Papavassiliou, 1997).

Brand attachment might also come from consumers who perceive that the tribute band is a brand extension of the original. Although the tribute band is not technically a product extension, references to the parent brand (e.g., the name of the tribute band referring to the original band) can explicitly show a relationship with the original group. Given the original group is not active anymore or is no longer willing to perform on stage, the tribute band just takes over and offers the best available alternative to the original product. In case of a high level of attachment to the original band, the fan might be more likely to endorse a copy even though he/she knows it is not the genuine version. The personality transfer from the parent brand to a new brand, even if there is low brand fit, is still possible (Diamantopoulos, Smith & Grime, 2005). These reasons lead us to establish the following hypothesis:

H<sub>3</sub>: The higher the level of brand attachment to the original group, the more the consumer will perceive the personality of the tribute band to be similar to the original group.

## METHODOLOGY

Data collection from a convenience sample was conducted with 323 respondents, mainly from France (n=176) and Canada (n = 116). They were asked to select a favourite band from a choice of eleven groups of pop/rock music that were popular decades ago and that are no longer active. The questions in the first part of the questionnaire were related to the original group with the following constructs being measured: brand knowledge of the group (Algesheimer, Dholakia, Herrmann, 2005), brand attachment (Park *et al.*, 2010) and brand personality (Aaker, 1997). The "brand knowledge" and "brand attachment" constructs proved to be reliable with Cronbach's alphas of 0.905 and 0.914 respectively.

In the second part, respondents were asked to imagine attending a concert performed by a tribute band of the original band that they previously selected. Before this data collection took place, two focus groups had been held with fans of tribute bands. These groups showed that the perception of tribute bands varied depending on the level of professionalism of the group. The scenario presented to respondents in the current survey is based on the results of the focus groups as to what was perceived to be a professional tribute band. It is a tribute band (1) that performs in a large arena; (2) which reproduced as faithfully as possible the musical and theatrical performance of the original group; (3) which plays the hits that the original group are renowned for; and (4) asks for a cheaper ticket price than the original group. The purpose of this setup was to present the most realistic scenario possible of a professional tribute band.

## RESULTS AND DISCUSSION

Table 1 shows that the five dimensions of Aaker's (1997) brand personality of the original group are evaluated differently than the copycat's group. The "sincerity", "excitement", "competence" and "sophistication" factors are perceived to be higher for the original group. However, the "ruggedness" factor is higher for the tribute band. As far as the ruggedness factor is concerned, it may be due to associations made with places where tribute bands used to perform, such as bars and local joints, which may be perceived as more "masculine" or "tough". Overall, these results generally confirm Hypothesis 1, i.e., that the brand personality of the original group is higher than it is for the tribute band.

**Table 1. Paired-Samples t-Test: Original Group vs. Tribute Band**

	Original Band	Tribute Band	t- value	Sig.
Sincerity	3.77	3.23	9.232	.000
Excitement	3.67	3.08	10.050	.000
Competence	4.22	3.39	14.326	.000
Sophistication	3.22	2.94	4.545	.000
Ruggedness	2.46	2.69	-3.501	.001

Table 2 presents the results for hypotheses 2 and 3. H<sub>2</sub> suggests that the knowledge the consumer thinks he/she has about the original group will explain the differences in personality between the original and the tribute bands. This assumption is validated through the "sincerity", "excitement" and "competence" factors where a positive correlation was observed between the knowledge level of the group and the intensity of the personality factor. Knowledge of the original group has no relation to the intensity of any of the five personality factors of the tribute band. Thus, H<sub>2</sub> is largely validated.

The results show that the higher the level of brand attachment to the original band, the stronger the brand personality of the tribute band (with the exception of the "ruggedness" factor) is. The relationship between brand attachment to the original group and the level of "competence" and "sophistication" of the tribute band is higher than the bond between the attachment



to the original group and the level of “competence” and “sophistication” of the original group. These results lead us to generally accept  $H_3$ .

**Table 2. Correlations of Brand Knowledge and Brand Attachment with the Brand Personality of the Original Band and the Tribute Band. (\*\*: sig = 0.001)**

	Brand knowledge	Brand attachment
Sincerity (original band)	0.246**	0.313**
Sincerity (tribute band)	0.103	0.165**
Excitement (original band)	0.304**	0.276**
Excitement (tribute band)	0.106	0.214**
Competence (original band)	0.154**	0.087
Competence (tribute band)	0.057	0.137**
Sophistication (original band)	0.099	0.037
Sophistication (tribute band)	0.105	0.125**
Ruggedness (original band)	0.048	0.003
Ruggedness (tribute band)	-0.023	-0.048

The overall results suggest that consumers perceive differently the personality of an original group from that of a copycat ( $H_1$ ), and that these difference are at least partly explained by the level of knowledge that the consumer has about the original group ( $H_2$ ), but a strong emotional attachment to the original group tends to lessen these perceptual differences of brand personality ( $H_3$ ).

## CONCLUSION

It looks as if consumers do differentiate between different personalities, and this difference is enhanced as the consumer has better knowledge of the original product. Thus, the transferability of the brand personality of a genuine product to a copycat is not an automatism. In this case, promoting the original band as the genuine product having a unique personality is realistic. There is only one *Rolling Stones* band. No matter how good the tribute bands are, they will not be perceived by consumers as having the same personality of the original band. Although this band and other legendary bands (and for that matter icon solo artists) do not really need sales pitches to promote their concerts, they may argue their uniqueness and how special their performing act can be, that is, it cannot be emulated by another band. For instance, this rareness may justify a higher ticket price

To create the illusion that the tribute band is as close as possible to the brand personality of the original band, managers of tribute bands should target fans of the original group who are most emotionally attached to the original group rather than connoisseurs of the original group. Consumers who are in an affective mind set (rather than a functional mind set) might “confuse” more easily the brand personality of the tribute band with the one of the original band, and thus perceive them to be more alike. One way to do so might be to capitalize on consumers for whom their brand attachment relies on nostalgia evoked by the tribute band. As far as the ruggedness factor is concerned, it was shown that this trait is more prevalent for a tribute band. For tribute rock bands, being more “rugged” than the genuine bands may be positive; because their members are usually younger than those of the original band, they are more apt or willing to give a rawer performance.

To the best of our knowledge, this exploratory research is (among) the first to address the transferability of brand personality factors from an original product to a copycat. In other words, can a good copycat imitate the brand personality of the genuine product it emulates? Thus, this research asks more questions than it answered. For one thing, the subject of the study is limited in scope. Further research should include products for which there are no human component such as convenience goods since human personality traits might impact the brand personality. Studies should also focus on products where there is real competition between the original product and the copycat. References Available Upon Request

# MEASURING CONSUMER-BASED BRAND AUTHENTICITY

Julie Napoli, Curtin University, Australia

Sonia J. Dickinson, Curtin University, Australia

Michael B. Beverland, University of Bath, United Kingdom

Francis Farrelly, Royal Melbourne Institute of Technology, Australia

## ABSTRACT

Authenticity has historically been associated with transcending the self and the market (Beverland, 2005; Fine, 2003; Kozinets, 2002; Peterson, 2005; Thompson, Rindfleisch, & Arsel, 2006), yet an emerging stream of consumer research identifies that people attribute authenticity to brands. Research suggests that authenticity is central to brand status, equity and corporate reputation (Beverland, 2005; Gilmore & Pine, 2007), with some even suggesting it is one of the “cornerstones of contemporary marketing”, (Brown, Kozinets & Sherry, 2003, p. 21). Scholars have previously examined consumers’ quests for authentic experiences (Arnould & Price, 2000), rituals associated with the authentic self (Belk & Costa, 1998; Kozinets, 2002), the cues used to attribute authenticity to objects (Beverland, Lindgreen, & Vink, 2008; Grayson & Martinec, 2004; Leigh et al., 2006; Thompson et al., 2006), the processes used to assess an object’s authenticity (Rose & Wood, 2005), and the various forms that authenticity can take (Brown et al., 2003; Grayson & Martinec, 2004). We extend this line of inquiry by defining and measuring consumer-based brand authenticity. We do this through the development of a brand authenticity scale. Such research seeks to reduce the present fragmentation of research on the consumption of authenticity and assist managers create and maintain a brand’s authenticity—building on calls for more research in this area (Beverland, 2005; Leigh et al., 2006; Peterson, 2005).

Four separate studies were undertaken to generate and refine scale items (Study 1), determine and then confirm the underlying factor structure of brand authenticity (Studies 2 and 3), and finally to test for convergent and discriminant validity of the scale (Study 4). In Study 1, Churchill’s (1979) scale development paradigm was adopted, using a deductive approach for the generation of scale items (Schwab, 1980). Drawing on the extant literature, an initial list of 157 items was generated reflecting brand heritage (26 items), quality commitment (21 items), craftsmanship (14 items), sincerity (43 items), nostalgia (23 items), cultural symbolism (21 items) and design consistency (nine items). Content validity of the initial pool of items was then assessed following the method outlined by Bearden, Netemeyer and Teel (1989) and Zaichkowsky, (1985), resulting in the retention of 33 scale items. Study 2 involved further purification of the scale and an assessment of the internal reliability of the 33 items. Data was collected via self-administered questionnaires from 247 undergraduate students at a large inner city university. Several items were eliminated during analysis, resulting in the retention of 19 items reflecting three factors, namely quality commitment, heritage and sincerity. These items formed the basis for further structural testing through confirmatory factor analysis in study 3, where data was gathered from a second sample of university students (n=203). Examination of the data suggested the deletion of five additional items, resulting in 14 items representing three factors as follows: quality commitment (seven items,  $\alpha = .879$ ), sincerity (two items,  $\alpha = .605$ ) and heritage (five items,  $\alpha = .783$ ). The fit statistics for the three factor model were chi-square = 100.84, 74 degrees of freedom ( $p = .021$ ); comparative fit index (CFI) = .976, Non-normed fit index (TLI) = .971, Normed Fit Index (NFI) = .917, and the root mean square error of approximation (RMSEA) = .042, which are within the guidelines recommended by Kelloway (1998). The estimates for the composite reliability and average variance extracted for each construct also attest to the internal consistency of the scale. Study 4 was designed to evaluate the construct validity of the BA scale in relation to measures of brand trust and brand credibility. Data was collected from 312 adult consumers, with results demonstrating both convergent and discriminant validity of the BA scale.

In this study we broaden our understanding of brand authenticity as a multidimensional construct by developing a psychometrically robust measure of brand authenticity. By being able to measure and assess authenticity, marketers may be empowered to identify new opportunities for brand positioning and value creation that may contribute to greater consumer loyalty and attachment to a brand. Moreover, a robust measure of brand authenticity enables managers to track performance over time, which can help direct future advertising strategies and decisions on brand extensions, sponsorship choices and cobranding partnerships. Future research could be directed toward determining variations in authenticity evaluations across levels of involvement, level of branding and types of goods. Authenticity evaluations may also vary across cultures so it would be relevant to examine the features that are shared amongst different cultural groups as this has implications for managing brands across cultures.

References available upon request

**Session 7.7. Organizational Sustainability and the Future of Green Marketing**

Room: Swanston #1

Session Chair: Leona Tam, University of Wollongong

***Holistic Management of SME Environmental Management Practices: Toward a New Typology***

Dale Miller, Griffith University

Bill Merrilees, Griffith University

***Fit to Be Creative: Organization-Employee Congruence on Environmental Values***

Jelena Spanjol, University of Illinois at Chicago

Leona Tam, University of Wallengong

Vivian Tam, University of Western Sydney

***Reflecting on the Past Decade of Marketing: Stock Taking of Green Marketing Literature***

Sabari Raghavendran, Bharathidasan Institute of Management

Satya Moorthi Sanjeevi, Bharathidasan Institute of Management

***Marketing Renewable Energy in Developing Countries: A Policy Paradigm for Mexico***

Pavel Reyes-Mercado, EGADE Business School, ITESM

Rajagopal Rajagopal, EGADE Business School, ITESM

**Thursday, 3:30-4:00 p.m.**

**Refreshment Break**

# **HOLISTIC MANAGEMENT OF SME ENVIRONMENTAL MANAGEMENT PRACTICES: TOWARD A NEW TYPOLOGY**

**Dale Miller, Griffith University, Australia**  
**Bill Merrilees, Griffith University, Australia**

## **ABSTRACT**

The context for this study is SME energy and waste management practices. A sample of 155 Australian SMEs in three industry sectors enables a quantitative analysis of environmental practices. The study's scope includes business drivers and measurement of a wider range than usual of environmental practices. Conceptually, a new typology of environmental management strategy is proposed, focusing on four alternative types. The findings, through cross-validation, support the usefulness of the newly proposed typology. The results position the typical SME at an elementary level of environmental practice, with a challenge for future research to better understand how firms progress up the typology ladder. More positively, about one third of the sample of SMEs has evolved their business model to seamlessly incorporate sustainability issues. Green competencies have been developed to enable them to do this. Together, environmentally friendly products and brand reputation create a major platform for progressive SME environmental business practices.

## **INTRODUCTION**

The context of the study is small to medium enterprises' (SMEs) environmental management. In terms of understanding environmental practices, previous studies have usually emphasized particular influences such as innovation capability (Chen, Lai and Wen, 2006; Lee 2009; Noci and Verganti, 1999), and human resources or top management support (Callenbach, Capra, Goldman, Lutz and Marburg, 1993; Lee, 2009). Possibly a more comprehensive approach is to take a strategic emphasis. Orlitzky, Siegel and Waldman (2011) canvass a number of alternative strategic frameworks in the environmental sustainability domains, using different configurations of benefit-cost analysis. A limitation of the above approaches, even the strategic approach, is the linear world for SME environmental management decision-makers. Apathetic managers cannot be put on the same continuum as sophisticated managers. Rather, the paper develops a new typology of environmental management practices. Typologies are particularly useful for giving a holistic insight into such practices. Firstly, the typologies are theoretically proposed and secondly tested with a sample of Australian SMEs. Following a review of the literature, we develop the new conceptual typology. Then we present the research design, findings, discussion and conclusions.

## **LITERATURE REVIEW**

The three literatures of special note in this review, and of special importance to our typology building efforts, are firstly the integration of environmental issues into strategic process; secondly, green competencies; and thirdly, previous sustainability typologies. Firstly, Banerjee (2002) raises the complex issue of the extent to which organizations integrate environmental issues into their strategic planning processes. At a lower level (single-loop learning processes), firms are able to comply with environmental legislation, with limited organization-wide change (Argyris, 1977, 1982). At a higher level (double-loop learning processes) greater integration of environmental matters occurs at a corporate level, with more environmental investment, more training and education for customers, suppliers and employees and development of new green products. For an extension of this work in a broader political-economic framework, see Banerjee, Iyer and Kashyap (2003). Porter and Kramer (2006) argue that business and society need to be treated as interdependent, not competitive. Secondly, another sophisticated approach to environment management is the study of green competencies. Some early studies flagged the importance of green competencies (Hart, 1995; Shrivastava, 1995). Christmann (2000) extends the idea with a demonstrated link between best practices in greening, and complementary competencies in process innovation and implementation, which builds on Teece's (1986) dynamic capability concept. Recent studies further evolve the green competency concept (Aragon-Correa and Sharma, 2003; Marcus and Anderson, 2006; Marcus and Fremeth, 2009). Chen (2008) suggests that green core competencies drive both green product and green process innovations. Marcus and Fremeth (2009) note that there are still many unanswered questions concerning green competencies, including what drives some firms to acquire these competencies sooner than others? Thirdly, we now review previous typologies of sustainability management. One of the earliest and still few attempts at green typology development is Hass (1996). A two by two matrix is proposed using degree of success on one axis and structure of environmental management system on the other axis. Only eight cases were used so that is a major limitation recognized by Hass (1996). Different degrees of formality with differential support from top management provide

two alternative strategies, with neither one dominating in terms of predicting performance. A richer texture of environmental strategic options is called for.

A more recent typology comes from Hart (2005) who identifies two main strategic options: (a) pollution prevention and (b) product stewardship approaches. The former emphasizes cost and risk reduction, while the latter emphasizes reputation of the firm. More sophisticated versions of each of the two main options are available: by innovatively developing sustainable competencies, the cost reduction approach becomes ongoing (called the clean technology approach). Alternatively, the product stewardship model can be leveraged into broader influences across networks (called the sustainability vision approach). A third major typology study is Jabbour and Santos (2006), who identify three stages of evolution, based on the degree to which the environmental variable is integrated within the organization. At the lowest level, Stage One, environmental aspects are simply stapled on where possible without major changes to production processes or products. Essentially it is a reactive approach. Stage Two integrates environmental management within the operations of the firm, so the emphasis is more operational rather than strategic. Stage Three gives a high priority to environmental management with environmental activities integrated into the firm's business strategy. This proactive approach is likely to give a range of benefits including: competitive advantage, better company image, green products and better relationships with stakeholders.

## A PROPOSED NEW TYPOLOGY OF ENVIRONMENTAL MANAGEMENT

The current paper explores the possible use of environmental management typologies as a means of providing a holistic perspective of green management. Building on previous typologies, we propose and justify a new four-part typology of environmental management. To build up the typology of environmental management strategy types, we use four building blocks or strategic components: essence of environmental strategy; alignment of environmental and business strategies; primary business drivers; and scope of environmental management practices. The strategic components differentiate four environmental management strategy types, shown in Table 1.

*Non-strategic* is the default option representing a minimalist approach and ends with proactive, which is best practice. The first part of the Hart (2005) schema, cost and risk reduction, is essentially split into two approaches for our purposes. The Hart (2005) characteristic of cost minimization hardly applies to our *Non-Strategic* group where firms have made little headway in reducing costs. However, notionally the *Reactive Strategy* type is closer to cost minimization because firms utilize a wider front of environmental measures. Similarly, Stage One of the Jabbour and Santos (2006) typology corresponds to our *Reactive Strategy* group; they use the same term (but they lack a minimalist category). The *Reactive Strategy* type is essentially piecemeal, tackling environmental issues in a relatively unstructured way, as opportunities present themselves. Our *Systems Analyzer Strategy* parallels the clean technology option of Hart (2005) with an emphasis on green competencies. The *Systems Analyzer* includes more co-ordination and redesigning processes and essentially redesigning the firm's entire business model to incorporate environmental considerations. Greater investment in smart technologies occurs. Cost savings are combined with organizational direction and focus. *Systems Analyzer* has a slight affinity with the Hass (1996) types of firms with more formal environmental management structures are successful. Similarly, *Systems Analyzer* also bears some connection to Stage Two of the Jabbour and Santos (2006) typology, particularly the aspect of co-ordination and integration. However, our approach goes slightly further by including green competencies. *Proactive Strategy* builds on the *Systems Analyzer Strategy*, but now picks up elements of Hart's (2005) product stewardship and sustainability vision options, with their emphasis on reputation. *Proactive Strategy* also associates with Stage Three of Jabbour and Santos (2006).

The four-part typology of environmental management proposed in Table 1 clearly builds on previous typologies, including Hass (1996), Hart (2005) and Jabbour and Santos (2006), but with a more integrated, orderly and practical language. Our approach is clearly very structured in terms of differential essence of environmental strategy and alignment of environmental and business strategies. Additionally, the typology incorporates differential predictions in terms of outcomes, namely the use of different business drivers and different scope of environmental management practices. A useful typology has two hallmarks. Firstly, the typology should enable greater insight into a holistic understanding of a phenomenon, in this case SME environmental practices. The four environmental management strategy types conveyed in Table 1 differ markedly from each other, essentially representing four very different mindsets. Secondly, a further, not-widely-known characteristic of good typology theory is that the typology should be verifiable in some way (Doty and Glick 1994). The empirical part of this study now addresses such a feature. Based on general media coverage and our broad understanding of SMEs, our expectation is that many SME firms would be in the lowest two categories of environmental management, with a further minority in the third (*Systems Analyzer*) category and a very small minority (say ten per cent) in the best practice *Proactive Strategy* category. This assumes honest and accurate self-reporting of firms in terms of their expertise in environmental management. We thus need to provide for cross-validation of the selected nominations.



## METHODOLOGY

A quantitative (structured survey) research method was deemed appropriate to enable actual measures to be calculated. A commercial database (Dun and Bradstreet Australia, Business Who's Who of Australia) was used for the sample frame, with the researchers specifying industry types from the Standard Industrial Classification 87 and firm size (less than 500 employees). A mail-based survey was the basis for randomly distributing the surveys. The survey instrument asked respondents to indicate their view with regard to the items pertaining to firstly, importance factors (including barriers) and secondly a wide range of environmental practices. Additional items included concepts of operational management, project management, process innovation, product innovation, stakeholder collaboration and use of team co-ordination on green matters. Another set of questions covered various performance measures, especially financial management and effective environmental management. Finally, there were various demographic measures, such as industry type, size of firm in employment terms and dollar turnover and location of firm by state. Items were measured through a seven-point scale, with scale poles ranging from 'strongly disagree' to 'strongly agree' relative to competitor performance.

A major feature of the study was a self-nomination option for each respondent. A table with four scenarios of environmental management was given to each respondent, who was asked to select which option best represented their approach to environmental management. Each scenario represented the essence of a particular strategy type as outlined above in Table 1. For examples, the "Non-strategic" scenario (Option one) emphasized a low-key approach to environmental management, while the "Proactive" scenario (Option four) emphasized the benefits of an improved brand reputation. None of the scenarios was named as such in the survey. They were given to represent an overall or holistic approach and were formally introduced as follows:

*Four broad approaches to environmental management practices, A, B, C, and D. are described below.  
Which one comes closest to your approach?  
Please circle your answer at the bottom of the page, after you have scanned all four types.*

A total of 155 usable responses were obtained from managers in a variety of Australian firms. About half of the respondents (median) had sales turnover greater than \$3 million and the median number of employees in the firm was 13, suggesting that both small and medium-sized firms were both well represented in the sample. More specifically, the final sample includes 42 per cent micro sized firms (less than 10 staff), 46 per cent small-sized firms (10-99 staff) and 12 per cent medium-sized firms (100-499 staff). Each Australian state was represented more or less in proportion to industry population, with most responses from the populous States of New South Wales and Victoria. There were relatively few responses from the smaller States. About 75 per cent were from the capital cities and 25 per cent from regional cities. There was a good industry spread (manufacturing, retailing and services), and a good spread within each of the six sub-industries for each sector. The distribution of firms classified by market status included 24 per cent market leaders, 16 per cent market challengers, 24 per cent market followers and 36 per cent niche firms.

## RESULTS

The results were derived as follows: firstly, the importance of alternative business drivers was measured. Next, the extent of environmental management practices was measured. Further, the frequency of each strategic type is counted. ANOVA analysis of business drivers and environmental practices is conducted across the four strategic types. Finally, a logistic regression analysis is conducted, comparing high and low strategic types. To give a perspective in terms of environmental practices reported on a seven-point scale, recycling rates are high, 5.30 for paper and cardboard and 4.65 for glass, metal and plastic. Maintenance of mechanical and electrical systems is also high at 5.21 on a seven-point scale. Achieving success in reducing waste rates 4.52, followed by reduced consumption 4.45, reduced building energy consumption 4.42 and increased use of recycled materials as inputs 4.34. Reduced fuel consumption rates as 4.11. At the other end of the spectrum, experimentation with alternative energy sources bottomed at 3.36, rising to stakeholder involvement 3.66, success in reducing carbon emissions 3.77 and running smart control systems for building energy management rating at 3.86. The above pattern of results makes sense, in that the study indicates that recycling is the most common environmental management practice, whereas using alternative energy sources is uncommon – adding to the face validity of the answers.

The typology is a more refined version of a small number of previous typologies and deliberately maps a cumulative evolution from Non-strategic, to Reactive Strategy to Systems Analyzers to Proactive Strategy. Firms seemed able to relate to the four choices and had no trouble ticking one of the four scenarios given to them. The distribution of firms across the four

types conforms to expectations, with 17 per cent using *Non-strategic*, 50 per cent using *Reactive Strategy*, 23 per cent using *Systems Analyzers* and 10 per cent using *Proactive Strategy*. To cross-validate the typology allocations, we firstly cross-tabulated the strategy types by business drivers and secondly by selected management practices. Table 2 reports the results. In general, the pattern of results conforms to expectations. Ascending the strategy type generally increases either the business driver score or the level of environmental management practice score. For example, using alternative sources ranges from 2.00 for *Non-strategic* to 2.94 for *Reactive Strategy* to 4.55 for *Systems Analyzers* to 5.08 for *Proactive*. Nearly all the *Non-strategic* scores are low, though it was not surprising paper recycling would be reasonable (almost 4 out of 7) and costs would show up as the most relevant driver (with a score of 5.87). It was also somewhat expected that cost as a business driver might be particularly high for the *Reactive Strategy*, as we predicted cost minimization would be an emphasis for this group. Otherwise, the *Systems Analyzers* and especially the *Proactive Strategy* groups had the highest non-cost business drivers, including concern for minimizing environmental impacts and enhancing the business image as a consequence of environmental strategy. In summary, Table 2 provides evidence of cross-validation of the four-part typology. The business drivers emphasized by the firms and the environmental management practices utilized by the firms broadly fit the pattern that is expected from the conceptual model typology outlined in Table 1. As a further test of the results, a logistic regression analysis was run comparing the progression from stages one and two combined to stages three and four combined. The model works well, with 82 per cent of the cases correctly classified and the Nagelkerke R-Square is 0.47. The main determinants of progression to a higher cluster include the variables alternative energy sources as a practice, water use reduction and achieving waste reduction.

## DISCUSSION

The study argues that SME enterprises can be classified into different groups or types, each with a different mindset towards environmental management. In the first instance such a typology has been conceptualized into one with four strategic components. Cross-validations support the typology. For the least orientated group, the *Non-strategic* type in terms of environmental management, environmental management issues are barely discernible. Such a minimalist attitude means that environmental issues are not on the radar of important matters for the business. A few token environmental practices will be undertaken, but more as a by-product of doing other things or possibly as part of a regulatory response. There is possibly little that government policy could do to progress environmental management among such a strategy type. In time, some may advance to the *Reactive Strategy* type, but have limited understanding of what it would take to move them. The *Reactive Strategy* type is interesting because it seems to be the norm among SME businesses, or at least in the sample of the current study. The piecemeal approach by this group to environmental management strategy is not encouraging. Cost is the main business driver, with a big drop to other drivers such as reducing the negative environmental impact of business activities. In terms of actual environmental management practices, there is only moderate activity, at best just above the neutral level of 4 out of 7. The group affords some hope for a greener future, but needs a lot of help to better organize and co-ordinate their environmental management activities. The key need is to better integrate environmental strategy with business strategy. The *Systems Analyzer* and *Proactive* groups represent a vibrant and energetic approach to environmental management practice. In particular both groups have evolved their business model to incorporate sustainability issues. Green competencies have been developed to enable them to do this. Both types represent considerable hope for the future and a valuable role model for the lagging SME firms.

## CONCLUSIONS

A new typology of environmental management practices is proposed, evolving from previous typologies. The study is also one of the first to quantitatively allocate firms to a particular type. Most SME firms are in an elementary stage of development in their environmental management practices, especially at the *Reactive Strategy* level. Approximately a third of firms have advanced environmental management practices, of which about 10 per cent are at the best practice level. Although a preliminary analysis has been presented here, future research could focus on understanding the progression up the ladder, from elementary environmental management practices to more advanced practices including best practices. Understanding the diffusion curve of adopting advanced environmental management practices is a worthy challenge for future sustainability research.



## TABLES

**Table 1: Structural Strategic Model of Environmental Sustainability**

Strategic Component	Strategy Type			
	I: Non-strategic	II: Reactive strategy	III: Systems Analyzers	IV: Proactive
<b>Essence of Environmental Strategy</b>	Narrow	Piecemeal	Comprehensive and integrated	Comprehensive and integrated: extended to external aspects
<b>Alignment of Environmental Strategy</b>	Minimal	Limited	Considerable	Complete
<b>Primary Business Drivers</b>	Cost emphasis	Costs and risk management Approaching cost-minimization	Innovation and risk management	Innovation, risk management and reputation
<b>Scope of Environmental Management Practices</b>	Narrow	Recycling Waste reduction Recycling material Water saving	<b>II → Plus:</b> Building energy efficiency Some eco-friendly products Wide and deep	<b>III → Plus:</b> Eco-friendly products Widest and deepest

**Table 2: Cross Validating the Environmental Sustainability Typology**

Mean scores (1-7 scale) for each driver or environmental management practice

Business Driver/ Environmental Management Practice	Strategy Type			
	I: Non-strategic	II: Reactive strategy	III: Systems Analyzers	IV: Proactive
<b>Costs (Driver)</b>	5.87	6.42	6.19	5.62
<b>Environmental impact (Driver)</b>	3.35	5.25	5.65	6.08
<b>Image (Driver)</b>	3.78	5.55	5.29	5.84
<b>Paper recycling (Practice)</b>	3.96	5.29	5.84	6.38
<b>Glass recycling (Practice)</b>	3.35	4.63	5.26	5.62
<b>Water saving (Practice)</b>	2.65	4.37	5.68	5.15
<b>Waste reduction (Practice)</b>	2.74	4.51	5.32	5.85
<b>Alternative energy (Practice)</b>	2.00	2.94	4.55	5.08

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## **FIT TO BE CREATIVE: ORGANIZATION-EMPLOYEE CONGRUENCE ON ENVIRONMENTAL VALUES**

Jelena Spanjol, University of Illinois at Chicago  
Leona Tam, University of Wollongong  
Vivian Tam, University of Western Sydney

This study examines how the match (vs. mismatch) between personal and firm-level values regarding environmental responsibility affects employee job satisfaction and creativity and contributes novel insights to three literature streams (i.e., creativity, social corporate responsibility, and person-environment fit). Building on the person-environment (P-E) fit literature, we propose and test environmental orientation fit vs. nonfit effects on creativity, identifying job satisfaction as a mediating mechanism and regulatory pressure as a moderator. An empirical investigation indicates that the various environmental orientation fit conditions affect job satisfaction and creativity differently. More specifically, environmental orientation fit produces greater job satisfaction and creativity when the employee and organization both care highly about the environment (i.e., a high-high environmental orientation fit condition) than when both display congruent low concern for the environment (i.e., a low-low environmental orientation fit condition). Furthermore, for employees working in organizations that fit with their personal environmental orientation, strong regulatory pressure to comply with environmental standards diminishes the positive fit effect on job satisfaction and creativity, while regulatory pressure does not affect the job satisfaction and creativity of employees whose personal environmental orientation is incongruent with that of the organization.

Reference available upon request

# REFLECTING ON THE PAST DECADE OF MARKETING: TAKING STOCK OF GREEN MARKETING LITERATURE

Sabari Raghavendran, Bharathidasan Institute of Management, India  
Satya Moorthi, Bharathidasan Institute of Management, India

## INTRODUCTION

Ever since the thought of manufacturing green products, environmental sustainability and eco-friendly business processes of corporate sector has gained momentum, there has been gradual increase in the awareness levels among consumers and various other stake holders. This momentum from the market has gradually percolated into other areas such as research in marketing and teaching marketing courses at B-schools. However, the extent of research in marketing with focus on Green & Sustainability needs to be examined. The objective of this study is to review the importance given to the growing idea of Green in marketing in academic research. This is captured through taking stock of conceptual, empirical and case based papers focusing on Green and Sustainability in marketing, over the past decade. This paper provides an insight about actual work carried out so far and what is needed in academic research for shaping the future of marketing to embrace the new paradigm of business in the context of environmental sustainability.

## CONTEXT

Dunlap (1984) initiated his work with Dominant Social Paradigm (DSP). This is the constellation of common values, beliefs, and wisdom about physical and social environments (Pirages, 1977). Dunlap (1984) clearly indicates that there is a predominance of anti ecological DSP, and if ecological catastrophe needs to be avoided, more realistic world views need to emerge. Steady-state economy and balance of nature together comprise the idea of the new world view – The New Environmental Paradigm. Kilbourne (1998, 2008), addresses the need for moving into deeper areas of green marketing which is hampered by the present paradigm. This theoretical view is a multi disciplinary perspective suggesting that a potential environmental crisis resides not necessarily in specific behaviors but rather within dominant social paradigm. Ehrenfeld (2000), indicates the opinion of various researchers that, in the long run, green technology will disappear - that is everything will become “green” and the current distinction that categorizes environmentally preferable, or “sustainable”, will slowly fade away. Kotler (2011), in his recent work, indicates the need to consider sustainability and also emphasizes the impact on environment. He also contends that many strategies are based on the assumption of infinite availability of resources and zero environmental impact, and hence marketers need to reexamine their theory and practice.

Now that the context is set, the rest of the paper is organized in the following structure. The paper continues into research methodology, summary of findings in the form of a table, followed by interpretations of the findings and conclusion.

## RESEARCH METHODOLOGY

We have adapted the ‘top twenty’ list from Academy of Marketing Science overall Journal rankings (Hult, 1997 & AMS). Two Journals, Journal of Business and Advances in Consumer Research Proceedings, have been excluded. The first one was excluded because the Journal itself is unavailable after 2006, and the second is excluded since it is the proceedings of Annual Conference. Conceptual, empirical and case based papers are considered for the analysis (stock taking). We have made a direct comparison of the total number of articles, editorials, book reviews etc. that have appeared in a journal with the number of articles, editorials and book reviews that are oriented toward Green in marketing. We have created a table that indicates the number of papers so far published in the last ten years in these top twenty marketing journals. Chabowski (2011), in his study has used key word search for categorizing journal articles. We follow a similar qualitative methodology to identify journal articles that focus on Green in marketing. Since the concept of green, sustainability, environmentalism, and ecosystem are inseparable, we consider all the four under one big umbrella of Green.

The following key words, after initial discussions with subject matter experts, are used for the study.

Ecology  
Ecosystem  
Eco-friendly  
Environment

Environmental degradation  
Environmental impact  
Environmental protection  
Environmentalism

## FOCUS AREAS IN THE CONTEXT OF GREEN MARKETING LITERATURE DURING THE LAST DECADE

For this study, we have classified the extant literature in marketing into five broad areas.

**(i) Green products and its consumers** is one area where considerable research has taken place. Specific topics were on the need for eco-friendly new products, product design and its performance (Pujari 2003, Fuller 2004, Baker 2005, Baker 2008). Grinstein (2009) also indicates the need to demarket few products. In connection with the green products, another prominent research focus was on consumers of green products. The studies include consumers' willingness to buy green products, their perception, attitude towards green products, environmental values and life style of the consumers, purchase decisions and gender differences and its effect on purchase decision, and on transformative green marketing from the consumer perspective (Rowlands 2002, Cleveland 2005, Fraj 2006, Montoro Rios 2006, Baker 2008, Essoussi 2008, Gupta 2009, Lee 2009, Jansson 2010, Oliver 2010, Essoussi 2010, Ferguson 2010, Kim 2011, Borin 2011, Ha-Brookshire 2011, Polonsky 2011, Cronin 2011).

**(ii) Supply chain** has remained one of the most promising areas which can actually mitigate the damage to environment. Especially, research on closed loop supply chains, product recovery, product recyclability, and product modularity are most prominent (Toffel 2003, Geyer 2004, Krikke 2004, Mathews 2004, Seitz 2004, Debo 2005, Savaskan 2006, O'Connell 2009, Sharma 2010, Golobic 2010). Lee (2010), Prokesch (2010) and Closs (2011) urge the need for greening the entire supply chain and not just one loop in the chain.

**(iii) Corporate Social Responsibility (CSR)** is another area where researchers have focused in the last decade in the context of Green and Sustainability in marketing. Several concepts within CSR, such as stages in corporate citizenship, perspective on non financial reporting, buying CSR, collaboration, energy credit buying, and greening the balance sheet, have surfaced (Mirvis 2006, Perrini 2006, Schendler 2006, White 2006, Berger 2007, Mirvis 2008, and Peloza 2009). Few papers have focused exclusively on the top management of the companies in the context of Green and Sustainable business (Berns 2009, Hopkins 2009 (a), Posner 2009, Hopkins 2009 (b), Rogers 2011). Regulatory and legal aspects within the corporate set up also remained an area of focus. The impact of government policy, regulatory uncertainty, making profits from regulatory uncertainty, and companies participation in design of public policy are also widely discussed (Schendler 2006, White 2006, Bortz 2007, Hoffman 2007, Rothenberg 2011, Haley 2011, Marquis 2011, Kolk 2011, Fremeth 2011, Wijen 2011).

**(iv) Sustainability** in the context of an organization in relation with environment has also been discussed prominently during the last decade in marketing. In this context, articles covered wide variety of topics, such as evolution and roots of sustainability, servicing, sustainability as strategy, sustainability as a key driver for innovation, the need for sustainability, sustainable economy, market orientation, consumer centricity, providing a "theoretical toolbox" for sustainability research in marketing, and sustainable consumption and commerce for the world (Marshall 2003, Ehrenfeld 2005, Rothenberg 2007, Markevich 2009, Nidumolu 2009, Lubin 2010, Viswanathan 2010, Chouinard 2011, Sheth 2011, Crittenden 2011, Connelly 2011).

**(v) Ecology and environment** has been yet another area of research focus during the last decade. Within the gamut of this broad topic, several papers have discussed pertinent issues that include natural resources, green buildings, macro-economic indicators and environmental impact, how organizations change to environmental pressures, business response to climate change, ecological strategy, greenhouse gas, closing up of plants, pollution reduction, water treatment, and using technology to mitigate damage to the environment (Harrison 2002, King 2002, Chick 2003, Iansiti 2004, Malone 2004, Hoffman 2004, Levi 2004, Hoffman 2005, Salzhauer 2005, Lockwood 2006, Bernotat 2007, Economy 2007, Porter 2007, Amram 2009, Kassinis 2009).

## RESULTS AND ANALYSIS OF THE STUDY

The following table provides evidence of articles that discuss the broad context of Green and Sustainability issues in marketing with the total number of articles that appeared in the above list of journals. The contribution is skewed towards few journals such as California Management Review (8.2%), Sloan Management Review (4.82%), and Harvard Business Review (2.91%). Six journals contributing between 1 to 2% are Journal of Business Research, Journal of Public Policy and

Marketing, Journal of Marketing Education, Psychology and Marketing, Journal of Consumer Marketing, and Industrial Marketing Management. Other journals contribute to less than 1%, while five have not contributed any. Through this study, there are few critical interpretations we would like to submit.

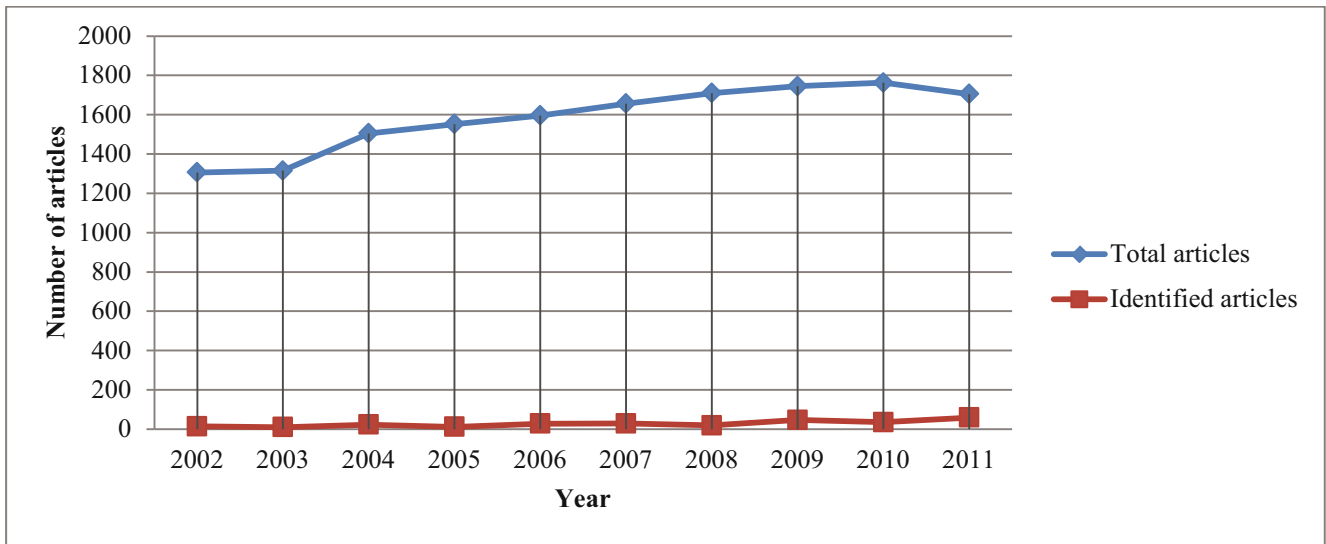
**Table 1: Total articles Vs. Identified articles**

<b>Journal Rank</b>	<b>Journal Name</b>	<b>Total articles (Jan 2002-Dec 2011)</b>	<b>Identified articles*</b>	<b>% Contribution</b>
1	Journal of Marketing	526	4	0.76
2	Journal of Marketing Research	662	2	0.30
3	Journal of Consumer Research	682	0	0.00
4	Journal of Retailing	389	0	0.00
5	Journal of the Academy of Marketing Science	499	0	0.00
6	Marketing Science	594	0	0.00
7	Harvard Business Review	3537	103	2.91
8	Journal of Business Research	1716	27	1.57
9	Journal of Advertising	365	1	0.27
10	Journal of Advertising Research	528	2	0.38
11	Management Science	1415	14	0.99
12	Journal of Personal Selling and Sales Management	306	0	0.00
13	Advances in Consumer Research Proceedings	N/A	N/A	N/A
14	Journal of Public Policy and Marketing	309	4	1.29
15	Journal of Marketing Education	268	5	1.86
16	Psychology and Marketing	551	7	1.27
17	Sloan Management Review	767	37	4.82
18	Journal of Business	N/A	N/A	N/A
19	Journal of International Business Studies	687	2	0.29
20	Industrial Marketing Management	931	10	1.07
21	Journal of Consumer Marketing	804	16	1.99
22	California Management Review	317	26	8.20
	<b>Total</b>	<b>15853</b>	<b>260</b>	<b>1.64</b>

\* Identified Articles are those that discuss the broad context of Green and Sustainability issues in marketing

- a. A total of 15853 articles that were published in the top marketing twenty journals in the last ten years were examined. Out of this lot, only a minuscule, 260 (1.64%) articles discuss business research with Green and Sustainability framework. This raises an alarm for the need to accelerate research output with Green and Sustainability focus.
- b. However, the overall proportion of articles that discuss Green and Sustainability in marketing context has gradually increased over the years.
- c. As there is a gradual shift in the paradigm towards Green, it is imperative that majority of the research in marketing needs to be re-focused, with Green and Sustainability as a key pillar for future research, as the results of the study highlight

**Figure 1. Total articles Vs. Identified articles**



### **CONCLUSION**

This study showcases the extant focus of research in marketing with Green and Sustainability orientation. The abysmal results highlight the need for re-alignment of research in marketing towards the new paradigm. We submit to the august Editorial Boards of journals that, this can be achieved only through conscious and constant encouragement to generate future research papers that embrace the new paradigm of Green and Sustainability.

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References Available Upon Request



# MARKETING RENEWABLE ENERGY IN DEVELOPING COUNTRIES: A POLICY PARADIGM FOR MEXICO

Pável Reyes-Mercado, EGADE Business School ITESM, Mexico

Rajagopal, EGADE Business School ITESM, Mexico

## ABSTRACT

A high potential growth for renewable energy technologies is available in Mexico. However, oil consumption has hindered the transition to a green economy. This paper analyses the Mexican stage and the factors influencing the renewable energy market using PESTL technique. A research framework to market renewable energy in Mexico is proposed. Such framework involve the analysis of incentives to energy, the dissemination knowledge among market participants, the fostering of government-private-NGO partnering in projects deployment, the development of organizational capabilities, and the promotion of feasible technologies. This paper concludes that only the use of sustainable energy will allow the country to achieve the economic, social and environmental benefits of sustainable development. The resulting framework from this study will offer new insights to corporate strategists and policy makers and help them increase the share of renewable energies.

## INTRODUCTION

Sustainable development is one that “meets present needs without compromising the ability of future generations to meet their needs” (UN 1987). Since this popular definition was born, multiple definitions have arisen to eventually get to the triple bottom line approach (Elkington 1998) in which the financial, ecological, and social equities converge. In the same manner, the green economy advocates the confluence of the social, economic, and environmental spheres (UNEP 2010) give rise to renewable energy (RE) as a link between the sustainable development and the current environmental concerns. The importance of natural replenishment or renewable sources of energy is tautological in the sense that they fill up within time while fossil fuels deplete within time (Winkler 2005). Many countries have fostered the development of local RE markets, but the gap between Mexico and other nations of similar development, such as India and China, is growing; even smaller economies, such as Costa Rica, are developing faster than Mexico in the field (Huacuz 2005). There is a lack of studies that address the factors that influence the marketing of renewable energy technologies (RETs) in Mexico. This paper offers a research framework with research propositions in consumers’ adoption of renewable energy for Mexico.

## REVIEW OF LITERATURE

### An enabling RE policy

An energy policy can impact significantly the sustainability of a country’s economy. Policy formulation is a complex process because information can be incomplete, stakeholders may defend conflicting objectives, and points of view along with political processes may become biased (Komor and Bazilian 2005). Many countries have started using multiple policy instruments to foster the development of the RETs. Feed-in tariffs and green certificates (or portfolio models) are now popular instruments in Europe and regarded as the most effective policies to increase the deployment of REs (Couture and Gagnon 2010; Wüstenhagen and Bürer 2009) due to its features that allow a near to optimal market in view of its liberalization. The first instrument attempts to oblige the operators to “feed-in” their supply of green power under a “by-the-law” prolonged fixed price, without considering if such price is under or above current market price. The second tries to assure that a fixed amount of green electricity is produced. To do so, obliges producers and consumers to supply or to buy a given amount of such electricity (Ringel 2006). Similarly, net metering has been deployed to force operators to pay customer who generate their own electricity at the market price. The electricity generated in excess is then supplied to the power grid (Stoutenborough and Beverlin 2008). The policy also involves fiscal and public financing instruments to foster REs not only in electricity but also in biofuels and heating.

As the demand for green product and services grow, more attention has been directed to the factors that affect the adoption of RE technologies in a threefold way. On the supplier side, the adoption of RE technologies is affected by local factors. First, the demand level and the environmental sophistication of the consumer affect the commercialization activities of entrepreneurs (Walsh 2012). A supportive regulatory policy aimed at the expansion of green markets is perceived as a critical factor by corporate marketers (Wiser 2000). Private investors tend to favour solar and wind renewable technologies (Aguilar and Cai 2010). Essentially, a policy that fosters the RE market is suggested to be a primary assumption for the market to work efficiently. On the consumer side, the adoption of such innovations is influenced by house hold size and income

(Mozumder, Vásquez, and Marathe 2011) along with affordability and environmental awareness (Mallet 2007). Overall, among studies there is a willingness to pay a premium price for power coming from renewable sources despite a disconnection between the way energy is produced and how it is perceived (Sovacool 2009a). Finally, government policy formulation in emerging economies is largely influenced on the long run by the population income and the level of pollutant emission (Salim and Rafiq 2012). Such studies regard the adoption on RE technologies as an appropriate policy to avoid global warming. Some prospective studies advance feasible strategies to reach cleaner and safer future energy scenarios whose driving forces are largely based on the continuous innovation and use of RE technologies and biofuels (Arent, Wise, and Gelman 2011; Sadorsky 2011). The identification of markets and locally feasible technologies become along with the formulation of proper RE policies that permit to organize and focus the efforts are important tasks that enable the wider deployment of such technologies (Resch et al, 2008). Above all, the underlying reason that motivates all these studies is to take the energy market into the path of sustainability and security.

### **Energy market. Production and consumption profiles**

Globally, the average annual growth rate of RE capacity has increased from 15% to 50% from 2005 to 2010. Solar technology presents the most impressive increase. Solar photovoltaic (PV) technology reached 49%, and solar PV (grid-connected) 60%, followed by wind energy with 27% increase. Such growth rates are in contrast with the low fossil fuels growth rates which are between 1% and 4% (REN21 2011).

Fossil fuels represents 67.6% worldwide production for electricity production, but energy due to renewable sources reaches 19.4% of such electricity production (including participation of hydro power with 16.1%). Mexico strongly relies on fossil fuels with a 90.54% of the total primary production, while the REs account for a small share of 6.17%. Biomass and hydro generation accounts for the largest share for generation in the country. Wind and solar energy contribution is small to the overall supply.

Energy consumption profile varies among countries. The transportation sector in developing countries reaches 5.5 GJ (giga joules) while in developed economies such energy consumption raises up to 56.6 GJ. Residential energy consumption which is 10.6 GJ for developing countries increases to 30.7 GJ in the developed countries. Finally, industrial sector in the developing world consumes 10.3 GJ while its counterpart consumption is 48.1 GJ (Jeffrey, Kopp, and Portney 2003). In Mexico final consumption accounted for nearly 45% in transportation, 30% for the industrial sector, close to 22% for housing, commercial and government consumption and 3% in farming activities (National Institute of Statistics, Geography, and Computing Mexico 2010).

## **FACTORS INFLUENCING RE'S IN MEXICO**

### **Social factors**

The energy-related welfare can be measured using the electricity coverage. The electric coverage index would be 98% of total population. Despite the almost full coverage, social and economic inequalities remain critical factors to be addressed. In terms of social welfare, 10.4% of the population is in situation of extreme poverty, 35.8% is in a moderate poverty situation, and 28.7% of population is in a position of social vulnerability; only 19.3% of population is neither poor nor in a socially vulnerable situation (National Council for Social Development Policy Assessment Mexico 2010).

### **Legal and Political factors**

The National Energy Strategy stated as one of their core objectives “To Diversify energy sources, increasing the share of clean technologies” (Department of Energy Mexico 2010, p. 2) which involves increasing use of REs such as hydropower, combined cycle and nuclear plants along with the use of clean energies for electrical power generation. The Mexican energy market is served almost exclusively by two state-owned facilities. In electricity supply, the Federal Commission for Electricity (CFE) with a coverage of 95% and the Mexican Oil Company (PEMEX) which serves oil and natural gas to domestic and foreign markets. Current Mexican laws allow the participation of private competitors in the electric production, in the form of autonomous electric generators for supplying residential, farming and industrial facilities. The Government keeps the discretionary decision of authorizing the installation for higher capacity generators. A similar legal framework is applicable to the production, stocking, transportation and distribution of bioenergetics. Although governmental concerns for environmental impacts have been included in environment conservation laws, there are no mentions to incentives.

## Economic factors

Mexico has shown a steady macroeconomic context in recent years. The Mexican Gross Domestic Product per Capita has risen from \$10,136 USD for 2001 to \$14,501 USD (current PPPs) for 2008. The inflow of foreign direct investment has represented an important factor for the economic development, despite that they have decreased from 29,802 MIn USD in 2001 to 21,950 MIn USD. The country has enjoyed of a steady inflation rate averaging at 4.66% between 2001 and 2008 for non-energy products and 7.16% for energy-related goods. The gross fixed capital formation has represented nearly 20% of the Gross Domestic Product. Despite the relative steadiness of macroeconomic figures, the country still has important challenges to face as the low growth rate which has averaged at 2.74% between 2001 and 2008. The low total tax revenue for year 2008 represented only 21.1% of GDP (OECD 2010).

## Technological factors

Technology diffusion and adoption can foster the transition to a green economy. Several methods in terms of technology adoption have been utilized in regulated energy sectors as in the case of Mexico. The analysis of energy policy, regulation and compliance is the main method, followed by environmental analysis impact and integrated resource planning, to understand such phenomena (Cowan and Daim 2011). The diffusion of new technologies explains the adoption of new products by customers through a communication process between individual adopters and their environment (Wüstenhagen, Wolsink, and Bürer 2007). While the previous can be true for retailing sales with a numerous customer base and under non-monopolistic conditions, another set of assumptions should be considered for the case of a highly regulated sector with a single buyer. Thus, the technology cooperation concept is to be considered.

Environmental awareness, i.e. the relevant knowledge that public in general have on present courses of action and their consequences (Dietz, Fitzgerald, and Shwom 2005), has become a widespread characteristic of the modern consumer. However, the clear benefits that the adoption of renewable sources of energy can bring, the social acceptance of these technologies must be assessed prior to the energy policy formulation (Mallett 2007). The use of renewable sources of energy may be hindered if not properly focused. Adopting behaviours may vary among countries, mainly developing economies from the developed countries. Characteristic of the Mexican market detected during the social acceptance of RE studies may help formulate energy policy. Namely, 1) the Mexican population should afford the RETs, otherwise the cost will impact adoption, 2) little environmental awareness has a negative impact on adoption, 3) an important concept to foster adoption is to consider purchase trials, since no extensive credit/leasing programs are in place, and 4) a tool for capturing adoption is focused on the mass media and interpersonal communication channels.

## DEVELOPMENT OF RESEARCH PROPOSITIONS AND THEORETICAL FRAMEWORK

### Incentives

International experience suggests that consumers are willing to pay a premium price for clean energy (Mozumder, Vásquez, and Marathe 2011; Longo, Markandya, and Petrucci 2008). Since this can resemble the developed countries stage, this cannot be relevant in developing countries such as Mexico where almost half of the population live at some level of poverty, despite almost full electric grid coverage. From the side of the producer, currently only some incentives for equipment purchasing are in place (National Commission for Energy Saving Mexico 2007), limiting the extent to which private players are willing to participate in the RE markets. Currently, residential energy consumption receives a subsidy in electric energy consumption and LP Gas. Adoption of RE may be strengthened by subsidizing RE equipment acquisition, and financial loans to private partners, as in the case of India (Martinot et al. 2002) and by cutting subsidies on fossil fuels. Previous experiences with schemes as feed-in tariffs (FIT) and renewable portfolio standards (RPS) arise as alternative incentives and have been studies at some extent (Lipp 2007). Therefore, a first research proposition may be framed as:

*P1: The switching of external support (i.e. subsidies) from fossil fuels to RE would foster its adoption among consumers on lower socio-economic segments.*

### Dissemination of knowledge

The technological and environmental awareness in Mexico is low (Mallet 2007); the diffusion of RE programs depends on government policy formulation leaving no room for private fostering which may be an expensive task for them since there is lack of economic incentives. Penetration-promotion strategies in market segments, an approach that addresses demand and supply sides (Tsoutsos and Stamboulis 2005), and the tackling of cultural (Sovacool 2009a) and socio-technical (Sovacool 2009b) barriers related to the RETs are among the techniques to promote such technologies. Local bases of knowledge must be built and shared in order to execute planned activities which help the formulation of businesses initiatives. An example of

this is the solar and wind map that the local Electric Researching Institute (IEE) has developed and shared on the Internet in order to produce data-driven green energy supplying initiatives. Therefore,

*P2: A higher level of awareness and knowledge co-creation on REs would increase the likelihood of consumers' adoption.*

### **Development of firms' capabilities**

The local history of the energy sector includes state interventions and practically no participation of private entities until recent dates. Liberalizing the Mexican energy sector in the short term seems to be a complex task due to legal, historical and political constraints (De la Vega 2007). However, if lowering greenhouse gas emissions in the medium and long term are the main objectives, then the RE market must be fostered by allowing a higher participation of small producers which enable the support of secondary laws. Government programs such as the Rural and Popular Cities Electrification Program launched in 2000 (Presidency of Mexico 2011), have relied on a centralized electric-grid deployment, while the share of RE is almost null and its use may provide a lower cost for those far-ended points where the electric-grid deployment becomes expensive (Alanne and Saari 2006). Private investors must be given the certainty that the adoption of RETs will translate into a positive cost-benefit analysis. Besides, the fostering of organizational capabilities should be developed to understand clean technologies and generate feasible business initiatives in view of the marketer preferences that advocate for a supportive policy, an overall price competition, and customer switching (Wiser 2000). Thus, the dilemma on deployment of a business model based on best price or best technology needs assessment (Curtius et al., 2012). Therefore,

*P3: The development of organizational capabilities in the form of a suitable business models would increase the consumers' adoption of REs.*

### **Stakeholders' partnership**

The population lack environmental awareness and local cultural aspects, which focus on a day-to-day attention of economic needs (Mallet 2007), seems to hinder the deployment of green technologies. Some studies suggest that the strong reliance on oil-based fuels deprive a larger participation of the renewable sources in the energy sector, despite the wide acknowledgment of the environmental objectives compliance has been reached. The previously showed available data on RE deployment is inconclusive, so a clear path to transit to a green economy is missing. On the other hand, the number of local Non-Government Organizations (NGOs) is scarce, and only a few of them actively participate in the local energy market: For example, the National Solar Energy Society (ANES) which executes activities of consulting, training on RE through link with government agencies as the Trusting for Electric Energy Saving (FIDE). Another NGO is the Energy, Technology and Education (ENTE) whose main activities are consulting and market researching for private and public parties. The triple helix model involves multiple-party participation in reference to innovative project deployment (Leydesdorff and Zawdie 2010). Also, it has been reported that high levels of participatory planning are critical to achieve a successful RE project (McLaren 2007) Therefore,

*P4: The partnership of government-private-NGO would foster RE initiatives focused on consumers' adoption.*

### **Promotion of RE technologies**

The release of large projects focused on efficient energy use has been acknowledged for their success. Media releases for government energy plan have recently been delivered through radio and television. However, a wider promotion of clean technologies has been scarce and the population have not gained enough awareness of the benefits of these technologies. Furthermore, studies in United States (Mozumder, Vázquez, and Marathe 2011), Europe (Menegaki 2012), and some other countries (Kim et al. 2012) show the behaviour of customers in terms of REs but there is a lack of such in Mexico. Therefore,

*P5: The promotion of the RE would increase RE consumers' adoption.*

The drivers of RETs vary among countries. Their feasible applications in the Mexican context have been analysed to some extent. Previous propositions can be further developed according to the technologies that add value locally. The role of the energy market players is a critical variable for consumers' adoption of renewable technologies. This collaboration scheme to be effective should prove and promote benefits of RE; thus, allowing further adoption of these technologies. The government must include the development of a regulating framework in terms of subsidies and funding. In addition, it should provide with pertinent technical training to industry and private players. The RE policy should be based on the adoption of standards

provided by international agencies in terms of energy mix and strategy settings. The industry and small private entrepreneurs should develop capabilities for a RE adoption in their local context. A strong cooperation among the government, private entrepreneurs, industry, and NGO's must be developed in order to include all relevant stakeholders in the energy sector.

The RE context is particularly challenging because despite recent accomplishments in efficiency use, RE sources remain unexploited, public awareness is low, and the deployment of clean energy is limited. This paper proposes a framework involving a set of five research propositions which is depicted in [Figure 1](#). Such propositions are organized around mediating key performance indicators.

Several of the propositions involve the linkage of relevant energy sector players. First, the co-creation and sharing of relevant technical and managerial knowledge from international agencies to build capacity and train local participants (P2) becomes a critical task in developing awareness in stakeholders. A feedback loop is needed to cumulate new insight and innovating technologies during the capacity building and training activities. In addition, new marketing knowledge can be incorporated after the learning that the promotion of the RE technologies has been spread. A key process is the formulation of an enabling policy that allows all stakeholders to gain the benefits coming from RE in the form of joint energy projects. Private entrepreneurs participate by deploying such projects (P4) and by partnering with government initiatives (P3). The promotion of RE technologies involves a twofold function. On one side, government provides a variety of economic incentives to promote the REs (P1) and in the other side, such promoting activities push for the development of strategic organizational capabilities by relying in multiple performance indexes criteria. NGO's participation regards adoption and diffusion of REs (P2) along with coordinating activities with the government (P3) and private stakeholders (P4). The final stage is to reach a wide development of the consumption patterns of RE technologies.

Second, some of the propositions converge on the factors that influence the transition to a green economy. The allocation of economic incentives includes founding activities at international and national level which entails the participation not only from government but also from private partners and NGO's. Knowledge sharing is a common key performance variable in the adoption and diffusion of RE, in the promotion of such energies, and for the development of capabilities in firms, government, and NGO's. This framework poses some implications to marketing mix. First, knowledge co-creation and knowledge sharing impact the promotion efforts. Promotional campaigns need to be robust and lasting given the low awareness of consumers. This may provoke allocation of vast financial resources. Second, innovative equipment and services should be available to consumers to be acquired. Convenience is a critical variable for consumers since energy services involve low consumer involvement. Third, a suitable pricing strategy should be developed in view of socio-economic features of consumers. Segmentation efforts may reap benefits for organizations. Finally, product design should be deployed taking into account the consumers preferences as quality, serviceability, and easiness of use.

## CONCLUSIONS AND FURTHER RESEARCH

This paper has sought to define research propositions and their interrelationships in a theoretical framework. This framework can help energy policy makers in their decision making process since it is based on a transition to a green economy paradigm. Policy makers must rely on innovative and robust frameworks as planning tools. Such framework arises due to the need of analysis tools to generate a more robust RE policy within the context of rapidly changing international trends which strongly rely on the use of REs across the world. On the other hand, private partner and non-government organizations can use this framework to gain a more comprehensive understanding of the current status in RE market as an aid in their corporate strategy. Current energy usage and consumption incentives are unclear and delivery to market participants is complex. To sum up, the energy position of Mexico in the international arena is at an important stage. An additional share of RE is necessary to strengthen current energy policy. Economic, social and environmental benefits of a transition to a green economy are still to be realized. It is imperative not only to efficiently use current energy resources but to switch the path to a green economy.

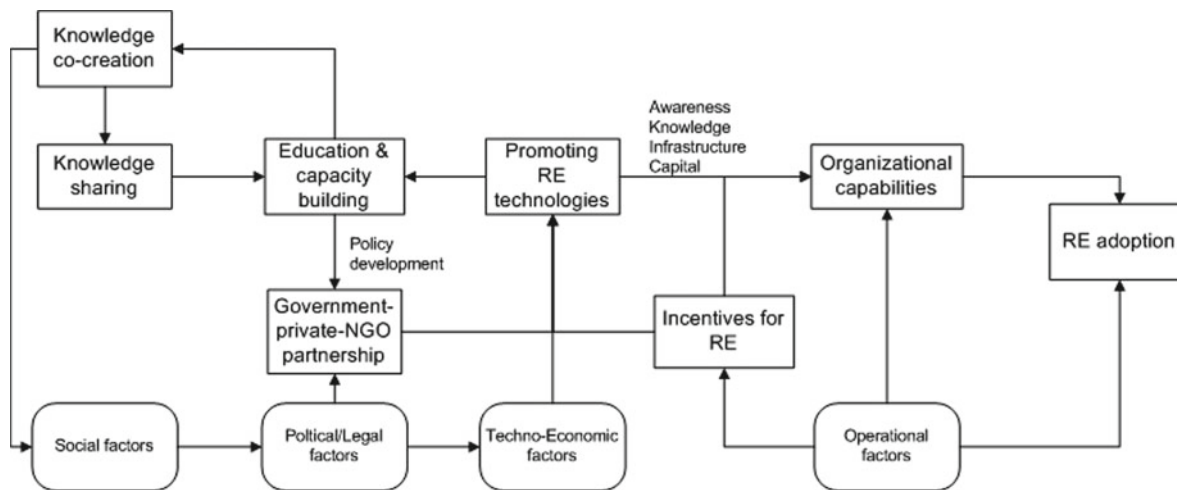
As a first step, future research needs to test the research propositions. Due to the strong reliance on fossil fuels, the RE market is slightly understood; thus, requires immediate clarification. For example, researchers can investigate the role of economic subsidies in renewable technologies and provide clear guidelines on key factors contributing to the consumption by lower socio-economic levels population. Research on technology adoption and diffusion could expand to further cover alternative energy production and consumption and its association with social, environmental and economic benefits. There is also an opportunity to study the development of organizational capabilities and the associated clean energy markets, particularly focusing on liaisons between government, private partners and non-governmental organizations. Finally, future research could focus on different stakeholder evaluation of promotion activities and the link with the widespread use of clean



technologies. In summary, scholars need to advance this stream of research to offer additional insights for corporate, government and non-government stakeholders.

## FIGURES

Figure 1. Renewable energies consumption policy drivers.



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**Thursday, 4:00-5:30 p.m.**

**Session 8.1. Heritage, Arts and Wine**

Room: Flinders

Session Chair: Nathalie Spielmann, Reims Management School

***Does Destination Service Matter in Gaming Destinations? The Role of Travel Purpose***

Ipkin Anthony Wong, Institute for Tourism Studies

Xiangping Li, Institute for Tourism Studies

***The Power Balance in the Contemporary Art Market: Artists, Dealers, and Collectors***

Katharina Kurz, EBS Business School

***What is the Perceived Value of Wine? A Cross-Generation Study of Consumer Wine Perception and Consumption Behavior***

Stefan Behrens, Leibniz University of Hannover

Nadine Hennigs, Leibniz University of Hannover

Christiane Klarmann, Leibniz University of Hannover

Klaus-Peter Wiedmann, Leibniz University of Hannover

# DOES DESTINATION SERVICES MATTER IN GAMING DESTINATIONS? THE ROLE OF TRAVEL PURPOSE

IpKin Anthony Wong, Institute for Tourism studies, Macau  
Xiangping Li, Institute for Tourism studies, Macau

## INTRODUCTION

The extensive literature has consistently acknowledged the central role of services in travel satisfaction and behaviors (Pritchard and Howard 1997). Yet, there remains a scarcity of research examining the drivers of tourist travel experience as well as the outcomes of this experience. In fact, there is a paucity of empirical research investigating the linkage between various destination services and travel experience, especially in gaming destinations. This gap in research has limited scholars and practitioners alike in advancing tourism and hospitality theories, especially when we are moving toward an experience economy as some researchers suggest (Pine and Gilmore 1998). If services are the key ingredients in tourism and drivers for tourist travel experience, the linkage between destination services and travel experience deserves more attention.

This study aims to contribute to the literature by presenting insights into how various destination services, including both gaming and non-gaming services, might impact tourist travel experience and, in turn, word of mouth and revisit intention differently based on tourist travel purpose. This study also shows the peril of relying solely on gambling and a need to diversify tourism offerings into non-gambling leisure entertainment options as well as destination infrastructures in order to engender a more positive travel experience among the increasingly demanding Chinese outbound tourists, particularly among gamblers as they are known for their binge spending behaviors.

## LITERATURE REVIEW

The tourism and hospitality literature is beginning to explore the role of destination services on tourist travel experience. For example, Coghlan and Pearce (2010) explore the travel experience at Route 66 and find that tourists' travel experience is influenced through their desire to gain insights from route history, the attractions along the road, interactions among the people on the road, and other unique characteristics of the route. Furthermore, travel experience is constructed actively throughout the trip via interactions with the attributes along the way. Brayley (2010) find that tour site facilities in Palmyra, New York exert positive impact on tourist travel experience. Cole and Scott (2004) show a path between destination performance quality and revisit intention through the mediating role of experience quality. Wong (2012) further attests that service experience in casinos is a constellation of the service environment, employee service, service convenience, and hedonic service, which are also drivers of gamblers' experience. In turn, a positive casino service experience leads to a higher level of customer satisfaction and loyalty.

Yet, the casino service experience does not solely arise from the gaming floor; rather, it is developed from every touch point throughout the casino service encounters, including functional and emotional appeals from dining, entertainment and shows, hotel, the service environment, and the serving staff. These findings are in line with Murphy et al.'s (2000) service infrastructure framework which shows that tourist travel experience in a destination is driven by the underlying service infrastructure as a series of travel and hospitality services offered by the destination. The aforementioned destination services play a different role in creating travel experience. In summary, these studies support the notion that experience is not created by a single party or destination attribute, but is co-created in the market from different providers (Pralhalad and Ramaswamy 2004). Accordingly, we propose that destination services lead to favorable travel experience.

**Hypothesis 1:** Destination services are positively related to tourist travel experience.

Marketing researchers believe that consumer behaviors, such as decision-making and post purchase behaviors, are essentially based on the result of evaluation of product/service attributes. Prior literature has shown that favorable evaluation of purchase experience leads to repeat purchase and positive word of mouth (WOM) recommendations, or customer loyalty (Anderson 1998; Anderson and Sullivan 1993). If consumers are satisfied with the product/service they have purchased or experienced, they are more likely to return and make the next purchase. Furthermore, these consumers are more likely to spread positive WOM to their friends and relatives. In a touristic context, similarly, quality perceptions are thought to reflect a positive summary evaluation of a trip experience created by every moment of truth during tourists' stay in a destination (Murphy, Prichard and Smith 2000). Empirical evidence has also suggested that positive evaluation of a trip experience is a significant

factor that influences destination loyalty, namely, tourists' intention to revisit the destination and/or recommend the destination to others (Huang and Hsu 2009; Kozak 2001; Yoon and Uysal 2005).

**Hypothesis 2:** Tourist travel experience is positively related to positive word of mouth (WOM).

**Hypothesis 3:** Tourist travel experience is positively related to revisit intention.

Travel purpose perhaps exerts the greatest influence on the traveler's behavior, and plays an important role in destination marketing (Morrison 1996). It is a major driving force that compels tourists to concentrate on certain activities during their trip. In regard to the current research context, tourists visiting a gaming destination could be segmented based on their travel purpose into two groups: for-gambling (i.e., gamblers) and not-for-gambling (i.e., non-gamblers) (Macau Statistics and Census Service 2011). Given that gamblers focus more on gambling and less on other destination offerings than non-gamblers, they are less likely to engage in and, therefore, interact intensively with non-gambling services. Hence, they should be less likely to be involved with other destination service offerings (e.g., leisure entertainment, dining, and sightseeing attractions). Because customer experience arises from interactions with the service offerings and providers, it follows that the effect of destination services on tourist travel experience should be weaker for gamblers as they are less involved in these services (cf. Oh and Jeong 2004).

The tourism and hospitality literature also suggests that travel experience and behavioral consequences are contingent on tourists' travel purpose. For example, Bello and Etzel (1985) show that tourists who perceive their trip as commonplace have a significantly less positive travel experience and lower revisit intention than those who perceive their trip as novel. Bello and Etzel argue that the commonplace travel experience versus the novel travel experience have differential effects on tourists' revisit intention. Findings from Kaplanidou and Havitz (2010) also suggest that trip purpose affects tourists' desire to engage in and attend Olympic Games. Oh and Jeong (2004) provide empirical support to the moderating effect of travel purpose in that the relationship between lodging performance and repurchase intention is stronger for pleasure travelers than for business travelers. Oh and Jeong attribute the finding to the fact that pleasure travelers are more involved in their hotel decisions than business travelers. Accordingly, we believe that travel purpose for gambling (for-gambling [i.e., gamblers] and not-for-gambling [i.e., non-gamblers]) acts as a moderator in that the effect of destination services and travel experience is stronger for non-gamblers than for gamblers. In addition, the effect of travel experience on tourists' WOM and revisit intention is also stronger for non-gamblers.

**Hypothesis 4:** The relationship between destination services and tourist travel experience is moderated by gambling travel purpose.

**Hypothesis 5:** The relationships between tourist travel experience and (a) WOM and (b) revisit intention are moderated by gambling travel purpose.

## METHODS

We collected the data by means of person-administered face-to-face interview. Respondents were systematically approached at two major travel attractions in the central area of Macau. Each respondent was presented with a gift as an incentive for his/her participation. A total of 210 tourists were intercepted, and 200 participated in and completed the survey, which corresponds to a 95% response rate. Of the respondents, 64.5% were women while 35.5% were men; 58.5% were between the age of 20 and 29 whereas 24.5% were between the age of 30 and 39; 50.5% came from mainland China, 44.0% came from Hong Kong, and the rest came from Taiwan and Malaysia. Most (76.5%) of the respondents only visited Macau one to three times and 14.5% visited Macau four to six times.

The questionnaire was divided into several sections as described below. The first section contained variables relating to travel purpose including gambling. The scale items were adopted primarily from the literature (Goeldner and Ritchie 2003; Wong and Rosenbaum 2012) and were assessed by a five-point Likert scale anchored by 1 (strongly disagree) and 5 (strongly agree), to refer to the statement, "What is your primary travel purpose in Macau?" The second part of the questionnaire contained eight destination service attributes, which were adopted based on prior studies (e.g., Mohammad and Som 2010; Murphy, Prichard and Smith 2000). We added a gaming-related item to reflect the services of casino gambling available in Macau. Each item was evaluated by a 5-point semantic differential scale that ranged from 1 (poor) to 5 (excellent), to refer to the statement, "Please evaluate the services performance of the following destination attributes." The third section of the questionnaire included (a) tourist overall travel experience (i.e., "How would you evaluate your travel experience in Macau in

this trip?), which was assessed by a 5-point semantic differential scale anchored by 1 (poor) and 5 (excellent); (b) tourist positive word-of-mouth (WOM; i.e., “Based on your travel experience on this trip, would you say positive things about Macau to your friends or relatives?”), which was measured by a dichotomous scale anchored by 0 (no) and 1 (yes); and (c) tourist revisit intention (i.e., “Will you visit Macau again within the next year?”), which was also assessed by a dichotomous scale anchored by 0 (no) and 1 (yes). The questionnaire was pilot-tested with a group of senior business students from a local university in Macau. Some wordings were revised based on the inputs from the pilot test.

## RESULTS

We examined the research framework in path analysis. Hypothesis 1 postulates a relationship between the eight destination service attributes and tourist travel experience. Results from Model 1 reveal that the relationship is significant and positive for tour sites ( $b = .23, p < .001$ ), gaming facilities ( $b = .07, p < .05$ ), dining facilities ( $b = .13, p < .01$ ), transportation facilities ( $b = .10, p < .01$ ), environment and cleanliness ( $b = .09, p < .05$ ), and overall service quality ( $b = .09, p < .05$ ), in support of Hypotheses 1a, 1c, 1e, 1f, 1g, 1h respectively. However, the relationship is not significant for entertainment facilities ( $b = .03, n.s.$ ) and hotel facilities ( $b = -.03, n.s.$ ), failing to support Hypotheses 1b and 1d. Hypotheses 2 and 3 propose a relationship leading from travel experience to WOM and to revisit intention respectively. Results from Model 2 indicate that the effect of travel experience is significant on both WOM ( $b = .12, p < .01$ ) and revisit intention ( $b = .09, p < .05$ ), in support of Hypotheses 2 and 3. We further explored the mediating effect of travel experience by following the procedure of Baron and Kenny (1986). The results (not presented in this study) show that travel experience fully mediates the relationship between destination services, WOM, and revisit intention except for the path leading from gaming facilities to revisit intention ( $b = .07, p < .05$ ); that is, gaming facilities has a direct effect on revisit intention while travel experience only partially mediates this relationship.

Next, we tested the moderating effect of gambling travel purpose (non-for-gambling/non-gamblers vs. for-gambling/gamblers) in Model 3 and examined the change in chi-square by holding a path invariant across both groups (i.e., the constrained model) and then calculated the significance of change in chi-square when the paths for both groups were freely estimated (i.e., the baseline model). Because the sample size of each group was relatively small after the data were split, we used a bootstrap method and produced 200 bootstrap samples for each group. The results show that gambling travel purpose moderates the relationship between destination services and travel experience in that the relationship is stronger for the not-for-gambler/non-gambler group in regard to gaming facilities ( $b_{\text{not-for-gambling}} = .08, p < .05$  vs.  $b_{\text{for-gambling}} = .03, n.s.$ ;  $\Delta\chi^2_{(1)} = 3.00, p < .10$ ), dining facilities ( $b_{\text{not-for-gambling}} = .16, p < .01$  vs.  $b_{\text{for-gambling}} = .06, n.s.$ ;  $\Delta\chi^2_{(1)} = 3.87, p < .05$ ), and overall service quality ( $b_{\text{not-for-gambling}} = .10, p < .05$  vs.  $b_{\text{for-gambling}} = .04, n.s.$ ;  $\Delta\chi^2_{(1)} = 2.75, p < .10$ ); while the relationship is stronger for the for-gambling/gambler group in respect to entertainment facilities ( $b_{\text{not-for-gambling}} = .01, n.s.$  vs.  $b_{\text{for-gambling}} = .10, p < .01$ ;  $\Delta\chi^2_{(1)} = 4.51, p < .05$ ) and environment and cleanliness ( $b_{\text{not-for-gambling}} = .06, n.s.$  vs.  $b_{\text{for-gambling}} = .11, p < .01$ ;  $\Delta\chi^2_{(1)} = 2.70, p < .10$ ), partially supporting Hypothesis 4. The relationship between travel experience and WOM is also moderated by travel purpose in that the relationship is more significant for the not-for-gambling/non-gambler group but not for their for-gambling/gambler counterparts ( $b_{\text{not-for-gambling}} = .15, p < .01$  vs.  $b_{\text{for-gambling}} = .02, n.s.$ ;  $\Delta\chi^2_{(1)} = 7.14, p < .01$ ), in support of Hypothesis 5a. However, the moderating effect of travel purpose is not significant on the relationship between travel experience and revisit intention; thus, it fails to support Hypothesis 5b.

Results also show that the relationship between frequency of visit and revisit intention is significantly different between the two groups of tourists ( $\Delta\chi^2_{(1)} = 5.29, p < .05$ ) in that the relationship is significant for the not-for-gambling/non-gambler tourists ( $b = .06, p < .001$ ), but not for their for-gambling/gambler counterparts ( $b = .00, n.s.$ ). The results mirror the moderating effect of travel purpose on the relationship between gaming facilities and travel experience in that on one hand, gamblers were more satisfied with the services of the gaming facilities and visited Macau more often (see mean analysis above), but the effects of these two variables on the dependent measures were not significant for this group of tourists. We explain the rationales and implications of the findings in the next section. In summary, the three models show adequate fit with the data: comparative fit index = 1.00, goodness of fit  $\geq .92$ , root mean square error of approximation  $\leq .01$ , standardized root mean square residual  $\leq .07$ .

## CONCLUSIONS

This study works to bridge the gap in the literature by exploring the relationship between various destination services and tourist travel experience in Macau. This study differs from prior studies in casino gambling by examining the direct and indirect effects emanating from destination services onto tourists' travel experience, and in turn onto their WOM and revisit intention in a series of path models. We also tested the moderating effect of gambling travel purpose and show how this

effect might help scholars and practitioners to gain a better understanding of the importance of various destination services in creating a favorable travel experience both for Chinese gamblers and non-gamblers in different ways. These findings have important theoretical and managerial implications worth elaborating in the next section.

This study builds on the work of existing research and explores the effects of various hospitality service attributes in a tourism setting and seeks how these services influence tourist travel experience. In doing so, this study bridges the gap between the tourism and hospitality research streams by linking the service performance of various hospitality services (e.g., gaming, dining, accommodations, entertainment, and employee services) and travel services (e.g., tour sites, transportation, and the overall environment and cleanliness of a destination) with travel experience. The indirect effects of these destination service attributes on tourist revisit intention further warrant the importance of services on tourists' behaviors.

This study aims to extend the literature by investigating the moderating effect of travel purpose in gambling. We partitioned tourists into two groups: not-for-gambling (non-gamblers) and for-gambling (gamblers). Our findings show that the two groups are significantly different in regard to how their service evaluations influence their travel experience. For example, the destination service effect is significant for non-gamblers in respect to gaming facilities, dining facilities, and employee service quality; whereas the effect is significant for gamblers in regard to entertainment facilities and environment and cleanliness. Hence, the findings provides insights into the tourism literature by illustrating the contingent effect of travel purpose on the relationship between destination services and travel experience as well as on the relationship between travel experience and WOM.

## REFERENCES

References available upon request

# THE POWER BALANCE IN THE CONTEMPORARY ART MARKET: ARTISTS, DEALERS AND COLLECTORS

Katharina Kurz, EBS Universität für Wirtschaft und Recht, Germany

## INTRODUCTION

The international art market is thriving with a range of powerful stakeholders. Largely unregulated with its own rules based on handshake and trust, the art market is home to an exclusive few, yet inspires and intrigues many more. This paper focuses on the primary contemporary art market, where artists supply original art works which are being distributed by art dealers<sup>1</sup> to individual or institutional collectors (Throsby, 1994). In this channel setting, the gallery assumes a role beyond the simple distributor of art: The gallerist promotes the artist's career with a long-term view and "places" the work with important collections, he interprets the body of work for the collectors and takes over administrative functions for the artist (Caves, 2000; Thompson, 2008). Thus, the relationship between artist and gallerist can be characterized as a deep partnership. However, with thousands of artists competing for a prestigious gallery representation, the art dealers are often holding the cards in this game.

From a marketing perspective, there is a lack of literature on the primary art market, the distribution of art and the relationships between the channel players. Thus, the purpose of this paper is to conceptualize and to empirically validate a new qualitative model of the power balance and relationships between artists, art dealers and collectors in the distribution channel. Four different scenarios will be identified based on the main power antecedent in the art market: reputation. Contrary to other behavioral channel models focusing on the manufacturer-retailer relationship, the art market also needs to account for a very powerful end customer: the art collector.

## METHODOLOGY

A thorough literature review on the art market and on behavioral distribution channel literature is used to draw up a model of power balance in the art market (from early works like El-Ansary & Stern, 1972 about power and dependence to later contributions about trust, commitment and cooperation like Ganesan, 1994 or Morgan & Hunt, 1994). There are two units of analysis: a) the relationship between the artist and the art dealer and b) the relationship between the art dealer and the collector in the exchange process. Support for this model is drawn from an empirical analysis. A quantitative research approach, however, is not conducive for the following reasons: First, there is a clear lack of openly available information about the primary art market, with the major players often refusing to open their books (Heilbrunn & Gray, 2001; McAndrew, 2010). Second, the art world is an insider market full of implicit rules, a market of handshake and trust, which needs to be observed rather than quantified. Therefore, a qualitative research approach is chosen. Interviews are conducted with representatives of the art distribution channel: artists, art dealers and collectors. The interview guide method is used and the scope of the empirical analysis is limited to art market representatives located in New York City and in Berlin. As the art market is extremely trust-based and exclusive, a snowball-sampling technique is chosen, starting with existing art contacts of the author and then relying on introductions for subsequent interviews. The interviewees are further selected according to different stages of market success (e.g. emerging and mid-career artists, upcoming and established galleries).

## A MODEL OF THE POWER BALANCE IN THE ART MARKET

### Power Sources of the Art Dealer

The art dealer possesses great natural sources of non-coercive power (French & Raven, 1959; Hunt & Nevin, 1974). The gallery serves as a gatekeeper, validating and controlling which artists are accepted into the art market and thus "creating" the market for the artist by providing exhibition space, marketing and sales competency and customer contacts (Caves, 2000; Landwehr, 1998; Velthuis, 2007). Furthermore, the dealer is making high specific investments into the artist's career by investing into exhibitions, catalogs or production costs. Through these investments, the gallerist is increasing his legitimacy power source over the artist. Commercially successful artists might also be rewarded with solo exhibitions at important art fairs or prestigious catalog publications. However, the art dealer does not only dispose of great power towards the artist, but also towards the end consumer, the collector. In an unregulated market with the highest uncertainty about quality and future price development, the art dealer functions as a navigator for the customer who validates the quality of an artist, provides

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<sup>1</sup> The terms art dealer and gallery or gallerist are being used synonymously in this paper.



information and thus, reduces uncertainty (Landwehr, 1998). As the output of a specific artist is naturally limited, the gallerist can also control the access to artworks if demand is high (Grampp, 1989).

### Reputation as Main Antecedent of Power

Various authors have dealt with the question what constitutes the success of an artist (Klein, 1993; Pommerehne & Frey, 1993; Singer, 1990). We follow Klein's proposition that reputation is the value to be maximized for artists (Klein, 1993). Hereby, reputation has to be understood as creating art-historical value and significance, which goes along with rising prices and critical praise in the art world (Pommerehne & Frey, 1993). Similarly, gallerists also strive to improve their reputation of representing artists of art-historical value, as collectors are looking for signals of quality to ensure a good investment in art. Klein (1993) has developed a function of reputation for artists and gallerists: For artists, it is important which gallery they are represented by, if their work has been purchased by important collectors, whether they have already had museum shows and what price level their work is sold at. Gallerists mainly determine their reputation by the selection of artists they represent, their price level, and the quality and quantity of buyers. Profit maximization is thus often not the paramount goal in the art market (confirmed by Klein, 1993 and by the interviews conducted for this paper). Instead, reputation is the value that is pursued in the art market, which then goes along with higher prices and revenues.

We therefore establish the hypothesis that reputation is the main influencing factor on power and standing in the art market (Klein, 1993; Landwehr, 1998; Pommerehne & Frey, 1993). Consequently, an asymmetrical increase in the reputation of the market players changes the power balance within the distribution channel. The increase in reputation of one market player, however, cannot be regarded as an isolated event, as reputation transfers from one channel member to the other can occur according to their reputation function. For example, a young artist can benefit from the reputation of a well-respected gallery (Velthuis, 2007).

If reputation is the main determinant of market power in the art market, then we can derive four different power scenarios for the artist-dealer-relationship, which are shown in [table 1](#).<sup>2</sup>

Table 1: Artist-dealer power balance based on reputation

Reputation of art dealer ↑	<b>Scenario 1</b>  Gatekeeper	<b>Scenario 2</b>  Market Stars
	<b>Scenario 3</b>  Question Marks	<b>Scenario 4</b>  Artist's Market
	Reputation of artist →	

The most common situation in the art market is scenario 1, where the dealer acts as a gatekeeper. When both reputation functions align, artist and art dealer are equally powerful, which can occur on a lower or a higher level. On a higher level in scenario 2, the market stars among the artists and galleries work together. When both players have an equally low level of reputation as in scenario 3, it is questionable whether they will ever achieve an increase in reputation. In scenario 4, the artist's reputation exceeds that of the gallery. Every dealer can potentially be found in several scenarios, as the situation needs to be analyzed for every represented artist.

<sup>2</sup> The scenario names "Question Marks" and "Market Stars" are obviously inspired by the Boston Consulting Group-matrix (Henderson, 1979).

Contrary to most channel research, which solely concentrates on the manufacturer-distributor-dyad, the end customer plays an important and powerful role in the art market. Depending on his own reputation, which is among others a function of the quality of his collection and his network in the art world, a collector can influence the reputation of artists and (to a lesser degree) of galleries with the purchase of an artwork (Thompson, 2008).

### **Trust and commitment as stabilizing factors**

While asymmetrical changes in reputation affect the power balance, trust and commitment can strengthen the relationship and lead to long-term cooperation (Ganesan, 1994; Morgan & Hunt, 1994). The art world is an exclusive market where implicit rules govern the relations and where many deals are merely sealed with a handshake (Thompson, 2008). Most galleries do not have contracts with the artists they represent; the entire work relationship is mostly based on trust. On the one hand, the artist has to trust that the gallery is adequately promoting his work and that he is paid his fair share timely after the sale of an art work. The dealer, on the other hand, has to trust that he won't be cut out as a middleman by directly selling out of the artist's studio to collectors (Caves, 2000). Trust and commitment towards a relationship can thus stabilize the relationship, even though one of the channel members increases his market status.

### **Outcomes Given Comparison Level of Alternatives**

Social exchange theory has looked at power and dependence in distribution channels via the construct of relationship outcomes. While the *outcomes given comparison level* (CL) measure the outcomes of a relationship with regards to the expectations of the evaluating channel member, the *outcomes given comparison level of alternatives* (CL<sub>alt</sub>) look at the outcomes of an alternative relationship. The bigger CL compared to CL<sub>alt</sub>, the more dependent a channel partner is on the other, as other market partners can't compete with the existing relationship (Anderson & Narus, 1984, 1990; Thibaut & Kelley, 1959). With increasing reputation, an artist can develop alternative distribution channels, as more galleries might be interested in representing him. Consequently, CL<sub>alt</sub> for the artist improves and he can choose out of several alternatives or have galleries for different sales territories. The artist can therefore reduce his dependency.

## **DISCUSSION - THE FOUR POWER SCENARIOS BASED ON REPUTATION**

### **Gatekeeper**

In this scenario, the art dealer serves as a gatekeeper to the art market. When a well-established gallery takes on a young artist, the power balance is clearly tilted towards the dealer who establishes the market for the artist. Consequently, a reputation transfer takes place from the gallerist towards the artist: Through his decision to accept the artist into his carefully selected stable, he signals the quality of the work to the market side, which can have an immediate effect on price level and reputation of the artist (Klein, 1993; Velthuis, 2007). The dealer is making high specific investments into the artist. Apart from his reputation and access to his customer file, he is investing financial resources for the promotion of the artist. The artist has different relationship costs: He agrees to concede 50% of the sales price to the dealer as a commission (Boll, 2009). Even though the art dealer is more powerful, the relationship is efficient for the artist, as the relationship benefits are higher than his own transaction costs. The outcomes of this relationship outweigh the alternatives (CL > CL<sub>alt</sub>).

Looking at the dealer-collector relationship, two situations can occur. If the customer is an unknown buyer, the dealer serves as a double gatekeeper if the demand for an artist is high. As the gallerist is interested in the long-term career development of his artists, he might select the buyer not on a financial basis, but instead "place" the works with important collections (Chong, 2008; Velthuis, 2007). The purchase of a star collector, however, shifts the power balance, as it can send an important signal to the market and spike demand (Thornton & Rocco, 2009). Both artist and dealer benefit from the reputation of the collector.

### **Market Stars**

In the Market Stars scenario, the very successful and reputable galleries have paired with the top artists in the market. Both dealer and artist have an equal level of reputation and market power. Artist and dealer have either grown over the years and reached their current market stature together or a well-known gallery has taken over a mid-career artist to give him the last reputation boost needed. In the first case, the relationship will be characterized by a high amount of trust, commitment and cooperation. In this stage, the relationship can be described as very symbiotic. Both artist and dealer invest heavily into the relationship, but also have a high pay-off. The channel partners are mutually dependent from each other. Even though the

artist will most likely have many galleries competing to represent him, the outcome of the relationship with his existing dealer might still exceed alternatives ( $CL > CL_{alt}$ ).

With regards to the collector, the most successful dealers can again exercise a rather powerful position. When the demand for the sought-after artists is high, the gallerists get to choose the buyer. Not everybody can buy a market star and only the collectors with the best reputation can hold their ground in this power triangle.

### **Question Marks**

In the Question Marks scenario, an unknown artist is represented by an equally unknown gallery. Both can be young and at the beginning of their career and still have to prove themselves in the marketplace. In this situation, the art dealer does not dispose of a greater source of power than the artist. Even if the gallery had the means to invest financial resources into the promotion of the artist, it would not yet have the necessary reputation and client list to raise the artist to a higher level. Neither the artist nor the gallerist can benefit from reputation transfers. However, in the case of young and emerging artists and galleries that are just starting off in the market, this can be the time to build up a trustful and committed relationship and to grow their business and reputation together.

In this situation, the art buyer is more powerful regardless of his own reputation, as artist and dealer are dependent on sales to keep their business running. Collectors are therefore in a good negotiation position and can ask for discounts. Should a well-known collector decide to buy a work, both artist and gallery again benefit from a reputation transfer.

### **Artist's Market**

In this scenario, the reputation of the artist exceeds the reputation of the art dealer. Consequently, the gallery receives a reputation transfer by the artist. This type of channel setting is less common in the art world, as the artist's investments into the relationship exceed the benefits he reaps. The gallerist probably doesn't have the clients and the financial means needed to further develop the artist's career. An established artist could consider working with a young or less known dealer in a new region, where he is not yet distributed. Moreover, for an artist whose reputation has suddenly increased, a relationship based on trust and commitment can be the reason to stay with a dealer whose reputation doesn't develop equally fast. Trust and loyalty can thus be a powerful stabilizing force.

The collectors will most likely have a more powerful stance towards the dealer, as the better-known artist might already have a loyal following. The intermediary potentially benefits from a reputation transfer from both sides (artist and collector) and thus can take his business to a new reputation level. However, the gallery is in a volatile position with limited negotiation power and the permanent risk of losing artists to more established galleries (as  $CL_{alt} > CL$ ).

## **IMPLICATIONS AND FURTHER RESEARCH**

We have shown that the art dealer as a gatekeeper has a high potential of non-coercive power. Reputation has been identified as the main factor affecting the power balance, leading to four power scenarios based on the artist-dealer relationship. With increasing reputation of the artist, he can decrease his dependence by seeking alternative gallery representations. While reputation changes lead to power asymmetries, trust and commitment can stabilize the relationship. The collector as end-consumer completes the power triangle. Between all three players in the value chain, reputation transfers can occur. The results of the ongoing interview process (so far, 33 interviews have been conducted) are showing support for the proposed model.

For future research, the framework could be used to analyze the individual situation of each of the market players and to derive strategies to improve their position in the power balance. Taking the position of the artist, for example, the following recommendations could be given in a gatekeeper situation: By establishing a direct relationship to collectors and looking for additional gallery representations, the artist can improve his negotiation stance. Furthermore, an explicit contract could safeguard the artist from opportunistic behavior by the art dealer. Especially contracting issues between artist and dealer could be a source for future research.

### **References Available Upon Request**

# WHAT IS THE PERCEIVED VALUE OF WINE? A CROSS-GENERATION STUDY OF CONSUMER WINE PERCEPTION AND CONSUMPTION BEHAVIOR

Klaus-Peter Wiedmann, Leibniz University of Hannover, Germany  
Stefan Behrens, Leibniz University of Hannover, Germany  
Nadine Hennigs, Leibniz University of Hannover, Germany  
Christiane Klarmann, Leibniz University of Hannover, Germany

## ABSTRACT

As a consequence of the highly complex nature of wine as a product, a deeper understanding of the key drivers of consumer wine perception and consumption behavior is a major challenge for practitioners and researchers in the domain of wine marketing. The desire for and the consumption of wine seems to involve several dimensions of customer perceived value perceptions. Additionally, situational determinants, consumer characteristics like product involvement, experience and needs or demographic variables such as gender and age might affect the wine purchase.

Against this backdrop, incorporating relevant theoretical and empirical findings, our study focuses on the antecedents leading to the consumption of wine in general and with particular attention to a comparison between the attitudes and behavior of wine consumers belonging to the Generation X and the Generation Y. This paper is structured as follows: first, the conceptual model and related hypotheses are presented based on existing research insights on wine marketing and customer perceived value; second, the methodology and results of our empirical study are described. Third, the results of our analysis are discussed with reference to managerial implications and further research steps.

The question of what really adds value in consumer wine perception is in accordance to the insights of Wiedmann et al. (2007, 2009) defined in this paper through the existence of four latent value dimensions: the *financial value* of wine, the *functional value* of wine, the *individual value* of wine and the *social value* of wine. These four consumption values are expected to drive purchase attitude and behavior, represented in our study by the construct of wine consumption. Within this context the *involvement* construct describes the perceived relevance of a specific product – in our case wine – derived from inherent needs, values and interests.

To measure the dimensions of value-related consumer attitudes and behavioral effects on wine consumption focusing on Generation X and Generation Y consumers, we relied on already existing and tested measures. All items were specified to a wine consumption context and rated on five-point Likert scales (1 = strongly disagree to 5 = strongly agree). The questionnaire was pre-tested with 50 respondents of both consumer groups to ensure the quality of the items used against the backdrop of our conceptual model and related hypotheses. To investigate the research model, we conducted 215 personal interviews in Germany with regular wine consumers representing the Generation X and Y. In our exploratory study context of examining the drivers and outcomes of wine consumption based on a cross-generation sample, we conducted a PLS path modeling analysis with case-wise replacement and a bootstrapping procedure (individual sign changes; 215 cases and 1000 samples) to test our hypothesized structural relationships.

Referring to the whole sample, the latent variables financial value, functional value, individual value, social value and involvement reveal a positive relationship to the latent variable wine consumption. Besides, while the impact of all other customer perceived value dimensions was significant for the Generation X sample, for the Generation Y sample, no significance could be found in the positive relations of financial, functional, and social value perception to wine consumption. In contrast to this, the positive impact of the latent variable wine involvement on wine consumption is only significant for the Generation Y sample. Consequently, it can be stated that Generation X consumers put significantly more emphasis on the different perceived value aspects regarded as a whole, whereas the product-specific involvement is of particular importance especially for Generation Y consumers.

Based on insights of the types of value consumers perceive in the context of wine consumption, successful management strategies should focus on the customer's subjective expectations and individual value perceptions to be able to deliver sufficient value. By addressing the specific value aspects that are highly relevant for consumer loyalty to the product or brand, winery owners and distributors can stimulate purchase behavior with appropriate campaigns that emphasize the most important value aspects. Besides, the differences in the perceived importance of the various antecedents of wine consumption can be used to segment the wine market accordingly.

*References Available Upon Request*

### **Session 8.3. Consumer Behavior: Sensory Marketing**

Room: Yarra #2

Session Chair: Leona Tam, University of Wollongong

#### ***Touching but with the Eyes Only! The Effectiveness of Textured Packaging and the Moderating Effect of Previous Tactile Stimulation***

Bruno Ferreira, Clermont University

Sonia Capelli, Clermont University

Olivier Trendel, Grenoble Ecole de Management

#### ***The Formation of Customer Engagement Behavior (CEB) in a Hedonic Service Setting***

Mark Pritchard, Central Washington University

Dan Funk, Temple University

#### ***Need for Touch and Multichannel Search and Purchase***

Roberto Manzano, Complutense University of Madrid

Magdalena Ferrán, Complutense University of Madrid

Diana Gavilán, Complutense University of Madrid

María Avello, Complutense University of Madrid

Carmen Abril, Complutense University of Madrid.

# **TOUCHING BUT WITH THE EYES ONLY! THE EFFECTIVENESS OF TEXTURED PACKAGING AND THE MODERATING EFFECT OF PREVIOUS TACTILE STIMULATION**

Bruno Ferreira, Clermont University, France  
Sonia Capelli, Clermont University, France  
Olivier Trendel, Grenoble Ecole de Management, France

## **ABSTRACT**

This study analyses the effectiveness of textured packaging and the moderating roles of tactile stimulation and an individual level variable, the NFT instrumental dimension. We show that touching a first product can fulfill the need for touch and potentially decrease or suppress the visual effect of texture of subsequent products.

# THE FORMATION OF CUSTOMER ENGAGEMENT BEHAVIOR IN A HEDONIC SERVICE SETTING

Mark P. Pritchard, Central Washington University, U.S.A.  
Daniel C. Funk, Temple University, U.S.A.

## INTRODUCTION

Looking back on decades of traditional marketing effort, the advent of social media and the digital interface has dramatically escalated opportunities for consumers to engage with brands and products. Broader access through technology not only enables consumers to acquire/share information more readily about themselves and the products they are interested in, but supports firm competencies for nurturing relationships and engagement with customers (Verhoef, Reinartz, and Krafft, 2010). Research on consumer engagement behavior (CEB) prioritizes developing insights on how consumers become involved with products, search for/share information and interact with brands. This is the focus of the current study, which proposes and tests a formative model of CEB in a hedonic service setting.

Adopting a strict behavioral stance Van Doorn et al. (2010) suggested CEB results from certain motivational drivers and reflects firm-related customer behaviors that move beyond the purchase transaction itself (e.g., word-of-mouth, recommendations, blogging, writing reviews, helping other customers). Explanations of customer engagement's roots are best understood through the lens of theories on interactive experience and the co-creation of value (Brodie et al., 2011). For example, in contrast to transactional "goods-dominant" views of marketing relationships, Vargo and Lusch (2008) articulate a broader, service-dominant logic to marketing relationships. Their perspective acknowledged the importance of CEB to the extent that multiple consumer behaviors were seen to result from a patron's interactive, co-creative experience with stakeholders (service personnel, firms, other customers etc).

According to Gronroos (2010), research on developing service relationships has a lengthy history. Consumptive differences across types of service suggest some contexts may offer a richer stage for examining how consumer relationships develop over the course of a service encounter (Arnould and Price, 1993; Verhoef, Antonides, and deHoog, 2004). Typically consumed for the purpose of affective gratification, hedonic service settings like professional sport offer an attractive study environment. Managers in this sector are often challenged to augment their core with value-added benefits that expand opportunities for customer to engage (Hightower, Brady, and Baker, 2002). The need to understand why fans engage has provoked some work. However, broader inquiries across a spectrum of CEB's are sorely needed.

Specific work on one facet of CEB, customer word-of-mouth (WOM), corroborates this behavior's level of influence. Bughin, Doogan and Vetvik (2010) for instance noted it as one of the top three factors prompting product consideration throughout the consumption process (initial consideration set, alternative evaluation, purchase). Many suggest WOM leads to a healthier bottom line for firms, and knowing what drives this type of engagement has been the focus of several studies. Consumer satisfaction, performance perceptions and brand commitment have all been linked to customers sharing positive information (Brown et al., 2005). According to Van Doorn et al. (2010), other antecedents like individual consumer traits or firm-based characteristics also act as "motivational drivers" of both the likelihood and level of CEB.

An attitude of involvement, interest or importance that consumers ascribe to services (Varki and Wong, 2003), is well known as an influential factor behind how and why consumers process information and respond to stimuli. In sports Beaton et al. (2011) found involvement stemmed primarily from three factors: (i) the centrality of a sports activity to a consumer's life, (ii) the symbolic value they associate with it, and (iii) the pleasure they derived it. When consumers attach meaning in this manner they become "product enthusiasts", ardent consumers of related media and predisposed to participate in an array of CEBs.

Noting the stability of the trait some redefined it as enduring involvement (Havitz and Howard, 1995). Others delineated the construct's temporal nature further making way for situational involvement (Richins and Bloch, 1986). Although enduring involvement (EI) describes an ongoing level of importance or interest in a product, situational involvement (SI) reflects a temporary spike in one's interest level due to a specific event or situation. Researchers argue that SI represents a mindset--a temporary concern that is aroused by a particular need or cause such as perceived risk. Both EI and SI are thought capable of generating consumer engagement responses. Based on earlier work, Richins, Bloch, and McQuarrie (1992) adapted a behavioral estimate of involvement responses. This incorporated two key CEB categories where consumers (i) acquire product information from media or interpersonal sources, or (ii) share or disseminate information about a product with others. A spectator example of this type of engagement is evident when fans choose to search for information about a sport online



and then actively share that information with others (e.g., knowledge, game-day experience). Several consumer studies have explored how both forms of involvement combine to affect responses. Richins et al. (1992) hold EI correlates with SI in its impact, whereas Burton and Netemeyer (1992) contend EI first fuels SI before both affecting behavioral responses. Knowing how EI and SI work together is a key issue for those managing sports events, as it helps practitioners strategize over how best to prompt responses in fans (e.g., WOM, merchandise consumption, media use).

Like EI and SI, identification with a team is also viewed as formative factor to CEB that can determine the intensity and frequency of engagement. Brown et al. (2005) noted the role of commitment in prompting engagement behavior. Work in sports on ID is conceptually akin (Pritchard et al., 2010), as highly identified fans hold a strong sense of commitment and oneness with the team (Mael and Ashforth, 1992) that readily translates into self-representation behaviors (e.g., wearing team merchandise). Our study depicts ID as related to EI, yet with direct impact on SI and CEB. As a formative driver of customer engagement, situation involvement at a sporting event is expected to increase due to personal interest in the sport, the service encounter (game experience), and the level of identification and personal attachment one has to the team.

## METHODOLOGY

Prior discussion details a structural model with linkages between four factors, EI-ID-SI and CEB. EI and ID are viewed as antecedents that heighten SI and incite CEB, whereas, SI is believed to act as both a mediator of EI and ID and a moderator of CEB (Zhao, Lynch, Chen, 2010). Given the temporal nature of SI, a two-stage approach to sampling was employed to better understand the explanatory role of CEB's antecedents. Van Doorn et al. (2010) observed that little is known about how CEBs develop over time. The current study design accommodates this to some degree by asking fans to complete pre/post surveys. Fans were intercepted on two separate days, entering a baseball stadium in the western United States and asked to complete two surveys, one before the game began (pre), and the other after the 7<sup>th</sup> inning as the game concluded (post). This allowed the stability of the CEB model to be tested under different conditions, as fans responded prior to and following the 'ups and downs' of a game experience (Verhoef et al., 2004). Havitz and Mannell (2005) used two-stage sampling in their study to better understand fluctuations in EI-SI. One outcome of this approach is that a pre/post multi-group analysis can examine if SI plays a stronger role following a game-stimulus. EI and ID are thought to be relatively stable attitudes and links to CEB should remain constant despite game-day stimulus. One final multi-group analysis (i.e., fitting the same SEM to different subsamples) will be pursued. As data collection spanned two consecutive home games (a win and a loss) the structural sequence was examined under different performance conditions. While EI is thought to remain relatively stable over a season (Havitz and Howard, 1995), the effects of ID and SI on CEB may fluctuate as a result of the home team's win/loss performance.

Surveys measures used previously developed scales to capture the four constructs. Measuring EI and SI as distinct variables has been a challenge (Havitz and Mannell, 2005). For instance, discriminant validity concerns limited Burton and Netemeyer's (1992) work when they adapted the same involvement inventory to reflect both constructs. In the current study, EI was represented with a nine item scale (Richins and Bloch, 1986), whereas a 5-item measure of SI was adapted from Ratchford's work (1987). Team ID was captured using a 5-item scale from Mael and Ashforth's (1992) work, and the final construct (CEB) was assessed with 7-items that determine the extent to which fans acquired or shared information (Richins et al., 1992).

## RESULTS AND DISCUSSION

In all 333 fans completed the initial survey, 70% (n=235) of these completed the second section. The median age of respondents was 41 years, 53% of whom were male. Ninety two percent of the sample identified themselves as home team fans, who had on average attended six games over the course of the season. Exploratory factor analysis (EFA) of the data submitted provided an initial view of 26 scale items. A theoretically consistent solution emerged, where four factors (eigen values > 1.0) explained 66% of the variance in the data. Construct-item refinement followed using low communality estimates and factor loadings (<.50). to eliminate items. A final set of 16 items resulted from the process to represent all four constructs. Confirmatory factor analysis supported the measurement model (see  $\lambda$ 's). Positive construct correlations ranged from 0.39 to 0.76 (for EI $\leftrightarrow$ CEB). In each case, VE estimates exceeded  $\gamma^2$ , supporting each construct's discriminant validity. With reliable scales in hand ( $\alpha > .70$ ) the path structure was examined. Fit diagnostics shown in Table 1 supported the model,  $\chi^2 = 388.2$ ,  $df = 98$ ,  $SRMR = .04$ ,  $RMSEA = .07$  (Bagozzi and Yi, 1988). As hypothesized, EI ( $\beta = .70$ ) and to a lesser extent SI ( $\beta = .11$ ) were significant drivers of CEB. ID was not supported as a significant antecedent ( $\beta = .02$ ). The mediating role of SI in the sequence was also tested (Zhao et al., 2010). A nested, direct effects model framing SI as a simple moderator failed to improve fit. In fact the original model was more parsimonious (supporting 4 of 5 paths compared to 2 of 3) than its nested

alternative. Multi-group analyses in Table 1 also supported the CEB model. However, the win/loss game experience disrupted the degree to which some of the antecedents explained engagement. T-tests indicate a winning game positively confirmed expectations and led to stronger levels of satisfaction in fans ( $t = -15.7$   $df$  233,  $p < .01$ ;  $t = 5.3$   $df$  233,  $p < .01$ ).

**Table 1 SEM path results and multi-group analyses**

Construct Relationship	Total Group	Pre/Post Groups	Win/Loss Groups
<u>Direct Effects (<math>\beta</math>'s)<sup>a</sup></u>			
Enduring Inv. → Situational Inv.	.27	.29/.23	.40/.11
Enduring Inv. → CEB	.70	.78/.61	.70/.70
Team ID → Situational Inv.	.23	.26/.20	.11/.37
Team ID → CEB	.02	.07/.01	.01/.03
Situational Inv. → CEB	.11	.08/.12	.06/.12
<u>Correlations (<math>\gamma</math>'s)</u>			
Enduring Inv. ↔ Team ID	.60	.62/.58	.54/.67
<u>SMC's (<math>R^2</math>)</u>			
Situational Inv.	.20	.25/.15	.22/.21
CEB	.58	.77/.43	.56/.61
<u>Model Fit</u>			
$\chi^2$	388.2	493.4	571.8
$df$	98	196	196
RMSEA <sup>b</sup>	.07	.05	.06
SRMR <sup>b</sup>	.04	.04	.04
Sample Size	470	235	244/226

Values in bold,  $p > .05$ . <sup>a</sup> Standardized regression coefficients. <sup>b</sup> 2-index test to support fit.

The results of this research confirm an account of CEB's formation in spectators. Most of the model's (pre/post) explanatory relationships appear stable across the duration of the service encounter. Surprisingly ID was not a significant factor, as EI was the dominant driver behind why fans acquire and share information. Situational effects did account for a part of engagement. However, this was primary the case toward the end of the service encounter (pregame link from SI was not significant). R squared values did find that the model's post-game explanations of CEB were less effective ( $R^2_{\text{post}} = .43$ ), which suggests other factors occur or are unaccounted for. Some might argue that the "magic" of the social context of encounter (camaraderie etc) is not fully considered by the involvement facets used here (Arnould and Price, 1993). Other weaknesses exist, for instance distinguishing pre-game from post-game attitude may prove arbitrary, as some researchers contend the consumptive experience begins far sooner than when you arrive at the stadium (Verhoef et al., 2004). Another perplexing finding was that ID did not figure in CEB's explanation. Ascertaining if measurement issues are a potential confound is a worthy follow-up. Indeed work on a behavioral index that considers valence, wider forms/modalities, scope and impact of CEB could add a lot more depth to any subsequent inquiries. In the context of automobile dealerships Brown et al. (2005) noted how factors like commitment intervene to moderated links to WOM. This study tackled a limited number of antecedents, which leaves much work to be done, including testing of other context-based and firm-based antecedents detailed in VanDoorn's et al. (2010) conceptual model.

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## NEED FOR TOUCH AND MULTICHANNEL SEARCH AND PURCHASE

Manzano, R. Complutense University, Spain  
Ferrán, M. Complutense University, Spain  
Gavilán, D. Complutense University, Spain  
Avello, M. Complutense University, Spain  
Abril, C. Complutense University, Spain

### ABSTRACT

This paper firstly analyses the relationship between the consumer's need for touch and the channels used during search and purchase stages. The focus will be the fashion industry, characterised by offering highly hedonic products, where great importance is placed on the sense of touch. Secondly, the moderating effects produced by the type of touch (autotelic / instrumental) and by the types of shopping task (goal-oriented / experiential-oriented) are also analysed.

Results show that autotelic NFT becomes delimited by, and subordinated to, the instrumental one, as in the configuration of the overall NFT, high levels always involve a high instrumental dimension without which they do not occur. The instrumental NFT dimension defines both the online purchase, with its lowest values, and the use of physical channels, as it has values as high as those related to the autotelic one. The instrumental NFT dimension prevails over the autotelic one, both for goal-oriented and experiential consumers. Regarding multichannel shopping, those consumers who search or buy on the Internet show a lower level of NFT, both overall and in its two dimensions, compared to those consumers who choose physical channels. This is particularly noticeable in relation to the purchase phase.

#### **Session 8.4. Sport Sponsorship**

Room: Clarendon A

Session Chair: Aila Khan, University of Western Sydney

##### ***Differences in Effect of Sport and Non-Sport Sponsorship on Sponsor's Employees***

Aila Khan, University of Western Sydney

John Stanton, University of Western Sydney

##### ***A Multi Criteria Decision Analysis Approach to Measure the Effectiveness of Sports Sponsorship***

Mine Isik, Istanbul Technical University

Ozay Ozaydin, Istanbul Technical University

Sebnem Burnaz, Istanbul Technical University

Ilker Topcu, Istanbul Technical University

##### ***An Examination of Conditions that Moderate Negative Effects of Sponsorship Terminations on Fan Attitudes toward the Former Sponsor***

Reinhard Grohs, University of Innsbruck

Kim Kopfer, WPP GmbH

David M. Woisetschläger, Technische Universität Braunschweig

# DIFFERENCES IN EFFECTS OF SPORT AND NON-SPORT SPONSORSHIP ON SPONSOR'S EMPLOYEES

Aila Khan, University of Western Sydney Australia  
John Stanton, University of Western Sydney Australia

## INTRODUCTION

Corporate sponsorship has long been regarded as a growing communication tool (Olson 2010), with worldwide spending reportedly exceeding \$48 billion in 2011 alone (IEG 2012). Corporate sponsorship is differentiated from other forms of organisational altruism, as it is defined as “an investment in cash or kind in an event, team or person, in order to secure sponsor’s access to the commercial potential associated with that selection” (Meenaghan 1983; p.9). Thus, the definition implies the expectation of a benefit or a return to the sponsor.

The value to a sponsor flows from targeted publics (Harvey 2001) recognising and developing positive attitudes towards the sponsor’s association with the property. Sponsors may seek to inform different audiences about their sponsorship activity. These may include consumers, channel members, financial institutions, government, community and employees (Gardner and Shuman, 1988). This sponsorship-linked marketing to targeted audiences has been broadly divided into consumer and non-consumer-focused (Cornwell, Weeks and Roy 2005) but there is negligible research on the latter, specifically on how employees react to their employers’ sponsorship activity.

While it is alleged that two-thirds of all sponsorship spending is directed towards sports (Crompton 2004; Verity 2002), a range of sponsoring alternatives are now available for organisations to choose from – e.g. arts and cultural events (Quester and Thompson 2001; Oakes 2003), community and charitable sponsorships (Dean 2002). While Meenaghan and Shipley (1999) foresee sponsorship management consequences for different sponsorship categories, no study has investigated the effects of different types of sponsorship on employees as internal audiences. This paper examines the effects of different sponsorship categories on the sponsors’ employees. Specifically, it investigates whether employees of organisations sponsoring sport-related properties have more positive attitudes and behaviours towards their employers, as compared to employees of organisations involved in non-sport sponsorships.

## LITERATURE REVIEW AND HYPOTHESES

Researchers acknowledge that corporate sponsorship can play a role not just in creating an external but also an internal image for the firm (Alexander 2009; Pichot, Julien and Burlot 2009). Examining the internal effects of corporate sponsorship, Grimes and Meenaghan (1998) stress that the values associated with a sponsorship activity reside in the perceptions of the internal audience. Thus, employees may transfer different values to their employer based on their perceptions of the sponsorship activity. For instance, in the same study Grimes and Meenaghan (1998) report ‘pride’ amongst 80 per cent of the bank employees at all ranks of the organisation. In comparison, the same Bank’s support for a high-profile art event also resulted in strong, positive responses, but these were particularly high amongst the low to middle rank officials and female employees.

A handful of studies investigating employee audiences conclude that engaging in corporate sponsorship may help an organisation in staff recruitment, retention and engagement (Hatch and Schultz 1997; Gardner and Shuman 1988; Shimp 1993) with sponsorship helping to improve employee perceptions, attitudes and behaviour (Hickman, Lawrence and Ward, 2005). Balance theory (Heider 1958) has been used in research on sponsorship (Dean 2002; Crimmins and Horn 1996), and can be helpful in understanding employees’ attitudes towards an employer’s sponsorship programme. This theory is especially useful in addressing a triad situation (Choi and Wu 2009) of sponsor, sponsored property and employees. If employees already hold pre-existing positive attitudes towards a sponsored property (e.g. a local community event), then the employer’s support for the property will also be evaluated positively as individuals seek harmony in their beliefs. On the other hand, negative associations regarding a sponsored property (e.g. an event which is seen to be biased in its team selection), may lead to negative views towards the employer. An understanding of such effects may have consequences in the sponsorship-selection process (Aguilar-Manjarrez, Thwaites and Maule 1997), as employees may unintentionally play the role of influencers in the sponsorship-selection.

Sponsorship objectives may vary between sponsors in line with their involvement in different types of sponsorship (Hoek, Gendall and West 1990). This is not surprising since different sponsorship categories attract different audiences, who are



exposed to different levels of the sponsored properties' media coverage. Meenaghan and Shipley (1999) found each sponsorship category carries its own image values which get transferred from the property to the sponsor. For instance, it was found that the level of goodwill associated with different sponsorship categories varied. Exploiting the association with a social cause, for instance may result in greater offence than promoting a partnership with a sports property (Meenaghan and Shipley 1999). Sponsorship of arts, music and leisure events has been viewed as a means of embedding brands in cultures (Holbrook and Hirschman 1982) and provides an element of experiential consumption (Hackley and Tiwsakul 2006).

While employees of a sponsoring organisation are recognised as a potential audience, there is a dearth of research on the effects of different types of sponsorship on them. Knowledge of effects of different sponsorship categories on employees can provide guidance on the selection and management of a sponsorship portfolio - not only to fulfil external objectives but to be able to develop better internal marketing strategies to achieve sponsorship-based internal objectives.

Hoek, Gendall and Sanders (1993) found that sponsors of sports events have increasingly used sales objectives along with communication objectives in their sponsorship programs – unlike the sponsors of cultural activities. With such a strategy in mind, it is assumed that sports sponsors are possibly more actively involved in leveraging the sponsored relationship by undertaking both external and internal sponsorship-linked marketing activities.

Drawing from the relevant literature five attitudinal and one behavioural construct were studied. The argument that employees may respond attitudinally and behaviourally to a firm's sponsorship strategies has links to social identity theory (Turner 1987; Tajfel and Turner 1979). According to this theory, people identify more strongly with a group that they consider to be important and attractive. If employees find that the attributes and characteristics of their organization are similar to what they consider to be important, such employees are able to identify strongly with their employers. Considerable research has been done to link a company's identity attractiveness (IA) with its corporate social responsibility programs (Lichtenstein, et al., 2004). Similarly, a company's sponsorship of a local club, for example, may be seen as a socially responsible activity that increases the company's identity attractiveness level. Employees identify more strongly with organizations they perceive to be supporting activities which are important to them or their community.

This research investigated differences in beliefs and attitudes of employees towards sponsorship in general (H1). It also compared differences in employees' attitudes towards their employers' own sponsorship program (H2), sponsorship-linked perceived external prestige (H3) and sponsorship-linked organisational identification (H4). Perceived external prestige (PEP) has been defined as 'employees' perceptions of how the outside world views their organization' (Bartels et al 2006, p.176). Organisational identification (OI) is reflected in the way individuals define themselves to be members of an organization (Ashforth and Mael, 1989); the degree to which a member defines their self by the same attributes that define the organization (Dutton et al., 1994; p.239). Sponsorship-linked PEP can encourage employees to identify strongly with their employer: they may feel proud to be associated with an organization which sponsors a community event or that the organization is being a good corporate citizen and has socially valued characteristics (Dutton, et al., 1994). Corporate sponsorship may bring positive publicity for the firm and thus, organizational members may feel inclined to bask in the firm's reflected glory (Cialdini et al., 1976 cited in Fuller et al., 2006).

Differences in employees' organisational citizenship behaviours (OCBs) were examined for sport sponsors and non-sport sponsors (H5a-e). OCBs have been defined by Organ (1997; p.91) as 'behaviours which maintain and enhance the social and psychological context and thus support task performance'. Different researchers have proposed looking at a number of different dimensions of the OCBs. However, the most acknowledged OCB dimensions are those put forward by Organ (1988): Altruism; Courtesy; Sportsmanship; Civic Virtue; Conscientiousness.

## **METHOD, DATA ANALYSIS AND RESULTS**

This study sought to obtain responses from a sample of employees from organisations involved in sport and non-sport sponsorships. Employees were recruited from a large Australian online panel data base, screened to ensure key criteria for eligibility: over 18; currently employed in an organization engaged in corporate sponsorship and; respondent awareness of that activity. Respondents were asked to indicate the type of sponsorship their employer was involved in. Options were provided which included sports, cultural, festive occasions (e.g. Carols in the Park), charitable organisations, community services (e.g. supporting the Rural Fire Service), awards and seminars or workshops. Respondents were also able to add to the list of sponsorship types, and could choose as many options as were relevant. Four hundred and five quota-sampled responses were acceptably completed. A total of 246 employees identified their employers as sponsors of a sport-related property (i.e. a sports event, team or athlete); while 159 employees worked in organisations which sponsored non-sport



related properties. Since our objective is to compare the effects of different types of sponsorships on the sponsor's employees, an independent samples t-test was undertaken to determine any significant differences.

**Table 1 T-test results: differences in internal effects of sport and non-sport sponsorships**

Variables	Hyp.	Mean (sport)	Mean (non-sport)	t-values	p-values
(Pre-existing) Belief and attitudes towards sponsorship in general	H1	3.40	3.36	-0.644	0.520
Attitudes towards employer's sponsorship	H2	3.44	3.44	0.038	0.970
Sponsorship-linked Perceived External Prestige	H3	3.45	3.33	-1.658	0.098
Sponsorship-linked Organisational Identification	H4	2.93	2.86	-0.830	0.407
Conscientiousness	H5a	3.84	3.86	0.149	0.882
Courtesy	H5b	3.47	3.51	0.788	0.431
Altruism	H5c	3.33	3.34	0.247	0.805
Sportsmanship	H5d	2.97	3.04	0.982	0.326
Civic Virtue	H5e	2.15	2.14	-0.102	0.918

Table 1 gives the main findings. There are no significant differences for any of the examined constructs in sports and non-sport sponsorship categories.

While the average sport-sponsors' employee ratings for pre-existing beliefs and attitudes towards sponsorship in general are higher than the non-sport sponsors' employees, this difference is not significant. This could be due to the reason that employees, whether representing a sport or a non-sport sponsoring organisation belong to the same cohort.

Why were no statistically significant differences found between the attitudes of employees of sports sponsoring firms and employees in firms engaged in other types of sponsorship? One possibility is the level of development of the sponsorship market in Australia, compared with the USA, the main source of extant research. Sports sponsorship in the USA is regarded as being 'mature, experienced and sophisticated' (Quester, Farrelly and Burton 1998). In comparison, the link between sports and business in Australia is more recent. Researchers have labelled the level of sophistication, experience and familiarity of the Australian sponsorship market as 'moderate to low' (Quester et al. 1998; p. 117). It is assumed that organisations which have had greater experience in dealing with sponsorship, would have learnt how to gain more leverage from their sponsorship expenditures by investing in sponsorship-linked activities. In line with the argument presented by Quester et al (1998), it can be assumed that due to the lack of sophistication amongst Australian sponsors, sports-related sponsorships have still not been exploited fully.

Results from our study may also be interpreted in another way. The literature has a strong focus on sports sponsorships primarily because this sponsorship category is seen as an effective carrier of strong images to a large international audience (Abratt et al. 1987; Ferrand and Pages 1996). Moreover, the involvement and identification of fans with a sport property is also seen to result in favourable outcomes (Gwinner and Swanson 2003). A focus on the potential of other sponsorship categories (e.g., cultural and charitable sponsorships) is warranted. Findings from our study do not show any significantly different employee responses to different types of sponsorships. This shows that employees could evaluate their employers' sponsorship program the same way, irrespective of any sponsorship category. In fact, Ryan and Blois (2010) claim that all sponsorship relationships are dependent on the daily 'interaction of boundary spanning agents' (p. 614). Sponsoring firms' employees could undertake their roles and have a business relationship with employees representing the sponsored property. Over a period of time, it is possible for these professional ties to develop into personal and friendship relationships, which could bring further value to any sponsorship program.

## IMPLICATIONS, LIMITATIONS AND FURTHER RESEARCH

Most of the work associated with sponsorship measurement has been undertaken with reference to consumer audiences. This project is one of the few studies to focus on the measurement of sponsorship effects on the sponsor's employees. While findings from this study did not reveal any significant differences in employees' sponsorship-linked attitudes and behaviours, the results show that corporate sponsorship has an impact on internal audiences. Thus, an organization may wish to involve employees in sponsorship selection and to sponsor activities that their employees also value. An employer could also encourage their employees to become involved in the sponsorship activity, perhaps by volunteering their time.

This paper does not discuss all aspects of the study. The data for this research was collected by using an online panel, which comes with its own associated issues (McDevitt and Small 2002; Dennis 2001). The self-report nature of this study is a limitation, especially with reference to the measurement of the OCB construct. One cannot rule out the possibility of respondents answering in a socially desirable manner. As this study focussed on employees who were aware of their employer's sponsorship activity, we could not address how many employees remain unaware of their employer's sponsorship activity. Moreover, this paper only reports results by employing the independent samples t-test, which can only be used in comparing two groups. It is recommended that in future comparisons be made between employee responses with reference to different types of sponsorship categories. Moreover, future research could also focus on comparing how firms involved in sport and non-sport sponsorships integrate their internal and external marketing strategies to achieve sponsorship-related objectives.

Note: References available on request

# **A MULTI CRITERIA DECISION ANALYSIS APPROACH TO MEASURE THE EFFECTIVENESS OF SPORTS SPONSORSHIP**

Mine Isik, Istanbul Technical University, Turkey  
Ozay Ozaydin, Istanbul Technical University, Turkey  
Sebnem Burnaz, Istanbul Technical University, Turkey  
Y. Ilker Topcu, Istanbul Technical University, Turkey

## **ABSTRACT**

This study offers a model which is able not only to measure the success of sponsorship but also fill the gap of a guide for the decision makers who are about to make sponsorship agreement. It investigates the jersey sponsors of football, men's basketball, and women's basketball of three major sports clubs in Turkey. Two separate surveys were conducted in the context of the study. The first was to prioritize evaluation criteria and applied to experts, sports managers, and company executives. The second was to determine the most appropriate sponsorship match between sports clubs and jersey sponsors as perceived by the fans. The fan survey was distributed both print and online, which was also advertised in sports newspapers and forums of fan clubs of the investigated teams. In the proposed model, the importance that was driven from the AHP was used in the TOPSIS method in order to evaluate the sponsorship matches.

## **INTRODUCTION**

Companies from almost every business face a fiercely competitive economy in their respective environment. New markets emerge even in many different cultures in the globalizing world, creating new opportunities for companies. As a result, it becomes obvious that the companies must pay more attention to marketing investment they make. One of the ways to reach new markets is sponsorship investment.

The most referred definition for sponsorship is Meenaghan's (1983): "The provision of assistance either financial or in kind to an activity by a commercial organization for the purpose of achieving commercial objectives". Also, according to Cornwell (1995), sponsorship is "The orchestration and implementation of marketing activities for the purpose of building and communicating an association to a sponsorship". The practitioners in business sector define sponsorship in a different way than that of the academicians. For instance, International Events Group (IEG) defines sponsorship as "a cash and/or in-kind fee paid to a property in return for access to the exploitable commercial potential associated with that property" (Soderman and Dolles 2010).

The main reason why the companies involving in sponsorship are not able to measure the success of this investment is the absence of exact definitions of the objectives. There is a huge variety of motivations underlying this investment decision. In general, researchers avoid specifying the objectives and they prefer to give a definition which includes all possible results of a sponsorship activity. As an example, the reasons defined by Abratt et al. (1987) are: community relations, company's image, corporate responsibility, and brand awareness. In support of this definition conducted by Grobler and Abratt (1989), according to the report which IEG published in 2009, main reasons of sports sponsorship are increasing brand loyalty, followed by raising awareness level.

Also Brooks (1994) contends that the overall goal of sponsorship was to encourage potential consumers to move forward in a decision-making process ranging from awareness to post-purchase evaluation. Some researchers prefer to conduct survey within the companies so as to set out the motivations of sponsorship. Kuzma et al. (1993) conduct a survey with the companies in Fortune 1000 list. They find that increased awareness of the company was the first reason to participate in sponsorship. Thwaites and Carruthers (1996) also conduct a similar survey just for the sponsors of rugby teams. Companies are given twenty objectives to rate among which the most popular ones are: increase public awareness regionally, alter public perception of company, enhance company image, and increase target market awareness. According to these studies, the most important reason why companies engage in sponsorships is "increasing the public awareness".

Sponsorship objectives are classified by some researchers. Cornwell (1995) narrows down the sponsorship motives into two categories: corporate and marketing. Corporate objectives are defined as those dealing with financial institutions, government and employees, while marketing objectives are related with consumers. On the hand, Sandler and Shani (1993) add media objectives which can shortly be defined as cost effectiveness while reaching target markets.

As sponsorship is capable of performing many marketing communications functions, it has the potential to become “the marketing communications tool for the 21st century” (Tripodi 2001). Furthermore, many researchers advocate sponsorship as a very cost effective advertising tool (Lee et al. 1997; Lyberger and McCarthy 2001; Meenaghan 1991). Meenaghan (1991) mentioned that there is an opportunity of getting more media coverage of sponsored events. Legislative factors also caused an increase in sponsorship investments such as the ban of cigarette and alcohol advertising. Beside the academic literature, the records from the practitioners also emphasize the increasing importance for the future prospects of sponsorship. Global outlays for sponsorship were \$37.7 billion in 2007 according to the IEG report (Lee 2008). Also in June 2008, Pricewaterhouse Coopers estimated global expenditure reaching \$42.7 billion for the preceding year (Aitchison 2009). Moreover, it is predicted that the market will reach nearly \$60 billion by 2012.

## **SPONSORSHIP IN SPORTS**

Companies choose to sponsor in a huge variety of types according to their corporate objectives such as: sports, arts, music, education, and charities (Tripodi 2001). As a result; sponsorship has become a vital part of funding for a wide range of sporting, artistic, and social events (Speed and Thompson 2000). Tripodi (2001) and Davies et al. (2006) emphasize that the most popular sponsorship type is sports sponsorship. While looking at the rates of sponsorship investments according to the types aforementioned, 65% of overall sponsorship is devoted to sports (Lee et al. 1997). Howard and Crompton (2003) indicate this share almost two thirds. Other researchers also put forward different shares of sports sponsorship such as 69% (Stotlar 2004), 75% (Bennett 1999), or 80% (Shanklin and Kuzma 1993).

Major reason of sports overwhelming superiority in sponsorships is linking company's brands to sport competitions, events, teams, and athletes (Kambitsis et al. 2002). The strong connection between the supporters and their teams is emphasized in the researches of Shanklin and Kuzma (1993) and Benekas (2007). This connection can even reach merits of being a member of family. The companies, by sponsoring a team can position their brands exactly where they want to be. This cannot be achieved so easily by sponsoring an arts or social event (Walliser 2003).

Due to the excess supply of the companies, they have to broaden their horizons to think globally because the markets of the developed countries have saturated. To sell the goods to emerging and under-developed countries, companies have to spread out all over the world. The crucial part of this process is to increase the exposure of brand to the new market. That's where the power of sports manifests, too. Cornwell (2005) defines sports sponsorship as a powerful tool due to an emotional relationship and more importantly, sport is not restrained by culture or language barriers. Moreover, Thompson (2001) asserted that sports sponsorship could overcome the challenges of cultural and linguistic obstacles in a global society compared to conventional advertising.

As the advances in telecommunications increased, the broadcasting of several sporting events gives sports an advantage of universal appeal (Kambitsis et al 2002; Wilson 1997). Beside the potential media coverage, as the interest in sports globally has increased, sports sponsorship has emerged as the form that provides sponsoring companies with the best chance of gaining a competitive advantage (Amis et al. 1999).

To understand the main reasons behind why the companies invest in sports, Witcher (1991) surveys 54 major corporations who were involved in sponsorship. When executives are asked why their company was involved in sports sponsorship, over the half of them answered the main reason as the promotion of corporate image. Other important reasons for their involvement in sports sponsorship included creating brand awareness and exposing the audience to the brand via television, radio and the press.

Armstrong (1988) conducts in depth interviews with over 80 executives whose companies participated in a sports sponsorship. The main two objectives are found as preferring to sponsor the sporting events for its cost effective feature and maintaining or improving the image of a company's brand or products. Amis (2003) emphasizes the same point stating that if sports sponsorship viewed as a strategic resource, it can support brand management objectives by enhancing brand image and reputation and by assisting the company to gain competitive advantage in targeted markets. Beside from the advantages of its nature, some environmental factors make sport an ascendant investment alternative. Because of its popularity, sports sponsorship developed by the involvement from the tobacco and alcohol industry too (Cornwell 1997).

There is no standardized or common measure of sponsorship success. A multi-criteria decision making approach can be utilized to answer the ultimate question of whom or what to sponsor.

## THE PROPOSED MODEL

The proposed model; in order to measure the effectiveness of sports sponsorship; investigates the jersey sponsors of football, men's basketball, and women's basketball of three major sports clubs in Turkey: Fenerbahce, Galatasaray and Besiktas. All three sports clubs have teams in football as well as men's and women's basketball, which are the most popular sport-types in Turkey.

### Identifying Criteria

The first step of the proposed model was to identify criteria for evaluating the effectiveness of sports sponsorship agreements. These criteria were mainly driven from the literature survey. The authors of this paper acting as decision analysts had three experts, whose research areas are sports sponsorship, sports marketing, and sports economy, construct a hierarchical structure by classifying the evaluation criteria. Table 1 displays the assignment of criteria by the experts to four main groups; namely Sport Type, Sponsor-Team Relation, Sponsor, and Team.

While some sport types create strong commitment, this may not always end up successfully in terms of sponsorship as the level of engagement varies according to the audience type. The effect of the sport type can be accessed on the basis of the following criteria.

- **Personal Liking for Sports:** If the target customers are not interested in that kind of sport, it will be useless to invest in sponsorship. As an example, in Turkey football is more popular than volleyball. However, if the company which is about to invest in sport has a product that address women rather than men, the right choice will be the women's volleyball by all means.
- **Popularity of the Sports Type:** It is strongly believed that sponsors consider the characteristics associated with that specific team. Although in each country the same sports may be played, the level of popularity perceived by society is quite different (Lee 2008). As a conclusion, companies prefer to invest in a sponsorship for teams in a popular sport type. Also, the popularity gives chance to get higher media coverage.
- **Status of the Sports Type:** Speed and Thompson (2000) consider the perceived status of the event as an important factor that has an effect on sports sponsorship response. The status of the sport type exactly gives information about the passion of fans that create vital difference for the investor.
- **Competitiveness Level:** The media coverage and the popularity of the sports team have a considerable impact on the sponsorship response. Aksar and Merih (2005) highlight that the profit the sponsoring company makes from the sponsorship is directly proportional to competitiveness level of the sports type.

The success of the sponsorship does not rely on only one stakeholder of the partnership but also the "sponsor-team relation". The criteria that affect the sponsor-team relation are given below.

- **Duration:** As, Walliser (2003) mentions, the success of sponsorship is affected by the duration of sponsorship agreement. The brand recall increases as the duration of the sponsorship increases. During sponsorship, sports fans are exposed to promotional messages under favorable conditions (Nicholls and Roslow, 1999).
- **Sponsor-Team Fit:** Martin (1994) analyzes the importance of effectively matching the image of the teams with the product or company. Moreover, Cornwell and Maignan (1998) emphasize the importance of the relation between the sports property and the brand. The relation is accepted to be more important than even the product category and the brand.
- **Sponsor-Team Identification:** Identification is the case when the supporters' attitude toward the sponsor is the same as they feel about their teams. For instance, Kim and Kim (2009) show that team characteristics affect team identification, which in turn plays a mediating role in sponsor identification.
- **Financial Support:** This criterion is a key element as finance is in the definition of sponsorship. If the supporters believe that the financial value of sponsorship is high then this type of investment has the capacity to create more attention, compared to other means of marketing and promotion.

The criteria influencing the "sponsor" effects are as follows.

- **Attitude toward Sponsor:** The research of Speed and Thompson (2000) support that there is a positive relationship between positive attitudes toward a sponsor and the willingness to consider that sponsor's product.
- **Sincerity of Sponsor:** The sponsors, who are perceived to be sincere in their sponsorship, will achieve superior responses to their sponsorship compared with the ones which aim only monetary success (Armstrong 1988). Sincerity of sponsor is related with the perception of consumers concerning the real intent of sponsor when involving in sponsorship.

- Ubiquity of Sponsor: Ubiquity stands for sponsoring “everything”; even competing teams or unrelated sport types. Companies that choose this strategy mainly aim for maximum visibility but it has devastating effect on the aforementioned “identification”, creating a dilemma.

Last but not least, the “team” cluster includes the following criteria.

- Fan Strength: With regard to fans’ behavioral reactions, Wann and Branscombe (1993) argue that highly identified fans are likely to show greater attendance and greater willingness to spend time and money to support the team.
- Team On-Field Performance: There are two main reasons why teams’ on field performance is important. Sportive success brings stronger connection with the fans which affect team identification and media coverage opportunity. Given the fact that sports programs takes high rating shares in media viewing in many countries, sport and media are highly interconnected (Lee 2008). Furthermore, for successful teams there is a chance of participating in annual continental competitions (i.e. UEFA Champions League, UEFA Europa League, FIBA Euroleague). Usually these additional games draw global media attention. In this case, additional media exposure is guaranteed (Lee 2008).
- Popularity of Team: Media exposure and sportive success brings “popularity”. The results of popularity are vital for the sports sponsorship response rate. In the case of sports sponsorship, it seems that media coverage is the major reason for a corporation to sponsor due to the display of brand, name or logo on jersey of the popular teams.
- Star Coach / Player: There is an assumption that star players and coaches have critical impact on sport teams (Lee 2008), in other words this intangible asset elevates the attractiveness of the sport team for which they are playing. Moreover, the celebrity status of coaches or players is believed to increase brand awareness for sponsors. Gladden and Funk (2002) show a relationship between players and team identification, but it is not an easy task to define who is a star coach or player as each culture produce different definitions of that “star” (Lee, 2008).

### Prioritizing Criteria

At the next step of the study, to determine the priorities of the evaluation criteria, Analytic Hierarchy Process (AHP) method was used. AHP, developed by Saaty (1980) in the early 1970’s is one of the most widely used multi-criteria decision making tools for complicated and unstructured problems. The AHP is a powerful and understandable methodology that allows groups or individuals to combine qualitative and quantitative factors when facing a decision making problem. It provides a comprehensive framework to cope with the intuitive, the emotional, and the rational at the same time. This method uses a hierarchical model; it organizes the basic rationality by breaking down a problem into its smaller constituent parts and then calls for only simple pairwise comparison judgments to develop priorities in each hierarchical level. AHP captures priorities from paired comparison judgments of the elements of the decision with respect to each of their parent element beyond the 1 to 9 range. Then paired comparison judgments are arranged in a matrix and the priorities are derived from this pairwise comparison matrix as its principal eigenvector.

At this step, the authors interacted with a wider group of experts including also sports club managers and company executives and asked them to make comparisons using criteria pairs. Expert Choice software package was used for the eigenvector calculations and the authors came up with the priorities of the criteria.

### Evaluating Alternatives

After identifying criteria and prioritizing them, the alternatives of the model should be analyzed. The alternatives selected for this model were the sponsorship pairings of three major sports clubs competing in Turkey and their respective sponsors:

- |  |            |
|--|------------|
| • Besiktas – Cola Turka football team                | (BJKCT-F)  |
| • Besiktas – Cola Turka men’s basketball team        | (BJKCT-MB) |
| • Besiktas – Cola Turka women’s basketball team      | (BJKCT-WB) |
| • Fenerbahce – AVEA football team                    | (FBA-F)    |
| • Fenerbahce – Ulker men’s basketball team           | (FBU-MB)   |
| • Fenerbahce – Aras Cargo women’s basketball team    | (FBAC-WB)  |
| • Galatasaray – Turk Telekom football team           | (GSTT-F)   |
| • Galatasaray – Café Crown men’s basketball team     | (GSCC-MB)  |
| • Galatasaray – Turk Telekom women’s basketball team | (GSTT-WB)  |

Cola Turka, Ulker, and Café Crown are leading companies in Turkish food industry whereas Turk Telekom and Avea are telecommunication companies. Finally, Aras Cargo is a logistics services company.



TOPSIS (Technique for Order Preference by Similarity to Ideal Solution) method was utilized to evaluate the alternatives representing the sponsorship matches between sports clubs and jersey sponsors. The principle of TOPSIS is to choose the alternative, which should be the closest one to the ideal solution as possible and as far from the negative-ideal solution as possible (Kahraman, 2008). TOPSIS views a MADM problem with  $m$  alternatives and  $n$  criteria as a geometric system with  $m$  points in the  $n$ -dimensional space (Hwang and Lin., 1985). Alternatives are placed in the rows of a decision matrix and criteria are placed in the columns. Entries of the matrix represent the performance value of alternative with respect to the criterion. First, normalization is made to obtain comparable scales. Then normalized values are weighted by using the priorities of the criteria. Positive ideal and negative ideal solutions are extracted from weighted normalized decision matrix and Euclidean distances of each alternative from the ideal solutions are calculated. Ranking of alternatives based on the relative closeness to the ideal solutions is revealed.

To assess the performance values of alternatives with respect to criteria for the TOPSIS decision matrix, a survey was conducted to collect data from fans of the investigated sport clubs. The questionnaire form was distributed both print and online. Fans are invited to participate in the survey by the announcements made in the forums of the fan clubs of three sports clubs and also in some major sports newspapers. In a period of one month, a total number of 2451 usable questionnaires were collected. 41% of responses came from online participants and the remaining 59% were paper based responses.

## FINDINGS

According to prioritization results, sport type effect plays the most important role with a relative importance of 32.5%. Then, sponsor-team relation effect gets the second highest importance level with the score of 24.7%. Finally, two criteria groups having relatively close importance appear; team effect (22.1%) and sponsor effect (20.7 %). They can be considered as the least important criteria groups (Figure 1).

By looking at the findings in Figure 2, it can be inferred that the harmony between the sports teams and the sponsor can fill the gap of prejudice towards a company. The popularity and status of the sport type can create a positive attitude toward company and its product. Additionally, it should be stated that the attachment strength of supporters to their teams plays a pivotal role on the success of the sponsorship. Popularity of sports type is the most important (37.4%) criterion of sport type effects cluster, followed by the personal liking for sports (25.4%).

When sponsor-team relation effects are taken into consideration, the most important criterion is found as duration with an importance of nearly 36.0% as can be seen in Figure 3. What is interesting here is that, the effect of sponsor-team identification gets the lowest score with 17.4% importance.

Figure 4 displays the dominance of the attitude to the sponsor over sincerity and ubiquity with an importance of 63.9%.

Popularity of team (35.8%) and team on-field performance (31.1%) are regarded as the most influential team effects criteria (Figure 5).

When alternatives are evaluated with respect to the corresponding criteria, the rating scores from survey results are found. According to the results shown in Figure 6, sponsorship pairings related with football teams as well as Fenerbahce basketball men's team get higher scores than other pairs.

## CONCLUSIONS AND FURTHER SUGGESTIONS

This study mainly focuses on the three most important sport-types in Turkey, and the results show that the sport-type does in fact have an effect on sponsorship effectiveness as football-sponsorships take the first, the third, and the fourth place, while men's basketball sponsorships taking the second, the fifth, and the seventh. The only exception here was created by Fenerbahce Men's Basketball – Ulker, as it is the only sponsorships that surpass their counterparts and perform in league with the more popular sport-type. This clearly indicates the importance of Sponsor-Team relation on effectiveness of sponsorship and the level of commitment. Although football is the most popular sport in Turkey and the sponsorship pairs related with football teams are getting higher scores, Fenerbahce Men's Basketball team – Ulker sponsorship takes second place, proving that the relation between sponsor and team can even overcome the popularity of sport type and create a winning scenario in the business perspective.



Turk Telekom makes an investment in order to build a football stadium called “Telecom-Arena” for Galatasaray sport club. The sponsorship that cost 102.5 million\$ means one of the greatest money paid within the Turkish Sponsorship History ). So naturally, this partnership is given higher scores by Galatasaray supporters. Then, it would be wise to mention that for further researches, the effect of other sponsorship agreements on the present sponsorship success also should be taken into account.

Among main evaluation criteria; “sport type effects” is assessed as the most important one. Within sport type effects cluster, popularity of the sports type; within sponsor-team relation effects cluster, duration; within sponsor effects cluster, attitude to sponsor; and within team effects cluster, popularity of the team are regarded as the most important criteria. To justify the importance of popularity, Cornwell’s (2005) study offers an excellent example. Cornwell analyzes the net economic value of major-league sports official product sponsorships by considering the stock prices of sponsoring companies. The results of the Cornwell’s research point out that stock market investors perceived official sponsorship positively also the team’s on field performance has a multiplied effect on it. By combining our finding with Cornwell’s, we can come up with a conclusion that a firm can utilize the positive effect of sponsoring a popular team since popularity is found to be more important than team’s on field performance.

Only three sport types were compared in this study by assessing the most popular sports clubs. This creates an opportunity to expand the research by taking other sport types into consideration (i.e. volleyball) to create an even broader point of view, as companies would like to evaluate other options as sponsorship in more popular sport types naturally require more financial resource.

The multi criteria decision approach proposed in this study can also be used for other types of sponsorship, where only modifications at the decision model are needed. Also, this study uses data collected mainly based on the perceptions of the fans. While rating probable sponsorship pairings, some of the factor rates may include objective scales such as in the measurement of competitiveness level.

Finally, it can be concluded that, the research area in sports sponsorship can dive into many branches. In recent years, many companies were sponsoring sports clubs without clearly measuring their sole impact and effectiveness to their brand or corporate reputation. As companies start to understand the real importance of sponsorship, the need for accurate measure of effectiveness will increase. This study aims to be a starting point to meet this demand and can be expanded accordingly.

## TABLES

Table 1: The Determinants of Sports Sponsorship Success

Criteria Groups	Criteria
Sport Type	Personal liking for sports
	Popularity of the sports type
	Status of the sports type
	Competitiveness level
Sponsor-Team Relation	Duration
	Sponsor-team fit
	Sponsor-team identification
	Financial support
Sponsor	Attitude toward sponsor
	Sincerity of sponsor
	Ubiquity of sponsor
Team	Fan strength
	Team on-field performance
	Popularity of team
	Star coach / player

## FIGURES

Figure 1: Importance of Main Criteria

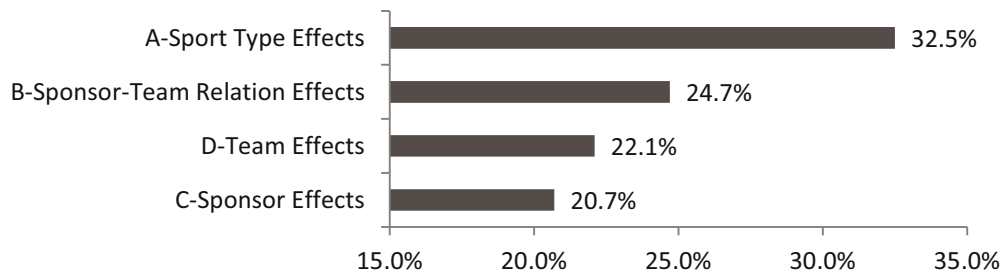


Figure 2: Importance of Criteria of Sport Type Effects

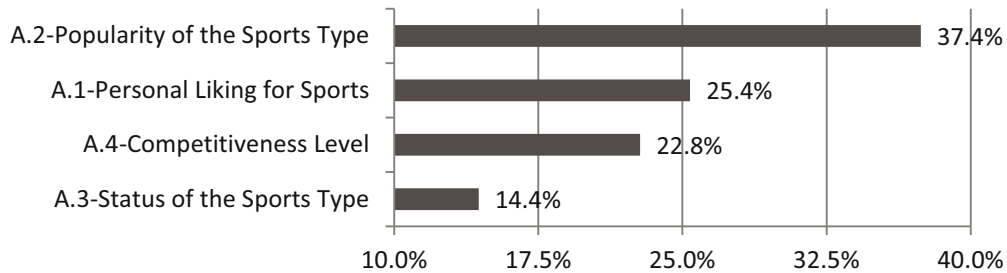


Figure 3: Importance of Criteria of Sponsor-Team Relation Effects

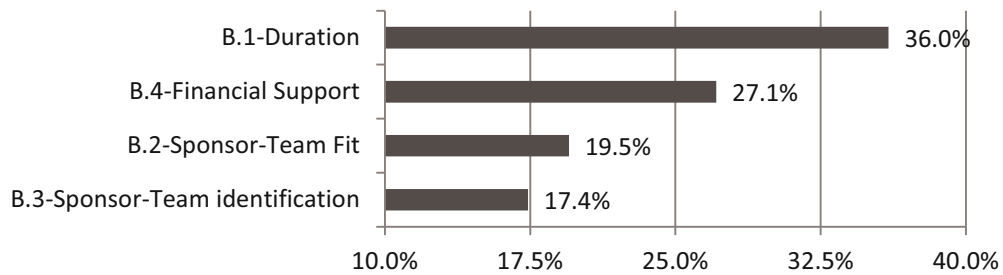


Figure 4. Importance of Criteria of Sponsor Effects

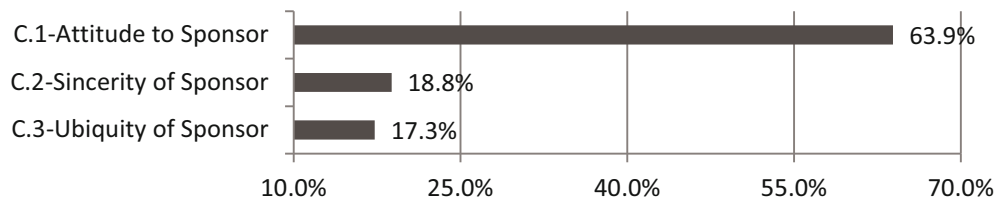


Figure 5. Importance of Criteria of Team Effects

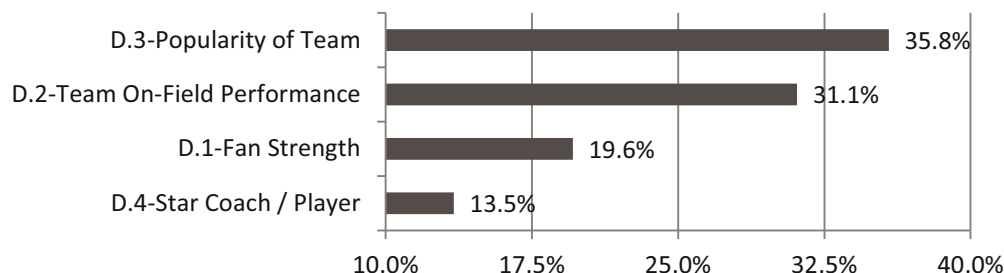
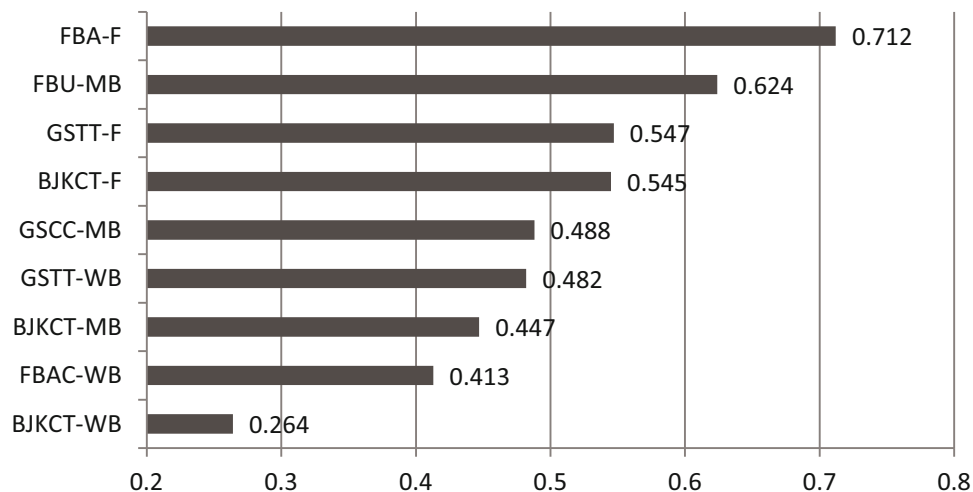


Figure 6: The Rating Scores of Sponsorship Pairs



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# AN EXAMINATION OF CONDITIONS THAT MODERATE NEGATIVE EFFECTS OF SPONSORSHIP TERMINATIONS ON FAN ATTITUDES TOWARD THE FORMER SPONSOR

Reinhard Grohs, University of Innsbruck, Austria

Kim Kopfer, WPP GmbH, Austria

David M. Woisetschläger, Technische Universität Braunschweig, Germany

## ABSTRACT

The sponsorship literature devotes considerable attention to the early stages of a sponsorship relationship and the effects of sponsorship on consumers' awareness of and attitude toward sponsors (Cornwell 2008). Relatively little research has studied the impact on fan behaviour caused by a termination of a sponsorship relationship (Ruth and Strizhakova 2012). While a sponsorship termination might result out of reasonable causes for the sponsor, it usually has an unfavourable impact on fans' attitudes toward the sponsor, particularly when the termination is perceived as unjustified. This paper draws on personal relationship theory to identify conditions that influence negative effects of sponsor initiated sponsorship terminations on perceptions of the (former) sponsor brand.

In the context of team sports, fans perceive a strong connection to a team and experience the team's failings and achievements as their own personal success and failure (Ashforth and Mael 1989, Gwinner and Swanson 2003). This situation describes a very close relationship between fan and team, so close that intermediate boundaries between fan and team vanish and an impression of one perceived unity develops. Sponsors intend to "capture a consumer's share of the heart" and become interlinked with a part of the "consumer's extended self" (Madrigal 2000, pp.14, 23). Personal as well as sponsorship relationships develop over time through significant interactions between the relationship partners based on the principle of mutuality and goodwill. Unfortunately, not all relationships endure forever and they fall victim to termination, often following a degenerative episode (Westberg, Stavros and Wilson 2011). In the context of sponsorship, Olkkonen and Tuominen (2006) as well as Farrelly (2010) examine relationship-related causes of sponsorship terminations induced by the sponsor. Recent empirical studies show that sponsorship exit can have unfavourable effects on the sponsor's brand image, depending on corporate (financial) situation (Papies, Knubben and Schnittka 2010), trust in the sponsor's arguments legitimating the decision (Messner and Reinhard 2012) or perceived sponsor motives (Woisetschläger, Grohs and Reisinger 2011). Personal relationship theory suggests specific relationship quality factors that influence the perceived negativity after a break up in human relationships. We expect that this negative effect is stronger if fans perceive a high fit between the sponsor and the sponsored team, if sponsor dependency is high, i.e. the current sponsor is very important or no replacement sponsor is available, and if the team performs poorly. In addition, sponsorship duration is expected to interact with the drivers of negative fan attitude, in that a sponsorship termination after a long time is considered worst in conditions of a good sponsor-team fit with no replacement sponsor at hand.

An experiment was conducted to test the theoretically derived propositions in the context of a soccer team and a fictitious sponsor brand. Data collection took place using an online questionnaire which was posted on the official fan website of the sponsored soccer club and distributed via the official fan club newsletter. A total of 612 respondents participated in the data collection. 483 respondents identified themselves as avid fans of the sponsored club.

The hypotheses were tested using independent samples *t*-tests and ANCOVAs. The study shows that fan attitudes toward a sponsor that terminates a sponsorship of their favourite team are worse than attitudes toward a sponsor that continues the sponsorship. More negative attitudes toward the former sponsor result if the sponsor fits well with the team and if no replacement sponsor is available. Results also indicate marginally more negative attitudes if the sponsor is important and if the team is performing poorly. Overall, sponsors need to worry most if a long-term sponsorship is terminated when no replacement sponsor is available and fans perceive a good match between the team and the (former) sponsor. When a sponsorship does not fulfil organizational expectations, the sponsorship is not renewed or even cancelled. Such sponsor withdrawals are important because sponsors have to deal with potential problems following the termination of a sponsorship deal. In line with personal relationship theory the present experimental study revealed a general negative effect of sponsorship termination on fan attitudes toward a former team sponsor which is further amplified by various relationship quality factors. Despite the advantages of such an experiment in a controlled environment, further research is needed to establish external validity of the findings in the context of real-world sponsorships with real sponsors.

References available upon request.

**Session 8.5. Branding and Employee Relationships**

Room: Clarendon B

Session Chair: Kirk Plangger, Simon Fraser University

**Satisfying Customers through Satisfied Service Employees: Integrating the Emotional Labor and Emotional Contagion Perspectives**

Jiun-Sheng Chris Lin, National Taiwan University

En-Yi Chou, National Taiwan University

Cheng-Yu Lin, National Taiwan University

**Impact of IM programs on FLE's perception of IMO and Performance Outcomes**

Ahmed Ferdous, Deakin University

Michael Jay Polonsky, Deakin University



# **SATISFYING CUSTOMERS THROUGH SATISFIED SERVICE EMPLOYEES: INTEGRATING THE EMOTIONAL LABOR AND EMOTIONAL CONTAGION PERSPECTIVES**

Jiun-Sheng Chris Lin, Department of International Business, National Taiwan University, Taiwan

En-Yi Chou, Department of International Business, National Taiwan University, Taiwan

Cheng-Yu Lin, Department of International Business, National Taiwan University, Taiwan

## **INTRODUCTION**

The importance of service employee satisfaction in enhancing customer satisfaction has been emphasized, yet there is limited research exploring the mechanism linking them. Research indicated that employee satisfaction will influence service employee's emotional labor (Austin et al., 2008; Cheung and Tang, 2009; Diefendorff et al., 2005; Groth et al., 2009; Kiffin-Petersen et al., 2011; Tan et al., 2003). In turn, emotional labor affects the emotional contagion between service employees and customers (Gosserand and Diefendorff, 2005; Grandey, 2000; 2003), which eventually influences customer satisfaction (Bettencourt et al., 2001; Pugh, 2001; Tsai, 2001; Tsai and Huang, 2002). In other words, the relationship between employee and customer satisfaction can be mediated by emotional labor and contagion. However, little empirical research has been done to explore such a mechanism. This research attempts to fill the research gap by developing and testing an empirical model that examines the new emotional mechanism through which satisfied employees satisfy customers.

A theoretical framework was developed to explore the employee-customer satisfaction linkage mediated by emotional labor and contagion. Dyadic survey data collected from 193 customer-employee pairs in various service industries was examined through structural equation modeling. Results demonstrated that employee's satisfaction affects the employees' emotional labor strategies (deep acting and surface acting). Emotional labor, in turn, influences the emotional contagion between the employees and customers (employee affective delivery and customer emotion), which affects customer satisfaction.

## **BACKGROUND**

Creating superior customer experiences has been the primary objective for service firms. Thus, the interactions between customers and frontline employees are likely to substantially affect customer perceptions of consumption experience (Brown and Lam, 2008). Such interpersonal nature of the interaction between the customer and employee can be the key to customer satisfaction (Bitner et al., 1990; Coelho et al., 2011; Goodwin, 1996; Puccinelli et al., 2009). In spite of the emphasis on customer satisfaction being critical to service effectiveness, little research has been done to investigate the emotional mechanisms through which employee satisfaction influences customer satisfaction. Therefore, understanding such a mechanism linking employee and customer satisfaction relationship will furnish effective guidance for service managers (Brown and Lam, 2008).

Two research streams that address the role of emotions in service encounters include emotional labor (Hochschild, 1983) and emotional contagion (Hatfield et al., 1994). Emotional labor refers to service employees' display of expected emotions as a self-regulatory process (Groth et al., 2009), while emotional contagion is defined as the flow of emotions from one person to another, with the receiver catching the emotions that the sender displays (Hennig-Thurau et al., 2006). Past studies indicated that employee satisfaction will influence service employee's emotional labor. In turn, emotional labor affects the emotional contagion between service employees and customers, which eventually influences customer satisfaction. That is to say, the relationship between employee and customer satisfaction can be mediated by emotional labor and contagion, yet such an emotional mechanism still remains to be theoretically and empirically explored. Therefore, current study aims to fill this research gap by developing and testing an empirical framework that examines the emotional mechanism through which satisfied employees satisfy customers.

## METHODOLOGY

Service employees and customers of 193 apparel retailers participated in this research, resulting in three data sources: (1) survey data from service employees, (2) data on service interactions collected by trained observers, and (3) customer data collected from exit interviews. A random sample of fashion apparel retailers were selected for this study. Sample schedules were generated based on peak/off-peak time intervals (morning, afternoon, and evening) during weekdays and weekends. Ten research assistants were recruited for this study and were grouped into five teams. Each team consisted of two people who acted as a field observer, collecting information on the employee affective delivery and soliciting opinions from customers and employees. They first observed the interaction between a service provider and a customer, and rated the employee affective delivery by the service provider throughout the entire interaction. One observer then followed the customer outside the retail location asking for ratings of customer positive emotions and customer satisfaction. Another observer would ask the service provider to fill out a questionnaire concerning employee job satisfaction, employee deep acting and employee surface acting. The final sample included 193 pairs of employees and customers. Of the 193 service employees, 65.3 percent were female and 74.6 percent were full-time employees. Of the 193 customers, 38.2 percent were male, and the overall sample age ranged from 17 to 65.

To empirically test the hypotheses, multi-item scales from previous studies were adopted for this study. Employee's job satisfaction was measured with three items from Grandey (2003). The items are "Generally speaking, I like working here," "In general, I like working here," and "In general, I do like my job". Three items from Brotheridge and Grandey (2002) were adopted to measure employee surface acting, including, "resist expressing my true feelings," "pretend to have emotions that I don't really have," and "hide my true feelings about a situation". Similar to Brotheridge and Lee (1998), employees also indicated their level of their deep acting with the three items, which included "Make an effort to actually feel the emotions that I need to display to others," "Try to actually experience the emotions that I must show," and "Really try to feel the emotions I have to show as part of my job".

Following Pugh (2001) and Tsai and Huang (2002), units of analysis for employees' displayed emotions included greeting, speaking in a rhythmic vocal tone, smiling, making eye contact, and thanking. Customers were asked to indicate their level of agreement with the four emotion items. Those items were adopted from Hennig-Thurau et al. (2006), including elated, peppy, enthusiastic, and excited. To measure customer satisfaction, we used three items adopted from Chiou et al. (2002). A questionnaire was constructed and pretested in four rounds to ensure questions were understood as intended and to assess the feasibility of the survey approach. Each item related to the studied constructs was rated on a seven-point Likert scale, ranging from "*strongly disagree*" (1) to "*strongly agree*" (7).

## RESULTS

We tested our measurement model using LISREL VIII. A 21-item CFA, including three items from employee's job satisfaction, three indicators from agreement of employee surface acting, three items from perception of employee deep acting, five items from employee affective delivery, four items from customer positive emotions, and three items from customer satisfaction, was employed as the primary data analysis tool.

Results suggested a good fit overall ( $\chi^2 = 269.09$ ,  $df = 174$ , RMSEA = 0.052, CFI = 0.97, GFI = 0.88, NFI = 0.91, NNFI = 0.96, IFI = 0.97). For internal consistency, we evaluated reliability by means of composite scale reliability (CR; Chin, 1998; Fornell and Larcker, 1981). For all measures, the CR is well above the cut-off value of 0.60, exhibiting satisfactory reliability (Anderson and Gerbing, 1988). Furthermore, all factor loadings in the CFA for the total measurement model were significant (with all  $t$  values at  $p < 0.01$  level), demonstrating convergent validity. Discriminant validity is exhibited when the unconstrained model fits significantly better than the constrained model (Bagozzi and Heatherton, 1994). Pairwise chi-square difference tests indicated that in each case, the chi-square difference statistic is significant at the 0.01 level, providing evidence of discriminant validity. Next, all cross-construct correlations were significantly less than 1.0 (Bagozzi and Heatherton, 1994), tested via the confidence interval for each pairwise correlation estimate ( $\pm 2$  standard errors) not including the value of one, providing further evidence of discriminant validity.

After confirming the total measurement model, the structural model was estimated, producing the following statistics:  $\chi^2 = 195.20$ ,  $\chi^2/df = 1.16$ , RMSEA = 0.025, CFI = 0.99, GFI = 0.91, NFI = 0.94, NNFI = 0.99, IFI = 0.99. Results indicated an acceptable level of fit between the hypothesized model and the data. Estimated structural coefficients were next examined to evaluate individual hypotheses. As predicted, there is a positive relationship between employee job satisfaction and employee deep acting ( $\gamma_{11} = 0.34$ ,  $p < 0.01$ ). Employee job satisfaction is significantly negatively related to employee surface acting ( $\gamma_{21} = -0.17$ ,  $p < 0.05$ ). The construct of employee's deep acting is statistically significantly related to employee affective delivery ( $\beta_{31} = 0.30$ ,  $p < 0.01$ ) and customer positive emotion ( $\beta_{41} = 0.33$ ,  $p < 0.01$ ). Employee's surface acting has a significant, negative impact on employee affective delivery ( $\beta_{32} = -0.20$ ,  $p < 0.05$ ) and customer positive emotions ( $\beta_{42} = -0.25$ ,  $p < 0.01$ ). Employee's affective delivery was positively related to customer positive emotion ( $\beta_{43} = 0.30$ ,  $p < 0.01$ ) and customer satisfaction ( $\beta_{53} = 0.24$ ,  $p < 0.01$ ). In addition, customer positive emotion has a positive relationship with customer

satisfaction ( $\beta_{54} = 0.61, p < 0.01$ ).

## **DISCUSSION**

This study represents the first study in service marketing that empirically develops and tests a model that explores the emotional mechanism linking employee and customer satisfaction. Results demonstrated that employee's satisfaction affects the employees' emotional labor strategies (deep acting and surface acting). Emotional labor, in turn, influences the emotional contagion between the employs and customers (employee affective delivery and customer emotion), which affects customer satisfaction.

Current results also provide important implications for service marketers. The results suggest employee satisfaction is the key to customer satisfaction. Managers should always take managerial actions can potentially enhance employee satisfaction. For example, managerial policies and actions that clarify role expectations and provide material and psychological support for employees are of primary importance. In addition, empowering employees to do what is necessary to satisfy customers without fear of sanction also enhances employee satisfaction. Service firms should also encourage deep acting strategies (Groth et al., 2009) through appropriate training and motivation. Moreover, given the impact of the employee affective delivery on customer emotions and customer satisfaction, such element requires increased managerial emphasis on hiring talented and qualified frontline employees with lively, courteous, cheerful, and extroverted personalities, which should be included as a criterion within the employee selection process.

## **REFERENCE**

References Available Upon Request

# IMPACT OF IM PROGRAMS ON FLE'S PERCEPTION OF IMO AND PERFORMANCE OUTCOMES

Ahmed Shahriar Ferdous, Deakin University, Australia  
Michael Polonsky, Deakin University, Australia

## ABSTRACT

Frontline employees (FLEs) are one of the key sources of competitive advantage (CA) for firms, as consumer experiences and perceptions of firms are influenced by how effectively FLEs deliver services. Firms have adopted internal market orientation (IMO) to ensure FLEs needs and wants are well understood and appropriate 'job products' are delivered. Recent studies have depicted IM programs as encompassing-i) actions (empowerment and participative decision making) and, ii) words/communications (i.e., the formalization of communication between employees and management), and these programs have been argued to improve employees' perception of organization's strategies (i.e. IMO). However, FLEs are not always positively disposed towards IMO and IM programs, but rather, sometimes believe they are designed to increase the firm's demands on its employees. Therefore, it is critical for organizations to understand how FLEs' experience specific IM programs and whether, their experience in turn impact on FLEs' customer oriented behavior (COB) and performance. This paper develops and tests a conceptual framework investigating; i) the relationship between FLEs experience of three types of IM programs and employees' perception of IMO, ii) the relationship between employees perception of IMO and FLE customer oriented behavior and, iii) the relationship between FLE COB and employee performance.

Self-Administered surveys were distributed to 563 customer contact FLEs working for a large general insurance company in Bangladesh. 295 usable surveys were returned representing a response rate of 52%. Structural equation modeling was then undertaken to test the relationships in proposed model presented. The study found that FLEs' communication formality was not significantly related to perception of IMO, whereas, both FLEs' empowerment and participation in decision making were significantly and positively related to FLE's perception of IMO. The study further found significant and positive relationships between perception of IMO and FLEs' COB. FLE's COB was also found to be significantly related to performance. Further, through mediation analysis the study also found that FLE's perception of IMO only indirectly impacted on employee performance through FLEs' COB.

The results contribute to the literature by identifying that action based programs involving employees participating in decision making and being empowered to act positively influence FLEs' views of IMO. However, formal communication, which may or may not accurately reflect organisational actions, does not impact on FLEs' perceptions of IMO. The full mediation effect of FLE's COB between perception of IMO and FLE performance is critical for management. The finding identifies that programs need to directly foster customer oriented behaviour among FLEs if management wants to improve FLEs performance and thus organisational performance.

## **Session 8.6. Retailing Convenience, Patronage and Concessions**

Room: Clarendon C

Session Chair: Maria Kalamas, Kennesaw State University

### ***What Do Customers See When They Look at Displays? An Eye-Tracking Study***

Bridget Behe, Michigan State University

Patricia Huddleston, Michigan State University

R. Thomas Fernandez, Michigan State University

Lynnell Sage, Michigan State University

### ***Waiting for Checkout: Toward an Understanding of Customers' Perceptions***

Fumikazu Morimura, Kyoto Sangyo University

Kenichi Nishioka, Kansai University

Chieko Minami, Kobe University

### ***Determination of Success Factors of the Shop-in-Shop and the Concession Model in the Fashion Industry: An Empirical Analysis of Consumer Perceptions in the Case of HUGO BOSS Benelux in Spain***

Christina Gaupp, Baden-Wuerttemberg Cooperative State University

Marc Kuhn, Baden-Wuerttemberg Cooperative State University

# WHAT DO CONSUMERS SEE WHEN THEY LOOK AT DISPLAYS? AN EYE-TRACKING STUDY

Bridget K. Behe, Michigan State University, USA  
Patricia Huddleston, Michigan State University, USA  
Lynnell Sage, Michigan State University, USA  
R. Thomas Fernandez, Michigan State University, USA

## INTRODUCTION

Marketing practitioners and researchers operate on the underlying assumption that when looking at merchandise displays, consumers pay attention to both price and the merchandise itself. Further, they assume that price is a critical cue in making purchase decisions. What grabs consumer attention when first glancing at a display? Do some consumers focus only on the merchandise and overlook price? Do consumers look only at price and if the price is not “right” ignore the merchandise? The purpose of this study is to assess what grabs consumers’ attention when viewing merchandise displays. We used eye tracking to test the attention grabbing power of 4 Valentine gift displays.

## BACKGROUND

Cue utilization theory proposes that consumers use both intrinsic and extrinsic product cues to assess quality (Olson, 1972). Extrinsic cues refer to attributes which are not part of the physical product (e.g. price, packaging); intrinsic cues are inherent in the product itself (fabric, color). Need for cognition (NFC) has been found to influence price information processing. Those who are low in need for cognition are less likely to process price information than those with high NFC (Cacioppo & Petty 1982). Many consumers are not able to recall price, even after recently purchasing an item (Dickson and Sawyer 1990).

While most literature on product cues has looked at assessment of product quality (Olson, 1972; Burkrant, 1978), it is reasonable to assume that consumers also use these cues in developing purchase intention. We argue that viewing cues presented in a merchandise display will elicits a likelihood to buy evaluation which is akin to a product evaluation; i.e. a higher/lower purchase likelihood = more/less favorable evaluation.

Eye tracking is a powerful tool to measure exactly what consumers pay attention to when looking at merchandise displays, yet only one study (Chandon et al., 2009) has used this technology to gain insights into what captures consumers’ attention. An understanding of the attention grabbing power of merchandise display elements will assist retailers in designing more effective displays.

## RESEARCH METHOD

A 4 (price point) x 4 (gifts) factorial design was used for the study. Stimulus items included 4 typical Valentine’s Day gift items: wine, chocolate, cut flowers, and flowering plants; price points used for the study were: \$10, \$25, \$40, and \$65. Product category selection was guided by Rihn et.al (2011). Images of the product were developed by the authors and downloaded into a Power Point presentation. Each image was centered in the middle of the display with the price of the product located in the same size font to the lower left of the image. Images were incorporated into the Tobii X1 Lite eye-tracking software and pre-tested with several subjects prior to implementation.

We recruited 75 participants by using a variety of campus-wide advertisements and compensated them with a coupon for a free ice cream serving at the campus dairy store. Participants were briefed about the purpose of the study and seated in front of the Tobii X1 Lite eye-tracker which was connected to a Flatron E2241 56 cm (diagonal measure) monitor. A standard protocol for data collection using the Tobii X1 Lite was followed (Holmqvist et. al, 2012). Using a ten-point Likert scale of 0-9, participants viewed each slide and were asked how likely they would be to buy the product on the screen.

The literature reports that not all individuals look at price when they are considering a purchase, which prompted us to first analyze which participants, if any, did not look at price.

We extracted four measures of attention: time to first fixation (TFF) is the amount of time it takes a participant’s eye to look at an area of interest (AOI); first fixation duration (FFD) is how long the participant looks at that AOI; fixation count (FC) is how many times the eyes stop on an AOI and total visit duration (TVD) is how long a participant looks at (AOI). The measures of attention are calibrated to hundredths of a second. Fixations are stops in eye movement, called saccades.



Fixations can be counted for the image as a whole or by using areas of interest (AOIs). AOIs can be created *a priori* or post hoc as geometric or free-form shapes around products, items, or areas of interest.

In our study, both specific products and signs were used as AOIs. [Figure 1](#) shows one stimulus product from our study. There are two AOIs- price and the merchandise itself and gaze plot is also shown (i.e. the order in which the gaze scanned the image). We were able to generate data to compare AOIs on the four metrics. We interpreted the time to first fixation as the time it took for a participant to “see” an AOI. We interpreted the first fixation duration as the ability of that attention grabbing area to hold attention. Fixation count revealed how often a participant viewed that AOI or refocused attention to that element. Visits are fixations to an AOI. Visit duration is equal to the fixation count multiplied by the fixation duration, yielding a measure of time spent attending to a particular AOI. For example, if there were 10 fixations, with each fixation being .1 of a second, then visit duration would be 1 second. We interpreted this measure as one of cognitive processing (thought) through attention. We created two AOIs: one for the item and a separate one for price. FC could occur in the AOIs or outside the AOIs.

## RESULTS AND DISCUSSION

Our 75 participants viewed 16 images, of those, 4 participants’ observations were not usable, yielding 1196 observations. Of the 1196 observations, approximately 1/3 (31.4%) fixated on price first. Only 1 participant looked at price first for all 16 images. Thus, for the majority of observations, merchandise “grabbed attention” first. Our results show that for 63.7% of the visit durations to the 16 gift slides, participants ignored price, compared to less than 1% of visit duration where participants ignored the item ([Table 1](#)). In other words, participants were much more likely to fixate on the merchandise than the price. This indicates that the merchandise, not price, tended to capture attention first.

We found some slight differences for the four gift choices. Specifically, participants ignored price for 14-16% of the visit durations (14.5%-potted plant; 15.7%-cut flowers; 16.7%- chocolate; 16.8%-wine) than ignoring the merchandise itself. Younger participants (18-32) were less likely to fixate on price than older consumers, with the middle age group (33-50) being the most likely to spend more of their display visit duration looking at price. Women were slightly more likely than men to ignore price during their visit duration (33.9% vs. 29.7%).

By contrast, 27.3% of the visit durations for our study concentrated exclusively on the AOI (merchandise) while none of the visit durations did so for price. This finding, combined with the discussion above, suggests that there is a customer segment that simply ignores price and focuses exclusively on the merchandise. Interestingly, there were no instances where visit duration focused exclusively on price.

Based upon these results, only a small proportion of consumers (about 11%) are more likely to overlook price when viewing merchandise than overlook the merchandise itself. Why do some consumers simply ignore price? Prior research offers an insight. Monroe (1976) found that product familiarity plays a greater role in cue utilization when products are unfamiliar. For the current study, all 4 products (potted plant, wine, chocolate and cut flowers) were likely to be familiar to the participants. Thus, consumers felt confident in their reliance on intrinsic product cues to evaluate the merchandise.

Our findings provide concrete evidence for retailers that while, most consumers do attend to price, there is a segment of consumers for which price does not play a central role in grabbing their attention. Perhaps for this consumer segment, price is not used as a cue to evaluate merchandise; it is also possible that these consumers are not price sensitive.

## FUTURE RESEARCH/LIMITATIONS

The images used in the study were static images, set in isolation from other merchandise. Future studies should include more complex images, similar to those encountered in a retail store. While our findings depicted what captured consumers’ attention and for how long consumers, we do not know why specific aspects of these images were attention getting. Future research should focus on understanding this. We also do not know why consumers ignored price? Do these consumers perceive price differently? Future studies could combine the use of eye tracking technology with price perception measures (e.g. Lichtenstein et al. 1993).

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Figure 1: Area of Interest and Gaze Plot

Media: Slide04.JPG  
Time: 00:00:00.000 - 00:00:12.013  
Participant filter: All



Table 1		% of Time 'Total Visit Duration' was			
		Never on Area of Interest		Exclusively on AOI	
Comparison		Item	Price	Item	Price
Overall		0.9	27.3	27.3	0
Gift	Potted Plant	0.1	7.1	7.1	0
	Chocolate	0.0	7.1	7.1	0
	Cut Flowers	0.2	5.7	5.7	0
	Wine	0.6	7.0	7.0	0
Cost	\$10	0.3	3.2	3.2	0
	\$25	0.2	8.4	8.4	0
	\$40	0.2	8.8	8.8	0
	\$65	0.3	6.3	6.3	0
Age Group	>50 years old	0.3	9.4	9.4	0
	33-50 years old	0.6	4.9	4.9	0
	18-32 years old	0.0	12.7	12.7	0
Gender	Male	0.2	12.9	12.9	0
	Female	0.7	14.2	14.2	0

# **WAITING FOR CHECKOUT: TOWARD AN UNDERSTANDING OF CUSTOMERS' PERCEPTIONS**

Fumikazu Morimura, Kyoto Sangyo University, Japan

Kenichi Nishioka, Kansai University, Japan

Chieko Minami, Kobe University, Japan

## **INTRODUCTION**

Waiting in line to check out of a store or from a service provider is a necessary but undesirable experience for consumers. It remains a serious problem for retailers and service providers even though scanning technology and self-checkout systems have been increasingly introduced. Prior studies on this problem have emphasized that wait time leads to negative customer evaluation of service delivery. However, the accumulation of empirical research on this problem is not extensive. Thus, this study aims to develop useful measurements for investigating customers' perceptions of waiting and service management.

## **BACKGROUND**

Waiting in line has been termed "the queuing theory," especially in operations management. Customers' frustration has been associated with their experiences of waiting because they often view waiting as a waste of their valuable time (Hui & Tse, 1996; Sheu et al., 2003). For service-oriented industries, speedy service delivery is a competitive advantage in the market (Davis & Heineke, 1994; Stalk, 1988). The speed of service has been associated to customers' perception of value and satisfaction, especially in developed countries with a high standard of living (Katz et al., 1991; Davis & Heineke, 1994; Kostecki, 1996). Managing customers' perceptions requires understanding the psychology of waiting (Larson 1987).

Maister (1985) proposed several situational effects on consumers' perception of waiting. He suggested four propositions: 1) unoccupied, 2) preprocess, 3) uncertain, and 4) unexplained. On the basis of this initial framework, Davis & Heineke (1994) developed a model considering the actual wait and its expectations. This study added six more conceptual factors to queuing and classified them into three categories: 1) firm control, 2) partial firm control, and 3) customer control. First, queuing derived from the firm's control dimension was categorized into four factors: 1) unfair, 2) uncomfortable, 3) unexplained, and 4) unknown. The factor of unfairness is concerned with service design (Maister, 1985; Larson, 1987). Waiting in line is physically uncomfortable, and the degree of customers' dissatisfaction with waiting increases when the wait cannot be justified or explained (Davis & Vollmann, 1990). Unknown queuing is perceived as longer than known queuing, thus, revealing customers' anxiety about waiting. Second, queuing factors derived from "partial firm control" were grouped into two factors: 1) unoccupied and 2) anxious. Finally, there are four factors that firms cannot control: 1) solo/group, 2) waiting for more/less valuable services, 3) customer value system, and 4) customers' current attitudes. Customers who are alone in a queue tend to be more impatient with the wait than those in groups.

Most services consist of three stages when customers have to wait during service delivery: 1) service-entry, 2) in-service, 3) service-exit (Dube-Rioux et al., 1989). Checking out is positioned at the end of service delivery. Hornik (1984) found that customers tended to over-estimate the time duration for service-exits. Moreover, Hansen and Danaher (1999) showed that the service-exit stage exerts a significant effect on customers' evaluation of overall service quality and intended repeat patronage.

Prior studies indicated a negative relationship between long wait times and customer satisfaction (Dube-Rioux et al., 1989; Katz et al., 1991; Taylor, 1994; Tom & Lucey, 1995, 1997; Hui & Tse, 1996). These studies suggested that service providers reduce the customers' perceived duration of wait time in line in comparison with the actual wait time. However, the research concerns of these studies were limited to time period among queuing factors. Therefore, it is necessary to investigate which queuing factors influence customers' perceptions of checking out as a service-exit stage.

## RESEARCH METHOD

Data was collected through an online survey in Japan during June 8–11, 2012. Respondent candidates were screened for actual shopping more than twice in the past six months; 1047 screened candidates were asked to respond to the survey, and 815 responded (response rate, 77.8%). These respondents covered almost all age groups, from 20s to 60s. The male–female ratio was 46.3:51.7. Respondents shopped at general merchandise stores (42.0%), supermarkets (51.9%), discount stores (5.5%), and others (0.6%).

The survey questionnaire was developed from a literature review. The measurement tool consisted of 33 items based on the following queuing factors: 1) unoccupied, 2) uncertain, 3) anxious, 4) unexplained, 5) unfair, 6) uncomfortable, 7) solo/group, and 8) customers' current attitudes to queuing. These factors are based on the conceptual studies conducted by Maister (1985) and Davis and Heineke (1994). Each item was measured using semantic differential scales of seven points anchored at 1 (strongly disagree or not at all anxious) and 7 (strongly agree or extremely anxious).

The analysis was conducted in two stages. To investigate and classify constructs of consumers' perceptions toward queuing, we first conducted an exploratory factor analysis and then a reliability and confirmatory factor analysis (CFA) using the collected data. Exploratory factor analysis was conducted with SPSS 16.0, and CFA was conducted with AMOS 16.0.

## RESULTS AND DISCUSSION

Table 1 shows the results for the exploratory factor analysis (principal factor method, varimax rotation) for 33 items about queuing factors. Simultaneously, we examined the factor loadings to assess the validity of the measures. Cronbach's  $\alpha$  and the average variance extracted (AVE) were computed to assess reliability. The AVE value should exceed 0.50 as a criterion to prove reliability (Bagozzi & Yi, 1988). Some constructs were below the criterion of  $\alpha$  and AVE; however, this study aims to

test the measurements developed, based on the prior conceptual work, by investigating actual customer's perceptions. In addition, we conducted a CFA to evaluate each construct's measure to test convergent validity. The resulting measurement model statistics suggest a good fit to the data: NFI = 0.848, CFI = 0.874, GFI = 0.854, AGFI = 0.823, RMSEA = 0.070,  $\chi^2 = 2193.745$  ( $df = 436$ ), Hoelter.05 = 181.000. Factor loadings for the constructs are all significant (t values 9.265–29.519), indicating high convergent validity.

In sum, we discriminated the eight factors from exploratory and confirmatory factor analysis on the basis of the conceptual studies of customers' perception of queuing. These factors are 1) uncertain, unfair, unexplained, and psychological pressure; 2) unoccupied (offering the information); 3) customers' current attitude to the queue; 4) uncomfortable; 5) anxious; 6) solo/group; 7) perception of staffs' queuing management; and 8) unoccupied (store atmosphere).

This result shows that the categories of queuing factors found by us are not identical to the categories posited in previous conceptual studies. Prior studies about queuing were limited to the conceptual approach or dealt only with the aspect of time. This research contributes to the field by presenting empirical measurements that can potentially be used in service management. In future research, the measurements should be tested in a model containing both the customers' perceptions of waiting and satisfaction with service delivery or intended repeat patronage.

## REFERENCES

References Available Upon Request.

Table 1

## Results of Exploratory Factor Analysis

Measurement	1	2	3	4	5	6	7	8	AVI	$\alpha$
Perceive waiting when the flow of my lines is slow.	.800									
Perceive waiting when I notice I joined a long line by my mistake.	.795									
Perceive waiting when the cash register queue has stopped moving ahead because the cash register is not working properly.	.777									
Perceive waiting when the cash register queue stops moving ahead because cashiers are dealing with other customer not in the same line.	.764									
Perceive waiting when other customer slip in to the line because of wrong way of waiting in line.	.751									
Perceive waiting when the cash register queue stops moving ahead because cashiers deal with customer in the cash register queue.	.746									
Perceive waiting when I don't know the reason for the queuing.	.715									
Perceive waiting when I am in a queue despite there being a vacant cash register.	.698									
Perceive waiting when I am in a queue despite staff being available.	.692									
Perceive waiting when there is other business after having done shopping in this store.	.626									
Perceive waiting when my family is waiting in the car or other places.	.592									
Perceive waiting when I am holding other baggage in my hand.	.541								.508	.932
Don't really perceive waiting when the information about the shop and the products are being displayed on the telescreen in front of the cash register.		.816								
Don't really perceive waiting when news and other useful information are being displayed on the telescreen in front of the cash register.		.775								
Don't really perceive waiting when a TV program is televised by the telescreen in front of the cash register.		.705								
Don't really perceive waiting when information about the shop and products is announced.		.514							.507	.821
Don't really perceive waiting even if I shop for less than five products and line up at the crowded exclusive cash register.			.770							
Don't really perceive waiting even if I shop for more than five products and line up at the crowded general cash register.			.688							
Don't really perceive waiting even if I line up at the crowded members' priority cash register.			.684							
Don't really perceive waiting even if I'm not the member of the shop and line up at the crowded non-members' priority cash register.			.630						.483	.792
Perceive waiting when the waiting area is small.				.722						
Perceive waiting when the queue lengthens from the cash register to the sales floor.				.626						
Perceive waiting when it is hard to line up because it gets caught in the cash register and the sales floor.				.555					.407	.865
Perceive waiting when I ask for the service from the cashier.					.716					
Perceive waiting when I buy the products displayed only at the cash register, such as cigarettes.					.701					
Perceive waiting when I have questions for the cashier.					.523				.426	.764
Don't perceive waiting when I line up with friends.						.856				
Don't perceive waiting when I line up with my family.						.848			.726	.867
Perceive waiting when I line up and the staff is communicating, for example, instructions.							.842			
Perceive waiting when the staff instructs which cash register I have to line up.							.832		.700	.880
Don't perceive waiting when the radio is being played in the shop.								.668		
Don't perceive waiting when music is being played in the shop.								.619	.415	.640



# **DETERMINATION OF SUCCESS FACTORS OF THE SHOP-IN-SHOP AND THE CONCESSION MODEL IN THE FASHION INDUSTRY: AN EMPIRICAL ANALYSIS OF CONSUMER PERCEPTION IN THE CASE OF HUGO BOSS BENELUX IN SPAIN**

Christina G. Gaupp, Baden-Wuerttemberg Cooperative State University Stuttgart  
Marc. M. Kuhn, Baden-Wuerttemberg Cooperative State University Stuttgart

## **ABSTRACT**

In the fierce competitive environment of the fashion industry, characterized by increasingly shorter product-life-cycles, growing expectations of informed consumers and an intensifying pressure from cheap products, consumer proximity, a strong brand presentation and a short time to market, are decisive elements for manufacturers. Due to market concentration of large-scale retail chains and a shift in power within the distribution channel from manufacturers towards retailers, new vertical marketing concepts emerged which allow to increasingly control the retail channel. Especially the specific success factors of the Shop-in-Shop Concept (SiSC) and the Concession Model (CM) are under focussed discussion. This paper aims to explore the consumers' perception of the CM compared to the SiSC in retailing.

The research question here is:

**Do consumers perceive the potential benefits of the CM compared to the SiSC in fashion retailing?**

In these premises an exploratory study was undertaken.

By means of grounded research a framework was developed and the success factors of both concepts regarding Instore Marketing, Merchandise and Personal selling were determined. Based on these findings hypotheses were put forward and tested by means of primary data (consumer survey) gathered in selected sales areas of HUGO BOSS, managed by means of the two retail models (CM and SiSC) in department stores of El Corte Inglés (ECI) in Spain.

## **INTRODUCTION**

Until now, research has mainly concentrated upon the analysis of efficiency enhancement (cf. Bundesverband des Deutschen Textileinzelhandels (2010), p.13ff; Brettel, M.; Engelen, A.; Müller, T. (2011), p. 41ff ), the relationship between manufacturer and retailer (cf. Vinhas, A. S.; Anderson, E. (2005), p. 507ff) or the effects on pricing and sales (cf. Li, J.; Chan, T.; Lewis, M. (2012), p. 1ff). Although the impact on consumers represents the decisive factor for success, there is a surprisingly lack of study regarding the consumer's perception of vertical- and especially the Concession model (CM). It is to investigate if consumers perceive advantages of the CM (manufacturer rents selling area from retailer and manages it independently) compared to retail models with which, the retailer manages the sales area as for instance the Shop-in-Shop Concept (SiSC).

## **BACKGROUND**

Within the last decade there has been a steady increase in the establishment of vertical retail concepts in the German fashion industry, (cf. Ahlert, D.; Große-Bölting, K.; Heinemann, G. (2007), p. 95; Bundesverband des Deutschen Textileinzelhandels (2010), p. 27) as well as internationally, such as in Asia and the US (cf. Li, J.; Chan, T., Lewis, M. (2012), p. 2ff; Jerath, K.; Zhang, Z. J. (2010), p. 748; O'Connell, V.; Dodes, R. (2009), <http://online.wsj.com>, (status as of: 14.04.2012). The proliferation of sales areas managed by means of the CM is expected to strongly continue (cf. Reinhold, K.; Probe, A. (2011), p. 39). Tasks and functions between retailer and manufacturer are shifting especially in the consumer goods sector (cf. Zentes, J.; Pocsay, S. (2010), p.13ff; Zentes, J.; Bastian, J. (2010), p. 975ff; Hertel, J.; Zentes, J.; Schramm-Klein, H. (2011), p. 6). According to Zentes: "the distinction between manufacturers and retailers blurs, and the characteristics of institutions at both stages in the value chain actually converge" (Zentes, J.; Morschett, D.; Schramm-Klein, H. (2011), p.15).

With an increasing extent of forward integration, and hence assumption of retail functions, by manufacturers, different sales models can be differentiated. Starting from Shop-in-Shop via Concessions up to Directly Operated (own) Stores (DOS).

The SiSC (cf. Berekoven, L. (1995), p. 305; Byszio, U. (1996), p. 11; Falk, U. (1982), p. 699; Medla, K. (1987), p. 85; Tietz, B. (1983), p. 683f; Weinberg, P. (1992), p. 147) is based on a contract between manufacturer and retailer. The integral part of the contract is the spatial and visual separation of the manufacturer's assortment. Mainly by means of corporate designed shop fitting that has to be bought by the retailer. As a consequence, a separated sales area of one certain brand emerges within the store of the retailer. The employment of sales personnel, the management of merchandise e.g. assortment planning, procurement and pricing belongs to the area of responsibility of the retailer who also bears the merchandise risk (cf. Zentes, J.; Morschett, D.; Schramm-Klein, H. (2011), p. 101; Meffert, H.; Burmann, C.; Kirchgeorg, M. (2012), p. 555;

Bundesverband des Deutschen Textileinzelhandels (2010), p.18). Hence, with a SiSC the retailer continues to exert the retail functions, and is solely supported with the shop fitting.

The CM is also based on a contractual agreement between manufacturer and retailer. In this case, the manufacturer (=concessionaire) *rents a selling area* from a retailer and manages it on its own. As with the SiSC, the Concession area is a separated space that stands out by the shop fitting, designed by the manufacturer. The manufacturer is responsible for merchandise, and sells the products for its own account. Consequently, he bears the full merchandise risk. Furthermore, the manufacturer employs the sales personnel and designs its marketing activities. Besides the rent the retailer receives a turnover-related remuneration (concession fee) (cf. Zentes, J.; Morschett, D.; Schramm-Klein, H. (2011), p. 93ff; Meffert, H., Burmann, C., Kirchgeorg, M. (2012), p. 555; Committee for Definitions of Terms in Trade and Distribution (2009), pp. 60f). By forward integration of clothing industry, the traditional value chain of manufacturer and retailer do not add, but merge. A vertical loop arises. This vertical loop allows a constant exchange along the value chain, whereas the traditional role allocation is characterized by a strict division of work between manufacturer, and retailer (cf. Bundesverband des Deutschen Textileinzelhandels (2010), p. 7; Loock, H. (2008), p. 51ff).

By means of this loop, a constant feedback from the POS and therefore an adjustment of offer more closely to market and consumer needs shall be allowed. Important factors seem to be the optimal controllability of the POS as well as motivated sales personnel for the own model. This intends to resolve the conflict of diverging interests between manufacturer and retailer. A consistent brand appearance is realized, which enables to build brand consciousness, and brand loyalty (cf. Zentes, J.; Neidhart, M. (2005), p. 284; Bundesverband des Deutschen Textileinzelhandels (2010), p. 44).

With a growing extent of vertical integration, there is an increase in the opportunity of implementing a vertically integrated value chain and therefor, to realize its potential superior effects.

### **Development of a theoretical frame**

Since with an increasing extent of vertical integration (SiSC → Franchise → CM → DOS) there is an increasing implementation of a vertically integrated value chain and therefore a progressive realization of its potential benefits, the CM should fulfil consumer needs better than the SiSC (cf. Bundesverband des Deutschen Textileinzelhandels (2010), p.7 ff).

Since the objective of this work is to examine the consumer's perception regarding both models solely the key drivers (cf. Bundesverband des Deutschen Einzelhandels (2010), p. 6) whose effects can be *perceived by the consumer at the POS*, can be investigated. As is not to assume that consumers perceive *financial, process-related or company-internal cultural aspects*, the drivers under investigation are

- Adjustment of offer to POS
- Control of sales
- Establishment of brand profile

In order to investigate whether these drivers allow a better adjustment to consumers' needs, with an increasing extent of vertical integration, they have to be specified into factors that influence success with consumers. The retail functions can be used as criteria on the basis of which the two concepts may be compared. In essence, they also represent the operationalization of the above mentioned key success drivers.

From the multitude of retail functions, *three consumer-perceivable categories* (Instore Marketing, Merchandise, Personal selling) will be derived on the basis of which the two concepts can be compared. Medla specifically stresses that the design of these factors have an impact on consumers (cf. Medla, K. (1987), p. 162; see also: Theis, H.-J. (2007) p. 32).

### **Opposing strategies of manufacturer and retailer**

While retailers aim to profile their business, and hence the retail outlet as a whole in the consumer's mind in order to differentiate their venture from competitive retailers, (cf. Benkenstein, M.; Bastain A. (1997), p. 210) manufacturers target to promote their brand and its products (cf. Zentes, J.; Swoboda, B. (2001), p. 892; Barth, K.; Hartmann, M.; Schröder, H. (2007), p. 222; see also: Tietz, B. (1993a) & (1993b)).

Especially the effort of retailers to establish own brands (private labels), to position them separated from manufacturers of branded goods, demonstrate the retailer's objective to follow an independent strategy. Consequently, retailers are not willing to meet the guidelines, especially regarding assortment and product presentation imposed by manufacturers (cf. HandelsMonitor (1997), p.29ff; Ahlert, D. (1994), p. 292).

As a consequence of the diverging interests, different marketing concepts of retailers and manufacturers emerged (cf. Theis, H. J. (2007), p.95).

These divergent approaches towards marketing are reflected in the management of sales areas, based on the SiSC and the CM. This can especially be noticed in the three areas of: Instore Marketing, Merchandise, Personal Selling (cf. Meffert, H.;

Burmann, C.; Kirchgeorg, M. (2012), p. 555; Zentes, J.; Morschett, D., Schramm-Klein, H. (2011), p. 15; Zentes, J.; Swoboda, B. (2001), p. 891ff; see also: Zentes, J.; Hurth, J. (1996).

## Approach

In an exploratory approach based on a detailed examination of literature and plausibility considerations, success factors of the SiSC and the CM within the three categories were determined (cf. Lange, B. (1982), p. 31; Hurth, J. (1998), p.48). In appendix 1 the success factors of the two retail concepts regarding the three mentioned areas are illustrated.

## HYPOTHESES

Following the derived categories of success factor determination (see appendix 1) hypotheses regarding *instore marketing*, *merchandise* and *sales personnel* will be put forward. Furthermore, a superordinated hypothesis that refers to the global impression of consumers regarding the two retail concepts will be developed.

### Hypotheses on Instore Marketing

**H<sub>1</sub>:** The Concession model is more capable of establishing a holistic brand identity with the consumer than the SiSC.

### Hypotheses on Merchandise

**H<sub>2-1</sub>:** The consumer perceives the assortment in a sales area managed by the CM, as more appealing as compared with the SiSC.

**H<sub>2-2</sub>:** The CM optimizes the supply and the replenishment of products.

### Hypotheses on Personal Selling

**H<sub>3-1</sub>:** The CM is more capable of providing the consumer sales consultancy at each visit than the SiSC.

**H<sub>3-2</sub>:** The consumer perceives the sales personnel of the CM as more competent as compared to the SiSC.

### Superordinated hypothesis

Since the present research ultimately aims to conduct an overall assessment of the CM versus the SiSC it appears to be appropriate to develop a superordinated hypothesis that refers to the overall performance (including all three categories) of the CM.

Hence, the following hypothesis is put forth:

**H<sub>4</sub>:** A sales area managed by the CM, is more attractive to consumers than a sales area based on the SiSC.

## METHODOLOGY

The empirical verification of the hypotheses that have been put forward, has been executed based on primary data collected by means of a consumer survey in the sales areas of HUGO BOSS that are managed by the SiSC and the CM (two independent samples), within department stores of El Corte Inglés in Spain.

For data collection, two sales areas managed by means of the CM and two sales floors under the responsibility of the retailer (SiSC) were selected as a location for data collection. The test persons were asked to indicate their attitude on a 5-point likert-scale (strongly agree – agree – undecided – disagree – strongly disagree; for the controversial discussion regarding the application of a likert-scale in an intercultural context see Yu, J. H.; Keown, C. H.; Jacobs, L. (1992).

Every consumer that entered the particular sales area of HUGO BOSS during the survey period was asked to complete the questionnaire. In total 20 consumers were questioned in the sales areas of the SiSC and equally on sales floors of the CM (*n=20 per sample*).

## Evaluation method

Since the objective of this work is to investigate whether consumers perceive benefits of the CM compared to the SiSC, the empirical research targets to detect and analyse differences in the consumers' perception regarding both models.

As an appropriate statistical tool to compare the two independent groups, and to test if the two groups differ significantly, the *t*-test for "unpaired" or "independent" samples (Student's *t*-test) was applied (cf. Burns, R. B.; Burns, R. A. (2008), p. 256).

## RESULTS

### General remarks

As the likert-scale has been designed ranging from "strongly agree" to "strongly disagree" the lower the meaning in the *t*-test the higher the respondents agreement.

As common as in empirical studies the 10% significance level will be used as threshold. As sample size is important for the obtainment of statistical significance (cf. Burns, R. B.; Burns, R. A. (2008), p. 219), the fact that the size of the two samples is relatively small (*n*=20), is assumed to be the reason for the frequent occurrence of significance levels > 10%.

### Results for Instore Marketing

**H<sub>1</sub>** posited an improved capability of the Concession model to establish a holistic brand identity compared to the SiSC.

The empirical results support this postulation. The *sales area of the CM fits much better to the image consumers have of the brand* than compared to the sales floors of the SiSC (CM: *M*=1.7; SiSC: *M*=2.05). The results here can be accepted as statistically significant (*sig*=0.068) at the 10% level.

Since an adjustment of the design of the sales area to the overall marketing strategy (integrated approach) has been determined as a success factor of the CM consumers probably constituted their image towards the brand especially from offline and online brand communication (advertising) and hence, note and appreciate the coherence to these communication tools of the sales area.

### Results for Merchandise

In **H<sub>2-1</sub>** a better appeal of the assortment to consumers with the CM compared to the SiSC was supposed.

The results show *a trend to support the hypothesis*, as three out of four indicators used to operationalize this hypothesis reflect a superior performance of the CM regarding assortment. However, the means of the single indicators (single statements), only slightly differ and are insignificant. Except for the *retrieval regarding the actuality of the assortment* ("In the sales area of HUGO BOSS I can always find fashionable and trendy products."). Here, the results suggest a *superiority of the CM* (Concession: *M*=1.8500; SiSC: *M*=2.9500; *sig*=0.284). This result is confirmed by the counterstatement ("The major part of the products seems boring to me."). Consumers perceive the product range offered with the SiSC more "boring" than with the CM (Concession: *M*=3.9500; SiSC: *M*=3.6500). These results can be attributed to the high(er) fashion degree that characterizes the assortment, offered in a sales area of the Concession model, and has been determined as a success factor. Therefore, consumers seem to perceive and appreciate the availability of more fashionable clothes (higher fashion degree) and hence are less attracted by the rather conservative garments that characterize the assortment within the framework of the SiSC.

**H<sub>2-2</sub>** proposed an optimized supply and replenishment of products in the case of the CM.

The results show *a positive sign to support the hypothesis*. Both indicators used are in favour of the hypothesis. Hence, the benefit of the differentiated use of continuous product replenishment and active merchandising management that has been determined as success factor of the CM, seem to be perceived and valued by the consumer. Thus, is reflected in the result. However, the result of the indicator that measures the replenishment ("My size is always available.") is insignificant (*sig*=0.597).

## Results for Personal Selling

**H<sub>3-1</sub>** proposed the improved capability to provide sales consultancy to consumers by the CM compared to the SiSC.

*There is no evidence regarding H<sub>3-1</sub> since the means of both samples do not differ.*

This result is contrary to expectations as it is not consistent with the success factors determined, and does not support the current findings of Li/Chan/Lewis (cf. Li, J.; Chan, T.; Lewis, M. (2012), p. 28). According to these, personal density with the SiSC is much lower as a sales person is responsible for the supervision of multiple brands and therefore the SiSC should be less capable to provide sales consultancy to every consumers than compared to the CM. However, the general positive attitude towards the service level of ECI might be the reason for this result.

In **H<sub>3-2</sub>** a higher competence of sales personnel employed by the CM compared to sales staff of the SiSC was postulated.

*The results show some support for the hypothesis.*

Asking directly about the sales personnel's competence ("The sales personnel are competent."), the Concession model ranks only slightly better than the SiSC (CM: M=1.700; SiSC: M=1.850; sig=0.525). Operationalizing competence into specific indicators, that allow an improved comparison of the two concepts, as the competence focus with sales personnel of both concepts differ, reveal that sales personnel of the CM shows a more profound product knowledge of HUGO BOSS products (CM: M= 1.7000; SiSC: M=2.1000; sig=0.163) that is also slightly reflected when asking more specifically ("The sales personnel are well versed in the cuts of HUGO BOSS products.") (CM: M=1.9000; SiSC: M=2.1000; sig=0.407 →insignificant). However, the CM performs marginally worse regarding the indicator that asks for the presentation of new products to consumers (CM: M=2.1000; SiSC: 1.9500; sig= 0.560 →insignificant).

The results of the particular indicators suggest (three out of four statements support the hypothesis) that consumers perceive the improved familiarity with HUGO BOSS products (in-depth product knowledge) by the employees of the CM. This might be caused by trainings and information they receive with sales at the start of sales of every new collection.

## Result for overall assessment

The superordinated **H<sub>4</sub>** proposed a higher attractiveness of a sales area based on the CM than compared to a sales floor managed by means of the SiSC.

In order to examine this hypothesis a triangulation approach (cf. Frick, U. (2004) was chosen. The verification of hypotheses H<sub>1-2</sub>, H<sub>2-1</sub>, and H<sub>3-2</sub> (higher appeal of sales area's design; higher appeal of assortment and higher competence of sales personnel) has been considered as these cover the three categories determined most comprehensively, and hence allow executing a general evaluation. Furthermore, additional statements as well as purchase frequency and change rates at the POS have been considered.

As the tests of the three hypotheses have at least shown *some results that support the hypotheses*, it might indicate to support the superordinated hypothesis as well. However in order to test H<sub>4</sub> more comprehensively a further statement ("I visit this shopping centre exclusively because of the array of HUGO BOSS products.") has been examined. *The result of the mean CM shows that sales areas based on the CM drive consumers much more to visit the shopping centre exclusively due to the offer of HUGO BOSS products than a sales area managed as a SiSC does* (CM: M=2.9500; SiSC: M=3.6509). This is a strong and significant result (sig=0.070). Next to the test of these single indicators that have been used to take into account of the "Theory of Partial Comparisons" statements that ask for the general performance of the sales area have been used. The results of these reveal that the *CM performs better in terms of its general assessment* (CM: M=1.6000; SiSC: M=2.0000; sig=0.012) as well as in the capacity to fulfil the expectations of consumers (CM: M=1.900; SiSC: M=2.000; sig=0.537 →insignificant).

Comparing the purchase frequencies of both models the CM performed with 35% versus 20% for the SiSC more successfully. Furthermore, the relative number of changes or returns ("others") was considerably lower. Considering all mentioned indicators, results *strongly suggest to support the hypothesis*. Hence, a higher attractiveness and related a superior performance of the Concession model is indicated.



## CONCLUSION

This work was the first attempt to study the consumer perception regarding the two retail concepts SiSC and CM based on a direct consumer survey.

The following findings could be made:

- Consumers seem to notice a better fit of the sales area's design with the brand image they have in the case of the CM
- Consumers seem to perceive the superiority of assortment building with the CM. They possibly appreciate the availability of fashionable (high-fashion clothes) (CM) and are less attracted by the rather conservative garments that characterize the assortment of the SiSC.
- Consumers seem to perceive an optimized replenishment with the CM but do not note a difference regarding the merchandise volume offered.
- Consumers probably do not perceive an increased availability of sales advice caused by an increase in sales personnel (CM)).
- Consumers possibly perceive an improved familiarity with HUGO BOSS products by sales personnel employed by the manufacturer (CM)
- Sales areas managed by the CM might drive consumers more to visit a particular shopping centre because of the particular (HUGO BOSS) brand presence than sales areas of the SiSC.

*Based on these findings the questions initially raised can be answered as follows:*

**Consumers seemingly perceive the majority of the postulated benefits of the CM since 5 out of 6 hypotheses on the benefits of the Concession model were at least supported to some extent. This could indicate that the CM increases the general attractiveness of a sales area from a consumer perspective.**

## LIMITATIONS & FUTURE RESEARCH

As with all research the present study is constrained by certain limitations.

Firstly, the sample size ( $n=20$ ) of the two samples was relatively small. This might have caused significance levels of  $> 10\%$ . As a consequence there is a high probability that some results occurred by coincidence.

Secondly, a further limitation results from the process of data collection. Data was only acquired in three different sales areas within department stores of one retail chain (ECI) in one country (Spain). Furthermore, the survey took place during a very limited period of time (three days). Due to these circumstances, the present results can only be generalized to a very limited extent.

Thirdly, constraints result from the validity of the executed research. It cannot fully be guaranteed that the operationalization used measured the theoretical construct although by using multiple statements it has been aimed to represent the variables in a best possible way.

Fourthly, it cannot be excluded that consumers included past experiences made on other HUGO BOSS sales floors when evaluating the performance of the particular sales area.

Resulting from the limitations and indicated by the findings of the present work there is a multitude of areas future research might address.

In order to improve the representativeness of the present work, future research should be executed using bigger samples. Data gathering should take place in different department stores eventually in different countries in order to enhance the generalizability of the findings and to be able to analyse cross-cultural aspects.

Furthermore, it is suggested to transfer the present research to other consumer goods industries as for instance the cosmetic or electronic industry as well, in order to investigate if proof for the transfer of the determined benefits to other industries can be found.

Moreover it should be investigated whether the different models show particularities with reference to consumer loyalty that could be caused by the different values retailer and manufacturer impart to their consumers (store versus brand loyalty).

A further suggestion result from the methodology applied.

In future research longitudinal studies should be executed in order to analyse and compare consumer perceptions with the transition from SiSC to the CM (pre & post take-over test)

Exploring these and other scenarios might be a direction for extending the present research.

## APPENDIX

Category	Characteristic	Success factor of the SiSC	Success factor of the Concession model
Instore Marketing	Design of POS	rather clean character of sales area	emotional appeal of sales area
			integrated brand appearance of sales area
	Promotion	price-related promotions	brand-related promotional activities
		regional orientation of POS marketing activities	nationally uniform promotions
Merchandise	Assortment	deep product choice	clearly arranged product range adjusted to collection statement
		rather conservative and mass-conform garments.	assortment characterized by garments of different fashion degrees and especially high-fashion clothes
		balanced availability of particular product groups across overall assortment of the different brands.	availability of all product group within the sales area
	Merchandise management		optimized merchandise management by means of differentiated use of continuous replenishment and continuous merchandising
Personal selling	Human resource management	authorization for staff to advise other brands & hence to accompany consumers to other branded sales areas	permanent availability of sales personnel and sales consultancy
		increase of objectivity in sales consultancy	embodiment of brand image by sales personnel
	Product competence	broad competence across product groups	competence focused on products of the own brand

Appendix 1: Success factors of the SiSC and the CM

### Sources for Instore Marketing (Success factors SiSCM and CM):

Baker, J.; Parasuraman, A.; Grewal, D.; et al. (2002), p. 120ff  
 Barth, K. (1996), p. 996  
 Bruhn, M. (2005), p. 606  
 Bundesverband des Deutschen Textileinzelhandels (2010), p. 12; 66f  
 Donovan, R. J.; Rossiter, J. R. (1982), p. 56  
 Grewal, D.; Krishnan, R.; Levy, M. et al (2006), p. 18ff  
 Gruber, E. (2004), p. 57  
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## **Session 8.7. Towards a Global Framework for Advertising Self-Regulation**

Room: Swanston #1

Session Chair: Gayle Kerr, Queensland University of Technology

### **Session Participants:**

Gayle Kerr, Queensland University of Technology

Sonia Dickinson, Curtin University

Kathleen Mortimer, University of Northampton

David Waller, University of Technology, Sydney

Park Beede, Higher Colleges of Technology, Abu Dhabi

Jean Boddewyn, Baruch College, City University of New York

**Thursday, 5:30 p.m.**

### **Special Wine Tasting Event**

Room: Swanston

### **Session Participants:**

Barry Babin, Louisiana Tech University

Mitch Griffith, Bradley University

Dave Ortinau, University of South Florida

**Dinner on Your Own**

## **DAILY HIGHLIGHTS**

Friday, July 19

Registration

Langham Hotel Ballroom

8:00-5:00 p.m.

President's Reception

Swanston Rooms

6:00-7:00 p.m.

Congress Banquet

Langham Hotel Ballroom

7:00-11:00 p.m.

**Friday, July 19**

## **TOWARDS A GLOBAL FRAMEWORK FOR ADVERTISING SELF REGULATION**

Park Beede, PhD, Higher Colleges of Technology, UAE.  
Jean Boddewyn, City University of New York, USA.  
Sonia Dickinson, Curtin University, Perth, Australia.  
Gayle F. Kerr, Queensland University of Technology, Australia.  
Kathleen Mortimer, University of Northampton, UK.  
David S. Waller, University of Technology Sydney, Australia.

### **INTRODUCTION**

One of the forces which has indelibly shaped marketing is the internet. It has not only changed the way we communicate, but our marketing practices and our advertising self-regulation process (Kerr, et al 2012). Most advertising self-regulatory frameworks are country specific and typically an artefact of culture and the national regulatory environment (Boddewyn 1989; Rotfeld 1992). The importance of protecting consumers from deceptive advertising is universal, and in trying to regulate a global medium, we need to integrate national concerns into global guidelines and international best practice. Currently there is no global framework for advertising self-regulation, even though there is an urgent need to both protect consumers in this unregulated environment and ensure marketers' obligations for legal, decent and truthful advertising are met.

This special session seeks to build a new global framework to regulate advertising activity in this uncharted online environment. It takes the first steps to achieve this with a structure which examines self regulation from the perspective of (1) the self-regulatory organisations, (2) the consumers, (3) the marketers and (4) the media. The special session will include five presentations, outlined below:

#### **Presentation 1: The importance of self-regulation to marketers and to the community**

Self-regulation within the advertising industry is a common model that exists internationally (Harker 2004). One of its roles is to minimise the effects of controversial messages on potential customers and the broader community by empowering regulators to make rulings about controversial messages and remove them from the media if deemed necessary (Boddewyn 1989; Harker 2004; Rotfeld 1992, Shaver 2003). However, regulator power is limited to traditional media environments and does not extend to the online environment, where consumers spend increasingly more of their time. As the influence of the internet on our daily lives increases, exchange platforms such as Facebook, YouTube, forums and blogs appear to alter the roles and power of parties involved in the self-regulatory process.

#### **Presentation 2: The role of Self-Regulatory Organisations: EU Leadership**

At the forefront of self regulation in the online environment is the European Union, which positions itself as "unity in diversity". Amongst its 27 members, there is a diverse range of self-regulatory systems, a result of history, business environment and culture. There are more established and sophisticated advertising nations such as the UK, Nordic countries, Austria and Germany and Mediterranean countries (Italy, France, Spain, Portugal, and Greece). Yet even these differ according to the media regulated by SROs (including internet and new and evolving media), product and sector-specific rules and also in advertising monitoring, code-drafting and independent element in jury.

#### **Presentation 3: Consumer empowerment and privacy risk in the online environment**

The advertising industry regulates the communication and conduct of its members by imposing a code of ethics, sanctions for violation of this code, and enforcement procedures to ensure compliance. Universally, a member of the general public can lodge a comment or complaint, an advertiser responds or complies, and the regulator liaises, formulates and, in most cases, enforces determinations. However, the most common action of consumers when confronted by offensive advertising is to do nothing. Complaints lodged through formal regulatory processes represent a tiny percentage of consumers with most complainants are older consumers, with a better education and a more comfortable financial situation (Volker et al. 2002). Therefore, it is contentious whether those who complain, truly represent the viewpoint of the general public.

However, the online environment has given consumers a new avenue of complaint. Social communication media enables the public to be a critical player in the regulation process with the opportunity to impact on brand image and reputation (Kucuk



2008). User generated content shared through platforms such as web communities, viral email, instagram, flickr, Youtube, Facebook, twitter and weblogs enables the public to both circumvent and encourage the self regulatory process by distributing banned advertising or posting reviews in support of SRO decisions (Waller, et al 2009). The publics' voice is powerful, cannot be controlled and has the ability to change something by speaking out about it (Siano, Vollero and Palazzo 2011).

#### **Presentation 4: Marketer issues in self-regulation**

While the online environment has empowered consumers, it has often confused marketers. For example, despite advertising being one of the most heavily regulated industries in the United States, there are few clear guidelines for marketing best practice online. Three key issues are identified and the Australian Marketing Institute will contribute to their discussion: (1) Personalization versus privacy; (2) The global nature of local advertising; and (3) Insufficient guidance from industry bodies.

#### **Presentation 5: Online environment and media stakeholders**

The online environment augments the traditional powers of consumers to ignore, resist, adapt or control their choices and exercise power over manufacturers (Kotler et al. 2006), by controlling the relationship; using information as power; participating in an online community or aggregating together as a powerful force online (Denegri-Knott 2006). Kerr, et al (2012) reported that bloggers distribute information, opinion and even banned advertising material, thereby forming power hubs of like-minded people, with the potential to become online pressure groups. Often this information sharing is facilitated by marketers, providing viral advertising material or links to controversial advertising. Regulators could equally use the online environment to track public opinion on controversial advertising decisions, providing a more diverse and perhaps representative view to complainants in the self regulation process. In addition, the government also has a voice online with censorship practices in countries.

#### **Presentation 6: Putting the framework together**

The special session will identify a range of stakeholder issues and initiatives. These are the building blocks of any new model of advertising self-regulation in the online environment, as well as informing the content of future guidelines or best practice in this area. This will draw from the literature of advertising self regulation and consider marketing practice in the online environment. It will summarise and synthesise our findings.

### **CONCLUSION**

This special session looks back to how advertising has been traditionally self-regulated and looks forward to identify the key issues for marketers, consumers, regulators and the media. From the presentations it is intended that a proposed conceptual model will be proposed to describe a potential process of how advertising self regulation occurs in the online space, as well as traditional media environments. However, perhaps its greater usefulness will be in driving an agenda for discussion and collaboration.

### **REFERENCES AVAILABLE UPON REQUEST**

**Friday, 8:30 – 10:00 a.m.**

**Session 9.1. Understanding Relationships**

Room: Flinders

Session Chair: Antonella La Rocca, University of Lugano

***The Behaviors of Relationship Building: A Networking View***

Sana Marroun, University of Western Sydney

Samrand Toufani, University of Western Sydney

Louise Young, University of Western Sydney

***Parasocial Relationships and Brand Tribal Behavior: Delineating Their Link***

Rodoula Tsotsou, University of Macedonia



# THE BEHAVIOURS OF RELATIONSHIP BUILDING: A NETWORKING VIEW

Sana Marroun, University of Western Sydney, Australia

Samrand Toufani, University of Western Sydney, Australia

Louise Young, University of Western Sydney, Australia and University of Southern Denmark, Denmark

## ABSTRACT

Using a framework of early stage or “pre” relationship development, this paper reports survey findings of how business professionals undertake networking, specifically at networking events. The focus is on the micro level behaviour that they engage in prior, during and after their attendance at an event. Using chi square analysis, the data was analysed so as to identify possible associations between four key demographic variables and a range of networking activities. Both the way networking is approached and actual networking behaviour were considered. Cluster analysis was used to develop behaviourally-based segments, i.e. the micro behaviour attendees engage in during the event phases. A key finding emerging is that the amount of recent attendance at events influences networking behaviour (and possibly vice versa) irrespective of network event experience. Subsequent networking behaviour is likely to be more effective.

## INTRODUCTION

Man is a social being who generally functions best within cooperative relationships (Argyle 1991). In marketing, the value of cooperative relationships for both social and economic purposes was recognized in early work (e.g. Alderson 1965) and work in this area has continued. A critical junction was thirty years ago when “relationship marketing” became a focus, considering the critical role of relationships in customer retention (Berry 2002).

This paper focuses on what has been considered as the “pre-relationship” stage when relationships are being explored and the even earlier relationship development activities of seeking and building contacts and/or relationships. The context is B2B, i.e. relation seeking by representatives of an organisation with those from other organisations undertaken at least in part to facilitate their organisation’s relationship marketing process. The more specific purpose of this research is to consider the nature of such activity in the context of attending networking events. Here, the focus is not on the seeking of any particular kind of relationship or value, rather we consider the nature of behaviour and factors when an individual seeks to expand one’s personal and/or one’s organisation’s network for any purpose.

The remainder of this paper first considers the literatures of relationship value development and of networking as a means of relationship development. Following this a study which considers the networking behaviours of those seeking to augment their relationship base through their attendance at networking events, is presented. The different segments of networking behaviours that emerge and their implications for further research and for practitioners are then discussed.

## THE VALUE OF RELATIONSHIP DEVELOPMENT

More attention needs to be paid to what happens prior to relationship initiation. A lack of attention may be due to the way that business “relationships” are often conceptualized. The norm is that of a transaction focus and there is a sense that “relationships” start with the first transaction and are built within subsequent transactions (Levitt 1986). In the early work, relationship “development” was conceptualized as a process where factors such as trust, satisfaction, social bonds and relational investments impacted on an entity’s development of commitment (e.g. Anderson and Weitz 1992; Wilson and Mummalaneni 1986) within repeat transactions and growing attachment to the trading partner (Jarvis and Wilcox 1977). In other words, development happens after some attachment has been formed. However, the much-cited work of Ford (1980) and Dwyer, Schurr and Oh (1987) present models of relationship development which include consideration of the pre-relationship. In these models relationships develop as they “mature” through time and through continuing transactions - which often increase in scope and/or frequency. The business relationship cycle is usually conceptualized as a discrete process, comprising the stages of initiation, development, management and termination. Subsequent work in B2B has further considered the initiation phase articulating it in part as a “pre-relationship” stage concerned with identifying and investigating potential suppliers (e.g. Anderson 2001).

However there is limited concern in the contemporary relationship marketing literature with these very early parts of relationship process. This may in part be because relationship development models depict low levels of activity, usually conceptualized in terms of infrequent communication, lack of firm or relation profitability, and/or low levels of

communication complexity (Dwyer et al 1987; Anderson 2001). We speculate that such a lack of activity is difficult to reflect upon and/or describe and therefore may be seen as relatively unimportant - with focus is directed to other areas.

Another explanation is that pre-relationship activities are difficult implement and manage and are therefore often avoided. The time frame for exploration of relational partners is long and in many/most instances the contacts made bear little or no fruit. Exploration is concerned with experimentation with new alternatives. "Its returns are uncertain, distant and often negative"(March, 1991, p. 85). There is some work, mostly in the management literature, which has considered the circumstances under which exploration strategies are more likely and what the nature of these strategies is likely to be (e.g. Gupta, Smith and Shalley 2006). Learning, innovating and finding resources are the usually-given reasons for exploration (e.g. Rosenkopf and Nerker 2001). There is less work that considers more specifically considers relationship exploration, i.e. strategies concerned with expanding business contacts and/or more generally identifying and evaluating relationship alternatives.

A stream of literature that is of particular relevance in understanding the value that contact building brings in its own right is that of the social capital. Relationships provide (and indeed are) social capital (Burt 2005). While not the primary focus, conceptualizations of social capital highlight the value of contractual (as distinct from transactional) relationships (e.g. Flap 2002; Lin 2002; Burt 1992, 1997). In relationship initiation, the interaction activities associated with bridging – which involves building social capital via interaction between different social groups, with loose bonds between actors the goal – is particularly relevant (Eklinder-Frick, Eriksson and Hallen 2011). (This is distinct from bonding – where activities which build strong connections within groups are the goal (Putnam 2000)). There is a need to balance processes of bonding and bridging (Daskalaki 2010). Effective patterns of bridging (and bonding) promote the creative potential in organisations as well as facilitating collaboration (Slotte-Kock and Coviello 2010; Lin et al 2011). The importance of bridging in terms of contact-building is particularly prominent in the literature of social networks. Social networks are collections of interpersonal and/or business relationships. The composition and interrelation of these collections have important structural properties such as who interacts with whom and the nature of the connections between individuals (liking or not and the strength this) (Re and Adar 2007; Fleisher 2005). Social networks play a range of important roles in society operating in personal, professional and business spheres, often linking them together.

Networking encompasses the deliberate activities or chance encounters by individuals that allow for the initiation, development and ongoing maintenance of network connections (Keenan and Shiri 2009; DiMicco et al. 2008). There are a number of different motivations identified within literature in an attempt to understand why individuals and firms spend time and resources to engage in networking activities. These motivations include meeting new people, keeping in touch with friends and colleagues, as a form of entertainment, media sharing, campaigning projects and ideas, career advancement, knowledge sharing, managing existing relationships, for self-promotion, advertising, marketing and information mining (DiMicco et al., 2008; Ofcom 2008).

Considerable attention has been given to the nature and role of social media networking, Internet-based social communication is shown to be often important and credible (Brown et al. 2007; Schiffman and Kanuk 1995). However, the relative importance of Internet social network contacts remains less than close friends and family in making important decisions (Young, Donald, Benn and Freeman 2008; Ofcom 2008) as have professionally-based direct personal contacts such as work colleagues in professional development and value creation.

The networking process is often referred to in literature, however these mentions are often normative, i.e. focusing on how to network more effectively (e.g. Szeto, Wright and Cheng 2006) rather than considering how people do network. There is recognition that a possible way of building professional and organizational networks is to attend events partially or solely intended to provide like-minded people with a forum for meeting and forming advantageous links (e.g. O'Brien 2006). Again, previous work focuses primarily on guiding effective networking at events (e.g. Kuzma, Shanklin, and McCally 1992) as opposed to the micro level behaviors that attendees engage in when preparing to attend an event, engaging at an event and their action after the event. It is the latter, more descriptive nature of networking that is our focus.

## METHODOLOGY

This paper presents a portion of findings from a larger study. We focus the behaviours of business professionals attending network events, using data gathered via a short survey which asks about their behavioural processes of prior, during and after attending an event. This is one part of a study which seeks to understand the deep reflective processes in play in building a professional network and their relationships to ongoing networking behaviour. The larger study includes collection of

information about individuals' relationship/networking histories and vignettes, their reflections on their networking behaviour and its consequences and its effectiveness and observation of networking behaviour at events.

Access to study participants is provided by the Western Sydney Business Connection (WSBC). This is an independent, not-for-profit organisation established in 1985 which is partially focused on business to business networking and development (WSBC 2010). The group's role ranges from business networking, the promotion of Western Sydney, investment attraction for Western Sydney, developing young business leaders and growing business opportunities with key Asian countries (WSBC 2010). The WSBC provided access to and assistance at the events (providing liaison, access to promotional photographs taken, a table for returning surveys, etc.).

The survey contains four sections. The first asks about the participants' network and includes items concerned with size and recent evolution of the respondent's professional network. The second seeks to understand the way the participants approach/behave in the networking process, addressing their preparation prior to events, patterns of behavior during events and nature and amount of following up. The third section focuses on the participant's membership and involvement in networking events and online networking sites and includes items on regularity of event attendance and activeness on social networking sites. The last section elicits the participants' demographics. The items were designed using the theories presented in previous sections, in particular considering the literature of business networking behaviours, as there were no previously existing scales that were suitable for the focus of the study. Some items used a six-point Likert-type scale (6= "describes well" to 1= "describes poorly") while other items were in the form of multiple selection questions, i.e. to select as many of the following as apply. These items have been grouped to enable consideration of 1) the nature of respondent approach to networking (event participation, perceived value and goals) and their micro behavior i.e. activity 2) before, 3) during and 4) after attending networking events. These groupings are theoretically informed using theories of networking and process. All groupings were internally consistent with Alphas of .60 or greater. However the items within the nature of networking constructs have not been combined into indicies. Instead, the more specific character of each item is explored in the following analysis.

The questionnaire was distributed using two methods. The first was at a WSBC End of Year (Networking) Event (one of their largest annual events) in late 2011. During this event there were two formal announcements made reminding attendees to complete the survey. The survey was also distributed online by the WSBC to their database of 3500 a week later with a reminder nine days later. A final reminder was sent two weeks later. Those completing the survey were offered the incentive of receiving ongoing updates on the various parts of the research if they provided contact details. Of 3500 database contacts, 220 completed and returned the questionnaire (6.2% response from total membership, however this includes people who do not attend events therefore the meaningful response rate is somewhat higher). Each returned questionnaire was reviewed for completeness and, of the 220, three were considered unusable due to large amounts of missing data, giving a total of 217 useable responses.

## ANALYSIS AND FINDINGS

The bulk of the networking approaches and attitudes as to the value of networking (i.e. Group 1 items, as above) have means of 4.2 to 4.6 indicating modest agreement as to the importance of events and a somewhat regular use of these. The exception is use of social networking which has a mean below the midpoint of 3.5 (3.2). The goals of event networking are generally directed towards business-building; 65% attend to generate leads and about a third of respondents indicate that they do so to get contacts and showcase capabilities. This is in contrast to more long term or general goals with less the 20% indicating a goal is to learn or build relationships.

Respondents' preparation for events is not substantial, primarily it is that of checking to see who is attending (75%) with a smaller number people (34% and 35%) indicating they plan various ways to meet people of interest. Proactive at-event behavior is the norm, meeting people and talking to previous acquaintances, approaching small groups of people and handing out business cards are undertaken more than 60% of respondents. There is also a certain amount of follow up after events; in particular respondents report reviewing the business cards collected (60%) and sending follow up emails to useful contacts (67%).

Hypothesis testing using the chi square statistic was undertaken for relationships between 'Nature of Networking' items and demographic variables/participant characteristics including the number of events attended, years in workforce and gender. To consider association between nature of networking and industry type, a manual examination of the tabulation was undertaken to see if certain industries were more inclined towards a particular response or responses (small cell sizes made it impossible to statistically test this). The number of events attended in the past 12 months does not influence any of the

aspects of networking that have been examined. The number of years in the workforce (which we assume reflects age of respondent to some degree) influences a number of factors with younger respondents more likely to undertake online networking and older respondents more likely to use events to generate leads and build relationships. Females are more likely to use events to showcase expertise. Certain industry sectors are more likely to regularly attend events and to use events to get referrals, learn, generate leads and build relationships. [Table 1](#) presents the significant associations and the items that appear to be associated with Industry type.

To profile event attendees' behaviors before, during and after events, 'Micro Level Behaviour' items, i.e. those concerned with pre, during and post event behaviour were analysed using cluster analysis. The nature of participants within clusters was then considered. Since we do not know a priori the probably number of clusters and their seed points, a hierarchical clustering technique was used initially. Nonhierarchical techniques (e.g., k-mean algorithm, as applied by Helsen et al., 1993, as well as Day et al. 1988) are known to be very sensitive to the choice of initial seeds. Simulation studies have shown that the nonhierarchical clustering algorithms perform poorly when random initial seeds are chosen (Hair et al. 1995; Sharma 1996). Analyses were run separately on the before, during and after event behaviours. Eight clusters (3, 3 and 2 respectively) were identified using the hierarchical clustering technique and examining the dendrogram. Using squared Euclidean distances and Ward's clustering algorithm, several solutions were examined to determine the number of clusters to be extracted (as suggested by Cavusgi et al. 2004) with the number confirmed by the hierarchical clusters solutions (Wong, Wilkinson and Young 2010). Differences between the clusters in the three solutions were measured by the F-statistics, and were significant.

[Table 2](#) presents a description of the eight clusters emerging from the hierarchical cluster analysis. The resulting clusters are of reasonable size (with each respondent appearing three times, i.e. in each category). Cluster centroids were used to interpret the clusters. Each cluster has been assigned a name representing the mean values of the objects contained in the cluster of the variables (as recommended by Malhotra 2012). The cluster descriptions indicate that there are distinctive behavioural profiles for event attendees which demonstrate varying levels of psychological engagement with the events. Preparation clusters differ mostly according to amount of preparation done. Event behavior clusters differs according to whether interpersonal interaction, business card use or a combination of both is the focus. Post event behavior differs primarily according to the kind of follow up media that is used.

[Table 3](#) presents the significant results for the cross tabulation analysis of the 'Event Behaviours' with demographic variables including number of networking events attended in the past 12 months, number of years in the workforce, gender and industry type. For the first three demographics the chi square statistic tested the association, for the fourth, as before, a manual examination of the tabulation was undertaken to see if certain industries were more inclined towards a membership in a cluster. The factors that appear to influence event behaviours differ somewhat from those that influenced respondents' general networking behaviour. For each stage of the event attendance process, the number of events is related to cluster membership, specifically more frequent attendees are more likely to be in clusters that are characterized by more preparation, more card exchange and interpersonal follow-ups (see [Table 2](#) for full descriptions of clusters). In the during-event behaviour, females are more likely to be in the card exchanging cluster and males in the interpersonal exchanges cluster. Neither industry type nor years in workforce appear to be associated with any of these clusters' behaviours.

The possible association between before, during and post event behaviours were also considered. The relationships were significant only at the 10% level. Indications were that higher preparation was associated with a card exchange focus irrespective of follow up behaviour and that interpersonal exchanges at events and in follow-up were associated when preparation was moderate or low. The larger behavioural segments emerging were: (1) high to moderate levels of preparation, focus on card exchanges and online follow-up, (24% of sample), (2) moderate preparation, interpersonal exchanges at events and online follow-up (16% of sample) and (3) high to moderate levels of preparation, focus on interpersonal exchanges and personal follow-up, (13% of sample). To explore whether attitudes towards what events achieve drive (and/or are driven by) event behaviour, analysis of respondents' perceived value of events in terms of whether they help build networks or contacts was undertaken. Significant associations are presented in [Table 4](#). This shows that cluster membership is not related to perceptions of events helping to build networks. However perceptions of events as helping to build contacts are associated with preparation, during-event behaviour and follow up. Interestingly it is those who prepare only to a moderate degree that are most positive about the value of events in building contacts. Perhaps even more interestingly, those who focus on interpersonal exchanges while at events see the least value in events for contact-building. And, those who follow up with contacts made using personalized, direct contact are likely to be only moderate in their perceptions of the value of events for contact-making. To some degree this is counter intuitive.

## DISCUSSION AND CONCLUSIONS

The findings emerging from this analysis provide new insights into event networking practices and processes. Relational elements and contextual norms appear to play some role in respondents' views of networking and the way it is undertaken - in that it appears there is a greater propensity to regularly attend in some industries. A possible explanation is that regularity of attendance may be due to organizational support but this also may be embedded in industry-level norms. The same explanation is plausible for the indications of certain industries' greater than expected propensity to use events to achieve types of goals such as getting referrals, learning, building relationships, etc.

In the event-related behaviour, history matters in that the number of events recently attended influences (and perhaps is influenced by) preparation for events, event behaviour and nature of follow up. Not surprisingly greater preparation is associated with more attendance, possibly because experienced attendees are well aware of the value of preparing. More prepared people and females are likely to use card exchange as the primary event behaviour and the more prepared are somewhat more likely to use social media rather than more personalized follow-ups. There are no discernable patterns indicating that industry or years in the workforce play a role in event behaving. The findings regarding the perceived value of events (that were part of the "nature of network" group of items) were puzzling. Events were not seen to assist in building networks but were seen as valuable for building contacts. This may align with previous work on perceived network value. Wiley et al (2006) found that networks were perceived as relatively unimportant to managers. They speculated that managers may have micro and short term perspectives that preclude them from perceiving the nature of their participation in networks and thus any resulting value. This may also apply to this context.

This research has obvious implications for managers. Companies invest in their staff by sending them to professional events (although this is not the sole reason for attendance). A greater understanding of event processes and perceived value of events can help organisations to better allocate resources to events, provide training for staff who attend events to assist in improving their effectiveness at them and to determine who the best ambassadors for their organisation are. This research provides an initial step towards this understanding.

The research has a number of limitations, many of which will be addressed in future research. An obvious limitation is the convenience sample. The method of collection could well stimulate greater participation by those more interested in networking and thus may overstate its importance. The work presented here can be further extended. Development of network attitudes and behavioural indices could provide insight into further patterns within the data. Exploration of the remaining data for further behavioural and demographic variables that might provide insight into cluster membership nature is another extension possibility. Follow up surveys with participants could provide a sense of evolution of networking attitudes and behaviour. As previously stated, the findings presented here are part of a larger research project. The most substantial findings will most probably come from the qualitative exploration of the deep processes at work in networking. Combining the findings reported here with the qualitative findings of other parts of the study and a multi-method analysis of this has real potential to extend understanding of the processes at work in event networking.

## TABLES

Table 1: Nature of Networking and Demographics

Construct	Demographic Variable	No. Of Events Attended in the Last 12 Months	No. Of Years in the Workforce	Industry	Gender	H <sub>1</sub> (p < .05)	Nature of Association
<b>1.1 Approach to Net-working</b>	V1. Regularity of Event Attendance			✓		<b>Not tested</b>	Respondents in the Media and Communication, Law and IT industries regularly attend networking events.
	V2. Active on Social Networking Sites		✓			<b>Accepted</b>	Negative
<b>1.2 Goals</b>	V1. Get Referrals			✓		<b>Not tested</b>	Respondents in the Banking and



<b>When Attending an Event</b>							Finance as well as the Hospitality industry do attend networking events with the goal of generating referrals.
	V2. Showcase Expertise				✓	<b>Accepted</b>	Positive
	V3. Generate Leads		✓			<b>Accepted</b>	Positive
	V3. Generate Leads			✓		<b>Not tested</b>	Greater proportions of female respondents have the goal of generating leads prior to attending a networking event.
	V4. Learning			✓		<b>Not tested</b>	Respondents in Education and Media and Communication industries attend networking events with the goal of generating leads.
	V5. Make and Build Relationships		✓			<b>Accepted</b>	Positive
	V5. Make and Build Relationships			✓		<b>Not tested</b>	Respondents in the Law, Accounting, NFP and Charity and Hospitality industries share the goal of making and building relationships when attending networking events.

Table 2: Cluster Labels for Micro Level Behaviour

Construct	Variables Included	Cluster Number	Cluster Size	Cluster Names	Cluster Description
<b>2.1 Pre-Event Behaviour</b>	V1. Look at list of attendees V2. Develop strategies to meet particular people V3. Look at seating arrangements and choose possible seat V4. Look up topic/speaker V5. Research event attendees	C1	78	Strategic Preparation	Extremely proactive in preparing for events. Prepares by knowing who will be attending, where they may be seated and by developing strategies to meet particular people. People in this cluster will go out of their way to research attendees before attending an event.
	V1. Look at list of attendees V2. Develop strategies to meet particular people V4. Look up topic/speaker	C2	125	Basic Preparation	Laid back in preparation for events, they are interested knowing who is attending and possibly where they may be sitting however that is where the event preparation stops.
	V6. No preparation	C3	14	No Preparation	No type of preparation prior to attending an event is undertaken.
<b>2.2 During Event Behaviour</b>	V1. Approach large groups V2. Approach small groups or people standing alone V5. Ask for business cards V6. Handout business cards	C1	112	Business Card Exchanger	Key behaviour is the exchange of business cards with others during the event.
	V2. Approach small groups or people standing alone V3. Try to meet new people V4. Talk to people you know	C2	75	Maintaining and Making Contacts	Key behaviour is interpersonal exchange including both talking to people they know as well as meeting new people during the event.
	V2. Approach small groups or people standing alone V3. Try to meet new people V4. Talk to people you know V6. Handout business cards	C3	30	The Active Business Card Giver	Mixed behaviour at event includes handing out business cards, talking to people they know and meeting new people. However they refrain from asking for business cards
<b>2.3 Post Event Behaviour</b>	V1. Sort through business cards V3. Add contacts to online social networking site V4. Send emails to new contacts	C1	136	Online Follow-up	Focus is on following up with contacts via online media such as sending emails and adding contacts on to social networking sites.
	V2. Call new contacts V4. Send emails to new contacts V5. Meet with new contacts	C2	81	Face to Face Follow-up	Focus is on following up meeting via personal interaction including meeting and/or calling contacts, sending email also is used.



Table 3: Relationship between Cluster Membership and Demographics

<b>Demographic Cluster</b>	<b>No. Of Events Attended in the Last 12 Months</b>	<b>No. Of Years in the Workforce</b>	<b>Industry</b>	<b>Gender</b>	<b>H<sub>1</sub> (p &lt; .05)</b>	<b>Nature of Association</b>
<b>2.1 Pre-Event Behaviour</b>	✓				<b>Accepted</b>	C1 highly likely to attend 4+ events
<b>2.2 During Event Behaviour</b>	✓				<b>Accepted</b>	C1 highly likely to attend 4+ events, C2 attend fewest events
			✓		<b>Indication of association</b>	Manufacturing likely to use C2 and not C1, NFP and Charity are more likely C1, Recruitment and Consultancy are more likely C3
				✓	<b>Accepted</b>	C1 is female dominated, C2 is male dominated
<b>2.3 Post Event Behaviour</b>	✓				<b>Accepted</b>	C1 attend relatively fewer events than C2

Table 4: Relationship between Cluster Membership and Event Attitudes

<b>Event Value Cluster Type</b>	<b>Events Help Build Networks</b>	<b>Events Help Build Contacts</b>	<b>H<sub>1</sub> (p &lt; .05)</b>	<b>Nature of Association</b>
<b>2.1 Pre-Event Behaviour</b>		✓	<b>Accepted</b>	Those responding highly positively are highly likely to be in C2.
<b>2.2 During Event Behaviour</b>		✓	<b>Accepted</b>	Those middle of scale likely to be in C1, Those negative likely to be in C2
<b>2.3 Post Event Behaviour</b>		✓	<b>Accepted</b>	Those in mid-scale likely to be in C2

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# PARASOCIAL RELATIONSHIPS AND BRAND TRIBAL BEHAVIOR: DELINEATING THEIR LINK

Rodoula H. Tsiotsou, University of Macedonia, Greece

## INTRODUCTION

Consumers do not only develop relationships with brands but with other consumers as well because of the brands (Veloutsou, 2009). Both types of relationships are important for brands and their managers (Schau et al., 2009) and should be taken into account. The consumer-to-consumer relationships are referred in the literature as brand communities, brand sub-cultures and brand tribes (Fournier 1998; Cova and Pace 2006; Bazaki and Veloutsou 2010). This study adopts the term brand tribe to describe groups of individuals who join a brand group in an informal manner and demonstrate tribal behavior. This type of consumer relationship has attracted recently research attention (Bazaki and Veloutsou 2010; Tsiotsou and Veloutsou, 2011) because it is related to important brand outcomes such as brand loyalty (Roos et al. 2005; Hur et al. 2011). However, although brand tribes result from consumers' interest in interacting with other consumers who share the same interest and feelings toward a brand, it has been documented that not all consumers are engaging in brand tribe activities in the same manner or to the same degree (Ballantine and Martin, 2005; Casalo, Flavian, and Guinaliu, 2008; Motion, 2008). Some of the brand tribe members might exhibit parasocial behavior: they observe the activities of other brand tribe members and do not participate or get involved in these activities. The purpose of the present study is to investigate the relationship between parasocial relationships and tribal behavior in brand tribes. The liaison between the two constructs has not been studied before so the study contributes to the literature and practice.

## CONCEPTUAL FRAMEWORK AND RESEARCH HYPOTHESES

Parasocial behavior has been fairly well established in the media and communication literature since the term was introduced by Horton and Wohl (1956). In the media literature, parasocial behavior has been considered as a one-sided pseudo-intimate relationship between the audience and media personalities (Rubin and McHugh 1987; Rubin & Step, 2000). In addition to media research, parasocial behavior has been studied in sports (Sun, 2010), political candidates' blogs (Thorson and Rodgers, 2006), avatars (Jin, 2010) and elderly TV shopping behavior (Lim and Kim, 2011). The present study defines parasocial behavior as the one-sided pseudo-interpersonal involvement of brand tribe members with other group members. A parasocial relationship may be affected by the attractiveness (Hoffner, 1996) or the perceived commonalities between viewers or readers and a media protagonist (Hoorn and Konijn, 2003). Thus, parasocial relationships emerge primarily between tribe group members with similar characteristics and backgrounds (Turner, 1993). As the parasocial relationship intensifies, individuals follow the activities of the brand tribe more often to maintain the relationship (Grant, Guthrie, and Ball-Rokeach, 1991; Rubin, Perse, and Powell, 1985).

Tribes have been defined as "any group of people having interests in a specific brand or product through which they create a distinct society with its own 'myths, values, rituals, vocabulary and hierarchy' " (Cova and Pace 2006, p. 1089). Each tribe is a culture unto itself, members have their own language, conventions and customs; rejecting the norms imposed by other cultures (Brownlie, Hewer, and Treanor 2007). Tribes are an elective sociality where individuals freely associate without centralized management (Maffesoli 1996). Tribal behavior can be conceptualized as collective memory, brand tribe identification, reference group acceptance, and brand tribe engagement (Tsiotsou and Veloutsou 2012). Collective memory refers to the brand knowledge the consumers are developing and their willingness to share this knowledge with other group members (Veloutsou and Moutinho 2009). Brand tribe identification is the perceived attachment of an individual to other brand supporters (Algesheimer et al. 2005) while reference group acceptance is the perceived approval of brand related activities in which an individual participates conducted by other people in their reference group (Veloutsou and Moutinho 2009). Brand tribe engagement is the degree of motivation in active participation in the brand group related activities (Algesheimer et al., 2005).

Based on the above discussion it is expected that

H1: Parasocial behavior will be positively related to brand tribal behavior such as (a) collective memory, (b) reference group acceptance, (c) tribe identification and (d) tribe engagement.

Moreover, based on previous studies on the relationships between the dimensions of tribal behavior (Veloutsou and Tsiotsou 2011; Tsiotsou and Veloutsou, 2012), it is hypothesized that:

H2: Brand tribal engagement will be positively related to future tribe behavioral intentions.

H3: Brand tribe collective memory will be positively related to reference group acceptance

H4: Brand tribe collective memory (a) and reference group acceptance (b) will be positively related to brand tribe identification.

H5: Brand tribe identification will be positively related to brand tribe engagement.

## METHOD

The target population for this research was soccer fans. The sport industry and especially soccer, is such that their supporters are likely to develop strong relationships with both their team and other team supporters, demonstrating tribal behavior. The survey research method was used to collect data for the study. TRI.BE has been used to measure brand tribal behavior (Tsiotsou and Veltoutsou, 2012). Parasocial behavior has been measured with the Parasocial Interaction (PSI) scale (22 items) developed by Auter and Palmgreen (2000). The items for measuring tribe behavioral intentions (6 items) were gathered from the work of Algesheimer et al. 2005. All items in the final instrument are anchored by Strongly Disagree (1) to Strongly Agree (5). Using a convenience sample, 295 completed questionnaires were collected from consumers.

## ANALYSIS

Because the measures of the study have been previously developed and used, a confirmatory factor analysis (CFA) tested the measurement model and then, structural equation modeling (SEM) tested the theorized model (Figure 1). The initial items used to measure the seven latent constructs (43 items) were subjected to Confirmatory Factor Analysis (CFA) using LISREL 8.52. The PSI scale resulted in two instead of four factors which were named Parasocial Identification and Parasocial Interaction. Table 1 presents the final measurement model of the study. The revised measurement model consisted of 28 items and was found to fit the data well with a chi-square goodness of fit index of 643.09 and 329 degrees of freedom, ratio  $\chi^2 / d.f.=1.95$ ,  $p<.000$ ). Moreover, the fit indexes values met or exceeded the critical values for good model fit (RMSEA = 0.06, NFI = 0.90, CFI = 0.95, IFI=0.95).

**Table 1. Final Measurement Model and Confirmatory Factor Analysis Results**

<b><i>PARASOCIAL RELATIONSHIPS</i></b>	Loading	AVE**
<b>PARASOCIAL IDENTIFICATION (CR = 0.87)**</b>		0.58
I have the same qualities as the fans of my team	.80*	
I have the same problems as the fans of my team	.71*	
I can image myself as fan of my team	.73*	
I can identify with the fans of my team	.81*	
I enjoy trying to predict what the fans of my team will do	.75*	
<b>PARASOCIAL INTERACTION (CR=.88)**</b>		0.60
I would enjoy interacting with the fans of my team and my friends at the same time	.83*	
I wish I could handle problems as well as the fans of my team	.74*	
I like the way the fans of my team handle problems	.76*	
I would like to be more like the fans of my team	.75*	
I usually agree with the fans of my team	.80*	
<b><i>TRIBAL BEHAVIOR</i></b>	Loading	AVE**
<b>COLLECTIVE MEMORY (CR = 0.86)**</b>		0.67
When my friends talk about sports they want to talk about this team	.86*	
When my friends watch sports they want to watch games of this team	.81*	
In general my friends know a lot about this team	.78*	
<b>REFERENCE GROUP ACCEPTANCE (CR = 0.86)**</b>		0.67
I follow this team because I am sure that my friends approve of it	.84*	
I am very loyal to this team because my friends also like it	.87*	
My friends are following this team and I follow it too just because I want to be like them	.79*	
<b>BRAND TRIBE IDENTIFICATION (CR = 0.87)**</b>		0.62
I am very attached to the group of people interested in this team.	.87*	
The friendships I have with other people interested in this team mean a lot to me.	.79*	

If people who follow this team planned something, I'd think of it as something "we" would do rather than something "they" would do.	.78*	
I see myself like one of the many people who follow this team	.71*	
<b>BRAND TRIBE ENGAGEMENT (CR = 0.86)**</b>		0.75
I am motivated to meet people who follow this team because I feel better afterwards.	.87*	
I am motivated to meet people who follow this team because I am able to exchange opinions about the team.	.85*	
<b>BRAND TRIBE BEHAVIORAL INTENTIONS (Algesheimer et al. 2005) (CR= 0.91)**</b>		0.62
It would be very difficult for me to stop doing things with people interested in this team.	.83*	
I am willing to make more effort to interact with people interested in this team than I would for people interested in other teams.	.75*	
I intend to keep interacting with people interested in this team	.86*	
I never miss an opportunity to recommend activities organized from people interested in this team to others	.79*	
If my friends and family were to look for a group of people connected to the team, I would definitely recommend the fans of my team	.66*	
I intend to actively participate in activities of people interested in this team.	.81*	
* significant at the 0.05 level		
** CR = Composite Reliabilities, AVE = Average Variance Extracted		

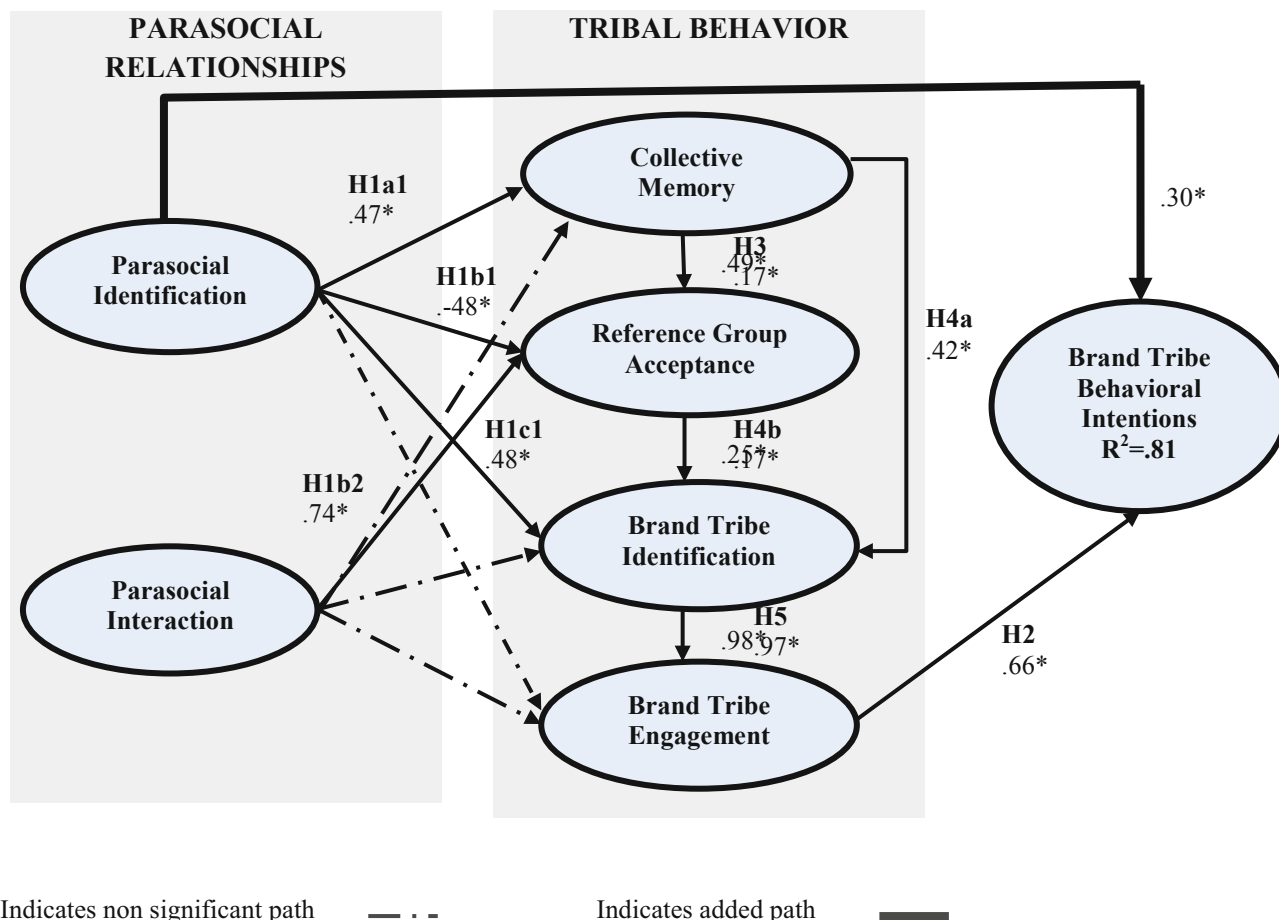
Next, composite reliability (CR) assessed the internal consistency of the model. The calculations of composite reliability (CR) and average variance extracted (AVE) used the procedures recommended by Fornell and Larcker (1981). As shown on Table 1, all the composite reliabilities for the seven multi-item scales ranged from 0.86 to 0.91, indicating acceptable levels of reliability for the constructs. Moreover, the AVEs ranged between 0.62 and 0.75, well above the recommended .50 level (Bagozzi and Yi 1988).

The measurement model was tested for evidence of convergent and discriminant validity using the factor loadings and the  $\Phi$  matrix. The loadings of the observed variables ranged from 0.66 to 0.87, and all were positive and significant at the 0.05 level (the lowest t-value = 12.48). The item loadings indicate that the observed variables were explained by the latent variables and provided evidence of convergent validity. To test discriminant validity the AVE score for each construct was compared against the shared variance with the other latent constructs. The AVE scores were larger than the shared variance with the other latent constructs, providing evidence of discriminant validity.

### Testing the Structural Model

After the preliminary calculations, the analysis continued using structural equation modeling (SEM) by employing Maximum Likelihood (ML), and the statistical package LISREL 8.52. The proposed model (Figure 1) fit the data well with a chi square value of 729.4 with 337 degrees of freedom (ratio  $\chi^2/df=2.2$ ,  $p<.00$ ); RMSEA=.06, NNFI = 0.92, IFI=0.93, CFI = 0.93. However, four paths were non-significant and were omitted in the model while one path suggested by the modification indices was added. The new model had a much better fit with a chi square value of 689.49 with 339 degrees of freedom (ratio  $\chi^2/df=2$   $p<.00$ ); RMSEA=.06, NNFI = 0.93, IFI=0.94, CFI = 0.94. The chi square difference between the two models was 39.91 for 2 degrees of freedom, indicating that the second model has significantly better fit than the initial one. With respect to the explained variance, the proposed variables explained 81% of the variance on Tribe Behavioral Intentions.

**Figure 1 Conceptual and Structural Model**



## DISCUSSION

In sum, the results of the study show that parasocial relationships developed over a brand tribe are related to tribal behavior and to brand tribe behavioral intentions. However, the relationship between these constructs is more complicated since not all elements of parasocial behavior result in positive tribal behavior. Thus, parasocial identification was found to be positively related to brand tribe collective memory, and brand identification, negatively related to reference group acceptance and not related to brand tribe engagement. Moreover, parasocial interaction was related only to reference group acceptance. Most importantly, the study shows that parasocial identification with the brand tribe could have a direct positive effect on brand tribe behavioral intentions. The findings provide several theoretical and practical implications.

## References

References available upon request



**Session 9.3. Strategic Pricing and Pricing Promotion**

Room: Yarra #2

Session Chair: K. Sivakumar, Lehigh University

***How Much Do Product Differentiation, Marketing Investments and Brand Equity Actually Affect Price?  
An Empirical Study in the Consumer Market***

Nebojsa Dacic, ISCTE-IUL

***The Antecedents of Strategic Pricing and Its Effect on Company Performance***

Kostis Indounas, Athens University of Economics and Business

# **HOW MUCH DO PRODUCT DIFFERENTIATION, MARKETING INVESTMENTS AND BRAND EQUITY ACTUALLY AFFECT PRICE? AN EMPIRICAL STUDY IN THE CONSUMER MARKET**

Nebojsa St. Dacic, ISCTE Business School, University Institute of Lisbon (ISCTE-IUL), Portugal

## **ABSTRACT:**

Interdisciplinary research on marketing and finance phenomena has received some attention in the literature over the last couple of years, but such research is still scarce and limited in scope. This study is an attempt to highlight the influence of various marketing phenomena on price and on possibilities to obtain the price premium in the consumer market.

The author studied an aggregate data set for 735 fast moving consumer goods (FMCG) (food) brands. The study suggests that brand equity, marketing investment and innovation activities are closely associated with price. Using a cluster analysis, the author found that price premium is significantly associated with innovation and company type with regards to the brand strategy.

Rather than employing the more common single-research approach and measurement, this study utilizes a multi-research approach and measurement in order to provide a more insightful and informative contribution to marketing theory and practice. The managerial implications of the presented models estimated by regression analysis, as well as the results of the cluster analysis and possible research enhancements, are discussed.

References available upon request

# THE ANTECEDENTS OF STRATEGIC PRICING AND ITS EFFECT ON COMPANY PERFORMANCE

Kostis Indounas, Athens University of Economics and Business, Greece

## INTRODUCTION

A number of different authors have stressed the importance of treating pricing from a strategic point of view if effective pricing decisions are to be made (e.g., Smith, 1995; Monroe, 2003). Strategic orientation of price management relates to a systematic planning process where price decision making is derived from the overall corporate goals and strategy and is strongly associated with the company's marketing strategy (Nagle and Holden, 2001). However, strategic pricing orientation has not been discussed extensively in the existing literature so far, either from a theoretical or an empirical point of view. In response to this identified topic of neglect, the focus of the current paper is to provide insights regarding the notion of strategic pricing. More specifically, the present research sets out to investigate the role of strategic pricing in the services sector by intending to a) measure the extent to which selected contextual variables have an impact on the adoption of strategic pricing, and b) determine the effect of the adoption of strategic pricing on company performance. The rationale for focusing on services rather than physical products relates to the fact that the empirical research that has been undertaken in the field of service pricing is limited when compared to product pricing (Docters et al., 2004).

## BACKGROUND

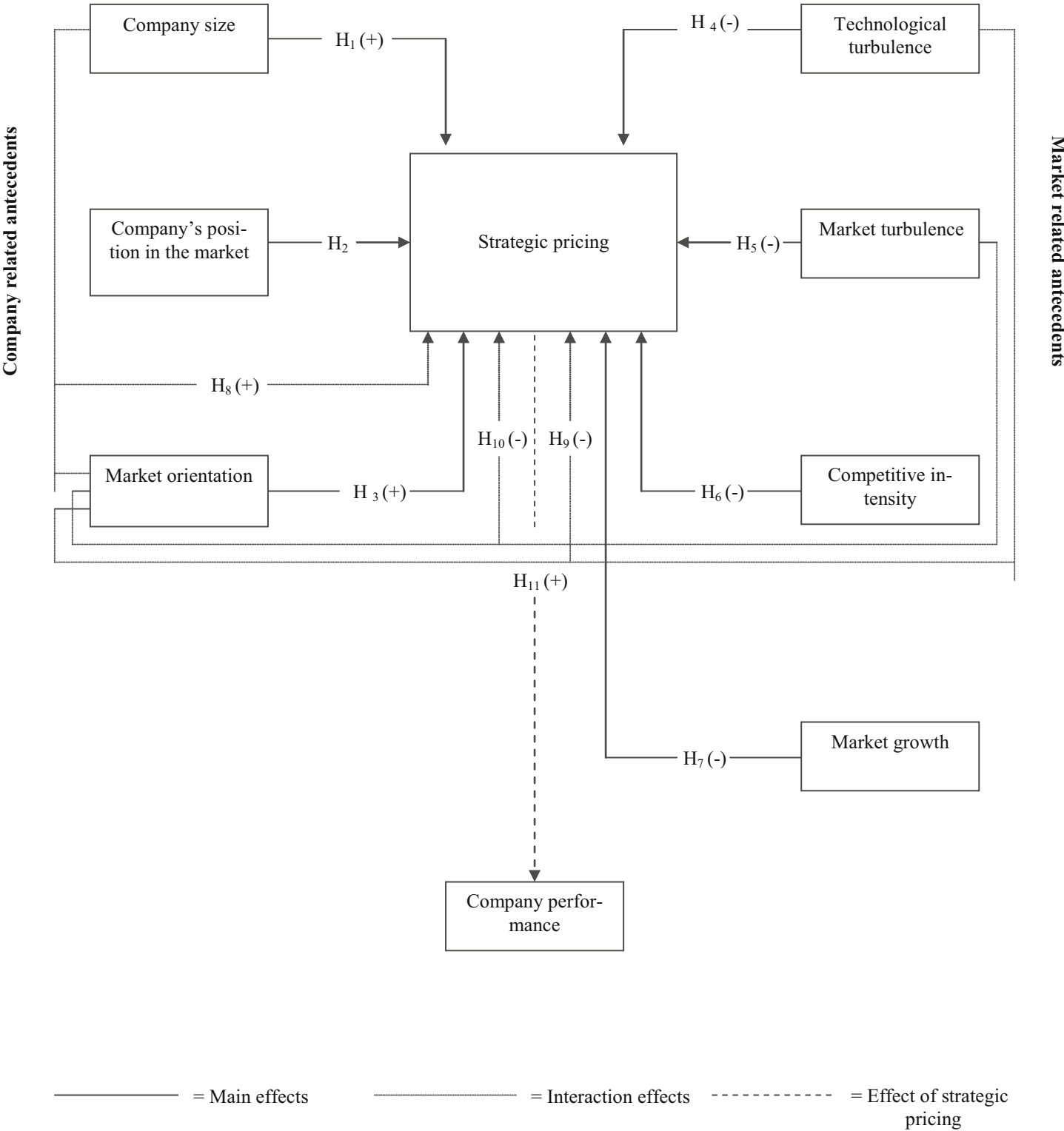
Smith's (1995) concept of "managerial pricing orientation" is a useful starting point for defining strategic pricing. The managerial pricing orientation is delineated as "the pattern of policies, activities, and behaviors that business units typically engage in with regard to information gathering and processing; objectives, decision rules and beliefs; organizational decision processes; and organizational responsiveness relating to setting or changing price" (p. 29). Additionally, Nagle and Holden (2001) describe the notion of proactive pricing and set a number of criteria on the basis of which a company can be characterized as proactive pricer. These criteria relate, among others, to replacing sales goals with profit goals when determining prices, seeking competitive advantage rather than market share, communicating the value that customers attach to a product and taking into account only those costs that relate directly to a specific pricing decision (i.e., incremental unavoidable costs). Based on these arguments, Tzokas et al. (2000) provide an empirically-derived operationalization for strategic pricing. Its premises rely on a) placing equal importance to pricing decisions when compared with firm's other decisions (e.g., new product development, advertising), b) monitoring the existing prices regularly, c) determining final prices through a systematic planning process, and d) paying attention to pricing decisions on a continuous basis. Within this context, pricing is regarded as a task of similar equity to other tasks in the firm, while price determination and reviewing is undertaken through a formalized planning process on a regular basis rather than as a response to ad hoc situations.

Adopting the above definition of strategic pricing, the current research aims to investigate its antecedents along with its effect on company performance in an industrial service context. Figure 1 presents the conceptual framework of the research, which consists of two parts. In the right part, strategic pricing is treated as a dependent measure and is related to a set of contextual variables, which may shape the extent to which it is adopted by industrial service firms. The right part of the conceptual framework treats strategic pricing as an independent variable in order to determine its impact on company performance. In regards to the antecedents of strategic pricing, it needs to be clarified that exhaustiveness cannot be claimed, as the conceptual framework does not include all different contextual variables that may assume a role. An effort was made to take into account common variables that have proved to shape firms' corporate strategy in general and pricing strategy in particular.

## RESEARCH METHODS

The study was conducted in a European country and focused on five primary sectors, namely *airlines, hotels, financial services providers, health services providers and information technology services providers*. The data collection instrument was a structured questionnaire, designed to be self-administered (Malhorta and Birks, 2003). A requested sample of 1000 companies was set and the selection process was based on a proportionate stratified random sample. A requested sub-sample size per sector (stratum), in direct proportion to each stratum's relative size in the parent population was determined. Using a table of digits, a random sample of companies from each stratum was selected (Levy and Lameshow, 1999). Data were collected by means of a mail survey. The two mailings that took place yielded 228 usable questionnaires, which is in comparison with other studies in the field of pricing (e.g., Avlonitis and Indounas, 2005; Tzokas et al., 2000).

Figure 1. Conceptual Framework



The items of all scales used in the present study were derived from the existing literature and 20 in-depth personal interviews that took place at the beginning of the study. Regarding specifically the measurement of strategic pricing, the operationalization put forward by Tzokas et al. (2000) was adopted. An exploratory factor analysis that was conducted revealed a one factor solution (eigenvalue = 1.31) and a high Cronbach's alpha ( $\alpha$ ) coefficient (i.e., 0.81). Also, a confirmatory factor analysis with the maximum likelihood method was employed (Sharma, 1996). All fit statistics met or exceeded standards of desirable fit ( $t$  values  $> 1.96$ , coefficients of average variance extracted  $> 0.50$ ), providing, thus, evidence of the construct's internal consistency (Bagozzi, Yi, and Phillips, 1991).

## RESULTS AND DISCUSSION

In order to test Hypotheses H1-H10, a multiple regression analysis estimated by the least squares method was used. In order to reduce the effect of multicollinearity, the variables were mean centered before constructing their interactions (Aiken and West, 1991). Also, the reciprocals to the variance inflation factors for the independent variables were identified. All of them were much higher than the suggested threshold of 0.10, which indicates multicollinearity among the variables (Field, 2000). We now turn to examine the parameters of the independent variables. Upon closer examination of Table 1, it emerges that the model is significant at the  $p < .01$  level. Also, contrary to Hypotheses 1, 6, 8 and 9, Hypotheses 2, 3, 4, 5, 7 and 10 are supported. More specifically, with reference to main effects, while being a challenger, follower or nicher does not exert any influence on the adoption of strategic pricing, leaders tend to place their emphasis on this adoption (Hypothesis 2). Furthermore, market orientation and market growth have a positive impact on strategic pricing (Hypothesis 3 and 7 respectively), while technological turbulence and market turbulence have a negative influence (Hypotheses 4 and 5 respectively). On the other hand, company size and competitive intensity were not found to have any impact on strategic pricing (Hypotheses 1 and 6 respectively). Regarding interaction effects, it emerges that the stronger the market orientation, the weaker the effect of market turbulence on the adoption of strategic pricing (Hypothesis 10).

**Table 1.** Antecedents of Strategic Pricing: Regression Analysis

Hypothesis #	Proposed effect	Independent variables	Standardized beta	Standard error	Proposed effect vs. results
<i>Main effects</i>					
H <sub>1</sub>	(+)	Company size	0.16	0.11	Not supported
H <sub>2</sub>		Leader	0.31 <sup>b</sup>	0.05	
H <sub>2</sub>		Challenger	0.12	0.09	Supported
H <sub>2</sub>		Follower	0.11	0.10	
H <sub>2</sub>		Nicher	0.14	0.12	
H <sub>3</sub>	(+)	Market orientation	0.33 <sup>a</sup>	0.07	Supported
H <sub>4</sub>	(-)	Technological turbulence	-0.29 <sup>b</sup>	0.10	Supported
H <sub>5</sub>	(-)	Market turbulence	-0.31 <sup>a</sup>	0.07	Supported
H <sub>6</sub>	(-)	Competitive intensity	-0.14	0.11	Not supported
H <sub>7</sub>	(+)	Market growth	0.35 <sup>a</sup>	0.09	Supported
<i>Interaction effects</i>					
H <sub>8</sub>	(+)	Company size x Market orientation	0.06	0.09	Not supported
H <sub>9</sub>	(-)	Market orientation x Technological turbulence	0.10	0.07	Not supported
H <sub>10</sub>	(-)	Market orientation x Market turbulence	-0.27 <sup>b</sup>	0.08	Supported

Model Summary:  $R^2$ : 0.34, Adjusted  $R^2$ : 0.29, F: 7.98<sup>a</sup>, <sup>a</sup> $p < 0.01$ , <sup>b</sup> $p < 0.05$

In order to test the impact of strategic pricing on company performance (Hypothesis 11), the median-split procedure was used (Narver and Slater, 1990). This procedure has been used extensively in previous studies in the field of pricing (e.g., Avlonitis and Indounas, 2005; 2011, Tzokas et al., 2000). More specifically, the sample was divided into two groups based on the median score of strategic pricing. The first group ( $n = 101$ ) represents firms with a high strategic pricing behavior, scoring above the median (median = 3.63), while the second group describes firms with a low strategic pricing behavior ( $n = 127$ ), scoring below the median. By means of a t-test analysis, the two groups were examined across the various blocks of variables depicting their company performance (Table 2). The results indicate that firms with a high strategic pricing behavior score systematically higher than firms with a low strategic pricing behavior in all aspects of company performance where statistical differences were found. In particular, they perform better in both quantitative (i.e., profitability, total revenue, cost-effectiveness) and qualitative terms (i.e., customer loyalty, brand awareness, corporate reputation, degree of differentiation). To this end, Hypothesis 11 is accepted.

**Table 2.** The Impact of Strategic Pricing on Company Performance

	High strategic pricing ( $n=101$ )	Low strategic pricing ( $n=127$ )	t-value	Sig.
Compared to nearest competitor	Mean values	Mean values		
Profitability	<b>4.11</b>	<b>3.28</b>	<b>2.01</b>	<b>p&lt;0.001</b>
Total revenue	<b>3.94</b>	<b>3.29</b>	<b>1.90</b>	<b>p&lt;0.005</b>
Customer loyalty	<b>4.19</b>	<b>3.70</b>	<b>1.83</b>	<b>p&lt;0.005</b>
Brand equity	3.16	3.08	0.81	NS
Brand awareness	<b>4.18</b>	<b>3.67</b>	<b>1.73</b>	<b>p&lt;0.005</b>
Corporate reputation	<b>4.30</b>	<b>3.27</b>	<b>2.28</b>	<b>p&lt;0.001</b>
Customer satisfaction	3.59	3.48	0.61	NS
Changes in profitability	3.75	3.61	0.91	NS
Success of new service introductions	3.60	3.58	0.33	NS
Cost-effectiveness	<b>3.98</b>	<b>3.61</b>	<b>1.61</b>	<b>p&lt;0.005</b>
Degree of differentiation	<b>4.06</b>	<b>2.51</b>	<b>2.96</b>	<b>p&lt;0.001</b>

As the above findings suggest, strategic pricing adoption can be accomplished through paying attention to a combination of factors relating to the company's internal and external environment (Avlonitis and Indounas, 2005). Regarding the internal environment, in line with what was intuitively expected, market orientation was found to boost the development of a strategic pricing culture. The principals of market orientation can provide support for this finding: adopting a strategic-based pricing approach requires a long-term perspective and market-oriented firms learn to treat all managerial activities and decisions in a long-term and market focused manner (Narver and Slater, 1990; Kohli and Jaworski, 1992). Also, the company's position in the market influences the development of strategic pricing culture. In particular, contrary to challengers, followers and nichers, leaders were found to have a positive attitude towards the principles of strategic pricing. Leaders are expected to adopt new managerial practices such as strategic pricing in order not to miss a turn in the market and plunge into second or third place (Kotler and Keller, 2006). Market related characteristics have also an influence on the development of strategic pricing orientation. More specifically, market growth was found to be another facilitator of strategic pricing, suggesting that in such markets pricing decisions have a greater potentiality to be perceived from a long-term perspective and be formulated on the basis of the principles of strategic pricing (Monroe, 2003). Turbulence (i.e., market and technological) was found to be an impediment in strategic pricing adoption since in conditions of environmental uncertainty, there seems to be a downward pressure on prices, which may lead many firms to design and implement myopic pricing practices (Moorman and Miner, 1997). However, these practices lack strategic long-term perspective and orientation, imposing, thus, barriers in formulating and implementing pricing strategy from a strategic point of view. The effect of technological and market turbulence is reduced in market oriented firms, indicating that even in turbulent markets, understanding and applying the principles of market orientation seems to be a good business practice (Day, 1990). What also clearly emerges from this study is that various aspects of company performance can be improved through adopting the practice of strategic pricing. This finding can be explained by the numerous advantages that this practice can offer to any firm (Nagle and Holden, 2001). The significance of the above findings notwithstanding, because the study's data pertain to specific service industries, the findings may not be generalisable to firms operating in different service contexts and, thus, there are prominent replication attributes.

## REFERENCES

References available upon request.

#### **Session 9.4. Tourism 2: Games, Groups and Events**

Room: Clarendon A

Session Chair: Sandra Gountas, Curtin University

##### ***The Role of Expectations, Confirmation, and Perceived Performance in Olympic Games Attitudes: A Cross-National Longitudinal Study***

Anahit Armenakyan, Nipissing University

Louise Heslop, Carleton University

Irene Lu, Carleton University

John Nadeau, Nipissing University

Norm O'Reilly, Ottawa University

##### ***Of Geeks and Achievers: Exploring Brand Community Tourism and the Infinite Game***

Nathalie Collins, Edith Cowan University

Jamie Murphy, Murdoch University

Florence Guignard, Universite de Lausanne



# THE ROLE OF EXPECTATIONS, CONFIRMATION, AND PERCEIVED PERFORMANCE IN OLYMPIC GAMES ATTITUDES: A CROSS-NATIONAL LONGITUDINAL STUDY

Anahit Armenakyan, Nipissing University, Canada  
Louise A. Heslop, Carleton University, Canada  
Irene R.R. Lu, Carleton, University, Canada  
John Nadeau, Nipissing University, Canada  
Norm O'Reilly, University of Ottawa, Canada

## ABSTRACT

The Olympic Games (OG) is a mega-event on many dimensions, including participants, audience, expenditures, and national rivalries. As such, it creates branding opportunities for the Games themselves, host countries, athletes, and corporate sponsors. This study explores the impact of expectations and their confirmation on attitudes and evaluations of the OG as a sport mega-event and as a destination from the perspective of domestic (i.e., Canadian) and foreign (i.e., American) residents in the context of the XXI Winter Olympic Games. Data were collected from national samples using an on-line commercial panel two months prior to and two months after the OG. Hypotheses testing indicated the role of expectations which have direct positive influence on the perceptions of performance. Expectations and perceived performance are found to be directly influencing the evaluations of the OG. The study showed that the attitudes towards the OG as a destination and as an event differ among people with different levels of individual association. The results provide input to how what people take into the mega-event can impact successful mega-event attitude outcomes.

## INTRODUCTION

A mega-event is a multidimensional event that brings together many stakeholders from participants to audiences to organizers to host nations, etc. It is a "major one-time or recurring event of limited duration, developed primarily to enhance the awareness, appeal and profitability of tourism in the short and/or long term...[the success of which] relies on uniqueness, status, or timely significance to create interest and attract attention" (Ritchie 1984:2). Getz (1989) defines it further as event that are open to the public, have clearly identified themes and unique symbols, are organized periodically, have predetermined opening and closing dates, use permanent structures that are owned by host cities/regions and not the event, consist of separate and special activities, and take place in the same predetermined community(ies). The Olympic Games (OG), characterized by high status and global scale effects, correspond to the above classification of mega-event and allow for labeling the OG as a multifaceted mega-event.

While several impact dimensions of the OG have been long recognized, the great majority of the early studies on the OG focused on four topics: economic impact, urban development, media coverage, and political importance (Jobling 1988; French and Disher 1997). With escalating global competition, several other aspects (e.g., tourism, commercial/sponsorship, sociocultural and psychological impacts) of the OG have become of interest to the OG hosts and organizers as well as researchers (Miyazaki and Morgan 2001; Kaplanidou 2007). However, the great majority of existing studies have focused on residents of the host country and international tourist-attendees of the mega-event, leaving the non-resident communities of the host country and international distance-spectators largely ignored. Meanwhile, there is evidence that hosting of hallmark events can have significant nation-wide effects on national pride, esteem, and sense of belonging.

Further, mega-events like the OG represent unique uncontrollable events that heighten emotional load and hence, generate expectations of an exceptional experience. The image formation literature confirms that image formation is highly affected by personal experiences and communication with other people (Olson, Roese and Zanna 1996; Wilson, Gilber and Centerbar 2003). These sources of information contribute to the development of expectations about all involved entities: the OG, the host country and its people. The expectation paradigm confirms that in cases of events of such scale, people develop strong expectations from the event organizers, the host country, and their national teams and/or favourite athletes. These expectations are, however, surrounded by high uncertainty (Madrighal 1995; Wilson et al. 2003). Moreover, individual associations (e.g., individual association with the objects of interest) are essential determinants of expectation formation and evaluation processes (Olson et al. 1996; Tesser and Martin 1996). Self-association with either of the focal points of interest (e.g., the national team) affect the level of emotional load and, hence, expectations. These expectations are subject to disconfirmation: positive, zero, or negative. As a result, previously held beliefs are adjusted and new behavioural intentions, or conative choices, are developed (Wilson et al. 2003; Roese and Olson 1996).

This study attempts to fill the existing gaps by exploring the impact of expectations for the national Olympic team, confirmation of the expectations, and perceived performance of the team on attitudes towards the Olympic Games (OG) as an event and as a destination from the perspective of domestic (Canadian) and foreign (American) residents in the context of the XXI Winter Vancouver Olympic Games (VOG).

## RESEARCH BACKGROUND AND FRAMEWORK

The significance of expectancy phenomenon cannot be overstated when examining human behaviour. In the basis of human behavior lies a concept of expectancy, a set of “beliefs about the future state of affairs” (Olson et al. 1996:211). Based on the Expectation Process model, expectations for any subject of interest are formed on the bases of previously held beliefs about that subject, personal experiences, and communication with other people. These expectations are directly linked to perceived performance. The effect of expectations on perceived performance is described by the assimilation process responsible for the approximation of perceived performance to the initial expectations. This phenomenon is explained as an ego protection motivation, i.e., one does not want to admit that his/her initial expectations are wrong. The effect of expectations on perceived performance is described by the assimilation process responsible for the approximation of perceived performance to the initial expectations. In their study of customer satisfaction with dining services, Oliver and Burke found a direct effect between expectations and perceptions of performance (Oliver and Burke 1999). Hence,

*H1: Expectations for the national team performance directly affect Perceived Performance of the national team.*

Initial expectations also have indirect effects on evaluations through perceived performance. However, the expectation paradigm suggests that in addition to indirect effects there is also a direct link between expectations and evaluations of the objects of interest (Van Leeuwen, Quick and Daniel 2002). Oliver and Burke (1997) found that people adjust their evaluations with previously held expectations in a desire to minimize any discomfort and to avoid major shifts in their beliefs systems. This assimilation effect is particularly true in the case of attitude formation regarding experience goods, where outcomes of consuming them are unknowable before actual consumption. It may be especially relevant in the case of experience goods like the OG that are greatly anticipated, yet are highly uncontrollable. Furthermore, according to Olson and colleagues, people not only evaluate the objects of their interests in accordance to their expectancies, but also they “behave consistently with their expectancies” (Olson et al. 1996:221). Therefore, expectation beliefs and perceived performances have direct influence of evaluations as well as on behavioral intentions:

*H2a: Expectations for the national team directly affect Evaluations of the i) OG as a destination and ii) OG as an event.*

*H2b: Expectations for the national team directly affect Behavioural Intentions towards the OG.*

Similar to expectations, perceived performance has an indirect influence on evaluations. However, research suggests that, in addition to indirect influences, perceived performance has also a direct effect on evaluations of products and services (Van Leeuwen et al. 2002; Jayanti and Jackson 1991). This phenomenon was also confirmed in the study of consumer satisfaction with high-involvement non-durable products. This lead to

*H3a: Perceived Performance of the national team directly affects Evaluations of the i) OG as a destination and ii) OG as an event.*

*H3b: Perceived Performance of the national team directly affects Behavioural Intentions towards the OG.*

The research confirms that while expectations are usually met, they might be subject to disconfirmation, which influences the evaluations of the object of interest (Van Leeuwen et al. 2002). When encountering new information, an individual compares newly developed perceptions with originally held ones. As a result, he/she is involved in the cognitive activity of explanation that helps to understand or make sense of what has happened. This cognitive activity leads to either systematic or heuristic information processing, which, in its turn, leads to the adaptation of the new information and/or the adjustment of the original beliefs. The adjusted beliefs then influence the evaluations. Hence,

*H4: Disconfirmation of Expectations directly affects Evaluations of the i) OG as a destination and ii) OG as an event.*

According to attitude theories, evaluations have a direct effect on the conations, the action-related components of attitudes, which are reflected in measures of behavioural intentions. As Tesser and Martin (1996) have noted, positive beliefs lead to positive evaluations which, in turn, lead to positive behaviours. Importantly, the direction of the attitude change usually coincides with the direction of newly formed beliefs, i.e. positive (negative) beliefs lead to positive (negative) evaluations, which in turn generate positive (negative) behaviour-based decisions (Akhter and Hamada 2003). Hence,

*H5: Evaluations directly affect Behavioural Intentions towards the OG.*

In addition to the processes of expectations and attitude formations, it is also vital to recognize the effect of individual's self-identification, which is an essential determinant of expectation formation and evaluation processes (Olson et al. 1996; Tesser and Martin 1996). Identification is a factor that is well reflected in social identity theory. The main premise of social identity theory is that "individuals are motivated to achieve a positive social identity... which is a part of an individual's self-concept... derived from his knowledge of his membership in a social group together with the value and emotional significance attached to that membership" (Tylor and Moghaddam 1995:61). This phenomenon is also reflected in Fishbein's attitude theory and expectations formation theory (Olson et al. 1996), where one of the determinants of the expectations is a dimension of self-identification. The OG, as a mega-event, also activate social affiliation with the country of residence (COR). Hence, it is proposed that COR will directly influence beliefs, evaluations, and behavioural intentions towards the OG as a destination and as an event as well as behavioural intentions regarding the national Olympic team. In other word, there will be differences based on COR:

*H6a: At any point in time, there will be differences in Canadian and American respondents Evaluations of the i) OG as a destination and ii) OG as an event.*

*H6b: At any point in time, there will be differences in Canadian and American respondents Behavioural Intentions towards the i) OG and ii) national team.*

This theoretical and research background is reflected in the research framework presented in [Figure 1](#).

## METHODOLOGY

### Data Collection and Sample

In order to test presented hypotheses, a longitudinal study was conducted over a five-month period from two national samples (Canada and USA) using an on-line commercial panel. Given the focal sport mega-event is the 2010 XXI Winter Vancouver OG (VOG), there is interest in domestic views; hence, the first country of interest is Canada. The United States of America (USA) was chosen to examine external views for two main reasons. First, the geographic proximity of the USA contributes to close economic ties between the two countries making it one of the most important sources of tourism flow. For instance, in 2007, American tourists' spending in Canada counted for about 14% (or \$US6 billion) of the U.S. residents' outbound travel (Industry Canada 2009). Second, the United States is the largest target country for media coverage of the OG: for 2010 and 2012 OG, the broadcast media rights fees in the United States were the highest paid (i.e., US\$2 billion) among 200+ countries covering the OG (IOC 2010).

An on-line data collection method was deemed appropriate, since differences between traditional survey methods and on-line panel methods are found to be small (van Ryzin 2008). Careful attention was given to the choice of data collection timing. Both national samples were surveyed two months prior to, in the middle of, and two months after the VOG. Two months prior to the OG, the pre-Games perceptions and expectations for the Olympic national team and the OG would be relatively undistorted by the immediacy of the event; in the middle of the OG the effects of the actual staging would allow examining the effects of expectations for and perceived performance of the national team; and, finally, two months after the OG high levels of emotions related to the anticipation or occurrence of the OG and surrounding festivity could be expected to have diffused resulting in more factual explanations for the outcomes of the OG.

### Instrument and Measures

The respondents completed a questionnaire containing item scale measures on the OG as a destination and as an event. The participants were also asked to share their expectations for, perceived performance of, and disconfirmation of expectations for the respective national Olympic teams. Finally, the participants were asked a set of questions to measure the individual levels of involvement with the OG and self-identification with the national Olympic team.

The OG evaluation measures were drawn from destination image and mega-event research and modified to fit the OG context (Echtner and Ritchie 1993; Nadeau, O'Reilly and Heslop 2009). The OG behavioural (or conative) items were to measure the respondents' willingness to willingness to travel, to watch, to read, and to recommend the OG (see also [Table 2](#)). All measures were made on 7-point scales (1 disagree to 7 agree). Expectations for the national team were measured by a 7-point scale question (i.e., "I expect my national team's performance to be") (hereafter, ExpNT). To measure perceived performance and disconfirmation of expectations for the national team, the respondents were asked to evaluate their satisfaction with the national team (PPNT) and to compare their current perception with the previously shared expectations (DiscNT).

## DATA ANALYSIS AND RESULTS

Data analysis involved three steps. First, demographic characteristics of the sample were inspected. Second, exploratory factor analysis (EFA) employing Principal Axis Factoring (PAF) – the most recommended factor analysis approach for behavioural research with promax oblique rotation allowing for possibility of non-orthogonality of the dimensions (Stevens 2002) – was used to verify the reliability of the chosen item measures. Summary factors were developed based on item loadings at .5 and above on the factor using equal-weight means computations. Finally, a set of hierarchical linear regression analyses was carried out to examine the effects of the components of the Expectations Paradigm (expectations, perceived performance, and disconfirmation) on evaluations and behavioural intentions towards the OG. Repeated measures MANOVA employing Doubly Multivariate analysis (DMRM) with model main effects of country of residency (COR) and time period (Wave) specified was carried out to examine differences between the respondents from different countries.

Of 1,506 Canadian and 1,518 American panel members participated in the first wave of data collection, a sample of 543 Canadians and 247 Americans completed the questionnaire in all three data collection waves and was selected for this study. Both samples were comparable in almost all demographic variables across all three data collection points. The profiles of the final samples were compared with the corresponding national profiles of adults over 15 years of age from the Labor Force Population Surveys for the time period in both countries. The comparison of profiles revealed good geographic representation of both national samples. However, slight over-representation of the age groups of 31-65 as well as groups with education level of ‘university degrees and higher’ was found. This likely reflects the greater literacy and use of online services of these demographic groups. Since income levels are often associated with education, a more highly educated sample can be a desirable group to focus on because their higher income makes them more attractive to advertisers and sponsors who are co-branding with the OG. More details on demographic profiles are presented in [Table 1](#).

Analysis of summary dimensions was undertaken for Canadian and American national samples based on supporting evidence of similarity of loading patterns across the two samples in all three waves EFA (PAF with *promax*) has resulted in three summary dimensions: OG-destination evaluation (OGDEvl) with two items, OG-event evaluation (OGEEvl) with two items; and OG behavioral intentions (OGBhv) with four items. The range of item loadings across three waves from PAF pattern matrix is presented in [Table 2](#). Cronbach’s alphas ranging from .864 to .934 supported the reliability of the chosen items.

### Expectations/Perceived Performance/Disconfirmation

The respondents were asked to share their expectations for and performance of their national Olympics teams (ExpNT and PPNT, respectively). In the following waves (i.e., wave 2 and 3) the respondents were asked to compare their previous expectations with on-going performance and report the disconfirmation of expectations (DiscNT). Mean values over 4.78 on the 7-point scale suggested that overall there were positive expectations for and evaluations of performance of respective national teams. The MANOVA analysis performed in each wave revealed significant ( $p < .05$ ) differences between national samples in each of the data collection points ([Table 3](#)). In the first two waves, the American respondents consistently reported higher mean values for each measure than did the Canadians; however, this was changed in the final wave with the Canadians reporting higher mean values than the Americans. This could be attributed to the outstanding performance of the Canadian national Olympic team during the last days of the OG. This high satisfaction level of the Canadian respondents was maintained even two months after the Games in wave 3 ([Table 3](#)).

Linear regressions were undertaken to examine the relationships between expectations (ExpNT) and perceived performance (PPNT) for each national sample in waves 2 and 3. The regressions results with PPNT as a dependent variable revealed that ExpNT was a highly significant ( $p < .005$ ) and positive predictor of PPNT to hypothesized relationships, strongly supporting hypothesis H1 (wave 2: std.  $\beta = .289$ ;  $F_{2,540} = 22.63$ , adjusted  $R^2 = .07$  in Canada; std.  $\beta = .184$ ;  $F_{2,244} = 4.20$ , adjusted  $R^2 = .03$  in the USA and wave 3: std.  $\beta = .333$ ;  $F_{2,540} = 35.17$ , adjusted  $R^2 = .11$  in Canada; std.  $\beta = .371$ ;  $F_{2,244} = 19.37$ , adjusted  $R^2 = .13$  in the USA)

### OG Evaluations

A series of linear regressions was undertaken to investigate the influence of expectations paradigm components on the OG evaluations. Hierarchical linear regressions with OG-destination evaluations (OGDEvl) as a dependent variable were performed for each national sample in each wave. (Note, since no PPNT and DiscNT were measured in wave 1, ExpNT was the only independent variable in the regressions for that wave.) Independent variables were entered the regressions in the

following order: ExpNT in block 1, PPNT added in block 2, and DiscNT added in block 3. The results of the regressions (standardized betas,  $F$ -values, and adjusted  $R^2$ ) indicate that the overall models ( $F$ -values) were highly significant ( $p < .005$ ) in all three waves for both countries (Table 4). Of the three components of the Expectations Paradigm, ExpNT and PPNT were consistently highly significant ( $p < .005$ ) across all three waves in both countries, strongly supporting H2a-i and H3a-i. However, DiscNT was significant ( $p < .05$ ) in only the last wave in the Canadian sample, providing no support to H4-i.

Similar procedure was applied to the OG-event evaluation with the OGEEvl regressed on the components of the Expectations Paradigm entered hierarchically to the regression equations. The results of the regressions analysis on OGEEvl (Table 5) are similar to those for the OGDEvl. The overall models were highly significant ( $p < .005$ ) in all waves across the two national samples. ExpNT and PPNT were consistently positive and highly significant ( $p < .005$ ) in predicting the OGEEvl across all waves in both samples providing strong support for H2a-ii and H3a-ii. DiscNT, however, was not significant, providing no support for H4-ii.

## Behavioural Intentions

To examine the effects of the components of the Expectations Paradigm (ExpNT and PPNT) and the OG evaluations (OGDEvl and OGEEvl) on the conative attitudes, a series of hierarchical linear regressions with OG Behavioural Intentions (OGBhv) as a dependent variable was performed for each national sample in each wave. The results of the regressions (standardized betas,  $F$ -values, and adjusted  $R^2$ ) presented in Table 6 indicate highly significant overall models ( $p < .005$ ) in all waves across the two national samples. The results of the regression analyses from the first two blocks across the waves in both national samples suggest that ExpNT and PPNT had direct relationships to the OGBhv only in absence of the OG destination and event evaluations variables. However, once the OG evaluations entered the equations, the significance of ExpNT and PPNT variables had changed making the OGDEvl and OGEEvl the only highly significant ( $p < .005$ ) variables predicting the OGBhv. These results suggest that the influence of the expectations and perceived performances is not direct, but mediated through the OG evaluations. Hence, no support to H2b and H3b, but strong support to H5 in both national samples.

A closer look at the standardized betas of the regressions (Table 6) reveals an interesting pattern for the strengths of the evaluations in predicting behavioural intentions. In wave 1 the two national samples were different from each other in that OGDEvl was the strongest predictor for the Canadian respondents' behavioural intentions and OGEEvl for the Americans. However, in waves 2 and 3 both national samples exhibited similar behaviours. That is, during the VOG, the OG event-related evaluations were the strongest predictors for OGBhv, while after the OG destination-related evaluations became the strongest predictors for OGBhv. These findings signal for the potentials of different communication strategies to attracting more spectators to the OG.

## Social Association

Since the attitude components of the same individuals were measured over different points in time, a repeated measures MANOVA employing Doubly Multivariate analysis (DMRM) with Wave being the within-subject factor and individual association measure (i.e., country of residence (COR)) being the between-subject factors was used to examine changes occurred in each of the summary variables over time.

The multivariate tests of the DMRM (*Wilks' A*) indicated a highly significant ( $p < .005$ ) Wave within-subjects factor ( $A = .888$ ,  $F_{4,785} = 24.72$ ); no significance ( $p > .05$ ) was found for COR. The test of between-subjects effects did not indicate any significant COR effect for OGDEvl and OGEEvl ( $F_{1,788} = 1.23$  and  $F_{1,788} = 2.88$  respectively,  $p > .05$ ) either. However, the examination of the OG evaluations mean values by COR, reflected in Figure 2a-b, showed that, while overall, the mean values in both national samples were well above the mid-point of the 7-point scale, there were obvious national differences, particularly in wave 1. More specifically, the American respondent reported higher mean values for each of variable in each wave than did the Canadian respondents. As the OG proceeded, however, the differences between the two samples seemed to fade away and were practically the same in wave 3. The pairwise comparison of the mean values in each national sample in each wave confirmed the earlier observation that there was a highly significant ( $p < .005$ ) difference in mean values for OGDEvl and OGEEvl between the two samples in only wave 1. Since the differences were observed only in one wave, no support was found for H6a-i and H6a-ii.

Similar tests were undertaken to examine the differences in behavioural intentions towards the OG (OGBhv). The DMRM (*Wilks' A*) indicated a highly significant ( $p < .005$ ) Wave within-subjects factor for the OGBhv ( $A_{OGBhv} = .934$ ,  $F_{2,787} = 27.72$ )



confirming that the respondents evaluations changed over time. The examination of the mean values of the OGBhv, reflected in Figure 2c, showed a steady increase in the mean values in each of the samples; however, the American respondents had constantly reported higher mean values for the OGBhv than did the Canadian respondents. The pairwise comparison of the mean values reported by each national sample in each wave indicated that there were significant ( $p < .05$ ) difference in mean values for OGBhv in the two first waves, providing partial support for H6b.

## DISCUSSIONS

The objective of this study was to explore the effects of expectations for, disconfirmation of the expectations, and perceived performance of the team on evaluations and behavioural intentions towards the OG as a event and as a destination from the perspective of domestic (Canadian) and foreign (American) residents in the context of the XXI Winter 2010 Vancouver Olympic Games. The traditional approach to examine attitudes only through entity-focused approach to attitude formation does not reflect the unique nature of the OG as a special kind of event that triggers different levels of individual associations, i.e., with national team and with the country of residence. This study introduced a new approach that examined the OG attitudes and attitude changes over time from the perspectives of Expectation Paradigm and social identity theory. A new multi-dimensional approach to the OG themselves was undertaken with treating the OG as two separate entities: a destination and as an event.

Overall, the study had confirmed the findings of the sport-spectators literature (Van Leeuwen et al. 2002, Trail et al. 2003) as well as the presumption of the Expectation Paradigm (Oliver and Burke 1999) in that the expectations have direct positive influence on the perceptions of performance and that expectations and perceived performance are directly influencing the evaluations of the OG. However, contrary to the earlier conceptualized models (Van Leeuwen et al. 2002), disconfirmation had no significant influence on the evaluations of the OG. Further, the results of the analysis had indicated that the effects of the Expectation Paradigm components on the behavioural intentions towards the OG were not direct but mediated through the evaluations the OG as a destination and as an event. These findings indicate that the evaluation of the OG are highly susceptible to the expectations held by an average Olympic spectator towards his/her national Olympic team, whereas the behavioural intentions are directly influenced by evaluations, as expected by the attitude theories.

The study showed that the attitudes towards the OG as a destination and as an event differ among people with different levels of individual association (i.e., county of residence (COR)). Overall, the results indicated that the OG brand enjoys high positions in the perceptions of both Canadian and American respondents. However, while both samples respondents held highly positive attitudes towards the OG as a destination and as an event, the means reported by the American respondents were, in general, higher compared to the means reported by the Canadians. At the same time, successful performance of the Canadian Olympic team had significantly improved the OG evaluations of the Canadian respondents who reported much higher mean values not only during, but also two months after the OG.

## IMPLICATIONS AND LIMITATIONS

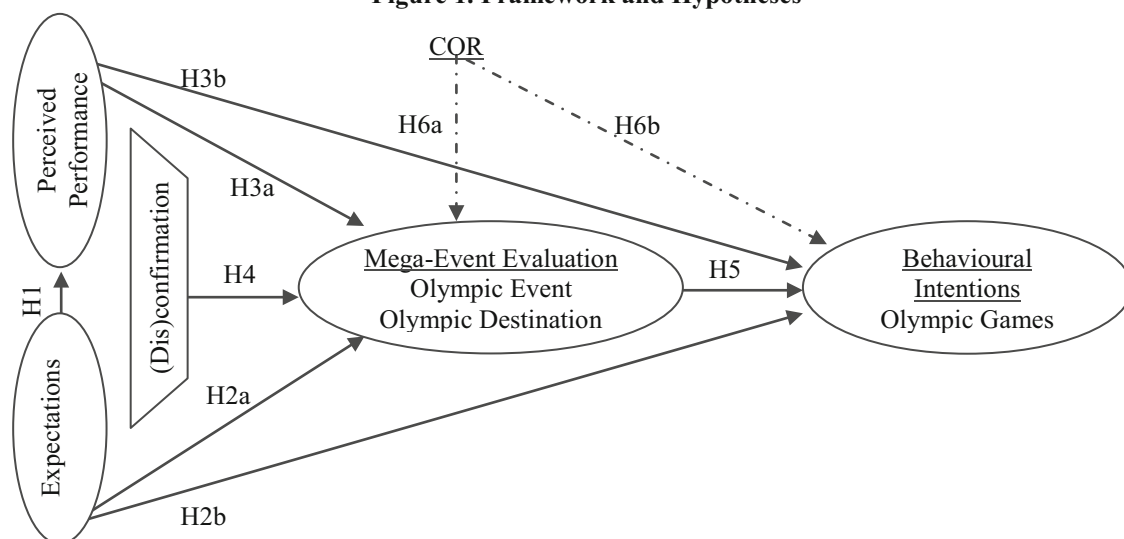
This study's findings indicate the value of the attitude theory application in the context of OG in understanding behavioural intention while introducing a multi-dimensional approach to treating the OG beyond solely as a mega-sport-event. The study had also confirmed the importance of expectations in understanding evaluations and behavioural intentions towards the OG. This research is a departure from the existing emphasis in the Olympic-related literature on host-resident communities. With an existing scarcity of nation-wide research, the study contributes by focusing on both resident and non-resident country populations, reflecting larger nation-wide impacts of the mega-event hosting. It also provides a forum for understanding cross-national attitudes of host country vs. other nations. This study differs from the majority of the mega-event, in general, and the OG related studies, in particular, which employ pre-post event design by utilizing a pre-during-post data-collection design, which allows for tracing the changes in evaluative and conative attitudes of the respondents.

The findings of the study pinpoint potential areas for strategic marketing communication when developing OG messages to boost the number of the active spectators travelling to the OG. The regression analysis results suggest that tailored OG communication strategies with strong emphasis on different dimensions of the OG are needed prior, during, and after the OG. It seems that prior to the OG, the focus of the communication should be different in host vs. non-host nations with the host-country being exposed to the messages with a strong OG-destination emphasis and the non-host countries receiving OG-event messages. As the OG proceed, more coordinated communication strategy should be employed with the strong message of the OG-event during the competitions, and OG-destination message after the competitions. However, once the OG are

over, the attention of the potential spectators is shifted to the upcoming OG, hence, the emphasis should then be placed on the OG-destination dimensions.

The use of online panel respondents allows for nationally representative sampling but also raises concerns about low response rates. While van Ryzin (2008) confirm the high potentials of and provide strong evidence for the validity of the on-line surveys, he, nevertheless, agree, that the low rates remain to be an issue not only for this, but also for the traditional research designs. Additional research in the context of the OG and in other countries using a variety of data collection approaches is recommended.

**Figure 1. Framework and Hypotheses**



**Table 1. Demographic Profile of the Respondents**

Demographic measures (in percentages)		Canada (N=543)	USA (N=247)
Gender	Male	58.9	48.6
	Female	41.1	51.4
Education	High school or less	25.4	36.8
	College diploma	30.2	23.5
	University degree	31.1	23.1
	Graduate studies	12.0	15.8
Age	Under 20	2.4	0.8
	21-30	11.6	7.3
	31-50	39.2	44.1
	51-65	29.7	32.8
	Above 65	17.1	15.0

**Table 2. Summary Dimensions**

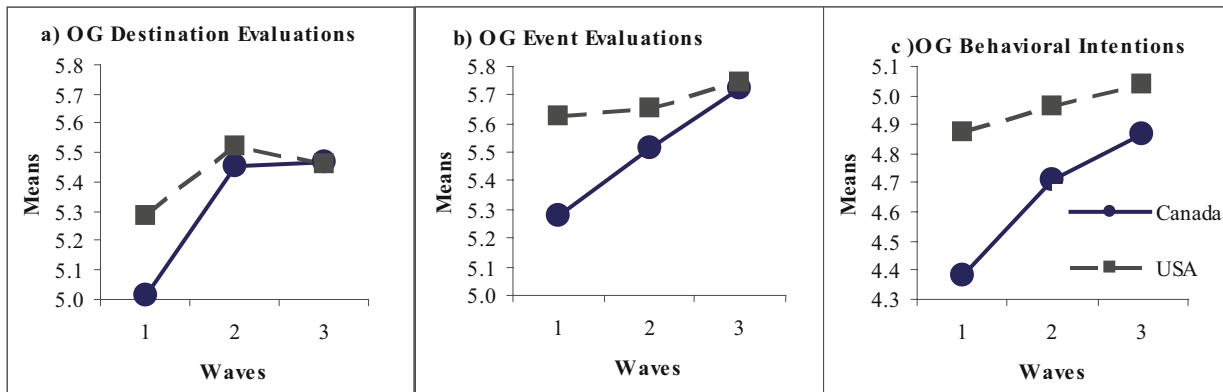
Dimesions	Items	Loadings	Cronbach's $\alpha$
<b>OG as a Destination Evaluation (OGDEvl)</b>	Proud to visit the OG competitions	.792 - .834	.880- .895
	Overall satisfactions with the OG	.860 - .889	
<b>OG as a Event Evaluation (OGDEvl)</b>	Overall rating of the OG as an event	.896 - .901	.934 - .954
	Rating compared to other mega-event	.824 - .859	
<b>OG Behavioural Intentions (OGBhv)</b>	Willingness to travel to the OG	.595 - .625	.883 - .902
	Willingness to watch the OG	.817 - .854	
	Willingness to read about the OG	.771 - .844	
	Willingness to recommend the OG	.884 - .900	



**Table 3. Comparison of Mean Response for Expectations/Perceived Performance/Disconfirmation Measures**

Items	Waves	1		2		3	
		CAN	USA	CAN	USA	CAN	USA
<b>Expectations</b>	Overall, I expect my national team's performance to be... <i>Wilks' Lambda (F)</i>	5.23	5.66	5.25	5.49	6.49	6.15
		23.55**		6.10*		23.11**	
<b>Perceived Performance</b>	I am satisfied with my national team's performance <i>Wilks' Lambda (F)</i>	NA	NA	5.23	6.08	6.35	6.03
		NA		76.10**		17.05**	
<b>Disconfirmation</b>	Compared with my expectations, my national team's performance is <i>Wilks' Lambda (F)</i>	NA	NA	4.78	5.77	6.19	5.70
		NA		102.80**		36.51**	

Notes: Sample sizes: Canada (CAN) = 543; USA = 247; \*\* - highly significant ( $p < .005$ ); \* - significant ( $p < .05$ ); NA - Not Applicable (question not asked in wave 1)

**Figure 2. OG Evaluations and Behavioural Intentions by County****Table 4. OG as a Destination Evaluation Regressions on Expectations/Perceived Performance/Disconfirmation**

Waves		Canada					Outcome of testing <sup>a</sup>		
		Blocks	ExpNT	PPNT	DiscNT	F	Adj. R <sup>2</sup>	H2a-i	H3a-i
1	1B (Std. $\beta$ )	.449**	NA	NA	136.78**	.20	supported	--	--
2	1B (Std. $\beta$ )	.432**	--	--	123.96**	.19	supported	supported	not supported
	2B (Std. $\beta$ )	.350**	.319**	--	105.93**	.28			
	3B (Std. $\beta$ )	.350**	.298**	.029	70.63**	.28			
3	1B (Std. $\beta$ )	.481**			163.05**	.23	supported	supported	supported
	2B (Std. $\beta$ )	.300**	.311**		113.17**	.29			
	3B (Std. $\beta$ )	.275**	.223**	.132**	77.75**	.30			
Waves		USA					Outcome of testing <sup>a</sup>		
		Blocks	ExpNT	PPNT	DiscNT	F	Adj. R <sup>2</sup>	H2a-i	H3a-i
1	1B (Std. $\beta$ )	.325**	NA	NA	28.90**	.10	supported	--	--
2	1B (Std. $\beta$ )	.364**	--	--	37.45**	.13	supported	supported	not supported
	2B (Std. $\beta$ )	.176**	.443**	--	50.75**	.29			
	3B (Std. $\beta$ )	.170**	.398**	.086	34.52**	.29			
3	1B (Std. $\beta$ )	.438**	--	--	58.02**	.19	supported	supported	not supported
	2B (Std. $\beta$ )	.219**	.358**	--	45.44**	.27			
	3B (Std. $\beta$ )	.219**	.357**	.000	30.17**	.27			

Notes: \*\* - highly significant ( $p < .005$ ); \* - significant ( $p < .05$ ); a - Outcomes of testing are based on the results of Block 3; Expectations for National Team (ExpNT); Perceived Performance (PPNT); Disconfirmation of Expectations (DiscNT).

**Table 5. OG as an Event Evaluation Regressions on Expectations/Perceived Performance/Disconfirmation**

Waves		Canada					Outcome of testing <sup>a</sup>		
		ExpNT	PPNT	DiscNT	F	Adj. R <sup>2</sup>	H2a-ii	H3a-ii	H4-ii
1	1B (Std. $\beta$ )	.477**	NA	NA	159.47**	.23	supported	--	--
2	1B (Std. $\beta$ )	.414**	--	--	111.58**	.19	supported	supported	not supported
	2B (Std. $\beta$ )	.300**	.365**	--	111.10**	.29			
	3B (Std. $\beta$ )	.299**	.352**	0.019	73.99**	.29			
3	1B (Std. $\beta$ )	.458**	--	--	143.56**	.21	supported	supported	not supported
	2B (Std. $\beta$ )	.220**	.407**	--	126.41**	.32			
	3B (Std. $\beta$ )	.203**	.343**	0.096	85.49**	.32			
Waves		USA					Outcome of testing <sup>a</sup>		
		ExpNT	PPNT	DiscNT	F	Adj. R <sup>2</sup>	H2a-ii	H3a-ii	H4-ii
1	1B (Std. $\beta$ )	.376**	NA	NA	40.38**	.14	supported	--	--
2	1B (Std. $\beta$ )	.412**	--	--	49.97**	.18	supported	supported	not supported
	2B (Std. $\beta$ )	.207**	.483**	--	68.74**	.37			
	3B (Std. $\beta$ )	.204**	.460**	0.043	45.89**	.37			
3	1B (Std. $\beta$ )	.531**	--	--	96.23**	.28	supported	supported	not supported
	2B (Std. $\beta$ )	.284**	.404**	--	76.06**	.38			
	3B (Std. $\beta$ )	.278**	.364**	0.068	51.06**	.38			

**Table 6. OG Behavioural Intention Regressions on Expectations/Perceived Performance and Evaluations**

Waves		Canada						Outcome of testing <sup>a</sup>		
Blocks		ExpNT	PPNT	OGDEvl	OGEEvl	F	Adj. R <sup>2</sup>	H2b	H3b	H5
1	1B (Std. $\beta$ )	.363**	NA	--	--	82.03**	.13	not supported	--	supported
	2B (Std. $\beta$ )	-.037	NA	.463**	.403**	330.48**	.65	supported		
2	1B (Std. $\beta$ )	.331**	--	--	---	66.61**	.11	not supported	not supported	supported
	2B (Std. $\beta$ )	.283**	.154**	--	--	40.69**	.13			
	3B (Std. $\beta$ )	.033	-0.135	.398**	.446**	198.26**	.60			
3	1B (Std. $\beta$ )	.374**	--	--	--	88.20**	.14	not supported	not supported	supported
	2B (Std. $\beta$ )	.198**	.330**	--	--	67.73**	.20			
	3B (Std. $\beta$ )	-.039	.008	.589**	.275**	280.40**	.67			
Waves		USA						Outcome of testing <sup>a</sup>		
Blocks		ExpNT	PPNT	OGDEvl	OGEEvl	F	Adj. R	H2b	H3b	H5
1	1B (Std. $\beta$ )	.338**	NA		NA	31.70**	.11	not supported	--	supported
	2B (Std. $\beta$ )	.051	NA	.402**	.416**	134.43**	.62	supported		
2	1B (Std. $\beta$ )	.308**	--	--	--	25.60**	.09	not supported	not supported	supported
	2B (Std. $\beta$ )	.126**	.429**	--	--	39.67**	.24			
	3B (Std. $\beta$ )	-.019	0.083	.272**	.466**	76.79**	.55			
3	1B (Std. $\beta$ )	.406**	--	--	--	48.36**	.16	not supported	not supported	supported
	2B (Std. $\beta$ )	.244**	.264**	--	--	32.12**	.21			
	3B (Std. $\beta$ )	.064	-0.012	.414**	.315**	65.63**	.51			

Notes: \*\* - highly significant ( $p < .005$ ); \* - significant ( $p < .05$ ); a - Outcomes of testing are based on the results of Block 3; Expectations for National Team (ExpNT); Perceived Performance (PPNT); Disconfirmation of Expectations (DiscNT).

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# OF GEEKS AND ACHIEVERS: EXPLORING CONSUMER COLLECTIVE TOURISM AND THE INFINITE GAME

Nathalie Collins, Edith Cowan University, Australia  
Jamie Murphy, Australian School of Management & Curtin University, Australia

## ABSTRACT

Interacting with Brand Communities and Customer Evangelists can be profitable. Corporations and brand managers who follow traditional marketing and business paradigms will struggle to effectively communicate and connect with these opportunities. Viewing consumer collectives (Brand Communities, Consumer Tribes, Subcultures of Consumption, etc) through Service-Dominant Logic and religious paradigms can give tourism marketers a feel for how to interact with this group of people who actively seek brand peak and flow experiences.

The authors explore James Carse's metaphor of an infinite game to describe how consumer collectivism operates, using examples from the tourism industry.

*Keywords: Service-Dominant Logic; Finite and Infinite Games; Customer Evangelism; Brand Communities; Authenticity; Brand Cults*

## INTRODUCTION

Getting computer geeks on cruise ships seems a hard sell. The stereotypical computer geeks spend all their time at a computer, indoors and eschew outdoor activities. Yet Insight Cruises have developed *geek* appeal, selling cruise packages tailored for computer geeks. Their secret? Build the cruise experience for a brand community. Insight Cruises' brand-themed cruises such as Linux and Macintosh draw passionate techies on board (along with their spouses) for a high seas learning and social experience (Baumann, 2008; "Insight Cruises," 2008; Smith & Bresnick, 2001). Geeks are not drawn to the traditional cruising experience; they are drawn to the *geek* cruising experience.

This counterintuitive tourism concept is one of many opportunities that tap into Brand Communities to broaden markets for experiential products.

A *brand community* is a type of consumer collective. Members of brand communities participate in activities, rituals and culture relating to a product/brand. Their community usually has several components: a shared consciousness, moral responsibility to other community members, and rituals and traditions relating to brand consumption (Belk & Tumbat, 2005; Muniz & O'Guinn, 2001). Brand communities may be sponsored by the firm, may be moderated by a for-profit third party or may act independently. Many corporations nurture their communities as part of their marketing strategy (Belk, Wallendorf, & Sherry, 1989; Gilmore & Pine, 2007; Hill & Rifkin, 1999; Kawasaki, 1991), however brand community members do not necessarily see themselves in a marketing role (Muniz & Schau, 2007).

Traditionally marketing draws on other disciplines' theoretical constructs to develop a rich understanding of consumer behaviour, principally economics (Vargo & Lusch, 2004), psychology (Belk, et al., 1989) and anthropology (Muniz & O'Guinn, 2001). Consumer Culture Theory has investigated consumer collectives such as brand communities for decades (Schouten & McAlexander, 1995). Approaching experiential products from a religious-sociological and service-dominant perspective can help give marketers insights into purchasing behaviour and communication channels of brand communities (Belk, et al., 1989; Gilmore & Pine, 1999; Sweeney, Soutar, & Mazzarol, 2008), brand devotees (Belk & Tumbat, 2005; Belk, et al., 1989).

## BRAND COMMUNITIES, BRAND CULTS AND CUSTOMER EVANGELISTS

Brand communities' popularity is on the rise, although they existed before the Internet's cheap, decentralised, asynchronous communication increased community accessibility and communication (Muniz & O'Guinn, 2001). Communities of product

enthusiasts trace back at least a couple of centuries (Rao, 2002). With the rise of the branding concept, some product communities began to centre more around a specific brand rather than a product category, with varying levels of corporate support ("Give them something to believe in: The value of brand culture," 2008; Hill & Rifkin, 1999). For example, early automotive enthusiasts are credited with introducing the car's superiority over the horse as a means of transportation (Rao, 2008). Communities built around brands, such as Star Trek, generated tourism experiences through national and international conventions (Shanker, Cova, & Kozinets, 2007).

The brand community's mission is existential in nature: enjoy product consumption, recruit new consumers and educate others about proper use of the product. Because of this ethos, brand communities tend to welcome new members while maintaining a hierarchy based on product and corporate knowledge. They also, paradoxically, tend to shun commercial approaches to them as mercenary, exploitative and undesirable unless the approach offers something authentic and of value (Belk & Tumbat, 2005; Chalmers & Arthur, 2008; Muniz & O'Guinn, 2001).

Within these communities are hard-core members, fervent about their brand devotion. Collectively, these hard-core members form a *brand cult*. Their fervour for the brand takes on sacred tones and a faith often associated with religious devotion. Customer evangelists, usually members of brand cults, are more fervent about recruiting product users than traditional community members (Belk & Tumbat, 2005; Muniz & O'Guinn, 2001).

Customer evangelists (Goldfayn, 2012; Kawasaki, 1991; McConnel & Huba, 2007; Rao, 2002) actively recruit brand users by generating positive word of mouth and creating positive brand experiences for others. Evangelists usually lead brand communities and are well respected for their product knowledge, its uses and brand mythology. Evangelists use their own resources to organise events and supporting new brand community membership (Collins, Jarvis, & Murphy, 2008; Gilmore & Pine, 2007; Kawasaki, 1991). [Figure 1](#) illustrates the relationships among brand communities, brand cults and customer evangelists..

When corporations interact with brand communities, they tend to treat community members as a means to an end, like a target market or a vehicle to spread Word of Mouth (WOM). This misalignment may arise because most traditional marketing paradigms stem from goods-based economic models (Vargo & Lusch, 2004) that do not deliver a rich understanding of non-quantifiable human behaviour. Marketers also may not value the way in which consumer create their own narratives around the products they consume and recommend to others for specific cultural contexts (Kozinets, de Valck, Wojnicki, & Wilner, 2010). Conceptualising this phenomenon through service-dominant and religious frameworks reveals a way forward toward successfully understanding, interacting and engaging these communities.

## THE DUDE AND THE TRANSCENDANT CUSTOMER EXPERIENCE

Products at the centre of brand communities tend to be mass produced and mass distributed. How can a mass-produced product take on a sacred quality for some users? How can a product resonate so strongly that some people will use their personal resources to promote the product/brand? An answer lies in a concept that Russell Belk (1989, 2005) described as *quintessence*: a perceived perfection in form and function that leads to the consumer imbuing the product/brand with a sacred quality.

The emotional resonance the user feels during the product/brand experience and afterwards creates a halo effect when the user encounters the brand and other brand users. In extreme cases, the experience becomes part of the user's authentic self and part of their identity as an individual (Belk & Tumbat, 2005; Belk, et al., 1989; Gilmore & Pine, 2007; Kawasaki, 1991; Muniz & O'Guinn, 2001). Due to this experience and subsequent conversion, users seek to re-experience the sacred connection through additional product use and interaction with other users

As an example of quintessence in action, the following excerpt describes the sense of quintessence and belonging arising from sharing the *Big Lebowski* film experience, sourced in February 2013 from <http://www.lebowskifest.com/InformationMan/tabid/115/Default.aspx>:

The story of Lebowski Fest unfolds like many great endeavors, during a stupefying afternoon bereft of entertainment options but plenty of time to kill. In this case, it was a tattoo expo in

Louisville, Kentucky, which had lured Scott and Will (aka "the Founding Dudes") under the mistaken belief that it would be a great place to sell T-shirts from Scott's shop (Mothership Connection, R.I.P.). As that hot July day in 2002 dragged on, they took to amusing themselves trading lines from "The Big Lebowski," which had not yet been recognized as the minor classic it is. It didn't matter how many times Scott or Will said a certain line, it was just as hilarious the 200th time as the first. The other vendors around them began to join in, creating a sense of bonding and camaraderie between complete strangers. Amidst this swirl of neck tattoos and piercing enthusiasts came a revelation: If they can have conventions for tattoos and God knows what else, why not a convention for people who love "The Big Lebowski"? As a famous dude once said "If you will it, it is no dream." A date was set, a bowling alley was rented and flyers were printed. And people flocked from La Jolla to Leo Carrillo and Pismo to take part in the shenanigans. The First Annual Lebowski Fest went so well that Scott and Will decided to host another one, and another one, and another one....

*The Big Lebowski* film was not a hit when released in 1998. However, today it has a global cult and several annual conventions known as *Lebowski Fests* (<http://www.lebowskiifest.com>). The community emerged around the philosophy of its characters, principally the laid-back, slacker, ten-pin bowling, white Russian drinking, main character, the *Dude*. Lebowski Fests have been held at bowling alleys globally since 2002.

Fest activities include showing the film, selling merchandise, bowling, imbibing the movie's signature drink and live music. The person that the Dude character was based on tends to make an appearance, and sometimes actors from the movie appear as well, such as Jeff Bridges. The Cohen brothers, who wrote, directed and produced the film do not participate in the Fests. Brand community members call themselves *Achievers* and often dress as a character or an object – such as a bowling pin – from the film when attending events. Community members wear Achiever t-shirts outside of Lebowski activities as a coded communication to fellow Achievers. They use slang from the film, such as the phrases "what-not" and "what-have-you". Kahlua, the Mexican coffee liqueur, is a big winner, with sales jumping through the roof at each Lebowski Fest, because Achievers consume copious amounts of white Russians – a drink with vodka, cream and Kahlua. Other related enterprises profiting from the *Lebowski Fests* are merchandisers, bowling alleys and bands playing the event (Kurutz, 2008; Russell & Shuffitt, 2008).

Scott and Will, the founders of Lebowski Fest (Russell & Shuffitt, 2008), may be considered customer evangelists—or they were before Lebowski Fests became a profitable concern. As customer evangelists do not get financial gain from their interests, once Lebowski Fest became a profit-making event, they could not longer be called evangelists; like Geek Cruises, they are third party commercial providers in a tourism/event industry.

One would struggle to explain this phenomenon and those like it via traditional marketing models, even though commercial activity takes place at these events (Muniz & O'Guinn, 2001). Word of Mouth marketing (WOM) fails to capture the extent Achievers' brand devotion and enthusiasm. Looking at the phenomenon through another paradigm reframes the discussion and provides a guide for continuing interaction with Achievers, Apple enthusiasts and others like them.

If product-in-use can resonate emotionally with customers and the quality of that resonance varies with individuals, then there is a meta-paradigm in play. The variance of value quality exists because the user co-creates this value. Therefore, a product that has not been experienced has little intrinsic value. This Service-Dominant (S-D) Logic sees the customer as co-creator of value through the product experience (Prahalad & Ramaswamy, 2000; Vargo & Lusch, 2004).

The Coen Brothers produced, wrote and directed the *Big Lebowski*, and imbued the film with potential value. However the film's value could not be realised until it was screened. Once the film reached cult status, religious behaviour began emerging in reference to the film (Russell & Shuffitt, 2008). Viewing brand communities as faith communities provides a different perspective on the activities of brand community members.



## CIVITAS AND COMMUNITAS FROM A MARKETING PERSPECTIVE

In religious communities, there is a distinction between the doctrine and the community. The doctrine, or *Civitas*, is a set of laws that govern practice, ritual and participation (Carse, 2008). In marketing, the Civitas manages the brand, manages the brand, produces the products, develops distribution channels and generates commercial communication. However from a religious perspective, Civitas is ineffective without participation from its complement: the *Communitas*, the community who lives the doctrine (Carse, 2008).

This interdependent relationship between the Civitas and Communitas is a shared power. One cannot exist without the other (Carse, 2008; Muniz & O'Guinn, 2001). Members of both the Civitas and Communitas feel they own the brand; both are correct. This shared power can create conflict for brand managers who wish to set the direction of a brand but have trouble getting the brand community on board.

The Coen Brothers wrote, directed and produced the *Big Lebowski*, and the philosophies in that film create the Civitas, or doctrine, the Achievers celebrate. However, Lebowski Fest is an independent event organised by the community for the community. The Coen Brothers have never attended a Lebowski Fest and do not intend to (Russell & Shuffitt, 2008), although they hold the copyright to the brand at the centre of the event. At Lebowski Fests, brand community members interpret, re-interpret and enrich the doctrine through *communitas* without the Civitas.

Geek Cruises are *communitas*-oriented events that interpret, innovate, educate and celebrate the innovative Civitas of programmers, designers and engineers. Brand community members spend a week with each other and share knowledge, experience and practice. Each time these interactions occur, the *Communitas* grows, changes, evolves and develops – even if the Civitas remains unchanged.

## THE INFINITE GAME

If traditional marketing is a game, it is a finite game where participants play to win. A finite game has a beginning, an end, fixed common rules and judging so that one party wins (Carse, 1986). For example, companies battle for everything from individual sales to market share. From stock prices to profit margins, the rules of the game are clear and the idea is to make as many sales, take as much market share, boost the stock price and generate as many profits as possible within a fixed period: day, month, quarter or year. At the elemental level, traditional marketing plays a similar game – make the sale. Power is centralised within the select few who play.

Consumer collectives play an infinite game, where the point is to sustain the game. This distinction is crucial. In order to keep playing, the rules have to change, the game is open so anyone can participate, and current players recruit new players in order to give the game the longest life possible. If finite players play within boundaries, infinite players play with boundaries (Carse, 1986). Infinite players go out of their way to engage others in a continuous relationship, reaping rewards for both parties (Carse, 1986). Consumer collectives, like communities of faith, are ends in themselves and tap into an authentic desire to redefine oneself, commune with others, and connect with the sublime and the sacred.

This grass roots ethos inherently recognises the decentralisation of power, and each individual's ability to co-create the experience, and value, for themselves and others. The infinite game aligns neatly with concepts inherent in S-D Logic, and to some extent, relationship marketing (see [Table 1](#)).

What does tourism as an infinite game look like? The model would be decentralised, where products, brands and corporations evolve organically within market environments. The goals would shift. The business of a tourism operator would be to remain in business, rather than to attract the once-off tourist. On the surface this sounds like an argument for sustainability, although in recent years sustainability has become someone synonymous with minimising waste. Business as an infinite game includes and broadens the sustainability concept. In other words, the business players who are in the infinite game will resonate with the Brand Communities and Customer Evangelists because they share the same goals.

## CONCLUSION

What draws Achievers to Lebowski Fest is a desire to commune with others who had similar transformational – perhaps even spiritual – experiences because of watching the film. Festival organisers indicated the best part about the event was the experience of finding thousands of *instant friends* from all over the world had a deep connection with the film characters (Tranter, 2005).

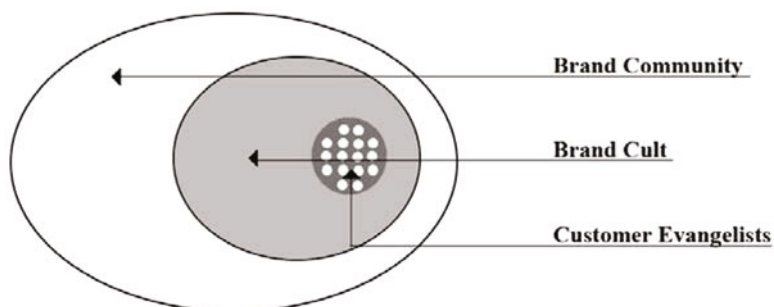


It is a given that people who seek authentic community-driven experiences will use their resources to make those experiences happen. Tapping into Brand Communities, Brand Cults and Customer Evangelists can be a boon for producers of experiential products, such as tourism experiences. A key to tapping into this devoted customer type, however, is a rich understanding of the people with whom that communication occurs. Neil Baumann (2008), the owner of Insight Cruises, indicates that the key to understanding the Brand Communities for whom he develops tourism products is delivering customer value through interactions with other community members.

When producers and marketers recognise the beauty of the co-production experience, the joy of playing the infinite game with communities and participating in the *Civitas* as well as the *Communitas* of the business process, their connection with Brand Communities and the people within them becomes live; the rewards extend beyond financial.

## FIGURES

Figure 1: Brand Communities, Brand Cults and Customer Evangelists (CE)



## TABLES

Table 1: Finite and Infinite Games in Marketing (Collins & Murphy, 2010)

Theoretical Construct	Game	Indicators
4Ps: Product, Price, Promotion and Place: <i>Civitas</i>	Finite	<ul style="list-style-type: none"> <li>• Goal is to make the sale</li> <li>• Play against other willing partners (competition)</li> <li>• Outcomes are measureable and recognised by others (stock price/market share/profits)</li> </ul>
Services Marketing: <i>Civitas</i>	Finite	<ul style="list-style-type: none"> <li>• Goal is to make the sale</li> <li>• Play against other willing partners (competition)</li> <li>• Outcomes are measureable and recognised by others (stock price/market share/profits)</li> </ul>
Relationship Marketing: <i>Civitas</i> interacting with <i>Communitas</i> but without the interdependent relationship	Finite, stepping toward infinite	<ul style="list-style-type: none"> <li>• Goal is to keep the customer engaged with the brand (infinite)</li> <li>• Engagement is measured through tangential activities (direct mail list, website hits, blogs, etc) (finite)</li> <li>• Play against competition's ability to engage with the brand (finite)</li> <li>• Resource-intensive, often without enough ROI to justify from an accounting perspective</li> </ul>
Service-Dominant Logic: <i>Civitas</i> and <i>Communitas</i> in a symbiotic relationship	Infinite	<ul style="list-style-type: none"> <li>• Goal is to partner with the consumer to co-create value</li> <li>• Failure happens if the customer cannot be engaged and therefore value not created</li> <li>• If the customer is not engaged, the rules have to change to engage the customer (keep the game playing)</li> <li>• Time is not measured by a purchase point; it is measured by the producers ability to partner with the customer and *remain in business* (time is infinite)</li> </ul>

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**Session 9.5. Global Warming and Consumer Behavior**

Room: Clarendon B

Session Chair: Michael Jay Polonsky, Deakin University

***Climate Change Science vs. Climate Sceptics: Is the World Really Flat?***

David Low, James Cook University

Lynne Eagle, James Cook University

***Past and Future Orientation, Environmental Attitudes and Green Consumer Behavior***

Michael Jay Polonsky, Deakin University

Andrea Vocino, Deakin University

Martin Grimmer, University of Tasmania

Morgan Miles, University of Tasmania

***Sustainability and Perception of Brand Communication***

Yvonne Verena Zajonts, Baden-Wuerttemberg Cooperative State University

Vanessa Kollmann, Baden-Wuerttemberg Cooperative State University

Marc Kuhn, Baden-Wuerttemberg Cooperative State University

# CLIMATE CHANGE SCIENCE VERSUS CLIMATE SCEPTICS: IS THE WORLD REALLY FLAT?

David R. Low, James Cook University, Australia  
Lynne Eagle, James Cook University, Australia

## ABSTRACT

We present a computer-based content and discourse analysis of the arguments and key messages relating to climate change, contrasting the material dispersed via the Internet versus material drawn from refereed academic journals. We find significant differences in message complexity and argument focus between climate change scientists and sceptics, with potential impacts on public attitudes and behaviour.

## INTRODUCTION

*“Climate change is here, in our country... those who deny it are the flat earthers of the 21<sup>st</sup> century” Milliband, 2006, cited in Whitmarsh, 2011)*

There is widespread, although not universal, agreement within the scientific community that climate change constitutes major challenges with substantial potential effects (Whitmarsh, 2011). Some authors claim that ‘*avoiding dangerous climate change will require lifestyle changes*’ (Gowdy, 2008: 64), and that “*the world has three choices in dealing with climate change: mitigation, adaptation and suffering*” (Moser, 2012: 165). Others suggest that there is a narrow time frame in which action can be taken to “prevent catastrophe” (Doulton & Brown, 2009: 191) and that failure to address the issue “is likely to result in global costs that dramatically exceed the costs of prevention (Bazerman, 2006: 179). Countering this view are a range of competing opinions and theories, ranging from outright denial through debates over causes (attribution scepticism), trends and magnitude of impacts (impact scepticism), including media hyping of issues (Poortinga et al., 2011), and the relative merits of different strategies to deal with problems climate change creates (Etkin & Ho, 2007). These counter-change messages have been found to be influential in developing public attitudes on the issues (Boykoff and Boykoff, 2004), although most of the focus to date has been on mass media (see, for example, Boykoff & Mansfield (2008).

## IMPACT OF CONTROVERSY

Contradictory claims will increase confusion and uncertainty about the magnitude of the risk and about strategies that may be taken to minimize effects, thus undermining support for and viability of public policy interventions (Shwom et al., 2010). The uncertainty of climate change impact (Adger et al., 2009) means that the outcomes of individual actions are also uncertain; people are reluctant to act in response to information that contains ambiguity or uncertainty (Morton et al., 2011). Consistent with the Protection Motivation Theory (Floyd et al., 2000), maladaptive responses may result such as apathy, denial, anger and counter-productive behaviours (Moser & Dilling, 2004). Questioning of scientific consensus and beliefs that climate change claims are exaggerated result in opposition to contributing to the economic burden of mitigation (Akter et al, 2012), even where there is acceptance of the view that climate change is happening and is at least in part human-induced (Akter & Bennett, 2011). Alarmism may cause a retreat into helplessness, with the feeling that the problems are too big for individuals to cope with, leading to maladaptive responses such as denial and increased scepticism which may undermine society’s capacity to cope with challenges, or even exacerbate problems (Hobson & Niemeyer, 2012).

## METHODOLOGY

We began this analysis by collecting Internet-based material from climate change sceptics, climate change advocates and on-line news media coverage of issues and controversies as well as those publications from the scientific community that dealt with the topics of climate change. For the Internet-based material, an on-line search was undertaken using the search phrases “climate change” and “climate change scepticism”. Included were: news media releases, reports and commentaries on a single source (e.g. commentary on reports /studies released or on news items), booklets and book chapters if available on line, opinion pieces (i.e. commentary unsupported by data). Excluded were: websites simply listing other ‘resources,’ on-line videos, teaching material, political party or lobby group sites, other than reports and commentary noted above, or material that was not immediately identifiable as originating from these sources, material that was substantially duplicated with other sites (more than 75% common content), Governmental or organizational reports, and non-English content sites.

For the review of academic material, the terms “climate change” together with “adaptation”, “mitigation” and “scepticism” were used. All articles coded into this category were double blind peer reviewed articles appearing in recognized scientific publications. A total of 215 Internet-based items were obtained, ranging in date from 2005 – mid 2012. 633 academic papers were located, all post- 2000. This was a deliberate decision rather than including pre-2000 material in order to reflect recent data and debates on key issues.

The rationale for the focus on internet-based material is that it is seen as providing a “more level playing field” than conventional media (Gavin, 2010: 461), presenting “*communication opportunities not available in the mainstream media*” for those with opinions and views at odds with prevailing views such as, in this specific instance, climate change sceptics and denialists (Stein, 2009: 750), offering the ability to reach a global audience at minimal cost (Barr, 2011). The articles were read and identified as being from pre-identified climate sceptics, articles that were critical of climate change science or articles that were critical of the sceptics’ views and approaches. In particular we were interested in analyzing this group those articles that claimed or cast doubt on the impact of human activity on climate change itself. This is an important categorization to note because of the range of climate change sceptics’s claims, i.e. trend and impact scepticism are no longer as common as attribution scepticism (Poortinga et al., 2011).

It is important here to recognize that the authors are not taking a view or siding with either the sceptics or scientists. Belonging to the academic community ourselves we acknowledge the obvious conflict of interest and desire to prove what is ‘correct’. This study did not attempt to do this, rather it was an analysis of how both parties are arguing, and an examination of what the key messages are from both camps. The aim was to examine the claims and counter-claims made, the frames of reference used by different parties and what the specific characteristics of their communications were (Smith, 2000). We also examined communication similarities and differences between the messages using both content analysis and discourse analysis. The former was used to present a broad overview of thematic trends based on standardized content codes that were applied uniformly to each article (DiFrancesco & Young, 2011).

In the content analysis only the ‘opening’ blog was coded, not subsequent postings as some sites ran to 50 or more comments, frequently from a small number of people. All content of these sites was included in the subsequent discourse analysis. The content analysis, summarised in [Table 1](#) revealed the following: The most prolific source was journalists via identifiable media organisations, such as on-line editions and associated blogs, followed by individuals posting material (some prolifically and using multiple sites), then organisations and academics either posting directly to blogs and discussion sites, or providing commentary via media sites (again, a small number were prolific posters). A small number of postings were unidentifiable and one government organisation (US Navy) posting was identified. Extreme scepticism was far more likely to originate from organisations and a small number of academics. Criticism of these views came primarily from individuals and unidentified sources, with these two latter sources presenting primarily opinion-based rather than data-informed commentary. Extreme views and vitriolic language were evident from both sceptics and their critics, as shown in [Table 2](#).

We then followed the principles of discourse analysis to study the language used by different parties. The rationale for this choice is that “*language profoundly shapes one’s view of the world and reality, instead of being only a neutral medium mirroring it*” (Hajer & Versteeg, 2005; 176). These authors also note that discourse analysis enables examination of how different parties attempt to influence definitions of the topic or problem being debated.

## DATA ANALYSIS

We chose Leximancer to analyse the data as it provides a choice of either seeding the system with concepts or allowing the textual analysis software to calculate the themes and concepts from the text itself without any interference or direction from the researchers; using the latter option we could ensure that our own biases as researchers did not enter the process. We ran Leximancer with two distinct data sets, one for the sceptics’ material and one for the scientists. Once an initial analysis was run we then checked the data integrity and also “cleaned” the concept lists by ensuring that we combined concepts that were the same (for example behavior spelt the American and English ways, concept such as area and areas were combined etc.) we also deleted concepts that were clearly picked up due to convention matters in the text such as “et” (from et al) or “pp” (from quotations).

We began the Leximancer analysis with concept maps; while these do not convey the meaning of the data it does illustrate how concepts, ideas and themes are arranged within the documents included as data in this analysis. A visual scan of [Figure 1](#)



and 2 shows that while climate is a central concept for both the scientists and sceptics it relates differently to different concepts between the two data sets. This suggests a different basis of argument from each group. Leximancer finds 'Themes' as well as 'Concepts'. A number of concepts may relate and give meaning to a theme, for instance the Theme "media", within the academic data set contains the concepts of 'science', 'public', 'media' and 'scientists'. Thus the meaning of media in this sense is shown; there is no theme for media in the sceptics' data.

We investigated the actual meaning of concepts by looking at its thesaurus within Leximancer, which are the words that give that concept meaning. Thus for the concept of "climate", the top words that give meaning to this concept used by the sceptics were 'change', 'man-made', 'fears', 'models', 'action' and 'consensus'; the scientists' top words were 'impacts', 'weather', 'warming', 'adaption', 'temperature' and 'global'. In this way the use of words and an understanding of how the two arguments are being presented and communicated was gained. Table 3 lists the top themes that were connected to a minimum of 20% of other themes. This clearly shows that the climate change sceptics were focusing around a tighter group of themes than the scientists. Furthermore, we see the sceptics focused on the themes of *global* and *change* equally whereas the scientists focused on *climate*. This suggests that while the scientists were being comprehensive in their arguments and giving equal weight to a number of themes sceptics are focusing on a few themes reinforcing messages that others have made.

With this difference identified, it is useful to examine what was being said. When talking about change, sceptics raised doubt over the science "*A lot of their scientific arguments are "hairy" to say the least; and in general they have not been greatly constrained by the checks and balances built into the normal scientific system.*" (2/Climate science establishment versus sceptic~1.html/1/1 31) While with regards to the sceptics' second major theme of global we see statements such as: "*He added: In effect a new religion has grown out of secular humanism Global warming is the central tenet of this new belief system in much the same way that the Resurrection is the central tenet of Christianity*" (2/2010 Senate Minority Report~2.html/1/1 321 ).

Sceptics use the fact that the lay person is not familiar with scientific process or debate to raise doubts as to how the science around climate change has been conducted. Furthermore, as demonstrated by the second extract, sceptics are using very evocative and emotive issues when discussing the science of climate change. Scientists on the other hand use very different language and style of argument to present their case for climate change. For instance, when talking about how climate changes may affect people's behavior "*The effects of these changes will depend greatly on the flexibility demonstrated by institutions and tourists as they react to climate change, with substantial implications for both spatial and temporal redistribution of tourism activities.*" (1. /Sustainability, Climate change adaptation, Social Capital/Amelung et al~1.html/1/1 12); when discussing how they are presenting their theory of what may happen and how we must adapt to any climate change "*A framework identifies a broad set of variables and their linkages. Within any particular framework, alternative theories are used to make broad predictions about the effect of changes in relevant variables, and multiple models operationize theories using a variety of formal techniques.*" (2. /Sustainability, Climate change adaptation, Social Capital/Anderies et al socio-ecological frameowrk~1.html/1/1 70).

What we see here is the warning nature of their published articles, and a call for people to change because of dire consequences that are being predicted. On the other hand the focus of the sceptics' debate is about questioning the basis of the scientific findings, largely without presenting alternative science of their own. It can also be observed that not only the complexity of the language is different between the two groups, with the sceptics using simpler to understand English construction, but the way in which the debate is carried on is substantially different as well.

When we re-examine the concepts in Table 3, we see that when listed down to 20% relevance (i.e., these concepts are relevant and therefore linked to a minimum of 20% of other concepts) it is also clear that the sceptics are creating stronger links between concepts than the scientists, with the scientists' second strongest link (36%), being *people*, was slightly less than the sceptics 5<sup>th</sup> *science* (39%). To understand concepts and how they are constructed it is useful to consider the thesaurus of words that create a concept. Table 3 illustrates that *climate* is a major concept for both the Scientists and the Sceptics. Table 4 lists the top 20 words (in order of frequency) used when describing climate change by both the Sceptics and the Scientists. Close scrutiny of this thesaurus of meaning will highlight that although the Sceptics and Scientists are talking about the same concept, that is climate, we see very little in the way of common words. This suggests that the meanings and the context in which they are discussing climate and climate change are very different.

We see that many of the words used by the sceptics are negative and designed to create doubt in peoples mind about the scientific argument for climate change occurring. There appears to be more of a third person and neutral tone to the key words used by the scientists who are delivering a message that we must act or face worse consequences than those that are



already happening. Where information contains ambiguity or uncertainty studies have found that people respond reluctantly if at all (van Dijk & Zeelenberg, 2003).

In their debate, scientists relate climate change to various natural disasters in this case the devastating US Hurricane Katrina: *"Of course, warning systems are not flawless and it is always difficult to decide whether and when to evacuate, but the Katrina experience demonstrated that hard protection can also fail, with the most tragic consequences."* ([Sustainability, Climate change adaptation, Social Capital/Hallegatte Strategies uncertain climate change~1.html/1/1 257](#)). This only raises the level of uncertainty regarding climate change action efficacy in the messages coming from the scientific community.

It is part of scientific methodology to raise limitations with your own work when you publish, such as this example: *"It may be that the focus of this survey on individual energy savings served to introduce some bias in the results compared to the more generic questions"* ([Sustainability, Climate change adaptation, Social Capital/anable et al Report~2.html/1/1 309](#)). However, to the lay person reading this material it also puts doubt in their mind as to how reliable the scientific studies are. When coupled with the messages of doubt being skillfully raised by sceptics this serves to reinforce an idea of doubt surrounding the science.

A further consideration is whether communications are framed in positive (gain) terms or negative (potential losses) (Donovan & Jalleh, 1999). While a detailed analysis of these effects is beyond the scope of this paper, the failure of fear and alarmist messages to result in sustained positive behaviour change warrants further investigation (De Hoog et al., 2005; Feinberg et al., 2011), given how strongly these are reflected in the scientific papers studied.

It has been found that where situations of high uncertainty are coupled with negative framing, people's intentions to adopt positive environmental behaviours decrease (Morton et al., 2011). In the case of the climate change debate, scientists are warning of climate change ramifications (negative framing) and sceptics are communicating uncertainty very effectively, this may be a causal factor in reports of individuals being resistant to changing behaviours in response to the climate change debate (Semenza et al., 2008).

## FUNCTIONAL LITERACY

The problem of understanding and engagement with climate change issues is also closely related to the functional literacy. The OECD (Nutbeam, 2008) defines functional literacy as whether a person is able to understand and employ printed information in daily life, at home, at work and in the community. Concerns that this problem raises are illustrated in the 2006 Australian Bureau of Statistics' Adult Literacy and Life Skills Survey. The five-level assessment of literacy, for which Level 3 is regarded as the "minimum required for individuals to meet the complex demands of everyday life and work in the emerging knowledge-based economy" (ABS, 2006) provides some alarming data (See [Table 5](#)).

The average reading skill level of the adult population is below that many expect, being generally 3 – 5 grades below the level expected from the final year of formal education if reading skills are not maintained (Shea et al. 2004). A further concern is that functional literacy may not adequately reflect scientific literacy which is defined as having *"a basic vocabulary of scientific terms and constructs and a general understanding of the nature of scientific inquiry"*; on this basis only 17% of US adults were classified as being scientifically literate (Miller, 2004:273). We cannot locate any cross-country comparisons, but suggests that climate change communications may not be readily comprehended by lay audiences. To verify these concerns, we analysed a random sample of 25 of the items in the study using the SMOG readability index. This index was selected because of its proven accuracy, correlation with other readability formulae and subsequent widespread use in the academic literature, primarily in the health field (Wallace & Lemon, 2004).

SMOG calculations were calculated manually, thus, consistent with the literature, three groups of 10 consecutive sentences at the beginning, middle and end of a document were selected, giving a total of 30 sentences. Following this, all words with three or more syllables within these selected sentences were counted and the square root of the total was then calculated and rounded to the nearest integer. Finally, the number 3 was added to the integer to obtain the grade level of the document. This calculation measures only the likely reading level required for comprehension of the material and not other aspects such as readability and suitability which could be assessed using other tools such as the Readability Assessment Instrument (RAIN) (Adkins et al, 2001). The following results were obtained: [Table 6](#) shows the material presented by sceptics is considerably more accessible to lay readers than that of anti-sceptics, whereas academic-originated material, including media contributions, is likely to be comprehended only by those with high levels of education. Mass media material varied widely

in readability, reflecting the media's use of summaries of material from diverse sources as the basis for its material, with no evident attempt to standardize the readability of its content.

## DISCUSSION / CONCLUSIONS / IMPLICATIONS

The polarization of views and the politicization of issues involved are evident in the preceding analyses. Importantly, scientific arguments are presented in much more complex terms than those used by sceptics. Providing more information won't change perceptions as "it will tend to be interpreted in relation to existing views, and entrenched views are very hard to change" (Whitmarsh, 2011: 699). We believe that lessons can be learned by the climate change science community regarding argument focus and communication of uncertainty in order to improve their communications.

In order to gain legitimacy and public participation in constructive debates regarding what actions can and should be taken, it will be necessary for the scientific community to recognize the knowledge and opinions of all stakeholders, including those with dissenting views, and a need to ensure that minority views of any kind do not have a disproportionate influence (Few et al., 2007). Additionally, scientists need to temper their negative communications by promoting benefits that individuals can gain from acting sustainably; in this way, the negative effects of their current messages can be mitigated.

### Directions for Future Research

In this paper, we have focused only on content and discourse analysis of textual information. For future stages of this research stream, the analysis will be extended to incorporate visual imagery including videos and related material. The analysis will also be extended to multi-comment blogs, contrasting the way later postings may be affected by the stance of early postings. It will also be important to extend the study, using both qualitative and quantitative methods, to examine the relative persuasiveness of climate change messages from a range of sources and the effects of different forms of message framing. In addition, people's use of these, and other, types of information sources and the impact of various information on their attitudes, beliefs and ultimately on their actual short and long-term behaviours will be examined.

**Table 1: Content Analysis: Source of Material and Stance Taken**

	<b>Source (chi square analysis indicates significant differences by source: <math>p = .002</math>)</b>					
	Individual (n=46) %	Organisation (n=42) %	Media (n=84) Journalism %	Academic (including articles in news media) (n= 33) %	Unident- ifiable (n=9) %	Government organisation (n= 1) %
<b>Stance</b>						
Extreme scepticism	2	19	1	9	0	0
Moderate scepticism	9	10	13	3	33	0
Neutral / no view	17	24	25	37	22	100
Moderate criticism of sceptics	39	44	44	36	22	0
Strong criticism of sceptics	20	2	11	12	0	0
Criticism of strong / extreme views	13	0	6	3	23	0
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Evidence Base Offered (chi square analysis indicates significant differences by source: <math>p = .001</math>)</b>						
Opinion	65	34	36	61	78	0
Original data	0	0	0	18	0	0
Comment on or review of data from other sources	20	41	44	12	11	0
Summary of data from other sources	13	22	5	9	0	0
Factual reporting of events or meetings	2	3	15	0	11	100
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

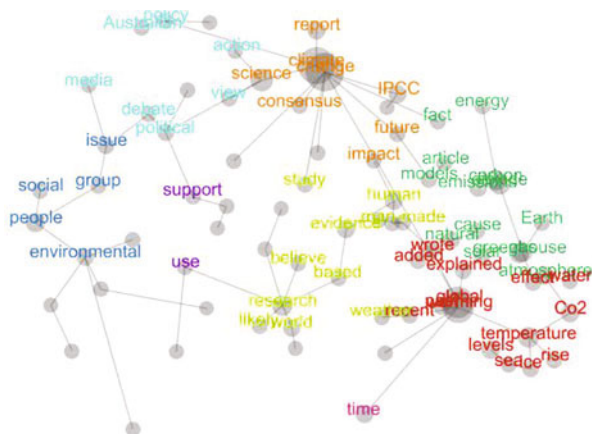
**Table 2: Examples of ‘extreme’ language**

<b>Sceptics</b>
Now, as the Climate Change scam collapses there are increasing calls from around the world to suppress the voice of scepticism on Anthropogenic Global Warming. From Australian Greens Vow to Punish Climate Change Sceptics <a href="http://toryaardvark.com/2011/07/27/australian-greens-vow-to-punish-climate-change-sceptics/">http://toryaardvark.com/2011/07/27/australian-greens-vow-to-punish-climate-change-sceptics/</a>
I also refer to a report that Republican President candidate Mitt Romney has “decided to say that that climate change is a hoax and you can’t trust scientists”. <a href="http://www.quadrant.org.au/blogs/doomed-planet/2012/05/sceptic-at-the-herald">http://www.quadrant.org.au/blogs/doomed-planet/2012/05/sceptic-at-the-herald</a>
It is a blight on Australian society that an incumbent government, and the great majority of media reporters and commentators, continue to propagate these scientific and social inanities. From Prof Bob Carter, also on the Doomed Planet site <a href="http://www.quadrant.org.au/blogs/doomed-planet/2011/03/bob-carter">http://www.quadrant.org.au/blogs/doomed-planet/2011/03/bob-carter</a>
By exaggerating the certainties, papering over the gaps, demonizing the sceptics and peddling tales of imminent catastrophe, they’ve discredited the entire climate-change movement. The political damage will be severe. From Environmental Economics, reporting on “a blurb from the Globe and Mail (which I know nothing about and for all I know could be a right-wing nutjob tabloid, or a left-wing wingnut tabloid for that matter” <a href="http://www.env-econ.net/2010/02/is-climate-change-scepticism-good-for-climate-science-1.html">http://www.env-econ.net/2010/02/is-climate-change-scepticism-good-for-climate-science-1.html</a>
<b>Critics of Extreme Views</b>
Odious figures such Melanie Philips are allowed to pollute the airwaves with dismissals of mainstream science as “bogus” without any supporting evidence. The debate has regressed to questioning the very basis of the science when in a rational world their would not be a debate at all, such is the force of the consensus argument. From A climate of inaction <a href="http://www.theyorker.co.uk/politics/world/12008">http://www.theyorker.co.uk/politics/world/12008</a>
The dogmatic belief that climate change is not being caused by humans is a particularly pernicious form of this phenomenon often mislabelled as “scepticism”. From: Anti-scientific “scepticism”? Climate change, smoking, and astrology <a href="http://www.goodbadandbogus.com/bad-science/anti-scientific-scepticism-climate-change-smoking-and-astrology">http://www.goodbadandbogus.com/bad-science/anti-scientific-scepticism-climate-change-smoking-and-astrology</a>
As the world experiences its hottest year on record, hard on the heels of the world’s warmest decade, calls for urgent action by climate scientists continue to be challenged. Climate change deniers have mobilised into a vocal global movement that has become adept at misinterpreting the science and the media’s appetite for controversy. From: Science, ‘Sceptics’ and Spin: Framing the climate change debate <a href="http://www.ecosmagazine.com/paper/EC156p28.htm">http://www.ecosmagazine.com/paper/EC156p28.htm</a>

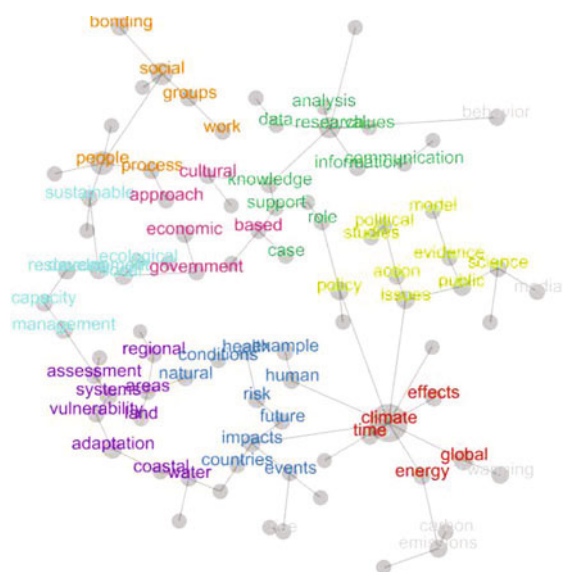
**Table 3: Concept and theme summary and % linkage to other concepts**

<b>Themes</b>				<b>Concepts</b>			
Sceptics	%	Scientists	%	Sceptics	%	Scientists	%
Global	100	Climate	100	Change	100	Climate	100
Change	100	People	80	Climate	93	People	36
Carbon	62	Police	73	Global	55	Social	29
Research	34	Research	70	Warming	54	Research	26
Human	26	Local	66	Science	39	Global	20
		Impacts	65	People	25		
		Adaption	58	Research	24		
		Economic	42	Temperature	23		
		Emissions	25				

**Figure 1: Climate Change Sceptics: Showing map of largest 75% of Concepts found**



**Figure 2: Scientific Community: Showing map of largest 75% of Concepts found**



**Table 4: Concept thesaurus word meanings (x denotes the only two words common to the two thesaurus sets)**

<b>Concept: Climate</b>			
Sceptics		Scientists	
Climate	x	Climate	x
Mate		Change	x
“Poles apart”		Anthropogenic	
Change	x	Projections	
Contested		Adapting	
Reputable		Behavior	
Narratives		Tipping	
Curriculum		Environmental	
Do-nothing		Human-induced	
Pushback		Abrupt	
Orbital		Downscaling	
Predictive		Laypeople	
Closure		Intergovernmental	
Compares		Lags	
Criticized		Physiological	
Dedicated		Stratospheric	
Elitism		Anticipation	
Enthusiastic		Evaporation	
Humanity’s		Partisanship	
Judgements		Reorganize	

**Table 5: Summary of Functional Literacy Levels Australians aged 15 – 74 years (Australian Bureau of Statistics, 2006)**

<b>Domains Measured</b>	<b>Domain Definition</b>	<b>% with scores falling in the lowest two quintile levels</b>
Prose literacy	The ability to understand and use information from various kinds of narrative texts, including texts from newspapers, magazines and brochures.	46
Document literacy	The knowledge and skills required to locate and use information contained in various formats including job applications, payroll forms, transportation schedules, maps, tables and charts.	47
Numeracy	The knowledge and skills required to effectively manage and respond to the mathematical demands of diverse situations.	53
Problem Solving	goal-directed thinking and action in situations for which no routine solution is available.	70

**Table 6: SMOG Readability(years of formal education necessary to fully understand material)**

Source	SMOG Index
<b>Sceptics</b>	
“Wonders of carbon”	10.94
“The Sceptics Handbook”	11.28
<b>Anti-sceptics</b>	
“A Climate of Inaction”	15.79
“Climate change scepticism as a cultural issue”	17.02
<b>Media</b>	
BBC “The arguments made by climate sceptics	11.12
ABC “Climate change could wipe out rural towns”	13.32
ABC” Climate change and the great scientific dance-off”	13.57
Daily Mail “A quarter of over 55s are sceptical of climate change”	16.42
Guardian “Is climate change a largely Anglo Saxon phenomenon?”	12.49
The Australian “ABC updates story”	14.51
<b>Academic (peer-reviewed material)</b>	
Barr: “Climate forums: virtual discourses.”	20.32
Dunlap: Why climate-change scepticism is so prevalent in the USA: The success of conservative think tanks in promoting scepticism via the media	18.38
<b>Academic (web-based material or media contributions)</b>	
Corner “Are climate sceptics more likely to be conspiracy theorists?” Guardian UK’s environment blog	17.26
Barrett & Bjorke “Climate scepticism is an age-old problem”	17.11
<b>Criticisms of Extreme views (scepticism or counter-scepticism)</b>	
“Climate change activist Kari Norgaard equates scepticism with racism” in San Diego Conservative Examiner	10.87
“Climate-change scepticism must be 'treated', says enviro-sociologist Kari Norgaard”!	15.07
On blogspot.com.au	15.08
“Trouble in the Heartland” in the Economist	14.49
“General Motors pulls funding from climate sceptic thinktank Heartland” in Guardian UK	
<b>Organisation</b>	
WWF: “Meeting Environmental Challenges”	17.78
(Sceptic) The Lavoisier Group: “Answers to Alarmists Arguments”	10.53
<b>Government</b>	
US Navy Task Force Climate Change: “Climate Scepticism and Ways Forward”	12.05

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# **PAST AND FUTURE ORIENTATION, ENVIRONMENTAL ATTITUDES AND GREEN CONSUMER BEHAVIOUR**

Michael Jay Polonsky, Deakin University, Australia  
Andrea Vocino, Deakin University, Australia  
Martin Grimmer, University of Tasmania, Australia  
Morgan Miles, University of Tasmania, Australia

## **ABSTRACT**

Some environmental degradation can be linked back to excesses in human consumption, which is one reason that marketing is frequently criticised for exacerbating the current environmental situation. Enlightened marketers are increasingly seeking to become agents of positive change, ensuring that value for consumers, the firm, society and the environment occur simultaneously. However, it is still up to consumers to modify their consumption behaviour, which is difficult given that most focus on short-term satisfaction, rather than long-term wellbeing.

This paper looks at how consumers' time orientation and environmental orientation (EO) impact on their green consumer behaviour (GCB). Literature suggests that time orientation is not a single dimension, but rather should be assessed using separate measures of past, present and future orientation. This paper uses Usunier and Valette-Florence's (2007) two dimensional measure of Past (PO) and Future (FO) orientation. EO has also been assessed using a variety of single and multi-dimensional scales. Within this paper an adapted version of Dunlap's (2008) New Environment Paradigm (NEP) scale is used to assess individuals' broad view of how man interacts with the environment.

An online survey sample of 2,554 Australian consumers was undertaken. Data was analysed using SEM with Mplus version 6.12 and included bootstrapping to examine the direct and indirect effects of time orientation and EO on GCB. The results identified FO has a significant positive effect on EO and GCB. The effect of FO on GCB is also mediated through EO. PO has an unanticipated significant positive effect on EO and as anticipated has a significant negative effect on GCB. The effect of both PO and FO on GCB is mediated by EO. In the case of PO, its negative effect on GCB was suppressed or overridden by consumers' EO.

These results suggest that while time orientation and environmental orientation are important, consumers' concern for the environment (i.e. EO) is potentially a greater driver of undertaking green consumer activities. The results show that time orientation does, however, affect behaviour, so it is important to get people to understand the long-term environmental consequences of their behaviour, although this is likely to be less effective with consumers who focus on the past.

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## SUSTAINABILITY AND PERCEPTION OF BRAND COMMUNICATION

Yvonne Zajontz, Baden-Wuerttemberg Cooperative State University Stuttgart  
Vanessa Kollmann, Baden-Wuerttemberg Cooperative State University Stuttgart  
Marc Kuhn, Baden-Wuerttemberg Cooperative State University Stuttgart

### ABSTRACT

Several occurrences – the nuclear disaster in Fukushima 2011 or the widespread meat scandal in Germany in 2005, for instance – seem to have enhanced the success potentials for sustainability oriented business fields. Companies are increasing their efforts, not only in developing and producing sustainable products and services, but also in putting sustainability at the forefront of their communication strategies and their brand management in order to position themselves as sustainable brands in branch-related consumer markets. We currently detect a high interest in research in early stages of the consumption process, following the general question of how sustainable brand communication is perceived by consumers (see Belz, F.-M. 2001). Prevalent discussions in the practitioners' environment mostly act on the assumption that younger consumer groups in particular, also affected by the aforementioned environmental occurrences, consider themselves as sustainable-oriented but without showing sustainable-oriented buying behaviour (Bundesministerium für Umwelt, Naturschutz und Reaktorsicherheit (BMU) 2010). An additional willingness to pay could only be identified in individual cases where the purchase of a sustainable product would lead to a higher direct and personal “egoistic” value for those younger consumers (see Belz and Peattie 2010). In this paper, we assess the preceding stages of the consumption process. We evaluate whether the value-pricing-related assumptions of the “sustainability-driven” buying process could be transferred to the perception of sustainable brand communication as well. By combining an eye tracking analysis with standardized interviews of 93 younger German consumers, we evaluate if consumers who consider themselves as “sustainable people” perceive sustainable brand communication differently from those consumers without a “sustainable attitude”. Based on the findings of an extended contingent value approach (Spash 2006), we further examine if sustainable brand communication relating to products and branches with a higher personal “egoistic” value of the sustainable effect leads to increased perception of those communication activities by younger consumers compared with products with lower personal value of the sustainable effect.

### THEORETICAL BACKGROUND

In this paper, we refer to some basic assumptions of the contingent value method (CVM) which was developed over twenty years ago as the most commonly applied method for obtaining monetary values for a wide range of environmental changes and entities (Carson et al. 1994). The theoretical background for contingent valuation is individuals expressing their preferences in order to maximize their utility subject to an income constraint, or to minimize their expenditures subject to a utility constraint (Spash 2006). Typically, a CVM survey asks how much money people would be willing to pay or willing to accept to maintain the existence of (or be compensated for the loss of) a general sustainable feature, such as biodiversity or water quality in the seas.

Among the large amount of publications on the subject over the last decade, a wide range of critiques have appeared, especially with regard to the content and meaning of the values being derived. One main criticism is that the utilized values are mostly in some sense non-economic (Hausman 1993). Based on these criticisms, Stern has developed a value-belief-norm model of human behaviour which intends to explain three basic value orientations influencing the willingness to pay for general sustainability aspects (Stern, 2000). Stern considers them as “awareness of consequences” (AC):

- egoistic value orientation: e.g. people concerned about their own health and well-being
- social altruistic value orientation: e.g. people concerned for the health and well-being of other people
- biospheric value orientation: e.g. people concerned about general environmental, social or health conditions

Individuals may hold different AC-related concerns simultaneously and these vary between cultures (Spash 2006).

In the context of this paper, we used the basic framework of this extended CVM, transferring it to earlier stages in the buying process:

The main focus in conventional marketing and consumer behaviour theory has always been strongly on the actual purchase of products and services (see Belz and Peattie 2010; Belz 2001). Even if psychological and sociological effects such as awareness or attitude are also discussed as reaction parameters within the basic S-O-R paradigm (Kroeber-Riel and Weinberg 2008) from a legal and economic perspective, the purchase is all important. Focusing on sustainability marketing, however, the impacts of a communication campaign will relate more to factors that precede the purchase decision (see Belz

and Peattie 2010; Bilharz 2008). Psychological reaction parameters preceding the purchase, such as “perception of sustainable brand communication” and “sustainable attitude”, are determined by a multitude of external and internal stimulus parameters. Important for marketing aspects is the fact that emotions and motives of the consumer significantly influence human behaviour (Meffert and Burmann and Kirchgeorg, 2008).

While CVM considers the value-based willingness to pay for mostly general non-market or indirect market resources, such as environmental preservation or the impact of contamination, our first view of the extended CVM focuses on value-driven willingness to pay for sustainable products in selected branches. The second view of the extended CVM considers the preceding value-driven perception of brand communication for sustainable products in selected branches.

In particular Stern’s approach of enriching CVM analyses with more deeply economic-driven value perspectives leads to the application of our research referring to the extended AC-based CVM framework. The consumers’ perception of sustainable brand communication should then depend on their personal value orientation and the value orientation of a product and a branch. A consumer with a high biospheric value orientation may, for example, show a higher tendency to perceive brand communication from a green energy supplier as there seems not to be any direct personal benefit from using green energy instead of conventional energy but there may be a contribution to reduced pollution in general. Higher perception rates of commercials for toys without plasticizers as gifts for the children of other parents may be the consequent behaviour of consumers with high social altruistic value orientation. Consumers with low biospheric and low social altruistic value orientation may still show a higher tendency to perceive brand communication for organic food and natural cosmetic products as its consumption may cause some direct personal benefit to the consumer (egoistic value orientation).

## RESEARCH QUESTIONS AND HYPOTHESES

Most German companies involved in sustainable businesses state that a “sustainable self-consideration” of young adults does not lead to a higher willingness to pay for sustainable products (BMU 2010). Belz and Peattie admit that additional willingness to pay for sustainable products by younger consumers only occurs in cases of a higher direct and personal value of those products (see Belz and Peattie 2010). Based on these findings, we admit that also in earlier stages of the buying process, the perception of sustainable brand communication is significantly higher when sustainable products or services lead to a higher direct and personal value. Referring to the extended CVM framework of sustainable-focused value orientation (Stern 2000), our two central research questions are:

1. Are young consumers with higher sustainable self-consideration more likely to perceive sustainable brand communication compared with consumers with lower sustainable self-consideration?
2. Do young consumers show a higher tendency to perceive brand communication of products and branches with higher egoistic value orientation compared with products and branches with lower egoistic value orientation?

Reflecting on these research questions, we derived the following hypotheses focusing on young German adults:

H1: There is a significant positive correlation between the self-consideration of “being strong sustainable” and the perception of sustainable brand communication!

H2: Brand communication for sustainable products and branches with high egoistic value orientation is more likely to be perceived than brand communication for sustainable products and branches with high altruistic or biospheric value orientation!

## RESEARCH METHODOLOGY

A large-scale eye tracking experiment was designed to investigate the perception of sustainable brand communication (Duchowski 2002). The usage of eye-gaze tracking is a fast developing field of marketing research. The research is motivated by the desire to understand consumer actions (e.g. purchase of a product) (Duchowski 2007). Eye tracking technology provides an insight into the internal cognitive and perceptual process of consumers by recording and measuring eye movements (Nielsen & Pernice 2010). We distinguish two forms of eye movement data for research: the fixations (pauses over informative regions of interest) and the saccades (rapid movements between fixations) (Salvucci and Goldberg 2000). We can only perceive and interpret something when we fixate a feature (e.g. an advertisement). During fixations, cognitive processing takes place (Just and Carpenter 1984). The duration of fixations ranges from 150 ms to 600 ms. The more interesting (or confusing) an object is, the more time we spend fixating it. Ninety percent of viewing time is devoted to fixations (Duchowski 2007). By analyzing this data, the dispersion of the consumer’s visual attention over websites, video games, commercials or other forms of advertising can be determined. Eye movement measurements help us to understand more about human behaviour.

The targeted samples in our eye tracking experiment were young German adults. We invited a total of 93 (47 male, 48 female) test persons to our eye tracking lab, ranging in age from 18 to 27. Each eye tracking session lasted between 3 and 5 minutes, including calibration of the eye tracker devices. The research also comprised a pre-tested questionnaire comprising demographic factors and parameters about their sustainable attitude. During the session, we showed different test stimuli in a random order. These stimuli were different advertisements for sustainable products in the area of organic food and cosmetics which were considered to be products with a high egoistic value orientation and products in the field of energy and cars which were branches with a more social altruistic and biospheric value orientation. Each picture stimulus was visible to the participants for three seconds. After finishing the eye tracking session, test persons completed a questionnaire about their sustainable consumer behaviour. It also included recall and recognition questions. Before analyzing the data, we selected the areas with sustainable elements (text, logo) within the different advertisements to compare eye tracking data for those areas (see [Figure 1](#)). These areas of interest (AOI) were used to quantify gaze data on a higher level. We used special eye tracking metrics relating to these defined Areas of Interest (AOI) such as the time to first fixation (TTF) (time in seconds from when the stimulus was shown until the start of the first fixation within an AOI), the total visit duration (TVD) (total time each AOI was viewed) and the participant percentage (percentage of participants that fixated at least once within an AOI) (Wedel & Pieters 2008). We examined the mean differences between the metrics measurements and a known value with the one-sample t-test. For interpretation purposes, alongside the special metrics measures, we also used the heat map plot (see [Figure 1](#)). It depicts the gaze behaviour based on the recordings of the entire participant group. The highlighted areas show where people looked on the advertisements (accumulated by number of fixations by all test persons).

## RESULTS

In H1, we proposed that young consumers with high sustainable self-consideration are more likely to perceive sustainable brand communication compared with consumers with lower or non-sustainable self-consideration. Twenty-five and a half percent of the participants consider themselves as being strong sustainable. We are aware that in all types of self-report measures, the effect of social desirability could occur but the technique of indirect questioning in order to mitigate this effect could not be realized in this study. With the help of the defined Areas of Interest (sustainable element), the gaze data for the first hypothesis was analyzed (see [Figure 1](#)). A strong sustainable self-consideration had no influence on time to first fixation. The results show that it takes an average of 2.78 seconds ( $SD = 3.13$ ) for the test subjects with a low or with no “sustainable attitude” to perceive the sustainable element on the advertisement for the first time. In comparison, the “strong sustainable” participant's attention level was lower in terms of the eye tracking metric time to first fixation ( $M = 3.77$ ,  $SD = 3.12$ ). Total Visit Duration also revealed that the visit time of the less or non-sustainable test persons for the sustainable elements was longer ( $M = 1.87$ ,  $SD = 0.92$ ) compared with the experiment group of strong sustainable participants ( $M = 1.73$ ,  $SD = 0.95$ ). Whilst the earlier metric measures (TFF, TVD) do not provide support for our hypotheses, the eye tracking measuring “participant percentage” instead shows a positive correlation in terms of sustainable self-consideration. All “strong sustainable” participants (100%) fixated at least once within the defined AOI while only 96% ( $SD = 21\%$ ) of the other group fixated it. This metric assumes that the more users fixating the sustainable element, the more significant that AOI is overall. However, the percentile difference is low and therefore negligible. The first hypothesis must therefore be discarded. For practitioners, the key implication of this research is that sustainable brand communication affects young consumers independent of their sustainable self-consideration. These results present a special consideration for marketers. Advertising and promotional efforts concerning sustainable products should not only focus on the special target group of “strong sustainable persons” by using target-group-oriented media; addressing a broader target group in terms of sustainable brand communication is not without promise.

In the second hypothesis, we posited that sustainable brand communication relating to products and branches with a higher personal “egoistic” value of sustainable effects leads to increased perception compared with products with lower personal value of the sustainable effect. In other words, we hypothesized that the perception of brand communication for sustainable products differs with regard to the personal value level. We assume that organic food or cosmetics are products with high egoistic value orientation whilst energy and cars are rather branches with social altruistic and biospheric value orientation. To verify H2, we compared the eye tracking metrics measurements TTF, TVD and the percentage of users fixating the AOI for the advertisements with an egoistic value orientation with those for the advertisements with social altruistic and biospheric value orientation. [Table 1](#) provides statistical descriptions in terms of the mentioned metrics.

Based on the contingent value approach, we found strong evidence that sustainable brand communication relating to products with a higher personal egoistic value leads to an increased perception compared with products with lower personal value derived from the eye tracking metrics measurements (see [Table 1](#)). Ninety-five percent of all participants had at least one fixation for the advertisement for sustainable food and cosmetics, followed by 94% who fixated the adverts for cars and energy. For interpretation purposes, this metrics measurement is insignificant because both the products with high personal value and the branches with lower personal value received almost equal percentages of user fixations. It might be that such

equal dispersal of fixations meant participants give the same attention to the advertisements independent of the personal value level. Comparing the time to first fixation (one-sample t-test,  $T = 1.56$ ,  $p = 0.122$ ) and the total visit duration (one-sample t-test,  $T = -3.67$ ,  $p = 0.00$ ), users were significantly quicker to fixate and fixated for longer on the advertisements for cosmetics and food than on the advertisements for cars and energy. This result does not indicate that eye fixations which are shorter for an AOI are easier to perceive and comprehend. Instead, the AOI on the advertisements for cosmetics and foods have personal value key attributes which attract our attention. The second hypothesis can therefore be verified. Interestingly, differentiating these metrics measurements with regard to the “sustainable attitude” of the participants, the concentration of attention of young consumers with a lower sustainable self-consideration is stronger for products with a higher egoistic value orientation (TTF = 2.62, TVD = 0.92 “strong sustainable”; TTF = 2.18, TVD = 1.07 “less or not sustainable”). For practitioners, the key implication of these findings is that young consumers overall show a higher tendency to perceive brand communication of products and branches with higher egoistic value orientation than branches with lower personal value. Marketers should emphasize and highlight personal values in advertisements to achieve higher perception in terms of their brand communication.

## CONCLUSION AND LIMITATIONS

Despite some limitations (e.g. effects of social desirability, different layouts of sustainable advertisements), this research is the first to study self-consideration and personal value orientation and their correlation with the perception of sustainable brand communication, implemented with an eye tracking research design. Our findings have implications for marketers. An interesting contribution from our research is the independency of perception of sustainable brand communication in terms of sustainable self-consideration. The study offers several insights into the improvement of attraction levels in terms of brand communication. Personal value orientation increases the perception of sustainable elements within advertising campaigns independent of whether the sustainable self-consideration of a person is high. There are multiple avenues of future research. Research is needed to examine other branches and products with regard to the contingent value approach. A differentiation between social altruistic and biospheric value orientation in analyzing the eye tracking data is necessary.

## TABLES

Table 1: Metrics measurements – egoistic and altruistic/biospheric value orientation

	<b>Time to First Fixation</b>	<b>Stdev</b>	<b>Total Visit Duration</b>	<b>Stdev</b>	<b>Percentage Fixated</b>	<b>Stdev</b>
Egoistic value orientation	2.30	2.11	1.03	0.56	95%	20%
Altruistic and biospheric value orientation	2.64	2.07	0.81	0.59	94%	25%



## FIGURES

Figure 1: Eye tracking stimuli with defined AOI (pink box)



“Body Shop” advertisement  
(egoistic value orientation)



“Solarworld” advertisement  
(social altruistic and biospheric value orientation)

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## **Session 9.6. Online Shopping**

Room: Clarendon C

Session Chair: Esther Swilley, Kansas State University

### ***The Role of Synergy and Complementarity in a Multichannel E-Commerce System***

Gerhard Wagner, University of Siegen

Hanna Schramm-Klein, University of Siegen

Sascha Steinmann, University of Siegen

### ***A Comparison of Online and Offline Gender and Goal-Directed Shopping Online***

Robert Davis, UNITEC

Bodo Lang, University of Auckland

Josefino San Diego, UNITEC

### ***How Mindset Affects Online Planned and Unplanned Purchasing***

Aneeshta Gunness, Monash University

Harmen Oppewal, Monash University

### ***Moving Virtual Retail into Reality: Examining Metaverse and Augmented Reality in the Online Shopping Experience***

Esther Swilley, Kansas State University

## THE ROLE OF SYNERGY AND COMPLEMENTARITY IN A MULTICHANNEL E-COMMERCE SYSTEM

Gerhard Wagner, University of Siegen, Germany  
Hanna Schramm-Klein, University of Siegen, Germany  
Sascha Steinmann, University of Siegen, Germany

### ABSTRACT

When online retailers operate more than one electronic distribution channel (e-channel), they have to manage the individual online distribution channels (such as an online Web site and a mobile shopping app), but they also have to manage the degree of synergies and complementarity across these channels. Though many retailers already provide diverse online shopping channels, there is no research that investigated the role of synergies and complementarity across these e-channels as well as their effects on consumers' intention to use a retailer's multichannel e-commerce system.

Most studies on consumer behavior in e-commerce are limited to customers visiting and purchasing on a retailer's Web site (e.g. Liu and Forsythe 2011; Ha and Stoel 2009) or consumers' intentions to shop online in general (e.g. Liu, Forsythe, and Black 2011). However, only few authors indicate that e-commerce includes a wider range of online shopping possibilities. The perspective of multiple e-commerce channels is supported by Zhang et al. (2010) who anticipate that new digital channel formats will develop and alter the retail landscape. We agree and indicate that this development might induce that online pure-players, such as Amazon.com, evolve into multichannel e-commerce retailers. While the role of synergies and complementarity in traditional multichannel environments (e.g. retail store and catalog) has received wide attention (e.g. Kollmann, Kuckertz, and Kayser 2012; Avery et al. 2007; Montoya-Weiss, Voss, and Grewal 2003), the findings and implications are only to some extent transferable to an environment of multiple e-channels.

This study is multidisciplinary and contributes to research in multichannel retailing and e-commerce by investigating the role of synergy and complementarity across electronic distribution channels and their effects on consumer behavior. Based on diffusion, information integration and resource-based theory we develop a conceptual framework for a multichannel e-commerce environment and empirically test it with a data set of  $N=904$  consumers.

Our findings underline the relevance of cross-channel synergies and complementarity in multichannel e-commerce systems. The results of our empirical study suggest that synergies and complementarity are relevant antecedents of consumer behavior, particularly the intention to use a retailer's multichannel e-commerce system. When customers use diverse Internet-enabled devices for online shopping the interaction of these different e-channels is of relevance to build a well integrated multichannel e-commerce system. Moreover, our findings emphasize the role of complementarity across e-channels, in terms of heterogeneity across individual e-channels. With other words, an additional e-channel only creates enhanced value if it offers extra benefit. Retailers can use this knowledge to create a "seamless" e-channel environment and underline the individual benefits of single e-channels.

References available upon request.

# A COMPARISON OF ONLINE AND OFFLINE GENDER AND GOAL DIRECTED SHOPPING ONLINE

Robert Davis, Unitec Institute of Technology, New Zealand  
Bodo Lang, University of Auckland, New Zealand  
Josefino San Diego, Unitec Institute of Technology, New Zealand

## ABSTRACT

The aim of this paper is to model the effect of the consumers' perceptions of their offline and online gendered behaviour on online utilitarian shopping motivation and purchase intentions. We propose that when consumers shop online their behaviour is mediated by two gendered behaviors; offline and online. Therefore, gender is defined by the environments effect on behaviour To test this proposition, five hundred and fifteen usable responses were collected in face-to-face interviews. The conceptual model was tested with confirmatory factors analysis (CFA) and structural equation modeling (SEM) across 5 product categories. Our findings show that the effect of a consumer's perception of their gendered behaviour offline vs. online on, online utilitarian shopping motivation and purchase intentions is significantly different. We conclude that online gender for females has a strong mediating effect across all product categories on online utilitarian shopping motivation and purchase intentions. For males it is their offline gender that has a strong mediating effect. Research implications are discussed.

## INTRODUCTION

The aim of this paper is to model the effect of consumers' perceptions of their offline and online gendered behaviour on, online utilitarian motivation and purchase intentions (Babin et al. 1994; Roy and Ng 2012; Wood 2005). This aim is concerned with optimizing the online shopping experience (Sheehan 1999), suggesting how variations in gender on and offline enable consumers to allow consumers "to experience the body's needs by a virtual projection of the mind into cyberspace" (Achrol and Kotler 2012, p. 38). We propose that when consumers shop online their behaviour is mediated by two gendered behaviors; offline and online. This research is important as online and offline behaviour is not well understood (Brown et al. 2007; Danaher et al. 2003). While previous research has measured gender effects (e.g., Cleveland et al. 2006; Dobscha 2003; Hyllegard et al. 2005; Laforet 2008) there have been no studies to measure gender-related behaviour offline and online, modeling the impact on online shopping motivation and purchase intentions (Alreck and Settle 2002). Otnes and McGrath (2001) argue this is a gap in our understanding because gender-related shopping behaviour often contradicts socially constructed and biological stereotypes (Gentry et al. 2003). Further, Bettany et al. (2010, p. 16) argues that we should be moving towards developing theories that help us understand gender related issues. McLaren et al. (2004) supports this position requesting: "comparative research is also required to look at multiple consumption" of "the same product or service and assess how the gendered and gendering effects differ across the respective social settings." The existing literature on whether gender matters in the relationship between utilitarian motivation and purchase intentions is disparate. Several studies have portrayed women online to be the principal shoppers (Dholakia and Chiang 2003; Mitchell and Walsh 2004), but others suggests that males tend to shop online more in technology-mediated channels (Wajcman 1991). Recent work has suggested there is no difference between males and females in their shopping behaviour (Kim and Forsythe 2008).

Little help has come from other research to help to resolve this debate. For example, women are portrayed as nurturing, person-oriented, and child-centered, whereas men were seen to be competitive and work-oriented (Alreck and Settle 2002; Dholakia and Chiang 2003). Rodgers and Harris (2003) found that in nearly every study exploring gender in online shopping environments, males were typically reported to be the dominant online shopper. Gendered behaviour within technology environments is further illustrated in Smith and Whitlark's (2001) study of the online consumer behaviour of males and females. Situations in which women tended to be associated with when using technology-mediated services included making friends, fighting for causes, nurturing children, role-playing, and improving on-the-job productivity (Neilson 2010). Men were information hungry and desired detailed and accurate information to questions relating to investments, product purchases, and personal interests. The limitation of these studies is that they fail to challenge current stereotypes (Anderson 1986; Marsh 1985). Some resolution to the debate comes from Bem (1974) who proposed that gender is behaviour, popularizing the concept of psychological androgyny, that is, gender is a function of behaviour (Smiler and Epstein 2010, p. 134). Smiler and Epstein (2010) have cautioned against its use because of its psychometric properties and argued that this approach to measuring gender is over 30 years old and out of date compared to today's social environment. To help reconcile this debate we model the effect of the consumers' perceptions of their offline and online gendered behaviour on utilitarian motivation and purchase intentions. We suggest that the variation may be constructed by the context in which the consumer

exists, that is, gender offline or online. Therefore, our research question is: Does gender (online and offline) matter in the relationship between utilitarian motivation online and purchase intentions online?

The contribution of this research is three-fold. We conceptualize and measure gender in different environments and model the impact of these differences on shopping motivation and purchase intention. This is important because there is no empirical evidence that supports the hypothesis that a consumer's gender is the same offline and online. The measurement of gender in this way has also not been done before and its effects on shopping motivation are unclear. Furthermore, marketers may be incorrectly assuming that, in the design of their strategies, no account should be taken of gender differences. This study will also help marketers to understand the different ways in which males and females may exhibit cross-gender perceptions of techno-consumption. This could provide further insight into some of the key situations that drive men and women to use technology-mediated channels. This paper is structured as follows. To build our conceptual model and hypotheses, we first discuss the importance of shopping motivation in terms of utilitarian consumption and gendered behaviour. This leads to our conceptual model and hypotheses. The methodology precedes our data analysis and discussion of the results and their implications.

## CONCEPTUAL MODEL AND HYPOTHESES

In this research we first posit that, in the relationship between a consumer's utilitarian motivation to shop online and retail purchase intentions, gender will have a mediating effect. Gender behaviour will differ because of the environment in which the consumer shops, that is, whether online or offline (Brown et al. 2007; Noble et al. 2006). This proposition is supported by Sengupta et al. (2002) and Argo et al. (2006) and, who found empirical evidence that a consumer's gender related behaviour will vary because of the effect of symbolic consumption and social comparison. Offline a male engages in what society perceives to be typical male behaviors. These male traits diminish online: he is able to break free of (1) the gender constraints and comparisons rooted in society (Berger and Luckmann 1967; Mitchell and Walsh 2004; Thompson 1996) and (2) restraints defined by biological determinism (Dobscha 2003; Gentry et al. 2003; Martin 2003). He is able to change his behaviour online because there is no physical interaction (Davis et al. 2000). He is able to participate in female-oriented chat-rooms, browse for and purchase female-oriented products such as skincare supplies, and even develop an online relationship with another male. Once the online experience is over, he then reverts back to his male self. Second: the importance of utilitarian shopping motivations (Holbrook 1982, Holbrook and Hirschman 1982; Holbrook and Gardner 1998) offline and online (Childers et al. 2001; Wood 2005). Motivations for retail shopping can differ, depending on whether the consumer's motivation is primarily experiential (hedonic) or goal-directed (utilitarian) (Wang 2007).

A utilitarian approach at its extreme is associated with terms such as task-oriented, instrumental, rational, and efficient and is also defined by Ahtola (2001) as an attitude pertaining to the usefulness, value, and wiseness of a particular behaviour as exhibited by a consumer. Utilitarian motives usually reflect a work mentality (Babin et al. 1994) and are dependent on whether the task at hand was accomplished. The consumer employing a utilitarian approach will thus experience greater levels of satisfaction once they feel they have made an efficient and purposeful purchase especially if done in a fastidious manner. Dholakia (1999) observes that the motivations and approaches taken towards shopping are reflected by the cultural and socialization conditions surrounding the consumer. Since gender is also culturally derived (Palan 2001), it is assumed that the cultural understandings of what is masculine and what is feminine will be associated with the approach taken towards shopping. Since shopping is categorized mainly as a female-oriented activity (Dholakia 1999) and is reported by women to help them relax, socialize and to enhance a special occasion (Buttle and Coates, 1984), the literature promotes that female-oriented consumers will be associated with hedonic rather than utilitarian shopping behaviour (Dittmar et al. 2004).

A consumer employing hedonic feminine behaviour may tend to savor the shopping experience by participating in the online chat rooms and reading book reviews. Men want detailed and accurate information about the products they wish to purchase, yet they are not willing to work very hard to get it (Smith and Whitlark 2001). Thus, the literature argues that masculine-oriented customers will be associated with utilitarian shopping behaviour (Dittmar et al. 2004), wanting to complete the task of shopping with minimum time and effort. A key proposition of this research is that consumers may display different gender orientations online compared to their offline social and biological construction, challenging what Cockburn and Ormrod (1993) showed technology related gender symbolism. The Internet in contrast has allowed consumers greater freedom of expression in their gender (Chen et al. 2002). McLaren et al. (2004, p. 149) argues that the Internet provides an "escape route" from the "cultural constrictions of gender." Kozinets et al. (2003) and Schau and Muniz (2003) argue for prosthetic feminism online promoting gender online as the private androgynous self (Argo et al. 2006) that is more akin to their own gendered symbolic consumption (Sengupta et al. 2002). Therefore, given these two key research propositions, we model the mediating effect of the consumers perceived gender behaviour (offline and online) on utilitarian shopping motivation online

and purchase intentions online (Figure 1). In our model we have three distinct pathways: (1) the Mediated Gender Pathways - where the relationship between motivation and purchase intention is mediated by offline *or* online gender (Path a and Path b) and, (2) Control Pathways which shows the relationship between motivation and offline *or* online gender (Path a) and, offline *or* online gender and purchase intentions (Path b) and, (3) the relationship between motivation and purchase intention is *not* mediated by offline *or* online gender (Path c). Our hypotheses are in Table 2 with a summary of the key results.

## METHODOLOGY

Five-hundred and fifty consumers responded face-to-face to a questionnaire. All consumers who walked past the interviewers were considered to be potential respondents. The interviewers were rotated around four locations in Auckland (New Zealand); east, west, south, and north. Every potential respondent was asked to participate so they had an equal chance to complete the survey. Those that agreed to participate were asked to respond to a structured questionnaire. Respondents were screened with the following question: Have you bought anything online in the last 6 months? The survey yielded 515 usable responses. Around two thirds (63%) of respondents had shopped between 1 to 5 years online and females (61%) and males (65%) did not differ much in this regard. The characteristics of the sample are broadly consistent with the national population statistics ([www.stats.govt.nz](http://www.stats.govt.nz)). Fifty-two per cent of the respondents were male and 48% were female. The majority of the respondents (58%) were 25 years and under. About 48% of the respondents have received a college degree and 57% were single. Thirty-seven per cent are NZ European and 42% of the respondents are fully employed. Thirty-five per cent of the respondents have an annual income of within the \$30,001 - \$50,000 range. The questionnaire was designed with the data collection method in mind. That is, it was purposefully designed to be suitable for street intercept, face-to-face interviews. Throughout the whole questionnaire, a seven point scale was used to measure the constructs of interest (1 = “Strongly Disagree”, 7 = “Strongly Agree”). In this study we measure gender in 2 ways: (1) The consumers’ perceptions of their gender while shopping (1) online on a 7 point scale and (2) offline on a 7 point scale (Avery 2012; Bettany et al. 2010; Smiler and Epstein 2010; McLaren et al. 2004; Beere 1990) and (2) sex in our measure of gender: if they are biologically male or female (Smiler and Epstein 2010). In this study we use this to test our hypotheses across: (1) 5 product groups and (2) 3 groups of sex (overall male/female, male and female). We used the Babin et al. (1994) scale to measure utilitarian shopping motivation online (Reynolds et al. 2012). The original product groups included in the survey were similar to those used by Nielsen (<http://nz.nielsen.com>).

## RESULTS

The analysis had three stages. The first stage was to conduct an exploratory factor analysis (PCA) to distil the product items into groups. Second and third, the analyses tested the proposed conceptual model with confirmatory factor analysis (CFA) and structural equation modeling (SEM). The process was to conduct separate measurement models for each latent variable and then to create the structural model. The approach was employed as we wanted to use an analysis method that not only supported model refinement but also had the ability to rigorously assess model fit across our ten models (Kline 1998). Before data analysis was started, initial data screening was carried out for missing values and outliers, and the normality of the dataset was tested. In our analysis, we utilized a combination of Microsoft Excel 2007 software, PASW Statistics 19 and Analysis of Moment Structures (AMOS 19) (Arbuckle 2010) for structural equation modeling (SEM). The reporting of our results is consistent with other authors (e.g., Bagozzi and Yi 2012; Jepsen 2007). The appendix shows the full results of the study.

### Exploratory Factor Analysis

The questionnaire included 27 product items. In order to group the product items an exploratory factor analysis was used (e.g., Brakus et al. 2009). The Kaiser Meyer Olkin (KMO) value was 0.90 and is well over the required minimum (Hutcheson & Sofroniou, 1999, p. 224-225). The individual item KMO values for all variables are in the range of 0.80 to 0.90. Bartlett’s test is also highly significant ( $p < 0.001$ ). Therefore, a factor analysis is appropriate. We conducted a factor analysis using a Varimax rotation. Five factors were derived and we included items that had a loading of greater than 0.34. The Cronbach’s Alpha measure of internal consistency and reliability of the factors were satisfactory (Nunnally, 1978). Factors 1, 4 and 5 were highly significant based on a scree plot (variance explained = 43%) with all 5 factors accounting for 50% of the variance explained. The 5 product categories derived from the factor analysis procedure were: (1) Group 1: Consumer Electronics, Computer Hardware/Software, Electronic Games/Consoles, (2) Group 2: Entertainment (Movies DVDs/videos, Recorded music, Entertainment) and Clothing/shoes, (4) Group 3: Travel Related Services, Airline Tickets, Books/Magazines, (3) Group 4: Cars, Collectibles, Insurance, Sports Equipment, Stocks/Shares, Toys, Vehicle Accessories and, (5) Group 5: Art, Flowers, Food, Furniture, Garden, Health and Beauty, Home Appliances, Jewellery, Ornaments. We

found these product groups to be generally consistent with previous research on gender and product choice (McDonagh and Weightman 2002; Dholakia and Chiang 2003).

### Confirmatory Factor Analysis (CFA)

The convergent and discriminant validity of the constructs were tested using the confirmatory factor analysis (CFA) that combined all constructs concurrently. Maximum likelihood estimation (MLE) was used to fit the models (Pampel 2000). Construct refinement was enabled by an analysis of covariance residuals and modification indices, and exclusion of items until the goodness-of-fit was achieved, while maintaining theoretical meaningfulness. Following Bagozzi and Yi (2012) and Baumgartner and Homburg (1996) the following measures were used to assess the model fit: Goodness-of-Fit Indices, chi-squared ( $\chi^2$ ), the comparative fit index (CFI) and normalized fit index (NFI). For CFI and NFI, values close to 1 are indicative of good model fit (Bentler 1990). The root mean square errors of approximation (RMSEA) was calculated for the overall model and according to Bentler (1990), values below 0.05 indicate close fit and values up to 0.08 are reasonable. Finally, the standardized root mean squared residual (SRMR) as described by Hu and Bentler (1995) computes how much the model explains the correlations to within an average error. The final measurement models show a reasonably good fit and most of the fit indices are above or close to the required minimum threshold level. The ratio of minimum discrepancy to degree of freedom (chi-square/d.f. ratio) should be less than 5 or preferably less than 2 (Bentler 1990). The GFI index is above the threshold of 0.90 and CFI is close to 1 (Bentler, 1990) for every construct. Composite reliability is an indicator of the shared variance among the set of observed variables used as indicators of a latent construct (Bacon et al 1995). The two items included in utilitarian motivation were: (1) respondents accomplished what they wanted to do on this online shopping trip; and (2) while shopping online, respondents found just the item(s) they were looking for. The two items included in UT were: (1) respondents accomplished just what they wanted to on this shopping trip; and (2) while shopping online, respondents found just the item(s) they were looking for. The construct reliability for these UT items was computed to be 0.75, above the recommended value of 0.70 or higher. In addition, the coefficient alpha value was 0.75, above the threshold value of 0.70 that Nunnally (1978) recommends. Moreover, the average variance extracted (AVE) value was 0.60, which is above the recommended threshold of 0.5 (Chin 1998; Fornell and Lacker 1981).

### Structural Equation Modeling

Our results showed adequate model fit across or measures (GFI, CFI, TLI, RMSEA, SRMR,  $\chi^2/DF$ ) for all our model variations across the 5 product groups when modeling the relationship between utilitarian shopping motivation online and online purchase intentions, as well as the mediating effect of gender (offline and online) (Bagozzi and Yi 2012; Baumgartner and Homburg 1996). Table 1 gives details of the model fit results. Overall, when manipulating product group and gender our results compare 30 competing models.

### Results Summary

Table 2 summaries the results across our hypotheses and models. We conclude the following:

1. Utilitarian shopping motivation online has a significant effect on gender (online) overall. Strongly for females but not for males.
2. Gender (online) has a significant effect on purchase intentions online.
3. Utilitarian shopping motivation online has a significant effect on purchase intentions online mediated by gender (online) overall and strongly for females but not for males.
4. Utilitarian shopping motivation online has a significant effect on purchase intentions online overall and for males but not for females (online and offline gender model).
5. Utilitarian shopping motivation online has a significant effect on gender (offline) for males but not overall and for females.
6. Gender (offline) has a significant effect on purchase intentions online overall (weak) but strongly for males and females.
7. Utilitarian shopping motivation online has a significant effect on purchase intentions online mediated by gender (offline) for males but not overall and for females.



## DISCUSSION

In this study we measured whether gender matters in the relationship between utilitarian motivation and purchase intentions online. Our findings show that the effect of a consumer's perception of their gendered behaviour offline vs. online on, online utilitarian shopping motivation and purchase intentions is significantly different. We conclude that online gender for females has a strong mediating effect across all product categories on, online utilitarian shopping motivation and purchase intentions. For males it is their offline gender that has a strong mediating effect. Therefore, female gendered behavior online is oriented by the notion of rational thought and process of structured decision making based upon known outcomes and set constraints. Because the online and offline gender effect varies in its effects we argue that this challenges the definition of gender in shopping in terms of social construction and biological determinism (Caterall and MacLaran 2002). This is supported by Kozinets et al. (2003, p. 92) argument online for "maneuvering...of gender positions." Schau and Muniz (2003, p. 93) point out gender online is a performance. This may be because gender offline for females is strongly oriented hedonic value. When females choose to purchase online they become more rational and goal directed in their behavior. The differences in gender position could also be attributed to the fact that the online environment is a hidden platform for experiences, allowing gender variation to play a more important role in that experience. In sum, online environments enhance particular motivations and associated gender behaviors (Bardhi and Arnould, 2005). With the added discretionary nature consumers are able to maintain their anonymity, exhibiting their desired behaviors without any form of social constraints or criticisms.

Given this proposition, Argo et al. (2006) argues that suggest that consumers may change, misrepresent or 'lie' about their gender online (private self) compared to offline (public self) because of self-threatening social comparison. Social comparison in terms of gender threatens the public and private selves and is the consumers' way to challenge social constructivism and biological determinism online. Misrepresenting purchase behavior helps to create a positive self-image in social interactions and experience different or more consistent gender orientations. In this way individuals tend to encode information in terms of gender (Bem, 1974). Achrol and Kotler (2012, p. 39) provide a summary argument: "the digital world will offer nearly endless possibilities of shaping life and experiences so that the physical world will pale in significance and may well become a secondary world in which our bodies live wired to a digital reality...We stand at the threshold of a virtual world of experiences and an incredible expansion of the science by which experiences are experienced." We also suggest that difference between gender orientation on vs. offline could be attributed to homophily (Brown et al. 2007, p. 9) who argue that: "homophily of an interpersonal relationship, as based on an evaluation of individual characteristics, is not particularly relevant in an online context.... it is notions of shared group interests and group mind-set, evaluated at the level of the Web site itself, which drive online homophily." Therefore, it could be suggested that for females and males, interpersonal relationships tend to be grounded offline. In contrast when females want to transact online they become more strongly oriented around the online service offering; rationally evaluating the online brand with their known objectives and set constraints.

## MANAGERIAL IMPLICATIONS

The major practical implication of this study is to acknowledge that consumers with strongly female orientation online will place a greater importance and emphasis on consumption that fulfills task-oriented outcomes which meet a desired end-state. Traditionally online marketers would have associated this type of behavior offline and online with consumers who are strongly male. Possibly, consumers online who are more female online use the offline shopping environment to explore and socially interact in the consumption experience. To transact they may shift online to obtain the best value or lowest price. Marketers need to find ways to channel these consumers offline, online (Davis and Sajtó 2008). For example, using advertising through the television channel to stimulate the consumers use of their smartphone for shopping online with the right deal to complete the transaction. Marketers may also necessitate the need to revise traditional definitions of gender. It has implications for measuring a consumer's gender within technology environments as opposed to the consumer's gender being stated in a customer profile. Such an approach may provide a more meaningful assessment for digital marketers.

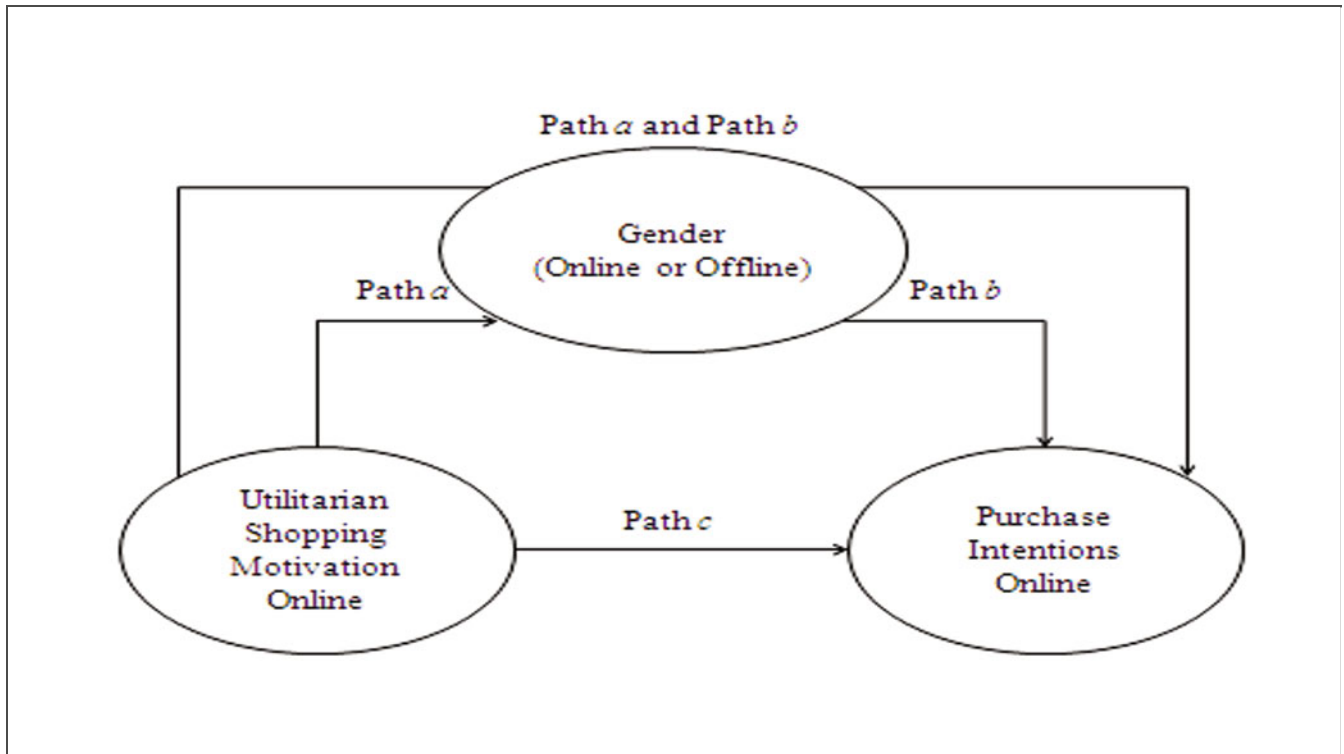
## RESEARCH IMPLICATIONS

The main limitations of our study relate to a lack qualitative work to help explain our results. We suggest using a grounded theory approach to further explore gender's role in shopping motivation and purchase decisions online. Further, work should also clarify differences in online and offline behaviour through a link to actual purchase behaviour. Also, utilitarian consumption online is only one aspect of a consumer's motivation to shop online. For example, the individual as well as the combined effects of: cognitive style, trust and techno-consumption (Van Slyke et al. 2002). Second, the misrepresentation of gender online and offline raised the issue of authenticity. This is a particular issue when transactions are enacted online. Rose



and Wood (2005, p. 284) argues “the connectedness of objects to highly valued elements of consumers’ lived experience grounds judgments of authenticity in the “real” world.” This raises the question that when gender is manipulated online and offline what environment most influences the consumer’s judgments of a true lived experience and thus their evaluation of the authentic. Consumers may desire to disrupt the authentic and symbolically redefine their gender. A performance of the ‘cannibalization’ of self: to escape from a self-threatening social comparison (Argo et al. 2006). This research is about online shopping but what about ubiquitous markets and the iPad and iPhone? We also suggest that to increase our emphasis on gender in consumer behaviour research that we look beyond generic products and perceptions of gendered behaviour: (1) feminism (Wilkes and Laverie 2007); (2) leisure (golf; McGinnis et al. 2012); (3) masculinity (Harrison and Gentry 2010); and (4) conspicuous consumption.

**FIGURE 1. CONCEPTUAL MODEL**



**TABLE 1. MODEL FIT**  
(ON = ONLINE, OFF = OFFLINE)

	Model	Group	n=515 (Male and Female)							n=268 (Male only)							n=247 (Female only)						
			$\chi^2$	Ratio $\chi^2/DF$	CFI	TLI	GFI	RMSEA	SRMR	$\chi^2$	Ratio $\chi^2/DF$	CFI	TLI	GFI	RMSEA	SRMR	$\chi^2$	Ratio $\chi^2/DF$	CFI	TLI	GFI	RMSEA	SRMR
1	Utilitarian /Gender (ON)	1	36.42	3.04	0.97	0.95	0.98	0.06	0.03	29.74	2.48	0.96	0.92	0.97	0.07	0.03	20.67	1.72	0.98	0.96	0.98	0.05	0.04
2	Utilitarian /Gender (OFF)		41.34	3.45	0.97	0.94	0.98	0.07	0.03	34.96	2.91	0.95	0.92	0.97	0.09	0.04	22.99	1.92	0.97	0.95	0.97	0.06	0.04
3	Utilitarian /Gender (ON)	2	25.98	2.17	0.98	0.96	0.99	0.05	0.03	31.66	2.64	0.93	0.90	0.97	0.08	0.04	13.63	1.05	0.99	0.99	0.99	0.01	0.04
4	Utilitarian /Gender (OFF)		22.45	1.87	0.98	0.97	0.99	0.04	0.03	34.63	2.89	0.93	0.90	0.97	0.08	0.04	11.26	0.94	0.99	0.99	0.99	0.01	0.03
5	Utilitarian /Gender (ON)	3	10.71	1.53	0.99	0.97	0.99	0.03	0.03	10.14	1.45	0.98	0.96	0.99	0.04	0.04	11.75	1.68	0.97	0.94	0.99	0.05	0.04
6	Utilitarian /Gender (OFF)		7.61	1.09	0.99	0.99	0.99	0.01	0.02	14.43	2.06	0.96	0.91	0.98	0.06	0.04	10.15	1.45	0.98	0.96	0.99	0.04	0.05
7	Utilitarian /Gender (ON)	4	73.75	2.17	0.97	0.96	0.97	0.05	0.04	78.60	2.31	0.93	0.91	0.95	0.07	0.05	48.75	1.48	0.98	0.97	0.96	0.04	0.04
8	Utilitarian /Gender (OFF)		72.07	2.12	0.97	0.96	0.97	0.05	0.04	67.00	1.97	0.95	0.93	0.95	0.06	0.05	50.51	1.49	0.97	0.97	0.96	0.04	0.04
9	Utilitarian /Gender (ON)	5	146.82	2.77	0.93	0.91	0.95	0.06	0.05	123.12	2.32	0.92	0.90	0.93	0.07	0.06	106.16	2.00	0.91	0.90	0.94	0.06	0.05
10	Utilitarian /Gender (OFF)		153.52	2.90	0.93	0.91	0.95	0.06	0.05	130.29	2.46	0.91	0.90	0.92	0.07	0.06	112.03	2.11	0.90	0.90	0.93	0.07	0.06

**TABLE 2. HYPOTHESIS CONCLUSIONS: MALE/FEMALE, MALE AND FEMALE (A=ACCEPT, R=REJECT)**

		n=515 (Male/Female)			n=268 (Male)			n=247 (Female)		
Hypothesis		A	R		A	R		A	R	
H <sub>1</sub>	Utilitarian shopping motivation online has a significant effect on gender (online).	3	2	A	0	5	R	5	0	A
	Product Group	1, 2, 5	3, 4			ALL		1, 2, 3, 4, 5		
H <sub>2</sub>	Gender (online) has a significant effect on purchase intentions online.	2	3	A	3	2	A	4	1	A
	Product Group	1, 5	2, 3, 4		3, 4, 5	1, 2		1, 3, 4, 5	2	
H <sub>3</sub>	Utilitarian shopping motivation online has a significant effect on purchase intentions online mediated by gender (online).	2	3	A	0	5	R	4	1	A
	Product Group	1, 5	2, 3, 4			ALL		1, 3, 4, 5	2	
H <sub>4</sub>	Utilitarian shopping motivation online has a significant effect on purchase intentions online.	3	2	A	2	3	A	0	5	R
	Product Group	1, 2, 3	4, 5		1, 2	3, 4, 5			ALL	
H <sub>5</sub>	Utilitarian shopping motivation online has a significant effect on gender (offline).	0	5	R	3	2	A	0	5	R
	Product Group		ALL		1, 4, 5	2, 3			ALL	
H <sub>6</sub>	Gender (offline) has a significant effect on purchase intentions online.	1	4	A	5	0	A	5	0	A
	Product Group	1	2, 3, 4, 5		1, 2, 3, 4, 5			1, 2, 3, 4, 5		
H <sub>7</sub>	Utilitarian shopping motivation online has a significant effect on purchase intentions online mediated by gender (offline).	0	5	R	4	1	A	0	5	R
	Product Group		ALL		1, 2, 4, 5	3			ALL	
H <sub>8</sub>	Utilitarian shopping motivation online has a significant effect on purchase intentions online.	3	2	A	2	3	A	1	4	A
	Product Group	1, 2, 3	4, 5		1, 2	3, 4, 5		2	1, 3, 4, 5	

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# HOW MINDSET AFFECTS ONLINE PLANNED AND UNPLANNED PURCHASING – AN EXTENDED ABSTRACT

Aneeshta Gunness, Monash University, Melbourne  
Harmen Oppewal, Monash University, Melbourne

## INTRODUCTION

As a shopping platform, the Internet was initially predominantly viewed as a uniquely convenience based shopping channel that allowed shoppers to exert self control and regulate shopping decisions (Girard et al. 2002; Li et al. 1999). But it is becoming increasingly clear that online purchasing also extends to being experiential and provides for a mixture of utilitarian and experiential shopping motives, allowing consumers to engage into planned as well as unplanned shopping activities (Partobeeah et al. 2009). The present paper primarily draws from the Rubicon model of action phases (Gollwitzer 1990) to assess an important marketing implication for online shopping – that the extent to which consumers engage into planned versus unplanned behaviour depends on the mindset that consumers are in at the time they access a website.

## BACKGROUND

Impulsive and unplanned behaviours in shopping environments have aroused the interest of consumer researchers since the early 1900's. Ever since consumer researchers have avidly attempted to develop strategies to either encourage or control these unexpected, emotionally driven shoppers' behaviours. As a result, a significant portion of consumers decide on their purchase when present in the store (Advertising Age 2009).

Online impulse buying has been gaining impetus in a similar way; for instance, 50% of online purchases are made on impulse (MarketingCharts 2013) and an increase of 7%, equivalent to \$5 billion, has been registered in online impulse buying between 1999 and 2004 (U.S Department of Commerce in Jeffrey and Hodge 2007). Consequently, researchers have offered sophisticated approaches to the study of online impulse buying (Partobeeah et al. 2009; Park et al. 2011). Yet, there appear to be no online studies that document 'high order' constructs with the potential to impact unplanned and impulse buying; particularly, we refer to the type of mindset that consumers are in at the time they access a website.

Much of the unplanned and impulse buying literature spans across external, or, so called, 'outside' factors that include store elements and atmospherics, the presence of the salesperson, amongst others, as well as innate and psychologically tilted elements, such as personality types, pre-existing mood states, self-control, all of which have been found to regulate the variance on impulse purchasing (Verplanken and Herabadi 2001; Vohs and Faber 2007; Mattila and Wirtz 2008; Verplanken et al. 2005; Youn and Faber 2000; Verplanken and Herabadi 2001). Particularly, a few researchers have successfully demonstrated that the degree of goal concreteness can have quite a pivotal role in modelling impulse buying tendencies (Bell et al. 2011; Lee and Arieli 2006).

Bell et al. (2011) demonstrate that unplanned behaviours are also and, potentially, more likely to be influenced by person-to-person variance than simply the stimuli that emanate from the store environments. Of particular interest, the researchers demonstrate that goal abstractness as an out-of-store/pre-shopping factor, which they describe as one that is present before consumers step into the shop, impact on consumers' behaviours when they are in-store. Distinguishing between abstract and relatively more concrete goals, they demonstrate that the activation of abstract goals is more likely to induce unplanned buying, and that unplanned buying increases monotonically with the level of abstractness.

Indeed, goals can be defined at different levels of abstractness, much of which can be attributed to the construal level theory (Trope and Liberman 2003; Liberman and Trope 1998). Our focus, however, rests on the Rubicon model of action phases which depicts the different transition points in terms of the psychological processes that transpire from the moment an individual sets a goal until s/he achieves it. These processes are segmented into four different and distinct action phases – the first two being the predecisional and postdecisional stages (of more relevance to this paper), followed by the actional and postactional stages, each characterized by a unique mindset.

At the predecisional stage, individuals deliberate over their various options. As a result of this lack of framing or concretization of one's intentions, goal definition remains relatively abstract. This 'fluid state of deliberation' induces a deliberative mindset (Gollwitzer in Higgins and Sorentino 1990, p. 57).

Once an individual selects a specific goal, s/he crosses to the postdecisional stage. The initial 'fluid state of deliberation' that was furnished with mere intentions (Gollwitzer, 1990, as cited in Higgins and Sorentino 1990, p. 57) transforms into



implemental intentions, triggering a sense of obligation towards completion of the set goal (Gollwitzer and Bayer 1999; Kuhl 1984). Quite naturally, this phase is characterized by goals that are described in more concrete terms and an implemental mindset.

In the actional stage, the individual only focuses on aspects of the environment that are tied to successful goal attainment. Finally, the postactional stage draws individuals into an evaluative mindset – typified by the individual critically considering the extent to which the goal has successfully been achieved (Gollwitzer 1990).

Adapting the Rubicon model of action phases, this paper introduces mindset (MS) as a consumer specific characteristic that influences online purchase intentions, both planned and unplanned. Drawing from Bell et al. (2011) our hypothesis is centred around the notion that the respective deliberative and implemental mindsets adopted before accessing a website, will have self-determining effects on purchase intents when consumers are ‘in store’. Despite various points of similarity with Bell et al. (2011) we draw on the unique contributions of this paper: in contrast to Bell et al. (2011), we do not use promotion and low prices as possible drivers that interact to affect unplanned buying; secondly, while the varying levels of goal abstractness are reflective of thinking ‘orientations’ and, therefore, processing styles, our research focuses on examining the effects of types of mindset rather than level of goal abstractness only.

When shopping online, consumers feel more autonomous and in control of the shopping situation as compared to when they are shopping in a traditional retail outlet. This should be an element that is specially appreciated by individuals in an implemental mindset as they are automatically led into higher perceived levels of control. Therefore, as perceived control can act as motivation to promote goal attainment, we suggest that individuals in an implemental mindset will use website visits primarily for problem solving and consequently actively seek cognitive/informational stimulation (Perlmutter and Monty 1977; Hirschman 1980). Thus, they will use the available resources to lead them through goal enactment (Bargh and Gollwitzer 1994); the combined effects of which should trigger higher likelihood of planned purchasing.

In contrast, we expect consumers who are in a deliberative mindset to be more receptive to and exert more flexibility towards their environment. Given the lack of ‘motivation’ for goal framing, they will be more likely to perform unconscious processing and implicit learning and develop preferences for items in a less conscious manner (Fred and Ye 2005; Evans 2008). Therefore, individuals in a deliberative mindset will manifest greater readiness to make changes in their decisions so that the rate of changed decisions during this stage can be expected to be high (Gollwitzer et al. 1990). We propose to test the following hypothesis,

H<sub>1</sub>: The likelihood for unplanned purchasing will be higher for buyers who access a website in a deliberative than for those in an implemental mindset.

## RESEARCH METHODOLOGY

We conducted an online experiment that manipulated mindset as a between subject variable – either deliberative or implemental. Members of an online panel visited 2 preselected Australian based commercial sites, with the hypothetical task of purchasing a birthday gift of up to \$100 for someone special – either hampers or flowers. To control for order effects, we rotated the presentation order of the websites.

In the initial task, which also served as warm up, respondents visited site A and pretended to be buying any item for their own use. They typed the item name/description at the survey site. Next, respondents returned to the site but this time to purchase a birthday gift for someone special. Mindset manipulations were weaved into the task instructions. We manipulated the implemental and deliberative mindsets conditions, firstly, through temporal distance by setting two time frames until the birthday (Trope et al. 2003). Secondly, we manipulated the extent of directed search visits (adapted from Moe 2003). Thirdly, we instructed the implemental candidates to weigh the functional aspects of their purchases by paying attention to delivery time and costs (not mentioned for deliberative condition).

Respondents selected a list of 12 items (6 from each category) from site A. Item names/descriptions were typed and these were automatically fed into the program to build their lists of items from which they made a final purchase (at a later stage).

Next, respondents were directed to visit site B. All instructions were identical except that respondents were to select 2 items (1 from each category) from site B. We then assessed the effectiveness of mindset manipulations.



Soon after, respondents indicated the item they felt they were more likely to purchase (interval 1). A few distractor questions ensued. Respondents were then asked to indicate their final purchase, if all other conditions were held constant and they were to use the \$100 (interval 2).

Item choices at intervals 1 and 2 were contrasted. A difference in choices signified intent to purchase an item that was not originally planned (unplanned purchase intent) while consistent choices implied planned purchase intent (Heilman et al. 2002).

## **RESULTS AND CONCLUSIONS**

In total, 124 cases were viable for further analysis, 47 of which formed the implemental group and 77 the deliberative group. Females were more highly represented than males. Most of the respondents had more than a year's experience in online shopping. Interestingly, age was quite varied, with 21.4% of respondents aged 41-55 and those aged 60 and above forming the second biggest group.

Separate measures confirmed the effectiveness of the manipulations. Chi square tests next revealed that of those in the implemental mindset, 63.8% intended to purchase the planned item while 46.5% of respondents in the deliberative condition would not make an unplanned purchase,  $\chi^2 (1, n=124) = 3.951, p < .05, \phi = .179$ . Therefore, those in the implemental condition showed higher willingness to purchase the planned item as compared to those in the deliberative condition.

We conducted a binary logistic regression analysis to assess the effects of mindset on purchase intents. Age, income and gender as independent variables had very negligible effects on purchase intent and were, therefore, deleted (Chen and Hitt 2002). In support of H<sub>1</sub>, the analysis revealed mindset as a significant predictor of purchase intent (Wald=3.895, exp (b)=2.118, p=.048); those in the implemental (vs. deliberative) mindset were more than 2 times as likely to buy the planned item.

We predicted intuitive effects of mindset in that implemental mindset would demonstrate higher likelihood for planned purchasing and the deliberative mindset for unplanned buying. We find evidence that in an online context, consumers' choices and purchase intents are indeed dictated by pre-shopping mindsets that consumers adopt. This substantiates the need for managers to avoid mitigating the importance of mindset as a 'pre-shopping' individual variable and invest capital more effectively (Bell et al. 2008). Although retailers have no control over buyers' mindsets, they can, nevertheless, cater for their differing needs and expectations, at least in the type of information they seek. The implemental mindset seeks cognitive information to maximize utility while the deliberative mindset has a penchant for affective information. Therefore, managers need to cater to both in order to satisfy the different mental states and successfully generate both planned and unplanned purchases at their websites.

This paper neglects to address the boundary conditions of the implemental mindset; for instance, perceived control is often over estimated, leading consumers to devalue goal consistent behaviours (Bayuk et al. 2010). Future research could measure the impact of an interruption during the purchase process.

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References available upon request

# **MOVING VIRTUAL RETAIL INTO REALITY: EXAMINING METAVERSE AND AUGMENTED REALITY IN THE ONLINE SHOPPING EXPERIENCE**

Esther Swilley, Kansas State University, USA

## **INTRODUCTION**

Online retailing has proven to be advantageous to retailers in terms of revenue building. Consumers are spending time and money on retailer e-commerce sites, and now, m-commerce sites. In fact, Cyber Monday, the Monday after Thanksgiving, is exceeding revenue goals previously sought on Black Friday (Internet Retailer 2011). However, the online shopping experience has not kept pace with the offline experience. Brick and mortar allows for more experiential shopping that creates engagement, brand experience, as well as excitement. Catalog and television shopping affords the comfort of shopping at home. Now, many shoppers are turning to their tablet computers for online shopping. However, the shopping experience on tablets must compete with other online activities, including games and other interesting applications. Retailers should respond to needs of the consumer by developing a more robust online shopping experience. This can also enhance the experiences of shoppers in both electronic commerce and mobile commerce.

## **BACKGROUND**

Multichannel retailing allows for an enhancement of service for consumers by firms, in order to enhance customer satisfaction (Wallace et al. 2004). Consumers can find different value in various channels (Noble et al. 2005). Each of the virtual channels offers its own benefits for both the retailer and the consumer. Electronic commerce (e-commerce) allows shopping at home in a relaxed atmosphere, as well as an interactive experience. E-commerce, the use of the Internet for transactional exchanges, was a disruptive technology that took off once firms realized the Internet's potential as a marketing channel. E-commerce has offered consumers the ability to shop online, at a convenient place and time. It has allowed retailers to offer merchandise not found in physical locations, freeing up the costs of inventory. Software and music downloads afford the consumer instant gratification. Consumers can purchase merchandise that is not located in physical locations online, as small town consumers now have access to merchandise found only in metropolitan areas. M-commerce refers to the ability to offer value through mobile transactions allowing for location-specificity and time-sensitivity, as well the ability to build personalized relationships with the customer. It is not a by-product of e-commerce. M-commerce has advantages with respect to location specificity and personalization. Firms looking to use m-commerce as another service for customers can seize the m-commerce opportunities of location, time and personalization. This ubiquity in location and time allow for the marketing of products and services to individuals anytime and anywhere. If the competencies learned through e-commerce, as well as the relational resources, are translated to an m-commerce platform, retailers can gain a faster and stronger foothold in the m-commerce arena.

In discussing the future of virtual shopping, Burke (1997) urged managers to take an active role in defining and managing the future of the Internet. Technology plays an important role in the shopping process and the optimization of technology should be taken into consideration when defining a virtual shopping experience (Burke 2002). Now retailers can develop websites with three-dimensionality. Metaverse retailing, three-dimensionality, allows for a more robust shopping experience of the three virtual channels. Based on virtual world technology, a three-dimensional graphic representation of the consumer, or avatar, is used with a metaverse. Unlike e-commerce websites, metaverse sites simulate real world retail outlets (Cagnina and Poian 2009). Users can move throughout the 3-D site as if they were moving through the aisles of a brick-and-mortar establishment. Recent technological advances also allow more than one user to shop together. This allows for shopping with friends while online for more engaging shopping experiences (Cagnina and Poian 2009). Augmented reality (AR) is similar as it combines both virtual and real-world environments with 3-dimensional software.

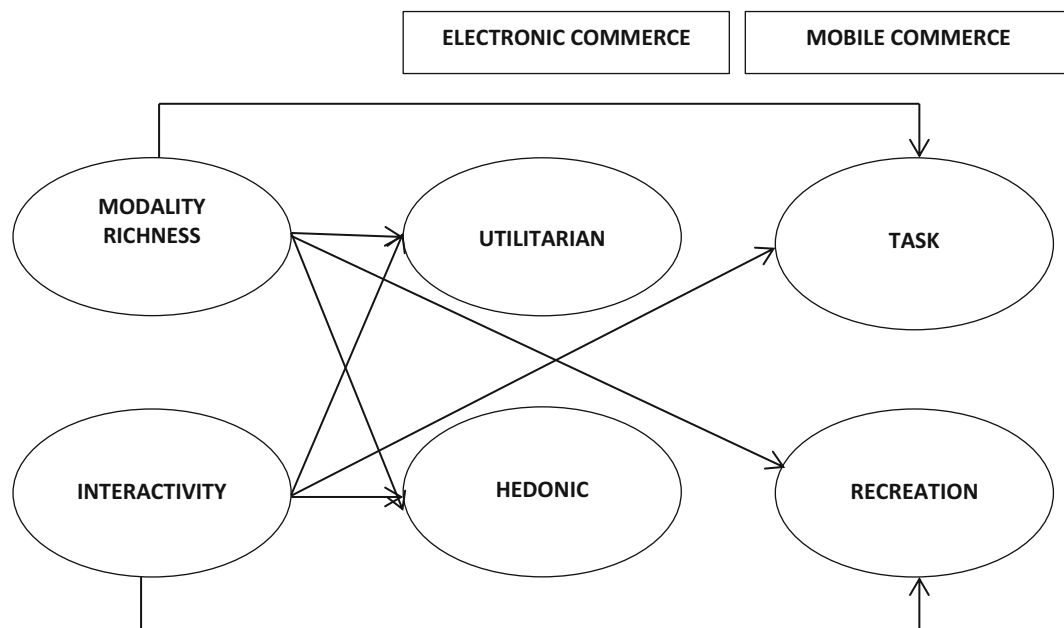
The marketing potential of a metaverse lies in the ability to draw consumers through three-dimensional technology. This 3-D technology has many implications for marketers. Unlike e-commerce websites, metaverse and AR sites simulate real world retail outlets (Cagnina and Poian 2009). This technology can show consumers interacting with products, moving through aisles, and choosing products. Instead of reading transaction logs, as is done for online shopping, or even tracking how someone navigates through a site, marketers can now have a visual representation of consumer movements throughout the virtual store. Virtually, marketers can see the experience of shopping as it is happening. Interaction between shoppers,

employees and others can be seen and heard. The information gleaned from a virtual world store can be used further to develop either the “brick” or “click” store for many retailers.

Both metaverse and augmented reality (AR) have been studied, however, only AR has been studied in terms of retailing. Lu and Smith (2007) compared AR to traditional e-commerce and though their results were limited, AR seems to aid in providing more direct product information for consumers. Schwartz (2011) found a direct relationship between AR and attitude, as well as purchase intent. In examining rotational visual simulation used to create the 3D experience as product presentation on an e-commerce site, Park, Stoel and Lennon (2008) found rotation to influence perceived information quality, mood, attitude, and purchase intention. In this vein, the investigation of virtual channels, in terms of multi-channel retailing implications for the firm is the purpose of this research. Is there enough consumer motivation for retailers to invest in metaverse or augmented reality retailing? Specifically, what are the responses to metaverse and AR in a retail setting? As both cognitive and affective responses have been found to be important in online shopping in terms of atmospherics (Eroglu, Machleit and Davis 2003) and product display (Jiang and Benbasat 2007), we surmise that these responses will be significant to both metaverse and AR. We also propose that AR and metaverse retailing are equally as important in both e-commerce and m-commerce retail settings.

### CONCEPTUAL FRAMEWORK AND HYPOTHESES

Consumers interacting with 3D advertising were more likely to experience an elevated sense of presence (Li, Daugherty and Biocca 2002). Those who used 3D virtual worlds more likely influenced by modality richness when highly involved (Jin 2009). We posit that modality, or information richness, “the intensity with which a mediated environment is able to present information to the senses” (Li, Daugherty and Biocca 2002, p 151), will motivate consumers to use a virtual reality site. We also argue that the ability of a site to enhance the senses, in terms of presence, both audio and visual, allows for a more vivid shopping experience. Interactivity, a determinant of responsiveness, allows for the exchange of responses in real time, content and control (Li, Daugherty and Biocca 2002). In order to understand the motivations of consumers to use these websites, we acknowledge the value of a website as the culmination of a shopping experience, with the benefits being either hedonic (pleasurable experience) and/or utilitarian (useful experience) (Wang et al 2007), as well as task (problem solving) and/or recreationally oriented (amusing experience) (Kaltcheva and Weitz 2006).



## DISCUSSION

As retailing moves from traditional to electronic to virtual, so does its transformation. From product-oriented, to customer-oriented, to experience-oriented, the retailer must evolve as such (Papagiannidis and Bourlakis 2010). The purpose of this research is to develop and discover how to implement best this coupling of retailing and technology in order to capture the interest of the consumer. Investigations using quantitative and qualitative methods will aid in understanding the metaverse and AR experiences in both electronic and mobile marketing.

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**Friday, 10:30 a.m. – 12:00 p.m.**

**Session 10.1. Consumer Behavior: Unusual Consumption**

Room: Flinders

Session Chair: Gregory Rose, University of Washington Tacoma

***Meaning of Money Among Hindus In India: Some Preliminary Findings***

Altaf Merchant, University of Washington Tacoma

Gregory Rose, University of Washington Tacoma

Mohit Gour, Issues and Answers Network, Inc.

***Embarrassment Effects on Purchase Intent for a Product with Socially Shared Superstitious Meanings***

Di Wang, Monash University

Harmen Oppewal, Monash University

Dominic Thomas, Monash University

***Coping with Negative Consumption Experiences: How Attribution Influences Disappointment, Regret, Word Of Mouth and Complaining Behaviors***

Muhammad Hossain, Monash University

Harmen Oppewal, Monash University

Dewi Tojib, Monash University

***Funeral Consumption: An Extraordinary and Difficult Experience***

Isabelle Szmigin, University of Birmingham

Louise Canning, University of Birmingham

## **MEANING OF MONEY AMONG HINDUS IN INDIA: SOME PRELIMINARY FINDINGS.**

Altaf Merchant, University of Washington, Tacoma, USA  
Gregory M. Rose, University of Washington, Tacoma, USA  
Mohit Gour, Issues & Answers Network Inc, USA

### **ABSTRACT**

Understanding peoples' attitudes towards money is an important area of research, as the complex meanings attached to money motivate a variety of consumer behaviors (Rose and Orr, 2007). Exploring this phenomenon in an emerging market, like India, is timely and meaningful to both academics and practitioners. Culturally unique factors like the belief in 'Karma' and long term orientation has been known to influence consumer behaviors in India (Kopalle, Lehmann and Farley, 2010). However, there is no research which studies the effects of these cultural factors on attitude toward money. This becomes even more important as economic development heralds consumerism in emerging markets such as India. In this research, we study the meanings of money among Hindus through 24 qualitative interviews across three cities in India. Our findings add to the cross-cultural literature, and will be of interest to international marketers who are operating or evaluating doing business in emerging markets such as India, and targeting global consumers.

References available upon request.

# **EMBARRASSMENT EFFECTS ON PURCHASE INTENT FOR A PRODUCT WITH SOCIALLY SHARED SUPERSTITIOUS MEANINGS: A STRUCTURED ABSTRACT**

Di Wang, Monash University, Australia

Harmen Oppewal, Monash University, Australia

Dominic Thomas, Monash University, Australia

## **INTRODUCTION**

Superstitious beliefs are socially shared or idiosyncratic beliefs that actions or objects can be subjectively invoked to control luck while no such objective influence exists (Kramer & Block, 2011). Superstitious beliefs are gaining an increasing interest in the marketing literature (e.g. Kramer & Block, 2008; Kramer & Block, 2011). Extant literature has found that consumers are more likely to purchase a product with a positive superstitious association than a product with neutral superstitious associations (Block & Kramer, 2009). Literature has considered factors that influence the impact of superstitious beliefs on consumer decision making, such as decision type and time pressure (Kramer & Block, 2011), and physical cleansing (Xu, Zwick, & Schwarz, 2012). Our research extends this stream of literature by investigating how embarrassment may result when consumers purchase a product with socially shared superstitious meanings and how embarrassment, in turn influences product purchase decision.

## **HYPOTHESIS DEVELOPMENT**

Literature suggests that superstitious practitioners are reluctant to admit their superstitiousness because they think it is unreasonable or slightly bizarre to an outsider (Burger & Lynn, 2005; Clark, 1982). It has also found that people, especially from China, have a negative attitude towards consumers engaging in superstitious behavior that can reflect consumers' low competence (Wang, Oppewal, & Thomas, 2011). Purchasing a product with a superstitious-related attribute can be regarded as a manifestation of consumer's superstitious beliefs (Kramer & Block, 2008; Luk, et al., 2012). So we propose that consumers are less likely to purchase a product with superstitious meanings if the purchase behavior is social visible. The mechanism underlying this effect is that consumers feel embarrassed and in turn reduce the purchase likelihood. This is similar to purchasing other types of embarrassing products, e.g. condoms (Dahl, Manchanda, & Argo, 2001). Formally,

- H1:** The purchase likelihood for a product with superstitious meanings (vs. without superstitious meanings) will be lower in the presence of others.



**H2:** Embarrassment mediates the negative effect of the presence of superstitious meanings on purchase likelihood in the presence of others.

Previous literature has categorized products into two types: private products and public products (Bearden & Etzel, 1982). A public product is one that other people are aware someone possesses and uses. A private product is one used at home or in private at some location. We propose that consumers may perceive using a public product with superstitious meanings induces as creating embarrassment because the product is social visible. The embarrassment in turn decreases the purchase likelihood. However, as using the private product is not public scrutinized, consumers will not feel embarrassed and the purchase likelihood will not be affected. Formally,

**H3:** The purchase likelihood for a public product will be lower if the public product is with superstitious meanings than without superstitious meanings. No such difference will exist if a product is a private product.

## STUDY ONE

To test hypotheses 1 and 2, 378 university students from China were randomly assigned to one of the six conditions of a 3 (Level of superstition associated with the product: strong vs. moderate vs. no) x 2 (Social presence: with vs. without) between subjects design. They were presented a scenario where they were purchasing a rice cooker in the presence of other customers or not. The rice cooker either carried the words “avoid bad luck”, or the words “bring good luck”, or a landscape picture. Based on an independent pretest among students, participants considered “avoid bad luck” more superstitious than “bring good luck”. Measures included a single item purchase intention scale, a 5-item embarrassment scale (Dahl, et al., 2001), a 4-item superstitiousness scale (Hamerman, 2010; Kramer & Block, 2011), and a single item measure of social visibility.

Manipulation checks confirm that participants think others will perceive them as more superstitious if they purchase the rice cooker with the Chinese words “avoid bad luck” than if they purchase the rice cooker with the Chinese words “bring good luck”, which in turn results in higher perceptions of superstitiousness than if they purchase the rice cooker with a landscape picture. Checks also confirm that participants think they are more visible to others when they purchase the rice cooker with other customers present. Two-way ANOVAs with purchase intent as DV reveal only a superstitiousness main effect: participants were least likely to purchase the rice cooker with the words “avoid bad luck” and less likely to purchase the rice cooker with the words “bring good luck” than to purchase the rice cooker with the landscape pictures, which supports H1. Based on Zhao, Lynch, and Chen (2010), mediation analysis, across all conditions, revealed embarrassment mediates the

relationship between the level of superstition associated with the product (strong vs. moderate vs. no) and purchase intention, supporting H2. No moderated mediation was found.

In this study, we find that consumers think purchasing a product with superstitious meanings creates a social perception of being superstitious. This creates feelings of embarrassment, which in turn decreases purchase intention. We did however not find the interaction effect of social presence and level of superstition associated with the product. A possible explanation is that a shop setting is still a social context even if no other customers are present. Even though they considered themselves less socially visible in the “no social presence” condition, this situation still created feelings of embarrassment, possibly due to anticipated interaction with the sales person or cashier. To overcome this limitation, in study two, we use an online shopping context. In addition, we will test hypothesis three in this study.

## STUDY TWO

137 university students (46.7% male, 95.6% are 18~25 years old) were randomly assigned to one of the four conditions of a 2 (product type: public product vs. private product) x 2 (lucky attributes: with vs. without) between-subject design. The scenario is about online purchasing for a product (public [school bag] vs. private [pillow]), either with lucky attribute (Two Chinese characters “good luck” is printed on the product) or without lucky attribute (Two Chinese characters “starting point” is printed on the product). Similar measures as study one were used here plus a scale measuring product type (Bearden & Etzel, 1982).

Manipulation checks confirm that participants consider a product with a “good luck” label more superstitious than that with a “starting point” label. Checks also confirm that participants consider bag as a public product while pillow as a private product.

Two-way ANOVAs with embarrassment as DV reveals a marginal lucky attribute main effect ( $p=0.06$ ) and a significant interaction between lucky attribute and product type. Specifically, participants felt more embarrassed when using the product with lucky attribute than without lucky attribute. When the product is a public product (school bag), participants reported more embarrassment feelings in using this product if it is with lucky attribute on it than if it is without lucky attribute on it. When the product is private product (pillow), participants reported no difference in embarrassment feeling when using this product if it is with lucky attribute on it compared with if it is without lucky attribute on it. This result suggests that the

feeling of embarrassment is stronger when using a public product with a lucky attribute than when using a public product without lucky attribute. No such difference exists if a product is a private product.

Bootstrap for mediation analysis suggests that for public product (school bag), embarrassment feeling is mediating the effect of lucky attribute on purchase intention. Specifically, the impact of lucky attribute on embarrassment feeling in using this product is significant. The impact of embarrassment feeling on purchase intention is significant. The main indirect effect of lucky attribute on purchase intention through embarrassment feeling is also significant. As the direct effect of lucky attribute on purchase intention is not significant, there is an indirect-only mediation effect. For the private product (pillow), however, mediation analysis reveals neither main effect nor mediating effect. So hypothesis three is supported.

## **GENERAL DISCUSSION**

In this research, throughout two studies, we found that purchasing a product with superstitious meanings induces embarrassment that decreases the purchase likelihood. Product type moderates this effect. Specifically, consumers are less likely to buy a public product with superstitious meanings compared with that without superstitious meanings. While for the private product, we did not observe the effect.

This research suggests that marketers should be careful when to attach superstitious meanings to a product. Displaying superstitious beliefs can lead to embarrassment so if marketers want to add superstitious meanings to make their products special, they should attach them in a way that minimizes embarrassment. For example they can minimize social visibility by use of a vending machine or use of online stores to sell the products with superstitious meanings so that the negative effects of embarrassment are minimized.

There are some limitations to this research. First, in the first study, we failed to observe the effect of social presence. Future research should use a more controlled setting (e.g. lab experiment) to re-conduct this study. Second, the superstitious meaning we used is only conveyed in words. Future research should consider other types of superstitious meanings (e.g. “lucky shape”, “pictures with luck association”) to generalize the findings. Third, participants in this research are all from China. Future research should generalize the findings using international samples.

**References available upon request**

# **COPING WITH NEGATIVE CONSUMPTION EXPERIENCES: HOW ATTRIBUTION INFLUENCES DISAPPOINTMENT, REGRET, WORD OF MOUTH AND COMPLAINING BEHAVIOURS**

Muhammad Ismail Hossain, Monash University, Australia  
Harmen Oppewal, Monash University, Australia  
Dewi Tojib, Monash University, Australia

## **INTRODUCTION**

Consumers generally feel bad if products or services they purchased do not deliver what was expected. For example, if a holiday destination has not met expectations consumers will be disappointed and may feel regret about their choice of holiday destination. Their level of disappointment and regret may in turn influence their responsiveness to future product and service offers and to future product and service failures. Whereas there is a large literature on post-consumption processes, relatively little is yet known about how these disappointment and regret influence behaviour. The present research experimentally investigates how disappointment and regret result from attributional processes, in particular whether the cause of the failure is deemed internal or external, and how these emotions relate to coping strategies, in particular vindictive negative word of mouth and vindictive complaining. Our findings show that when consumers attribute the failure externally, they experience higher disappointment and outcome regret, however, when they attribute the failure internally, they experience lower disappointment and higher process regret. The higher disappointment and outcome regret also foster a tendency to voice dissatisfaction, either through spreading negative word of mouth or lodging direct complaints. Furthermore, we also demonstrate that the feeling of disappointment and regret sequentially experienced by consumers act as a mechanism to unveil their coping strategies.

## **THEORETICAL BACKGROUND**

Consumers experience negative emotions when a product or service fails to meet expectations (Mano and Oliver 1993). Past research shows that depending on the degree of deficit, consumers' negative emotions impact on their satisfaction judgment, consumption attitude, repurchase and loyalty intentions (Bougie et al 2003; Wagner et al. 2009). However, all negative emotions are not the same. For example, discrete negative emotions are different in terms of subjective feelings, facial expressions, and action tendencies (Roseman et al. 1994). Disappointment and regret have drawn a lot of attention from researchers, possibly due to the high frequency of these emotions occurring in post-consumption situations and due to the intensity of feelings involved in these emotions, especially in the case of incidents of failure (Weiner 1979; Schimmack and Diener 1997). Regret is a negative emotion that occurs when a foregone alternative turns out to be (or is imagined to be) a better choice than the selected alternative (Zeelenberg et al. 2000) whereas disappointment is felt when an outcome is worse than expected (Zeelenberg et al. 2000; Ortony et al. 1988). Researchers often tag a regret as an *outcome regret* when consumers compares an unfavorable outcome with the foregone alternatives that are perceived to be better (Zeelenberg and Pieters 2006). However, the quality of the decision process may also be a reason of generating regret. This is often referred as *process regret* (Lee and Cotte 2009). Disappointment and regret as discrete negative emotions are generated when consumers engage in causal attribution following the failure to satisfy a need through product or service consumption. Although regret and disappointment have been found to be independent of each other (Bell, 1985; Zeelenberg & Pieters, 2004), previous research mentions the possibility of both emotions occurring simultaneously, due to the concurrent comparisons made by people in a failure situation (Loomes and Sugden, 1988; Yi and Baumgartner, 2004).

Consumers' tendency to engage in causal attributions following a failure has been well documented in the literature (Choi and Mattila 2008; del Río-Lanza et al. 2009). Three causal dimensions were initially proposed by Weiner (1985b): Locus (who is responsible?), control (did the responsible party have control over the cause?) and stability (is the cause temporary or permanent?) but were later reduced to two (responsibility and stability) due to some overlaps between the dimensions (Weiner, 2000). However, past research demonstrates that who is responsible for the failure has substantial ramifications for negative emotions, customer satisfaction, quality perceptions, and behavioral intentions (e.g. (Curren & Folkes 1987; Maxham & Netemeyer 2002). Moreover, responsibility has been found to be one of the primary antecedents of feeling disappointment and regret (Zeelenberg et al. 1998; Connolly & Zeelenberg 2002). In contrast, stability has been found as a contributor to dissatisfaction and general negative emotion but not discrete negative emotion (Tsiros et al. 2004; Vázquez-Casielles et al. 2007). Drawing on this previous research it is reasonable to presume that in a negative consumption experience responsibility attribution (internal vs. external) compared to stability attribution (stable vs. unstable) may trigger disappointment and regret more since responsibility has been considered as an antecedent of both disappointment and regret. Thus the present research concentrates on only the responsibility attribution.

Appraisal theorists assert that people use diverse coping strategies to reduce their negative emotions (Lazarus, 1991; Gelbrich, 2010). People use confrontative coping, in particular vindictive nWOM and vindictive complaining, with the aim to change other people's minds (e.g. the marketer) by displaying displeasure. They use support-seeking coping, specifically support-seeking nWOM and problem solving complaining, to combat the stressful situation by using own and social resources (Yi and Baumgartner, 2004; Duhachek, 2005). Confrontative coping is used when the attribution is external (e.g., provider based) (Bolton et al., 2003), however, it is not evident in the literature that support-seeking coping is used when the attribution is internal (i.e. self). Thus it is reasonable to focus solely on confrontative coping, which means we focus on vindictive nWOM and vindictive complaining.

Previous research has evidenced that external and internal assignment of responsibility for a failure results in disappointment and regret respectively (Frijda et al., 1989; van Dijk et al. 1999). Drawing on this backdrop the contention of the present research is that external responsibility attributions contribute to the feeling of disappointment while internal responsibility attributions contribute to regret. To the best of our knowledge this research is the first attempt to explore the effect of responsibility attributions on the dimensions of regret. Thus the present research proposes that the regret triggered through internal attribution is primarily process regret while the regret triggered through external attribution is primarily outcome regret (Lee and Cotte, 2009).

The present research presumes that consumers may experience disappointment prior to feeling regret, as failure to satisfy a need results in spontaneous comparison between the expected and actual outcome. The extant literature only documents the possibility that under certain circumstances consumers simultaneously feel both disappointment and regret (Loomes and Sugden, 1987, p. 120). The present research attempts to investigate this by extending work by Yi and Baumgartner (2004) and Huang and Zeelenberg (2012). Yi and Baumgartner (2004) focus in their recall-based studies on how consumers cope with purchase-related incidents accompanying variety of negative emotions. They find that regret and disappointment are positively correlated. Recent studies by Huang and Zeelenberg, (2012) find similar evidence on how expectation contributes to investor regret. However, the present research is different from these studies as it experimentally investigates how attributions (internal vs. external) contribute to the simultaneous feeling of disappointment and the dimensions of regret. Further adding to this difference the present research will postulate that disappointment can cause variation in outcome regret but not in process regret. As both disappointment and outcome regret stem from external attribution while process regret stem from internal attribution therefore disappointment and outcome regret will induce confrontative coping behaviours, such as vindictive nWOM, vindictive complaining. Past literature shows that confrontative coping is a retaliatory behaviour directed towards external entities (Grégoire and Fisher 2008). Disappointment and outcome regret but not process regret thus are proposed to mediate between responsibility attribution and the enactment of confrontative coping strategies.

Meanwhile, the presence of disappointment prior to the feeling of outcome regret is presumed to reduce the mediating effect of outcome regret. Counterfactual thinking that people generate regarding forgone alternatives and a change in the significance results in outcome regret (Lee and Cotte, 2009). A negative consumption experience thus will heighten the counterfactual thinking relating to forgone alternatives and a change in the significance which further will increase the tendency to spread vindictive nWOM and lodge vindictive complaining. Past research shows that the realism of counterfactual thinking can determine the intensity of people's affective reactions to decision outcomes (Sevdalis & Kokkinaki, 2006). Thus, when disappointment (a more realistic comparison between actual vs. expectation) will precede outcome regret (a more imaginative comparison) then the outcome related counterfactual thinking will become more realistic. This will eventually reduce the vindictive nWOM and vindictive complaining tendency.

## METHOD

We use a scenario-based experiment to test our predictions. Respondents are randomly assigned to one of two conditions (provider responsible, consumer responsible). The scenario depicts a couple badly needing a weekend-away on holiday to get relief from work-related stress and spend a relaxing weekend together. The scenario describes how they choose and book a weekend-away with one of two online travel providers. The scenario then moves to the post-consumption stage and describes that the holiday destination and attractions are not as lively as the couple expected. They return from the trip without feeling refreshed and relaxed. This main scenario is followed by manipulations of provider and customer responsibility ['travel providers often make misleading claims'; and this is endorsed by an independent fact finding committee report versus 'the couple do have a habit of not carefully reading all the purchase details', and it is noted their friends endorse this tendency about them].

The analysis is based on 241 participants recruited from a commercial online research panel. The original number of participants was 343 but the rest failed to satisfy attention checks. Of the participants 45% were males and 55% were females.

The dependent variables of interest in this study were disappointment, regret (outcome, process), vindictive nWOM and vindictive complaining. All measures employed 5-points scales. All items relevant to each construct were averaged to form an index to be used in data analysis. Disappointment was measured by adapting one item from (Zeelenberg and Pieters, 2004). Outcome and process regret was measured by taking 8 items each from Lee and Cotte (2009). The reliability of these items for the present study was found as- outcome regret ( $\alpha=.78$ ); process regret ( $\alpha=.86$ ). Vindictive nWOM and vindictive complaining was measured by taking 3 items each from Gelbrich (2010). The reliability of these items were found as- vindictive nWOM ( $\alpha=.91$ ); vindictive complaining ( $\alpha=.75$ ). One item was developed for the purpose of the present study to check the manipulation of attribution.

## RESULTS AND DISCUSSION

The manipulation related to responsibility attribution successfully differentiated between provider-responsible and consumer-responsible attribution ( $M_{\text{provider}} = 3.63$ ,  $M_{\text{consumer}} = 2.57$ );  $F(1, 239) = 98.63$ ,  $p < .001$ ). The responsibility attribution also produced a significant difference in the feeling of disappointment ( $M_{\text{provider}} = 4.4$ ,  $M_{\text{consumer}} = 4.2$ );  $F(1, 239) = 4.67$ ,  $p < .05$ ). In regards to the feeling of outcome and process regret, when the provider is responsible the consumers feel higher outcome regret and when the consumer is responsible they feel higher process regret ( $M_{\text{provider}} = 4.1$ ,  $M_{\text{consumer}} = 3.8$ );  $F(1, 239) = 19.08$ ,  $p < .001$  for outcome regret when provider is responsible for the failure versus  $M_{\text{provider}} = 4.1$ ,  $M_{\text{consumer}} = 4.3$ ;  $F(1, 243) = 12.31$ ,  $p < .01$  for process regret when the consumer is responsible for the failure). There are significant main effects of responsibility on vindictive nWOM, and vindictive complaining as predicted. For vindictive nWOM ( $M_{\text{provider}} = 4.1$ ,  $M_{\text{consumer}} = 3.4$ ;  $F(1, 239) = 34.36$ ,  $p < .001$ ) and for vindictive complaining ( $M_{\text{provider}} = 3.3$ ,  $M_{\text{consumer}} = 2.9$ ;  $F(1, 239) = 11.60$ ,  $p < .01$ ). Thus provider responsible attribution induces higher vindictive nWOM and vindictive complaining than consumer responsible attribution. This tendency to spread nWOM rather than complain is consistent with the literature (Chelminski and Coulter, 2011).

To test the mediating effect of disappointment and outcome regret the present study uses the sequential mediation test as suggested by Hayes (2012) for both vindictive nWOM and vindictive complaining. Model=6 (i.e. testing sequential mediation) of process mediation provides the statistical means to test the mediating effects separately on the dependent variables i.e. vindictive nWOM, vindictive complaining. The results of the mediation test are given in [Table 1](#)

Table 1: The sequential mediation test results

IV	M1	M2	DV	a1	b1	a2	b2	a3	c'	a1*b1	a2*b2	a1*a3 *b2	95% confidence interval	
													Lower	Upper
Responsibility	Disappointment		Vindictive nWOM	.1204*	.0243					.0029			-.0104	.0265
Responsibility	Disappointment	Outcome Regret	Vindictive nWOM	.1204*			.8057* ***	.2109* ***	.2043* **			.0205	.0033	.0451
Responsibility		Outcome Regret	Vindictive nWOM			.1459* **	.8057* ***		.2043* **		.1175		.0611	.1891
Responsibility	Disappointment		Vindictive Complaining	.1204*	-.0412					-.0050			-.0300	.0099
Responsibility	Disappointment	Outcome Regret	Vindictive Complaining	.1204*			.4058* **	.2109* ***	.1373* **			.0103	.0018	.0257
Responsibility		Outcome Regret	Vindictive Complaining			.1459* **	.4058* **		.1373* **		.0592		.0251	.1166

IV: Independent variable  
DV: Dependent variable  
M1: Mediating variable 1  
M2: Mediating variable 2  
Bootstrap sample: 5000

a1: effect of IV on M1  
b1: direct effect of M1 on DV  
a2: effect of IV on M2  
b2: direct effect of M2 on DV  
a3: effect of M1 on M2  
c': direct effect of IV on DV

\*\*\*\* significant at  $p < .0001$   
\*\*\* significant at  $p < .001$   
\*\* significant at  $p < .01$   
\* significant at  $p < .05$

As evidenced in [table 1](#) all the direct effects (i.e., the c's) are significant at different levels. However, out of the 6 paths we found four specific indirect effects as the bootstrap confidence intervals of these four specific indirect effects do not contain



zero. Based on these four specific indirect effects it is reasonable to presume that disappointment and outcome regret mediate between responsibility attribution and vindictive nWOM and vindictive complaining. However, the 3rd and 6th paths carry the specific indirect effects of responsibility on vindictive nWOM and vindictive complaining through outcome regret only, bypassing disappointment. It demonstrates that provider responsible attribution generates more outcome regret than consumer responsible attribution which eventually fosters higher vindictive nWOM and higher vindictive complaining tendency. Interestingly and as predicted if we look at the specific indirect effects flowing from responsibility attribution to vindictive nWOM and vindictive complaining through disappointment and outcome regret then it is clearly evident that the mediating effects of these specific indirect effects are less impactful on vindictive nWOM and vindictive complaining. Thus it is reasonable to presume that the feeling of disappointment prior to the feeling of outcome regret actually reduces the mediating effect. We have also tested whether process regret mediates between attributions and confrontative coping, however, as the bootstrap confidence interval contains zero therefore no specific indirect effects was evident between attribution and confrontative coping through process regret and through disappointment and process regret.

The claims as made in this study contribute to the literature in a number of ways.

Firstly, past literature dealing with failure and the resultant negative emotions such as regret and disappointment primarily assumes consumer's responsibility for the feeling of regret and provider's responsibility for the feeling of disappointment. Moreover, very few studies looked at the relationship between responsibility attribution and the feeling of disappointment and regret. The present study looked at how the various responsibility attributions trigger the feeling of disappointment and various dimensions of regret and how these impacts on the consumer's tendency to spread vindictive nWOM and vindictive complaining. Previous research seems to consider process regret only as regret bypassing the outcome regret dimension. The present study reveals that the provider's responsibility attribution contributes to outcome regret whereas it is the consumer's responsibility attribution which contributes to process regret.

Secondly, past literature suggests the possibility that consumers may simultaneously feel both disappointment and regret, however, very few studies exhibit that. Moreover, the literature is yet to reveal whether disappointment precedes regret or not. In addition, if it does what is the impact on vindictive nWOM and vindictive complaining? By exhibiting the mediating role of disappointment and outcome regret (sequential mediation) between responsibility attribution and behavioral responses the study contributes to this area of research.

## REFERENCES

References are available on request.



## **FUNERAL CONSUMPTION AS AN AMBIVALENT EXPERIENCE**

Isabelle Szmigin, University of Birmingham, UK  
Louise Canning, University of Birmingham, UK

### **ABSTRACT**

Consumption experience (Holbrook and Hirschman 1982) is widely used in the marketing literature although mostly within the broad context of service (Lusch and Vargo, 2006; Pine and Gilmore, 1999) or hedonic experience (Arnould and Price, 1993). Holbrook and Hirschman (1982) provide an alternative to consumers as logical thinkers, rather interpreting consumption as an activity through which an individual experiences multi-sensory fantasies and fun. Such experiential, as opposed to functional consumption, is reflected in academic and practitioner interest in understanding emotional responses resulting from consumer interaction with various stimuli (other consumers, marketer, product, service) and in determining how to ensure memorable (Pine and Gilmore, 1999) or extraordinary (LaSalle and Britton 2003) experiences. Carù and Cova (2003), however, suggest that thinking around consumption experience should go beyond what they refer to as an ideological view of experience as extraordinary. This leads us also to consider the nature of lived experience as including ambivalence (Otnes, 1996). Every day and extraordinary experiences result in many responses and the association of experience and ambivalence is as yet underdeveloped theoretically. In particular the experience described in this paper engages with the idea of psychological and social ambivalence. In so doing, overload and role conflict are explored as antecedents to ambivalence. The paper finds that the experience of funeral arrangement and consumption emphasises the problem for individuals suffering differing demands in terms of roles enacted and how this may produce ambivalence.

The paper focuses on the United Kingdom, examining the experience of the bereaved in planning and participating in the funeral of a close member of their social group. In-depth semi-structured interviews lasting 45-60 minutes represented the principal means of data collection, for which an inductive exploratory approach was used (Miles and Huberman, 1994) to identify key themes related to the funeral consumption experience. A total of 21 participants from varied religious and secular backgrounds in the West Midlands responded to invitations to participate that were placed with public institutions. Given the emotional consequence of funerals, the researchers excluded respondents whose experience was within a 12 month period of when the interviews were conducted. In our analysis of the participants' funeral experiences following Carù and Cova, we recognise that we only have access to the experience through our interpretation of what participants' express. Our thematic analysis is built upon the desire to produce a richer understanding of the nature of the consumer experience albeit within a specific and not widely researched area of consumption.

The varied nature of the experience of the participants outlined in the study illustrates the complexity of experience within one consumption field. We accept that funeral consumption is a relatively unusual subject in consumer research, but it is a common human experience worthy of examination and this study provides an exemplar of the complexity and ambivalence inherent therein.

References available on request

**Session 10.2. International and Cross-Cultural Marketing: International Consumer Behavior**

Room: Yarra #1

Session Chair: Mike Reid, RMIT University

***Does Consumer Innovativeness Influence Western and Eastern Customers' Really New Product Adoption Behavior Differently?***

Chih-Wei Chao, University of Newcastle

Mike Reid, RMIT University

***Consumers' Perception of Corporate Sustainable Activities: An Analysis of the German and the Spanish Consumer***

Johannes Stolz, University Loyola Andalucia

Horacio Molina, University Loyola Anadalucia

Jesús Ramírez, University Loyola Andalucía

# **DOES CONSUMER INNOVATIVENESS INFLUENCE WESTERN AND EASTERN CUSTOMERS' REALLY NEW PRODUCT ADOPTION BEHAVIOR DIFFERENTLY?**

Chih-Wei Chao, The University of Newcastle, Australia  
Mike Reid, RMIT University, Australia

## **ABSTRACT**

This research draws on the call by empirical studies for further investigation on consumer innovativeness, its measurement, and its link to really new product adoption. Most studies of consumer innovativeness have been done in the U.S. and Europe. The Asia – Pacific regions has begun to attract attention. Specifically, this research examines the relationship between consumer innate innovativeness, domain specific innovativeness, vicarious innovativeness, the desire for unique consumer products and the adoption of “really new” consumer electronic products in Australia, China and Taiwan. The result finds that the adoption of such products is primarily influenced by domain specific innovativeness across the three countries. Vicarious Innovativeness is suggested to have an influence on Australian’s new product adoption behavior. In contrast, the desire for unique consumer products is a better predictor of new product adoption of customers with Chinese culture background than vicarious innovativeness.

## **INTRODUCTION**

Despite the importance of diffusion of new products, there is not yet a single scale to measure consumer innovativeness and new product adoption behavior efficiently and effectively across countries. This paper draws on the diffusion literature to explore the relationship between consumer innate innovativeness, domain specific innovativeness, vicarious innovativeness, the desire for unique consumer products, and the adoption of consumer electronic products across three countries: Australia, China, and Taiwan. The results of the empirical study found that only domain specific innovativeness is the predictor of really new product adoption across the three countries. Interestingly, vicarious innovativeness is confirmed to predict Australian’s really new product adoption behavior; on the other hand, customers with Chinese culture background are influenced by the desire for unique consumer products.

### **Really New Products**

Product innovation is a key element for most companies whose competitive advantages are highly related to the emergence of new products (Wind and Mahajan 1997). However, not all well-developed new products succeed in the market. Gourville (2006) indicates that, in the past 25 years, new product failure rate still remains high - between 40% and 90%. In general, radical and incremental product innovations are mainly used as a dichotomous classification for identifying the types of product innovations (Garcia and Calantone 2002). However, Garcia and Calantone (2002) suggest that radical innovations are rare and only represent less than 12 per cent of all innovations in the marketplace. As a result, this research focuses on a third category of product innovation – Really New Products which is defined as a new product with either a market discontinuity or a technological discontinuity to both customers and firms, and represent 50 per cent of all new products in the market (Garcia and Calantone 2002).

### **Consumer Innate Innovativeness (CII)**

Many empirical researchers consider consumer innate innovativeness as a personality trait relating to an individual’s willingness to accept changes (Clark and Goldsmith 2006; Hurt et al. 1977). In this study, consumer innate innovativeness (CII) is defined as an innovative predisposition which is the degree to which the individual is willing to adoption innovations such as goods and services or new ideas without communicating with others’ previous purchasing experience (Midgley and Dowling 1978). Empirical research has suggested that consumer innate innovativeness which can help identify innovators has a significant impact on the adoption of a product innovation (Citrin et al. 2000; Im et al. 2003; Lassar et al. 2005; Rogers 2003). However, there is a lack of consensus on the definitions and measurements of consumer innovativeness among researchers (Roehrich 2004). Hauser et al. (2005) suggest that a consensus of measurement and scales on consumer innovativeness is one key challenge of new product adoption research.

## **Domain Specific Innovativeness (DSI)**

Labay and Kinnear (1981) suggest that considering innate innovativeness to be general across domains can be problematic. Gatignon and Robertson (1985) found that innovativeness has to be considered in a certain product category. Domain specific innovativeness (DSI) is defined as “the tendency to learn about and adopt innovations (new products) within a specific domain of interest” (Goldsmith and Hofacker 1991, p.210). DSI is found to be the most useful scale to measure consumer innovativeness in a specific product category (Citrin et al. 2000; Hynes and Lo 2006).

## **Vicarious Innovativeness (VI)**

Vicarious innovativeness is defined as “the acquisition of information regarding a new product. Through vicarious innovativeness the individual can, in essence, adopt the product concept without adopting the product itself” (Hirschman 1980, p. 285). Other than advertising and word of mouth, Im et al. (2007) consider modeling as the third component in vicarious innovativeness. In their work, advertising is defined as “the degree to which a person is exposed to advertising and articles about new products prior to adoption”, modeling is “the degree to which the respondent has observed others in his or her personal network who own these new products, and word of mouth refers to “the degree to which the person communicates about new products with people who own new products (p. 68). Even though not many researchers use vicarious innovativeness specifically, research does exist showing that word of mouth (Mahajan et al. 1984; Verleye and Marez 2005) and mass media communication (Lee et al. 2002; Prins and Verhoef 2007) do play an important role on influencing new product adoption.

## **The Desire for Unique Consumer Products (DUCP)**

Lynn and Harris (1997) define the desire for unique consumer product as “consumers differ in the extent to which they hold as a personal goal, the acquisition and possession of consumer goods, services, and experiences that few others possess” (p. 602). The scale has been used to investigate the relationship between consumer innovativeness and new product adoption among different sexual orientations (Vandecasteele and Geuens 2009). As a consequence, besides domain specific innovativeness and vicarious innovativeness, the desire for unique consumer products is added to the conceptual model in the study.

## **Really New Product Adoption**

This study defines “really new products” as a market discontinuity or a technological discontinuity but will not incorporate both (Garcia and Calantone 2002). The adoption of really new products was measured by firstly, cross-section method which considers the numbers of really new consumer electronic products owned/adopted at the time of the survey, and secondly, relative time of adoption (RTA) which considers the numbers of years or months since the adoption. Both methods are suggested to be appropriate measuring methods by prior research (Im et al. 2007; Tellis et al. 2005)

## **Research Objects and Hypotheses**

Consumer innovativeness has a certain degree of influence on consumer electronic product adoption. This article addresses three research objectives. First object is to investigate the relationship between consumer innate innovativeness and domain specific innovativeness, vicarious innovativeness and the desire for unique consumer products in different culture contexts. Second object is to test the role of domain specific innovativeness, vicarious innovativeness and the desire for unique consumer products in influencing the adoption of consumer electronic products. Third object is to examine the mediating effects of domain specific innovativeness, vicarious innovativeness and the desire for unique consumer products on the relationship between consumer innate innovativeness and consumer electronic product adoption.

A review of literature has suggested a conceptual model which consists of the relationship between consumer innovativeness, and the adoption of really new products to the current study. The various definitions and measurements of consumer innovativeness are suggested to be a lack of consensus, and their relationships need further research (Hauser et al. 2006). It is expected that there is a certain degree of association among various forms of consumer innovativeness. Domain specific innovativeness and vicarious innovativeness are found to be positively correlated with antecedents of consumer innate innovativeness (Goldsmith et al. 2003; Im et al. 2007). However, empirical studies suggest that innovators adopt new products independently from others' previous purchasing experience (Midgley and Dowling 1978). As a result, this study suggests that consumer innate innovativeness has a negative impact on vicarious innovativeness. Further, Harris and Lynn (1996) found a positive relationship between the desire for unique consumer products and the tendency for being a consumer innovator. To measure consumer innate innovativeness, the Hurt-Joseph-Cook (1997) was adopted. DSI was measured in the

study using the 6-item scale developed by Goldsmith and Hofacker (1991). VI was measured in the study using the same approach employed by Im et al. (2007). DUCP was measured by the scale of the desire for unique consumer products developed by Harris and Lynn (1996).

**H1:** Consumer innate innovativeness is positively and directly associated with a) domain specific innovativeness and b) the desire for unique consumer products, but negatively and directly associated with c) vicarious innovativeness.

Prior studies have suggested that consumer innovativeness varies across product categories (Citrin et al. 2000; Gatignon and Robertson 1985). Roehrich (2004) further suggests that DSI is a mediator between innate innovativeness and the adoption of new products.

**H2:** Domain specific innovativeness is positively and directly associated with a) really new product adoption, and b) relative time of adoption.

**H3:** Domain specific innovativeness mediates the relationship between consumer innate innovativeness and a) really new product adoption, and b) relative time of adoption.

Vicarious innovativeness which includes advertising, modeling, and word of mouth is suggested to be a predictor of new product adoption and to play a mediating role between CII and new product adoption (Im et al. 2007). It can be suggested that:

**H4:** Vicarious innovativeness is positively and directly associated with a) really new product adoption, and b) relative time of adoption.

**H5:** Vicarious innovativeness mediates the relationship between consumer innate innovativeness and a) really new product adoption, and b) relative time of adoption.

The role of the desire for unique consumer products on new product adoption has been supported cross-culturally (Ruvio et al. 2008). In addition, the scale has been used to investigate the relationship between consumer innovativeness and new product adoption among different sexual orientations (Vandecasteele and Geuens 2009).

**H6:** The desire for unique consumer products is positively and directly associated with a) really new product adoption, and b) relative time of adoption.

**H7:** The desire for unique consumer products mediates the relationship between consumer innate innovativeness and a) really new product adoption, and b) relative time of adoption.

## METHODOLOGY

Consumer electronic products are suggested to have more really new products introduced each year was chosen for the study. A questionnaire, which is comprised of existing and modified measurement items, was the primary research instrument in the study. The questionnaire was translated into traditional and simplified Chinese by the researcher and reviewed by a qualified bilingual translator, and then translated back into English by two qualified bilingual translators. Australian participants were selected from among individuals who have voluntarily joined a research database of a qualified market research company contracted to conduct the survey. Chinese and Taiwanese participants were randomly selected from individuals in front of shopping centres in two major cities of Taipei, Taiwan and Shanghai, China. The only limitation of all participants was that they need to be over 18 year old citizens of each country. Prior to general administration of the survey, a pilot study was done on a convenience sample of university students in Australia and Taiwan. As a result, minor modifications were made to final questionnaire.

The demographics for the current study reveal that gender is distributed equally for Australia, China and Taiwan (Male: n = 132, 51.5% Australia; n = 106, 48.8% China; n = 109, 47.8% Taiwan). Respondents between 26-35 and 36-45 years old are the predominated groups in Australia (n = 130, 50.8%). Half of the respondents are between 26-35 years old in China (n = 104, 50.2%) and Taiwan (n = 104, 49.8%). In Australia, 44.9% (n = 115) of respondents has secondary school degree. More than half of respondents have undergraduate degree in China (n = 116, 56%) and Taiwan (n = 161, 77%). The average household income for Australia samples is in the range of less than \$2,000 US dollars per month (n = 77, 30.1%), the average

household income in China samples is in the range of less than \$150 US dollars per month ( $n = 74$ , 37.4%), and the average household income in Taiwan samples is in the range of \$1,000 to \$2,600 US dollars per month ( $n = 104$ , 49.8%).

## Analysis and Results

All scales were subject to exploratory and confirmatory factor analysis. Exploratory factor analysis suggested that consumer innate innovativeness and vicarious innovativeness do not have a unidimensional structure except the desire for unique consumer products and domain specific innovativeness, thus, new factors were created and subjected to confirmatory factor analysis. The final measurement model was evaluated using Amos v20. The reliability of constructs and factors ranged from .64 to .89, indicating all factors had good internal consistency.

Convergent validity was assessed by computing average variance extracted score, and the results showed that the average variance extracted score were all greater than the .50, which indicated good convergent validity. Discriminant validity was assessed by comparing the minimum variance extracted for each pair of constructs with the square of the correlation between them. In most cases, the square of the correlations were less than the average variance extracted score. However, there was an exception; in Australia data, the average variance extracted score of word of mouth (.73) was only .01 less than the square of the correlation between modeling and word of mouth (.74). The goodness of fit requirements indicates an acceptable fit for all scales across the three countries. This is support for the assumption of convergent validity.

The hypothesized relationships were estimated using path modeling procedures. Overall, the results suggest that the model has an acceptable model fit for Ownership and Relative Time of Adoption (RTA) across the three countries. Further, in order to test the mediating effects, the structural equation modeling analysis is run for each mediator one at a time. The structural coefficients are shown in Table 1. The results provide supports of H1a and H1c that the degree of consumer innate innovativeness was found to have positive influence on domain specific innovativeness (Australia:  $\beta = .77$ ,  $t = 8.97$ ,  $p < .001$ ; China:  $\beta = .80$ ,  $t = 8.65$ ,  $p < .001$ ; Taiwan:  $\beta = .70$ ,  $t = 5.70$ ,  $p < .001$ ) and negative influence on vicarious innovativeness (Australia:  $\beta = -.30$ ,  $t = -4.02$ ,  $p < .001$ ; China:  $\beta = -.24$ ,  $t = -2.63$ ,  $p < .001$ ; Taiwan:  $\beta = -.39$ ,  $t = -4.19$ ,  $p < .001$ ) across the three countries. In contrast, no support was found for H1b that consumer innate innovativeness has no association with the desire for consumer unique products. The path from DSI to really new product adoption was significant in Australia ( $\beta = .20$ ,  $t = 2.80$ ,  $p < .001$  for Ownership;  $\beta = .22$ ,  $t = 2.99$ ,  $p < .001$  for RTA), China ( $\beta = .34$ ,  $t = 4.16$ ,  $p < .001$  for Ownership;  $\beta = .41$ ,  $t = 4.92$ ,  $p < .001$  for RTA) and Taiwan ( $\beta = .34$ ,  $t = 4.12$ ,  $p < .001$  for Ownership;  $\beta = .31$ ,  $t = 3.73$ ,  $p < .001$  for RTA). As a result, H2a and H2b were supported. The result consists with the literature review of DSI directly influences the adoption of product innovations (Hynes and Lo 2006). In terms of vicarious innovativeness, H4a ( $\beta = .20$ ,  $t = 2.65$ ,  $p < .001$ ) and H4b ( $\beta = .19$ ,  $t = 2.45$ ,  $p < .001$ ) were supported only in Australia.

Vicarious innovativeness has a direct and positive influence on Australian's new product adoption behavior. In the aspect of the desire for unique consumer products (H6a and H6b), it was found to have a positive and direct relationship with consumer electronic products adoption in China ( $\beta = .15$ ,  $t = 2.18$ ,  $p < .05$  for Ownership;  $\beta = .13$ ,  $t = 1.97$ ,  $p < .05$  for RTA) and Taiwan ( $\beta = .21$ ,  $t = 2.93$ ,  $p < .001$  for Ownership;  $\beta = .12$ ,  $t = 1.98$ ,  $p < .05$  for RTA). In addition, the calculation of mediating effects of DSI, VI and DUCP only supports H3a and H3b across the three countries (Australia:  $\beta = .12$ ,  $t = 2.00$ ,  $p < .05$  for Ownership;  $\beta = .11$ ,  $t = 1.98$ ,  $p < .05$  for RTA; China:  $\beta = .34$ ,  $t = 4.16$ ,  $p < .001$  for Ownership;  $\beta = .41$ ,  $t = 4.92$ ,  $p < .001$  for RTA and Taiwan  $\beta = .30$ ,  $t = 3.91$ ,  $p < .001$  for Ownership;  $\beta = .30$ ,  $t = 3.91$ ,  $p < .001$  for RTA). This suggests that only domain specific innovativeness mediates the relationship between consumer innate innovativeness and the adoption of consumer electronic products.

## DISCUSSION AND FUTURE RESEARCH DIRECTION

The study makes a contribution by testing the relationships between consumer innate innovativeness and domain specific innovativeness, vicarious innovativeness and the desire for unique consumer products and further clarifies their influences on really new product adoption in Asia-Pacific region other than the U.S and Europe. Consumer innate innovativeness has positive and direct association with domain specific innovativeness. The results thus are consistent with the findings of Goldsmith et al. (2003). The results further suggest that consumer innate innovativeness negatively influence vicarious innovativeness of which is inconsistent with the study of Im et al. (2007). The study argues that when innovators adopt really new products, they tend not to rely on the acquisition information of new products from mass media and interpersonal communication.

The results also confirm that domain specific innovativeness directly influence adoption behavior of really new products across the three countries. Domain specific innovativeness is likely to be learned rather than integral to the general predisposition, the consumer innate innovativeness. When introducing really new products, marketers need to be aware of that the level of consumer innovativeness varies depends upon product categories. In other words, innovators are not always innovators in different product categories. Interestingly, the analyses suggest that vicarious innovativeness was found to be positively related to really new product adoption behavior only in Australia. The desire for unique consumer behavior is a better predictor of really new product adoption behavior in China and Taiwan than vicarious innovativeness. The results suggest that when introducing really new consumer electronic products, marketers should use different consumer innovativeness scales to predict adoption behavior in different countries.

The results also posit that domain specific innovativeness plays a mediating role between consumer innate innovativeness and really new product adoption. Domain specific innovativeness was found to enhance really new product adoption behavior. Further research is needed to investigate that vicarious innovativeness and the desire for unique consumer products may have moderating effects than mediating effects. Consequently, the antecedents of vicarious innovativeness should be further investigated in order to gain a complete understanding of this specific information acquisition behavior and develop a better measurement of vicarious innovativeness. Further, the findings may be specific to the sample and product category used in this study. Thus, more across countries research in other contexts could provide further evidence of generalisability.



## TABLES

Table 1: Direct and mediating effect on really new product adoption

Hypothesis	Ownership and Relative Time of Adoption (RTA)		
	Regression Coefficient (t-value)		
	Australia	China	Taiwan
<b>Consumer Innate Innovativeness (CII)</b>			
H1a: CII→DSI	.77***(8.97)	.80***(8.65)	.70***(5.70)
H1b: CII→DUCP	.025(.372)	-.12(-1.55)	-.17(-1.57)
H1c: CII→VI	-.30***(-4.02)	-.24***(-2.63)	-.39***(-4.19)
<b>Domain Specific Innovativeness (DSI)</b>			
H2a: DSI→Ownership	.20***(2.80)	.34***(4.16)	.34***(4.12)
H2b: DSI→RTA	.22***(2.99)	.41***(4.92)	.31***(3.73)
H3a: CII→DSI→Ownership	.12*(2.00)	.25***(3.27)	.30***(3.91)
H3b: CII→DSI→RTA	.11*(1.98)	.30***(5.03)	.30***(3.91)
<b>Vicarious Innovativeness (VI)</b>			
H4a: VI→Ownership	.20***(2.65)	.08(.99)	-.01(-.13)
H4b: VI→RTA	.19***(2.45)	.18(1.49)	-.05(-.71)
H5a: CII→VI→Ownership	-.04(-1.44)	-.01(.39)	.01(.21)
H5b: CII→VI→RTA	-.02(-.91)	-.02(-.65)	.05(.94)
<b>The Desire for Unique Consumer Products (DUCP)</b>			
H6a: DUCP→Ownership	-.08(-1.08)	.15*(2.18)	.21***(2.93)
H6b: DUCP→RTA	-.14(-1.66)	.13*(1.97)	.12*(1.98)
H7a: CII→DUCP→Ownership	-.01(-1.88)	-.01(-.86)	-.08(-1.54)
H7b: CII→DUCP→RTA	.01(.08)	-.01(-1)	-.05(-1.38)

\*=p<.05, \*\*=p<.01, \*\*\*=p<.001

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# CONSUMERS' PERCEPTION OF CORPORATE SUSTAINABLE ACTIVITIES: AN ANALYSIS OF THE GERMAN AND THE SPANISH CONSUMER

Johannes Stolz, University Loyola Andalusia, Spain  
Horacio Molina Sánchez, University Loyola Andalusia, Spain  
Jesús Ramírez Sobrino University Loyola Andalusia, Spain

## ABSTRACT

This study focuses on the consumer's perceived corporate sustainable activities in a cross-national comparison, contrasting German ( $n = 486$ ) and Spanish ( $n = 503$ ) consumers. We find German respondents to perceive a higher corporate sustainable behavior and better provided sustainable communication, ascertaining the highest perception among males between 18 and 25 years in Germany. Among the Spanish respondents, males were identified to exhibit the highest perception, whereas age proved to be not an influencing factor. Demonstrating different perception levels between the analyzed countries, our results indicate a better corporate sustainability level in Germany. Findings aim to help especially multinational companies to improve their information system, segment their customer base and define their marketing strategy.

## KEYWORDS

Sustainable consumption, corporate communication, consumer, perception, Spain, Germany

## INTRODUCCIÓN

Companies need to invest in corporate social responsibility (CSR) activities in order to generate favorable stakeholder attitudes and better support behaviors such as purchase or the investment in the company. Moreover the intention is to build corporate image and strengthen stakeholder-company relations (Du et al. 2010). However, besides the arising costs, CSR can also be a source of opportunity, innovation and a competitive advantage (Porter and Kramer 2006). Besides the opportunities corporate sustainable communication offers, it can also cause reputational risks (Dawkins 2004) because although stakeholders require more information about the corporate sustainable activities, they are also quickly exhausted when companies promote their CSR efforts too aggressively (Du et al. 2010). Companies often do not satisfy the stakeholders' requirements sufficiently which explains why they do not get full credit for their responsible corporate behavior (Dawkins 2004). However, the perception of environmental sustainable information varies among cultures. This may have various reasons as consumer perception is influenced by product offer, consumer knowledge and also by product information (De Pelsmacker and Janssens 2007). As consumer behavior varies among European countries, reflected in consumption and product use (De Mooij and Hofstede 2002), need for more research on cultural differences in consumer perceptions and consumer behavior is apparent" as Hyllegard et al. (2005) quote.

The analysis of two different culturally influenced countries is promising as "culture" is proven to be a distinct variable, influencing product purchase (Blackwell et al. 2001). Previous studies have proven that individual values even vary among European countries (De Mooij and Hofstede 2001). Therefore, multinational companies must be sensitive to local consumer needs and selected market conditions (Keillor et al. 2001; Hyllegard et al. 2005). Within Europe, Germany and Spain represent two different culturally influenced countries according to the five national culture dimensions established by Hofstede (1980). Taking the *individualistic* dimension as an example, Hofstede characterizes the German society as truly individualistic, focusing on personal achievement, whereas Spain, in comparison with the rest of the European countries (except for Portugal) is described as a collectivist country, focusing on the achievement of the group. Germany and Spain also differ strongly in regards to the *power distance* dimension as the German society is supported by a strong middle class, whereas Spain is characterized by a hierarchical distance between individuals. Such and further characteristics have impact on the consumers' value systems, which are strongly rooted in history and which seem to be very resistant to change

(DeMooij and Hofstede 2002). These value systems influence the consumers' sensitiveness towards environmentally sustainable issues which in turn influences consumer behavior. Due to the different culturally determined consumer requirements, we also expect unlike developed sustainability markets between Germany and Spain. Indeed, several prior studies confirm that the Spanish sustainable market has been adjudged to be less developed compared to Middle or Northern European countries such as Germany (Carrero et al. 2010; Papaoikonomou et al. 2011). These studies support Polonsky et al. (2001) who found that Southern European countries do not exhibit the sustainable characteristics of the Northern countries, describing Southern countries as "less" developed in regards to environmental issues. Considering not only culture to be an influential factor on perception, we also analyze the effect of socio-demographic factors such as age and gender. The objective of our research is to:

- (1) Determine the impact of country on perceived corporate sustainable activities.
- (2) Create a demographic profile of the consumer with the highest perception in both countries.

Companies have a special interest in further research as consumers react sensitive to corporate sustainable activities. Especially expanding European companies are addressed, who need to be sensitive to local consumer needs and selected market conditions (Hyllegard et al. 2005). The level of consumer responsibility is an indicator of the efficiency of company's communication about sustainable activities. More information about the environmentally sensitive consumer helps companies improve their environmental profile, segment their customer base and define their marketing strategy. Our research is expected to shed light on the aspects companies need to focus on to raise the consumer's attention.

## **LITERATURE REVIEW**

### **Defining Sustainability**

In the current literature, many definitions for sustainability appear. Sustainability was defined in 1987 by the World Commission on Environment and Development (WCED) as follows: "Sustainable development meets the needs of the present without compromising the ability of future generations to meet their own needs". In other words: meeting the needs of people today without risking the development opportunities and the choice of lifestyle of future generations. Sustainability can be seen in terms of balancing economic, ecological and social goals and consequences. This is also known as the "Triple Bottom line" approach (Gladwin, Kennelly and Krause 1995; Elkington 2004). Goldsmith and Goldsmith (2011) define sustainability as "everyday practices multiplied across the 6.4 billion people in the world that impact the air, water and earth". In conclusion, a common understanding of "sustainability" does not exist which leads to a far-reaching use by the companies. This article is based on the ecological aspect of sustainability, supporting Hawken (1993) who defines sustainability as an environment-centric platform on which trade can be conducted as long as natural capacities are not reduced in order to protect future generations.

### **Corporate Sustainable Activities**

Corporate sustainable activities are manifold and can be realized through initiatives for instance. Initiatives mean the company involvement in charitable causes such as donations. Companies donate every year millions of dollars to nonprofit organizations (Sen and Bhattacharya 2001; Lichtenstein et al. 2004). At present many companies, especially the multinational ones publish CSR reports within their annual report or in separate sustainability reports in order to inform the stakeholders about their responsible activities (Porter and Kramer 2006).

Corporate communication is an important tool for a company to inform stakeholders about their activities and products. Stakeholders react by not just buying more products but also by supporting the company through investing in the company or seeking employment (Sen et al. 2006). Through yearly published sustainability

reports, companies usually inform the stakeholders about results and progress of their ecologic, economic and social achievements. Published information provides a basis for the ratings and rankings which are published by non-governmental organizations (NGOs). This information however does not really affect the consumer in his purchase decision but even more other stakeholders such as government policies, NGOs or investors. In order to communicate with consumers, companies choose a diverse choice of media channels through which marketing communications can be sent to customers. Those include traditional communication ways such as television, mail or telemarketing but also more recent communication ways such as internet banners, e-mail, blogs or mobile phone communications.

Mohr and Webb (2005) state that many companies only inform about the good things they are doing, which is why consumer trust of corporate communications is low. Webb and Mohr (1998) further mention that consumers develop more confidence if companies demonstrate a long-term commitment to an issue such as the reduction of environmental damage or to a nonprofit organization. As consumer perception is a key factor to raise the benefit, companies especially need to know what to communicate (message content) and where to communicate (message channel) (Du et al. 2010).

### **Consumer Perception**

A positive perception of sustainable corporate activities is of special interest for a corporation as it needs to satisfy the special needs of its stakeholders. Consumer perception affects the image of brands and firms, their financial performance, and the propensity of consumers to buy specific brands and patronize certain retailers (Luo and Bhattacharya, 2006). Perception influences the consumers' attitudes towards the company (Lichtenstein, Drumwright and Braig, 2004) and impacts on the consumer behavior (De Pelsmacker and Janssens 2007). Mohr and Webb (2005) further state that perceived information influences the purchase behavior of the consumer. As previous research demonstrates, especially in developed countries, consumers pay special attention to the environmental behavior of companies (Wagner et al. 2009). Therefore marketing programs are lounged by companies to raise the consumer awareness about their sustainable product offer. Still, it is important to spread positive information about sustainability as Sen and Bhattacharya (2001) found out that negative information about CSR has stronger effects on the consumer than positive information.

Lichtenstein, Drumwright and Braig (2004) quote that when a company undertakes a CSR activity to the extent that the initiative signals to consumers that the company has traits that overlap with their self-concept, consumers have higher degrees of identification with the company and, in turn, are more likely to support the company. Therefore, companies try to minimize skepticism through a better CSR communication. Consumers want to know about the sustainable activities of the company they buy their products from but they also quickly become skeptical if the CSR strategies are too aggressive (Du et al. 2010). Consumers act more positively to company's sustainable activities if they receive their information from neutral sources such as independent organizations (Simmons and Becker-Olsen 2006). However, consumer perception varies among cultures. Following the definition of Kroeber and Kluckhohn (1952), we define culture as a consensus of the behavioral patterns of many individuals. This consensus is based on larger social units such as countries, comprehensive language communities or cross-national units such as the European culture.

### **Cultural Impact**

Previous experience in practice has shown that the impact of culture is far-reaching. Companies decided to adapt centralizing strategies in order to save money but a contrary effect was achieved as a centralized control leads to less local sensitivity (De Mooij and Hofstede 2002). Companies must be sensitive to local consumer needs and selected market conditions (Keillor et al. 2001).

The appearing single European market in 1992 and the start of a new Europe with a single currency made marketers believe that consumers of the member countries become more similar through the consumption of the



same products and similar television programs (De Mooij and Hofstede 2002). However, consumer behavior still differs to a huge extent between the European consumers (Hyllegard et al. 2005) caused by the different values, leading to consumption. Those consumer-leading values are based on the historical development of the particular countries and cannot be changed in a relatively short period of time. Economic systems in Europe converge increasingly but however there exists no evidence for converging values. In contrast, consumption and product use reflect the diverging consumer behavior among the member countries (De Mooij and Hofstede 2002). Schmidt and Pioch (1994) underline that the “Euro-consumer” has not yet arrived.

## THEORY AND HYPOTHESES

In the following section, we will discuss our hypotheses relating to the perceived corporate sustainable communication. Sustainable consumer perception is influenced by several factors such as product offer, sustainable knowledge or information about sustainability (De Pelsmacker and Janssens 2007). Papaoikonomou et al. (2011) found out that compared to Germany, the Spanish ethical market is still in the early phase of development. Existing social trend groups such as the LOHAS (‘Lifestyle of Health and Sustainability’) emphasize the advanced sustainable market and the consumer’s increasing sensitivity for sustainable consumption in Germany. Maignan (2001) underlines a high sensitiveness among the German consumers.

Carrero et al. (2010) name three obstacles which prevent the development of environmental ethical consumption in Spain, firstly the missing motivation, secondly additional expenses and finally the missing information, considering this last factor to be the most important obstacle. Consumers are not able to evaluate the ethical attributes of a product, if the company does not inform about the product’s social and ethical consequences. There are no specific regulations in Spain about the use or misuse of accompanying information on the products which avoids that the consumer is able to complain about a company’s behavior. This leads us to the following hypotheses:

*Hypothesis 1a:* German consumers exhibit higher perceived corporate sustainable activities than Spanish consumers.

*Hypothesis 1b:* German consumers exhibit higher perceived corporate sustainable information than Spanish consumers.

Previous studies investigating the linkage between gender and environmental issues have found significant relationships but indicate different results. Balderjahn (1988) for example found out that the relationship between environmentally conscious attitudes and the use of sustainable products was more intensive among men than among women. In contrast, Banerjee and McKeage (1994) suggest that women tend to be more environmental conscious than men. Bageac et al. (2011) observes in previous studies a more ethical behavior among women as well. Diamantopoulos et al. (2003) suggest differentiating between environmental knowledge and environmental behavior, measuring the gender effect. They believe that females exhibit higher environmental behavior and a higher concern, whereas males tend to have a better environmental knowledge. Supporting Barreiro et al. (2002) we believe that people with higher environmental concern also tend to have a better level of ecological knowledge which leads to a higher perceived corporate sustainable behavior and information. In consequence, we expect women to exhibit a higher perception than men, leading us to the following hypothesis:

*Hypothesis 2a:* Female consumer exhibit higher perceived corporate sustainable behavior than men.

*Hypothesis 2b:* Female consumer exhibit higher perceived corporate sustainable information than men.

Several prior studies have analyzed linkages between age and sustainable consciousness but mostly with non-significant relationships, indicating that younger people exhibit higher levels of knowledge (Diamantopoulos et al.

2003). In contrast, De Pelsmacker et al. (2005) identified middle-aged consumers between 31 and 44 years as most sensitive, analyzing the perception towards Fair Trade as an example of social responsibility. An explanation for this could be that consumers following the modern existing Lifestyle of health and sustainability (LOHAS) (Kotler 2011) belong to this aging group to a high extent. LOHAS are enlightened consumers who search for individual but also social and environmental benefits when doing their purchase (Carrero et al. 2010). Environmental behavior expressed through responsible purchases often cause additional expenses (Uusitalo and Oksanen 2004) which can only be carried by people with a higher income level, which are mainly represented by middle-aged. We believe that these facts also influence the perception level of corporate behavior and corporate information. Defining the existing aging group between 35 and 49 years in our study as middle-aged, we propose the following hypothesis:

*Hypothesis 3a:* Consumers between 35 and 49 years exhibit higher perceived corporate sustainable behavior than other aging groups.

*Hypothesis 3b:* Consumers between 35 and 49 years exhibit higher perceived corporate sustainable information than other aging groups.

## METHODOLOGY

### Sample Characteristics

An online-based survey was created about the individual's attitude and responsibility towards environmental issues. The questions were created in German, translated to Spanish and again translated into German, using the method of back-translation in order to achieve congruence in both languages, guaranteeing the quality of the survey (Brislin 1970). Respondents were selected randomly as the survey was addressed to German and Spanish citizens via email and through spreading the link on consumer platforms by the particular editors. Data was collected during a period of two months between November and December 2011. In total 989 usable questionnaires were returned; 503 from Spain and 486 from Germany (see [table 1](#)). Among the Spanish consumers, males composed 53.9 per cent ( $n = 271$ ) and females composed 46.1 per cent ( $n = 232$ ). Respondents' ages ranged from 18 to 72 years ( $m = 39.8$ ). Among the German consumers males composed 46.5 per cent ( $n = 226$ ) and females composed 53.5 per cent ( $n = 260$ ). Respondents' ages ranged from 18 to 78 years ( $m = 32.1$ ). Both samples represent approximately the gender balance of the Spanish and the German population according to the latest census of both countries accomplished by the German and the Spanish Institute of Statistics [Statistisches Bundesamt (DeStatis), 2011; Instituto Nacional de Estadística (INE), 2011].

### Measures

The questionnaire was divided into two sections. In the first section the respondent's perception of environmental sustainability was measured. The responses were evaluated on a seven-point Likert-type scale ranging from strongly disagree (1) to strongly agree (7). In the second section, items were added to measure demographic data such as age and gender. The survey was translated into Spanish and German. Moreover, the survey was pre-tested.

Firstly, we average the behavior representing items: *take the protection of the environment seriously, try to reduce pollution of their products, offer sufficiently sustainable products in their range, focus on the development process of sustainable products* and the information representing items *advertise their sustainable products sufficiently in the media, inform about the environmental impact of their products*, to compare the mean values of the consumers' perceived corporate sustainable activities. A *t*-test is used to determine the differences for the perception-based items among the countries. The analysis is based on Maignan (2001) who analyzed the perception of corporate responsible activities, contrasting consumers in Germany, France and the United States.



Secondly, by the use of two repeated measures ANOVA, we measure the influence of socio-demographic variables, using age and gender as independent variables and the six perception-based variables as dependent variables. The age variable is classified into the four categories, 18-25 years, 26–34 years, 35-49 years, and 50 years or older. Results of this analysis are supposed to discover differences in the perceived corporate sustainable activities between the four aging groups as well as between male and female in both countries. The analyses are run with SPSS v20.

## RESULTS

Averaging the corporate behavior-based items, we find that German respondent score significantly higher on *take the protection of the environment seriously* ( $p < .001$ ), *offer sufficiently sustainable products in their range* ( $p < .001$ ), *focus on the development process of sustainable products* ( $p < .01$ ) than Spaniards (see [table 2](#)). A non-significant difference was detected for *try to reduce pollution of their product* ( $p > .05$ ). Due to one non-significant relationship, Hypothesis 1a can only be partially approved. Consistent with Hypothesis 1b, we find that German respondent score significantly higher on: *advertise their sustainable products sufficiently in the media* ( $p < .05$ ), *inform about the environmental impact of their products* ( $p < .001$ ) when averaging the corporate information-based items.

Among both consumer groups, gender had highly significant effects for every item as males scored significantly higher ( $p < 0.01$ ) on every single item (see [table 3](#)). Among the German respondents, the greatest difference between men and women was found for the behavior-based item: *take the protection of the environment seriously*. Among the Spaniards, the highest difference between men and women was scored for the information-based item: *advertise their sustainable products sufficiently in the media*. Due to the lower scores among the female consumers in both consumer groups, our Hypothesis 2a and Hypothesis 2b, stating that women exhibit higher perceived corporate sustainable behavior and higher perceived information than men can be declined.

Cross-national differences were detected for the variable age. Among the German consumers, young consumers were detected to score the significant highest values for the variables *take the protection of the environment seriously* (26-35 years), *advertise their sustainable products sufficiently in the media* (18-25 years), *inform about the environmental impact of their products* (18-25 years) and *offer sufficiently sustainable products in their range* (18-25 years). No significant relationships were observed for the items *try to reduce pollution of their products* and *focus on the development process of sustainable products*. Among the Spanish consumers, age had no significant effect for all the variables. Thus, results based on age cannot be interpreted in the Spanish sample. In consequence, our Hypothesis 3a and Hypothesis 3b, stating that consumers between 35 and 49 years exhibit higher perceived corporate sustainable behavior and higher perceived information than other aging groups can be declined.

## CONCLUSION AND IMPLICATIONS

This article sought to analyze the perception of corporate sustainable activities among the respondents and whether there exist cross-national differences between consumers in Germany and in Spain. Moreover, a socio-demographic profile of the highest perceiving consumer was supposed to be created.

We find that perceived corporate sustainable activities vary between the analyzed nations, as we identify a higher perception of sustainable information and mostly a higher perception of corporate sustainable behavior among the German consumers. Compared to other aging groups between the Germans, over all young people between 18 and 25 years perceive companies to act in a sustainable manner, whereas no higher perceiving aging group could be identified among the Spanish consumers.

Our results imply for practice that in Spain consumers of all ages and in Germany overall older people are in need of more information about the sustainable activities of the companies. We suggest companies to focus on different aspects in order to address these aging groups. Younger people could be advised of the money saving aspect when purchasing the company's products, whereas middle-aged or older people could be convinced by advising on the health aspect, which sustainable products provide. For companies in both countries it is further important to address female consumers as they often decide about the purchase of household goods. In general, consumers' attention could be raised through a better visual product presentation and a labeling of ethical products informing about the manufacturing process and the environmental consequences of the product use.

Further research should focus on the pattern behind the displayed perception in Germany and Spain in more detail. It could be interesting to find out to what extent perceived corporate sustainability is influenced by further factors such as ethical market size, personal motives, education and income level. Research in this area may be promising for companies who need to raise consumers' attention by increasing the efficiency of their sustainable activities

**Table 1** Demographic profile of respondents ( $n = 989$ )

Demographic profile	Germany				Spain			
	Survey		Population		Survey		Population	
Gender	N	%	N (m)	%	N	%	N (m)	%
Male	226	46.5	39.8	49.2	271	53.9	23.2	49.4
Female	260	53.5	41.5	50.8	232	46.1	23.8	50.6
Total	486		81.3		503		47.0	
Age								
18-25	123	25.3	7.7	11.2	22	4.4	3.9	10.3
26-34	209	43.0	8.9	13.0	140	27.8	6.3	16.6
35-49	89	18.3	18.3	26.6	246	48.9	11.3	29.8
50 or over	65	13.4	33.8	49.2	95	18.9	16.4	43.3
Total	486		68.6		503		37.9	
Education								
Graduation	70	14.4			36	7.2		
Apprenticeship	61	12.6			13	2.6		
University	345	71.0			445	88.5		
Degree								
Other	10	2.0			9	1.8		
Mean values								
Age	32.1		45.3		39.8		40.9	
People (mean)	2.44		2.0		3.11		2.7	
People < 18 (mean)	0.28				0.71			

**Table 2** Mean value comparison of German and Spanish consumer perception

Companies in my country...	Spaniards ( $n=503$ )		Germans ( $n=486$ )		<i>T</i> value	<i>p</i>
	M	SD	M	SD		
...take the protection of the environment seriously.	2.73	1.291	3.62	1.442	-10.18	0.000***
...try to reduce pollution of their products.	2.79	1.347	3.19	1.374	-4.55	n.s.

...offer sufficiently sustainable products in their range.	2.42	1.119	2.83	1.286	-5.33	0.002**
...focus on the development process of sustainable products.	2.89	1.265	3.16	1.373	-3.19	0.018*
...advertise their sustainable products sufficiently in the media.	2.64	1.247	2,98	1.388	-4.12	0.025*
...inform about the environmental impact of their products.	2.33	1.268	2.62	1.422	-3.36	0.000***

\*\*\*Significant at 0.1% level. \*\*Significant at 1% level. \*Significant at 5% level.

**Table 3** Demographic effects on perceived corporate sustainable activities

	Country	Age				Gender	
		18-25	26-34	35-49	>50	Male	Female
...take the protection of the environment seriously.	GER	3.72**	3.79**	3.21**	3.42**	3.94***	3.33***
	ESP	2.45	2.60	2.78	2.85	2.89***	2.54***
...try to reduce pollution of their products.	GER	3.31	3.20	2.92	3.28	3.49***	2.92***
	ESP	2.59	2.65	2.82	2.99	3.00***	2.55***
...offer sufficiently sustainable products in their range.	GER	3.06*	2.84*	2.49*	2.80*	3.03***	2.65***
	ESP	2.36	2.29	2.40	2.68	2.57***	2.24***
...focus on the development process of sustainable products.	GER	3.24	3.19	2.93	3.26	3.37***	2.98***
	ESP	2.73	2.84	2.89	3.03	3.11***	2.65***
...advertise their sustainable products sufficiently in the media.	GER	3.16*	3.08*	2.64*	2.82*	3.25***	2.75***
	ESP	2.45	2.61	2.67	2.64	2.87***	2.36***
...inform about the environmental impact of their products.	GER	2.72*	2.73*	2.25*	2.57*	2.81***	2.45***
	ESP	2.27	2.24	2.29	2.58	2.51***	2.12***

\*\*\*Significant at 0.1% level. \*\*Significant at 1% level. \*Significant at 5% level.

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### **Session 10.3. Looking Forward and Back at Survey Research Response Issues in Marketing Research**

Room: Yarra #2

Session Chair: David Ortinau, University of South Florida

#### **Session Participants:**

David Ortinau, University of South Florida

Yasemin Ocal Atinc, Auburn University, Montgomery

Barry Babin, Louisiana Tech University

Mitch Griffin, Bradley University

## WHY CONSUMERS SEEK ‘COOLNESS’? EVIDENCE FROM THE ARAB WORLD

Kaleel Rahman, RMIT University, Australia  
Gaurangi Laud, RMIT University, Australia

### ABSTRACT

The charm of *coolness* is seemingly enhanced by the mysteriousness of what *cool* actually means. Figuring out how to be “cool” is arguably an important phenomenon amongst many modern cultures today. Consumers identify their *coolness* by seeking products and brands that provide them with cool status (Belk et al, 2010). While researchers have identified this cultural shift having a significant impact on how consumers are buying products, an in-depth understanding of its origin and meaning of this vernacular usage for the relevant consumer research is limited. As such, the purpose of this research is to understand consumers’ ‘cool seeking’ behavior by exploring its possible determinants using a stepwise regression analysis. Drawing evidence from the Arab world our findings indicate that although the primary need for uniqueness drives *cool identity*, status concern is the most dominant predictor of *cool-brand consciousness*. We also demonstrate that in the Arab world cool is influenced by West, but not related to income, religion or gender.

The urge for uniqueness from the mainstream is the essence of coolness (CoolBrands, 2011). Literature suggests there are various manifestations of how individuals portray their ‘coolness’ behaviors. For example a person who exhibits novelty-oriented construction of himself, a rebellious trickster demeanor, emotionally self-protecting stance or one that has a ‘cool’ style of walking, gesturing and grooming can be termed as a cool person (Belk, 2006). Research indicates that such coolness is constantly sought by modern consumers to depict their character and lifestyle to others in their social network (Rahman and Cherrier, 2010). Traditionally, the element of cool is literally linked to teenagers as an ultimate approval of their peers (Danesi, 1994; O’Donnell and Wardlow, 2000) and to people in the fashion industry (Nancarrow et al., 2002); but contemporary consumers are not seen adhering to these age or gender stereotypes when seeking coolness (Neumeister, 2006).

Despite previous studies in understanding ‘coolness’ (e.g. Belk, 2006) there is little quantitative research that examines ‘cool seeking’ phenomenon in its vernacular usage. This understanding is important because it can have specific effects on consumers purchase patterns. There is a general agreement that ‘coolness’ is conceptualized as alternative value system but an evidence based systematic linking between antecedents of coolness, demographic variables and cool seeking behavior has not been undertaken in the marketing literature. Thus, this study aims at providing a coolness-minded perspective of consumers to offer insights into the predictors of cool seeking tendency.

The present research provides a distinct psychological, social and behavioral patterns experienced by the Arab consumers when pursuing ‘coolness’ as part of their personality. The study highlights consumers’ ‘seeking coolness’ is actually an extension of their ‘cool identity’ and their consequent preferences for cool products or ‘cool brand consciousness’.

**SPECIAL SESSION TITLE: LOOKING FORWARD AND BACK AT SURVEY RESEARCH RESPONSE ISSUES  
IN MARKETING RESEARCH**

Barry J. Babin, Louisiana Tech University

**ABSTRACT**

This session presents issues related to the changing technologies and trends associated with data collection in marketing research. Particular emphasis is given to research practices that impact the generalizability of results. The session raises the question as to whether or not response representativeness remains an important concern for researchers. Three papers are presented to stimulate audience discussion. David J. Ortinau focuses specifically on communication technologies and examines the potential implications for sample representativeness that come from different sample sources. Lauren Brewer's work focuses more specifically on the nature of student responses and the extent to which student responses may represent realistically the responses from other consumers and more generally reviews the role played by student volunteers in consumer research. Yasemin Ocal Atinc presents research focusing specifically on issues related to response rates. What are trends in response rates across the key marketing journals and what steps are taken by authors to make sure that the data they present adequately represent some relevant population? The results of these papers provide motivation for researchers to portent to basic issues of their research related to response and nonresponse error. Are we producing studies that display more rigor on the analytical side than they do in the basic research design and if so, what impact would this have on the meaningfulness of basic marketing research?

# **A RETROSPECTIVE ON THE USE OF SURVEY METHODOLOGIES IN MARKETING RESEARCH**

David J. Ortinau, University of South Florida

## **ABSTRACT**

From a historical perspective, the methodologies used to collect and analyze various types of data structures in marketing research have undergone a number of popular trend changes from personal interviews and simple frequency, cross-tabulation, and correlation analysis procedures to complex experimental designs and advanced statistical analysis (ANOVA, MANOVA, SEM, and PLS).

Regarding survey methodologies, the advances in telecommunication technologies and methods (i.e., Internet and social media) of connecting with prospective respondents have significantly changed over the past two decades. For example, survey research during the 1970s and 1980s relied heavily on telephone and snail-mail, self-administered, pencil and paper survey methods as the two main methods of obtaining responses from a broad base of respondents. These methods required emphasis on scale measure designs, questionnaire layouts, as well as understanding defined target population characteristics in order to assure solid representation of a probability-based sample of respondents. Researchers' understanding of the different scale levels (i.e., nominal, ordinal, interval, ratio), scaling properties (i.e., assignment, order, distance, and origin), and the three basic elements that made up any scale measurement (i.e., the setup/question, desired attributes, and set of scale point descriptors) were critical in the designing of appropriate construct measures.

The 1990s and early 2000s ushered in the fast growing popularity of telecommunication technologies associated with the Internet and social media communities, influencing researchers' desires for faster, cheaper, electronic/online/email and web survey alternatives of collecting marketing research data. Well defined target populations and probability-based sampling designs were replaced with non-probability-based, convenience samples of respondents who either opt-in for participation or held membership in an identified social media community. Construct development and scale measurement procedures advocated in the 1980s, were rapidly replaced with "adopting" and/or "adapting" constructs and scales previously reported in the literature as means to save time, effort, and money.

The mobile telecommunication technologies of the late 2000s and 2010s (i.e., smart phones and Tablets) bring more advances and changes to survey research methods. In contrast, these new electronic advances create new data quality and data representativeness questions worthy of discussion.

This particular presentation adds structure and discussion points to the session's overall objective of the tools and methodologies used by researchers in addressing concerns about the adequacy of sampled respondents in construct/scale measurement development, data quality, and representativeness to defined target populations.

## STUDENT SUBJECTS: HUMAN LAB RATS OR GENUINE CONSUMERS?

Lauren M. Brewer, Louisiana Tech University

### ABSTRACT

For generations college students have participated in university studies for meager incentives such as a few points of extra credit, nominal cash amounts, or some other slight token of the researcher's appreciation. In marketing research, students evaluate often products for which they are unfamiliar, project themselves into pre-specified situations, and are asked to make pretend decisions regarding purchasing behaviors for things they have never and may never consider buying in their lifetime. Despite the criticism of college students as sample subjects, they may be useful "human lab rats" playing an important role in the development of marketing and/or consumer research.

Empirical studies in the *Journal of Consumer Research (JCR)* from 2000, 2005, and 2010 were examined for instances of student subjects evaluating a product or product category. *JCR* was selected for analysis due to the abundance of empirical studies and student samples. The criteria for selection required that student-subjects evaluated at least one product independently, or as part of a larger consumption scenario and used at least one sample of students, either undergraduate or graduate level. A total of eighty one articles out of a possible one hundred seventy six fit these criteria and were selected for inclusion. In the session, patterns of usage are discussed.

Further, an exploratory empirical investigation was conducted using current college students (both undergraduate and graduate levels) and non-college students. The purpose of the study was to investigate whether different levels of knowledge existed between students and non-students for selected products or product categories that were used in published *JCR* journal articles from 2000 and 2010. Results from this exploratory research also are offered to generate discussion.

The results suggest that in general, differences in products and product category knowledge exist between student and non-student populations. As a result, the generalizability of results or the ability of the students to be ubiquitous representatives of the relevant consumer population may be suspect. The current study was simple in nature, looking only to see whether significant differences existed between groups at the level of overall product knowledge on a subjective basis. Further analysis will benefit from a shorter version of the scale used with additional analysis of objective measures.

## RESPONSE RATE AND RESPONSE BIAS IN MARKETING RESEARCH

Yasemin Ocal, Auburn University Montgomery  
Barry J. Babin, Louisiana Tech University

### ABSTRACT

In this study, we investigate the perspectives of marketing researchers views about the two important concepts of survey research, response rate and response bias. In an attempt to answer the research questions stated, we have collected both primary and secondary data. The primary data was collected from the Academy of Marketing Science active members. Eight versions of an excerpt were taken from an actual article that was accepted for publication recently.

The first treatment was regarding the consideration of population. The subjects were manipulated with two versions of the excerpt of which one was with a Canadian sample and the second was with a so called North American sample. The second treatment was about the manipulation of the initial number of surveys sent out which as a result would change the response rate percentage. The two different versions included 500 vs. 5000 initial surveys sent out varying the response rate from 5.1% to 50.2%. The third treatment included the manipulation of Armstrong and Overton (1977) citation. First version contained a sentence that stated that the early and the late respondents were compared and no significant differences were found as evidence of no response bias including the citation of Armstrong and Overton (1977). The second version of the excerpt included a table with the expected demographics regarding the population of interest. In addition to these, the subjects were also assigned to two different conditions where they were asked to evaluate the excerpt as an author or as a reviewer. In the invitation email respondents were asked to toss a coin or to click on a web link that would toss the coin for them and select the appropriate link that corresponds with their choice. In order to assess the popular techniques of enhancing response rate, we have divided the sample into several groups as the pre-notification, the reminder and the pre-notification and reminder groups and a control group that received neither the reminder nor the pre-notification treatment. The results revealed that, according to our sample none of the techniques mentioned above, improve the response rate.

The secondary data were collected from major outlets of the marketing science (*Journal of Marketing*- JM, *Journal of Marketing Research*-JMR, and *Journal of the Academy of Marketing Science*-JAMS) during the periods of 2005-2010. The final sample consisted of 68 JM, 23 JMR and 84 JAMS articles. In addition to these, we also randomly selected 31 rejected articles from the *Journal of Business Research* (JBR) archives.

The results of the study revealed that, survey researchers do not clearly grasp the concepts of response rate and response bias. In addition, the results demonstrated that the data quality should be measured by the sample's representativeness of the population and the researcher's capability of decreasing the response and the non-response biases. Further, the techniques used to enhance response rate such as reminder and pre-notification letters as well as incentives are not as effective and are likely to introduce additional response bias to a study. The results also showed that the optimal data collection method researchers should consider adopting is the combination method.

#### **Session 10.4. The Changing Nature of Market Research**

Room: Clarendon A

Session Chair: Michael Gardiner, University of Southern Queensland

##### ***A New Era: How New Media Might Shape Research Methods***

Sarah Quinton, Oxford Brookes University

##### ***How the Innovation Diffusion Models from the Past Can Help Us to Explain Marketing in the New Media Era***

Cinzia Colapinto, University of Venice

Elena Sartori, University of Venice

Marco Tolotti, University of Venice



# **A NEW ERA: HOW NEW MEDIA MIGHT SHAPE NEW DATA AND RESEARCH METHODS**

Sarah Quinton, Oxford Brookes University, UK

## **ABSTRACT**

The behaviour shift brought about by the adoption of internet technologies by both consumers and organisations necessitates a new approach to researching. Whilst the commercial market research industry has operationalised new media in research, academic researchers have lagged behind their commercial colleagues in doing so. This paper provides a rationale for incorporating new media as both a tool and a site for research in marketing, outlines how new media might shape new data, through examples, and identifies the beneficiaries of doing so.

## **INTRODUCTION**

The rise in use and adoption by consumers of internet technologies including social media has created a shift in consumer behaviour. This behaviour shift necessitates new methods and approaches to researching modern consumers. As suggested by Rheingold in 1993, marketers and researchers should inhabit the same spaces, virtual or physical, that consumers exist within. As early as 1985, Moor pointed out the lack of comprehensive policies with which to manage human interaction with computer technology. In addition, Zaltman's call for further consideration of new research methods that encompassed developments in technology (Zaltman 1997) was later echoed by Boyd and Ellison (2007). The Internet as a space for research is seen as a conflation (Bassett and O'Riordan 2010) of person, technology, activity and social space. Bassett and O'Riordan also suggest that both spatial and textual understanding need to be considered. Zaltman (1997) had previously proposed visualization as both a method and an outcome of technology-enabled research which should be given more prominence.

Practitioner-led papers have also outlined the failures of marketing's research to provide insight into the complexities of contemporary consumption by the over-reliance on traditional data collection methods and called for a wider range of tools and approaches (Cooke and Buckley 2008). Research in marketing takes many forms, predominantly involving people, whether they are consumers, customers or other stakeholders. Despite Cooke and Buckley's assertion above, practitioner-researchers have, in the last five years, trialled new digitalised data collection techniques (Baker et al 2011; Spencer and Baines 2012) including the growing interest in MROCs (market research online communities). The commercial market research environment with its growing requirements to be more cost efficient, deliver insight more quickly and identify new product ideas for development is starting to operationalise using new media in marketing research (Troch and De Ruyck 2012). However, so far marketing academic researchers have lagged behind their commercial colleagues in embracing new approaches to data collection through new media.

This paper has two aims; 1) to outline a justification for the application of new media in research in marketing, and 2) to propose through examples, the implementation and potential value of using of new media as both the site and the tool for research in marketing. This paper posits that the increased research possibilities brought about through the use of digital and internet data should encourage reflections on the potential value of the new data sources.

An outline of the need for new media in research in marketing is followed by how new media might shape new data. The applications of new data in both quantitative and qualitative research are highlighted and the beneficiaries of embracing new data in research within marketing are then identified. This paper will lead to debate within the research methods domain because of the vested interest of marketing academics and practitioners in producing rigorous and well informed research outputs. As research is central to academic practice and subject advancement, new ways to approach data should at least be considered.

## **BACKGROUND**

New media, for the purposes of this paper encompasses all internet and digitally enabled media through which data may be collected, shared and analysed, such as blogs, QR codes, e-questionnaires, emails, e-delphi, Skype interviewing, geo-location and tweet content. New media can be consumed by the original authors and others in both real time and for extended periods

of time after initial publication regardless of their physical location (Hennig-Thurau et al 2010). New media offers researchers in marketing manifold opportunities at an implementation level as a tool for more traditional research, such as online surveys, subject recruitment for research as well as the storing, processing and sharing of data. New media provides avenues for the identification and collection of new data, both 'new' in terms of now able to access and also 'new' in terms of the content of the data not existing previously (Zimmer 2012; Salmons 2013). For example, being able to access click through rates on a website was not previously accessible and the content of micro-blogs such as Twitter did not exist pre the development of social networks. Thus new media is both a means of enquiry and a way of communicating with research participants about any experience either on or offline as well as the subject of enquiry and site of research that studies online behaviours.

More importantly, new media can be the site of the research, such as observing/interviewing virtual communities, harvesting data from tweets, blogs, images, etc., all posted online (Zimmer 2012). Furthermore, new media and the shift in consumer behaviour offers researchers a chance to re-appraise the established boundaries of subject/participant-researcher relationships and develop new approaches to the interactions between parties to fully optimize research success in the future of research in marketing. Not only can new data be generated about which to ask questions, but new questions can now be asked of the new data.

From a research perspective, and in addition to Salmon's (2013) suggestion that all digital data are deep data (that which requires deep knowledge to ask the right questions of the increasingly complex interwoven digital data), digital data can be categorised into three distinct types: (a) already posted and available data from discussion forums, tweets, YouTube content, etc.; (b) research designed and implemented through the internet to answer a specific research question; and (c) authorship created through the internet, such as blogs, diaries, self-published works and the aggregators that pull the content of these together etc. Tucker's 2010 report for the OECD classifies internet data into data collected by individual firms, data collected by market research agencies and user generated content data. All these data types require consideration of the design, collection, analysis, presentation and archiving by researchers. The categorisation and collection of digital data have led to greater automation of data collection and greater use of longer term data communities - "getting more from the same" (Troch and de Ruyck 2012: 569). Digital data can also be transformational data in cases where previous methods offer less efficacy or do not achieve the results needed. Digital data offers the ability to connect multiple ideas and potentially create more research value as the insight is deepened.

In addition to considering these types of data, researchers also need to consider the owners, participants and contributors of the digital data and the type of relationship that is most appropriate for each investigation (Mann and Stewart 2000). Additionally much past research was based on individual oriented methodologies, for example the interview or the questionnaire offered to an individual respondent. The digital era and the blossoming of social media as used in research comprises of a more group based methodology (Salmons 2013; Poynter 2010), such as the sharing and disseminating of data collection tools, the collective discussion of a research topic through a digital platform.

### **Contention within the use of New Media in Research**

Hine's influential work (2000) outlined the research possibilities created as a result of new media in her book *Virtual Ethnography* and Zwass, ten years later, proposed a taxonomy to improve understanding of co-creational research in the development of knowledge within e-commerce (Zwass 2010). Authors such as Gurney et al. (2004) have suggested that the internet is only a complementary research tool and that if used it needs congruency with research objectives (which is true of all research tools). An even more critical view of the use of new media as a valuable research method was outlined by Branthwaite and Patterson (2011), who declared that social media is a poor replacement for other qualitative research approaches. Issues in using online tools for research have also been highlighted by Bruggen and Willems (2009) and Comely and Beaumont (2011). Pettit (2013) points to the inconsistencies of results across different social media platforms when used in research. A further issue that should be acknowledged is the involvement of commercial organisations. Whilst there is significant potential in the adoption and use, where appropriate, of new media in research the impact of the use of commercial platforms for research and analysis should be acknowledged. Organisations which develop these platforms as well as proprietary tools have their own commercial objectives which manifest themselves in the features offered. For example, the scraping of micro-blog content, or the tracking of social media exchanges. The influence that the design of these tools might have on the interactions detected or the limitations it creates on the data collected are not yet known.

However, despite scepticism of its usefulness, examples of recent research using new and varied media as a site of research include; research involving blogs (Hookways 2008; Kozinets 2010), Twitter and its potential creation of value (Wilson and

Quinton 2012), the use of videography (Belk and Kozinets 2005), online keyword search data (Yuxing and Kamakura 2012), virtual snowball sampling using Facebook (Balter and Brunet 2012), online survey concerning illegal music downloads (Lorenzo-Romero et al 2011) and comparisons between user generated community pages and brand based community pages to measure impact on consumer behaviour (Goh et al 2013).

The rise in research on and within the internet cannot ignore the recent sub-category of research ethics which focuses solely on new media ethics. As Rosenberg states, 'online environments provides us not only with new research opportunities, but an ethical conundrum' (Rosenberg 2010:35). Indeed, The Association of Internet Researchers considers internet research ethics a dividing issue. Examples of papers covering this area include but are not limited to; information privacy (Hugl 2011); conceptualisation of privacy (Fuchs 2011), dilemmas of disclosure (Bateman et al 2011). Whilst ethics is not the focus of this paper it is worthwhile acknowledging the issue and considering the on-going need for rigorous yet flexible research ethics policies if researchers are to have greater involvement with those who participant in and help form research outputs. Though the disruption of new media through digitalization has been recognized as impacting both practitioner-led marketing research (Chadwick 2006) and academic-led research in marketing, clear strategies on the expected research norms have not yet evolved as a result of these changes brought about by digitalization.

## **NEW MEDIA AND SHAPING RESEARCH VIA CO-CREATION AND COLLECTIVE INTELLIGENCE**

New media is partially a set of collaborative tools with which marketing can be explored. In order to optimize the potential of new media for research, researchers should engage with both individuals and groups at a more meaningful level. As familiarisation with digital media on the part of both consumers and researchers grows, it is logical that using crowd sourcing and co-production will continue to increase. The growing breed of pro-sumers (Humphreys and Grayson 2008) are likely to respond more positively to requests for research participation than previously, if new media is used both as the tool and or the site of the research. Collective intelligence may be gathered from a wider range of participatory research subjects drawn from and using new media to both access and engage with these audiences. Indeed the diversity of participants is a characteristic of the potential superiority of collective intelligence (Zwass 2010). Cooke and Buckley (2008) noted that respondents involved in several market research projects found multi-modal approaches more engaging, resulting in more insightful data.

The co-creational value that has been acknowledged as influential in the marketplace (Zwass 2010) can also be transferred to the research domain. The concept of co-creational research in marketing has been demonstrated by Binkhorst and Den Dekker (2009), who mentions the potential of dialogue between equal partners as a replacement for established research perspectives. Their premise is that tourists have valuable insight and should be involved at a central level in ongoing research discussions. This dialogue, it is proposed, then leads to the creation of better tourism experiences. The progression towards inclusive research is dependent upon researchers forming mutually respectful relationships with individuals who make up the new digital communities. Both the research community and the knowledge communities have equity in the value of their contributions. Researchers contribute to the new relationship environment through their expertise at drawing out information, participants by contributing as individuals and digital community groups as potential suppliers to the entire process of research, from feedback on pilot work to use of community networks through which to disseminate both the questions and the results.

## **NEW MEDIA AND SHAPING RESEARCH VIA IMMEDIACY AND GROUNDSWELL OF DATA**

The immediacy and quantity of data now available via the internet creates new opportunities for research in marketing. Both the speed of the availability of data and the concentration of research participants can create advantages for researchers. Data may be instantly sourced in real or almost real time. Online communities create strong homophilic networks which may condense previously disparate opinions, thereby easing the process of gathering information for the researcher as the desired participants may be linked digitally. An example of dispersed yet connected groups could be researching the stock market movements, by means of aggregating expert information from online communities, whose individuals have a diverse knowledge base but are grouped together in communities – making them easy to access.

Future topics for research can be gathered quickly from online discussion forums through identifying common and popular discussions on a professional forum. For example a doctors' discussion group might outline a consensus opinion for a need for research into neonatal disorders. Within the marketing context, collecting data on reviews immediately following a product launch of, say, a consumer electronics product could promptly determine the need for further research on the product's particular features. Observing trending topics on social media could also indicate subjects for future research as if a topic is of concern or interest to consumers it may be worthwhile to research, food labeling might be such a case (Cataldi et al 2010; Sun and Lin 2013).

## **NEW MEDIA AND SHAPING QUANTITATIVE AND QUALITATIVE RESEARCH**

### **Applications of New Media in Qualitative and Quantitative Research**

Having established in previous sections the potential of using new media in research and acknowledging the contentions within doing so the discussion moves to illustrating how new media can shape research through the use of examples drawn from both quantitative and qualitative research. The ability of the Internet to aggregate data, and provide access to data combined with the ability of the digital environment to distribute data produced as either a research instrument or a dissemination vehicle to communicate findings to wider audiences is powerful. Content created and shared digitally can be research content. The exemplars given below offer a breadth of different ways in which to employ new media in research in marketing.

#### **New Media Applications in Quantitative Research**

Other researchers might consider that new media's suitability for research might be limited to qualitative areas. However, there is a growing cadre of work which proves otherwise. Sirkeci and Bara Magnúsdóttir's 2011 exploratory paper conducted a large scale online survey of illegal music downloading, thus using digital media to research digital activity and the results were analysed via regression models. This paper identified the choice made between illegal and legal music downloads was based upon the service attributes of the provider. In addition, Lorenzo-Romero et al. (2011) combined an online questionnaire with TAM and structural equation modeling to understand the adoption of social network sites and the behaviours within those sites of Dutch users.

Explanatory quantitative research has been undertaken by Yuxing and Kamakura (2012), who employed online keyword search data from Google Insights for search across multiple vehicle brands over six year period to develop trendspotting and market sensing capabilities via structural dynamic factor analysis of the data. The output of which has potential to be used in sales forecasting systems or for post product launch tracking against forecasts. Causal research using new media can be illustrated by Banerjee et al's work on distinguishing the reasons why consumers had or had not used mobile phone text coupons and the linkage to future purchase likelihood (Banerjee et al 2011). The data used included use of opt in traced mobile text coupon promotion data via an American national fast food chain, combined with a post promotion online survey to probe the redeem - not redeemed behaviours. New media's use in research in marketing has been extended to model testing. Chung and Rao (2012) used a large scale collection of online consumer ratings of movies to develop a consumer preference model that may have wider applications to other recommendation services.

New media has also been incorporated in cross-sectional research. Brettel and Spilker-Attig (2010) collected online sales transactions over a year from a bookseller to compare behavior between French and American customers. Clicks, impressions and order data were gathered on single book orders. The raw data were analysed via structural equation modeling to determine the effectiveness of online advertising to the two groups of customers. Even longer time frames of new media data collection can be found in Hong and Sun's (2011) longitudinal study of online movie rental data. This unusual study explored physical coldness and romantic films. A three year time frame of 2500 customers' movie rental activity measured rental rates of romantic movies against temperature recorded for that period. These actual data were combined with four simulated laboratory studies and found that there is some relationship between romantic movies and colder temperatures.

## **New Media Applications in Qualitative Research**

New media can be utilised for idea and new product concept creation (ideation) and evaluation by influencers and early adopters of the particular product category as an exploratory research approach. This has been adopted and documented by firms such as Procter and Gamble with their Connect + Develop website and Starbucks with their MyStarbucks flavor and product creation digital spaces which capture offered ideas from consumers. In the academic realm findings from early stage exploratory research could be disseminated into academic networks for expert peer feedback and refinement for further stages of research, for example the National Centre for Social Research @NSMNSS on Twitter. Furthermore new media has been employed as the basis for explanatory research. Kozinets et al (2010) explained the use of e-wom in online communities as co-produced narratives. Seeded blog activity from 90 bloggers around a new mobile phone product was combined with data from blog entries scrapped from social media for a period of three months. The data were coded into categories and a grounded interpretation employed. Key findings from this study included the importance of understanding communal norms for maximum impact by marketers if using e-wom.

Qualitative research as a longitudinal study to develop understanding of behaviour through the use of new media as the site and tool for research is illustrated by Webber's 2013 exploration of consumers' information seeking activity on Second Life, a virtual world environment. Interviews were conducted in Second Life by researchers and the participants responded, some in their Second Life avatar characters. The conversations were conducted using text chat, a function in Second Life that can be logged automatically. Ninety one interviews over a period of four years elicited rich data from which categories of need for information and the outcome of that information were created. Suggestions were given as to the potential role of networks in virtual worlds and social media as a means of gaining information and knowledge for people.

A further innovative use of new media in qualitative research which provided novel insight to add to the canon of consumer generated content research literature was Berthon et al's 2011 study of generation Y's creation of their own social environment through video production and usage, on the basis that video may have superseded text as an indicator of how that generation live their lives. The context of interest was consumer relationships with Facebook and three chosen user generated videos including a fabricated infomercial of how Facebook could change someone's life. The number of views each video received was combined with models taken from psychology. Visual, vocal and textual imagery and narratives were investigated. The authors posited that participation and performance in video production viewing or sharing suggests that generation Y are outer directed and reliant on social feedback and take their cues from others cross digital platforms.

## **THE BENEFICIARIES OF DATA FROM NEW MEDIA**

Value in the form of insight can be created by the appropriate use of new media in research methods. Humanistic inquiry, in which researchers immerse themselves with the phenomenon (see Hirschman 1986) is one type of research that new media lends itself to. Value can also be created for organizations through co-production (Arvidsson, 2008) which includes the contribution to, and user generation of, research. The main beneficiaries of data from new media are the research community, the teaching community, institutions, marketing practitioners, consumers and citizens.

### **The Research Community**

Researchers may benefit through improved response rates to research instruments. A more enlightened research approach incorporating relevant new media may stem the fall in research response rates and improve quality of responses (Beer 2008; Balague and de Valck 2013). Owing to respondents' higher engagement with the research. Beyond relationships new, media also gives researchers opportunities to research areas previously impossible to access, such as real time influences on buying decisions made via web enables mobile phones, or the tracking ability to follow consumer journeys remotely. Research that involves knowledge communities via the internet may be the recipient of a greater pool of new ideas generated from the community.



Complexity in the market place coupled with the intensity of competitor activity encourage the situation whereby the consumer and the marketer are ever more reliant on each other's knowledge (Tuli et al 2007; Nordin and Kowalkowski 2010). New media, if used in research, can create and sustain the interaction necessary to collect and explore and feedback in a continuous cycle between the marketer and the consumer. In the academic context this loop of interaction and co-creational research may increase the efficacy of joint problem solving (Aarikka-Stenroos and Jaakkola 2012) and provide deeper insight.

### **The Teaching Community**

Teachers of research methods are the gatekeepers of explaining and developing new research competencies amongst research students. As text books currently have little to say on the subject of the use of new media for academic research (notable exceptions being Poynter 2010 and Kozinets 2010 ) is it thus the responsibility of educators to encourage the trial and adoption of new approaches to research? Within the Sociology subject domain the digital research debate has begun in forums such as 'Thinking Culture'. In addition, certain aspects of using digital data in research methods is now being taught on Sociology masters degrees at York University, UK, amongst others. Marketing as a subject owes much to Sociology as a major influence and could potentially benefit by incorporating such thinking into its own subject development. A lack of familiarisation on the part of the teachers of the possibilities of the use of new media in research may stifle the evolution of research methods as a subject which would have negative consequences for the design of relevant research that reflects the digital age. Non engagement with developments in a subject may also deplete future graduates' abilities to commission and evaluate research when employed.

### **Institutions and Research Bodies**

People within the digitalised environment produce huge quantities of raw data across different platforms and are connected to multiple networks, thus extending the reach of potential research projects in attracting the new knowledge co-creators, whether in consumer or business research in marketing.

Institutions such as universities may be able to attract further research funding from the technology industry once they have demonstrated a willingness to trial new approaches to research. More specifically, marketing departments within universities may attract interest from the marketing research industry as potential research partners with whom proprietary new media research tools can be shared once the departments have been proactive in experimenting with new media in their research. New approaches to data collection may be looked on favourably by funding bodies as a more relevant approach to developing insight into the digitalized economy.

### **Marketing Practitioners**

The evolution of technical capability in, for example, linking sales data to social media interactions and consumer generated content is a powerful ally for marketers. Marketing practitioners and marketing agencies have already embraced new media to gain consumer insight and provide opportunities for their clients and brands. Agencies which can demonstrate greater relevancy and efficacy in their consumer research through the use of new media will be increasingly sought after by organisations. Practitioners able to understand, commission and interpret research that has incorporated new media will be prized.

### **Consumers**

Greater understanding of consumer behavior, preferences and attitudes and the subsequent improved service and or goods offered as a result of this enhanced knowledge will impact on consumers faster than previously through using new media in research. For example, the ability to collect, analyse and disseminate data in near real time can accelerate the efficacy of research undertaken, shortening time to market. Furthermore, the greater consumer involvement which occurs in incorporating new, consumer driven, data in research is likely to produce more meaningful results which more closely align to actual behavior and thus reflect more accurately consumers' lives, thoughts and emotions.

Using new media in research may help researchers to see the world and the world of consumption and consumer interaction in new ways, ways not previously considered. By providing novel insight, value to society may be created that is relevant to contemporary society. Exploring such concepts as connectivity and sharing through the use of digital media may outline a far more complex conceptualization of networks than previous conjured. This may then add to the pool of knowledge about the behaviour of citizens as groups. New media lends itself to inclusivity of citizens in research. The ability to offer citizen friendly, digital and anonymous opportunities to comment on sensitive issues such as domestic abuse (McDermott 2013), crime (Webster 2013), school bullying (Mcfarlane 2013) and racist behavior for example, suggest that new media is empowering to citizens as participants of research. Thus the inclusivity offered by new media as a tool and a site of research beneficial to society.

### SUMMARY

This paper has laid out an argument for the application of new media in research in marketing. Suggestions have been made, through examples, of how new media can shape new data and research findings of both qualitative and quantitative research to craft more meaningful results. The contentions and challenges of employing new media have been acknowledged, including how to integrate this new form of research with established methods and the author's caveat of 'new media in research -where appropriate' should be recognized. New media can be both a tool for research and also the site of research in the marketing subject domain. The beneficiaries of adopting this new approach in research are multiple. The originality of this paper lies in the consideration of how to integrate the new digital reality within which we, as academics, exist with our research practices. The embedding of new media in research provides challenges but also considerable opportunities for academic practice and research methods subject advancement.

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# HOW THE INNOVATION DIFFUSION MODELS FROM THE PAST CAN HELP US TO EXPLAIN MARKETING IN THE NEW MEDIA ERA

Cinzia Colapinto, Ca' Foscari University of Venice, Italy.

Elena Sartori, Ca' Foscari University of Venice, Italy.

Marco Tolotti, Ca' Foscari University of Venice, Italy.

## ABSTRACT

Even if the rhetoric of the Internet and the new digital media seems to have radically changed our technological environment, historical recurrences are relevant tools in order to analyze the future marketing. We propose a new multi-stage model able to bridge two different approaches, namely the adoption models *à la* Bass and the recent line of research concerning agent-based innovation diffusion models. Our technology allows us to find a closed form equation for awareness and adoption, taking into account heterogeneous population.

**Keywords:** innovation diffusion, social media marketing, interacting agents, stochastic models.

## INTRODUCTION

Historically companies (advertisers) have thought of themselves as top-down communicators, in control of what information is released, to whom, how and when (Varey 2002). Thanks to new media and Internet, advertising has become more about connections and share ideas. The speed and ease of communicating via the Internet have, indeed, created a new and complex scenario: websites use technical translation strategies, blogs are associated with emotional support functions, and social media establish dialogues with stakeholders (Stephens and Malone 2010). In particular, new and social media are fast-moving phenomena, powerful new communication platforms capable of underpinning marketing and communication strategies. In the last decade, online communications have influenced how organizations share messages with the media and the public, as it is imperative to conduct timely, accurate and effective communication exchanges in the information society (Taylor and Perry 2005). The new scenario has, also, affected the personal communication among peers, thus diffusion is becoming more and more a social process, involving interpersonal communication relationships. In other words, in the so-called knowledge society information and innovation are crucial. In particular, it is relevant the diffusion of innovations, which is a process related to the spread of a new idea, product or technology through the members of a social system. Rogers (1962) defines diffusion as “the process by which an innovation is communicated through certain channels over time among the members of a social system”. Moreover, we agree with the new definition of the creative industries in terms of social network markets, where both demand and supply operate in complex social networks (Potts *et al.* 2008).

If we take stock of the last decades and think about the next decade and beyond, we can learn from the past to better navigate the marketing future. The aim of this paper is to review and extend our knowledge base concerning *innovation diffusion*. Indeed, from a marketing perspective it is relevant to understand how the information flow, through mass media and/or among peers, affects the adoption decisions of consumers and the diffusion of a new product or service. Many researchers have studied how ideas propagate through a society (Rogers 1962) or through a well-defined network structure (see the spatial model by Goldenberg *et al.* 2009), or how marketing mix strategies affect new product diffusions (see, e.g., Bass *et al.* 1994). We would like to provide a new multi-stage model able to merge different approaches and to give a formal modelization to previous empirical results.

The structure of the paper is as follows. Section 2 presents the rationale behind our model: through a literature review; we identify and illustrate the two main literature streams on which we base our model. In Section 3 we provide our multi-stage model. Section 4 concludes.

## DRAWING FROM THE PAST

In this section we point out the roots of our model; our aim is to build a more comprehensive framework able to capture some of the typical features of the new diffusion channels; we develop a multistage-stage diffusion process and introduce suitable connectivity levels (network structure). Moreover, we take into account emotion driven motives to the adoption and allow for heterogeneity in the attitudes of the actors.

We identify two main lines of research dealing with innovation diffusion. The first refers to the famous Bass (1969) model and the second, and more recent stream, to agent-based models (ABM). If Bass (1969) represents a crucial contribution to the

field of innovation diffusion at the aggregate level, agent-based models look at micro-level variables affecting the innovation diffusion process. Obviously, these two mentioned streams are not in opposition. The micro-formalization of how a consumer decides and behaves is the foundation to understand market penetration at the aggregate level: think at *Micromotives and Microbehavior à la Schelling* (1978).

In our model we, also, recall the adoption process, the classical normal distribution model, introduced by Rogers (1962). Starting from several empirical studies, Rogers detects features and mechanisms typical of the diffusion process and points out different steps through which the innovation decision process develops: knowledge, persuasion, decision, implementation and confirmation. The gap between awareness and adoption persists in recent papers, such as in Fanelli and Maddalena (2012), who use a delayed equation to analyze at the aggregate level, without addressing the decision rationale behind it.

In this process the features of the decision maker (socio-economic characteristics, personality variables and communication behavior) are important and affect the choice between adoption or rejection. Rogers, and previously Ryan and Gross (1943), also identifies five different adopters categories as ideal types, i.e., innovators (venturesome), early adopters (respectable), early majority (deliberate), late majority (skeptical) and laggards (traditional). We believe it is important to consider consumers as independent entities with heterogeneous preferences and behaviors capable of changes. The innovativeness defined by Rogers has also been modified and extended by Hirschman (1980), who talks about adoptive and vicarious innovativeness and creative consumers.

### **Aggregate Level Models: The Bass Framework**

Bass proposes an analytical model for the timing of initial purchase of new products, paying particular attention to the behavioral rationale of consumers behind the adoption decision. In a fully connected and homogenous population, he distinguishes two main sub-groups: 'innovators', which adopt early the new product independently of the others, and 'imitators' (all which in the classification of Rogers are not innovators as shown by Mahajan *et al.* 1990). A consumer adopts/buys the new product because of two different influences: external influences ( $p$ , *the coefficient of innovation*), such as advertising and other communications (mass-media communication) initiated by the firm (subsuming the model introduced by Fourt and Woodlock 1960), and internal market influences ( $q$ , *the coefficient of imitation*) that result from interactions among adopters and potential ones in the population (word of mouth as in Mansfield 1961). The model shows the well-known S-shaped cumulative adoption curve.

A limit of the Bass model is that, in order to maintain tractability, it shrinks the whole (complex) diffusion process into a single adoption curve. Despite its simplicity (or maybe thanks to it), the Bass model is still the reference for the analysis of the diffusion of new technologies even in the literature concerning the marketing applied to new media. To better capture some important issues related to the diffusion of innovations, many authors have developed the Bass framework in several directions. Among them we can mention: Mahajan and Peterson (1985), who extend and simplify the Bass model, and Norton and Bass (1987), who consider subsequent generations of innovation in order to make the adoption curve more persistent.

Traditional aggregate models are not behaviorally based, thus they do not reproduce the complexity of real-world diffusion patterns. Additionally, the mathematical form of the Bass model requires the assumption that the potential adopter population is homogeneous; on the contrary, the heterogeneous population argument was already used by Rogers. These limits explain why we prefer to look also at agent-based models.

A recent work dealing with social contagion is the one by Van den Bulte and Joshi (2007). The authors point out that marketing diffusion models need to assume heterogeneity to study the viral emerging practice. They model the aggregate-level diffusion path focusing their attention at the networks connecting consumers: they allow for heterogeneity in the population's characteristics, using two adopter segments (influentials and non influentials agents).

### **The Micro-Foundation: Agent-Based Models**

This approach is based on the idea that phenomena at the aggregate level can be understood as emerging from interactions between individuals at the micro level. Indeed, agent-based models focus on an individual customer, who maximizes some objective function (utility or benefit from the product) according to his/her perceptions of the innovation's performance, value or benefit. These models can capture micro-level individuals' underlying decision processes and mimic dynamic social effects observed at the macro level in the marketplace. However, researchers provide interesting simulations losing the capability of abstraction of an aggregate model.

As shown by Kiesling *et al.* (2011), most of researchers model the micro-motives behind the decision process, introducing specific characteristics of single actors that are difficult to be captured by means of a macro/aggregate equation. The price they pay is the loose of tractability and the need of numerical methods, in order to provide intuition about dynamics and equilibria. In ABM, such as Delre *et al.* (2010), the decision-making process is guided by a weighted utility of individual preference and social influence. It means that the total utility of consuming a new product is composed of a social utility part

and an individual one. In this way the weights in the model can describe both individualistic agents and socially susceptible ones, meaning that agents' utility depends on what the neighbors do.

The most famous example of social agent-based simulation has been developed by Schelling (1978), who demonstrates that racial segregation can emerge in communities from the behaviors of autonomous agents, each individually exhibiting very small racial prejudices. Schelling (1978:13) explores the relation between the behavioral characteristics of the individuals, who comprise some social aggregate and the characteristics of the aggregate.

Recently, Goldenberg *et al.* (2009) examine both the aggregate growth process and what happens at the individual level in a network. They use an ABM to study dynamics in a well-documented social network. In particular, they concentrate on the role of hubs, i.e., highly interconnected individuals in a social network, in the adoption process, and statistically test different hypotheses concerning it. They point out that a hub's customer value has to include the effect on others.

Focusing on individual-level psychological processes, Berger and Milkman (2012) show that emotions whose content evokes in individuals, help determine which cultural items succeed in the marketplace of ideas, that is at the macro-level. The relation between emotion and diffusion or virality is very complex and relevant in the marketing perspective.

## THE MODEL

We consider a population of  $N$  possible adopters, linked with each other by a social network. We monitor the diffusion process of an innovation (product, service, idea or content) launched through the network. We identify two crucial steps: (i) an actor has to become aware of the existence of the innovation (*awareness*); (ii) he/she engages a personal decision process, eventually leading to definitive adoption (*adoption*). Under this modeling idea we are referring to the seminal Rogers' diffusion process (see Rogers 1962). We see that, in doing this, the formal model we are proposing, allows to take into account features that are specific of the new communication channels. Henceforth, our aim is to reinterpret Rogers in view of the digital era.

More into details, to model the *awareness dynamics* we take into account a proxy of the *connectivity degree* of each agent (at the micro level) and an aggregate statistics of the spread of the information on the network (at the macro level), corresponding to the proportion of agents already informed. To formalize it, let, first, define the awareness process  $\mathbf{x}(t) = \{(x_1(t), \dots, x_N(t)), t \geq 0\}$ , where  $\forall i, x_i(t) \in \{0,1\}$ .  $x_i(t) = 0$  means that, up to time  $t$ , actor  $i$  has not been reached by the information; if reached,  $x_i(t) = 1$ .

Dealing with diffusion through a social network, we assume that the knowledge spreads by (informational) contagion. This *viral* attitude is testified in many empirical works (Berger and Milkman 2012, Phelps *et al.* 2004). From a modeling viewpoint, following recent literature on contagion applied to a social environment (see, for instance, Dai Pra and Tolotti 2009 and Barucci and Tolotti 2012), we assume that agent  $i$  becomes aware at a random time  $\tau_i$ . We suppose that  $\tau_i$  is exponentially distributed with parameter  $\lambda_i^x = \exp(\beta_i m_N^x)$ , where  $\beta_i \geq 0$  measures the personal connection degree (connectivity), and  $m_N^x(t) = \frac{1}{N} \sum_{i=1}^N x_i(t)$  is the aggregate statistics we consider to represent the proportion of agents already aware. Notice that, the more an agent is interconnected, the higher is the probability of becoming aware.

To model the *adoption-dynamics* we consider, in particular, the propensity to adopt of each agent, his/her inclination to conform and the actual level of adoptions, i.e., the number of adoptions already occurred. Once reached by the information, agent  $i$  can decide whether to adopt or not.

So, we define the adoption process  $\mathbf{y}(t) = \{(y_1(t), \dots, y_N(t)), t \geq 0\}$ , where  $\forall i, y_i(t) \in \{0,1\}$ .  $y_i(t) = 0$  means that, up to time  $t$ , actor  $i$  has not adopted the new product, otherwise  $y_i(t) = 1$ .

Let denote, moreover, by  $p_i \geq 0$  and  $q_i \geq 0$  the parameters describing, respectively, the propensity to adopt of agent  $i$  and his/her attitude to conform, and by  $m_N^y(t) = \frac{1}{N} \sum_{i=1}^N y_i(t)$  the actual proportion of adopters, hence, the aggregate statistics characterizing adoption. We have introduced all the relevant parameters and variables of our model. To summarize, we associate to each agent an *identity vector*, which comprises the personal characteristics that can influence him/her in the whole diffusion process, defined as follows.

**Definition.** For  $i = 1, \dots, N$ , let  $\theta_i = (\beta_i, p_i, q_i)$  be the identity vector of actor  $i$ , where  $\beta_i$  is the connectivity,  $p_i$  the innovation coefficient and  $q_i$  the imitation coefficient.  $\theta_i, i = 1, \dots, N$ , are independent copies of a random vector  $\theta = (\beta, p, q)$  with distribution  $\eta_\theta$ .

As already said, once aware, an actor decides whether to adopt according to some *utility*. To maintain tractability and to mimic the adoption rationale behind the Bass (1969) model and subsequent literature, we assume that at time  $t \geq \tau_i$  agent  $i$  decides to adopt when

$$p_i + q_i m_N^y(t) \geq c_i, \quad (1)$$



where  $c_i \geq 0$  is a random threshold. We assume that  $\forall i, c_i$  are i.i.d. random variables uniformly distributed on the interval  $[0,1]$ .  $c_i$  is intended to summarize all those aspects that are not related to the identity of the agent, but that are functional to the adoption itself (prices, external factors, personal environment). For more details and for a more general presentation we refer the reader to Colapinto *et al.* (2012).

To ease the intuition, we represent the rationale behind the diffusion process described above by means of the diagram reported in Figure 1. Time  $\tau_i$  represents the (random) time at which actor  $i$  is reached by the information about the innovation. Note that, before  $\tau_i$ , he/she cannot even take into consideration the possibility of adopting. At subsequent exponentially distributed random times  $T_i^1, \dots, T_i^K$ , agent  $i$  will be asked whether he/she wants to adopt. Facing a binary decision problem, the answer can be YES or NO. Depending on this result, the variable  $y_i$  remains 0 or is turned into 1. Once adopted, the agent cannot change his/her mind. We stress the fact that, according to our scheme, we are able to reproduce a *complex* decision process that encompasses many of the Rogers' phases (see Rogers (1962)). In particular, we recognize *persuasion* (the actor feels peer pressure via the social component of his/her utility), *decision* (at times  $T_i^K$ ) and *confirmation* (the first time in which he/she decide to confirm his/her choice).

We are, now, ready to state the theorem which explicitly shows the equations describing the awareness and the adoption processes. To this aim, we need to introduce still a couple of technical objects. We note, in particular, that, from a technical viewpoint, the process we have describe is a Markov process taking values on the space  $\{0,1\}^{2N}$ , uniquely defined by means of two families of transition rates  $(\lambda_i^x, \lambda_i^y)$ , where

$$\begin{aligned}\lambda_i^x &= \exp [\beta_i m_N^x], \\ \lambda_i^y &= x_i [p_i + q_i m_N^y].\end{aligned}\tag{2}$$

More details can be found in Colapinto *et al.* (2012).

**Theorem.** Consider the Markov process  $(\mathbf{x}(t), \mathbf{y}(t))$  with transition rates  $(\lambda_i^x, \lambda_i^y)$  and assume, at time  $t = 0$ ,  $x_i(0) = y_i(0) = 0$ , for  $i = 1, \dots, N$ .

Then, for  $N \rightarrow \infty$ ,  $(m_N^x(t), m_N^y(t))$  weakly converge to  $(m^x(t), m^y(t))$ , where

$$\begin{aligned}m^x(t) &= E^\theta [m^x(t; \theta)] \\ m^y(t) &= E^\theta [m^y(t; \theta)]\end{aligned}\tag{3}$$

and

$$\begin{aligned}\dot{m}^x(t; \theta) &= (1 - m^x(t; \theta)) \exp [\beta m^x(t)] \\ \dot{m}^y(t; \theta) &= (m^x(t; \theta) - m^y(t; \theta)) (p + q m^y(t)).\end{aligned}\tag{4}$$

Here,  $E^\theta$  denotes the average taken with respect to the distribution  $\eta_\theta$  of  $\theta = (\beta, p, q)$ .

The result is very technical and difficult to interpret at a first glance. However, notice that, putting  $x_i \equiv 1 \forall i$  (i.e., looking only at adoption without network effects) and considering  $p_i \equiv p$  and  $q_i \equiv q \forall i$  (i.e., considering a homogeneous population), we recover exactly the original Bass (1969) model. Indeed, under these assumptions, Equations (3) reduce simply to

$$\dot{m}^y(t) = (1 - m^y(t)) (p + q m^y(t)).\tag{5}$$

Note, in fact, that the first equation in (3) is simply  $\dot{m}^x(t; \theta) = 0$ , since  $x_i \equiv 1, \forall i$ . Equation (5) gives rise exactly to the Bass adoption curve.

A better understating of the result can be given by a representative application. In the following section, we see how in a very specific example, it is possible to recover important features concerning the multi-stage diffusion process empirically found already in Rogers (1962), but reinterpreted in the context of new communication channels.

## Innovators and Hubs

*...there is no evidence that personal innovativeness is correlated with social connectivity. Goldenberg et al. (2009).*

One significant application of our technology can be used to give a modeling support to the intuition reported in the above quotation taken by Goldenberg *et al.* (2009). As already discussed in Section 2, in that paper, the authors empirically analyze the effects of two very important classes of actors: *hubs* and *innovators*. One of their main results is to empirically show that the role of these two typologies of agents have to be disentangled (as opposed to many recent papers in the field, where the concept of hub and innovative people is often merged in the concept of *opinion leader*). Arguing on this, we apply our model to a population, where actors are divided into four sub-populations of homogeneous agents with different proportions. More specifically, we consider *innovator/hub*, *innovator/non-hub*, *follower/hub* and *follower/non-hub*, as shown in Figure 2. Since our actors are characterized by means of an identity vector  $\theta = (\beta, p, q)$ , in this example we have to specify *four* different



identity vectors (one for each sub-population). Note that we have three important dimensions (connectivity, innovativeness and imitative behavior). Concerning connectivity, it is related to awareness and is represented by the parameter  $\beta$ . Innovativeness and imitative behavior are represented by  $p$  and  $q$  (as in Bass 1969) and are assumed to play “opposite” roles: if  $p$  is high, then  $q$  is low and vice versa.

The advantage of a simplified world with four sub-groups makes Equations (3)–(4) more tractable. In particular, the awareness and adoption curves can be precisely drawn. In Figure 3 (left panel) we plot the two curves (awareness and adoption) under specifications as in Figure 2. As a matter of fact, we can see that many agents, although made aware of the innovation, may need some time to be convinced about the adoption. These results in a time delay of the adoption curve as already shown by empirical evidence in Rogers (1962) (see left panel of Figure 2 taken by Rogers 1962). What is interesting to notice, is the fact that, according to our simulation, the awareness curve (blue dotted line in the left panel) and the adoption curve (black continuous line), can exhibit very different shapes: an exponential growth the former, a more S-shaped character the latter. Note that the spread of knowledge through new communication channels is often of an exponential type (see Pousttchi and Wiedemann 2007, Kaplan and Haenlein, 2011). This fact reinforces our intuition that, although very rapid in diffusing awareness, the new media may still suffer of a slower adoption curve.

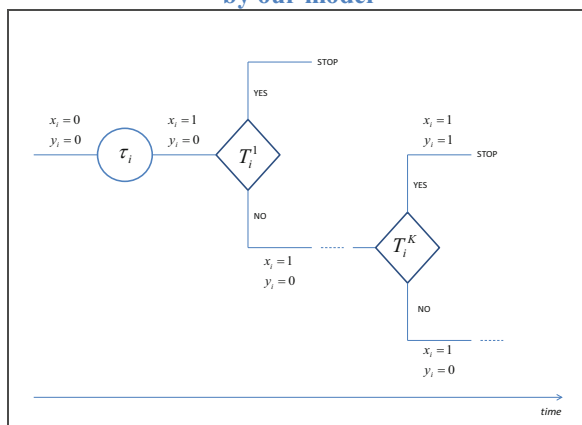
A preliminary comparative statics analysis on the parameters of the model shows that: (i) increasing  $q$  makes the adoption curve more close to the awareness one; (ii) increasing  $q$  for both innovators and followers has an higher effect compared to increasing  $q$  for just innovators or followers; (iii) the impact of  $p$  is less pronounced than the effect of  $q$  on the adoption curve. From a managerial point of view, this implies that, in order to foster the adoption process, decision makers have better to stimulate the imitation process, as the increase in  $q$  can be driven by an effort in *pushing up the viral effect* of the campaign itself. Points (i) and (iii), thus, suggest that in the context of new media, it is more rewarded to invest on a *social* message compared to a classical (personal) advertisement. Instead, (ii) points out that once a critical mass of innovators (and possibly of “hub-type” ones) has been convinced, it is more efficient to invest equally on the remaining innovators and on the bigger population of late-adopters.

## CONCLUSIONS

The multi-stage model we present acts as a bridge between two main lines of research in innovation diffusion. It recalls the Bass-style model, but it also includes the complexity introduced by Rogers: we maintain tractability introducing a closed form equation able to explain the process as well. Moreover, the technology allows us to characterize the agents (preferences, attitudes, social capital, private and social utility). Drawing from the past, we present a model able to describe previous empirical results in the new media environment. A hot issue is the real value of social and new media in sustaining the launch of a new product. Our model confirms the hypothesis that new media can increase awareness more than adoption of a new product (see Harris and Rae 2009). Some managerial implications are drawn from this empirical evidence.

Future directions of research concern the analysis of empirical data, useful to fit the parameters of the model and infer good practices in advertising innovation through the new communication channels. A limit of our model is that we do not formalize a specific network structure that represents different market characteristics; obviously, a structure may affect the final success of a new product that enters the market. However, we introduce the degree of connectivity as a good proxy in a social media context.

**Figure 1: The diffusion process for actor “ $i$ ” as described by our model**



**Figure 2: Identity vectors of the four sub-populations**

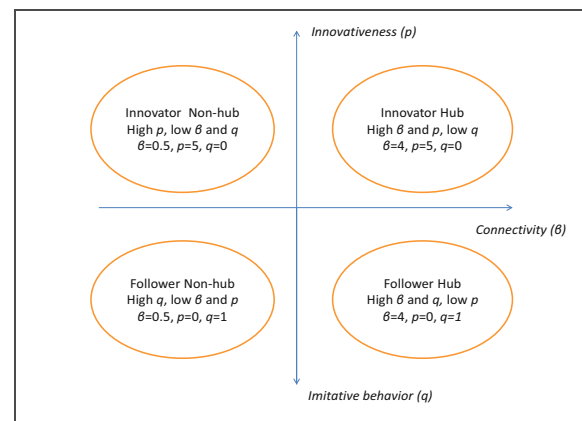
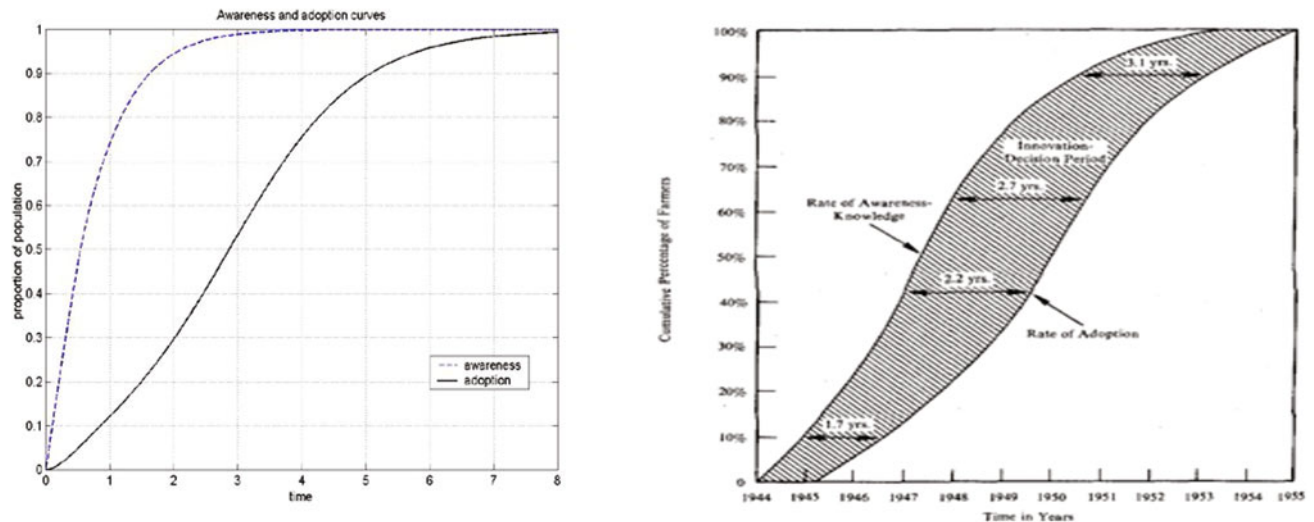


Figure 3: Awareness versus Diffusion. Our model (left) and Rogers' evidence from data (right)



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## **Session 10.5. Sponsorship and Branding**

Room: Clarendon B

Session Chair: Margaret Johnston, University of Queensland

### ***Sponsorship Research: Drawing on the Past to Shape the Future of Sponsorship***

Margaret Johnston, University of Queensland

George Spais, Hellenic Open University

### ***Construal Level Effects in Sponsorship Announcements***

Tobias Schaefers, ESB Business School

Joe Cobbs, Northern Kentucky University

Mark Groza, Northern Illinois University

### ***Celebrity Portfolio Effects on Consumer Brand Evaluations***

Sik Chuen Yu, University of Queensland

Ravi Pappu, University of Queensland

# SPONSORSHIP RESEARCH: DRAWING ON THE PAST TO SHAPE THE FUTURE OF SPONSORSHIP

Margaret A. Johnston, The University of Queensland, UQ Business School, Australia  
George S. Spais, Hellenic Open University, Patra, Greece

## ABSTRACT

This study examines how scholarly research on sponsorship has evolved between 1980 and July 2012. While various scholars (e.g., Cornwell and Maignan 1998; Pope 1998; Walliser 2003) have documented the progress of sponsorship research previously, this review departs from existing perspectives and redirects the conversation in the sponsorship literature by focusing attention on the semantic relationships among sponsorship concepts and the ways in which they have changed over time. Using Leximancer text-analysis software, we explore the emergence and growth of ideas and topics in sponsorship research by undertaking a systematic analysis of ideological trends. The research objectives of this study are: (1) to identify the scholarly trends through an empirical assessment of research across the history of sponsorship; and (2) based on the trends identified, to shape the future of sponsorship research.

We collected titles and abstracts of articles in sponsorship presented in scholarly journals to July 2012. Guided by previous authors, we focused specifically on sourcing abstracts since abstracts encapsulate a concise summary of an article's core issues and are therefore lexically dense (Cretchley et al. 2010). We sourced abstracts for our analyses from multiple databases (e.g., ISI Web of Science, Scopus, EconPapers (RePEc), PsycINFO and GoogleScholar) and from over 150 marketing journals. We included abstracts from journals in languages other than English where English translations of the abstract were available electronically (Walliser 2003). In total, we collected 804 articles published across 144 scholarly journals. Next, we created subsets of the data in 10-year periods (1980-1989, 1990-1999, and 2000-2009), and one for 2010-2012. Using Leximancer software (Version 4.0), we produced a set of concept maps and reports showing semantic structures across the history of sponsorship for each of the four periods (see Smith and Humphreys 2006).

The concept map of the entire corpus of abstracts revealed a core set of concepts that are recurrent and quite evenly distributed throughout the history of sponsorship. *Sponsorship*, *marketing*, *objectives*, *value*, *strategy*, *companies*, *important*, and *key* are concepts central to sponsorship's intellectual identity. We identified two primal opposing but complementary forces around sponsorship measurement (e.g., *consumers*, *awareness*, *brand*, *effects*, *image*, *impact*, *media*, *advertising*) and sponsorship management (e.g., *industry*, *benefits*, *rights*, *business*, *organizations*, *management*, *development*, *financial*). Based on examination of the prominent concepts within each period, we defined the 1980s as the *Intellectual Era* (*television*, *important*, *business*, *benefits*, and *advertising*); the 1990s as the *Ambushing Era* (*objectives*, *ambush*, *support*, *major*, and *corporate*); the 2000s as the *Consumer Era* (*products*, *financial*, *media*, *role*, and *market*); and as the 2010s as the *Relationships Era* (*professional*, *team*, *relationship*, *social* and *value*).

In the decade 2010-2019, we expect to observe the development and empirical exploration of more managerially focused models of sponsorship that center on better understanding the development of sponsorship strategy and the extraction of value from sponsorship investment. Going forward, the integration of social media as a sponsorship-marketing tool could also define a new era of research. In brief, adding a new data set to earlier reflections on sponsorship deepens our understanding of the role that key concepts and their inter-relationships have played in shaping sponsorship scholarship to date. We strongly believe the current study lends a high level of credibility to our insights about sponsorship's past that can richly inform discussions about the future directions of sponsorship research.

## CONSTRUAL LEVEL EFFECTS IN SPONSORSHIP ANNOUNCEMENTS

Tobias Schaefers, EBS Business School, Germany  
Joe Cobbs, Northern Kentucky University, USA  
Mark D. Groza, Northern Illinois University, USA

### ABSTRACT

Corporate financial contributions fund many events and organizations, such as art exhibits, concerts, and sports teams. Often corporations make such contributions in exchange for the right to affiliate with the sponsored event or organization. Sponsorship is thus regarded as a marketing communication instrument. Besides communicating *via* sponsorship, sponsors and sponsored entities also communicate *about* a sponsorship. Such “sponsorship-linked marketing” is especially common when announcing the initiation of a sponsorship. In this context, one challenge is how best to communicate the relationship created via corporate sponsorships. However, research on the influence of sponsorship announcements has uncovered mixed results and suffers from two shortcomings. First, previous studies have only considered the announcement of sponsorships at a generic level, while ignoring the potential for variation in *how* a sponsorship is publicly announced (i.e., the composition of announcements). Second, scholars have emphasized investors’ reaction to announcements while overlooking any potential effects on consumers, who are a more likely target for sponsorship communication. In the present study, we therefore investigate how different types of sponsorship announcements influence consumers’ perceptions of the sponsoring firm. Specifically, based on Construal Level Theory (CLT), we conducted the first of a series of experiments to investigate how the concreteness of the information contained in an announcement influences consumers’ responses to the sponsorship.

Construal level theory suggests that individuals evaluate information with different degrees of abstraction. High-level construals are simple mental representations and only extract the most important available information from a situation. These construals consist of general features of the event, and thus deemphasize unique and detailed features. Meanwhile, low-level construals tend to be more concrete and contextualized features of the event. While low-level construals are richer and more detailed, they are also less structured and less parsimonious than high-level construals. Moreover, CLT suggests that individuals differ in their mental construction of identical information, known as Personal Level of Construal (PLC).

To meet our purpose of understanding how sponsorship announcements influence consumers, we apply CLT to the information content of announcements. We assess the impact of individuals’ construal predisposition to abstract (high-level) or concrete (low-level) mental construction and derive three hypotheses about the effects of different levels of information construal in communication about sponsorships. Specifically, we anticipate that overall, an announcement containing more concrete details about a sponsorship (i.e., low levels of construal) will result in more positive outcomes for both the sponsoring brand (H1) and sponsored event (H2) when compared to a more abstract announcement. Moreover, we predict an interaction effect between the construal level of the sponsorship announcement and respondents’ PLC (H3). This proposition is based on the idea that whether or not information presented about a sponsorship matches the individual’s PLC will influence the extent of information processing, with mismatches sparking more extensive processing. We thus assume that consumers with a high (low) PLC will evaluate the sponsoring brand and the sponsored event more (less) positive when faced with a concrete sponsorship announcement than when faced with an abstract sponsorship announcement.

To test the proposed hypotheses we conducted an experiment that manipulated the construal level of a sponsorship announcement (abstract/concrete) between subjects. Results indicate that an announcement of a lower construal level (i.e., more concrete) leads to more positive evaluations of both the sponsoring brand and the sponsored event, thereby supporting hypotheses H1 and H2. Regarding the hypothesized interaction effect, for abstract thinkers, concrete announcements did indeed lead to a more positive attitude toward the sponsor, a higher trust in the sponsor, a higher willingness to recommend the sponsor, and a higher purchase intention of the sponsor, as well as a more positive attitude toward the sponsored event and a higher trust in the sponsored event, thereby supporting H3. Concrete thinkers’ evaluation of the sponsoring brand and the sponsored event, however, did not show any significant differences based on the construal level of the announcement. This finding requires further consideration of concrete thinkers’ processing of information at different levels of abstraction.

The results of this first experiment demonstrate the relevance of considering CLT in sponsorship-linked communications. Presenting content at a low level construal is preferable to more abstract information. The findings in this initial study also suggest that individuals interpreting the concrete announcements with a higher level construal react more favorably toward the sponsoring brand and, to some extent, the sponsored event as well. As a result, manipulating an individual’s construal level (through temporal or social distance) could be useful for marketers engaged in sponsorship communications.

## **CELEBRITY PORTFOLIO EFFECTS ON CONSUMER BRAND EVALUATIONS**

Max Yu, University of Queensland, Australia  
Ravi Pappu, University of Queensland, Australia

### **ABSTRACT**

While much of the research on celebrity endorsement has focused on the retrospective evaluation of the brand in the context of a single celebrity endorsement, relatively less attention has been given to the effects of multiple celebrity endorsement. Previous research conceptualizes multiple celebrity endorsement simply as multiples of single celebrity endorsements, which has only considered the dyadic relationships between the celebrity endorser and the brand. The present research provides an improved conceptualization from a brand portfolio perspective and introduces the notion of celebrity portfolios. The present research explicitly considers the holistic evaluation of the celebrity portfolio instead of assuming independent evaluations. More importantly, the present research examines the interaction effects among the celebrities in the portfolio, on consumer brand evaluations which have not been considered in the current literature. Specifically, celebrity portfolio congruence is conceptualized as a three-dimensional concept by introducing two new dimensions of congruence: portfolio-brand congruence and celebrity-celebrity congruence. The results provided convergent evidence that the consumers evaluate celebrity portfolios holistically and support the interaction effects between the celebrities. The findings suggest that the impact of the number of celebrities used in a portfolio is more complex than previously assumed, in which, more is not necessarily better.

References Available Upon Request



**Session 10.6. Customer Loyalty and Customer Value**

Room: Clarendon C

Session Chair: Siegfried Gudergan, University of Newcastle

***Drivers of Perceptions of Fairness in Financial Services in Australia***

James Devlin, Nottingham University Business School

Steve Worthington, Monash University

***What Drives Customer Loyalty? Nonlinear Effects of Customer Delight and Satisfaction on Loyalty and the Moderating Role of Service Experience***

Dennis Ahrholdt, University of Hamburg

Siegfried P. Gudergan, University of Newcastle

Christian M. Ringle, Hamburg University of Technology

***Coaligning Service Quality Attributes and its Implication to Customer Value***

Hanny Nasution, Monash University

***Gambler Loyalty: A Qualitative and Quantitative Investigation***

Catherine Prentice, Swinburne University

# DRIVERS OF PERCEPTIONS OF FAIRNESS IN FINANCIAL SERVICES IN AUSTRALIA

James Devlin, University of Nottingham, UK  
Steve Worthington, Monash University, Australia

## INTRODUCTION

Fair treatment of consumers by providers in financial services markets has been highlighted as a key issue in promoting greater consumer engagement with financial services (FSA 2008a; FSA 2008b). In developed market economies, consumers' interactions with financial services markets are often characterised as problematic (Llewellyn, 1999; HM Treasury UK, 2002), with resultant outcomes that may be detrimental to individual consumers and society as a whole. Such outcomes include the under-consumption of some types of financial services, such as pensions and long-term savings (and the over-consumption of others, such as personal debt) can have profound implications for the welfare of individuals and society as a whole (Bridges and Disney, 2004; Khoman and Weale 2006; Stone and Maury, 2006; Devlin, 2010). Thus, level and nature of consumer engagement with financial services is very much a social marketing concern. Markets for retail financial services have been characterized as high in information asymmetries (Llewellyn, 1999), with consumers generally having limited understanding of financial services. As a result, consumers are generally characterized as vulnerable and liable to make decisions which are detrimental to their interests, or alternatively avoid making decisions at all and dis-engage from the marketplace (Noble and Knights 2003). In addition, as consumers have limited understanding, then it is important that they perceive that they are being treated fairly and have a high degree of trust in who they are dealing with, in order to encourage engagement. A comprehensive review of the retail savings and investment sector in one developed country (HM Treasury UK, 2002) highlighted a high degree of product complexity and opacity in financial services markets, which exacerbates the problems faced by consumers. In the light of limited understanding and the opacity apparent in financial services markets, it is hardly surprising that one main implication is limited engagement on the part of many.

A number of consumers may have been the victims of "mis-selling" in the past and many more may have read or heard about such occurrences. Mis-selling is where consumers are persuaded to purchase products which are inappropriate for their needs and circumstances, often to their considerable financial detriment (Diacon and Ennew, 1996; Bennett and Gabriel, 2001). Such problems are exacerbated by commission driven remuneration arrangements and the branch target culture in many financial institutions (Devlin and Ennew 1993; Mitchell, 1997). In this context, the reliance of individuals on advisors due to limited understanding obviously exacerbates consumer vulnerabilities to commission driven selling. More generally, it is posited that the long-term nature of many financial services contracts exacerbates the problems that consumers face, as does a general lack of knowledge and experience on the part of consumers and a reliance on advisors of many sorts. (Mitchell, 1997). Consumers also perceive few meaningful differences amongst financial services brands (de Chernatony and Cottam, 2001) and consumer passivity in the buying behaviour process, as well as a lack of search attributes have also been cited as relevant issues (Devlin, 2001).

One common response to the difficulties that consumers face in financial services markets is for policymakers, consumer advocates and other interested parties to stress the importance of fair treatment of consumers in financial services markets (FSA, 2008a (UK); Financial Services Board, 2010 (South Africa); Financial Services Institute of Australia, 2012). A perceived lack of fairness towards consumers is a problem in financial services markets according to the UK Financial Services Consumer Panel (Financial Services Consumer Panel, 2004). Promoting fairness helps reduce the chances of mis-selling and the potential exploitation of the lack of consumers' financial capability. Fairer outcomes will also help engender a sense of confidence and trust in the marketplace, firms and their agents.

Against this background, we seek to add to the understanding what drives consumer perceptions of fairness in financial services in the Australian context. In particular, we use conceptual literature to derive a multi-dimensional measure of fairness and test the impact of the various dimensions on consumers' overall perceptions of fairness of their financial provider. Conceptualizations of fairness have their roots in the theory of justice (Colquitt, et al, 2001; Patterson *et al*, 2006; Carr, 2007), which is in turn adapted from equity theory and social exchange theory (Smith *et al*, 1999). Using justice theory as their starting point, a number of authors have conceptualized fairness as being made up of two distinct elements (Kumar et al, 1995; Kumar, 1996; Duffy *et al*, 2003). One is the fairness associated with the process used to determine outcomes, or the process used to manage exchange relationships. This is called **Procedural Fairness**. According to the two dimension model of fairness, the other main dimension of fairness is concerned with the fairness of the economic price and outcomes actually

achieved. This is termed **Distributive Fairness**. Distributive fairness focuses on the fairness of outcomes, and involves resource allocation and the outcomes of exchange

In an extension to this approach a further distinction has been drawn between **Procedural Fairness** and **Interactional Fairness** (Smith *et al.*, 1999; Patterson *et al.*, 2006; Carr 2007; Chen *et al.*, 2012). Such an approach interprets Procedural Fairness as relating in particular to the perceived fairness of the means by which the outcome is achieved and includes such factors as the freedom to express one's views in a decision process and the adaptability of procedures to reflect individual circumstances. Although Kumar (1996) did not distinguish explicitly between Procedural and Interactional fairness, he provided a useful, detailed analysis of fairness by introducing and explaining six key sub-dimensions of a fair exchange from a procedural and interactional perspective: (i) Bilateral Communication; a willingness to engage in two way communication on the part of the more powerful party; (ii) Courtesy and Respect; interpersonal factors, the requirement to treat exchange partners with respect; (iii) Impartiality; the requirement to deal with all exchange partners equally and not to show bias; (iv) Refutability; the need to allow all, including smaller and more vulnerable ,exchange partners to appeal and question decisions and policies; (v) Explanation; the requirement for more powerful parties to provide exchange partners with a coherent rationale for decisions and policies; and (iv) familiarity; meaning that the more powerful party makes efforts to familiarize itself with the conditions under which exchange partners operate. In this respect, in common with Carr (2007) and Chen, *et al.*, (2012) we classify Bilateral Communication and Courtesy and Respect as sub-dimensions of Interactional Fairness and the remaining influences highlighted by Kumar as sub-dimensions of Procedural Fairness. Thus, our final model of fairness has the following dimensions: **Distributive fairness**, which is the fairness of the outcomes of the exchange, **Interactional Fairness** (which is courtesy and bilateral communication) and **Procedural Fairness** comprising of impartiality, refutability, explanation and familiarity. Our research question is “Which sub-dimensions of fairness are the most significant determinants of overall consumer perceptions of fairness?”

## METHOD

We collected our data in Australia with the aid of generous financial support from the Financial Services Institute of Australasia. This enabled us to employ a professional market research agency to collect the data. Our resources enabled us to collect 250 respondents for each of three financial services contexts, namely bank, credit card issuer and financial adviser. Each respondent was provided with a small monetary reward for their participation. Our three contexts provide a valuable insight into various sectors of the financial services sector in Australia, albeit a partial rather than completely comprehensive one. Our sample was balanced in terms of gender and also provided a broadly representative mix of ages, income brackets etc.

Our key data requirement was to generate insights into consumer perceptions of the fairness afforded to them by their financial services institution (e.g. bank, credit card issuer or financial adviser depending on their allocated context) for the dimensions outlined above, as well as a measure of their overall perceptions of fairness. Measurement scales were developed to measures the various sub-dimensions of procedural and interactional fairness, as well as distributive fairness. The scale items were derived with reference to previous literature (Duffy *et al.*, 2003, Patterson *et al.*, 2006, Carr, 2007), as well as expert consultation with industry practitioners. Draft scales were shared with practitioners and a pilot carried out on an MBA class of ethics students. After minor amendments were made to the measurement scales, they were validated and checked for reliability using EFA and CFA. All psychometric qualities of the measurement proved to be sound (details available from the authors on request). In the final data collection exercise, a total of 31 scale items were employed to collect data on fairness and in all cases a 5-point likert scale was employed (1 Strongly Disagree – 5 Strongly Agree) to measure responses. An overall assessment of fairness “**Overall my (financial institution) treats me fairly**” was also collected in a similar manner. Subsequently factor means were calculated for each of the seven dimensions/sub-dimensions of fairness and used as independent variables in regression analysis, with the single measure of overall fairness assessments employed as dependent variable. Separate regressions were run for the three types of financial service covered by the study.

## RESULTS

In this section, regression results are presented for banks, financial advisers and credit card issuers. T tests indicate whether particular sub-dimensions of fairness have a significant influence on overall assessments of fairness. Standardized co-efficients provide an indication of the relative magnitude of influence of individual dimensions. F test statistics and adjusted r-squareds are provided for the overall regressions at the bottom of each table and indicate that each regression is highly acceptable in terms of the amount of variance explained. Collinearity diagnostics are not reported, but all Variance Inflation

Factors were far less than the level of 10 generally considered problematic. In all of the tables below, significant independent variables ( $p < .05$ ) are highlighted in bold, whilst marginal significance ( $p, .10$ ) is shown in bold italic.

**Table one** shows the results for banks. The procedural fairness element of familiarity, the interactive fairness element of courtesy and distributive fairness are shown to be significant drivers of overall perceptions of fairness for banks. Distributive fairness is over twice as important in explaining overall perceptions of fairness as familiarity and courtesy.

**Table 1: Banks**

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	14.822	3.488		4.249	.000
PF-Impartiality-My FSI	-.006	.054	-.006	-.116	.908
PF-Refutability-My FSI	-.011	.063	-.011	-.170	.865
PF-Explanation-My FSI	-.097	.071	-.089	-1.369	.172
<b>PF-Familiarity-My FSI</b>	<b>.179</b>	<b>.063</b>	<b>.190</b>	<b>2.832</b>	<b>.005</b>
IF--Communication-My FSI	.086	.064	.087	1.343	.180
<b>IF--Courtesy-My FSI</b>	<b>.236</b>	<b>.063</b>	<b>.212</b>	<b>3.753</b>	<b>.000</b>
<b>Distributive Fairness-My FSI</b>	<b>.512</b>	<b>.071</b>	<b>.512</b>	<b>7.224</b>	<b>.000</b>

. Dependent Variable: Overall Fairness Single Measure My FSI  $F = 78.90$ ; **Sig 0.000**, *Adjusted R Squared = 0.68*

**Table two** shows the results for financial advisers. Here, the procedural elements of explanation, familiarity, the interactional element of communication and distributive fairness are all highly significant in helping to explain overall perceptions of fairness. The procedural element of refutability is marginally significant in explaining overall perceptions of fairness. For financial advisers, although distributive fairness is once again the most important single determinant of overall perceptions of fairness, familiarity, explanation and communication are not too far behind in terms of importance.

**Table Two: Financial Advisers**

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-.271	2.565		-.106	.916
PF-Impartiality-My FSI	.058	.043	.062	1.344	.180
<b><i>PF-Refutability-My FSI</i></b>	<b><i>.088</i></b>	<b><i>.047</i></b>	<b><i>.087</i></b>	<b><i>1.886</i></b>	<b><i>.061</i></b>
<b>PF-Explanation-My FSI</b>	<b>.195</b>	<b>.076</b>	<b>.179</b>	<b>2.545</b>	<b>.012</b>
<b>PF-Familiarity-My FSI</b>	<b>.206</b>	<b>.073</b>	<b>.190</b>	<b>2.825</b>	<b>.005</b>
<b>IF--Communication-My FSI</b>	<b>.173</b>	<b>.053</b>	<b>.173</b>	<b>3.231</b>	<b>.001</b>
IF--Courtesy-My FSI	.086	.058	.075	1.490	.137
<b>Distributive Fairness-My FSI</b>	<b>.243</b>	<b>.056</b>	<b>.236</b>	<b>4.302</b>	<b>.000</b>

Dependent Variable: Overall Fairness Single Measure My FSI  $F = 194.38$ ; **Sig 0.000**, *Adjusted R Squared = 0.85*

Table three shows the results for credit card providers. For credit card providers, the two elements of interactional fairness, communication and courtesy are significant drivers of overall perceptions of fairness, and once again distributive fairness is the single most important driver of fairness perceptions.

**Table 3: Credit Card Providers**

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-4.357	3.181		-1.370	.172
PF-Impartiality-My FSI	-.009	.055	-.009	-.161	.872
PF-Refutability-My FSI	-.035	.066	-.033	-.536	.593
PF-Explanation-My FSI	.125	.075	.103	1.658	.098
PF-Familiarity-My FSI	.017	.061	.016	.279	.780
<b>IF--Communication-My FSI</b>	<b>.245</b>	<b>.068</b>	<b>.236</b>	<b>3.617</b>	<b>.000</b>
<b>IF--Courtesy-My FSI</b>	<b>.276</b>	<b>.059</b>	<b>.243</b>	<b>4.675</b>	<b>.000</b>
<b>Distributive Fairness-My FSI</b>	<b>.521</b>	<b>.092</b>	<b>.387</b>	<b>5.670</b>	<b>.000</b>

Dependent Variable: Overall Fairness Single Measure My FSI  $F = 86.18$ : Sig 0.000, Adjusted R Squared = 0.70

## DISCUSSION AND IMPLICATIONS

Firstly, note that our dimensions of fairness explain overall perceptions of fairness very well, indicating that we have formulated a robust, multi-dimension measure of fairness which offers a degree of granularity and insight not provided by previous attempts to conceptualise fairness. Next, it is apparent that for all three types of provider covered, distributive fairness is the single most important factor in driving overall perceptions of fairness. This is most profoundly the case for banks, where distributive fairness concerns are over twice as important as any other. It is apparent that consumers' perceptions of whether they are getting a fair deal and are paying reasonable charges for the services they receive is a crucial determinant of fairness perceptions. This presents a major challenge for financial institutions, as charging controversies and the perceived unreasonableness of charges attract much commentary, particularly in the banking sector. There are also parts of the financial sector where pricing is opaque and the resultant lack of transparency may also be hindering fairness perceptions. Courtesy is also an important driver of fairness for both banks and credit card providers. It is an old cliché, but a considerate manner and showing of respect to consumers does not add much to costs. Therefore, this should be an area where fairness perceptions can be increased without adding too much to costs. However, the challenges of ensuring a consistently courteous level of interactions with consumers should not be under-estimated. Consumers are comforted by a degree of familiarity in the case of banks and base perceptions of fairness on the level of genuine two-way communication in the case of credit card providers. The case of financial advisers is interesting, as the influences on perceptions of fairness for this class of provider are more varied and more evenly spread. The nature of the relationship with an adviser is arguably the most nuanced and rounded of the three contexts studied a contention which is reflected in the varied influences on fairness perceptions. For instance, this is the only context where explanation is a key driver of overall perceptions of fairness, reflecting that fact that this is a key element of the role of an advisor. Refutability, the facility to change things on reasonable terms, is also somewhat important in the context of advisers. Finally, note that impartiality, the requirement that all customers are treated equally, is not an important driver of fairness in any context. This is an intriguing finding and would suggest that institutions should not concern themselves too much with appearing to be scrupulously egalitarian in their treatment of consumers.

**References available on request**

# WHAT DRIVES CUSTOMER LOYALTY? NONLINEAR EFFECTS OF CUSTOMER DELIGHT AND SATISFACTION ON LOYALTY AND THE MODERATING ROLE OF SERVICE EXPERIENCE

Dennis C. Ahrholdt, HSBA Hamburg School of Business Administration, Germany  
Siegfried P. Gudergan, University of Newcastle, Australia  
Christian M. Ringle, Hamburg University of Technology (TUHH), Germany

## ABSTRACT

We substantiate—theoretically and empirically—the important parallel roles of delight and satisfaction in influencing loyalty in service settings. Our results of a PLS-SEM study support a negative quadratic (i.e., concave) relationship of satisfaction with loyalty and a negative cubic relationship of delight. When allocating (incremental) resources to create customer loyalty, managers should recognize that delight reaches its full impact only after an initial threshold. Similar to satisfaction, this effect reaches a saturation point after an upper threshold at very high levels of delight. Moreover, our results suggest that both delight and satisfaction effects weaken when experience increases.

## INTRODUCTION

There is considerable emphasis on understanding how to enhance service customer loyalty as this influences service firms' performance (Wang 2011). Prior research has discussed a variety of potential antecedents of customer loyalty, although the focus on customer satisfaction has long been the primary emphasis (e.g., Anderson and Sullivan 1993; Chandrashekar, Rotte, Tax and Grewal 2007; Szymanski and Henard 2001). Customer satisfaction constitutes the end state of a cognitive, conscious process, which, combined with the pleasure of consumption and fulfillment, involves assessments of how the service is delivered (Oliver, Rust and Varki 1997). Customer delight, which supplements rather than complements customer satisfaction and reflects an extremely positive emotional response that comprises both joy and surprise (Kumar, Olshavsky and King 2001; Oliver, Rust and Varki 1997), is also important for customer loyalty (Finn 2005, 2012; Loureiro 2010; Oliver, Rust and Varki 1997; Wang 2011).

Previous research related to whether and under which conditions delight—in addition to or as a substitute for satisfaction—affects concepts like loyalty, offers somewhat inconsistent findings (Finn 2005, 2006; Loureiro 2010; Oliver, Rust and Varki 1997; Wang 2011). Finn (2012) has recently set out to address these contradictory findings by identifying the nonlinear effects of satisfaction and delight on loyalty. He finds that these nonlinear effects act in parallel and influence several loyalty-related intention variables. The empirical findings suggest that delight has a positive quadratic effect and satisfaction has a negative cubic effect (i.e., an s-shaped curve, lower and higher thresholds, flat effects below the lower and above the upper thresholds, and steep effect between the thresholds). However, these findings have limitations in that, for example, the rather mundane retail website service setting might inhibit low situational involvement (Finn 2005, 2012). Furthermore, this particular service setting, as well as the data collection process (20 online retailers, 20 recruited respondents, an experimental setting, and a simulated user task) might be unable to produce and record strong emotional responses such as delight.

Accordingly, our research objectives are to extend the understanding of the effects of satisfaction and delight on loyalty by addressing the limitations that have characterized previous studies. In doing so, we extend the work by Finn (2012) by (i) drawing on survey (as opposed to experimental) data from two large samples of service customers who are likely to exhibit delight (i.e., sporting events; Grove, Pickett, Jones and Dorsch 2012; Oliver 2010; Pons, Mourali and Nyeck 2006), as well as by (ii) extending the nonlinear conceptualization by modeling an involvement-related moderator variable (i.e., the level of former experience with the service provider). Theoretically, our conceptualization of the moderating effects stems from the accessibility-diagnostics model (Feldman and Lynch Jr. 1988; Lynch Jr. 2006). Our results differ from those of Finn (2012): They support a negative quadratic (i.e., concave) relationship of satisfaction with loyalty and a negative cubic relationship of delight and loyalty. Thus, when allocating (incremental) resources to create customer loyalty, managers should recognize that delight reaches its full impact only after an initial threshold; like satisfaction, this effect reaches a saturation point after an upper threshold at very high levels of delight. Moreover, our results suggest that both delight and satisfaction effects weaken when experience increases.



## CONCEPTUAL FOUNDATION AND HYPOTHESES

### Service Satisfaction, Delight, and Loyalty

Oliver, Rust, and Varki (1997), as well as Finn (2012) emphasize the parallel roles that customer satisfaction and delight play in influencing loyalty. Satisfaction and delight arise from a comparison process that takes norms and needs into account and is based on experience (Oliver, Rust and Varki 1997), such that they reflect judgments that capture a complete service consumption experience, as well as a unified range of service dimensions and aspects. This cumulative understanding is often a function of several service experiences over time (Anderson and Sullivan 1993).

Customer satisfaction refers to the end state of a cognitive, psychological process during which a customer compares his or her expectations concerning a service (target performance) with the subjectively perceived benefit he or she obtains from using that service (actual performance) (Homburg, Koschate and Hoyer 2006; Oliver 1980; Oliver, Rust and Varki 1997). According to the confirmation-disconfirmation conceptualization, satisfaction results from a favorable correspondence between a customer's expectations and service experience (Churchill and Surprenant 1982).

The concept of delight, which is theoretically embedded in emotion literature (Plutchik 1980; Russel 1980), is often referred to as a positive, emotional state generally resulting from a surprising experience that vastly exceeds expectations (Oliver, Rust and Varki 1997; Wang 2011). Other research confirms the concomitant importance of joy, whereas surprise may not always be required for delight to arise (Barnes, Ponder and Dugar 2011; Keiningham, Goddard, Vavra and Iaci 1999; Kumar, Olshavsky and King 2001). The emotional response of delight—if it occurs—can coexist with mere satisfaction, because delighting a customer is seen as an extension of providing basic satisfaction (Oliver, Rust and Varki 1997). That is, satisfaction serves a hygiene or maintenance function (Augustín and Singh 2005) as a necessary precondition for customer delight.

### Nonlinear Effects of Satisfaction and Delight

Prior research has often neglected delight as a distinct concept, but has instead (implicitly) conceptualized it as a positive, nonlinear response to satisfaction. Finn's (2012) study is unique in that he uses polynomial regression to investigate satisfaction and delight's relationships with loyalty-related intention variables, and examines whether satisfaction has nonlinear effects and/or if a distinct delight concept exerts its own effect on behavioral loyalty. Finn (2012) concludes that delight—just like satisfaction—is a separate construct that needs to be specifically considered and accounted for (Oliver, Rust and Varki 1997).

According to Finn's (2012) results, the functional relationship between satisfaction and loyalty produces a negative cubic, s-shaped curve with a lower and a very clear higher threshold, as well as flat effects above the upper and below the lower thresholds and a steep effect between them. This saturation effect is compatible with the conceptual understanding of satisfaction as an *expected* level of service performance (Oliver, Rust and Varki 1997). We integrate these arguments with Finn's (2012) findings to articulate the first hypothesis for our empirical investigation:

H<sub>1a</sub>: Satisfaction has a negative cubic effect on loyalty with a clear saturation zone above an upper threshold.

Prior research confirms that delight has a positive quadratic effect on loyalty (Finn 2012); that is, an increase in delight has a much greater impact when it is already high than when it is around average levels. At lower levels, only a small influence, if any, eventuates. This "zero-effect zone" at low levels of delight appears to contradict the conceptualization of delight as a positively valenced state that reflects high levels of consumption-based affect, which results from experienced joy and surprise, and creates a strong desire for future recurrences (Chitturi, Raghunathan and Mahajan 2008; Hirschmann and Holebrook 1982; Oliver 2010). In this sense, delight is an all-or-none proposition (Finn 2012; Rossiter 2011) that results instantly once an upper satisfaction expectation threshold is exceeded (1999; Oliver, Rust and Varki 1997; Wang 2011). Nevertheless, the inconsistent findings of the effect of delight (Finn 2005, 2006; Loureiro 2010; Oliver, Rust and Varki 1997; Wang 2011) continue to imply that a zero-effect zone exists and must be overcome before delight can influence loyalty. Based on these conflicting arguments and findings, we conclude that the relationship between delight and loyalty intentions is nonlinear, although we lack a firm basis to propose a specific shape for this nonlinear influence. Instead, we simply argue:

H<sub>1b</sub>: Delight has a nonlinear effect on loyalty.

### Experience with the Service Provider as a Moderator

The inconclusive empirical findings pertaining to the effects of satisfaction and delight on loyalty have prompted several researchers to consider potential context effects such as different levels of customer involvement (Finn 2005, 2012; Oliver,



Rust and Varki 1997). In this paper, we pick up on these arguments and set out to assess the role of involvement, as manifested by the level of former experience (LFE) with the service provider, which we argue acts as a moderator of the satisfaction-loyalty and delight-loyalty relationships.

Empirical studies on the potential moderating role of the LFE or related variables are, however, rather inconclusive and do not consider the relationship between delight and loyalty. In an attempt to offer a stronger theoretical base to explain these potential moderating effects and to offer an understanding of the direction of such moderation, we draw on the accessibility-diagnostics theory (Feldman and Lynch Jr. 1988) and related advances (Cohen and Reed II 2006; Lynch Jr. 2006). The essence of accessibility-diagnostics theory is that information held in memory—in our case, previously experienced levels of satisfaction and delight (i.e., preexisting cognitions)—will affect related judgments with regard to how such information can be accessed and is considered diagnostic. The implications of the role of the LFE are that momentarily activated (object-centered) cognitions, such as satisfaction (Ngobo 1997) or delight, have disproportionate influences on object-related judgments, especially if they have been activated recently (Feldman and Lynch Jr. 1988; Lynch Jr. 2006). This effect might, however, be weakened by customer expertise or involvement, which supports alternative cognitions and, above all, establishes a preexisting affective and habitual polarization toward an object, category, intention or behavior. Accordingly, we hypothesize that:

H<sub>2a</sub>: Greater LFE reduces the effect of satisfaction on loyalty.

H<sub>2b</sub>: Greater LFE reduces the effect of delight on loyalty.

## EMPIRICAL ANALYSIS

### Measurement model and data

To test the hypothesized relationships empirically, we collected data from two different samples. In line with Oliver's (2010) consideration, we focused on sporting events and conducted two online surveys of customers who had attended at least one event at a multipurpose stadium. Our final data sets contained 2,876 and 3,062 respondents, respectively. In terms of their socio-demographic information (age, gender), both samples were, according to the two sports clubs' data, representative of the pool of all visitors. Contingency tests for different socio-demographic characteristics, non-response bias, and outliers did not indicate any concerns.

In line with Finn's (2012) recommendation, we assess the cumulative satisfaction by using an adapted version of his (2005) reflective, five-point Likert satisfaction scale developed for SEM estimations. We adapted Finn's (2012) three-item scale to measure delight and expanded it with one item to capture aspects of arousal (unforgettable experience) (Oliver 2010; Oliver, Rust and Varki 1997), resulting in a five-point Likert scale ranging from never to always. One item from each of Finn's (2012) 'loyalty' scales serves to capture the different components of loyalty—including the behavioral (revisiting) and attitudinal (willingness to recommend) aspects (Dong, Ding, Grewal and Zhao 2011; Jones and Shirley 2007; Szymanski and Henard 2001)—on a five-point Likert scale ranging from extremely likely to unlikely. Following Chandrashekar et al. (2007) and Raju, Lonial, and Mangold (1995), we used one item for the LFE to capture the number of previous visits to the stadium.

### Estimation Procedure

Our estimations are based on the partial least squares structural equation modeling (PLS-SEM) approach (Hair, Hult, Ringle and Sarstedt 2013; Lohmöller 1989; Wold 1982) and SmartPLS (Ringle, Wende and Will 2005). PLS-SEM is suitable to test the hypotheses posited in this paper as it allows higher order nonlinear and interaction effects to be assessed due to its capacity to handle increased complexity and to carry out simultaneous estimations of quadratic and cubic terms (Hair, Ringle and Sarstedt 2011; Hair, Sarstedt, Ringle and Mena 2012; Henseler, Ringle and Sinkovics 2009). We followed the procedures that Rigdon, Ringle, and Sarstedt (2010) suggest for the analyses of nonlinear effects in PLS-SEM. In our study, a two-stage approach to the moderator analysis of the final filtered nonlinear model is particularly suitable to achieve the most precise prediction for an endogenous latent variable (Henseler and Chin 2010). To analyze the nonlinear effects, we first generated the main effect PLS path model to obtain estimates for the latent variable scores. Second, we built polynomial terms as the element-wise products of the latent variable scores of the exogenous variables (i.e., satisfaction and delight). The nonlinear term(s) and latent variable scores both serve as independent variables in a multiple linear regression of the latent variable

scores of the endogenous variable (i.e., loyalty). This approach—which is suitable to analyze nonlinear and moderating effects—is appropriate to test our hypotheses.

## Results

We estimated an initial structural model (M1) in which satisfaction and delight both have direct linear effects on loyalty. Following Finn's (2012) procedure, we have analyzed nonlinear (M2-M6; Table 1) and moderating effects (M7; Table 2) through successively extending the initial model (M1). The evaluation of PLS-SEM results follows the criteria and procedures recommended by Hair, Hult, Ringle and Sarstedt (2013), Hair, Ringle and Sarstedt (2013), Hair, Sarstedt, Ringle and Mena (2012), and Henseler, Ringle and Sarstedt (2012). The PLS path model only includes latent variables with reflective measurement models. All estimated PLS-SEM results presented in this study meet the relevant criteria for determining the reliability and validity of the reflective constructs. Our evaluation of the results in the structural models focuses on the path coefficients and their significance, which was determined by running a bootstrapping routine with 1,000 subsamples, the  $R^2$  values, and the  $f^2$  effect sizes (Hair, Hult, Ringle and Sarstedt 2013).

The R-square value increases continuously from M1 to M6, and M6 explains a remarkable 70.4 percent (56.4 percent) of the loyalty intentions in Data 1 (Data 2). The cubic satisfaction term ( $S^3$ ) emerges as not significant from all models featuring it and from both data sets (with the exception of M3 with Data 1). Since the  $f^2$  are weak (Data 1) or zero (Data 2) when the  $S$ -cubed is included in the model, and the linear and quadratic satisfaction terms are highly significant, and since, furthermore, the  $f^2$  of the  $S$ -square are sizeable in both data sets, our data substantiates the negative quadratic effect of satisfaction on loyalty. The  $S$ -cubed term is excluded from the subsequent analysis. Delight thus contributes substantially to an explanation of loyalty. Although the effect sizes of  $D$ -square and  $D$ -cubed are small, the (negative) path coefficients of both terms in both data sets and all the relevant models are highly significant. This data supports the negative cubic effect of delight (the S-shaped curve, lower and higher thresholds, flat effect below the lower and above the upper threshold, and the steep effect between thresholds).

The assessment of M1-M6 leads to our final filtered model (with  $S$ ,  $S^2$ ,  $D$ ,  $D^2$ , and  $D^3$ ) to examine heterogeneity in M7 on the basis of the LFE as a moderator (Table 2). The results substantiate the previously identified curvilinear effects of satisfaction and delight on loyalty. We also confirm the negative moderating effect of the LFE on the linear relationships between satisfaction and loyalty, and delight and loyalty. However, the negative moderation effects on the quadratic and cubic terms are not significant. In comparison to M6, the inclusion of the moderator variables increases the R-square values by 1.3 and 2.6 percentage points.

## DISCUSSION

Analyzing a service setting in which the creation of delight is likely, our empirical analyses reveal the sizable positive effects of satisfaction and delight on loyalty (Tables 1 and 2). Contrary to Finn (2012), we reveal that the effect of delight on loyalty is stronger than the effect of satisfaction, and that delight accounts for a substantial increase in the variance in loyalty in both data sets.

We find, first, that the effect of satisfaction on loyalty is respectively negative quadratic or concave, (i.e., each positive slope of the linear effects on loyalty decreases with greater customer satisfaction). However, our results do not provide evidence of a negative cubic relationship (Finn 2012) since we cannot confirm the lower threshold (non-significant influence of  $S^3$ ; Table 1). Thus,  $H_{1a}$  is partially supported.

Second, we find that delight has a nonlinear effect on loyalty, which supports  $H_{1b}$ . We extend Finn's (2012) finding of a saturation zone (after an upper threshold) by identifying a lower threshold that must be overcome before delight reveals its strong impact. Thus, a negative cubic relationship with loyalty is supported. These results might explain the inconsistent previous findings pertaining to the effect of delight on loyalty, as delight levels below the lower threshold exacerbate the identification of a significant effect.

Our third finding confirms the negative moderation effect of the LFE on the satisfaction-loyalty and delight-loyalty relationships, which supports both  $H_{2a}$  and  $H_{2b}$ . Delight and satisfaction evoke less loyalty when the LFE increases, which produces flatter curvilinear relationships. With an increasing LFE, service customers seem to partake in the service more habitually due to its congruence with their self-values. Although highly relevant in behavioral research, the self-centered value perspective is rare in service research (Cohen and Reed II 2006). This insight provides a possible further explanation

for the insignificant effects of delight as reported in previous research; the curve can become extremely flattened if the LFE is sufficiently high.

## IMPLICATIONS

Service providers often struggle to maintain adequate service levels within their limited budgets; one of their primary objectives is therefore the efficient maximization of customer loyalty. We show that they cannot simply strive to improve reported satisfaction levels if they lack an understanding of the role that delight plays in influencing loyalty, and if they disregard nonlinear effects. Given the increasing returns at below average levels of satisfaction with decreasing returns at above average levels, as well as a saturation zone at the end, incremental resources should be devoted to reaching moderate to high levels of customer satisfaction, but not extraordinarily high levels.

The strong and parallel influence of delight means it is also important for managers to create service experiences that cause emotional responses (e.g., unexpected service features; Wang 2011). When allocating resources to design such delighting service features, they also should account for the negative cubic delight-loyalty relationship. Delight unfolds its full impact only once an initial threshold has been reached; similar to satisfaction, this effect reaches a saturation point after an upper threshold at very high levels of delight. The saturation effects in both cases might suggest a competitive intensity effect, as is often observed in the form of escalating service quality expectations (Finn 2012; Rust, Zahorik and Keiningham 1995). Thus, for a sustainable competitive advantage, service firms might need to conduct more fine-grained analyses on the individual customer level, since the loyalty response of service customers differs, depending on their individual satisfaction and delight levels.

Our findings accordingly suggest that different customer segments react differently, depending on their LFE. Experienced service customers also appear to generate loyalty intentions habitually, which delineates the self-relevant categories and values that people use to express who they are. Nevertheless, we posit that loyalty arising habitually from a recognition of a connection between the service (provider) and core values—which may be distinct in terms of phenomenology—could supplement the loyalty that arises from perceptions of a link between the service (provider) and material interests (e.g., goals or outcomes; Eagly and Chaiken 1993; Ngobo 1997).

The accessibility–diagnosticity model offers no insight into which individual values might drive the loyalty exhibited by more experienced customers, though Cohen and Reed (2006) suggest that social identity could be an important facet in constructing loyalty attitudes or intentions. A social identity function enables individuals to reinforce their connections to similar others and create separation from dissimilar others by prompting behaviors that signal identification, such as with a particular sports team (Grove, Pickett, Jones and Dorsch 2012; Harris and Ogbonna 2008; Pons, Mourali and Nyeck 2006), externally and to the individual self. Overall then, service managers should, for more experienced customers, emphasize important (social) self-identity considerations by featuring retrieval cues in the service. The customer would then (more) habitually engage in the service to express and affirm his or her self-identity (Jun et al. 2012; Swann 1983).

## CONCLUSIONS

Reflecting on the inconsistent findings of previous research, related to whether and in what conditions delight affects loyalty in service settings, in parallel to satisfaction, we draw on previous contributions and concerns by addressing some of the limitations that characterized previous studies. Specifically, we reassess nonlinear effects and extend the significant work produced by Finn (2012).

Analyzing a service setting in which emotional responses are more likely and using two large data sets with survey responses of customers, we identify functional relationships that differ somewhat from Finn's (2012) findings. Our findings support a negative quadratic (i.e., concave) relationship of satisfaction with loyalty and a negative cubic relationship of delight.

By extending the nonlinear model and drawing on accessibility–diagnosticity theory (Feldman and Lynch Jr. 1988; Lynch Jr. 2006), we theoretically and empirically clarify the role of service customer involvement, and include the level of experience with the service provider (LFE) as a moderator. Our empirical data supports LFE's negative moderating effect on the relationships between satisfaction and loyalty, as well as between delight and loyalty.

Despite our robust analysis and consistent findings across two sets of data, a few limitations of this study should be addressed in further research. Although stated loyalty intentions have strong validity in predicting future “real” behavioral loyalty

(Pavlou, Liang and Xue 2007), longitudinal research might help substantiate the causal nature of the interrelationships. For example, Seiders et al. (2005) mention the differing moderating effects of the same variable when analyzing the satisfaction-intended behavior versus the satisfaction-actual behavior relationship.

Our discussion of LFE as negative moderator is necessarily partly speculative, because little research provides a theoretical or empirical basis. However, the moderator effect may depend on the nature, amount, level, and content of experiences, as well as on the measure chosen for the variable (Fabrigar, Petty, Smith and Crites 2006). Extending our analysis with different facets of involvement could provide worthwhile insights; for example, future research could draw on customer segmentation analysis by using the customer involvement profile scale of Laurent and Kapferer (1985). A more detailed analysis of (loyalty) responses stemming from the activation of self-appraisals or value appraisals triggered by the recognition of a connection between the service and the customer's values also would be helpful.

Finally, considering the importance of loyalty, satisfaction and delight in service settings, our findings stress the relevance of managing them proactively and in a differentiated manner. Research should consider the range and quality of the services and thereby offer suggestions on how to manage satisfaction and delight to achieve desired levels of service customer loyalty.

## TABLES

Table 1: Main results

		Path to Loyalty		R <sup>2</sup>		$\Delta R^2$		f <sup>2</sup> Effect Size	
		Data 1	Data 2	Data 1	Data 2	Data 1	Data 2	Data 1	Data 2
M1	S	.712***	.546***	50.7	29.8	-	-	-	-
M2	S	.474***	.374***	58.4	44.3	7.7	14.5	-	-
	S <sup>2</sup>	-.367***	-.417***					.185	.260
M3	S	.502***	.356***	59.8	44.3	1.4	0	-	-
	S <sup>2</sup>	-.729***	-.370***					-	-
	S <sup>3</sup>	-.398**	.062 n.s.					.034	0
M4	S	.122***	.101***	69.8	55.2	10	10.9	-	-
	S <sup>2</sup>	-.385***	-.251***					-	-
	S <sup>3</sup>	-.104 n.s.	.099 n.s.					-	-
	D	.526***	.442***					.331	.243
	D <sup>2</sup>	-.111**	-.175***					.007	.018
M5	S	.149***	.142***	70.0	56.0	.2	.8	-	-
	S <sup>2</sup>	-.342***	-.215***					-	-
	S <sup>3</sup>	-.105 n.s.	.050 n.s.					-	-
	D	.436***	.324***					-	-
	D <sup>2</sup>	-.111**	-.175***					.007	.018
M6	S	.156***	.138***	70.4	56.4	.4	.4	-	-
	S <sup>2</sup>	-.288***	-.187***					-	-
	S <sup>3</sup>	-.030 n.s.	.107 n.s.					-	-
	D	.388***	.287***					-	-
	D <sup>2</sup>	-.594***	-.474***					-	-
	D <sup>3</sup>	-.463***	-.298***					.014	.010

Notes: The results are based on bootstrapping. The sample size equals the original sample size of the respective data set; 1,000 subsamples. There is no sign change option. \*\*\* Significant at 1%; \*\*Significant at 5%; \*Significant at 10%.

Table 2: Moderator analysis

		Path to Loyalty		R <sup>2</sup>		$\Delta R^2$		f <sup>2</sup> Effect size	
		Data 1	Data 2	Data 1	Data 2	Data 1	Data 2	Data 1	Data 2
M7	S	.165***	.190***	71.7	59.0	1.3	2.6	-	-
	S <sup>2</sup>	-.254***	-.292***					-	-
	D	.340***	.261***					-	-
	D <sup>2</sup>	-.532***	-.332***					-	-
	D <sup>3</sup>	-.516***	-.238*					-	-
	S×LFE	-.053**	-.086***					.049	.063

	S <sup>2</sup> ×LFE	-.019 n.s.	.075 n.s.						
	D×LFE	-.105***	-.074**						
	D <sup>2</sup> ×LFE	-.205 n.s.	-.068 n.s.						
	D <sup>3</sup> ×LFE	-.217 n.s.	-.006 n.s.						

Notes: The results are based on bootstrapping. The sample size equals the original sample size of the respective data set; 1,000 subsamples. There is no sign change option. \*\*\* Significant at 1%; \*\*Significant at 5%; \*Significant at 10%.

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# COALIGNING SERVICE QUALITY ATTRIBUTES AND ITS IMPLICATION TO CUSTOMER VALUE

Hanny Nasution, Monash University, Australia

## ABSTRACT

This study applies coalignment in the service context. The paper investigates the coalignment of aspects of service quality to provide customer value. It is argued that service quality must be seen as a gestalt i.e. performing well on an attribute of service quality is good, but coaligning several service attributes is even better. A self completed questionnaire was used to collect data from hotel guests of selected hotels in Indonesia. The effective response rate was 70% giving a sample of 385. The results indicate that the coalignment of attributes of service quality has significant implications for customer value and that the coalignment model is significantly superior to a direct effects model. This study provides empirical support for the configuration theory and specifically contributes understanding of the service quality-customer value linkage. This study contributes to addressing this research gap in the literature by applying configuration theory to service quality. This study suggests that managers must look at service quality as a gestalt because various quality aspects do not substitute or compensate for each other although they are mutually reinforcing.

## INTRODUCTION

Coalignment is considered as an imperative organizing concept in organizational research (Venkatraman, 1990). The main idea of coalignment is the fit between strategy and its context including external environment, organizational characteristics (i.e. organizational structure), administrative systems, and managerial characteristics (Venkatraman and Prescott, 1990). The coalignment of strategy and its context has significant implications for performance (Venkatraman, 1990). Beer et al. (2005) suggest that if organizations are to be effective and competitive, they need to achieve coalignment in all of the organizational elements including organizational structure, strategy, culture, leadership, technology, and environment. Organizational performance does not depend on a single attribute; it depends on the fit among many different elements of organization (Roca-Puig and Bou-Lluisar 2007; Venkatraman and Camillus 1989). The relevance of coalignment to strategic management studies were based on the view that the strategy concept relates to the efficient alignment of organizational resources and capabilities (Venkatraman, 1990).

Coalignment concept has been widely adopted in the management discipline (Beer et al. 2005; Murray and Kotabe 2005), strategic management research (Miles, Snow and Meyer 1978); organizational studies (Fry and Smith 1987; Venkatraman and Prescott 1990), and organizational behavior (Joyce and Slocum 1982). Coalignment has begun to be used in marketing to investigate the fit between marketing strategy and performance (Kabadayi, Eyuboglu, and Thomas 2007; Olson, Slater, and Hult 2005; Vorhies and Morgan 2003; Katsikeas, Samiee, and Theodosiou, 2006).

There is still limited use of coalignment in academic marketing research (Verdu-Jover, Llorens-Montes, and Garcia-Morales 2004; Vorhies and Morgan 2003). This paper aims to apply coalignment in the marketing service research. The research question to be addressed in this study is whether coalignment of service quality attributes will have significant impact on customer value. The research objective is to investigate the implications of coalignment of service quality attributes on customer value. This study differs from prior studies by focussing attention to internal dynamics that define and influence service quality. This study contributes to addressing this research gap by applying coalignment theory as a gestalt rather the traditional approach of investigating coalignment with respect to the environment. In this sense it extends the concept of coalignment to examining internal dynamics.

## LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

### Service Quality and Customer Value

Service quality can be defined in two perspectives, namely (a) as the consumer's judgment or overall evaluation about the superiority of the service (Ueltschy et al. 2004), and (b) as an outcome of an evolution process where consumers compare their expectations with their actual experience (Liljander and Strandvik 1993). Growth and Dye (1999) define perceived value as a key variable in the customer's mind influencing the perceived value and quality of the service. This study adopts the service quality measure developed by Parasuraman, Zeithaml, and Berry (1988) to assess service quality in the hospitality context. Customer value is defined as "an interactive relativistic preference experience" (Holbrook 1999 p.5). This study

adopts the concept of customer-perceived value in which value offered and received resides in a customer's assessment (Anderson and Narus 2006; Eggert and Ulaga 2002; Walker, Johnson, and Leonard 2006).

Previous studies have linked service quality with customer value (Choi et al. 2004; Cretu and Brodie 2007; Walker, Johnson, and Leonard 2006), behavioral intentions (Cronin, Brady, and Hult 2000; Zeithaml, Berry, and Parasuraman 1996). According to Rust, Danaher, and Varki (2000) that perceived value is influenced positively by perceived service quality and negatively by price perceptions. Chang (2008) suggest that service quality has significant impact on customer value; and customer value increases with service quality. Similarly, the study of Lee et al. (2005) provides support of the impact of tangibles, assurance, sensory, and empathy dimensions of service quality to the creation of competitive advantages. Oh (1999) suggests that firms cannot enhance customer value by focusing only on company performance and/or service quality; that is, marketers need to reconcile all the strategic actions such as continuing performance and quality improvement efforts, as well as executing competitive pricing. In the hotel industry context, Harline, Wooldridge, and Jones (2003) suggest that service quality relates to the tangible and intangible aspects of a hotel's service delivery. Hotels that are effective in service delivery and able to deliver superior customer value will be expected to retain satisfied guests (Saleh and Ryan 1991).

## **Hypotheses Development**

Coalignment or fit is recognised as a term that can be defined in many ways each of which has specific implications for how relationships between variables are conceptualized and tested (Roca-Puig and Bou-Lluisar 2007; Vorhies and Morgan 2003). Coalignment refers to "the match between (or among) a set of theoretical dimensions" (Venkatraman, 1990, p.20). The basic idea of the strategic fit literature is that the degree of congruency between strategy and its context has significant impact on performance (Xu, Cavusgil, and White 2006). Most research has focussed on aligning the strategy or processes to the environment (Bourgeois 1980) or structural characteristics (Van de Ven and Drazin 1985). Specifically, coalignment posits higher effectiveness (performance) for organizations that have reconciled the competing needs facing them. The increased effectiveness is attributed to internal consistency among the relevant internal factors (Doty, Glick, and Huber 1993). The modelling of coalignment is predicated on the assumption that the degree of coalignment is a desirable property of the organization. Thus, the conceptualisation of coalignment is that a set of important decisions should be internally consistent for the achievement of superior performance.

It is hypothesised that the relationship between service quality and customer value might be stronger when the service attributes are coaligned compared to when the attributes are regressed individually. This implies that a holistic perspective is preferred in understanding the relationship between service quality and customer value delivery. In this study both the physical and non-physical attributes of hotels need to be integrated. Specifically, the physical components of hotel attributes include atmospherics, accommodation, and convenience; and non-physical components include service quality and professionalism. These should be coaligned in order to deliver superior value to customers. The expectation is that effective or successful service providers in delivering customer value are those that have successfully reconciled their service quality dimensions.

*H1. Coalignment of atmospherics, accommodation, convenience, services, and professionalism is significantly related to customer value.*

This study adopts the Venkatraman's (1990) work in conceptualising and operationalising coalignment as covariation. That is, coalignment is specified as a second-order factor, in which the first-order factors are the dimensions that are to be coaligned. In this study the service quality coalignment is treated as a second-order factor, where the five attributes of service quality (i.e. atmospherics, accommodation, convenience, quality, and professionalism) are to be coaligned. In this sense, the pattern of covariations among the dimensions is captured as separate unobservable construct that have no directly observable indicators (Venkatraman, 1990). The coalignment is modelled in a way that attempts to rule out alternative explanations by specifying additional hypotheses that address these potential threats to the validity of findings. The first issue relates to the relationship between service quality and customer value. Unless one tests the alternative direct effects model, it is difficult to conclude that coalignment is crucial. In this study, direct effects model refers to direct effects of the five service quality attributes on customer value. In testing for the direct effects model, this alternative model is rejected if it is less parsimonious and does not fit the data as well as the coalignment model. Therefore,

*H2. The direct effects model is equivalent to the coalignment model*

## RESEARCH METHODOLOGY

### Data

A self completing questionnaire was provided to hotel guests at selected hotels as the primary means of collecting data. The sample came from a population of hotel guests of selected hotels in Indonesia. There were three steps involved in the data collection: first, fifteen classified hotels were invited to participate in the customer survey and eight hotels declined. Consequently only seven hotels participated in this study which comprised one-star to five-star hotels. Second, approximately 50 questionnaires were distributed to each hotel that had agreed to participate. The questionnaires were handed directly to the hotel guests by the hotel managers but completed questionnaires were sealed and addressed to the researcher. The completed questionnaires were collected personally by one of the researchers within a two week period. Questionnaire design issues such as wording, sequence, and appearance were carefully considered. While the original questionnaire was developed in English, this was translated and back translated several time until the Indonesian version of the questionnaire completely matched the English version.

The number of respondents who participated in this study was 385, which comprised approximately 17% guests who stayed in five-star hotels, 50.38% who stayed in four-star hotels, 21% who stayed in three-star hotels, and less than 10% who stayed in one or two-star hotels. The majority of hotel guests were male (65.50%) aged 31-40 years old (44.20%). Most respondents (49.40%) had stayed in the hotel three times a year, and most of them came from another city (72.20%). Overall, approximately 68% of respondents indicated that they definitely would stay in the hotel again.

### Measures

Table 1 presents summary statistics of the measurement model analysis. The constructs of service quality were originally developed by Parasuraman et al. (1988). The scale of hotel guest perception developed by Juwaheer and Ross (2003) was adopted to assess service quality in the hospitality context that perceived by hotel guests. The measure of service quality consists of five dimensions: atmospherics, accommodation, convenience, services, and professionalism. Atmospherics and accommodation relate to tangible aspects of the service (i.e. hotel setting); whereas convenience, services, and professionalism are more related to intangible aspects of the service. The measure of customer value developed in this study was based on the Sweeney and Soutar (2001) scale and the Petrick (2002) scale. The customer value measure in this study composes three components: reputation for quality, value for money, prestige.

### Psychometric Properties

The measurement properties were assessed using confirmatory factor analysis (CFA). As shown in Table 1, a CFA of Measurement Model 1 (Service Quality) produced an acceptable overall fit ( $\chi^2 = 285.75$ ,  $df = 125$ ,  $\chi^2 / df = 2.28$ ; GFI=.93, AGFI=.90, NFI=.94, TLI=.96, CFI=.97, RMSEA=.06). Similarly, the Measurement Model 2 had acceptable fit indexes ( $\chi^2 = 98.64$ ,  $df = 34$ ,  $\chi^2 / df = 2.90$ , GFI=.96, AGFI=.91, NFI=.96, TLI=.96, CFI=.976, RMSEA=.07). All the factor loading are above .80 for Measurement Model 1, and above .70 for Measurement Model 2. In addition, reliability analysis for the measures produced Cronbach's alpha values above 0.90, suggesting adequate reliability. Therefore, all measures were shown to have acceptable psychometric properties.

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Insert Table 1 around here  
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## RESULTS AND DISCUSSION

As shown in Figure 1, the five parameters of  $\gamma_1$  to  $\gamma_5$  indicate the second-order factor loadings of the five service quality attributes represent coalignment; whereas  $\gamma_6$  represents the impact of service quality coalignment on customer value. Fundamental to testing the service quality coalignment and customer value relationship is the demonstration that coalignment is positively and significantly related to customer value. As indicated in Table 2, the parameter estimate of  $\gamma_6$  is .74 with a t-value of 10.98 providing support to the customer value implications of service quality coalignment. The results indicate that the relationship between coalignment and customer value is significant ( $p < .001$ ). Specifically, the coalignment model indicates that all the hypothesised factors that need to be coaligned significantly load on coalignment. Thus, the results provide strong support to H1. In addition, since the parameters reflecting the second-order factor loadings ( $\gamma_1 - \gamma_5$ ) are statistically significant ( $p < .001$ ), this provide additional support for the second-order construct of service quality coalignment (Venkatraman, 1990). This indicates strong support for the measurement part of the model. This is fundamental to the study and to the conceptualisation and operationalization of coalignment.

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Insert Figure 1 around here  
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The direct effect model suggests that of all the service quality attributes only atmospherics is significantly related to customer value. Accommodation, convenience, services, and professionalism are not significant (see Figure 2). This finding would obviously be misleading if it was the basis of managerial decision making. The results further indicate that the coalignment model fits the data better than the direct effects model. This leads to the rejection of H2. Therefore, the direct effects model as an alternative to the coalignment model is not supported. As suggested by Venkatraman (1990) if the coalignment model statistics are not different from the direct effect model, because of its parsimony, the coalignment model would still be selected.

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## CONCLUSION

This study sought to investigate whether fit as coalignment is a useful perspective to understand customer service delivery. The results indicate that coaligning dimensions of service quality has significant impact on customer value. The higher the degree of coalignment, the higher level of customer value. This suggests that it is more effective to perform various service aspects in a balanced way rather than being exceedingly good at some and poor at others. Thus, service delivery must be seen as a gestalt in which there may be more penalties for poor performance of some service quality aspects and low rewards for excellence in a few aspects of service delivery. These findings highlight a number of academic and managerial contributions.

This study contributes to literature by focusing on service delivery. This study provides empirical support for the configuration approach and specifically contributes to service provision-customer value linkage. From a managerial point of view, our findings highlight the importance of coaligning the service quality attributes to support the delivery of superior customer value. Specifically, we found that a fit among the service quality of hotel attributes i.e. atmospherics, accommodation, convenience, services, and professionalism is positively related to customer value. It is suggested that tangible and intangible aspects of hotel attributes are mutually reinforcing. This study suggests that there is a need for managers to understand the importance of aligning multiple dimensions of hotel attributes in order to deliver superior customer value. Thus hotel atmosphere and other service dimensions must be seen as a gestalt to optimise customer service.

In this study several specific limitations are acknowledged. These limitations suggest that caution is needed in interpreting the findings, but they also indicate a number of potential avenues for future research. First, this study was conducted in the hotel industry in Indonesia; therefore the single industry setting of the study limits the generalizability of the findings. Second, this study only focuses on the service dimensions and customer value relationships yet there are many other factors that could influence perception of customer value such as prices, convenience of location etc. However, the limited empirical work in this area prevented such model specification. Future research should seek to address this deficiency. Future research should be conducted in different settings to establish the generalizability of the findings.

## TABLES

Table 1: Summary Statistics of the Measurement Models Analysis

Construct Model 1	Model fit indexes and alpha		
	$\alpha = .95$ $\chi^2 = 285.75$ , $df = 125$ , $\chi^2 / df = 2.28$ , $GFI = .93$ , $AGFI = .90$ , $NFI = .94$ , $TLI = .96$ , $CFI = .97$ , $RMSEA = .06$	SFL*	t-value
Atmospherics	1. X1 - Hotel décor	.75	15.38***
	2. X2 - Privacy of guests	.77	16.00***
	3. X3 - Attractiveness of rooms	.84	15.96***
Accommodation	4. X4 - Availability of non-smoking rooms	.67	13.50***
	5. X5 - Cleanliness of rooms	.81	16.95***
	6. X6 - Availability of parking spaces	.70	14.19***
	7. X7 - Variety of facilities	.79	16.45***

Convenience	8. X8 - Flexibility of check-out time	.88	20.76***
	9. X9 - Flexibility of check-in time	.91	21.12***
Services	10. X10 - Staff communication	.84	20.39***
	11. X11 - Friendliness of staff	.84	20.42***
	12. X12 - The willingness of staff to help	.88	21.89***
	13. X13 - Responding to customer requests	.84	20.26***
Professionalism	14. X14 - Depth of knowledge hotel services	.81	15.93***
	15. X15 - Performance of the right service the first time	.73	14.23***
	16. X16 - Availability of healthy menus	.74	14.37***
	17. X17 - Speed of service	.84	16.54***
	18. X18 - Ability to anticipate customers' needs	.81	15.89***

Model fit indexes and alpha			
Construct	$\alpha = .92$ $\chi^2 = 98.64$ , $df = 34$ , $\chi^2 / df = 2.90$ , $GFI = .96$ , AGFI=.91, NFI=.96, TLI= .96, CFI=.98, RMSEA=.07	SFL*	t-value
Model 2			
Reputation for quality – X19	1. The hotel delivers services of the highest quality	.69	12.59***
	2. The quality of hotel service is consistently high	.73	13.33***
	3. This hotel is considered a “top quality hotel”	.73	12.43***
	4. I genuinely enjoy staying at this hotel	.74	14.84***
	5. The hotel staff treat us with great respect	.71	11.76***
Value for money – X20	6. I consider the hotel rates to be reasonable	.76	15.68***
	7. This hotel offers value for money	.70	14.19***
	8. The hotel reservation system is convenient for me	.84	16.78***
Prestige – X21	9. Staying in this hotel is considered prestigious	.91	14.24***
	10. I consider staying in this hotel a status symbol	.77	17.84***

\*SFL = standardized factor loading. \*\*\* =  $p < .001$

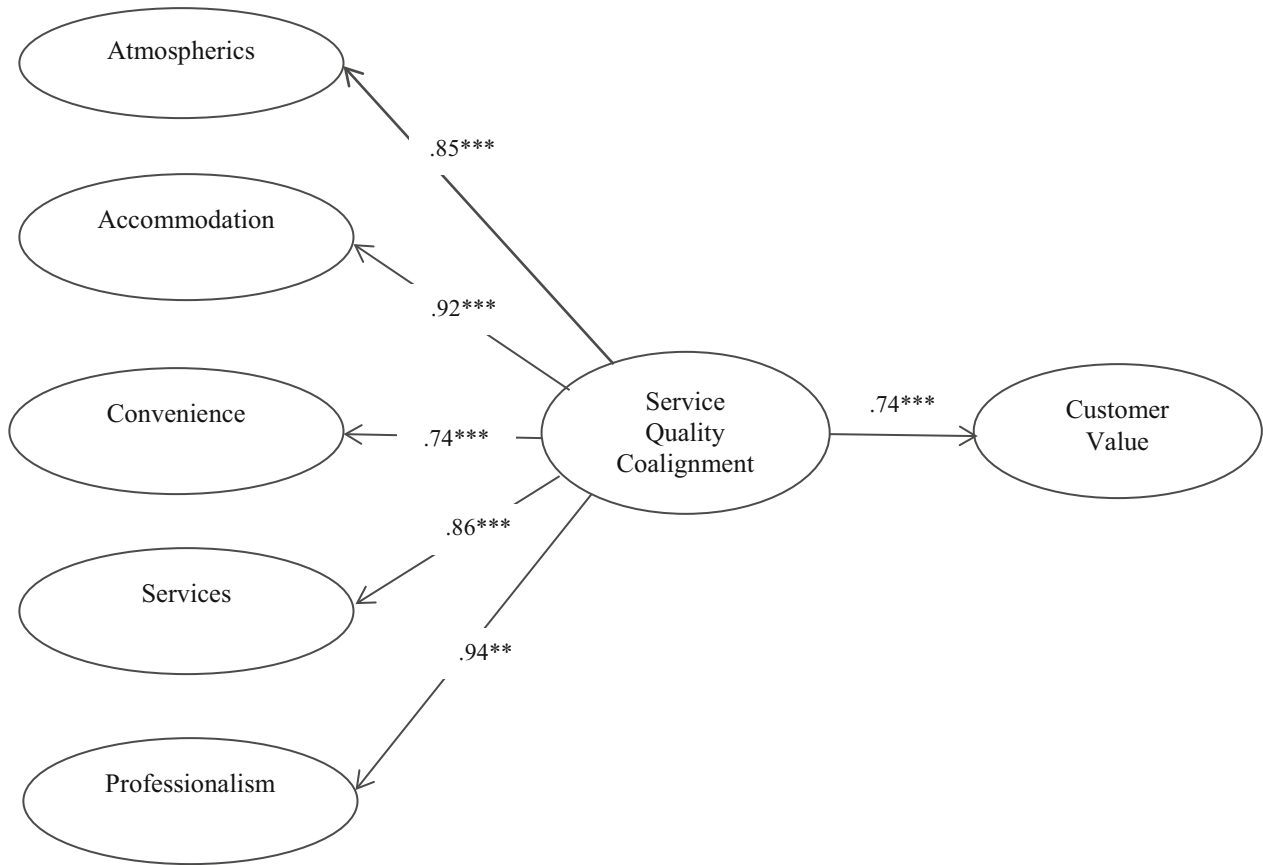
Table 2: Relationship between Service Quality and Customer Value

Variables		Standardised Estimates	t-value
Coalignment model			
Atmospherics => Service Quality Coalignment	$\gamma_1$	.85	13.17***
Accommodation => Service Quality Coalignment	$\gamma_2$	.92	14.49***
Convenience => Service Quality Coalignment	$\gamma_3$	.74	12.75***
Services => Service Quality Coalignment	$\gamma_4$	.86	13.14***
Professionalism => Service Quality Coalignment	$\gamma_5$	.94	14.52***
Customer value => Service Quality Coalignment	$\gamma_6$	.74	10.98***
$\chi^2 = 358.17$ , $df = 178$ , $\chi^2 / df = 2.01$ , $GFI = .85$ , $AGFI = .80$ , $NFI = .82$ , $TLI = .88$ , $CFI = .90$ , $RMSEA = .07$			
Direct effect model			
Atmospherics => Customer value	$\gamma_1$	.51	4.84***
Accommodation => Customer value	$\gamma_2$	.25	1.49
Convenience => Customer value	$\gamma_3$	-.08	-1.05
Service => Customer value	$\gamma_4$	.13	.97
Professionalism => Customer value	$\gamma_5$	-.001	-.006
$\chi^2 = 382.87$ , $df = 174$ , $\chi^2 / df = 2.20$ , $GFI = .84$ , $AGFI = .78$ , $NFI = .81$ , $TLI = .86$ , $CFI = .88$ , $RMSEA = .08$			

\* =  $p < .05$ ; \*\* =  $p < .01$ ; \*\*\* =  $p < .001$

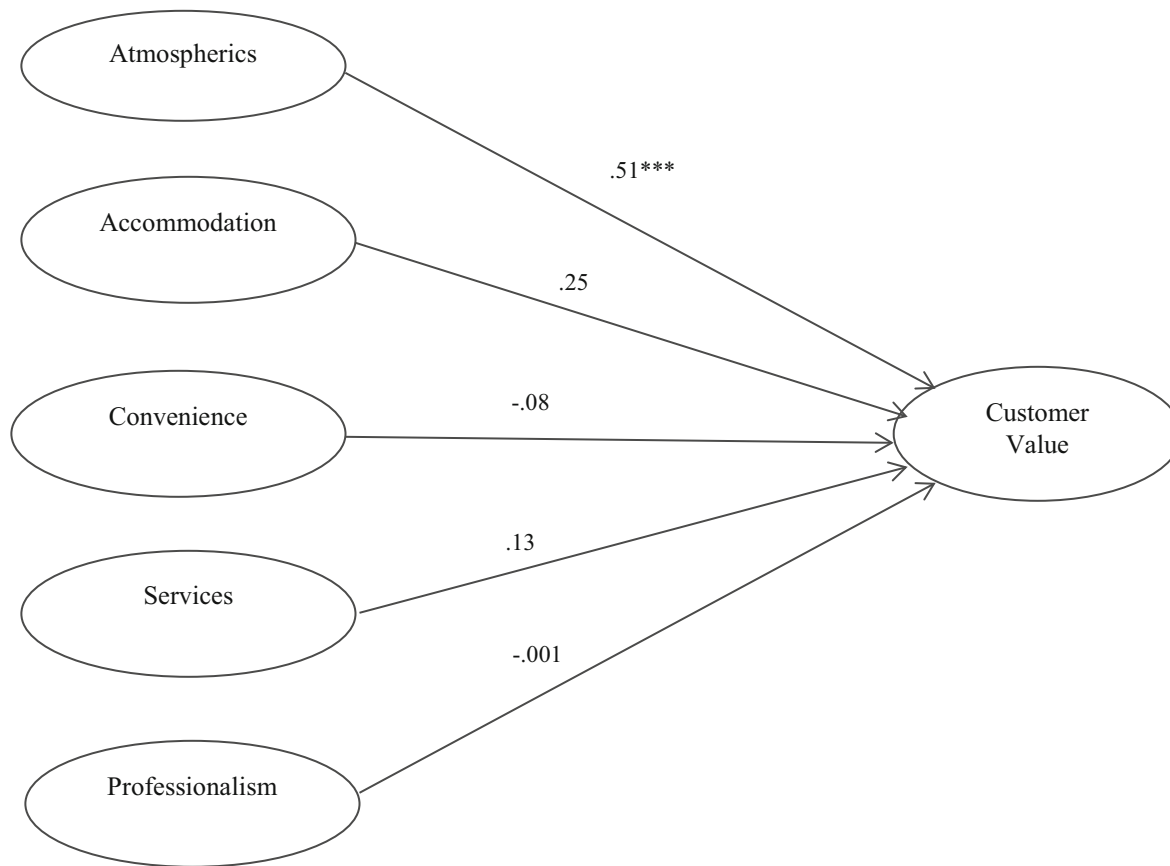
## FIGURES

Figure 1: The Coalignment Model



Model fit Indexes:  $\chi^2 = 358.17$ ,  $df = 178$ ,  $\chi^2 / df = 2.01$ , GFI=.85, AGFI=.80, NFI=.82, TLI= .88, CFI=.90, RMSEA=.07  
 \*\*\* =  $p < .001$

Figure 2: The Direct Effect Model



Model fit Indexes:  $\chi^2 = 382.87$ ,  $df = 174$ ,  $\chi^2 / df = 2.20$ , GFI=.84, AGFI=.79, NFI=.81, TLI= .86, CFI=.88, RMSEA=.08

**Acknowled** \*\*\* =  $p < .001$

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## **GAMBLER LOYALTY – A QUALITATIVE AND QUANTITATIVE INVESTIGATION**

Catherine Prentice, Swinburne University, Australia

### **ABSTRACT**

Since delivering high quality service tends to improve the retention of valued customers, operators should have an understanding of how such customers react to the provision of such experiences. The current investigation explored the relationship between service quality and customer loyalty, with the latter operationalized on the basis of attitudinal and behavioural dimensions. The researchers used a combination of quantitative and qualitative methods to explore this relationship amongst gamblers whose visits to the survey casino are characterised by low, medium or high frequency. The segments that were chosen for analysis purposes were consistent with a commonly used approach to segmentation within the survey casino. The results of the quantitative study indicate that service quality explains significant variance in customer loyalty. In particular, Service environment and service delivery make substantial contributions to both attitudinal and behavioural loyalty. This is consistent with the interview findings, except that the interviews provided deeper insights into how service quality is perceived amongst customers from different groups. Such perceptions influence their intentions to return. However, when international and domestic customers are analysed separately, service quality has minimal influence on the behavioural loyalty of the latter group.

The findings of this study have the following implications: although service quality is commonly regarded as an important determinant of customer loyalty, it does not constitute the totality of a customer's judgement about an entity's overall excellence or superiority. The various service encounters experienced by customers result in differing perceptions and attitudes. An overall assessment of service quality comprises a combination of perceptions arising from each service encounter between the customer and the service provider. Since the various dimensions of service quality have differential impacts on customer loyalty, and casino managers are concerned with cost effectiveness and resource utilisation, they should focus on the aspects that most concern the loyalty and retention of particular groups. This is the first study to investigate the relationship between service quality and two-dimensional loyalty in the casino context by using the actual annual visitation to measure behavioural loyalty and by using a newly developed scale to measure casino service quality.

References available upon request

**Session 10.7. Product Strategy**

Room: Swanston #1

Session Chair: Dean Wilkie, University of New South Wales

***It Is Not About the Product Having Enhanced or Unique Attributes***

Dean Wilkie, University of New South Wales

Lester Johnson, University of Melbourne

***Brand Innovativeness Effects on Quality, Satisfaction and Loyalty***

Ravi Pappu, University of Queensland

Pascale Quester, University of Adelaide

***Engaging Internal Stakeholders: Revitalizing Not-For-Profit Organizations through Rebranding***

Raisa Yakimova, Griffith University

Bill Merrilees, Griffith University

Dale Miller, Griffith University

***Measurement of Perceived Multisensory Marketing Strategies***

Karla Barajas-Portas, Universidad Anahuac Mexico Norte

**Friday, 12:00-1:30 p.m.**

**Lunch on Your Own**

## **IT IS NOT ABOUT THE PRODUCT HAVING ENHANCED OR UNIQUE PRODUCT ATTRIBUTES**

Dean C.H. Wilkie, University of New South Wales, Australia  
Lester W. Johnson, Melbourne Business School, Australia

### **ABSTRACT**

There is an ongoing discussion across several research streams as to whether consumers prefer new products with enhanced or unique attributes. The objective of this paper is to help resolve the conflicting views through examining the effect of three factors on consumer preferences for line extensions. These factors are 1) whether information about new product attributes need to be similar or different compared to existing knowledge 2) examining whether the number of new attributes influences preferences and 3) whether consumer preferences are instead influenced by the different types of enhanced and unique attributes. The summation of the findings not only provides possible explanations for why there are the conflicting views, it also presents an alternate perspective to this discussion. This is that consumers do not have a higher preference for products with either type of attribute. Instead, consumer preferences are determined through the relationship between their perception of how different the product is to their existing knowledge, how confident they are in the product delivering the benefits promised, and their preference for specific types of enhanced and unique attributes. References available on request.

## BRAND INNOVATIVENESS EFFECTS ON PERCEIVED QUALITY, SATISFACTION AND LOYALTY

Ravi Pappu, University of Queensland, Australia  
Pascale Quester, University of Adelaide, Australia

### ABSTRACT

Research on the interface of innovation and branding is limited. For example, managers receive little guidance regarding *how* consumers' perceptions of a brand's innovativeness affect firm performance metrics such as consumer brand loyalty. Moreover, research examining linkages between innovativeness and customer satisfaction is considered critical. Hence, this study provides a conceptual framework for these relationships using associative network theory and brand signaling theory. Structural equation modeling is employed to test the conceptual framework using data collected from a consumer sample ( $N = 355$ ). Results contribute to branding and innovation theories by uncovering the indirect effect of brand innovativeness on customer satisfaction via perceived quality. The study advances innovation research by uncovering the mediating role of perceived quality in the relationship between brand innovativeness and brand loyalty. Unlike the majority of studies which examine innovativeness from a managerial perspective, we conceptualize innovativeness from the consumer's perspective, and at brand level. The results can help new product managers better understand complex routes through which consumer perceptions of innovativeness affect perceived quality and customer satisfaction and thereby brand loyalty.

References Available Upon Request

# ENGAGING INTERNAL STAKEHOLDERS: REVITALIZING COMMUNITY ORGANIZATIONS THROUGH REBRANDING

Raisa Yakimova, Griffith University, Australia  
Bill Merrilees, Griffith University, Australia  
Dale Miller, Griffith University, Australia

## ABSTRACT

Community organizations are increasingly adopting corporate rebranding to enhance brand equity. However, existing branding and rebranding studies indicate community organizations often fail to reach their full potential because of (1) a fuzzy brand vision that does not fully utilize their very powerful values, and (2) an incomplete buy-in to the brand from internal stakeholders. The paper develops a conceptual framework of corporate rebranding for community organizations. The framework depicts organizational commitment as the pivotal construct. Internal branding activities associated with rebranding positively influence organizational commitment, directly and indirectly. Strong commitment empowers staff to live the brand consistently, influencing brand equity. This paper argues that using organizational commitment and applying social identity theory allows a greater understanding of internal branding processes.

## INTRODUCTION

Community organizations make many diverse contributions to society, and they vary from small community groups like local community clubs, to international organizations, like World Wildlife Fund. Any organization will benefit from revitalization of its corporate brand from time-to-time. Community organizations have some unique features, and their internal stakeholders include paid and volunteer staff.

The Call for Papers encourages consideration of the not-for-profit (community) marketing context. The Call also encourages authors to consider the lessons from the past. Rebranding efforts in community organizations have under-performed for two main reasons. Firstly, they have a fuzzy brand vision that does not fully utilize their very powerful values and secondly, an incomplete buy-in to the brand from internal stakeholders (Khan and Ede 2009; Stuart and Muzellec 2004). For example, community organizations often lack strong capabilities for engaging staff stakeholders in day-to-day management (Nichols 2012). To take such organizations confidently forward to the future, the lessons from past mistakes need to be formally modeled and incorporated into a new conceptual framework for rebranding community organizations.

Corporate rebranding theory, developed mainly from studies of for-profit organizations, does not explain fully how community organizations achieve rebranding success (Merrilees 2005; Merrilees and Miller 2008). In response, the paper develops a community corporate rebranding conceptual framework, integrating literature on corporate rebranding, corporate branding (Balmer 2010; Baumgarth and Schmidt 2010), volunteering (Nichols 2012), organization-employee relationships (Herington et al. 2009) and social identity theory (Dutton et al. 1994; Turner 1975).

## CORPORATE BRANDING AND CORPORATE REBRANDING THEORY: BUILDING BLOCKS FOR A NEW CONCEPTUAL FRAMEWORK FOR COMMUNITY ORGANIZATION

Corporate branding involves activities that express what an entire organization stands for (Balmer and Gray 2003; Hatch and Schultz 2001). Effective corporate branding creates brand equity (Balmer 2010). Drawing on for-profit and not-for-profit sector research (Baumgarth and Schmidt 2010; Laidler-Kylander and Simonin 2009), the paper defines external brand equity as *the brand's attitudinal and behavioral relevance to donors, partners and customers*. The favorability of attitudes towards the brand results from assessments about the extent to which the corporate brand activities meet expectations to uphold the brand values that underpin and drive operations (Stride 2006). These values are an integral part of the brand vision (Kunde 2000). Furthermore, strong community corporate brands tend to be more resilient to negative incidents and attract high-caliber partnerships and donations (Laidler-Kylander and Simonin 2009).

The use of corporate rebranding can rebuild weak community corporate brands to strengthen external brand equity (Kennedy 1998; Miller and Merrilees 2013). Studies contributing to rebranding theory investigate rebranding outcomes (Lambkin and Muzellec 2010; Muller et al. 2012) and rebranding processes (Merrilees and Miller 2008; Miller and Merrilees 2013). Unlike research that investigates only rebranding outcomes, Merrilees and Miller (2008) articulate a holistic corporate rebranding model that includes rebranding processes that contribute to successful outcomes. The three phases of that model are brand re-



vision, stakeholder buy-in (internal branding activities to encourage staff support for the revised brand) and rebranding strategy implementation. Thus, corporate rebranding offers scope to revitalize or reinvent community brands.

Despite the pioneering work of Merrilees and Miller (2008), few studies refine their corporate rebranding model further. The conceptual framework proposed in the paper extends that work, by investigating how community organizations achieve effective corporate rebranding, using internal branding activities. An internal branding view of corporate rebranding for community organizations is discussed next.

### **AN INTERNAL BRANDING VIEW OF CORPORATE REBRANDING FOR COMMUNITY ORGANIZATIONS**

Community organizations could consider staff differences when developing internal branding activities to stimulate a unified commitment. Internal branding activities encourage staff to develop a shared understanding of the brand and to adopt brand-supportive behavior (Punjaisri and Wilson 2011), and thus help to achieve internal stakeholder buy-in. The main internal stakeholders in community organizations are paid and volunteer staff. The two main volunteer types are those with, and without, altruistic motivations (Nichols 2012). Altruistic volunteers tend to identify strongly with the community organization (Shamir 1991). Organizational identification is one type of group membership, significant to one's "self-concept" (Ashforth and Mael 1989). Social identity theory explains why individuals are motivated to adopt behavior congruent with salient aspects of their social identity, which is "... part of an individual's self-concept which derives from his [sic] knowledge of his [sic] membership of a social group... together with the emotional significance attached to that membership" (Tajfel 1974, p. 69). Staff identify strongly with an organization when they perceive it has distinctive attributes, such as values and practises (Dutton et al. 1994). Some volunteers, such as offenders completing community work, may not have altruistic motivations, nor initially identify with the organization. Identification may develop as they enact their roles (Ashforth 2001).

A strong psychological relationship between community organizations and staff is critical for effective corporate branding (Baumgarth and Schmidt 2010; Burmann and Zeplin 2005). One aspect of the relationship is affective organizational commitment, defined as "... emotional attachment to the organization such that the strongly committed individual identifies with, is involved in, and enjoys membership in, the organization" (Allen and Meyer 1990, p. 2). Reviewing organizational identification and organizational commitment literatures, Edwards (2005) presents a model of organizational commitment and its behavioral outcomes. That model suggests that commitment includes the subjective state of organizational identification, and attitudinal outcomes of identification. Organizational identification comprises cognitive (internalized attributes of the organization, such as values) and affective components. Having considered the theoretical underpinnings, the paper now develops the conceptual framework of an internal branding view of corporate rebranding, with special relevance to community organizations.

### **A CONCEPTUAL FRAMEWORK OF AN INTERNAL BRANDING VIEW OF CORPORATE REBRANDING FOR COMMUNITY ORGANIZATIONS**

The conceptual framework proposes how community organizations may achieve effective corporate rebranding by adopting internal branding (Figure 1). The pivotal construct of the framework is organizational commitment. The first proposition set (P1-P5) explicates the antecedents of commitment, and the second set (P6 and P7) the outcomes. The development of the framework starts with explaining antecedents to organizational commitment. A direct path goes from internal branding to organizational commitment. Two additional paths, values-congruence and organization-staff relationship strength, partially mediate the link between internal branding and organizational commitment. Next, we add outcomes of organizational commitment, namely internal brand equity and external brand equity. Organizational commitment has a positive influence on internal brand equity that captures the behavioral outcomes of commitment. In turn, internal brand equity influences external brand equity. Thirdly, we consider the moderation effects of stakeholder interactivity on two paths between internal branding and organizational commitment (P8 and P9) that complete the model.

#### **Proposition Set I: Antecedents to Organizational Commitment**

The first set of propositions (P1-P5) concerns the influence of internal branding on organizational commitment. Internal branding studies find that training and internal communication empower staff because these practises develop an improved understanding of the brand (Punjaisri and Wilson 2011). As a point of departure, the paper considers how internal branding activities support corporate rebranding, rather than brand maintenance. Punjaisri and Wilson (2011) find that as a result of training and internal communication, Thai hotel front-line employees had a greater understanding of the firm's brand values and brand-supportive behavior. Arguably, brand knowledge is an element of organizational commitment. Internal branding

activities clarify the meaning of distinctive attributes of the organization, such as brand values and brand-supportive behavior. According to social identity theory, individuals identify with distinctive organizations (Ashforth and Mael 1989) because the association enhances a positive evaluation of the self-concept (Tajfel 1982). The paper proposes that internal branding activities, which clarify the understanding of revised brand attributes, positively influence organizational commitment.

**Proposition 1 (P1):** Internal branding activities have a positive influence on organizational commitment.

The model takes into consideration staff evaluation of internal branding activities, which represent group behavior. People are drawn to group identities, which allow them to express some of the main aspects of their self-concept, such as values (Shamir 1991). Particular community organizations attract altruistic staff, whose values are congruent. Based on social identity theory, altruistic staff have group membership awareness; they seek to maintain a positive social identity (Turner 1975). They are motivated to participate in activities enhancing their understanding of positively evaluated group attributes (Tajfel 1982). In the corporate rebranding context, they engage with internal branding activities, which clarify the understanding of revised brand attributes. The second proposition concerns the relationship between internal branding and values congruence.

**Proposition 2 (P2):** There is a positive relationship between internal branding and values congruence.

The link between values congruence and organizational commitment is a relatively unexplored relationship in corporate rebranding research. A meta-analysis of forty-five studies on person-organization fit shows that individuals, who have strong values congruence, have strong organizational commitment (Kristof-Brown et al. 2005). Therefore, the paper proposes that staff, whose values are congruent with the revised organizational brand values, will have strong organizational commitment.

**Proposition 3 (P3):** Staff with values congruent with the revised organizational brand values will have stronger organizational commitment.

The next two propositions draw on the Herington et al. (2009) model of organization-employee relationship strength that proposes seven factors, including trust and balanced power, contribute to strong relationships. Reichheld (2001, p. 149-150) contends that good communication is critical for building strong relationships among partners. The paper argues that internal communications foster strong organization-staff relationships. Training aspects of internal branding also build trust amongst staff. In sum, it follows that internal branding enhances organization-staff relationships.

**Proposition 4 (P4):** Internal branding activities positively influence the organization-staff relationship strength.

Several studies propose that organizational commitment is an outcome of strong organization-staff relationships (Herington et al. 2009; Schweitzer and Lyons 2008). In partial support, King and Grace (2012) find that relationship orientation (the extent to which organizations exhibit positive behavior toward employees) positively influences brand commitment. Similar to Herington et al. (2009), the paper proposes that strong organizational commitment is an outcome of strong organization-staff relationships.

**Proposition 5 (P5):** Organization-staff relationship strength positively influences organizational commitment.

## **Proposition Set II: Outcomes of Organizational Commitment**

Propositions 6 and 7 concern the outcomes of organizational commitment, namely internal brand equity and external brand equity. They are underpinned by the Baumgarth and Schmidt (2010) study, which proposes and empirically validates a theoretical framework for measuring internal brand equity in the business-to-business sector, conceptualized “as the incremental effect of branding on employee behavior” (Baumgarth and Schmidt 2010, p. 1250). The paper adopts organizational commitment as the preferred antecedent, which contrasts with the Baumgarth and Schmidt antecedents of brand commitment and internal brand involvement. Brand consistent behaviors that are part of internal brand equity include personal communication that supports branding objectives (in-role behavior) and brand citizenship (extra-role) behavior, which brings the brand to life (Baumgarth and Schmidt 2010; Burmann and Zeplin 2005). We argue that when staff have a clear understanding of those attributes, they are motivated and empowered to adopt in-role and extra-role behavior, congruent with brand values. Partially consistent with Baumgarth and Schmidt (2010), we propose that organizational commitment influences internal brand equity.

**Proposition 6 (P6):** Organizational commitment positively influences internal brand equity.

Furthermore, Baumgarth and Schmidt (2010) show that internal brand equity has a positive effect on external brand equity. Our proposal is that strong internal brand equity positively influences external brand equity, and is consistent with Baumgarth and Schmidt (2010).

**Proposition 7 (P7):** Organizations with strong internal brand equity have strong external brand equity.

### **Proposition Set III: Moderation Effects of Stakeholder Interactivity**

Propositions 8 and 9 concern the moderating role of stakeholder interactivity. Arguably, stakeholder interactivity considerably enhances the effectiveness of corporate rebranding, and moderates two paths: the internal branding to organizational commitment path and the internal branding to values congruence path. Stakeholder interactivity involves interactions between staff, corporate rebranding leaders, and external stakeholders (Ind and Bell 1999; Miller and Merrilees 2013). Such interactivity can occur throughout the rebranding process, but is especially critical in activities where staff have an opportunity to participate in the co-creation of revised brand meaning. Interactive activities allow managers to articulate a revised brand, which gains staff buy-in, because it reflects the reality of the organization. The buy-in boosts support for internal marketing activities. Therefore, stakeholder interactivity moderates the internal branding to organizational commitment path.

**Proposition 8 (P8):** Stakeholder interactivity moderates the internal branding to organizational commitment path.

The next proposition uses the same logic as Proposition 8, concerning brand co-creation. An interactive corporate rebranding process means that managers articulate a revised brand congruent with staff values (Ind and Bell 1999; Miller and Merrilees 2013). If the internal branding process is conducted with high levels of staff participation and interactivity, then there is additional assurance that staff values are at least partly fused with the organization brand. The paper argues that stakeholder interactivity moderates the internal branding to values congruence path.

**Proposition 9 (P9):** Stakeholder interactivity moderates the internal branding to values congruence path.

## **DISCUSSION**

The purpose of this paper was to develop a more proactive and robust approach to rebranding community organizations, incorporating the two major lessons from past rebranding mistakes. Figure 1 summarizes the newly developed conceptual model. The first lesson was to make sure that the rebranding efforts develop a new and more coherent corporate brand vision that fully and powerfully reflects the values basis of the particular community organization. The start of the rebranding process in Figure 1 is primed towards such a goal. A second lesson was to develop greater internal stakeholder engagement or buy-in to the newly scoped organizational brand. Figure 1 achieves this goal in two ways: (i) using internal branding to achieve organizational commitment, partly by targeting increased values congruence and relationship strength; and (ii) conducting all aspects of rebranding in interactive ways (captured by the moderation effects) and thus enhancing the internal branding benefits. In short, the paper's focus on the centrality of brand values facilitates the potential role that community organizations play in modern economies and societies.

This paper adopts organizational commitment as the pivotal variable, which differs from other internal branding studies that utilize brand commitment and brand identification (Baumgarth and Schmidt 2010; Punjaisri and Wilson 2011). Researchers have not developed consistent conceptualizations of brand commitment and brand identification. Although Punjaisri and Wilson (2011) consider brand knowledge an element of brand commitment, Baumgarth and Schmidt (2010) maintain brand knowledge and brand commitment are separate constructs. Unlike internal branding research, which introduced the concepts of brand commitment and brand identification (Burmman and Zeplin 2005), organizational commitment is a long established construct (Allen and Meyer 1990). Using organizational commitment as the pivotal construct in the paper has enabled links to other constructs that deepen knowledge of internal branding processes, such as organization-employee relationship strength. Few organizational commitment researchers adopt social identity theory (Ashforth et al. 2008). The application of social identity theory in the paper enriches the understanding of internal branding processes.

The first set of five propositions provides a more comprehensive approach to understanding the antecedents of organizational commitment. Attention to internal branding practises, values congruence and relationship strength, provide more potential insight, compared to previous internal branding research. Relationship strength is rarely included in previous similar research,

and values congruence is not common but is especially relevant to community organizations, because of the potential importance of values in differentiating community organization brands.

Further, the path from commitment to internal brand equity makes the brand equity outcomes of internal branding activities very explicit, but only one known previous study (Baumgarth and Schmidt 2010) specifically uses the internal brand equity construct. Internal brand equity seems a more composite and generalizable construct than previous studies, which use various combinations from a list that includes brand loyalty (from a behavioral perspective) and brand citizenship behavior. Although Baumgarth and Schmidt (2010) propose that internal brand equity is a composite of collective staff attitudes and behavior, the paper argues that internal brand equity represents behavioral outcomes of individual staff that have strong organizational commitment (Edwards 2005).

In sum, the overall basic model includes two very common paths (P3 and P7), but also some adaptations of previous paths (P6) or new paths (P4). Many of the changes include the use of more powerful, composite constructs (such as organizational commitment and internal brand equity), and underutilized constructs such as relationship strength. Finally, the *tour de force* of the paper is the nine proposition basic model providing a foundation for superimposing two critical moderating forces. Stakeholder interactivity moderates the P1 and P2 paths. Previous research suggests that the key to getting internal stakeholders engaged, is through an interactive rebranding process, where the staff are actively involved or participating in the rebranding activities. Greater interactivity with internal stakeholders is likely to make the rebranding efforts more effective, so Propositions 8 and 9 are special features of the model. Further, in the context of not-for-profit organizations the model may operate differently between the two internal stakeholder groups: paid and volunteer staff. Previous research highlights the possibility of different stakeholder groups having different brand meaning (Berthon et al. 2009; Merrilees and Miller 2010). The proposed model for engaging internal stakeholders offers a potential means for taking community organizations confidently into the next decade, building on the lessons from past under-performing rebranding efforts.

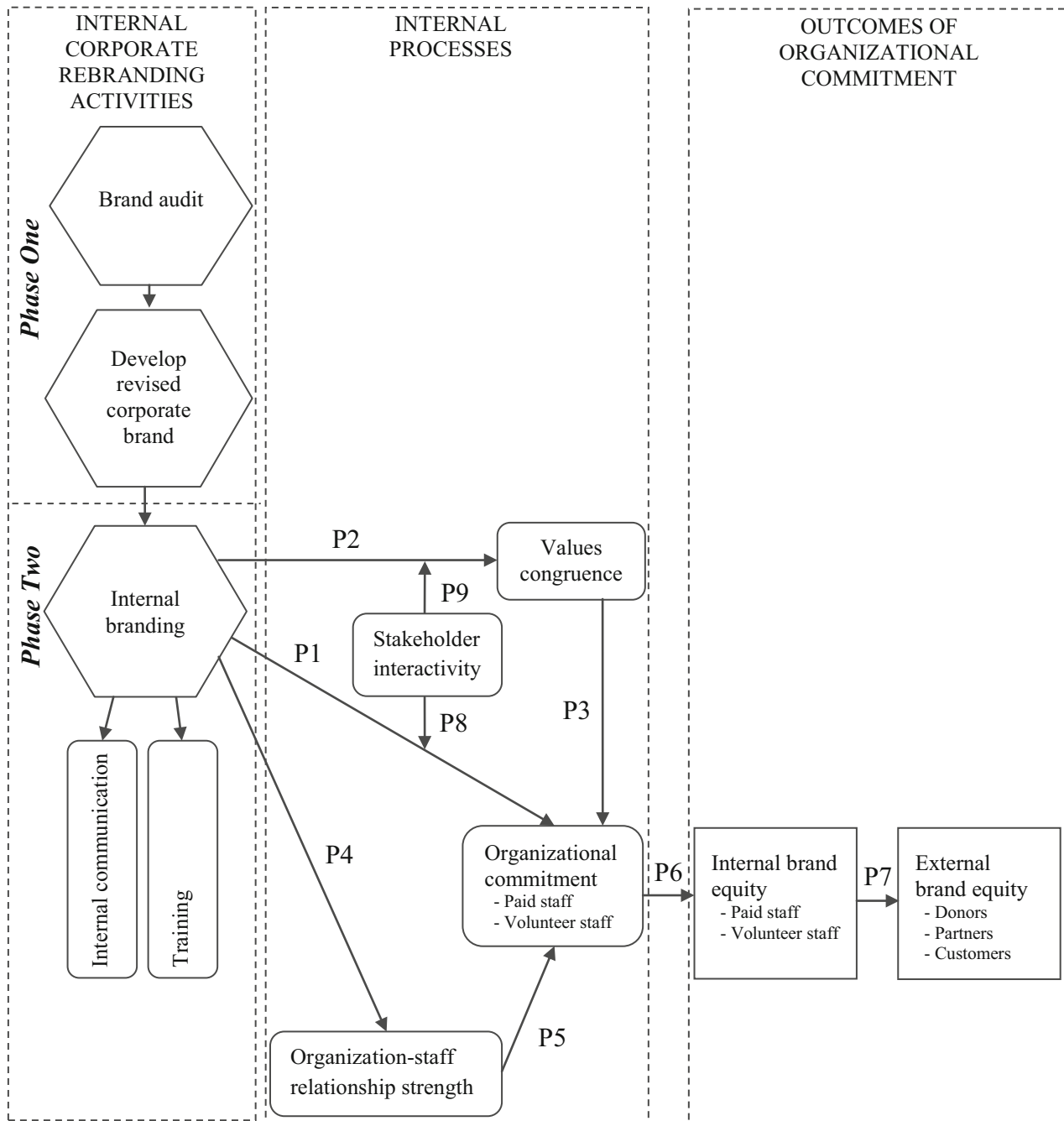
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**FIGURE 1: LIKELY ANTECEDENTS AND BRAND EQUITY OUTCOMES OF ORGANIZATIONAL COMMITMENT ASSOCIATED WITH REBRANDING OF COMMUNITY ORGANIZATIONS**



# MEASUREMENT OF PERCEIVED MULTISENSORY MARKETING STRATEGIES

Karla Barajas-Portas, Universidad Anahuac Mexico Norte, Mexico

## INTRODUCTION

Emotions have been studied since the beginning of time as a basic part of the human nature. However it is not until the 1950s to begin studying emotions as part of the business world. A great effort has been devoted to determine the role of emotion in marketing (Edell & Burke, 1987; Aaker, Stayman, & Vezina, 1988; Holbrook & Batra, 1987; Richins, 1997, O'Shaughnessy & O'Shaughnessy, 2003), almost all them based on psychological studies. Emotions are vital for human beings and they are produced by the information captured through the senses and by nature, humans are multisensorial (using the five senses simultaneously).

Many authors research about love (Roberts, 2004; Roberts, 2006); sensations (Gobé, Branding emocional, 2005); delight (Lindstrom, 2005) and humanization of brands (Gobé, 2007), as tools for brand differentiation. These efforts as a response to finding innovative ways for developing brand image and keep it near to consumers.

Theory about the multisensory marketing has taken basis on different areas such as psychology, sociology, business and neuroscience. This paper relates on how sensory aspects affect the brand awareness in order to explore items about multisensory marketing strategies.

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Theory about the multisensory marketing has taken basis on different areas such as psychology, sociology, business and neuroscience. This paper relates on how sensory aspects affect the brand awareness in order to explore items about multisensory marketing strategies.

Affective responses refer to the feelings generated by the consumer, which can be positive or negative and variable of intensity. These affective responses can be classified into emotions, feelings, moods, and evaluations (Oliver, 1997; Derbaix & Pham, 1998). A person, by nature, is an individual endowed with emotions, with the capacity of feeling, experience and to reach affective connections with the environment.

Emotions are part of the daily life of people. A day in which a person does not feel an emotion cannot be conceived. The union of the mind and emotion generates passion and the passion is the domain of the emotion over reason in the decision making process.

Marketers have ignored for a long time, the importance of the human senses in marketing, especially concerning how senses expressions like scent, music, design, taste or texture contribute to the brand image.

Martin Lindstrom (2005) introduced a theory based on brand sensuality exploring the importance of the senses. The evaluation of those values was obtained in an international research conducted in 13 countries. Experiences are generated by perceptions, and perception is the result of the information captured by senses. By nature, all the information that every person has in their mind was received by a sensory process. Therefore, the usage of sensory strategies would be the natural way to increase brand attractiveness.

As was mentioned before, mankind's nature is polisensorial, external stimulation exercises over more than one sense explaining the sensorial conjunction that has its origin in the integration area of the brain, where all the stimulus messages converge and produces the performance order.

Paying attention to multisensory supports the brand with emotional engagement with customers, and creates a unique image that cannot be replicated easily by competitors. Based on this, if marketing uses Multisensory strategies the experience will turn into supreme. Hulten (2008) said that a supreme sensory experience is about smelling, listening, looking, tasting and touching at the same time and it constitute the natural way of connection between a person and the environment in a crucial holistic path.

Many researchers work with sensory concepts, but most of them are focused only on one sense effect; it is necessary to consider the natural operation of the human as a polisensory entity. Furthermore every product or service has an intrinsic impact on the five senses, consequently it is essential to take care about the 5 sensory expressions when we are developing a brand.

Encouraging the strategies related to the five senses does not mean saturating the consumer, but including the relevant information that gives an opportunity to the product to be in the mind and in the heart of the people. The senses are the language of the emotions and they work together and when they are stimulated at the same time produce unforgettable results

Major studies in the field of psychology of art or experimental psychology have provided relevant data about human perception especially from the point of view of emotion caused by aesthetic perception. Gisélé Marty (1999: 17) brings to conclude his study that there is a connection between affection and cognitive structures: "It is widely recognized that knowledge and feeling are closely linked". Prior to this, Sigmund Freud never considered integrating cognitive and affective (emotional) aspects. By taking a completely emotional attitude that did not allow the conceptualization of emotions from a sensorial-cognitive point of view.

Sensory attributes are everything that is perceived by senses. Sensory attributes could be classified according to the sense which perceives the stimulus. Appearance (sight), flavor (taste), texture (touch), scent (smell) and sound.

According to the foregoing, the sensations are the way to the generation of emotions and to be closer to the consumer and sensory aspects are the most tangible component of the emotional process, there is a sensory measurement in the field of marketing as initial road emotions consumer measurement model.

## METHODOLOGY

The aim of this paper is to develop the multisensory perception scale that captures the 5 dimension that corresponds to 5 senses in order to group them in one dimension that impact brand experience. The items of the scale should focus in the degree to which consumer has a sensory experience with the brand.

We conduct the study obtaining the data with real consumers of a global coffee shop in Spain that uses strategies oriented to the 5 senses. The reason for this situation is that we consider it is indispensable to measure factors that actually exist in order to obtain a real scale; we cannot measure in a store that ignores the sensory expressions.

## RESULTS AND DISCUSSION

We ask to 283 real consumers to answer the questionnaire and they receive a free beverage for a specific day. We use a seven-point likert scale (1="completely disagree", and 7="completely agree"). We conducted a factor analysis using varimax rotation. According to the factor analysis we examined the five-factor solution considering items that had a loading greater than (.4). The Cronbach's alphas were adequate: Smell items (.73), Touch items (.68), Sight items (.67), Taste items (.78).

**Table 1: Exploratory Factor Analysis**

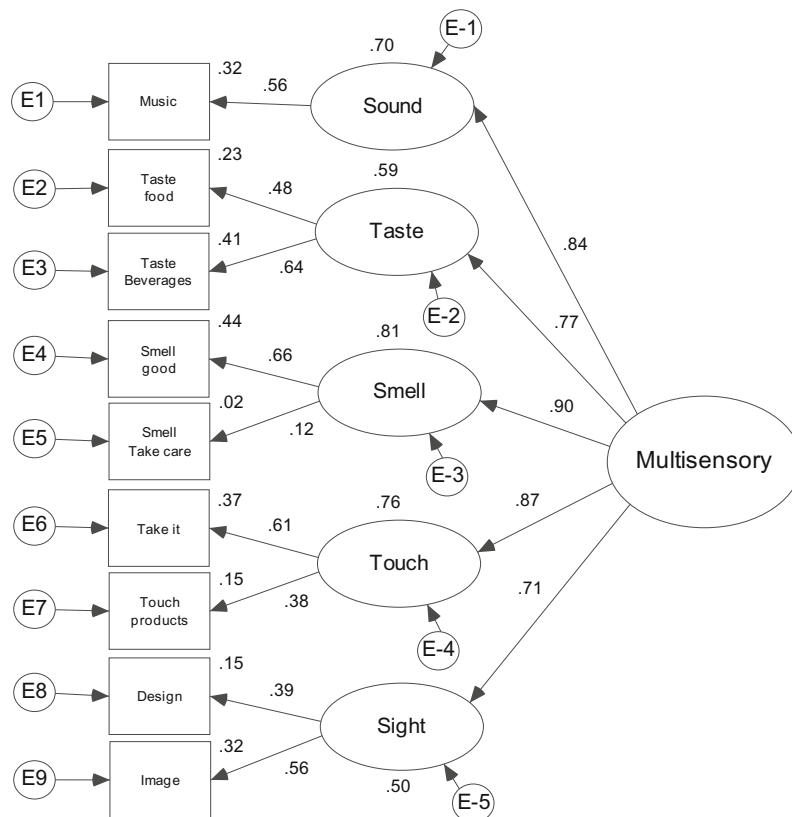
ITEM	factor				
	F1	F2	F3	F4	F5
<i>Smell</i>					
S_OLF1 Smell good	<b>.84</b>	.32	.19	.38	.45
S_OLF2 Take care (smell environment)	<b>.58</b>	.47	.15	.22	.27
<i>Sound</i>					
S_OID1 Music	.47	<b>.98</b>	.40	.39	.37
<i>Touch</i>					
S_TAC1 Self taking products	.38	.41	<b>.85</b>	.33	.32
S_TAC2 Touch coffee beans	.13	.15	<b>.69</b>	.36	.17
<i>Sight</i>					
S_VST1 Visual design	.18	.13	.38	<b>.64</b>	-.02
S_VST2 Images	.13	.27	.33	<b>.85</b>	.11
<i>Taste</i>					
S_GTO1 Taste food	.25	.39	.39	.12	<b>.76</b>
S_GTO2 Taste Beverages	.28	.15	.26	.24	<b>.83</b>
<b>Variance Explained (%)</b>	26.92	9.76	11.28	10.44	11.75
<i>Bartlett: <math>X^2 = 241.149</math> <math>gl=36</math> <math>Sig. = 0.000</math> <math>KMO = 0.745</math></i>					

In order to taste the stability of the scale, we used structural equation modeling to conduct confirmatory factor analysis to determine if measurement model fit the data. We analyzed a model that assumed that all items loaded on a single multisensory expressions factor and a one-factor second-order model with 5 subdimensions, a one-factor second-order model with 4 subdimensions and a one-factor second-order model with 3 subdimensions.

**Table 2: Confirmatory Factor Analysis**

Estimates		Fit index		$R^2$	
$\gamma_{11}$	0.749 [0.839] (0.139)	$\chi^2$	26.506	$\eta_1$ (Sound)	0.704
$\gamma_{21}$	0.578 [0.766] (0.132)	gl	26	$\eta_2$ (Taste)	0.586
$\gamma_{31}$	1 [0.900] (0)	$\chi^2 / gl$	1.019 (p=0.436)	$\eta_3$ (Smell)	0.810
$\gamma_{41}$	0.856 [0.870] (0.150)	GFI	0.980	$\eta_4$ (Touch)	0.757
$\gamma_{51}$	0.486 [0.708] (0.137)	AGFI	0.965	$\eta_5$ (Sight)	0.501
$\lambda_{11}$	0.301 [0.562] (0.051)	CFI	0.998	$\gamma_1$	0.316
$\lambda_{22}$	0.301 [0.483] (0.051)	RMSEA	0.008 (p=.961)	$\gamma_2$	0.233
$\lambda_{32}$	0.468 [0.643] (0.108)	PCFI	0.720	$\gamma_3$	0.414
$\lambda_{43}$	0.301 [0.664] (0.051)	PNFI	0.644	$\gamma_4$	0.441
$\lambda_{53}$	0.048 [0.123] (0.030)			$\gamma_5$	0.015
$\lambda_{64}$	0.301 [0.608] (0.051)			$\gamma_6$	0.370
$\lambda_{74}$	0.228 [0.382] (0.060)			$\gamma_7$	0.146
$\lambda_{85}$	0.301 [0.393] (0.051)			$\gamma_8$	0.155
$\lambda_{95}$	0.408 [0.562] (0.114)			$\gamma_9$	0.316

The confirmatory factor analyses revealed that the best model was the one-factor second-order model with 5 subdimensions (Figure 1). The model fit is acceptable: The goodness-of-fit index (GFI) = .98; the comparative fit index (CFI) = .98; the root mean square error of approximation (RMSEA) = .008 with pclose = .961; and  $\chi^2$  (26) = 26.51.



The 9-item Multisensory Brand Perceptions capture in a reliable and stable way five dimensions of sensory expression in accordance with the natural human senses: Sight, Sound, Smell, Taste and Touch. The scale is short and easy to administer, and it is internally consistent and reliable. It is important to mention that Multisensory Brand Perceptions Scale has been developed with the aim of being included in brand perception scale as a subdimension.

## **CONCLUSIONS AND IMPLICATIONS FOR THEORY AND PRACTICE**

Results checked concerning measurement of multisensory, leaving open research for extending the model factor exposed theory to a complete structural model to demonstrate the relationship or the influence of this factor measured on the brand perception.

The importance of this research is taking the first step for the measurement of sensory factors giving new marketing strategies for the theoretical and empirical support which has the importance of these factors for consumers. In this way companies must pay more attention to their sensory control agents that inherently exist in products and optimizing their use to improve your brand image actions and generate sustainable competitive advantage in time. The senses are the first link in the production of emotions and remain on consumers mind and heart for longer than the images of traditional communication.

We select the originally suggested model as the most suitable, because they fit properly and even though some of the items have loaded low factor, were all significant. According to the theory and previous approaches is logical and necessary these variables to co-exist in the measurement by which shall be kept in the structure.

An important contribution to the marketing is creating measurement sensory variables as specific effects, which can be perceived by consumers and expressed this way. This has been achieved with the development of a measuring instrument designed under the necessary theoretical bases, but concerning specific application environment.

It is precise to emphasize that it has considered at all times as multi-dimensional construct, not as an isolated feature as often to be taken into account.

## **REFERENCES**

References Available Upon Request

**Friday, 1:30-3:00 p.m.**

**Session 11.1. Editorial Reviewers' Perspectives on Writing and Publishing in High Quality Marketing Journals: An Interactive Discussion**

Room: Flinders

Session Chair: David Ortinau, University of South Florida

**Session Participants:**

David Ortinau, University of South Florida

Charles Ingene, University of Mississippi

Jeannette Mena, University of South Florida

## EDITORIAL REVIEWERS' PERSEPECTIVES ON WRITING AND PUBLISHING IN HIGH QUALITY MARKETING JOURNALS: AN INTERACTIVE DISCUSSION

David J. Ortinau, University of South Florida, USA  
Charles Ingene, University of Mississippi, USA  
Jeannette A. Mena, University of South Florida, USA

With the existing insights on writing and publishing marketing journal articles and the discipline's rapid expansion of publishing opportunities in new U.S. and international marketing journals, one intuitive prediction is marketing scholars' publishing success of important scientific articles is rapidly becoming a more common occurrence. Yet, this trend prediction is perplexing and contradictive because the prestigious and top 25 ranked marketing-oriented journals consistently report annual acceptance rates ranging between 7 and 18%. The low acceptance suggest a disconnect gap between conducting important, relevant quality research and ultimately publishing that research in quality journals.

In an effort to begin closing this disconnect gap, the primary objective underlying this special session is one of generating meaningful discussions between journal editorial board reviewers, acknowledged as outstanding reviewers, and the audience on critical questions and elements about the development of manuscripts submitted to high quality journal review processes.

One of the unique elements of the session is the interactive framework of using question and answer format between panel members and the audience to create a meaningful dialogue and opportunities of exchanging invaluable writing, organizing, and publishing insights toward improving the journal quality factor of manuscripts submitted to journal review processes. In addition, the interactive dialogue provides invaluable insights to main as well as specific components of a manuscript that editorial reviewers use in evaluating a manuscript's value and contribution to the body of marketing knowledge (or the literature).

Current doctorate students, young scholars, and older authors who are finding difficulties in getting their research through journal review processes and a positive publication outcome in high quality marketing journal outlets can gain better understanding of the role, responsibilities, and expectations of editorial reviewers. The expert reviewers will discuss a variety of issues that are classified as "fixable manuscript problems" such as: (1) general manuscript sloppiness – including grammar, style, syntax, spelling errors as well as failure to follow the target journal's style guidelines; (2) development of hypotheses that are illogical and/or poorly supported by theory or extant literatures; (3) attempts at trying to analyze too many variables, test too many hypotheses, and/or ineffectiveness in presenting a coherent set of findings; (4) using a well written literature review that does not present the right development background for supporting the manuscript's main story line; (5) ignoring alternative theoretical explanations for unsupported relationships; (6) using the lack of support of hypothesized relationships as the only contribution to the literature. Manuscript problems that are very difficult, if not impossible, to successfully fix (possibly fatal flaws) consists of such issue as: (1) inadequate post hoc explanation of unsupported hypotheses or unexpected findings; (2) poor development of construct measures and/or pretesting procedures; (3) questions of whether the measures really tap (or correctly) capture the construct (s) of interest; (4) serious errors in the analysis use to test the hypothesized relationships; (5) judgments that the topic is too narrow in scope to be of interest and benefit to the target journal's readership from either an academic and/or practitioner perspective; and (6) findings fail to make an incremental or substantial contribution (theoretical, methodological, managerial) to the marketing literature.

The discussions of the above topics/issues, from editorial reviewers' perspective, will provide insights to establishing and understanding both the "do's and don'ts" in successfully preparing manuscripts for submission to journals' review processes. Leaving this session, researchers will have a better understanding that writing important scientific articles for prestigious and high-quality marketing journals entails a variety of complex and interrelated journal quality image issues which mediate journal reviewers' judgments of the article's importance and value to the literature and ultimately editors' acceptance/rejection decisions. Gaining awareness and understanding of the important elements of a manuscript, from a reviewer's perspective, provide insight and knowledge about the expectations and standards authors must meet or exceed in order to maximize the likelihood of an acceptance decision. It is the author's responsibility (not the reviewer's) to provide a convincing argument and support that leads reviewers to positive evaluative judgments of the importance and relevancy of the research topic and questions driving the research endeavor. The authors must provide evidence of scientific rigoroussness in the methodology, measurements and analysis procedures. Finally, the authors must convince reviewers and editors that the empirical findings make substantial (absolute) and/or relative (incremental) contributions that are meaningful and useful to the literature (or the body of marketing knowledge).

**Session 11.2. Consumer Behavior: Branding**

Room: Yarra #1

Session Chair: Mei Rose, University of Alaska, Anchorage

***The Influence of Inertia on Brand Switching Behavior***

David Gray, Macquarie University

Steven D'Alessandro, Macquarie University

Leanne Carter, Macquarie University

***Are Management Responses To Negative Online Consumer Reviews Beneficial?***

Mei Rose, University of Alaska, Anchorage

Jeffery Blodgett, University of Houston, Victoria



# THE INFLUENCE OF INERTIA ON BRAND SWITCHING BEHAVIOUR

David Gray, Macquarie University, Australia  
Steven D'Alessandro, Macquarie University, Australia  
Leanne Carter, Macquarie University, Australia

## ABSTRACT

Understanding the process of switching providers is a topic of much debate and interest amongst market scholars and managers. What has not been studied in-depth until now, is the influence of inertia on customer advocacy, customer satisfaction and switching intentions. Results based on qualitative and quantitative research of 799 mobile phone service customers showed that customer inertial factors such as confusion; competitor attraction (i.e. the lack of perceived differentiation amongst alternative service providers); habit or passivity in continuing with the same product/service supplier; switching costs; customer ambivalence and time constraints can negatively impact customer advocacy, customer satisfaction and switching intentions. The implications for research and management are that customer inertia is a complex variable best uncovered in qualitative research. If used unwisely it has the capacity to allow a brand to temporarily get away with poor service in situations where their clients perceive that there are high costs of changing to an alternative supplier. The longer term costs however are diminished customer advocacy and customer satisfaction.

Keywords: customer inertia, brand switching, switching costs.

## INTRODUCTION

Customer loyalty (Dick & Basu, 1994) programs are designed to prevent customer defection. Marketing theory asserts that organisations that create customer value will generate customer satisfaction which in turn will facilitate customer retention and loyalty (Homburg and Giering, 2001; Burnham et al., 2003). However, there are consumer markets such as banking and mobile phone services which appear to have perversely undermined consumer confidence through the deliberate and excessive use of brand switching inhibitor mechanisms such as inertia. Any systemic weakness in any consumer market which is facilitated by the application of customer relationship programs such as mobile phone services is likely to impose significant costs on both consumers and industry (ACMA 2011). Indeed, Reichheld (2003, p48) points out that “even someone who buys again and again from the same company may not necessarily be loyal to that company but instead may be trapped by inertia, indifference, or exit barriers erected by the company or circumstance”. Academics have often cited the need for further research “by organisations to help create strategies that overcome the inert behaviour of their competitors’ customers” (White & Yanamandram, 2004, p.183). In this research we use the mobile phone services market in Australia to investigate brand switching inhibitors and their influence on customer advocacy, switching intentions and customer satisfaction. The mobile phone market presents an opportunity to study the use of switching inhibitors by major suppliers. Such inhibitors have helped to create a market with a relatively high level of customer inertia and switching costs (Gray et al. 2012) and consumer dissatisfaction. This paper is organised as follows. The conceptual model and hypotheses are developed after reviewing the literature on customer inertia, customer satisfaction, consumer expectations and behavioural intentions. We then outline our research method used to design, collect and measure each of the variables. The results are presented and we conclude with a discussion of the findings, implications, and limitations of the study and present our observations for future research.

## CONCEPTUAL MODEL

The model presented in [Figure 1](#) and explained throughout this paper clarifies and expands our understanding of the role of customer inertia in the brand switching process. We use consumer data collected from the mobile phone services market to show how inertial mechanisms distort consumer perceptions of satisfaction, customer advocacy and expectations and switching intentions.

INSERT FIGURE 1 HERE

## Customer inertia

Inertia is an example of customer preference stickiness (Oliva et al. 1995) which can occur as the result of the disconnection between consumer preferences and actual behaviour. The Australian Media Communications Authority has specifically singled out the inertial marketing practices of the industry as distorting the efficient functioning of market (ACMA 2011). This paper proposes that the current approach to the measurement of inertia is too narrowly framed and that it is a much more complex construct than previously considered. An existing theme in the literature often identifies inertia as a behavioural characteristic classifying the customer as lazy, inactive, or passive (Zeelenberg and Pieters, 2004; Huang and Yu, 1999; Bozzo, 2002; Colgate and Lang 2001), indifferent or apathetic (Beatty and Smith 1987). Likewise “inertia is described as a consistent pattern of buying the same brand almost every time a consumer shops, where a brand is bought out of habit merely because less effort is required” (Solomon, 1994, p. 240). The consequences of being inert are that inert customers are more likely to be sensitive to marketing activities including promotional tools and price reductions (Huang and Yu 1999). Repeat purchase induced through inertia as compared with repeat purchase through positive consumer attitudes towards brand loyalty is likely to be unstable, reflecting little or no brand commitment. Given sufficient reason, the consumer probably will switch in the future (Huang and Yu 1999). Thus, a strategy based on customer inertia “is unlikely to be sustainable in the long-term, however, as having a large number of customers who feel trapped is likely to lead to more negative word of mouth, lower acceptance of new products, less ability to cross-sell, and many other negative outcomes relating to terrorist customers” (Colgate & Lang, 2001, p343). Further analysis of the inertia construct reveals a complex multi-dimensional framework comprising both general and specific components based around: confusion; competitor attraction (i.e. the lack of perceived differentiation amongst alternative service providers); habit or passivity in continuing with the same product/service supplier; switching costs; customer ambivalence and time constraints. We propose that these six components of inertia form as opposed to reflect (Diamantopoulos and Winklhofer 2001; Howell 1987) increases in the construct of inertia. That is as each of the six components increases so will the degree of inertia increase. In such a model the dimensions do not have to be correlated and for example there is no need for ambivalence to be correlated with confusion, or time constraints, or the acceptability of alternative service providers or passivity or switching costs. We define each of the six components of inertia as follows:

*Passivity* arises when customer repeat purchases occur as a consequence of their laziness, inactiveness, or passiveness (Yanamandram and White, 2006). In such a context brand switching by customers with little commitment and unfavourable repurchase intentions (Fullerton, 2003; Bell et al., 2005; Jones et al., 2007; Han et al., 2009; Jeong et al., 2010;) was often too bothersome to undertake because of the time and effort required to switch brands (Colgate and Lang, 2001; Yanamandram and White, 2006). It is likely that in such circumstances consumers will rely on simple consumer decision-making heuristics and choose the easiest course of action which is re-purchase the same product rather than go through the hassle of brand switching. Whilst Yanamandram and White (2006) define inertia originally in terms of passivity we propose that inertia is actually a much broader and more complex set of emotions than just passivity.

*Confusion* exists when consumers’ repeat purchases occur because they find their focus of interest difficult to follow (Schlinger, 1979; Ewing, Salzberger and Sinkovics 2005). For example, in the supply of mobile phone services confusion could manifest with difficult to interpret phone service contracts and bills. In relation to the market for mobile phones a major driver for the consumer is the choice of a new handset, especially a “smart-phone” (Wagner 2011). However, consumers report a great deal of confusion in understanding the nature of the technology and contracts in the mobile phone service provider market and so are more likely to rely on word of mouth and the reputation of the provider (Turnbull et al. 2000). Thus, an increase in the degree of confusion is likely to result in an increase in consumer inertia.

*Competitor attraction (i.e. similarity of competitor offers)* exists when consumers’ repeat purchases occur because they find little difference between alternative suppliers (Ennew and Binks 1996; Campbell 1997). The degree of attractiveness of alternative suppliers refers to the consumer’s estimate of the likely satisfaction available from an alternative supplier (Patterson and Smith 2003). Attractiveness is essentially a measure of a firm’s ability to differentiate itself or its products or services from its competitors. Thus, an increase in the level of alternative supplier sameness (or a decrease in the level of alternative supplier attractiveness) is likely to result in an increase in consumer inertia.

*Switching costs* are defined as “one-time costs facing the buyer of switching from one supplier's product to another” Porter (1980; 10). Improved understanding of switching costs can help firms’ to better predict rates of customer retention (Anderson, 1994; Fornell, 1992) and the outcome of customer loyalty programs (e.g. Bendapudi and Berry, 1997; Fornell, 1992). Literature identifies three basic categories of switching costs, each with several subcategories: i.e. procedural, relational (including psychological), and financial (Burnham, et al. 2003; Jones et al. 2002; Sengupta et. al. 1997; Guiltinan, 1989). Switching costs act as a barrier that potentially holds customers captive in service relationships.

*Time constraints* exist when consumers' repeat purchases occur because they find themselves with inadequate time to undertake the brand switching process. Time pressure can influence the relationship between perceptions of price, quality and value (Suri and Monroe 2003).

*Ambivalence* exists when consumers' simultaneously hold strong positive and negative feelings (i.e. approach-avoidance conflict) towards an attitudinal or behavioural issue (Nowlis, Kahn and Dhar 2002; van Harreveld, F., van der Pligt, J., de Liver, Y.N. 2009) connected with the brand. Thus, an increase in the degree of ambivalence is likely to result in an increase in the degree of inertia. Ambivalence could arise in relation to controversial brands or involve situations in which consumers are dissatisfied but unable to change brands due to high switching barriers. In such situations consumer expectations may not capture the true nature of consumer satisfaction (Mittal, et al. 2001) when consumers experience, ambivalence or mixed feelings (i.e. both satisfied and dissatisfied with different product/service attributes) toward a product/service. There we view inertia as a complex variable comprising an array of consumer decision-making heuristics, emotions and behavioural reactions rather than as a simple case of re-purchasing caused by habit or apathy. Inertia in this context is viewed as both a powerful direct and moderating determinant of brand switching intentions. Inertial forces will dampen switching intentions and pose possible threats to customer satisfaction and consumer advocacy. We propose the following hypotheses which define the direct relationships between customer inertia, customer satisfaction and switching intentions:

- H<sub>1</sub>: Customer inertia and customer advocacy will be negatively related;
- H<sub>2</sub>: Customer inertia and customer satisfaction will be negatively related;
- H<sub>3</sub>: Customer inertia and switching intentions will be negatively related.

Inertial forces could also indirectly moderate the brand switching process and affect the direction and/or strength of the relationship between an independent or predictor variable and a dependent variable (Baron and Kenny 1986). This means for example, that consumer switching intentions may be different for consumers with high levels of inertia as compared to consumers with lower levels of inertia. High levels of inertia are likely to hold consumers' captive to the brand and act as a moderator of repeat purchasing intentions and loyalty (Oliver, 1997, Oliver et al. 1999; Yanamandram and White, 2006; Han, et.al. 2011; Anderson and Swaminathan 2011).

### **Customer expectations and advocacy**

Marketing activities which facilitate the meeting of customer expectations and consumer brand advocacy are important components of any customer retention program (Fullerton 2005a). Customer advocacy is an important pull factor in brand retention. It is usually defined as the willingness of a customer through word-of-mouth to recommend a specific brand to another consumer over and above other brands (Fullerton 2005b; Harrison-Walker, 2001; Anderson, 1998; Zeithaml et al., 1996; Turnbull, et al. 2000; Dierkers, et al. 2011). In recent years Reichheld (Reichheld, 2003) has popularised the concept of customer advocacy through development of the 'Net-Promoter Score' (NPS). Reichheld argued that "a single survey question can, in fact, serve as a useful predictor of growth. But that question isn't about customer satisfaction or even loyalty-at least in so many words. Rather, it's about customers' willingness to recommend a product or service to someone else" (Reichheld, 2003, p48).

NPS appeals to business leaders because it is simple to implement. Many firms now combine the NPS with a question on transaction service quality after each customer service interaction. The NPS uses a simple rating scale from zero to ten, where ten means "extremely likely" to recommend, five means neutral, and zero means "not at all likely." The NPS then classifies customers into "promoters," with a rating of nine or ten; "passively satisfied" with a rating of seven or eight, and "detractors" with a rating from zero to six. Reichheld stirred a negative reaction from many marketing academics that attacked his criticisms of the use of traditional customer satisfaction surveys (Keiningham, 2007) as being inferior to the NPS. Keiningham (2007) found that the NPS did not any perform better than the American Consumer Satisfaction Index (ACSI). Morgan and Rego (2006) argued that NPS had no predictive power with respect to growth. Their measure of NPS however, was incorrectly framed using data collected from the (ACSI) as the following question "Have you discussed your experiences with [brand or company x] with anyone?" (Morgan & Rego, 2006, p429). Such a question only considers discussion and in no way can it be suggested that it considers the issue of customer recommendation. Therefore, any conclusions drawn from the analysis of the data in this article must be rejected. The real benefit of the NPS as immediately appreciated by the business community is its simplicity of design and use and the ability of any firm to integrate such a measure into the monitoring of customer experience at all stages of the customer buying cycle. The same cannot be said for the use of the traditional customer satisfaction survey. Another point to consider is that in markets which are characterised by high levels of

product and service involvement such as mobile phones customer advocacy is likely to be more important than in low involvement markets because of consumer confusion in understanding the technology and contracts. In such markets consumers are more likely to rely on word of mouth and the reputation of the provider (Turnbull et al. 2000). Large scale analysis of mobile phone records, suggest word of mouth effects through network neighbours of social media may explain as much as 19.5% of purchase decisions regarding choice of a mobile phone service provider (Dierkers et al. 2011). Thus, we hypothesise that:

H<sub>4</sub>: Customer advocacy will negatively influence switching intentions.

### **Customer satisfaction**

We define customer satisfaction in the traditional sense as the consumer's fulfilment response to his/her service using experience (Oliver, 1997). Satisfaction is clearly an important part of the brand switching process (Dagger & David, 2012; Dagger & Sweeney, 2007; Hallowell, 1996; White & Yanamandram, 2004). However, whilst necessary, the degree of satisfaction with the current provider is not a sufficient condition for repurchase or provider loyalty (East, et al., 2012); Hellier, 2003; Patterson and Smith 2003; White and Yanamandram 2004; Woisetschläger, Lentz and Evanschitzky 2011). This is because of other factors such as customer value and inertia which play an important role in the propensity to stay with or change service providers (Dagger and David 2012; Han, et al. 2011; Woisetschläger, et al. 2011). It is however, more likely that satisfied customers are less likely to switch to another brand, (Mittal & Kamakura, 2001; Stewart, 1998b; White & Yanamandram, 2004) and more likely to recommend that brand to others. Therefore we propose that:

H<sub>5</sub>: Customer satisfaction and switching intentions will be negatively related;

H<sub>6</sub>: Customer satisfaction and customer advocacy will be positively related.

### **Switching intentions**

Switching intentions aim to measure the extent to which a consumer believes that they will switch their buying behaviour to another brand. There are a number of approaches used to measure switching intentions including for example a single item estimate of the likelihood of switching; i.e. How likely are you to switch to a competing service provider during the next year? (Bansal, et al.2004). Multi-item behavioural intentions scales have also been used such as Zeithaml, et al. (1996) comprising 13 items across five dimensions: loyalty, propensity to switch, willingness to pay more, external responses to a problem and internal responses to a problem. Alternatively there are more general switching intentions scales which attempt to identify attitudes of attachment and estimates of likely behaviour in the future (e.g. Bougie, et al. 2003). This paper proposes that we need to consider both the direct and moderating effects of customer inertia on the traditional customer retention model. We suggest that the summative approach to the measurement of customer retention and loyalty is not all that helpful in predicting future customer behaviour. Rather we propose that we need to more carefully consider the impact of high/low levels of inertia on behavioural intentions to improve the predictive capability of any customer retention model. For example, favourable behavioural intentions for repeat purchase with low inertia are a signal from the customer that there exists a set of strong ties with their service provider (Zeithaml, et. al. 1996). Such an environment may be demonstrated through actions such as customer praise, customer recommendation of the firm to others, increased sales activity, or support for a price premium. Such favourable behavioural intentions reinforce customer loyalty which is a buyer's overall attachment or deep commitment to a product, service, brand, or organisation (Oliver 1999). In such a context it is very likely that switching intentions will be weak and negatively related to customer value and customer satisfaction. On the other hand, unfavourable behavioural intentions for repeat purchase caused by the range of push factors previously discussed combined with high inertia are a signal that these kinds of push forces are likely to exhibit behaviours signalling that they are poised to defect to another brand or reduce their consumption with their current brand. Such an environment may be demonstrated through actions such as various types of complaining, including voice responses (such as seeking redress from the seller), private responses (such as negative word-of-mouth communication), or third-party responses (such as taking legal action as per Zeithaml, et. al. 1996).

## **METHODOLOGY**

The research design used a mixed method approach consisting of qualitative focus groups amongst mobile phone users followed up by an on-line survey. Stage one comprised seven focus groups selected from representative sample by age, income and life-cycle of mobile phone users based in Sydney, Australia and consisted of 8-10 people each involved extended

discussions up to ninety minutes in duration among mobile phone users who have switched suppliers during the last six months. While brevity does not permit a detailed discussion of these findings, results of the focus groups were used to help identify key issues in the study (i.e. the drivers of switching behaviour and customer inertia) and were used to formulate the online questionnaire used in the second stage of research.

Reflective measures are used with multiple measurement items to explain the drivers of customer satisfaction, intention to switch, switching costs, passivity, confusion and competitor attraction. Each item in each the above measures was assessed using a 7-point Likert-type scale from 1 (strongly disagree) to 7 (strongly agree) adapted and modified from a review of the extant literature. Time constraint was measured using a 1-7 semantic differential scale with two bipolar adjectives at either end of the scale (e.g. no time pressure...too much time pressure). The ambivalence scale was assessed using a 5-point Likert-type scale from 1 (not at all like me) to 5 (just like me). The customer advocacy scale uses three items consisting of one item measuring expectations with a Likert-type scale from zero “meaning that they do not meet expectations” and ten “totally meeting expectations”. The second item measures recommendation with a Likert-type scale from zero “not at all likely” and ten “extremely likely”. Measures for customer satisfaction (five items) were based on research by Ruiz, et al. (2010). Customer switching intention (two items) was based on the work of Bougie, et al. (2003). The measure of inertia comprised four general inertial components of passivity, confusion, competitor attraction and switching costs. These general components could be present at any stage of the consumption experience cycle. In addition we include the inertial components of time pressure and ambivalence. These two specific components reflect those pressures which are more likely to occur during the actual brand switching process. The measures adopted for all six components were based on a variety of previous studies: the passivity measure was based on a study by Han, et al., (2011); confusion was based Ewing, et al., (2005) and the associated focus groups conducted prior to the on-line survey; competitor attraction was based on research by Patterson & Smith (2003); switching costs came from research by Aydin & Özer (2005) and Burnham, et al. (2003); ambivalence was based on research by Nowlis et al., (2002) and time constraints was based on research by Suri and Monroe (2003). Data was collected from an on-line self-report administered survey of respondents aged 18 and over who personally owned and used a mobile. A pre-recruited internet market research consumer panel operated by ResearchNow.com was used to compile a sample for this study. Survey respondents each received a small cash credit (equivalent to \$4) for completing the survey. The sample selection resulted in receiving fully completed and valid questionnaires for 799 respondents. The final sample collected matched the representativeness of the Australian population by state (32% New South Wales, 29% Victoria, 16% Queensland, 11% South Australia, 7% Western Australia, 2% Tasmania and 2% Australian Capital Territory), gender (52% male, 48% female) and age (9% 18-24, 18% 25-34, 21% 35-44, 20% 45-54, 20% 55-64, 13% 65-plus) group.

## RESULTS

Partial Least Squares (PLS) path modelling was used to simultaneously estimate both the measurement and structural components of the model. PLS is a component based structural equation modelling technique that has advantages over covariance modeling (Slotegraaf & Dickinson, 2004). There are many precedents for the use of PLS in recent marketing studies (Ringle, Wende, & Alexander, 2005; Hennig-Thurau, et al., 2007; Anderson and Swaminathan 2011). PLS is a variance based technique, which can deal well with issues of formative versus reflective measures and moderation effects and can include categorical variables. PLS is not constrained by identification issues, even in complex models (Hair, Sarstedt, Ringle, & Mena, 2012, p. 415). Maximization of variance explained (or  $R^2$  values), in all dependent variables is the primary objective of PLS (Hulland, 1999).

The model shown in [Figure 1](#) was analysed using PLS software XLSTAT (Fahmy 2012). XLSTAT simultaneously estimates the parameters of the structural model and the psychometric properties of the measurement model. Measures for this study were developed by procedures as recommended by (Gefen & Straub, 2005), where all standardised factor loadings onto constructs had to be greater than 0.70 and have significant t-values. As shown in [Table 1](#) all measures met the cut-off of 0.50 on the average variance extracted (AVE) as recommended by (Fornell & Larcker, 1981). Cronbach Alpha reliabilities were well above the recommended point of 0.70 and ranged from 0.77 to 0.97 and averaged 0.88. To confirm that the different latent variables extracted a higher share of variance from their own indicators than from other latent variables we tested for discriminant validity among the various constructs. The square root of the average variance extracted (AVE) by each of the latent variables as shown in the diagonal is higher than the correlation between the latent variable and all the other latent variables. Once the measurement model is satisfactory (Hock, et al., 2009) we can proceed to evaluate the structural model.

There was support for H1 and H2 (Inertia  $\rightarrow$  Customer advocacy,  $\beta = -.11$ ,  $t = 4.69$ ,  $p < .01$ , Inertia  $\rightarrow$  Customer satisfaction,  $\beta = .36$ ,  $t = 11.1$ ,  $p < .01$ ). However, the results did not find support for H3 (Inertia  $\rightarrow$  Switching intentions,  $\beta = .04$ ,  $t = 1.17$ ,



p=non-significant. In other words customer inertia appears to influence switching intentions indirectly through satisfaction and customer advocacy. The results supported H<sub>4</sub> and H<sub>5</sub> (Advocacy → Switching intentions ( $\beta=-.23$ ,  $t=4.75$ ,  $p<.01$ ) and (Satisfaction → Switching intentions ( $\beta=-.36$ ,  $t=7.52$ ,  $p<.01$ )). Not surprisingly, H<sub>6</sub> was supported with customer satisfaction acting as a major driver of customer advocacy. Overall, the model predicts reasonably well switching intentions  $R^2=.33$ , and customer advocacy  $R^2=.62$ .

## CONCLUSIONS

The implications of this research suggest that firms need to think more broadly about the unanticipated and longer-term consequences of their customer relationship management programs on customer inertia, customer advocacy, satisfaction and behavioural intentions. Our results provide practitioners with the information needed to determine the extent to which the moderating variables of inertia including switching costs could adversely affect customer satisfaction and behavioural intentions. The inclusion of a more broadly defined inertia construct into its six component parts represents a more realistic approach to understanding its impact on customer satisfaction, brand advocacy and brand switching intentions. It is an important change because the worth of any key performance indicator such as customer satisfaction and customer advocacy are their abilities to predict the rates of both customer retention and customer defection.

The example of the mobile phone services market operating in Australia is a good example of why customers remain inert and how brands can capture them and get away with poor customer service (Jones et. al. 2000). This market is characterised by a sizable segment of customers who are dissatisfied and stay with their mobile carrier because of: 1) the use of long-term contracts to 'lock-in' customers for protracted time periods; 2) the lack of clear and transparent pricing information in media advertising which makes it difficult to compare alternative market offers; 3) the lack of simple and standardised approaches to providing information about mobile phone service plans which leads to consumer confusion; 4) the lack of industry wide monitoring usage and expenditure processes which leads to a relatively high incidence of 'bill shock' (i.e. receiving an unexpectedly high bill) and finally 5) the inability of consumers to properly compare service provider services, customer care procedures and performance (ACMA 2011).

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FIGURE

Figure1: Customer inertia and brand switching intentions

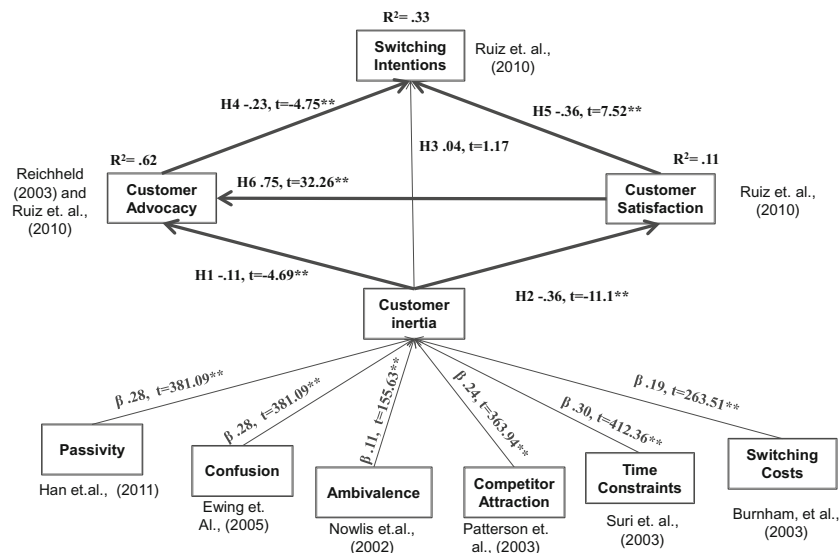


Table 1 Correlations among the various latent constructs

	Mean <sup>a</sup>	SD	CA	AVE	1	2	3	4	5	6	7	8	9	10
1. Passivity	3.85	1.33	.85	.69	<b>0.83</b>									
2. Bill & Contract Confusion	3.90	1.36	.87	.73	0.27	<b>0.85</b>								
3. Competitor Attraction	3.83	1.23	.87	.72	0.26	0.25	<b>0.84</b>							
4. Switching Costs	4.40	1.21	.77	.69	0.47	0.34	0.27	<b>0.83</b>						
5. Ambivalence	2.39	0.92	.89	.82	0.34	0.32	0.29	0.26	<b>0.90</b>					
6. Time Constraints	2.69	1.42	.76	.69	0.31	0.30	0.22	0.24	0.48	<b>0.83</b>				
7. Inertia <sup>b</sup>	3.57	0.84	n.a.	n.a.	0.64	0.69	0.59	0.62	0.70	0.64	<b>n.a.</b>			
8. Customer Satisfaction	5.16	1.37	.95	.88	-0.09	-0.28	-0.21	-0.17	-0.23	-0.27	-0.33	<b>0.94</b>		
9. Advocacy	5.92	2.15	.70	.66	-0.10	-0.30	-0.20	-0.21	-0.22	-0.28	-0.35	-0.81	<b>0.81</b>	
10. Switching Intention	1.97	0.92	.83	.86	-0.02	-0.23	-0.15	0.10	0.22	0.22	0.25	-0.54	-0.52	<b>0.93</b>

Notes: <sup>a</sup>Mean = the average score for all of the items included in this measure; S.D. = Standard Deviation; CA = Cronbach's Alpha; AVE = Average Variance Extracted; n.a.= not applicable. The bold numbers on the diagonal are the square root of the AVE. Off-diagonal elements are correlations among constructs; <sup>b</sup>Formative construct; <sup>c</sup> For this correlation,  $p < 0.05$ ; for all other correlations in the table,  $p < 0.01$ ;  $p < .05$ ,  $p < .01$ . Overall: Complete sample N=799.

# ARE MANAGEMENT RESPONSES TO NEGATIVE ONLINE CONSUMER REVIEWS BENEFICIAL?

Mei Rose, University of Alaska Anchorage, USA  
Jeffery G Blodgett, University of Houston-Victoria, USA

## INTRODUCTION

In today's "connected" social media environment, marketers recognized more than ever the power of online consumers' reviews. It is a valuable resource for continual product improvement and for managing the reputation of a firm. While positive reviews may contribute to brand equity and a company's reputation, the key question is whether organizations should respond to negative reviews. This research begins to answer this question and addresses the conditions when a response is warranted.

## BACKGROUND

Online consumer's reviews are consumer-created information by Web users who have already experienced a product or service. These reviews are generally a trusted source (Sher and Lee, 2009) and contain information and recommendations of the products or services from the consumer's perspective (Lee, Park, and Han, 2011). Previous studies of online consumer reviews have examined antecedents to reviews (Hu, Liu, and Zhang, 2008; Pan and Zhang, 2011; Picazo-Vela et al., 2010), the effects of reviews on consumers' attitudes (Karakaya and Barnes, 2010; Lee and Yoon, 2012; Mudambi and Schuff, 2010; Pan and Zhang, 2011), the effects of reviews on organization's bottom line (Chevalier and Mayzlin, 2006; De Maeyer, 2012; Zhu and Zhang, 2010), and moderating factors (Lin, Lee, and Horng, 2011; Sher and Lee, 2009). Other research has examined factors such as the narrative of the reviews (Kozinets et al, 2010), the number of reviews (Liu, 2006), the ratio of positive vs. negative reviews (Doh and Hwang, 2009), and the extremity and depth of reviews (Mudambi and Schuff, 2010). While previous research has focused on consumers' reviews, no study has empirically examined the effect of management responses to negative reviews on company reputation.

### Negative Online Consumers Review and Company Reputation

Company reputation is a highly valuable, intangible asset. Advantages of having reputational assets including the ability to attract potential customers, generate investment interests, create a competitive advantage, and garner positive comments (Carmeli and Tishler, 2005; Coombs, 2007). A company's reputation is dependent on its values, the action it takes, open-minded and honest communication, etc. (Frombrun, 1996). Company reputations are based in large part on how consumers evaluate an organization's ability to meet their expectation. Company responses to consumers' online reviews – more specifically, negative reviews – can possibly help manage consumer expectation. However, little is known about the effectiveness of management responses, especially as the number of negative reviews increase. Several theories (prospect theory, asymmetric disconfirmation, and attribution theory) help explain why multiple service failure might adversely impact consumers' perception of the company's recovery effort and magnify the magnitude of service failures. Prospect theory, for example, suggests that losses are weighted more heavily than gains (Kahneman and Tversky, 1979; Oliver, 1997). Asymmetric disconfirmation theory proposed that negative performance have greater influence on satisfaction and purchase intentions than positive performance. The influence of a negative performance is substantial enough that each additional unit of positive performance has diminishing value (Mittal, Ross, and Baldasare, 1998). Similarly, attribution theory suggests diminished service rating following multiple failures. If potential customers believe that a particular service failure was beyond the company's control its reputation is less likely to be tarnished. However, if a second (and similar) negative review appears, potential customers are more likely to believe that the company consistently provides poor service. In other words, as the number of negative review increases, consumers are more likely to conclude that the firm is unreliable and provides poor service. Hence, we propose the following hypothesis:

H1: Company reputation becomes less favorable as the number of negative reviews – relative to the number of positive reviews – increases.

### Management Responses and Company Reputation

A company's reputation is a signal of cooperation and reciprocity. Cooperative companies are more likely to be chosen as partners than those that are not. Reciprocity implies that in response to friendly actions people in turn are likely to be nicer and more cooperative; conversely, in response to hostile actions they tend to become nasty and brutal (Fehr and Gächter, 2000.). Reciprocity is not about mutual benefit, but rather the benefit for one party in the relationship is not immediately

realized. Reciprocity is guided by norm. Generally, reciprocators have internalized the norm and believe that costs and benefits in relationships are to be balanced out. For example, in a gift-giving situation, reciprocators typically consider it their duty to repay gifts (Engelen, 2008). Similarly, competitive altruism theory and indirect reciprocity theory propose that the cooperative individual benefits in the long term through increased cooperation from others. The initial gesture, while perhaps costly, is an investment because the individual expects something in return (Tennie and Frith, 2010). Consumers form expectations based on their own past experiences, word-of-mouth communications, and firm's external marketing communication efforts (Zeithaml et al., 1993). According to the disconfirmation paradigm (Oliver, 1980), these expectations then serve as a salient reference point when evaluating the current consumption experience. In the case of service failure and expect a company to do the right thing. In this case, responding to negative reviews can be viewed as an investment that may benefit companies in the long run. The potential benefit is twofold in that it helps to ensure repeat patronage of the customer who posted the review, and it helps to reassure potential customers that these failures will not be repeated. By responding, the company provides an understanding that it is willing to be cooperative and cares about its customers. Potential customers may then be more willing to reciprocate and engage in business with the company in the future. Companies that do not respond to negative reviews risk letting consumers draw their own conclusion about the service failure. Consumers might assume that the negative review is true or that the company does not care. Thus, we hypothesize that:

H2: Company reputation is more favorable when management responds to negative consumer reviews.

### **Review Situations and Company Reputation**

Attribution theory states that consumers are rational information processors whose actions are influenced by causal inferences (Folkes, 1984). Attributions for service failure affect consumers' post consumption behaviors, such as intent to return products and recommendations (Hess et al., 2003; Richins, 1983). One type of attribution pertains to controllability; i.e., the consumers' belief as to whether the company could have prevented the failure (Weiner, 2000). Failure to prevent controllable service issues is perceived as a sign of poor service (Poon et al., 2004) and results in negative consumer reactions (Choi and Matilla 2008). However, the effect of service failures on satisfaction and overall evaluations of a company are mitigated in situations of partial self-blame or ambiguity over who is partly responsible for a failure (Yen et al., 2004). On the other hand, when consumers attribute the blame solely to the company its reputation is more likely to be tarnished. However, in situations that are beyond the control of the firm consumers are less likely to attribute blame for the service failure to the company, and thus its reputation is unaffected. For example, a negative review about the noise from an unplanned demonstration during a hotel stay would not be seen by consumers as a problem that could have been prevented by the hotel. In such case, negative reviews are likely to be discounted and hence would have no effect on company reputation. Therefore, we hypothesize that:

H3: Company reputation is more adversely affected when negative reviews pertain to controllable factors, as compared to non-controllable factors.

## **RESEARCH METHODS**

In order to test the hypotheses an experimental study was conducted. Respondents were given a scenario in which they were to imagine that they were planning a trip to New York City, and were searching online for a hotel near Times Square. They were presented with information about a relatively small, boutique hotel in midtown Manhattan. They were also provided with several online reviews, some of which were negative. After reviewing the "webpage" and reading the online reviews respondents were asked to complete a questionnaire.

Respondents were randomly assigned to one of eight scenarios in a 2 (proportion of negative reviews)  $\times$  2 (management response)  $\times$  2 (controllability) between-subject experiment. In all cases subjects were presented with five reviews; in one set of conditions subjects were provided with one negative and four positive reviews, and the other set of conditions respondents were given two negative and three positive reviews. The negative reviews stemmed either from factors that were not under the control of management (small rooms, poor views), or from issues over which management did have control (e.g., poor service, wireless internet did not work). In one set of scenarios management provided an online response to the negative review, whereas in the other scenarios management offered no response. In order to have a baseline for comparison purposes, another group of respondents was presented with all positive reviews.

Respondents were full and part-time students at several universities in the U.S. A total of 255 responses were collected. The sample was evenly split between males and females; with 55% between the ages of 18-23, 25% between ages 24-29, and approximately 20% 30 years of age or older. Approximately 45% were White, 22% were African American, 11% were Asian American, and 6% were Hispanic. Approximately 75% reported more than one year of full-time work experience.

Thirty-seven percent of respondents had booked a hotel online 1-3 times within the past two years, and approximately 40% had reserved a room more than three times.

## RESULTS

The hypotheses were tested using a full-factorial ANOVA design. Cell sizes ranged from 31 to 35. The dependent variable, company reputation, is basically an attitudinal construct. It was measured with eight items (e.g., this hotel cares about its guests, the staff at this hotel is top notch, I would enjoy staying at this hotel), using a 1-7 Likert scale, with reliability (Cronbach alpha) of .89. After testing for main effects and interactions follow-up tests were performed.

The three main hypotheses were confirmed. As the proportion of negative reviews increased (i.e., from “1 negative/4 positive” to “2 negative/3 positive”) company reputation worsened ( $\bar{x}_{1/4} = 5.68$ ,  $\bar{x}_{2/3} = 5.39$ ;  $F_{1,247} = 7.73$ ,  $p=.006$ ). When management posted a response to negative reviews company reputation was enhanced ( $\bar{x}_{\text{response}} = 5.65$ ,  $\bar{x}_{\text{no response}} = 5.42$ ;  $F_{1,247} = 4.19$ ,  $p=.042$ ). And, company reputation was less favorable when negative reviews pertained to controllable factors ( $\bar{x}_{\text{controllable}} = 5.25$ ,  $\bar{x}_{\text{not controllable}} = 5.82$ ;  $F_{1,247} = 31.12$ ,  $p=.000$ ).

Interestingly, the interaction of management response and controllability was significant ( $F_{1,247} = 10.92$ ,  $p=.000$ ). In order to better understand this interaction follow-up tests were conducted. The results revealed that when the problem is controllable, and the proportion of negative to positive responses is low (i.e., “the 1 negative/4 positive” condition), management responses result in more favorable perceptions of the firm. However, when the proportion of negative to positive responses becomes greater (i.e., the “2 negative/3 positive” condition), management response no longer restore company reputation. Equally as interesting is the finding that when the problem is not controllable management response is not even necessary, as company reputation is not adversely affected by negative reviews. Indeed, when the problem was not controllable, regardless of the proportion of negative to positive reviews, company reputation did not differ (statistically) from that of the baseline condition, in which all reviews were positive.

## DISCUSSION

Previous studies had not examined whether management responses to online negative reviews are beneficial. This study found that – when service failures pertain to controllable factors and the proportion of negative reviews is small – management responses to negative reviews can have a favorable effect on company reputation. In these cases, responding to reviews shows that the company is cooperative and cares about its customers. Consistent with competitive altruism and indirect reciprocity theories, responding to negative reviews benefits companies in the long term through increased cooperation and reciprocity from others (Tennie and Frith, 2010).

It is important to note, however, that management responses do not overcome the ill effects of negative reviews in all situations. At some point, as the number of negative reviews increases (i.e., relative to the number of positive reviews) management responses no longer restore company reputation. Consistent with asymmetric disconfirmation and prospect theories, as the number of negative reviews increases management responses are discounted, and thus fail to influence consumer perceptions.

Another key finding is that negative reviews that pertain to non-controllable service failures do not appear to damage company reputation. In this case, even when the proportion of negative reviews increased company reputation was similar to that of the baseline condition, in which all reviews were positive. Based on this finding, one might conclude that management does not necessarily need to respond to reviews that pertain to non-controllable incidences. This finding is consistent with attribution theory; when the problem was not controllable and thus could not have been prevented, no blame is directed and hence the negative review is discounted with no adverse effect on company reputation (Hess et al., 2003; Poon et al., 2004; Weiner, 2000).

Online reviews are pervasive and influential in today’s social media age. Indeed, many consumers would not make a purchase without first seeking out online reviews. Companies therefore should not ignore negative customer reviews, but instead should manage their reputations by effectively responding to online reviews and recommendations. Companies today should view such activities as an investment for future patronage.

## LIMITATIONS

Although confound and manipulation checks revealed that the experimental manipulations were effective, the number and valence of reviews was limited. A greater variety of reviews is needed to flesh out the boundary conditions. Additional

context are also called for, as this study was based on only one central scenario. And, although the respondent pool was fairly diverse, it would be beneficial to include a greater number of middle-aged adults who did not grow up with the internet, and who are not as exposed to social media as the younger population of this study.

## **REFERENCES**

References available upon request



**Session 11.3. International and Cross-Cultural Marketing: Aspects of International Strategy**

Room: Yarra #2

Session Chair: Annie Liu, Victoria University of Wellington

***Relational Risks for Guanxi Boundary Spanners in Chinese-Foreign Business Interactions***

Annie Liu, Victoria University of Wellington

Hongzhi Gao, Victoria University of Wellington

***The Antecedents and Consequences of Price Leadership Strategy: An Empirical Investigation of Chinese Manufacture Exporters***

Hu Zuohao, Tsinghua University

Ju Xuenan, Tsinghua University

Cheng Yuan, Tsinghua University

Li Mengyuan, Tsinghua University

Chen Xi, China University of Political Science and Law

***Networks, International Dynamic Opportunity Recognition and Performance among International New Ventures (INVs)***

Anisur Faroque, University of Canterbury

Sussie Morrish, University of Canterbury



# RELATIONAL RISKS FOR GUANXI BOUNDARY SPANNERS IN CHINESE-FOREIGN BUSINESS INTERACTIONS

Annie H. Liu, Victoria University of Wellington, New Zealand  
Hongzhi Gao, Victoria University of Wellington, New Zealand

## ABSTRACT

Guanxi boundary-spanners are important gate openers and relationship facilitators for foreign firms and managers considering doing business in a close-knit Chinese society. With increasing attention on proper way of doing business in the Chinese society, Western businesses are keen to connect with beneficial guanxi network. However, little attention has been given to the significant risks that guanxi boundary spanners assume in working with both guanxi insiders and outsiders. This research gap ignores one of the most important contexts for the guanxi boundary spanner: the risks of the role are often the result of in-group social norms embedded in Confucius values that can undermine new or out-group relationships. The purpose of the current research is to evaluate the underlying and intertwined social norm conflicts and strengths of guanxi ties, which create relational risks for guanxi boundary-spanners and their patrons. Applied Social Penetration Theory and Guanxi concentric circle analogy, the current study interviewed thirty-three experts from a global expatriate network with using critical incident techniques (CIT). Our findings confirm that guanxi boundary spanners often evaluate two key factors to assess relational risks: (A) the level of social norm conflict between foreign out-group and guanxi in-group and (B) the strength of his/her guanxi with the in-group members. These two key factors were used to identify resulting four quadrants: Shameless Foreign Supporter, Profit Exploiter, Unneeded Middleman, Information Trader.

Contributing to relationship marketing and international business literature, this study is among the first to empirically investigate the relational risks guanxi boundary-spanners assumed when assisting foreign businesses connecting guanxi network. Our findings provide new information to aid international marketing/business executives to: (1) identify key factors driving relational risks, (2) understand relational risks typologies guanxi brokers undertaken, (3) develop strategies to mitigate these risks, and thereby, (4) enter the guanxi-inside group by means that develop positive, long-term relationships with the subject Chinese businesses.

References available upon request

# **THE ANTECEDENTS AND CONSEQUENCES OF PRICE LEADERSHIP STRATEGY: AN EMPIRICAL INVESTIGATION OF CHINESE MANUFACTURE EXPORTERS**

Zuohao HU, Tsinghua University, China

Xuenan JU, Tsinghua University, China

Yuan CHENG, Tsinghua University, China

Mengyuan LV, Tsinghua University, China

Xi CHEN, University of Political Science and Law, China

## **ABSTRACT**

Research on strategic choice for exporters when engaging into the international market has grown to be a critical issue. Price leadership strategy, however, received little attention in the field of existing researches. This research aims to examine the influential factors of price leadership strategy, and investigates its effects on export performance. In addition, market and product characteristics are introduced in this research as moderating effects.

Empirical results suggest that adoption of price leadership strategy will diminish export performance satisfaction of Chinese exporting manufacturers. Moreover, this effect is especially stronger when the targets of exporting market are developing countries. The similar impact is shown under the circumstance that Chinese manufacturers who are exporting industrial goods.

References available upon request.

# NETWORKS, DYNAMIC INTERNATIONAL OPPORTUNITY RECOGNITION AND PERFORMANCE AMONG INTERNATIONAL NEW VENTURES

Anisur R. Faroque, University of Canterbury, New Zealand  
Sussie C. Morrish, University of Canterbury, New Zealand

## ABSTRACT

In this paper two dimensions of dynamic international opportunity recognition (OR) construct – ‘innovativeness and timeliness’ and ‘modification and resource shifting’ – are identified as mediating mechanisms that link social and business networks to international performance. From a sample of 647 international new ventures (INVs) from a developing economy, our results provide evidence for the mediating effect of dynamic international OR. This study fills a gap in the under-researched area surrounding opportunity related activities in international entrepreneurship (IE) literature and shows how INVs from an emerging economy can leverage the network dynamics of OR to achieve financial, non-financial, and network-related performance from early internationalization.

## INTRODUCTION

The globalized economy has given rise to the new phenomenon of international new venture (INV). During the 1990s INVs was the main research focus in international entrepreneurship (IE) literature. INVs follow an early internationalization path from inception or soon thereafter. Their increasing prevalence and importance in international business indicates a need for greater understanding of these new ventures (Oviatt and McDougall 2005). Although IE has originated from two distinct research streams – international business and entrepreneurship – little research in IE has utilized variables from mainstream entrepreneurship literature. In particular, opportunity recognition (OR) needs to be addressed in IE because IE is about recognizing and exploiting opportunities in international markets. Some scholars argue that IE is still in its infancy (Muzychenko 2008) because of its failure to embrace this important issue in research (Zahra and George 2002). Recently, some reviewers of IE research also observed that there is a paucity of research on OR in this field (Jones et al. 2011). While there exists a wide-spread acknowledgement of opportunity-oriented behavior in IE, most research considers internationalization as an opportunity, rather than an entrepreneurial opportunity and what it entails (Mainela et al. 2013).

Research shows that INVs have been successful in becoming international from their inception without going through traditional development stages. In comparison with traditional international firms, INVs rely more heavily on other firms in the network for supplementary competences they are deficient in (Madsen and Servais 1997). For example, Presutti et al. (2007) found that the foreign development of high-tech start-ups is positively influenced by knowledge acquired from external network relationships. From the overwhelming research interest in high-tech and knowledge-intensive INVs, one can easily conclude that INVs prevail only in these industries. However, a number of studies confirmed that firms can internationalize early and rapidly in low-tech sectors such as apparel (Faroque and Takahashi 2012; Kang and Jin 2007) and entrepreneurial arts and crafts (Fillis 2000; McAuley 1999). Most of the current empirical research in IE is skewed towards the developed world and we do not know much about INVs from emerging economies (Rialp et al. 2005). This article seeks to fill these gaps in the literature by empirically examining the role of networks in recognizing opportunities in international markets and the performance outcome of opportunities based on the data collected from INVs in an emerging country's low-tech industry. In the next section, the theoretical background to the research is presented, along with the development of specific research hypotheses. This is followed by a description of the research methodology and test results. After presenting the discussion and implication of the results, the article concludes with limitations and suggestions for further research.

## BACKGROUND LITERATURE AND HYPOTHESES DEVELOPMENT

This study draws on the network approach to OR (Arenius and Clercq 2005), network approach to INV internationalization (Loane and Bell 2006), and dynamic capability perspective (Teece et al. 1997). Given the dynamic nature of international business and opportunities, we define OR as a dynamic capability. The conceptual framework (Figure 1) positions network as a crucial component in driving international OR, which in turn enhances international performance of INVs. In addition to a direct link, it also proposes a mediated network-performance relationship through international OR.

### Networks and International OR

The ability to network is one of the most desirable capabilities of an entrepreneur. The network in which an entrepreneur is embedded is a potential source of business ideas or opportunities which can be identified, evaluated, and exploited (Hills et

al. 1997). Opportunities do not rain down from the sky; they come most likely to those who are located at advantageous positions within networks (Low and MacMillan 1988), hence, entrepreneur's social network as a source of social capital and opportunities is of great importance. There is evidence that entrepreneurs frequently use networks to obtain ideas and gather information to recognize entrepreneurial opportunities (Hoang and Young 2000; Singh et al. 1999); thus social network is considered as an important source of new ideas (Christensen and Peterson 1990), and also linked to the number of opportunities perceived by entrepreneurs (Singh et al. 1999).

There is limited but growing evidence in IE involving networks and OR. Mort and Weerawardena (2006) showed that networking enables INV's identification and exploitation of opportunities in international markets. Vasilchenko and Morrish (2011) found that established and newly formed social networks, which is part of an entrepreneur's broader business network, are instrumental in exploring and exploiting INV's internationalization opportunities. Chandra et al. (2009) also reported that firm networks can assist in discovering first time international opportunities. We therefore hypothesize that:

H1: There is a positive relationship between social network and INV's international OR.

H2: There is a positive relationship between business network and INV's international OR.

### **Networks and International Performance**

There is evidence in literature that social and business networks are important in facilitating firm internationalization and international activities. For example, Coviello and Munro (1995) found that the internationalization processes of smaller firms are driven by the networks they develop. In particular, they posit that firm entry mode decisions and choice of markets are also influenced by their network partners. This is supported by Moen et al. (2004) reporting a positive relationship between industry networks and market entry. Additionally, Harris and Wheeler (2005) evidenced the impact of social network on market access and Mainela and Puhakka (2011) on INV opportunity realization and internationalization. Business network was also found to have impact on INV internationalization performance (Sharma and Blomstermo 2003). Gabrielsson and Kirpalani (2004) observed that an INV's growth worldwide stems from its ability to build and leverage relationships with its main customer in the network. Hence, we hypothesize that:

H3: There is a positive relationship between social network and international performance of INVs.

H4: There is a positive relationship between business network and international performance of INVs.

### **International OR and International Performance**

According to Casson (1982), "entrepreneurial opportunities refer to those situations in which new goods, services, raw materials, and organizing methods can be introduced and sold at greater than their cost of production" (p. 220). This definition implies that entrepreneurial opportunities generate profit which signifies performance implications for OR. Hills et al. (1997) noted that the performance implication of OR process is a largely unexplored area of research in entrepreneurship. They further commented that at the firm level of analysis future research needs to investigate how OR and performance are linked. From a content analysis of OR research in entrepreneurship, Faroque and Takahashi (2011) found that OR research to date frames its focus with OR constructs aimed at relating antecedents while outcome-oriented research lags far behind. Therefore, we undertook to establish this link in our study and hypothesize that:

H5: There is a positive relationship between international OR and international performance of INVs.

### **The Mediating Role of International OR**

The independent study of the relationship between networks and international performance largely ignores the very important concept of entrepreneurship and IE: opportunity. Relationship between networks and performance is context-specific which indicates moderating and/or mediating effects on performance. Simply examining the direct networks-international performance relationship provides an incomplete picture of the relationship. However, to date, the vast majority of studies assume a direct effect of social and business networks on international performance. Furthermore, to the best of our knowledge, there has been no studies that investigate the mediating mechanisms of OR that link networks and INV performance. Thus the following hypothesis will be tested in this study:

H6a: In addition to a direct relationship, social network -international performance relationship is partially mediated by international OR.

H6b. In addition to a direct relationship, business network-international performance relationship is partially mediated by international OR.

## METHODOLOGY

### INVs and the Developing Economy Context

Our investigation focuses on INVs in Bangladesh and most specifically the export oriented apparel industry of the country. Bangladesh currently holds the 2<sup>nd</sup> largest position in world apparel trade and the existence of several thousands of INVs in the industry make it an appropriate location for the study. The apparel sector is the largest manufacturing industry in the country, contributing 70 percent of total manufacturing output and export earnings. However, entrepreneurs started business from a zero base in the beginning of the industry's development, with little or no assistance in a benign environment (Quddus 1993). They were quick in learning, networking, and taking advantage of new opportunities. After the entrepreneurs proved their entrepreneurial prudence and capability, the government came up with preferential benefits and export assistance programs to boost the industry further. Companies are now bound by law to be INVs from the very beginning to avail of government assistance and preferential benefits. Therefore, the Bangladesh apparel export industry offers a good setting for research to investigate the determinants of INVs' entrepreneurial success.

### Sample and Data Collection Procedure

Some research assistants were employed to collect data by face-to-face survey between January and May 2012 using a structured questionnaire with the senior executives of the firm responsible for international business. 718 completed questionnaires were collected out of randomly selected 800 exporters, producing a high response rate of about 90%. However, after going through a rigorous normality test which is essential for the intended maximum likelihood (ML) estimation using structural equation modeling (SEM), we got 647 usable responses. The structured questionnaire was developed based on a comprehensive literature review and reviewed by academics and pre-tested with 15 managers. Several steps were taken to minimize common method bias and Harman's one-factor test (Podsakoff et al. 2003) showed no evidence of common method bias. Most of the respondents of the survey hold senior executive positions including owner-managers. Most of the respondents who were not owners reported very close relationship with the entrepreneur(s) which indicates their ability to comment on entrepreneurs' capabilities and network relationships. Most interestingly, our samples produced a well-balanced ratio of small and large firms (about half of them having more than 500 employees).

### Development of Measures

All items were measured on a seven point Likert scale and asked respondents to report what happened in the previous three years of their company's operation. Items were developed based on a comprehensive literature review. Social and business networks were measured by the items developed or suggested by Burt (1997), Fuentes et al. (2010), and Walter et al. (2006) with some modifications. In developing the international OR construct, we adopted a dynamic capability perspective (Teece et al. 1997). Given the complex nature of international business and dynamic nature of opportunities, we propose that international OR is an adaptive capability. In addition to the items such as number of opportunities identified or exploited (Gordon 2007; Ko and Butler 2006; Singh et al. 1999), we used some other measures like the firm's strategic flexibility and adaptive capability in response to emerging opportunities in international marketplace. International performance is a three dimensional construct in this study. Financial measures include export sales volume, export sales growth, and export profitability (Katsikeas et al. 2000) whereas non-financial measures include new market entry/number of export countries, growth in the number of employees and introduction of new products/services in international markets (Ireland et al. 2005; Katsikeas et al. 2000; Keh et al. 2007). In addition, we adopted a new measure: network export performance (NEP) which relates network approach to export performance measurement (Lages et al. 2009). Because this is beyond the scope of this study to include all the items in this multidimensional construct, we modified them as three single items under a single construct. Measurement items are provided in Table 1 along with their factor loadings, composite reliability (CR) and average variance extracted (AVE) scores.

## ANALYSES AND RESULTS

### Measurement Validity and Reliability

For data analysis we followed the three-step paradigm advocated by Gerbing and Hamilton (1996): first, exploratory factor analysis (EFA) in SPSS 18, then confirmatory factor analysis (CFA), and finally SEM in AMOS 18. During EFA stage, some items were removed from further analysis due to poor factor loadings. Both social and business networks emerged as unidimensional and international performance as three dimensional as expected. International OR, contrary to our expectation, produced a two factor solution. We have termed them as 'modification and resource shifting (OR<sub>1</sub>)' and

‘innovativeness and timeliness (OR<sub>2</sub>)’. All these constructs with their relevant items entered into the measurement model as CFA.

Table 1 displays the results obtained from the estimation of the CFA model. Table 2 shows the correlations among the constructs. An inspection of these results shows that the items employed to measure the constructs were both valid and reliable. Convergent validity is demonstrated by the large and significant standardized loadings ( $t > 1.96$ ,  $p < 0.01$ ) of the items on the respective constructs (Table 1). Adequate discriminant validity is evident for all constructs (Table 2) because their diagonal elements (the square root of AVE) are greater than the off-diagonal elements in their corresponding rows and columns (Fornell and Larcker 1981). The values for CR range from 0.73 to 0.80 which far exceed the suggested level of 0.70 (Hair et al. 1998). In terms of AVE, all constructs also exceed the recommended minimum level of 0.50 or very close to that (0.48). We conclude, therefore, that for all constructs, the indicators are considered sufficient and adequate in terms of how the measurement model is specified and they can be used for subsequent structural model estimation.

### The Testing of Hypotheses with SEM

All the constructs involved in this study were simultaneously estimated in a structural model using ML estimation in AMOS 18. The overall chi-square for the model ( $\chi^2 = 488.992$ ,  $df = 172$ ,  $p < .00$ ;  $\chi^2/df = 2.843$ ) was significant due to a large sample size (Bagozzi and Yi 1988). Other fit indices, for example, the goodness-of-fit index (GFI) = .929, adjusted GFI (AGFI) = .904, comparative fit index (CFI) = .930, Tucker-Lewis Index (TLI) = .914, incremental fit index (IFI) = .930, root mean square error of approximation (RMSEA) = .053 provide sufficient proof of model fit (Hair et al. 1998). Direct, indirect, and total effects of the exogenous variables on relevant endogenous variables were estimated with 95% confidence level using bootstrapping method with 1000 resamples recommended by Davidson and MacKinnon (2000) and are reported in Table 3. Consistent with hypothesis H1, the results indicate that entrepreneur’s social network is positively associated with dynamic international OR capability of the firm. Here we found significant relationship with both dimensions of OR: ‘modification and resource shifting (OR<sub>1</sub>)’ ( $\beta = .306$ ,  $p < .01$ ) and ‘innovativeness and timeliness (OR<sub>2</sub>)’ ( $\beta = .327$ ,  $p < .01$ ). Similarly, as predicted by H2, business network of INV managers is positively related to both dimensions of OR: OR<sub>1</sub> ( $\beta = .306$ ,  $p < .01$ ) and OR<sub>2</sub> ( $\beta = .198$ ,  $p < .01$ ). Supporting findings for H3 indicate that entrepreneurial social network has significant positive relationship with all three dimensions of international performance: financial ( $\beta = .382$ ,  $p < .01$ ), non-financial ( $\beta = .334$ ,  $p < .01$ ), and network export performance ( $\beta = .284$ ,  $p < .01$ ). In relation to hypothesis H4, we found positive significant relationship of business network with non-financial ( $\beta = .237$ ,  $p < .01$ ) and network export performance ( $\beta = .292$ ,  $p < .01$ ), but not with financial performance. Finally, the results for H5 (H5<sub>b1</sub>, H5<sub>b2</sub>, H5<sub>b3</sub>) suggest that international performance of INVs is positively associated with OR<sub>2</sub> for all three dimensions of performance, i.e., financial ( $\beta = .186$ ,  $p < .01$ ), non-financial ( $\beta = .133$ ,  $p < .01$ ), and network export performance ( $\beta = .185$ ,  $p < .01$ ). On the contrary, international OR<sub>1</sub> is positively related to two dimensions of international performance (H5<sub>a1</sub>, H5<sub>a2</sub>): financial ( $\beta = .178$ ,  $p < 0.01$ ) and non-financial ( $\beta = .247$ ,  $p < .01$ ), but not to network export performance (H5<sub>a3</sub>).

In terms of mediating effects of OR, we found that the relationship between social network and international performance is mediated by OR across all three dimensions of performance measures (H6<sub>a1</sub>, H6<sub>a2</sub>, H6<sub>a3</sub>): financial ( $\beta = .115$ ,  $p < .01$ ), non-financial ( $\beta = .119$ ,  $p < .01$ ), and network export performance ( $\beta = .078$ ,  $p < .01$ ). Business network also shows similar indirect effects through OR on all three dimensions of performance measures (H6<sub>b1</sub>, H6<sub>b2</sub>, H6<sub>b3</sub>): financial ( $\beta = .091$ ,  $p < .01$ ), non-financial ( $\beta = .102$ ,  $p < .01$ ), and network ( $\beta = .054$ ,  $p < .01$ ).

### DISCUSSION AND IMPLICATIONS

Our results corroborate the findings of other studies that showed a positive association between social and inter-organizational networks and general adaptive capability (Ma et al. 2009) as well as between adaptive capability and firm performance (Oktemgil and Greenley 1997). Our findings are also supported by Lu et al. (2010). From a study of Chinese entrepreneurial firms, they reported that adaptive capability specific to customers’ demands and other requirements plays a partially mediating role and acts as an intermediate variable between managerial ties and international performance.

Our results indicate that social networks have a strong positive impact on the performance of INVs across all three dimensions of performance. This highlights the crucial role that entrepreneurial social networks can play in the development of successful INV activities. This finding supports those studies that emphasize the importance of social networks in internationalization performance of INVs because networking is an effective way of overcoming the scarcity of resources and INVs’ growth worldwide stems from its ability to build and leverage relationships with its main customer and other network partners (Gabrielsson and Kirpalani 2004; Madsen and Servais 1997; Vasilchenko and Morrish 2011). By contrast, business



networks failed to influence financial outcomes; however, they are influential in achieving non-financial and network export performance, especially in the latter where they exhibit greater effects than social networks. These results indicate that by using inter-organizational business networks INVs can achieve significant non-financial and network export performance but not financial performance. This unexpected non-significant result can be explained by the items of business network construct we used in this study: the frequency of communication with key customers, suppliers, and export trading firms; frequency of discussion with key network partners on how they can support each other; and knowledge about network partners' markets, products/services, and their strengths and weaknesses. It is reasonable to say that these items do not indicate any link to financial performance such as export sales volume, growth and profitability because frequency of communication and discussion with and knowledge about network partners by no means guarantee any financial outcomes; rather they can contribute to non-financial and most obviously network outcomes for INVs. Therefore, it implies that entrepreneurs can achieve superior international performance through social networks whereas the same is true for business networks of INV managers except for financial performance. If we look at Table 3, we see that social networks have greater impact on financial and non financial performance than business networks. However, business networks exert slightly larger impact on network performance than social networks. This implies that INVs can achieve more financial and non-financial performance benefit through social networks as well as greater network export performance through business networks. Therefore, the roles of social and business networks seem to be complementary as well as redundant in INVs. INV managers need to be given more responsibilities to strengthen business networks focused on network outcomes; at the same time INV entrepreneurs should nurture their social networks to have influence on financial and non-financial outcomes. Since the benefits of entrepreneurs' social and inter-organizational networks overlap and to some degree substitute one for the other (Ma et al. 2009), INV managers need to balance their inputs and make tradeoffs in employing these two networks in order to achieve maximum outcomes in terms of OR and performance. In relation to OR, our results show that 'innovativeness and timeliness' dynamics of OR (OR<sub>2</sub>) has significant impact on all three dimensions of performance while 'modification and resource shifting' dynamics of OR (OR<sub>1</sub>) has significant influence on financial and nonfinancial outcomes but not on network measure of performance. However, nonfinancial outcomes are more influenced by OR<sub>1</sub> while financial outcomes by OR<sub>2</sub>. This implies that INVs should focus more on building and upgrading 'modification and resource shifting' capability of OR (OR<sub>1</sub>) to achieve non-financial outcomes. At the same time, they need to build and upgrade 'innovativeness and timeliness' capability of OR (OR<sub>2</sub>) to realize financial and network performance because OR<sub>2</sub> reflects the opportunity exploitation which brings financial returns for firms and also strengthens network performance through successful exploitation of opportunities. Finally, in all instances, social networks exhibit greater indirect effects than business networks on all performance measures through mediating mechanisms of OR. Entrepreneurs should, therefore, be more actively involved in international OR capability upgrading and decision making.

## LIMITATIONS AND FUTURE RESEARCH

As with any research, the limitations in our study offer opportunities for future research. First, it is reasonable to argue that entrepreneurial networks and opportunities may play different roles at different stages of international venturing which we did not look into in our study. This constitutes an avenue for future research. A lack of control variables is a weakness of recent research (Sousa et al. 2008), and we acknowledge this. Thus incorporating some control variables like firm size and international experience might provide further interesting insights. Our future target is to incorporate them into our research. Another possible limitation of the study is that the generalizability of the findings may be limited due to its exclusive focus on a single country and single industry. Additionally, the study employed a cross-sectional research design, an approach that cannot capture the dynamic aspects of the constructs in the model. Future work should consider adopting a longitudinal design to shed light on the changes of these relationships over time.

TABLES

Table 1 Construct measurement, CFA results, and constructs reliability

Constructs/items	Standardized loadings	CR	AVE
<b><i>Social network</i></b>		.77	.53
(Sources: Burt 1997; Fuentes et al. 2010; modified)			
1.The entrepreneur's (founder) relationship with other apparel entrepreneurs, managers, association of entrepreneurs	.830		
2.The entrepreneur's (founder) frequency of communication with other apparel entrepreneurs, managers, association of entrepreneurs <sup>a</sup>			
3.The entrepreneur's (founder) duration of relationship with other apparel entrepreneurs, managers, association of entrepreneurs	.734		



4. The entrepreneur's (founder) frequency of participation in local and international trade fairs <sup>a</sup>									
5. The entrepreneur's (founder) personal relationship with key customers, key suppliers, and export trading firms	.598								
<b>Business network</b>							.78	.54	
(Sources: Walter et al. 2006)									
1. We communicate frequently with our key customers, key suppliers, and export trading firms	.705								
2. We discuss regularly with our key network partners how we can support each other	.762								
3. We know our network partners' markets, products/services as well as their strengths and weaknesses	.727								
<b>Dynamic international OR</b>									
(Sources: Gordon 2007; Ko and Butler 2006; Singh et al. 1999; modified and new items)									
<i>Modification &amp; resource shifting (OR<sub>1</sub>)</i>							.80	.57	
1. How many international business ideas did you identify in past three years? <sup>a</sup>									
2. How much did you modify/develop the international opportunity from idea generation to opportunity recognition?	.678								
3. How many of novel or innovative ideas were considered feasible and desirable?	.807								
4. How much are you able to shift organizational resources to capitalize on emerging opportunities in international markets?	.770								
<i>Innovativeness &amp; timeliness (OR<sub>2</sub>)</i>							.80	.58	
1. How many international business opportunities did you identify in past three years? <sup>a</sup>									
2. How many of the international business opportunities were considered as novel or innovative?	.734								
3. How many identified international opportunities have you pursued/exploited in past three years?	.787								
4. How quickly can you respond to changes in the international market and adapt to respond to external opportunities?	.761								
<b>International performance</b>									
<i>Financial</i>							.73	.48	
(Sources: Katsikeas et al. 2000)									
1. Export sales volume	.774								
2. Export sales growth	.759								
3. Export profitability	.527								
<i>Non-financial</i>							.73	.48	
(Sources: Ireland et al. 2005; Katsikeas et al. 2000; Keh et al. 2007)									
4. New market entry/number of export countries	.562								
5. Growth in the number of employees	.747								
6. Our key customers' overall satisfaction with the quality of our products/ services	.747								
<i>Network export performance</i> (Lages et al. 2009; modified)							.76	.52	
7. Introduction of new products/services in international markets	.655								
8. Quality of our company's relationship with key overseas customers	.797								
9. Our overall satisfaction with the quality of key suppliers' critical components	.703								

Notes:

1. <sup>a</sup>Indicates item that was dropped in the scale purification process

2. All standardized coefficient loadings are significant at  $p < 0.01$

3. CR = Composite reliability; AVE = Average variance extracted

4. Measurement model fit indices:  $\chi^2 = 471.842$ ,  $df = 168$ ,  $\chi^2/df = 2.809$ ; GFI = .932, AGFI = .907, CFI = .933, TLI = .916, IFI = .933, NFI = .900, RMSEA = .053

Table 2 Means, standard deviations, and intercorrelation matrix

Construct	Mean	S.D.	(1)	(2)	(3)	(4)	(5)	(6)	(7)
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(1) Social network	5.37	.943	<b>.728</b>						
(2) Business network	5.29	1.07	.433***	<b>.735</b>					
(3) Modification & resource shifting (OR <sub>1</sub> )	4.64	1.53	.424***	.433***	<b>.755</b>				
(4) Innovativeness & timeliness (OR <sub>2</sub> )	4.88	1.41	.394***	.329***	.315***	<b>.761</b>			
(5) Financial performance	5.01	.986	.527***	.358***	.420***	.415***	<b>.693</b>		
(6) Non-financial performance	5.42	.95	.566***	.529***	.532***	.415***	.539***	<b>.693</b>	
(7) Network export performance	5.41	.953	.497***	.500***	.363***	.416***	.391***	.453***	<b>.721</b>

Notes:

1. Significance level: \*\*\*  $p < 0.001$

2. Diagonal is the square root of the average variance extracted

Table 3 Standardized direct, indirect, and total effects of variables in the model

	Type of Effects	Modification & resource shifting (OR <sub>1</sub> )	Innovativeness & timeliness (OR <sub>2</sub> )	Financial performance	Non-financial performance	Network export Performance
Social network	Direct	.306 (4.988) <sub>(H1a)</sub>	.327 (5.192) <sub>(H1b)</sub>	.382 (5.212) <sub>(H3a)</sub>	.334 (5.228) <sub>(H3b)</sub>	.284 (4.275) <sub>(H3c)</sub>
	Indirect	-	-	.115 (3.96) <sub>(H6a1)</sub>	.119 (4.103) <sub>(H6a2)</sub>	.078 (2.888) <sub>(H6a3)</sub>
	Total	.306 (4.988)	.327 (5.192)	.498 (7.32)	.454 (7.093)	.362 (5.746)
Business network	Direct	.306 (5.320) <sub>(H2a)</sub>	.198 (3.480) <sub>(H2b)</sub>	<b>.071 (1.226)<sub>(H4a)</sub></b>	.237 (4.317) <sub>(H4b)</sub>	.292 (4.930) <sub>(H4c)</sub>
	Indirect	-	-	.091 (3.033) <sub>(H6b1)</sub>	.102 (3.642) <sub>(H6b2)</sub>	.054 (2.160) <sub>(H6b3)</sub>
	Total	.306 (5.320)	.198 (3.480)	.162 (2.492)	.339 (5.844)	.347 (5.783)
Modification & resource shifting (OR <sub>1</sub> )	Direct	-	-	.178 (3.088) <sub>(H5a1)</sub>	.247 (4.625) <sub>(H5a2)</sub>	<b>.058 (1.064)<sub>(H5a3)</sub></b>
	Indirect	-	-	-	-	-
	Total	-	-	.178 (3.088)	.247 (4.625)	.058 (1.064)
Innovativeness & timeliness (OR <sub>2</sub> )	Direct	-	-	.186 (3.413) <sub>(H5b1)</sub>	.133 (2.696) <sub>(H5b2)</sub>	.185 (3.544) <sub>(H5b3)</sub>
	Indirect	-	-	-	-	-
	Total	-	-	.186 (3.413)	.133 (2.696)	.185 (3.544)

Notes:

1. Critical ratios are in parentheses. Critical ratio=1.96 is significant at  $p < .05$

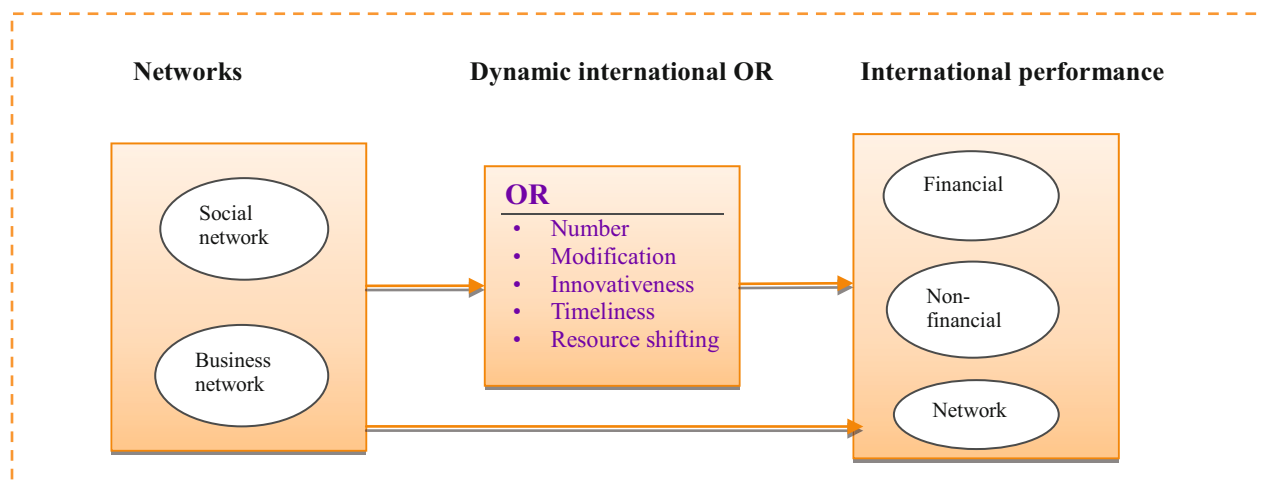
2. Beta values in bold are not significant

3. Beta values in italic indicate indirect effects

4. Structural model fit indices:  $\chi^2 = 488.992$ ,  $df = 172$ ,  $\chi^2/df = 2.843$ ; GFI = .929, AGFI = .904, CFI = .930, TLI = .914, IFI = .930, RMSEA = .053

## FIGURES

Figure 1 Conceptual framework



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**Session 11.4. International and Cross-Cultural Marketing: Cross-National Consumer Research**

Room: Clarendon A Session Chair: Patricia Huddleston, Michigan State University

***Susceptibility to Credit Card Effects and Revolving Credit Card Holders: A Multi-Country Evaluation on British, Singaporean and Malaysian Youth Markets***

Sandra Awanis, University of Manchester

Charles Cui, University of Manchester

***American and Australian Women's Antecedents to Trust, Commitment and Loyalty to Costco***

Patricia Huddleston, Michigan State University

Eunyoung Christine Sung, Michigan State University

Stella Minahan, Deakin University

Constanza Bianchi, Queensland University of Technology

***Assessing the Feasibility of MTurk for Cross-National Consumer Online Sampling***

Nina Reynolds, Southampton Management School

Luke Greenacre, Southampton Management School

# **SUSCEPTIBILITY TO CREDIT CARD EFFECTS AND REVOLVING CREDIT CARD HOLDERS: A MULTI-COUNTRY EVALUATION ON BRITISH, SINGAPOREAN AND MALAYSIAN YOUTH MARKETS**

Sandra Awanis, Manchester Business School, University of Manchester  
Charles C. Cui, Manchester Business School, University of Manchester

## **INTRODUCTION**

In today's vogue towards a cashless society, preference for "plastic money" has dominated conventional payment forms such as cash and checks (Feinberg 1986; Soman 2003; White 1975). Credit card is arguably the most beneficial type of plastic money as it allows an intertemporal allocation of income, which entitles consumers to borrow future income to use in the present (Prelec and Loewenstein 1998). However, credit card also bears some unintended negative consequences, particularly for the young consumers. This study introduces a concept termed susceptibility to credit card effects to determine the extent to which individuals perceive credit cards as spending stimuli that promotes greater ease of spending. The objective of this study is twofold. First, we develop and validate the SCCE scale in a cross-country setting to statistically show the widespread credit card effects across environments with different credit card regulations. Secondly, we test the hypothesis that susceptibility to credit card effects has a positive effect on the tendency to become revolving credit card holders, which signify problematic credit card debt accumulation.

## **LITERATURE BACKGROUND**

### **Credit card effects**

Credit card effects relate to credit card premium effect, failure in recalling past credit card expenses, and overestimating available income when deliberating a credit card purchase. Previous studies show that credit cards evoke a unique purchasing behavior and attitudes that are different from other payment systems. Consequently, credit cards promote excessive spending and debt accumulation in different ways. Firstly, consumers display greater spending level where credit card payments are available, known as the credit card premium effect (Feinberg 1986; Prelec and Loewenstein 1998). This is attributed to decoupling the "pain of paying" from the act of payment during credit card transactions, where the reward of consumption is temporally separated from the act of dispensing the money. Secondly, previous studies argue that credit card holders tend to face difficulties in recalling past credit card expenses (Raghubir and Srivastava 2008; Soman 2001). Indeed, credit card payments require only a signature or a PIN number, which make the expenses less salient than other payment methods and leave less memory trace. Finally, credit card induces a tendency to overestimate available income when deliberating a credit card purchase (Soman and Cheema 2002; Soman 2001). This is because consumers are often unable to compute future income and achieve a balanced lifetime utility with their credit line (Soman and Cheema 2002). These credit card effects are likely to result in overspending and discretionary purchasing tendencies.

### **Young consumer's vulnerability**

In comparison with other age groups, young credit card holders (those between the ages of 18 to 25 year old) display greater vulnerability to accumulate greater credit card debt and suffer the long-term consequences. In the UK alone, 20% of Debt Relief Order (a "light" version of bankruptcy for people who have light debt but no prospect for paying it off) was issued to those aged between 25 and 34 years old (Osborne 2011). Sallie Mae (2009) reported that seniors in the US graduated with an average credit card debt of \$4,100, up from \$2,900 found in their study in 2004. However, at the same time, determining vulnerability based on young age alone is problematic in its over-generalization that treats people as a "homogenized, culturally undifferentiated mass of humanity" (Baker and Mason 2012). For example, it is not the case that all young people are careless about money and accumulate problematic debt when issued a credit card. Therefore, essential issues in consumer vulnerability remain shrouded in failing to identify *who* are vulnerable, and *how* they can be protected from harm.

## **CONSUMER SUSCEPTIBILITY TO CREDIT CARD EFFECTS**

We propose a way to discern what make consumers more prone to credit card effects in order to identify consumers who are vulnerable to credit card debt accumulation. Understanding how consumers are susceptible to credit card effects is important and valuable for consumers' wellbeing, credit card regulation policies and marketing practice. Hence, we conceptualize susceptibility to credit card effects (SCCE) as an individual's propensity to repetitively yield to the behavioral outcomes pertaining to credit card effects by deviating from the rational economic standards of credit card usage. We emphasize on the



recurrence of receptivity to credit card effects since an occasional or one-time slip does not necessarily lead to serious consequences. However, consumers are likely to overspend and face accumulating debt when they continue to be susceptible to credit card effects.

## REVOLVING CREDIT CARD HOLDERS

In our attempt to test the accuracy of susceptibility to credit card effects in predicting tendency to accumulate credit card debt, we hypothesize that SCCE has a positive effects on the tendency to become revolving credit card holders (RCCH). RCCH is defined as consumers who accumulate credit debt by paying interests on their outstanding credit card balances over an extended period of time. Therefore, this signals when individuals have reached the stage of problematic credit card debt accumulation.

## METHODOLOGY

The research methodology for this study involves several stages. In developing measurements for susceptibility to credit card effects (SCCE) and revolving credit card holders (RCCH), we first conducted an exploratory study involving 18 semi-structured interviews with 18-25 years old credit card users in the UK, Singapore and Malaysia. Our study focuses on young credit card users in Singapore, Malaysia and the UK. Firstly, these countries represent different degrees of credit card issuance and consumer protection regulations, which systematically influence the way people use their credit cards (Navarro-Martinez et al. 2011; Stewart 2009). Singapore represents countries with stricter credit card regulation, which requires an annual minimum income requirement of SG\$30,000 (US\$24,000), a minimum age of 21-years-old and full-time employment (Monetary Authority of Singapore 2004). For young adults who do not meet these criteria, supplementary cards can be obtained from parents. At the time of our data collection in March 2011, Malaysia was more liberal with their credit card regulation, as age limit was not enforced and the minimum required income was RM18,000 (US\$5,00) per annum (now RM24,000 or US\$7600 annually) (Bank Negara, 2011). The UK has a comparatively neutral regulation, as they do not impose a minimum income restriction. Rather, credit card issuers are required to review of an applicant's credit history to determine eligibility of credit card ownership (Office of Fair Trading 2010). For young adults whose credit history is non-existent, student credit card is an option as credit history is not a prerequisite, but only a small credit limit is given (usually £500 or US\$780).

From the exploratory study, we collected relevant themes and transformed the relevant findings into measurement items for SCCE and RCCH. The initial pool of the items was submitted to external judges to evaluate the items' representativeness of the construct. Thereafter, we submit the reviewed items to pilot testing in the same three countries. Based on the pilot test results, we then conducted the full-large scale validation in Singapore ( $n = 242$ ), Malaysia ( $n = 200$ ) and UK ( $n = 200$ ). The final measurement scales consist of four items each for SCCE and RCCH. Without evidence of measurement invariance for the research constructs, comparability across countries cannot be established and any conclusions made are at best ambiguous (Steenkamp and Baumgartner 1998). Therefore, our data analyses included confirmatory factor analysis (CFA) and measurement invariance tests, which were conducted to observe the extent to which the scales for SCCE and RCCH are each equivalent across countries. This was followed by a structural model analysis of SCCE and RCCH.

## RESULTS

We began our data analysis with individual countries to determine a common combination of measurement items shared across countries. Each country displayed acceptable model fits in individual-country CFA (Table 1). However, when subjected to configural invariance test (first level of invariance test), the UK group failed to achieve equivalence and was therefore eliminated from further analysis. The invariance analysis involving Singapore and Malaysian groups supported the full configural and subsequent metric and scalar equivalence (Table 1). Table 2 shows the measurement items and the final factor loading estimates from the invariance analysis.

**Table 1: Measurement Model Individual Country CFA and Invariance Results**

Countries	Construct	X <sup>2</sup>	df		RMSEA	NNFI	CFI	
Singapore	SCCE	2.61	2		0.01	1.00	1.00	
	RCCH	1.39	2		0.00	0.99	1.00	
Malaysia	SCCE	2.44	2		0.06	0.98	1.00	
	RCCH	5.71	2		0.08	0.96	0.99	
UK	SCCE	3.78	2		0.01	1.00	1.00	
	RCCH	17.81	2		0.18	0.80	0.93	
Invariance Models		X <sup>2</sup>	Δ X <sup>2</sup>	df	Δ df	RMSEA	NNFI	CFI
Configural invariance		34.26	-	26	-	0.04	0.98	0.99
Metric invariance		40.57	6.31	31	5	0.04	0.98	0.99
Scalar invariance		46.08	11.82	33	7	0.04	0.98	0.98

**Table 2: Measurement items and estimates from invariance analysis**

Measurement items	Singapore ( <i>n</i> = 242)	Malaysia ( <i>n</i> = 200)	
SCCE 1: Shopping with a credit card does not feel like spending my own money.	1.00	1.00	Once equivalence across countries was established, we further tested the structural model to test the hypothesis that SCCE bears a positive effect on
SCCE 2: I find it hard to keep track of my credit card spending on a regular basis.	0.54 (7.54)	0.54 (7.54)	
SCCE 3: I tend not to think about my income (e.g. from work or pocket money) when I shop with my credit card.	0.83 (9.52)	0.83 (9.52)	
SCCE 4: I do not consider borrowing money from credit card as potentially harmful.	0.91 (9.43)	0.91 (9.43)	
RCCH 1: I can only afford to pay my credit card bills in instalments (not the full balance)	1.00	1.00	RCCH. The results showed strong linkage between the two constructs in Singapore ( $\gamma = 0.51, p < .01$ ) and Malaysia ( $\gamma = 0.56, p < .01$ ). The structural model also displayed good fit indices in Singapore ( $X^2 = 11.21, df = 13, RMSEA = 0.02, NNFI = 0.99, CFI = 1.00$ ) and Malaysia ( $X^2 = 21.29, df = 13, RMSEA = 0.06, NNFI = 0.97, CFI = 0.98$ ). Therefore, the hypothesis that susceptibility to credit card effects predict young people's tendency to become revolving cardholders cannot be rejected.
RCCH 2: I can only afford to pay for the minimum balance on my credit card(s)	0.80 (12.00)	0.80 (12.00)	
RCCH 3: My credit card balance is more than my income (e.g. from work or pocket money)	0.36 (5.21)	0.36 (5.21)	
RCCH 4: I use my credit card to its limits.	0.34 (4.92)	0.34 (4.92)	

## DISCUSSION AND CONCLUSION

The substantial theoretical ground and evidence for the reliability and validity of SCCE instigate important implications for credit card marketing, public policy and consumer education. Credit card marketers are increasingly scrutinized over their targeting at vulnerable consumers such as young adults (Norvilitis et al. 2003; Palmer et al. 2001). Government policies are tightening credit card solicitation to young consumers across the world. For example, the 2009 US Credit CARD Act restricts direct marketing towards students, while Malaysia increased minimum income for credit card eligibility from RM18,000 to RM24,000 in 2011, and Brunei Darussalam increased minimum age of credit card ownership from 18 to 21 years old in 2010. Consequently, the financial freedom for young people is restricted despite the fact that not all young credit card users are equally vulnerable (Wood, 2010). For example, it is now harder for people to build a credit rating from a younger age. Therefore, marketers and policy makers face a challenge in reaching vulnerable consumers when setting up policy and/or

market interventions, as those who are affected may not be necessarily vulnerable (Baker et al. 2005; Smith and Cooper-Martin 1997).

The concept and measure of SCCE provide an effective device for credit card providers and regulators in their market research and business auditory to identify the most vulnerable credit card users without obstructing financial freedom for young consumers. Subsequently, this approach can be utilised as a socially responsible marketing programme that empower consumers to be more considerate in their credit card purchases. An example from the UK is the provision of text messages via mobile phone to remind people of their credit balances whenever they have reached a self-imposed limit. The SCCE instrument may provide an integral part of SCCE diagnostic facilities supported by other educational programmes such as provision of financial management classes and digital media messaging to empower young consumers to more effectively use credit cards. By understanding their own susceptibility, young consumers can also improve their immunity to the credit card effect and improve knowledge and skills to ensure they are more responsible for their own credit card use and money management. Overall, the conceptualisation and measure of SCCE makes important contribution that advances the knowledge of consumer vulnerability and can serve as an operational instrument for credit card marketers and regulators.

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# AMERICAN AND AUSTRALIAN WOMEN'S ANTECEDENTS TO TRUST, COMMITMENT AND LOYALTY TO COSTCO

Patricia Huddleston, Michigan State University, USA  
Eunyoung (Christine) Sung, Old Dominion University, USA  
Stella Minahan, Deakin University, Australia  
Constanza Bianchi, Queensland University of Technology, Australia

## INTRODUCTION

Value retailers such as Costco have created a shopping environment that inspires a “treasure-hunt” from its customers because certain items in their merchandise assortment are available in very limited quantities. The “thrill of the hunt” appeals to certain types of shoppers and can create a fun and exciting experience (Huddleston & Minahan, 2011). We surmise that this type of shopping environment will affect shopping environment satisfaction, which in turn will influence hedonic experience. The hedonic experience might lead to trust, commitment and loyalty to a retailer. With this in mind, our study examine whether shopping environment satisfaction and hedonic shopping value affect female consumer trust, commitment and loyalty to a store across cultures.

What leads to trust toward a particular retailer? Satisfaction with store elements such as service, layout, and merchandise should be a starting point. Overall satisfaction indicates a general evaluation of a consumer’s shopping and consumption experiences (Anderson et al., 1994). As a store or shopping environment is relevant to an individual’s emotions, such emotions are affected by the store environment, which in turn influences consumer behavior (Isen et al., 1982; Liljander & Strandvik, 1997). Shopping satisfaction could, therefore, occur through consumers’ who are satisfied with the store environment. When evaluating store environment elements such as service and employees, satisfied consumers seek friendly and familiar salespeople in retail stores; casual conversation is perceived as personalized service and increases customer satisfaction (Mittal & Lassar 1996). Thus, retail service encompasses employee service (i.e. friendly, helpful, or familiar service-oriented employees) which influences consumer shopping satisfaction in the store. In addition, customer satisfaction is also influenced by a store’s physical environment (Bitner, 1990). Merchandise assortment, layout, design, promotional material, and other elements influence consumer satisfaction (Kenhove & Desrumaux, 1997). Thus, store layout and merchandise could affect consumer shopping satisfaction. In sum, customer store experience consists of physical exchanges or interactions (i.e. with the architecture, layout, etc.) as well as social exchanges (i.e. salespeople or other customers) (Graham 1988; Michon & Chebat 2004). Some consumers are more satisfied with merchandise and service quality if more social cues are provided in stores (Baker et al., 1994; and Hu and Jasper 2006). The present study is an examination of the relationship between shopping environment elements (i.e. service, layout, and merchandise) and shopping environment satisfaction of a domestic Costco (U.S.) and an international Costco (Australia).

Hedonic value refers to the idea of shopping as entertainment and of it having emotional value (Bellenger, Steinberg, & Stanton, 1976). Consumers are likely to seek hedonic value through fun and playful shopping experiences during the purchase process (Babin et al., 1994). Environmental psychology theory posits that a retail atmosphere can elicit pleasure (Dawson, Bloch, & Ridgway, 1990; Donovan et al., 1994). Previous studies (Babin & Attaway, 2000; Stoel, Wickliffe, & Lee, 2004) have found hedonic shopping values are elicited from a customer’s interaction with a store environment, service, and promotional marketing activities (Sweeney & Soutar, 2001).

The direct relationship between store environment elements (i.e. layout, service and merchandise) and shopping hedonism were analyzed in the present study. As cited previously, store environments were posited to lead shopping satisfaction. We also investigated the further relationship between shopping environment satisfaction elicited from store environments and shopping hedonism. The relationships between shopping environment satisfaction, shopping hedonism and trust, commitment and loyalty were also explored.

Trust is defined as “a willingness to rely on an exchange partner in whom one has confidence” (Moorman, Deshpande, & Zaltman, 1993, p. 82) and as “a generalized expectancy held by an individual that the word of another ... can be relied on” (Rotter, 1967, p. 651). Trust involves past experiences and prior interaction (Rempel et al., 1995) and develops through experiences over time (Ravald & Gronroos, 1996; Curran et al., 1998). First, regarding the relationship between shopping satisfaction and trust of a retailer, there is evidence that overall satisfaction leads to trust (Ganesan, 1994; Selnes, 1998) because brand trust demonstrates the brand’s consistency in attending to consumer desires (Delgado-Ballester & Munuera-Alema, 2001). In a previous study (Delgado-Ballester & Munuera-Alema, 2001), a positive and significant relationship was

found between overall satisfaction and brand trust for children's disposable diapers. Second, regarding the relationship between shopping hedonism and trust of a retailer, trust has also been connected to hedonic shopping value. For example, Matsler, Grabner-Kräuter, and Bidmon (2006) found that hedonic value is more influential in building brand trust when consumer price consciousness is low.

Because evidence linking store environment elements, environment satisfaction, hedonic value, and trust is limited, especially for the new style of a retail store format (e.g. retailer who uses a membership warehouse club) for Australian consumers, an investigation is warranted to determine if a connection exists between these constructs for consumers who are just exposed to the new style of a retail store format in the international context. Through a multiple group analysis, differences in these relationships between consumers who are used to a membership warehouse club format (e.g. U.S. women consumers) and who are newly exposed to this style of a retail store format (e.g. Australian women consumers) will be studied.

Commitment is defined as "an enduring desire to maintain a valued relationship" (Moorman et al. 1992, p. 316); or "a long-term orientation toward a relationship, including intent to persist and feeling of psychological attachment (Wieselquist & Colleagues, 1999, p.953). Trust and commitment are said to be essential to the success of long-term relationships between people. Likewise, trust and commitment are integral to the success of marketers in the context of relationship marketing (Morgan & Hunt 1994). Matsler, Grabner-Kräuter, and Bidmon, (2006) found a positive and significant relationship between brand trust and customer commitment. In the relationship between customer commitment and loyalty toward Costco, loyalty is defined as a mixed component of brand attitude and behavior with which to measure the degree that consumers buy and prefer a brand repeatedly (Day, 1969; Howard, 1997; Keller, 1998). Previous researchers found that commitment is an antecedent of loyalty (Day, 1969; Beatty, Kahle, & Homer 1998). One of empirical examples is the Pritchard, Havits, and Howard study that "the resistance to change" (e.g. commitment) is a significant antecedent of loyalty in an airline sample. Thus, to earn customers' store loyalty, retailers need to gain and maintain their consumers' commitment toward their stores/brands to maximize their profits in the long-term relationship strategy. Traditionally, consumer satisfaction is related to loyalty (Schulz, 1998), but more complex antecedents of loyalty have been questioned (Oliva, Oliver, & MacMillan, 1992).

In sum, we posit that evaluation of shopping environment elements (layout, service and merchandise) leads to satisfaction with the shopping environment. Positive perceptions of shopping satisfaction draw from shopping environments should also elicit hedonic shopping value. In turn, satisfaction with the environment should lead to trust in the retailer and a shopping experience that provides hedonic value should result in higher trust and commitment and ultimately, store loyalty.

## METHODS

Female shoppers from Costco-Australia (Melbourne) and the US were the samples for this study. Since Costco has an international reach with 608 stores in 7 countries, it provided an excellent opportunity to investigate cultural divergence/convergence of the effects of environment satisfaction and hedonic shopping value on trust, commitment, and loyalty. An online questionnaire was administered to a consumer panel of U.S. and Australian Costco shoppers. A total of 203 U.S. and 166 Australian women shoppers over 18 years old comprised the sample. Scale items were adapted from the literature. For shopping environment evaluation, three constructs (Layout - 5 items, Service- 4 items, and Merchandise- 4 items) (Bettencourt, 1997; Bitner & Hubbert, 1994; Sivadas, 2000) were used as antecedents of the shopping environment. As consequences of shopping satisfaction (4 items) and hedonism (Babin, Darden, & Griffin 1994), constructs of trust (3 items: Moorman, Zaltman, & Deshpande, 1992), commitment (2 items: Morgan & Hunt, 1994) and loyalty (15 items: DeWulf, Odekerken-Schroder, & Iacobucci 2001; Zeithaml, Berry, & Parasuraman, 1996) were used.

## RESULTS AND DISCUSSION

To test the measurement model across the two-groups before SEM analysis, a CFA equivalence test was conducted using LISREL 8.8 with Maximum Likelihood Estimation. Factor loadings were at or above .50 (Anderson & Gerbing, 1988). Although the result of the  $\chi^2$  test was significant, the measurement model demonstrated an acceptable fit ( $\chi^2= 4066.04$ ,  $df=1834$ ,  $p<.01$ ,  $CFI=1.0$ ,  $NFI=.99$ ,  $RMSEA=.08$ ). Measurement equivalence was conducted at several levels to test unconstrained and constrained ( $\phi$ ,  $\lambda$ ,  $\theta_\delta$ ) models to be equal across the two groups-the U.S. and the Australian groups as shown in Table 1. Measurement (CFA) equivalence insures that the measures used exhibit the same structure for both groups (Australian and US Costco female shoppers) (Mullen 1995). The measurement equivalence test at several levels (e.g. Models 1~5 in Table 1) was acceptable for the two-groups because there were no significant  $\chi^2$  differences ( $\Delta\chi^2$ ) for constrained and unconstrained models ( $\phi$ ,  $\lambda$ ) except  $\theta_\delta$  constrained model compared the unconstrained baseline model. Convergent validity



was established as  $\lambda x$  values per each indicator were significant ( $p < .05$ ) and greater than .50 (Anderson & Gerbing, 1988). Discriminant validity was established as all items loaded on its respective latent construct without cross loadings.

Table 1. CFA Constrained at Several Levels: Chi-square Results and Goodness of Fit Indices for the Measurement Model for the Equality of the Two-Group Comparison

Model	$\chi^2$	df	$\Delta\chi^2$	CFI	RMSEA
1. Two groups-Unconstrained	4066.04	1834		1.00	.081
2. Two groups- $\phi$ Constrained	4066.04	1834	.00	1.00	.081
3. Two groups- $\lambda$ Constrained	4066.04	1834	.00	1.00	.081
4. Two groups- $\phi, \lambda$ Constrained	4066.04	1834	.00	1.00	.081
5. Two groups- $\phi, \lambda, \theta_\delta$ Constrained	4324.39	1879	258.35*** ( $\Delta df=45$ )	1.00	.084

Model Comparisons ( $\Delta\chi^2$ ) between an unconstrained baseline model and constrained models to be equal across the American and the Australian groups.

To test relationships between constructs, LISREL 8.8 was applied for structural equation modeling analysis using maximum-likelihood estimates for the equivalence test of the two groups (Jöreskog & Sörbom, 1996). The study model fits of the two-group SEM test are as follows:  $\chi^2=4200.60$ ,  $df=1858$ ,  $p < .01$ ,  $CFI=1.0$ ,  $NFI=.99$ ,  $RMSEA=.083$ . The results of SEM are shown in Figure 1.

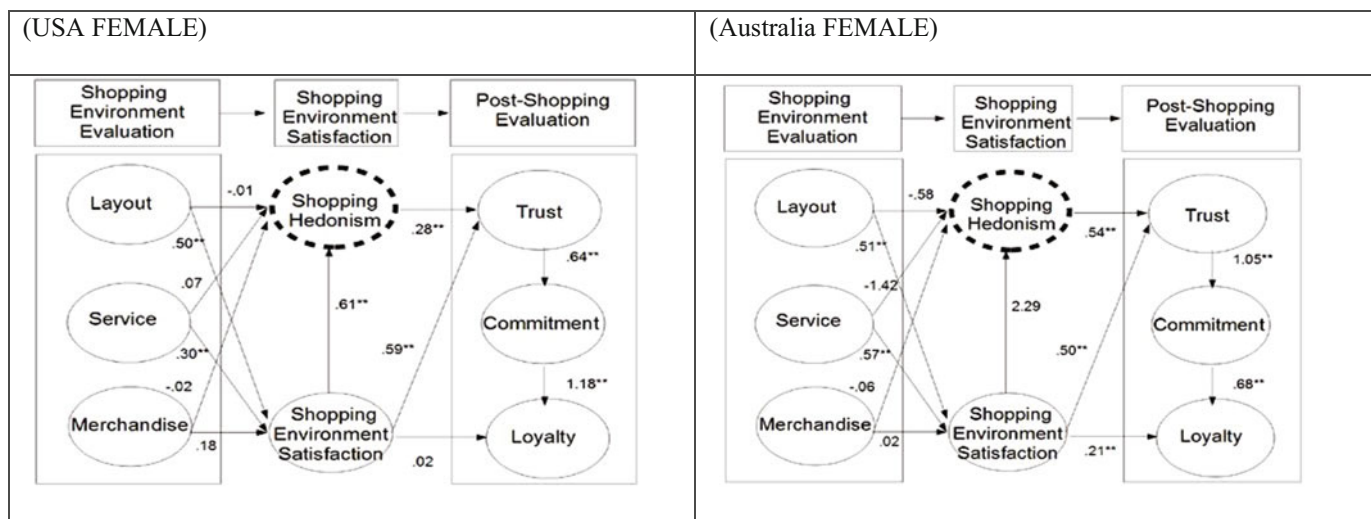


Figure 1. Comparison of Path Coefficients

To compare the strength of the path coefficients of the two groups, we ran a group comparison analysis simultaneously to impose invariance constraints on the parameter estimates across the U.S. and Australia models. To compare the strength of the path coefficients of the two groups, a  $\chi^2$  difference test was conducted by constraining each structural path to be equal across the two groups (Anderson and Gerbing, 1988). We found there were no significant differences between the path coefficients in terms of strength of any paths/relationships in the structured model. This means, for example (e.g. two-group comparison), the U.S. group does not have any stronger relationships even though Australian consumers are newly exposed to the style of Costco's store format such as a membership warehouse club format. However, in each group, the results could be meaningfully interpreted; some relationships (e.g. between commitment and loyalty) are significant and supported as such by established literature

## CONCLUSIONS AND IMPLICATIONS

Results show that for the store environmental elements, Costco's service and layout were antecedents of shopping environment satisfaction for both U.S. and Australian shoppers. For U.S. shoppers, shopping satisfaction positively affects shopping hedonism, whereas this is not the case for Australian women shoppers. In the Australian women group, this finding can perhaps be explained by Australian consumers' unfamiliarity with the warehouse shopping environment. At the time of data collection, Costco in Melbourne had been open only for 1 year, and thus, the satisfaction with the shopping environment of the U.S. warehouse style might not have translated into a pleasurable experience for the Australian women shoppers. Australian women consumers may still be in the "getting to know you" phase with this type of shopping environment.

Both hedonism and satisfaction were related to trust in each group. The relationship between trust and commitment (e.g. including Costco's membership) and between commitment (e.g. including Costco's membership) and loyalty are significant in each group as supported by literature (Beatty, Kahle, & Homer 1998; Day, 1969; Matsler, Grabner-Kräuter, & Bidmon, 2006). Therefore, for both groups regardless of the period of exposure (e.g. short vs. long) in the U.S. membership warehouse (e.g. bulk purchase) retail format, both groups have a similar pattern of consumer behavior with which to ultimately build loyalty for Costco. Moreover, as consumer satisfaction is related to loyalty (Schulz, 1998), the relationship between shopping satisfaction and loyalty is significant for the Australian group whereas this is not the case for U.S. women shoppers. For U.S. shoppers, shopping satisfaction is not directly related to loyalty to Costco. This means more complex antecedents (e.g. hedonism, trust, and commitment) of loyalty have been required to gain long-term loyalty from U.S. women shoppers.

Future research should examine other store elements (e.g. design elements) that lead to hedonic shopping experiences as well as the structural relationships with a variety of antecedent effects on complex loyalty to test whether it is universal with other types of retail formats across cultures. For example, with the emphasis on "experiential retailing" (Kim, Sullivan, & Forney 2007) to create a memorable shopping experience, this kind of relationship could be explored further.

The results showing the Australian consumers' acceptance with the Costco warehouse membership format indicate the potential that Costco's further expansion in the international market could be promising in for gaining customer loyalty. The successful entry of a retailer into a new market is dependent on the acceptance of the business model by the local shoppers and the receptiveness of domestic consumers to incoming retailers (Alexander et al. 2010). This study contributes to the literature by exploring relationships (e.g. various/complex antecedents) to Costco loyalty in drawing comparisons between consumers in a retailer's home and international market.

References Available Upon Request



# ASSESSING THE FEASIBILITY OF MTURK FOR CROSS-NATIONAL CONSUMER ONLINE SAMPLING

Nina Reynolds, University of Southampton, United Kingdom  
Luke Greenacre, University of Southampton, United Kingdom

## ABSTRACT

Sampling respondents from online sources is now a common research practice. With the increase in internet use across the globe, it is possible to source respondents from multiple countries. This leads to questions concerning the suitability of these samples for cross-national research. Amazon's Mechanical Turk (MTurk) is a now common source of participants in research. To assess the feasibility of MTurk for cross-national consumer research this paper asks two broad questions (i) where are MTurk workers located and can location be considered equivalent to nationality?, and (ii) are MTurk workers representative of their nationalities and/or cross-nationally comparable?

The type of consumer sample that is desired when sampling across national/cultural boundaries depends on the objectives of the research. Research objectives may require within nationality 'representativeness' or cross-national 'comparability' (Reynolds et al., 2003). It is unlikely that both representativeness and comparability will be achieved through sampling alone (Craig & Douglas, 2005). If the research objective is concerned with examining attitudes or behaviors within specific countries (descriptive international research) then the sample needs to focus on achieving representativeness (Reynolds et al., 2003). In contrast, comparability is the sampling objective when the research objective is concerned with examining the differences/similarities between consumers in different countries (comparative international research) or when looking at the cross-national generalizability of a theoretical model (theoretical international research) (Reynolds et al., 2003). With both comparative and theoretical international research, the researcher wants to isolate the impact of variables not associated with the nationality of the respondents on the results. Research objectives also point to the likely sampling issues in the cross-national environment. *Coverage* issues are particularly relevant to the question of sample representativeness as cross-national researchers need to be confident that online sampling will not disproportionately excluded any members of their target population. The general lack of *sampling frames* in the online environment is also problematic for representativeness, particularly as *non-response* errors cannot be assessed in the absence of a clear sampling frame. When comparability is the objective of the research there are fewer formal procedures for assessing sample quality, though methods do exist for selecting samples.

MTurk is "a novel, open online marketplace for getting work done by others" (Buhrmester et al., 2011, p.3); defining a survey or experiment as a 'work-task' with a payment attached allows researchers to use MTurk as a participant pool (Mason and Suri 2012). MTurk has also been used to source international respondents – for example, to investigate whether the underlying reason for some gender differences persist across nationalities (Eriksson & Simpson, 2010). The unrestricted sample associated with this study reveals that the US and India supply the majority of MTurk workers. MTurk's US-based workers have been found to provide psychological data that is reliable, and with results that are comparable to those found with traditional US samples (Berinsky et al., 2012; Goodman et al., 2012; Mason and Suri 2012; Paolacci et al., 2010).

This study's results confirmed that only the US and India have a sufficiently large pool of MTurk workers to be able to easily draw a national sample from. While almost three hundred responses were from outside the US and India, no single nationality was large enough to produce a feasible national sample. It also appears that location is a reasonable proxy for nationality with the US and India. The question of whether the obtainable national samples were (a) representative and (b) comparable indicates that it is possible to obtain an MTurk sample that is broadly representative of the general US population, but not of the Indian (urban) population. In terms of comparability, MTurk workers from India and the US are not statistically different with respect to gender. However, statistically significant differences are found with other variables. To obtain comparable US and Indian samples some control to ensure comparability would be needed. Comparable samples, as such, appear achievable.

In conclusion, when the sampling objectives of representativeness and comparability are considered, it is possible to collect a sample representative of the US population, but not the Indian (urban) population. Collecting comparable samples from India and the US using MTurk is also generally feasible. Other sources of participants will be needed if achieving the research objectives requires different nationalities. MTurk workers are, overall, a feasible sampling choice for cross-national researchers on research projects that can legitimately use the US and India as country choices, and when the research objectives are comparative or theoretical rather than descriptive.

References available on request

## **Session 11.5. Brands in Different Contexts**

Room: Clarendon B

Session Chair: Heba Ismail, Alexandria University

### ***An Examination of the Relationship between Country-of-Origin and Customer-Based Brand Equity: Testing the Effects of Some Moderators***

Heba Ismail, Alexandria University

Nadia El-Aref, Alexandria University

Omneya Yacout, Alexandria University

### ***Service Employees as Brand Champions: The Effect of Service Employees' Branding Behaviors on Brand Outcomes***

Jiun-Sheng Chris Lin, National Taiwan University

Cheng-Yu Lin, National Taiwan University

En-Yi Chou, National Taiwan University

### ***Exploring the Influences of Communication Strategies and Message Types on Advertiser Spillover Effects in Product Lines***

Yi-Fen Liu, National Penghu University

Chi-Cheng Wu, National Sun Yat-Sen University

# **AN EXAMINATION OF THE REALTIONSHIP BETWEEN COUNTRY OF ORIGIN AND CUSTOMER-BASED BRAND EQUITY: TESTING THE EFFECT OF SOME MODERATORS**

Heba Ismail, Damanhour University, Egypt  
Nadia El-Aref, Alexandria University, Egypt  
Omneya Yacout, Alexandria University, Egypt

## **ABSTRACT**

This study examines the relationship between the country of origin cue of a brand and the customer-based equity of this brand. In addition, the authors examined the moderating effect of three variables; the personal involvement of the consumers, the consumer's prior experience with the brand and the promotional activities related to the brand. Data were collected from a sample of 250 Egyptian customers. Self-administered questionnaires were distributed and 230 usable questionnaires were returned. The sample included users of five automobiles brands from Korea, France, The United States and Germany. The data were collected from automobile service centers. The authors used moderated regression analysis to test the hypothesized relationships. The findings of this study provide empirical support for the existence of a positive significant association between the country-of-origin of a given brand and the consumer-based equity of this brand (R square equals 17.1% significant at  $p < 0.000$ ). In addition, both promotional activity and the perceived risk of mispurchase (a dimension of the personal involvement) show significant moderating effects. R square after adding these moderators was equal to 35.6% (for the Chevrolet brand name) and 19.1% respectively ( $p < 0.031$  and  $p < 0.024$ , respectively). Furthermore, the results show a significant main effect of the product perceived importance on the brand equity value (R square equals 20.6% and  $p < 0.003$ ). The results are consistent with the suggestions in the literature assuming that consumers rely on the country-of-origin information particularly in the case of unfamiliarity with the product and/or the brand. Unlike many other studies, the consumer's prior experience with the product did not show a significant moderating effect for all of the brands selected. This study is considered one of very few studies that examined the relationship between brand equity and country-of-origin in the Middle East. It also provides insights to practitioners working in the Middle East as to the importance of promotional activities emphasizing country-of-origin and negative consequences of mispurchase in their efforts to market high involvement products.

References available upon request

# **SERVICE EMPLOYEES AS BRAND CHAMPIONS: THE EFFECTS OF SERVICE EMPLOYEES' BRANDING BEHAVIORS ON BRAND OUTCOMES**

Jiun-Sheng Chris Lin, Department of International Business, National Taiwan University, Taiwan

Cheng-Yu Lin, Department of International Business, National Taiwan University, Taiwan

En-Yi Chou, Department of International Business, National Taiwan University, Taiwan

## **INTRODUCTION**

In an era of rapid development and growth of service industries, both researchers and practitioners have recognized that employee performance plays a critical role in the success of a service brand (Berry, 2000; Brakus et al., 2009; Keller, 2001; O'Cass and Grace, 2004). Indeed, customers' perceptions of a service brand often depend on the behavior of frontline employees (Berry, 2000; Keller, 2001; Morhart et al., 2009; O'Cass and Grace, 2003). Therefore, the role of frontline employees in ensuring organizational brand perceptions and outcomes is of particular importance for service firms (Berry, 2000; O'Cass and Grace, 2003).

Despite the increasing emphasis on the role of frontline employees in shaping brand perception and outcomes in the service context, empirical research remains to be explored. To fill this research gap, we developed a theoretical framework to explore the effects of employees' service-delivery and brand-building behaviors on brand perceptions and outcomes. Dyadic survey data collected from 360 customer-employee pairs in various apparel retailers was examined through structural equation modeling (SEM).

## **BACKGROUND**

Service employee performance plays an important role in the development and success of a service brand (Berry, 2000; O'Cass and Grace, 2003) because customers' perceptions of the brand rely heavily on the behavior of service personnel. For instance, Southwest Airlines employees have established and reinforced the firm's brand image as a fun and upbeat organization that is happy to go extra miles to ensure customer satisfaction (Freiberg and Freiberg, 1996). Similarly, it has been argued that the success of Starbucks rests on creating a unique brand experience for customers (Michelli, 2007).

Marketing practitioners have come to realize that understanding how consumers experience brand is critical for developing marketing strategies to service firms (Brakus et al., 2009). Previous researches had explored on the determinants of the brand perceptions and further indicate that frontline employees play a vital role in shaping brand perceptions and outcomes (Chernatony and Cottam, 2009; Gabbott and Hogg, 1994; McDonald et al., 2001; Zeithaml and Bitner, 2003). In spite of such acknowledgements from scholars and practitioners, research attempts exploring the impact of employee behaviors on service brand perceptions remain empirically scarce. Therefore, this study aims to fill this research gap, developing and testing an

empirical model that focuses on the effects of employees' behaviors on brand affect, image, satisfaction and loyalty.

Based on previous literature on the employee behaviors during service encounters, we propose two important employee behaviors that can influence customers' brand perceptions: employees' service delivery behaviors and brand-building behaviors. Employees' service delivery behaviors include both courteous behavior and customer-oriented behavior, while employee brand-building behaviors include employee brand-fit behavior and employee brand communication behavior. These behaviors are proposed to enhance the level of brand affect and brand image, which in turn affect customer satisfaction and loyalty intentions.

## METHODOLOGY

To test the conceptual model and hypothesized relationships, an empirical study was conducted. Data were collected from two sources: (1) survey data from service employees; and (2) customer data collected from exit interviews. A random sample of apparel retailers were selected for this study. Twenty research assistants were recruited and collected information on employee service-delivery and brand-building behaviors from employees as well as soliciting opinions from customers. A team of two assistants visited each store during regular business hours, randomly selecting customers and time frames based on a sampling schedule. Upon the customer exiting the store, one assistant invited him or her to fill out a questionnaire concerning courteous behaviors, customer-oriented behaviors and brand affect, brand image, customer satisfaction and loyalty intention. Simultaneously, the remaining assistant invited the specific service employee to rate his/her brand-fit behaviors and brand communication behaviors during the preceding service encounter. The dyadic sample collection process design reduces the probability of common method bias. The final sample included 360 pairs of employees and customers. Of the 360 service employees, 67.8 percent were female and 75.3 percent were full-time employees. Of the 360 customers, 34.6 percent were male, and the overall sample age ranged from 17 to 65.

Multi-item scales from prior research were adopted for this study. Items representing employee brand-fit behaviors were adopted from Morhart et al. (2009). Employee brand communication behavior was modified from Arnett et al. (2003) and Morhart et al. (2009) to measure employee convey positive aspects of the brand to a customer. Our measure for courteous behavior was based on three items from Liljander and Mattsson (2002). Service providers' customer orientation was measured with five indicators from Srinivasan et al. (2002). Brand affect was adopted from Chaudhuri and Holbrook (2001) to measure the three similarly rated items: good, happy and pleasant. We measure brand image with three items from Keller (1993). Customer satisfaction was measured with the three-item scale developed by Fornell et al. (1996). Customer loyalty intention was adopted from Brauks et al. (2009) to capture customer loyalty intention. A questionnaire was next constructed and pre-tested three times to ensure that questions were understood as intended and to assess the feasibility of the survey approach. Survey participants responded to seven-point Likert scales anchored at "*strongly agree*" (7) and "*strongly disagree*" (1).

## RESULTS

A 28-item confirmatory factor analysis (CFA) was employed. Results suggested a good fit overall ( $\chi^2 = 689.56$ ,  $df = 314$ ,  $RMSEA = 0.058$ ,  $GFI = 0.88$ ,  $NFI = 0.97$ ,  $IFI = 0.98$ ,  $CFI = 0.98$ ). We evaluated reliability by means of the coefficient alpha and composite reliability (CR) (Chin, 1998; Fornell and Larcker, 1981). For all measures, the coefficient alpha and CR were well above the cut-off value of 0.70, exhibiting satisfactory reliability. All factor loadings in the CFA for the total measurement model were significant (with all  $t$  values at  $p < 0.01$  level) (Anderson and Gerbing, 1988), demonstrating convergent validity. In addition, the average extracted variances (AVE) for each factor were all above 0.50 (ranging from 0.53 to 0.82), further supporting convergent validity (Fornell and Larcker, 1981). A  $\chi^2$  test (with one degree of freedom while constraining each path to 1.0 versus the same path unrestrained) provides evidence of discriminant validity (Anderson and Gerbing, 1988). Next, all cross-construct correlations were significantly less than 1.0 (Bagozzi and Heatherton, 1994), tested via the confidence interval for each pairwise correlation estimate ( $\pm 2$  standard errors) not including the value of one, providing further evidence of discriminant validity. These results demonstrated that the measures possessed adequate construct validity.

After confirming the total measurement model, the structural model was estimated. The overall fit statistics ( $\chi^2 = 602.14$ ,  $df = 310$ ,  $RMSEA = 0.051$ ,  $GFI = 0.90$ ,  $NFI = 0.97$ ,  $IFI = 0.99$ ,  $CFI = 0.99$ ) indicated an acceptable level of fit between the hypothesized model and the data. Estimated structural coefficients were next examined to evaluate individual hypotheses. Brand-fit behaviors ( $\gamma_{11} = 0.32$ ,  $p < 0.01$ ) and brand-communication behaviors ( $\gamma_{12} = 0.19$ ,  $p < 0.01$ ) have a significant, positive impact on brand affect. Brand-fit behaviors were also positively related to brand image ( $\gamma_{21} = 0.18$ ,  $p < 0.05$ ). In addition, brand communication behaviors have a positive relationship with brand image ( $\gamma_{22} = 0.17$ ,  $p < 0.05$ ). Courteous behaviors ( $\gamma_{13} = 0.14$ ,  $p < 0.01$ ) and customer-oriented behaviors ( $\gamma_{14} = 0.41$ ,  $p < 0.01$ ) were positively related to brand affect. Courteous behaviors have positive influence on brand image ( $\gamma_{23} = 0.25$ ,  $p < 0.01$ ). As we expected, the link between customer-oriented behaviors and brand image is positive and statistically significant ( $\gamma_{24} = 0.20$ ,  $p < 0.05$ ). Results also supported that brand affect significantly influences brand image ( $\beta_{21} = 0.23$ ,  $p < 0.05$ ), customer satisfaction ( $\beta_{31} = 0.71$ ,  $p < 0.01$ ), and loyalty intentions ( $\beta_{41} = 0.23$ ,  $p < 0.05$ ) in a positive direction. Brand image was also positively related to customer satisfaction ( $\beta_{32} = 0.31$ ,  $p < 0.05$ ) and loyalty intentions ( $\beta_{42} = 0.12$ ,  $p < 0.05$ ). Results also support a relationship between Customer satisfaction and loyalty intentions ( $\beta_{43} = 0.12$ ,  $p < 0.05$ ).

## DISCUSSION

The purpose of this study was to develop and empirically test a conceptual model of how employee behaviors, including employee brand-building behaviors and service delivery behaviors, influence customers' brand perceptions in service settings. Results showed that employees' brand building behaviors (brand-fit behavior and brand communication behavior) and service behaviors (courteous behavior and customer-orientated behavior) positively drive customer brand satisfaction and loyalty through the mediation of brand affect and brand image.

Our findings offer important implications for both service marketers and brand managers. Frontline employees play a vital role in shaping brand perceptions and service brand outcomes. Thus, it is important for managers to ensure that frontline employees can internalize the firm's brand value through training and motivation to shape appropriate and consistent brand-building behaviors. In addition, it requires increased managerial emphasis on identifying and hiring talented and qualified frontline employees as well as training and motivating them to engage in courteous behaviors and customer-oriented behaviors. Furthermore, we also confirm that brand affect during service encounters plays a crucial role in shaping brand outcomes. Hence, service firm will benefit from focusing their attention on increasing positive brand affect through employee behaviors.

## **REFERENCE**

References Available Upon Request



# EXPLORING THE INFLUENCES OF COMMUNICATION STRATEGIES AND MESSAGE TYPES ON ADVERTISING SPILLOVER EFFECTS IN PRODUCT LINES

Yi-Fen Liu, National Penghu University of Science and Technology, Taiwan  
Chi-Cheng Wu, National Sun Yat-Sen University, Taiwan

## INTRODUCTION

Brand is one of the most important assets for corporations and influences consumers' product choices dramatically. Corporations usually introduce new products under the name of an existing brand with good image. This practice applies the so called positive "spillover effect", hoping that consumers will project their goodwill and preference of an existing brand or product to another products in the same brand family. Conversely, negative spillover effects occur when consumers project their bad thoughts about an existing brand to another product using the same brand name. Line extension refers to that the brand name of an existing product (i.e., the parent) is extended to new products (i.e., the extensions) within the same product category (for example, Canon extends its brand name used for laser printers into inkjet printers). The products under the same brand name within the same category compose of a product line. 89% new products are introduced through line extensions (Aaker 1991). Scholars divide product lines into vertical product lines and horizontal product lines. Researchers refer to variation in the quality and price levels of products within a category as a "vertical product line", whereas they refer to variation in the functions, sizes, flavors, or subcategories of the products as a "horizontal product line" (Randall, Ulrich, and Reibstein 1998). For example, the Nokia N-series is a vertical product line because its high-end product (N95) includes better functions, such as GPS and PDA capabilities, that its low-end product (N93) does not have. On the other hand, Coca-Cola has three products with different flavors: Classic, Diet, and Zero Coke. These three products are differentiated by flavor rather than quality and price, which compose of a horizontal product line.

Traditional economic theories on product line design often assume that the presence, absence, or position of other options does not affect consumer preference between options within the same product line (Orhun 2009). However, an increasing amount of literature that examines the context effects (e.g., Drolet, Simonson, and Tversky 2000) and the spillover effects of brand extension (e.g., Dens and de Pelsmacker 2010) suggest that the configuration of the product line often significantly influences consumer preference and their evaluation of a specific product within a product line. Extensive research generally reveals that the nature and features of products majorly determine the valence and magnitude of the spillover effects of a product line or brand family. This includes the quality level or position, the fit, similarity, or distance between products, and the substitutability or complementarity between products (e.g., Dwivedi, Merrilees, and Sweeney 2010; Kim, Lavack, and Smith 2001), leaving little room for marketing practice.

Advertising is one variable that companies can control to manage their brand associations. For brand extensions, scholars make a distinction between relational communication strategy, which focuses on the coherence with the core brand and emphasizes whole brand image and personality, and elaborational communication strategy, which focuses on the attributes of the extension itself and describes the product functions, benefits, or attributes (Aaker & Keller, 1990; Bridges et al., 2000; Martínez et al., 2009). In addition, a product consists of several attributes. Some attributes are numerical in nature, such as price, size, weight, pixel, onset time...etc., while others are literal in nature, such as color, texture, function, ingredients, and so on. In practice, it is quite usual to use different types of attribute messages in advertisements with elaborational communication strategies. An important managerial question that emerges is whether marketers can affect the valence and magnitude of the product line spillover effects by utilizing different advertising communication strategies or messages expressions. As the authors of this study observe, within a product line, marketers usually provide advertisements for only one particular product within a certain time period to direct consumer attention to a specific product to improve their impression of the product. For example, in the past few years, Coca-Cola keeps extending its product line horizontally. There are Classic, Diet, and Zero Coke belonging to the main product line. However, Coca-Cola rarely simultaneously advertises three products. Conversely, to impress consumers, Coca-Cola only heavily promotes one product within a certain period. What is interesting is whether the advertisement of Coke Zero affects the price that Classic Coke buyers are willing to pay for Classic Coke, even though they emphasize the zero calories in the advertisement. Moreover, may marketers influence this effect by either adopting different advertising communication strategies, or by presenting different types of advertising messages?

This study proposes that even for the same product, different communication strategies or message types may evoke different information processing in the minds of consumers. Thus, marketers can turn a negative spillover effect into a positive one, or at least, alleviate the strength of a negative spillover effect.

## HYPOTHESES

Due to the length limit of this paper, we merely present the hypotheses here. The process of hypotheses-building will be shown in oral in the congress.

### H1: Relational Advertisements and Product Line Spillover Effects

H1a (b): Within a vertical product line, relational advertisements of a high-end (low-end) product increase (decrease) consumer valuation towards a low-end product.

H1c: Within a horizontal product line, relational advertisements of one certain product increase consumer valuation toward another product.

### H2: Elaborational Advertisements and Product Line Spillover Effects

H2a (b): Within a vertical product line, elaborational advertisements of a high-end (low-end) product decrease (increase) consumer valuation towards a low-end product.

H2c: Within a horizontal product line, elaborational advertisements of one certain product decrease consumer valuation towards another product.

### H3: Message Types in Elaborational Advertisements

H3: Within a vertical or horizontal product line, elaborational advertisements with numerical messages result in a larger change in product valuation than those with literal messages.

## STUDY 1: THE INFLUENCES OF ADVERTISING COMMUNICATION STRATEGY

### Design and Procedures

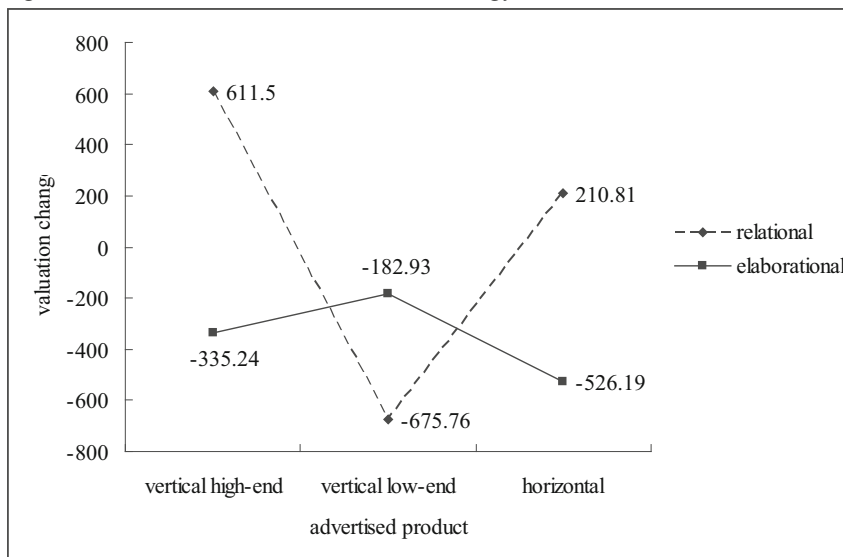
The objective of Study 1 was to observe whether different advertising communication strategies influence product valuation differently for vertical product line and horizontal product line (H1 and H2). We employed a two (communication strategy: relational vs. elaborational) by three (advertised product: vertical high-end, vertical low-end, and horizontal) factorial design. We collected data from 240 undergraduate and graduate students attending a university in south Taiwan as an in-class exercise in which participants voluntarily join and receive extra credits as rewards. 54% of the subjects are female. Most of them are between the ages of 18-28 years old and the sample size for each group ranges between 37 and 42.

We initially exposed the subjects to a description of either a vertical or horizontal product line with the general specifications. Then we asked them to imagine that they are considering buying the low-end or high-end product within the vertical product line, or the horizontal product A, for an important purpose. We then sequentially measured their initial valuation of the considered product (V1). Next, each subject was presented either a relational or elaborational advertisement according to the product that we assigned the subject to buy. In other words, we exposed high-end product buyers to an advertisement of the low-end product. The low-end product buyers read an advertisement of the high-end product, and the horizontal product A buyers read an advertisement of product B. After they read the advertisement, we measured their valuation of the considered product again (V2). Then we calculate the valuation change from V1 to V2 for each subject.

### Results

We first performed a two-way ANOVA on valuation change to illustrate the interaction pattern of communication strategy and advertised product. The results display a significant effect on communication strategy ( $M_{\text{relational}} = 57.23$ ,  $M_{\text{elaborational}} = -349.44$ ,  $p = .016$ ), advertised product ( $M_{\text{vertical high-end}} = 126.59$ ,  $M_{\text{horizontal}} = -181.01$ ,  $M_{\text{vertical low-end}} = -419.99$ ,  $p = .001$ ), and a significant two-way interaction ( $p = .000$ ), that Fig. 1 demonstrates. In line with our predictions, simple main effect tests further show that different communication strategies indeed cause differences in product valuation for the advertisement of vertical high-end product ( $M_{\text{relational}} = 611.50$ ,  $M_{\text{elaborational}} = -335.24$ ,  $p = .000$ ), of vertical low-end product ( $M_{\text{relational}} = -675.76$ ,  $M_{\text{elaborational}} = -182.93$ ,  $p = .028$ ), or of horizontal product ( $M_{\text{relational}} = 210.81$ ,  $M_{\text{elaborational}} = -526.19$ ,  $p = .000$ ). However, valuation change for elaborational advertisement of vertical low-end product was not in the same direction as H2b expected.

Figure 1 Interaction of Communication Strategy and Advertised Product on Valuation Change



To analyze whether a specific match of communication strategy and advertised product influences consumer valuation of another product within the product line, we conducted repeated measures tests to compare consumer valuation of the considered product before (V1) and after (V2) viewing advertisements. The results showed that (see Table 1), for relational communication strategy, vertical high-end product advertisements increased the valuation of the low-end product ( $V1=6053.00$ ,  $V2=6664.50$ ,  $p = .012$ ), while low-end product advertisements decreased the valuation of the high-end product ( $V1=10083.65$ ,  $V2=9407.89$ ,  $p = .002$ ), which supports H1a and H1b, respectively. Relational advertisements of one certain product within a horizontal product line added value to another product ( $V1=8891.89$ ,  $V2=9102.70$ ,  $p = .047$ ), which supports H1c.

On the other hand, for elaborational communication strategy, in supporting H2a, vertical high-end product advertisement resulted in devaluation of low-end product ( $V1=5285.24$ ,  $V2=4950.00$ ,  $p = .001$ ). However, not in support of H2b, the vertical low-end product advertisements very slightly decreased the value of the high-end product ( $V1=10704.83$ ,  $V2=10521.90$ ,  $p = .066$ ), which may imply a ceiling effect (Keller and Aaker, 1992; Völckner, Sattler and Kaufmann, 2008). This may leave little room for an increase in valuation for a high-end product because consumer's evaluations are already high. In addition, elaborational advertisements of one certain product within horizontal product line decreased consumer valuation of another product ( $V1=9223.81$ ,  $V2=8697.62$ ,  $p = .000$ ), which is consistent with H2c.

Table 1 Influences of Communication Strategy on Valuation Change

Communication strategy	Advertised product	Valuation before Ad (V1)	Valuation after Ad (V2)	Valuation change (V2-V1)	$P^a$
Relational	Vertical high-end	6053.00	6664.50	611.50	.012
	Vertical low-end	10083.65	9407.89	-675.76	.002
	Horizontal	8891.89	9102.70	210.81	.047
Elaborational	Vertical high-end	5285.24	4950.00	-335.24	.001
	Vertical low-end	10704.83	10521.90	-182.93	.066
	Horizontal	9223.81	8697.62	-526.19	.000

a: for the difference between V1 and V2

## STUDY 2: THE EFFECT OF ADVERTISING MESSAGE TYPE

### Design and Procedures

Study 2 attempted to further investigate the effects of message type in elaborational communication strategy (H3). We employed a two (message type: numerical vs. literal) by three (advertised product: vertical high-end, vertical low-end, and horizontal) factorial design. We randomly assigned another 232 college and graduate students to one of the six groups ( $n = 37 \sim 40$  for each group). The remaining procedures were similar to those in Study 1.

### Results

H3 expects that elaborational advertisements with numerical messages result in a larger change in product valuation than with literal messages. We used one-way ANOVAs with message type as the independent variable and valuation change as the dependent variable for testing the hypothesis. As Table 2 showed, in support of H3, advertisements of vertical high-end product with numerical messages led to a larger valuation change of the low-end product than with literal messages ( $M_{\text{numerical}} = -444.21$ ,  $M_{\text{literal}} = -185.95$ ,  $p = .038$ ). Similarly, the horizontal product advertisements with numerical messages led to a marginally larger valuation change of another product than with literal messages ( $M_{\text{numerical}} = -592.11$ ,  $M_{\text{literal}} = -310.00$ ,  $p = .085$ ). However, message type did not lead to difference in valuation change for vertical low-end product advertisements ( $M_{\text{numerical}} = -86.67$ ,  $M_{\text{literal}} = -124.50$ ,  $p = .799$ ), which does not support H3. This may again possibly due to a potential ceiling effect which restricts valuation increment for high-end products. In sum, the results support most part of H3.

Table 2 Influences of Message Type on Valuation Change

Advertised product	Message type	Valuation change (V2-V1)	$P^a$
Vertical high-end	Numerical	-444.21	.038
	Literal	-185.95	
Vertical low-end	Numerical	-86.67	.799
	Literal	-124.50	
Horizontal	Numerical	-592.11	.085
	Literal	-310.00	

a: for the difference between numerical messages valuation change and literal messages valuation change

## CONCLUSION

For marketing practitioners, the managerial implications drawn from this research are three-fold. First, when introducing a new product in a product line, marketers can apply different communication strategies according to the type of newly introduced product to avoid potential negative spillovers. For example, when introducing a high-end product in a vertical product line, it is better to adopt a relational communication strategy that connects the high-quality image with the brand family. This will result in an enhancement in the entire brand equity and the valuation of the low-end products. Similarly, when adding a horizontal product into a product line, relational communication strategy also makes consumers appreciate the company's ability to produce diversified products. This appreciation can increase brand equity and consequently the valuation of other horizontal products.

Second, however, in practice, when introducing a good new product, most firms may insist on using elaborational advertising to emphasize the features and benefits of the new product. In this case, firms can try to maximize the use of literal messages and avoid numerical messages to the minimum in the advertisements, in which it may make consumers not so sensitive to the bad side of the original low-end product or the horizontal product without the desired features. So that it can mitigate the reference-contrast processing and thus the strength of the undesired spillover effects on the rest products in the line.

Third, on the other hand, if a low-end product is introduced in a product line for attracting more customers who cannot or are unwilling to afford the brand's current offerings, it typically incurs negative spillover effects on the existing high-end product. Although elaborational communication strategies of low-end products cannot increase the valuation of high-end product probably due to a ceiling effect, it remains a better choice when a firm introduces a low-end product. As shown in our research, it can at least avoid a dramatic decrease in the valuation of other high-end products.

References available upon request

**Session 11.6. Corporate Responsibility, Emotions and Brand**

Room: Clarendon C Session Chair: Kevin Money, Henley Business School

***The Impact of Emotion and Brand Placement on Brand Memory: A Neurophysiological View***

Felipe Almeida, University of Fortaleza, Brazil

Danilo Dantas, HEC Montreal

Sylvain Senecal, HEC Montreal

***Believe It Or Not: How Social Axioms Impact on Customer Perceptions of Corporate Brand Reputation***

Tina West, Henley Business School

Carola Hillenbrand, Henley Business School

Kevin Money, Henley Business School

# **THE IMPACT OF EMOTION AND BRAND PLACEMENT ON BRAND MEMORY: A NEUROPHYSIOLOGICAL VIEW**

Carlos Felipe C. de Almeida, University of Fortaleza, Brazil  
Danilo C. Dantas, HEC Montréal, Canada  
Sylvain Sénécal, HEC Montréal, Canada

## **ABSTRACT**

This paper investigates the interplay of consumer emotional response to Ad content and moment of brand placement on the consumer ability to associate Ad message and brand name. Therefore, this research is not focused on Ad effectiveness but in brand memory and its association with Ad content. Neurophysiological data was collected while subjects were watching emotionally appealing TV Ads and compared with implicit and explicit brand memory tests. The results support the idea that placing the brand in moments of greater emotional response increases the ability to associate brand name and Ad content.

## **INTRODUCTION**

It is not uncommon for a consumer to remember an advertisement (Ad, thereafter), but this does not mean being able to remember the brand showed in this very same Ad. Previous research provides evidence that an intense affective content would also create greater memory absorption (Park and Thorson, 1990; Plassmann et al. 2007), an idea that became even more consolidated under the scope of neuropsychological theories (Erk et al. 2003). However, there is no evidence in the literature suggesting that efficiency in terms of remembering the elements of an Ad can be equally associated with the efficiency in remembering the advertised brand name, either in terms of conscious association (such as recall) or in terms of implicit association (such as recognition). In fact, previous studies provide consistent evidences of the difficulty to associate brand name and Ad message, especially in highly competitive media channels (Baker et al. 2004; Keller, 1987; Kent and Allen, 1994).

One possible explanation is that brand names are not systematically placed at the "right" moment in an Ad. Baker et al. (2004), for example, state that this "right" moment to place the brand in an Ad is believed to be more related to evaluative reactions (i.e., positive or negative responses attached to the brand by the consumer) than other representations (e.g., memory of a specific visual element of the Ad). Thus, introducing the brand name in moments of increased emotional response may also increase its association with the Ad content.

Using a neurophysiological approach, aims at answering the following research question: Does emotional arousal influence the association between brand name and Ad content? In other words, would be better to place the brand in moments of greater emotional intensity?

## **LITERATURE REVIEW**

Despite the many factors that can influence the association between brand name and advertising message, previous studies have indicated that executional and processing factors are preferred in order to make such connection (Baker et al. 2004). For example, some theories such as the network model of memory (Ambler and Burne, 1999) along with few studies (Anderson, 1983; Mandler, 1984; Baker et al. 2004) have suggested that variations on the appearance of the brand during an advertisement can indeed influence the association between Ad and brand name. In addition, neurophysiological research suggests that memory can be modulated by emotional contexts (Erk et al. 2003) and arousal at the time of encoding (Sierra and Berrios, 1999). Emotion is here described in terms of the collection of both the brain activity and endocrine, autonomic and motor responses (Reeve, 2009).

Therefore, based on these studies and on the influence of emotion in memory, we propose our first hypothesis: When the brand is placed in Ad moments of intense (vs. low) emotional response the association between brand and advertisement message is stronger (vs. weaker) (H1).

However, because emotionally charged content increases attention on the Ad (Olney et al. 1990; Lang, 1991; Newhagen and Reeves, 1991), brand name (compared to emotionally charged visual elements) placed at emotional scenes would not attract consumer's visual attention but it would still be processed by peripheral vision. Hence, we hypothesize that: The association between brand name and Ad content will be greater in implicit than in explicit memory systems (H2).

Also, based on previous research that aimed to test the correlation between memory, emotional response, and the electrical activity of the brain using TV commercials as stimuli (Appel et al. 1979; Weinstein et al. 1980; Klebba, 1985; Rothschild et al, 1988; Rothschild and Hyun, 1990; Rossiter et al. 2001; Vance and Virtue, 2011), we further hypothesize that increased activity in the right occipital cortex would be correlated with physiological indicators of increased emotional arousal on the onset period (H3). In addition, increased activity in the left occipital hemisphere during post-onset moments would be related to increased performance in the memory tests (H4). In this research the onset moment represents the five second period following the very first appearance of the brand while the post-onset moment corresponds to the five second period following the very end of the onset moment.

## METHOD

### Pre-test

First, we pre-selected five emotionally appealing Ads of one minute length on average. By “emotionally appealing,” we mean Ads that aimed to trigger emotional responses by using messages that contained mood, drama, music and other factors related to emotional activation without providing objective information about the product or brand attributes and benefits (Yoo and MacInnis, 2005).

A group of 40 healthy women ( $M_{age} = 24.3$ ;  $SD_{age} = 3.6$ ; native french speakers) evaluated the five pre-selected Ads using a 7 - point Likert type scale based on the study of Yoo and MacInnis (2005), containing two questions (originally written in French): 1. This commercial appeals to my emotions; 2. This commercial provides me with many information. As in the study of Yoo and MacInnis (2005), Ads that achieved a score higher than 5.0 in the first item and lower than 2.5 in the second item were considered as emotionally appealing. The results showed that all the pre-selected Ads were assessed as emotionally appealing by the sample ( $M_{q1}=5.48$ ;  $SD_{q1}= 0.16$ ;  $M_{q2}=1.48$ ;  $SD_{q2}= 0.22$ ). Furthermore, all Ads induced positive emotional valence.

One commercial was chosen as the focal Ad while the others were used as fillers. This choice was based on the fact that the selected Ad had an emotional turnaround scene (confirmed later by skin conductance level analysis) in the middle of it, around the 35<sup>th</sup> second, which allowed us to better manipulate the effects of brand placement and emotional response.

Three versions of all the Ads were created, each of them displaying the brand in different moments (i.e. beginning, middle and end of the Ad). The brand appeared for 3 seconds in each version of the Ads. In addition, to control brand awareness bias, the original brands of all the Ads were changed to brands that were unknown for the participants of the main study by using foreign brands of the same product category; which were un-available in participants' country.

### Experiment

In the experimental stage, we inserted the five advertisements selected in the pre-test into an educative sports documentary which described the rules of a team game called “Ultimate”. Nine healthy women, native French speakers ( $M_{age} = 24.3$ ;  $SD_{age} = 3.6$ ), were chosen to participate in the main study, none of them had participated in the pre-test study.

To test the hypotheses, three groups of Ads were created, according to the following conditions: 1) Group End: brand name placed and at the end of the Ad; 2) Group Beginning: brand name placed at the beginning of the Ad; 3) Group Middle: brand name placed in the middle of the Ad (emotional peak of the focal Ad).

Nine versions of the video (sports doc + 5 Ads) were produced. Each version had 30 minutes in length and five commercial breaks. The first commercial break was inserted at the eighth minute of the video in order to allow the participants to get used to the equipment and, hence, to provide a more trustable baseline measure. The other commercials breaks were presented 4 minutes (on average) after the previous Ad. Such a procedure was chosen instead of just showing the Ads in a row in order to reduce a possible cognitive bias related to the immediate influence of each previous Ad displayed. The positions of the filler Ads were randomized to minimize any sequence effect. Finally, due to the primacy/recency effect, we chose to place the tested Ad in the 3rd commercial break, what would theoretically make it more difficult to remember.



## Measures

All subjects in the main study had their autonomic responses continuously measured by using skin conductance level (SCL) and respiration rate (RR) during the whole experiment. These measures were used to assess emotional arousal (i.e., intensity) during the visualization of the Ad. We also measured their occipital electrical activity (O1 and O2, according to the 10-20 international electroencephalography electrode placement model) to test the Hypotheses 3 and 4. Finally, we used eye-tracking to assess possible visual cues that would consciously attract subject's attention during the onset moments. Other equipment and technical information can be provided upon request.

As soon as the video was over, participants had to perform two immediate recall tests: first a brand recall and later an Ad recall test. Each test was done separately with no possibility to redo a test after started the other. This design was created to reduce a possible bias in short term brand recall results generated by the cognitive effort of filling in the Ad recall test (Piolat et al. 2005).

An immediate brand recall test; in which subjects had to write the brand name of each one of the Ads in their correct displayed order, was performed. Following, an immediate Ad recall test, in which the subjects had to describe the Ads with as maximum detail as possible, was performed. By using this procedure we were able not just to verify the recall levels but also the explicit association levels between brand name and Ad content.

Twenty-four hours after the first memory test, subjects received two online tests to perform: memory absorption of the brand and the ability to correctly associate brand name and Ad content in implicit and explicit ways. During the delayed aided brand recall test, subjects were asked to write the brand name while 12 still images per Ad were presented. Finally, in the delayed aided brand recognition test, participants were asked to associate these 12 still images with one of five brand names presented. By doing this we were able to test post effects on association memory both in explicit – by the recall tests - and in implicit – by the recognition tests - memory systems.

## RESULTS

### Data Analyses

To test the hypotheses, we analyzed and compared three moments of the focal Ad: 1) baseline moments (five seconds before and after the Ad); 2) onset moments; 3) post-onset. The duration of these moments was based on delays in capturing cortical electric activity changes of 1.28 seconds in average (Rothschild et al. 1988) and sometimes of until four seconds in skin conductance response (Cacioppo et al. 2007). To create a macro view of the SCL and RR we first analyzed both measures by means of half-seconds. Later, during correlation analysis between SCL and EEG, we kept the 256 data per second originally collected and extracted from both the equipment.

### Memory Tests

As showed in [Table 1](#), all groups performed poorly in the brand recall test as compared to the Ad recall test. Only one of the nine subjects recalled correctly the brand of the focal Ad, while the inverse was observed in the Ad recall test. In addition, [Table 2](#) shows that explicit brand memory was lower for most brands during the delayed aided brand recall test in comparison to the immediate brand recall. Furthermore, no participant was able to explicitly remember the brand name of Ads 2, 3 (focal Ad) and 4 during the aided recall test, suggesting the difficulty in remembering new brands, at least explicitly. Notice that this result does not represent a primacy/recency effect, once the order in which the Ads appeared was randomized for each subject (except to Ad 3).

However, the results of the aided brand recognition test showed greater levels of association between brand name and Ad content in Ads 3 (focal), 4 and 5. Despite this, we believe that brand names 4 and 5 were better associated due to their own names which provided a cue (i.e., “HD” and “TV”) about the product that was being communicated and therefore facilitating the association. Hence, a sign of memory association strategy. In reference to the focal Ad, participants of Group 3 Middle have fully associated brand name and Ad content. This suggests that the association between brand name and Ad content may occurs implicitly, thus supporting H2.

## Physiological Results

We started by analyzing skin conductance level (SCL) to test the emotional arousal (Bolls et al. 2001; Ohme, 2009) of all groups while they were watching the focal Ad, as showed in [Figure 1](#).

Initially, we assessed the increase in emotional response during onset and post-onset moments, generating a correlation analysis to test if all groups had similar patterns of emotional response while watching the focal Ad. In reference to the onset moment, the increase in emotional response was strongly correlated between Groups End and Middle (0.964;  $p < 0.01$ ), but negatively correlated between groups Beginning and Middle (-0.975;  $p < 0.01$ ). This negative correlation possibly occurred due to a delay in the emotional response of Group Middle compared to Group Beginning. In addition, during post-onset moments we observed a decrease in the negative correlation between Groups Beginning and Middle (-0.305;  $p < 0.01$ ) and a positive correlation between Groups End and Middle (0.444;  $p < 0.01$ ). Despite these differences in onset and post-onset moments, we observed that all groups had a similar pattern, with an increasing in emotional response during the middle of the focal Ad.

We also observed a significant difference in the emotional response of Group Middle during onset and post-onset moments compared to baseline moments ( $F = 14659.153$ ;  $p < 0.05$ ;  $gl = 3$ ), with its peak at the post-onset (73<sup>rd</sup> second; Z-score = 2,167).

Finally, we applied Scheffé's method for multiple comparisons to find where exactly the significant differences were between the baseline, onset, and post-onset moments. The analysis showed that all means were significantly different from each other. Also, it pointed out that the highest level of skin conductance response was during the post-onset moment ([Table 3](#)).

Moreover, we also analyzed the respiration periods using data collected by respiration rate (RR). As showed in Graph 1, we observed a decrease in the respiration period during onset (for Group Middle) and mainly during the post-onset moments (for all groups). Thus, because lower respiration periods are evidences of higher emotional states (Dishman et al. 2000), this result is in agreement with the SCL results suggesting an increase in emotional response at onset moments and a peak at post-onset moments. Therefore, the SCL and respiration period results of the tested Ad (along with the results from the memory tests) supported H1, suggesting the influence of emotion and brand placement in the association between brand name and Ad content.

Finally, to test our second hypothesis suggesting that the association between brand name and Ad content should be greater in implicit than in explicit memory systems, we compared the results from the memory tests with the results from the eye-tracking device. By generating a heat map of eye fixation durations per group during the onset moments (brand appearance) we observed greater fixations on brand name for Groups End and Beginning in contrast to less fixations for Group Middle. This result, along with the low performance in the explicit memory tests and the high performance in the implicit tests ([Figure 1](#)) supports H2.

## Neurological Results

To test the two final hypotheses, we tested the relation between memory, physiological, and the neural data (collected by EEG). Initially, we generated a correlation analysis to test whether an increase in the electrical activity of the right occipital cortex would be correlated with physiological indicators of increasing emotional arousal (i.e., skin conductance response) on the onset period in order to test Hypothesis 3. No significant correlation was found between the right occipital activity and skin conductance response during onset moments, but the analysis of correlation showed a negative tendency for Groups End and Beginning and a positive tendency for Group Middle ([Table 4](#)), indicating a certain level of visual arousal related to the emotional content of the Ad, despite not support H3.

Because a greater skin conductance response was found during the post-onset moments for Group Middle, we decided to test the correlation between SCL and right occipital activity during post-onset moments. The analysis showed the same tendency found in the onset analysis and still no significant correlation for Groups End and Middle ([Table 5](#)). However, Group Beginning showed a weak significant negative correlation, which may be due to an involuntary change in electrical activity due to scene change (i.e., the end of the brand appearance and beginning of the Ad). This is in agreement with previous studies about the use of EEG to analyze brain hemispherical activities while exhibiting TV commercials (Rothschild and Hyun, 1990). Therefore, the results did not support the idea of correlation between right occipital activity and emotional arousal, either during onset (H3) or post-onset moments.

Finally, to test if increased activity in the left occipital hemisphere during post-onset moments was related with increased performance in memory tests (H4), we first verified if there was a significant difference in mean left occipital activity between groups, which was confirmed by the ANOVA results ( $F(2,3842)=36,771, p<0.001$ ).

Once again we used Scheffé's method for multiple comparisons to find where exactly the significant mean differences were and compared it with the results from the memory tests. The results did not support the Hypothesis 4, once Group Middle which had the best performance in the recognition tests showed the lowest activity in left occipital during post-onset moments in comparison to the other groups. However, results are in agreement with previous studies which indicated no hemispherical lateralization effects for aspects related to emotion and memory (Murphy et al. 2003; Cahill et al. 1996). In addition, our analysis was focused on related potentials and not in brain wave analysis (Rothschild and Hyun, 1990), thus a different approach for brain analysis might have revealed different results.

## DISCUSSION AND MANAGERIAL IMPLICATIONS

The analysis of the memory tests supported the idea that memory absorption of the brand does not necessarily follow Ad efficiency (Baker et al. 2004; Keller 1987), therefore supported our first hypothesis (H1), showing that placing the brand in increased emotional response moments can influence the association between brand name and Ad content. Furthermore, the joint analysis of the physiological data (SCL and respiration rate) and memory tests supported H1 by showing a positive influence of emotional arousal when the brand was placed in moments of increased emotional response (Group Middle, onset period) compared to moments of low emotional response (Group End and Beginning, onset periods).

In addition, the low performance in the explicit memory tests and the high performance in the implicit tests along with the analysis of the eye-tracking data supported the second hypothesis (H2), showing a lack of visual attention on the brand name during its appearance at the onset moments for Group Middle, which in contrast better associated brand name and Ad content.

The joint analyses of the physiological data and memory tests lead us to suggest that: 1) Visual cues in the Ad during the emotional moments facilitated the association between brand name and Ad content. Thus, when a new stimulus (i.e., unknown brand) is paired with another that produces a biologically relevant response (i.e., pain or pleasure), the reaction to this novel stimulus will change, being then conditioned to the association (Kandel et al. 2000); 2) New brands need to create awareness by generating experiences through communication (Ambler et al. 2000), thus consumers have to relate their thoughts or feelings that may arise from affective responses to exposure to advertising with cues within the Ad which will be stored in addition to product information or brand name (Keller, 1987). Therefore, during an emotional situation in which visual attention is consciously focused on the emotional elements of the context, a new stimulus such as a new brand may be processed by peripheral vision, thus being stored and associated unconsciously to the context and its elements. Such explanation is in agreement with previous studies about the different roles of selective attention and consciousness in visual perception (van Boxtel et al. 2010) and priming (Naccache et al. 2002).

In addition to the idea of stimuli association and based on the studies of Vance and Virtue (2011), we also suggest that the lack of information about the product on the focal Ad may have affected explicit memory storage and retrieval and thus, created the need for a visual cue that would somehow associate brand name with the Ad content or the emotional experience elicited by the Ad (e.g. similar color pattern used in the Ad and in the brand). It is also possible that placing the brand at an unusual moment (i.e., emotional turnaround scene) has resulted in masked priming due to a sort of inattentional blindness, which occurs when subject's attention is focused on a certain task and suddenly is presented with a stimuli that often cannot be further reported by the subject (Lamme, 2004). Therefore, we did not necessarily observe an unconscious process but actually a failure of conscious memory due to the lack of attention, which is required to store information in working memory systems (Wolfe, 1999).

Finally, H3 (i.e., increased in the activity of the right occipital cortex would be correlated with physiological indicators of increased emotional arousal on the onset period) and H4 (i.e., increased activity in the left occipital hemisphere during post-onset moments would be related with increased performance in the memory tests) were not supported by the results of the correlation analysis. However, this result is agreement with other previous studies which indicated no hemispherical lateralization effects for aspects related to emotion and memory (Murphy et al. 2003; Cahill et al. 1996).

In general, the managerial relevance of this study lies in the possibility of creating more effective advertisements, leading to a better understanding of how TV Ads can contribute to brand equity (Young, 2002), which, according to Plassmann et al. (2007), can be described as the collection of brand memories.

Finally, the theoretical importance of this research is based on the possibility to better understand brand memory absorption (and not only Ad memory) in both conscious and unconscious levels with the use of neurophysiological methods. These can improve traditional methods to measure brand image and awareness, which are limited to self-report measures, not taking into account unconscious associations (Plassmann et al. 2007).

Because advertising effectiveness does not translate in immediate explicit recall of the brand, especially in highly competitive markets and in new brands context, the results and findings of this research are expected to generate insights that will allow the creation of more efficient ways to associate Ad message and brand name in order to achieve higher levels of brand awareness. In addition, the development of a possible new structural design of advertisements supported by the interplay between emotional appealing factors and brand placement may improve a future association between Ad content and brand name.

## LIMITATIONS

The exploratory nature of the present study leads to some limitations and many research avenues.

First, although small sample sizes are conventionally used in natural sciences, nine subjects (three per group) do not provide sufficient observations to generalize our findings. However, the large amount of data collected per subject (256 observations per second) contributed to minimize this issue.

Second, despite the effort to control the many potentially influential factors in sample and stimuli selection, there are a few limitations regarding the method of selection. For example, participants were not psychographically matched. Therefore, differences in lifestyle and personality may have biased results. As to the stimuli selection, not all Ads are equal, thus maybe affecting subjects in different ways. There is a possibility that some ad familiarity may have also influenced results.

Finally, we only focused on occipital electrical activity once our stimulus was mainly visual. By doing so, autonomic and sympathetic emotional responses could only be correlated with visual brain arousal.

## FUTURE RESEARCH

Considering future research, many topics represent interesting opportunities for further investigation. Firstly, since emotional responses could only be correlated with visual brain arousal in our study, further research could focus on the activity of different and multiple cortical areas and, therefore, verify aspects of memory, emotion, or cognition within the brain. The use of other brain-imaging techniques to go beyond the upper layers of the brain is also suggested. Secondly, since the association between brand name and Ad content do not necessarily mean consumer choice or purchasing, future studies could test whether an association influenced by emotional, or even cognitive, cues could modulate choice.

## TABLES

Table 1. Percentage of Correct Responses to Immediate Tests

Brand name	Ad 1 TIM <sup>TM</sup>	Ad2 BEL Paeso <sup>TM</sup>	Ad 3 (focal) Lancy <sup>TM</sup>	Ad 4 Sky HD <sup>TM</sup>	Ad 5 NET Tv <sup>TM</sup>
<i>Brand Recall</i>					
Group End	0	0	0	33%	0
Group Beginning	33%	33%	33%	0	0
Group Middle	33%	0	0	0	0
<i>Ad Recall</i>					
Group End	100%	66%	100%	100%	100%
Group Beginning	100%	66%	66%	33%	100%
Group Middle	100%	100%	100%	100%	100%

Group End: brand at the end; Group Beg.: brand at the beginning; Group Mid.: brand in the middle (emotional peak in Ad 3)

Table 2. Correct Responses to Delayed Tests

Brand name	Ad 1 TIM <sup>TM</sup>	Ad2 BEL Paeso <sup>TM</sup>	Ad 3 (focal) Lancy <sup>TM</sup>	Ad 4 Sky HD <sup>TM</sup>	Ad 5 NET Tv <sup>TM</sup>
<i>Aided Brand Recall</i>					
Group End	33%	0	0	0	0
Group Beginning	0	0	0	0	0
Group Middle	0	0	0	0	33%
<i>Aided Brand recognition</i>					
Group End	33%	0	33%	100%	100%
Group Beginning	0	0	33%	66%	66%
Group Middle	0	0	100%	66%	33%

Group End: brand at the end; Group Beginning: Brand at the beginning; Group Middle: Brand in the middle (emotional peak in Ad 3)

Table 3. Multiple comparisons of group3 SCR means using Scheffé's method

Compared variables	Mean difference	Std. Error	Sig.
Baseline 1 vs Onset	-,91871*	,00781	,000
Baseline 1 vs Post-onset	-1,57487*	,00785	,000
Baseline 1 vs Baseline 2	-,46070*	,00782	,000
Onset vs Baseline 1	,91871*	,00781	,000
Onset vs Post-onset	-,65616*	,00785	,000
Onset vs Baseline 2	,45801*	,00782	,000
Post-Onset vs baseline 1	1,57487*	,00785	,000
Post-Onset vs Onset	,65616*	,00785	,000
Post-Onset vs Baseline 2	1,11417*	,00785	,000
Baseline 2 vs Baseline 1	,46070*	,00782	,000
Baseline 2 vs Onset	-,45801*	,00782	,000
Baseline 2 vs Post-Onset	-1,11417*	,00785	,000

\* The mean difference is significant at the 0.05 level.

Table 4. Onset correlation analysis (p-value) between right occipital activity and SCL

	Group End (EEG02)	Group End (SCL)	Group Beg (EEG O2)	Group Beg (SCL)	Group Mid (EEG O2)	Group Mid (SCL)
Group End (EEG O2)	1	-.013	-.019	-.017	.067*	.018
Group End (SCL)	-.013	1	-.006	.966**	-.040	-.977
Group Beg (EEG O2)	-.019	-.006	1	-.003	-.009	.035
Group Beg (SCL)	-.017	.966**	-.003	1	-.026	-.975
Group Mid (EEG O2)	.067*	-.040	-.009	-.026	1	.030
Group Mid (SCL)	.018	-.977	.035	-.975	.030	1

\*. Correlation is significant at the 0.05 level (2-tailed).

\*\*. Correlation is significant at the 0.01 level (2-tailed).

Table 5. Post-onset correlation analysis between right occipital activity and SCR

	Group End (EEG02)	Group End (SCL)	Group Beg (EEG O2)	Group Beg (SCL)	Group Mid (EEG O2)	Group Mid (SCL)
Group End (EEG O2)	1	-.025	-.038	-.017	-.019	-.017
Group End (SCL)	-.025	1	.060*	-.938**	-.029	.444**
Group Beg (EEG O2)	.038	.060*	1	-.063*	-.006	-.088**
Group Beg (SCL)	-.017	-.938**	-.063*	1	-.013	-.305**
Group Mid (EEG O2)	.019	-.029	-.006	-.013	1	.019
Group Mid (SCL)	-.017	.444**	-.088**	-.305**	.019	1

\*. Correlation is significant at the 0.05 level (2-tailed).

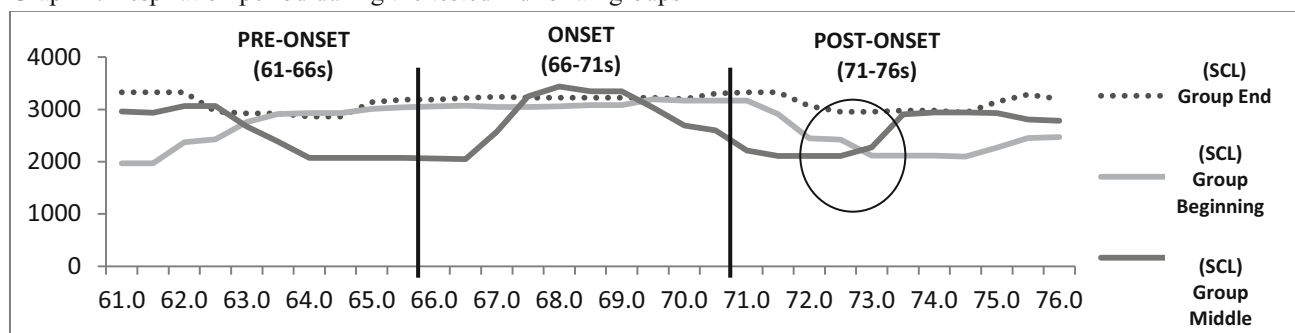
\*\*. Correlation is significant at the 0.01 level (2-tailed).

Table 6. Left activity multiple comparisons for all groups using Scheffé's method

Compared variables	Mean difference	Std. Error	Sig.
Group End vs Group Beg	-1.25906*	.24792	,000
Group End vs Group Mid	.85413*	.24792	,003
Group Beg vs Group End	1.25906*	.24792	,000
Group Beg vs Group Mid	2.11319*	.24792	,000
Group Mid vs Group End	-.85413*	.24792	,003
Group Mid vs Group Beg	-2.11319*	.24792	,000

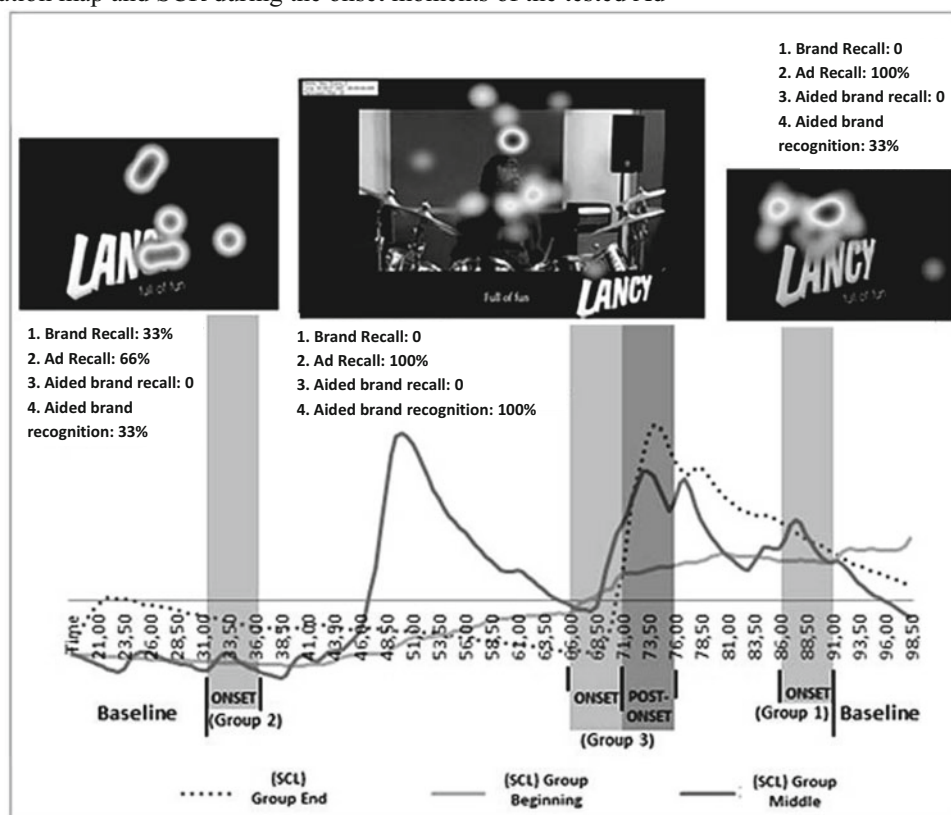
\* The mean difference is significant at the 0.05 level.

Graph 1. Respiration period during the tested Ad for all groups



## FIGURES

Figure 1. Fixation map and SCR during the onset moments of the tested Ad



Baseline: neutral documentary; Onset for Group Middle (five seconds): brand appearance moment; Post-onset for Group Middle: five seconds after the onset moment. Group End: brand at the end; Group Beginning: Brand at the beginning; Group Middle: Brand in the middle (emotional peak in Ad 3)



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# **BELIEVE IT OR NOT: HOW SOCIAL AXIOMS IMPACT ON CUSTOMER PERCEPTIONS OF CORPORATE BRAND REPUTATION**

Kevin Money, University of Reading, U.K.  
Bettina West, Ryerson University, Canada  
Carola Hillenbrand, University of Reading, U.K.

## **ABSTRACT**

The importance of corporate brand reputation has, in recent years, been recognised by scholars and practitioners alike (Brammer & Pavelin, 2006; Deephouse & Carter, 2005; Fombrun & Van Riel, 2004). A positive reputation can create competitive advantage and superior brand performance, thereby placing the management of this intangible resource in line with operational, legal and financial duties of managers (Carter, 2006; Gardberg & Fombrun, 2006; Jones et al., 2000; Ravasi & Schultz, 2006; Walsh et al., 2009). However, despite its widely acknowledged importance, and despite the fact that customers are a vital stakeholder group, there has been little systematic research investigating corporate brand reputation through the lens of customers, let alone individual differences among customers.

In this article we examine the moderating impact of deeply-held individual beliefs, known as social axioms, on the development of corporate brand reputation from a customer perspective. Building on a conceptual model derived from literature, we investigate two dimensions of importance to customers - reputation for product/service quality and reputation for social responsibility (Gardberg & Fombrun, 2006; McWilliams et al., 2006; Sen & Bhattacharya, 2001). We link them to antecedents associated with customer experiences as well as to outcomes related to customer attitudes and behaviour intentions (Hillenbrand, 2011; Walsh et al. 2009). We also build on theoretical advances in the study of individual differences and social axioms (Kwantes & Karam, 2009; Leung et al., 2002; Zhou et al., 2009), to examine individual axiomatic beliefs about the world as moderators of perceptions and outcomes of corporate brand reputation. We test the impact of two dimensions found within Leung et al.'s (2002) social axioms construct, identified as social cynicism and religiosity, on several driver and outcome variables.

Data were collected in the form of a self-complete questionnaire from 216 customers of an established Canadian retailer in the fall of 2009. The component based approach PLS-SEM was utilised to examine the relationships among the study constructs due to the existence of both reflective and formative indicators (Chin, 1998). We then tested for moderating influences according to a procedure developed by Henseler and Fassot (2009), and found significant differences in several model paths between individuals identified as either high or low on social cynicism and religiosity.

Our findings revealed individuals low on social cynicism are more likely than high cynics to attribute brand reputation for product/service quality to their direct personal interactions with a firm and rely less on what they see/hear from other sources. In addition, brand reputation for social responsibility is more helpful in reducing distrust with these 'low cynicism' customers. Finally, customers who have strong religious beliefs tend to be less likely to be influenced by 'others-related' experiences when forming perceptions of brand social responsibility, and are less likely than their low religious counterparts to increase trust in a brand based on its perceived product/service quality.

At a time when firms grapple with how best to manage customer relationships, our model provides a fresh approach for understanding how customers perceive and respond to corporate brand reputation based on their individual axiomatic beliefs.

References available upon request.

## **Session 11.7. Relationships and Retention**

Room: Swanston 1 Session Chair: Alisha Stein, Curtin University

### ***Antecedents of Word-of-Mouth: An Examination of Consumer- and Sector-Level Effects***

Alke Töllner, Technische Universität Dortmund, Germany

David M. Woisetschläger, Technische Universität Braunschweig, Germany

### ***Does the Age of Relationship Matter in Customer Referral Behavior?***

Alisha Stein, Curtin University

B. Ramaseshan, Curtin University

### ***Development of Long-Term Service Model on Customer Relationships: Consideration of Primary and Secondary Attributes***

Takahiro Chiba, Keio University

**Friday, 3:00-3:30 p.m.**

**Refreshment Break**

# ANTECEDENTS OF WORD-OF-MOUTH: AN EXAMINATION OF CONSUMER- AND SECTOR-LEVEL EFFECTS

Alke Töllner, Technische Universität Dortmund, Germany  
David M. Woisetschläger, Technische Universität Braunschweig, Germany

## ABSTRACT

Existing research considers word-of-mouth (WOM) as one of the oldest and most influential channels of communication in the marketplace (Ennew et al. 2000) and various examples provide evidence for this assumption. While positive WOM is regarded as a key factor to success (Katz and Lazarsfeld 1955, Murray 1991), negative WOM might substantially harm companies' success (Weinberger et al. 1981, Mizerski 1982). Therefore, the huge impact of (positive and negative) WOM on companies' success raises their interest on antecedents of WOM and encourages researchers to investigate the antecedents of WOM.

Although various studies suggest that the relevance of WOM and in conjunction with that its antecedents depend on product category attributes or sector factors (e.g., Richins and Roth-Shaffer 1988, Samson 2006), little is known if WOM communication really differs across contexts (service vs. product). These differences and knowledge about potential explanatory variables are important, as firms increasingly tend to publish their WOM or net-promoter-scores (NPS) in annual reports or use these scores as quality signal in advertising. The meta-analysis by de Matos and Rossi (2008) suggests a moderating impact of the industry sector (product vs. service) on the relationship between satisfaction and WOM, but do not find empirical support in their data. Using data of 1,147 respondents with each respondent evaluating one of 32 product categories, the aim of our study is to explore differences of WOM communication across a broad range of product categories as well as to explain these differences using specific category characteristics. In doing so, we do not explicitly distinguish between products and services. Instead, we characterize each category using the following five variables: level of prestige, interaction intensity, perceived purchase risk, level of experience attributes, and level of credence attributes. As many researchers point out that WOM communication might depend on various category characteristics (e.g., Bayus 1985, Bone 1992, Hartline and Jones 1996, East et al. 2001, Hennig-Thurau et al. 2004, Brown et al. 2005, Walsh and Beatty 2007), this study aims at closing this research gap.

Data for our study comes from two different sources: survey-based data from a representative field study, and expert ratings from several industry experts that are used as assessment of category characteristics. First, we collected data via a representative online survey among members of an online panel provider. A total of 1,147 respondents participated in the survey. Second, we conducted expert interviews with a set of 12 experts, such as academics in the field of business research, consultants, and respondents in other functions (e.g., officials from the chamber of commerce). The experts were asked to evaluate each of the 32 product categories according to several characteristics. The categories were chosen to represent the most important and relevant consumer markets such as automobiles, fashion, furniture, hotels, jewellery, retailers, sport articles, telecommunication services, etc. (full list available upon request).

Due to the dyadic nature of the data, this study uses a multilevel structural equation modelling approach to test the relationships of the two-level data in a single analysis, accounting for the variability associated with each level of the hierarchy. Although the assessment of individual-level determinants of WOM intention was not in the focus of this paper, a conclusion of the empirical analysis is that customer satisfaction dominates other, more personality-describing factors. On the category-level, results reveal that level-differences in WOM depend on the amount of prestige associated with a category. Additionally, WOM is higher with higher levels of experience- and credence attributes. Contrary to our conceptual model, the levels of risk and the level of interaction intensity within the product categories are unrelated to level-differences of WOM. Potentially, risk is already covered implicitly in the share of experience and credence attributes. Concerning the insignificant effect of interaction intensity, a potential explanation could be that individuals associate each product category more heterogeneously in terms of interaction intensity (as multiple sales channels ranging from highly personalized and interactive channels to technology-mediated channels without human interactions exist) relative to the assessments of the expert panel. The findings may help marketing managers to learn why scores differ across categories, and could provide a basis for calculation of adjustment factors to provide cross-sector equivalent key performance indicators such as WOM. Differences across sectors matter, because sectors might seem as more service-oriented if they receive higher scores for WOM (or NPS, as used by many firms), even if their score-advantage is a result of category characteristics.

References available upon request.

# DOES THE AGE OF RELATIONSHIP MATTER IN CUSTOMER REFERRAL BEHAVIOUR?

Alisha Stein, Curtin University, Australia  
B. Ramaseshan, Curtin University, Australia

## INTRODUCTION

Prior research has noted key differences between short-term and long-term customers in regards to their referral behaviour. However, these predominantly cross-sectional studies have focused on refer intention and referral likelihood as the primary measure of customer referral. There has been a scarce amount of research investigating actual customer referral behaviour in the relationship marketing literature. Using a combination of transactional and survey data from a local internet service provider (ISP), this research provides an empirical examination of the moderating effect of relationship age on the relationship between changes in the antecedents of customer referral (service reliability, service quality, customer service and perceived value) and customer referral behaviour. The findings offer some interesting implications for both relationship marketing theory and practice.

## BACKGROUND

Relationship marketing has primarily focused on customer satisfaction, customer loyalty and marketing induced strategies for increasing customer acquisition and retention. Only recently have organisations begun to understand the importance of customer referrals in achieving long-term customer value, profitability, customer loyalty and customer acquisition (Schmitt et al. 2011). With the rise in internet technology, mobile technology and social networking platforms, it has become ever more important for companies to encourage positive word of mouth, word of mouse and customer referrals, as these new technologies and social networking platforms are making it easier to spread 'the word' faster.

Previous research on customer referral in the marketing literature has predominantly focused on the value of referred customers (Schmitt et al. 2011; Kumar et al. 2010), the effect of relational constructs on customer referral (Verhoef et al. 2002), and factors that are likely to affect the influence of customer referral (Sweeney et al. 2008). When conceptualising customer referral, most authors have examined customers' intention to refer as an indicator of customer referral (e.g. Verhoef et al. 2002; Wang 2009). Prior limitations to studies have asserted that actual, rather than intended referral behaviour, would have been a better indicator of the predictive power of the antecedents on customer referral (de Matos and Rossi 2008), and would add additional validity to the results (Wangenheim and Bayón 2004). Since it is possible that referral intentions do not always lead to actual referrals, there is a need to use actual customer referral behavioural data.

Many authors have suggested different variables to drive customer referral and word of mouth. These variables include; rewards from customer referral programs (Ryu and Feick 2007), perceived value (de Matos and Rossi 2008), service quality (Wang 2009; Harrison-Walker 2001), commitment (Harrison-Walker 2001), satisfaction (Verhoef et al. 2002), and trust (de Matos and Rossi 2008). Our discussions with internet service providers revealed service reliability, service quality, customer service and perceived value, to be the most important in driving customer referrals in the internet services industry.

Relationship age has been of interest to relationship marketing scholars for some years now. Various studies have identified that there are key differences between short-term and long-term customers in regards to their purchase decisions and behaviours (Verhoef et al. 2002). Due to the nature of subscription services, the length of time that a customer has been doing business with a company could correspond with different customer behaviours (Verhoef et al. 2002). As the relationship duration between a service provider and their customers' increase, customers become more familiar with a service offer system and a provider and become more self-confident about evaluating the provider's behaviours (Raimondo 2008). Furthermore, long-term customers evaluate a provider more positively, since they are more knowledgeable and have a longer experience with the provider than short-term customers (Reichheld 1996). Accordingly, we argue that positive changes in customer referral antecedents - service reliability, service quality, customer service and perceived value, in a given period of time will have a stronger positive effect on actual customer referrals for long-term customers, than for short-term customers.

## RESEARCH METHOD

The data for this study was provided by an internet service provider (ISP) in Australia. A database held by the company contained an array of customer information including customer details, purchase history, customer referral behaviour and data from their annual customer survey. The attitudinal data for this research was obtained from the ISP's annual customer

survey. The 2009 and 2010 surveys were chosen for this study, as they are the most recent surveys to be conducted by the company. The sample consisted of 520 customers, of whom both partook in the company's 2009 and 2010 customer surveys. The scales and constructs used in this research was produced by the company and not by the authors as the construct was created to best suit the variables being measured based on organisational knowledge and was more relevant to the particular service offering.

To analyse the causal changes in the data, the value of the dependent variable (customer referral) was expressed as a function of the change in the independent variables (service reliability, service performance, perceived value and customer service). The rating from each customers survey in the first wave (t1) is subtracted from the rating in the second wave (t2), resulting in the differential as a measure of change.

The data for relationship age was obtained from the ISP's internal database. The sample was split into two groups, short-term customers and long-term customers, at the median score of relationship age. This ensured within-group homogeneity and between-group heterogeneity. The median score for the relationship age of the sample was 3. Thus, customers that have been with the company for less than 3 years were considered as short-term customers while those in a relationship with the company for more than 3 years were considered as long-term customers.

## DATA ANALYSIS

An examination of the correlations revealed absence of multicollinearity among the predictor variables. Residual scatterplots were used to examine the assumptions of normality, linearity, homoscedasticity and independence of residuals. Overall, the residual analysis and other model diagnostics indicated that there were no serious problems with model fit. The logistic regression could be performed without violating any assumptions as the coefficients and parameters were found to be unbiased.

To examine the moderating effect of relationship age on the relationship between changes in the antecedents of customer referral and customer referral behaviour, separate binary logistic regression models were analysed for short-term and long-term customers. Table 1 presents the overall model fit for the logistic regression model for short-term customers. The results from the omnibus test of model coefficients appear to be significant ( $\chi^2 = 50.457$ , sig. = 0.000), and the Nagelkerke's R Square test statistic is .229, indicating that 22.9% of the variation is explained by the predictor variables. Table 2 presents the overall model fit for long-term customers. The results from the omnibus test of model coefficients is also significant ( $\chi^2 = 53.182$ , sig. = 0.000), and the Nagelkerke's R Square test statistic is .296, indicating that the model predicts the outcome variable exceptionally well, with 29.6% of the variation explained by the predictor variables.

**Table 1: Results of Logistic Regression – Short-term Customers**

Variables	$\beta$	Wald	Sig.	Model Summary		
Service Reliability	.200	.895	.344	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
Service Performance	.412	2.604	.107	313.331	.169	.229
Perceived Value	.684	10.294	.001**			
Customer Service	.580	7.172	.007**			

Note: \* = significant coefficients to level 0.05; \*\* = significant coefficients to level 0.01

**Table 2: Results of Logistic Regression – Long-term Customers**

Variables	$\beta$	Wald	Sig.	Model Summary		
Service Reliability	.892	10.291	.001**	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
Service Performance	.420	1.892	.169	238.682	.220	.296
Perceived Value	.446	2.591	.108			
Customer Service	.638	7.015	.008**			

Note: \* = significant coefficients to level 0.05; \*\* = significant coefficients to level 0.01



The logistic regression shows that a positive change in service reliability has a stronger positive effect on customer referral for long-term customers ( $\beta = .892$ , Wald = 10.291,  $p = .001$ ), than for short-term customers ( $\beta = .200$ , Wald = .895,  $p = .344$ ) and a positive change in customer service has a stronger positive effect on customer referral for long-term customers ( $\beta = .638$ , Wald = 7.015,  $p = .008$ ), than for short-term customers ( $\beta = .580$ , Wald = 7.172,  $p = .007$ ).

The results indicated that service performance is an insignificant predictor for customer referral for both short-term ( $\beta = .412$ , Wald = 2.604,  $p = .107$ ) and long-term customers ( $\beta = .420$ , Wald = 1.892,  $p = .169$ ). Additionally, a positive change in perceived value is found to be a significant predictor of customer referral, but only for short-term customers ( $\beta = .684$ , Wald = 10.294,  $p = .001$ ) and not long-term customers ( $\beta = .446$ , Wald = 2.591,  $p = .108$ ).

## DISCUSSIONS AND CONCLUSIONS

Our results indicate that relationship age has a significant moderating effect on the relationship between changes in service reliability, perceived value and customer service, and customer referral behaviour. Positive changes in service reliability and customer service have a stronger positive effect on customer referral for long-term customers, than for short-term customers. These findings are in line with prior studies that suggest long-term customers are more likely to refer new customers than short-term customers (Raimondo 2008). The stronger positive effect on customer referral for long-term customers, than for short-term customers could be explained by the fact that long-term customers evaluate a provider more positively, more knowledgeable, since they have a longer experience with the provider than short-term customers (Reichheld 1996). We found that a positive change in perceived value has a stronger positive effect on customer referral for short-term customers than for long-term customers. This could presumably be due to the short term customers driven predominantly by value with regards to their referral behaviour and with increasing duration of relationship customers' motivation to referrals appear to be shifting from perceived value to customer service and service reliability.

The results show that changes in service performance does not appear to be a significant driver of customer referral behaviour for both long-term and short-term customers. This could be explained by the fact that service performance is a minimum requirement for any customer independent of the length of relationship to engage with a provider in the internet service industry. This finding is in line with Verhoef et al. (2002) who found no moderating effect of relationship age on the link between service performance and customer referral.

## MANAGERIAL IMPLICATIONS

From a managerial perspective, knowledge on how short-term and long-term customer relationships differ enables managers to develop specific strategies for both relationship types. Different segments of customers, namely short-term and long-term customers, respond differently to changes in the antecedents of customer referral in terms of their referral behaviour. Our study clearly shows that simply treating all customers as homogeneous has the potential to misrepresent the relationship between changes in the antecedents of customer referral and actual referral behaviour.

To encourage customer referrals from short-term customers it is particularly important for companies to emphasise the value that customers receive from the service offering as soon as they are acquired. In addition, the value of the service offering should be continually improved throughout the initial years of the customer/company relationship. Companies may wish to use special 'value' promotions targeted at short-term customers to motivate referral behaviour. Long-term customers place importance on improvements in service reliability and customer service, when engaging in customer referral behaviour. To encourage referrals from this customer group, companies should communicate all service reliability and customer service enhancements and developments. Additionally, companies could offer a differentiated premium customer service to their long-term customers to stimulate the amount of customer referrals.

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# **DEVELOPMENT OF THE LONG-TERM SERVICE MODEL ON CUSTOMER RELATIONSHIPS: CONSIDERATION OF PRIMARY AND SECONDARY ATTRIBUTES**

Takahiro Chiba, Keio University, Japan

## **ABSTRACT**

There are some long-term services, such as educational and medical services, which are provided through multiple and repetitive transactions between service firms and customers.

In long-term service experiences, customers are more likely to stop repurchasing the services as they are more satisfied with the primary attributes of the services, which are service attributes related to core customer needs, e.g., language upskilling at a language school. This is because customers may begin to purchase the services in order to gradually fulfill their core needs. On the other hand, customers are less likely to stop repurchasing the services as they are more satisfied with the secondary attributes of the services, which are service attributes related to subsidiary customer needs, e.g., politeness of a contact person. This is because the customers' intentions toward repurchasing may be increased by gradually fulfilling their subsidiary needs.

Whether the effects of satisfaction on repurchasing intention are negative or positive depends on whether the objects of satisfaction are related to the primary or secondary attributes. Thus, this study developed a model describing that satisfaction with the primary attributes had a negative effect on repurchasing intention of a long-term service, while satisfaction with the secondary attributes had a positive effect on repurchasing intention of the service.

The results of structural equation modeling supported the model. Previous studies have overlooked the possibility that there are two kinds of objects of satisfaction in the case of long-term services and have failed to model the effects of satisfactions with the two objects. This study divided the objects of customer satisfaction and found that satisfactions with two attributes have converse effects on repurchasing intention. Therefore, this study is a key step toward understanding of customer satisfaction and explaining repurchasing in long-term services.

References available upon request.

**Session 12.2. Online Communities**

Room: Yarra #1

Session Chair: Sylvain Senecal, HEC Montreal

***Virtual World, Real Engagement: Building Brand Attachment via Hosted Brand Community Online Events***

Michael Ewer, University of Adelaide

Roberta Veale, University of Adelaide

Pascale Quester, University of Adelaide

***Online Consumer Engagement Behavior: The Consumer-Based Antecedents***

Yeshika Alversia, University of Birmingham

Nina Michaelidou, Loughborough University

Caroline Moraes, University of Birmingham

# **VIRTUAL WORLD, REAL ENGAGEMENT: BUILDING BRAND ATTACHMENT VIA HOSTED BRAND COMMUNITY ONLINE EVENTS**

Michael Ewer, University of Adelaide, Australia  
Roberta Veale, University of Adelaide, Australia  
Pascale Quester, University of Adelaide, Australia

## **INTRODUCTION**

Creating positive brand experiences by interacting with consumers through hosted events in brand-based communities should enhance brand attachment. The important commercial benefits of consumer brand attachment include positive word of mouth (WOM), attitudinal and behavioural loyalty and a greater willingness to pay a premium price (WTPPP). Typically community brand events have purposely excluded marketers' brand involvement activities (e.g. consumer driven communities on line or in a face-to-face context). Others have taken the form of sponsorship where direct interaction with brand representatives is extremely limited, scripted or non-existent. This research extends the literature related to stimulating brand attachment by investigating brand led community events and unscripted consumer interaction with each other and brands' representatives.

## **BACKGROUND**

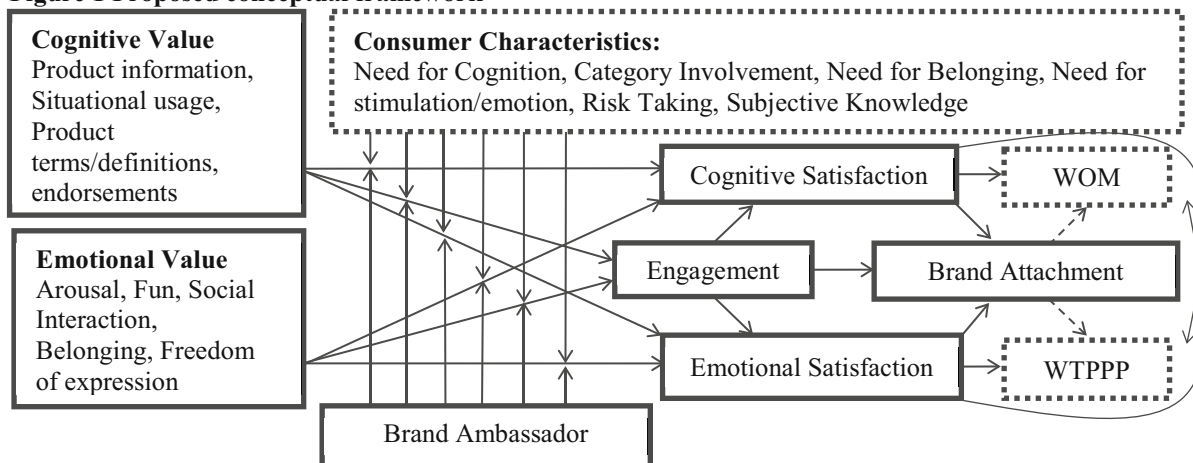
Emerging and strongly supported forms of internet based consumer networking strategies have the potential to reach consumers adverse to traditional forms of mass media advertising (Trusov, Bucklin, & Pauwels, 2009). Forums such as 'Facebook' provide a readily accessible and cost free opportunity for any highly involved person to form a 'group' aligned to a brand or product, allowing brand laden messages and associations to be communicated world-wide. Additionally, in depth contact with brands does not traditionally exist, with active personal interaction with product designers or winemakers both unusual and untested in relation to building brand attachment. However, whilst such channels may offer important opportunities for marketers, brand managers must fully understand their potential benefits and risks (Kucuk, 2010). Active and popular brand communities are almost exclusively consumer led. Indeed, brand owners and stakeholders are typically excluded by consumers from formal participation due to scepticism regarding their motives (McWilliam, 2000). Hence the ability of brand managers to actively lead an on-line consumer community that enjoys strong support remains unknown.

The impact of brand communities and brand attachment on consumer brand perceptions and subsequent buying behaviour is well documented in the literature (Jae Wook, Jiho, Qualls, & Kyesook, 2008; Muniz Jr & O'Guinn, 2001). Consumers participate in on-line brand communities because they satisfy both cognitive and emotional needs in a similar way to those reflected within traditional, face-to-face communities (Jae Wook, et al., 2008). Critically, in addition to enhanced loyalty and WOM (Fedorikhin, Park, & Thomson, 2006), consumers attached to a brand are also expected to be resilient, brand advocates and sources of invaluable product related feedback and advice (Fedorikhin, et al., 2006). However, the ability to stimulate and build brand attachment via the satisfaction of these needs online in the context of brand, rather than consumer led interaction is as yet unknown.

The extensive global nature of cyber based consumer-to-consumer communications, has resulted in a need for modern marketers to better understand the nature of these groups that are unencumbered by time differences, physical distances and the need to engage face-to-face. This research seeks to identify and examine the type of satisfaction sought by members of on-line brand oriented communities, and importantly, to see if it is possible to 'join' or indeed 'lead' the conversations with the endorsement of participants. This will reveal if the brand can facilitate information exchanges and add value to them in a meaningful way and, by doing so, foster consumer brand attachment. Such understanding would make a significant contribution to the existing body of knowledge respective to brand attachment and virtual brand communities, providing a basis for practitioners to develop strategies to leverage their commercial potential in today's highly competitive international market place.

The proposed conceptual framework (Figure 1), illustrates the proposed relationships between types of satisfaction sought by consumers and their effects on emotional and cognitive satisfaction and engagement. These constructs ultimately make a contribution to brand attachment and WOM and WTPP. When consumers interact with the brand (via brand representatives or ambassadors), their liking or affinity with the brand will moderate the relationship. Attitudes towards the hosting brand ambassador(s) and a number of consumer characteristics are expected to act as moderating variables. .

**Figure 1 Proposed conceptual framework**



## RESEARCH METHODS

To test figure 1., a three year study has been undertaken, involving qualitative and quantitative components. Specifically the antecedents of brand attachment (cognitive and emotional value) and expected moderating variables were tested employing virtual wine communities at both a regional brand (Adelaide Hills, Barossa Valley Wine Regions) and an individual brand (Mt Surmon Wines) level. Due to its extensive nature, the research was comprised of a number of individual online brand ‘events’ in each community, hosted by a brand ambassador and involving the collection and analysis of both qualitative and quantitative data (quantitative results will be reported elsewhere). Respondents were recruited from customer lists provided by brands involved and those that had joined the community organically. A free bottle of wine was offered to potential participants to enhance participation rates. Results shown are drawn from 24 events with a total of 1556 respondent statements from 218 separate respondents. Each event had an average of nine respondents each averaging seven statements per event. This abstract reports on only one qualitative component of the study that was undertaken to explore the proposed constructs and relationships illustrated in figure 1. Support for the model was realised via results of a thematic analysis of interactive conversations between respondents and brand ambassadors, and respondents interacting with each other. Transcripts from live streaming events were also analysed in conjunction with viewing the video footage streamed on-line.

The live streaming on-line events used are best described as a virtual wine tasting, conducted in conjunction with participating brand ambassadors (often the winemaker or brand owner), who interacted with participants via synchronic testing of highlighted wines. Recruited respondents were provided with wine samples under laboratory conditions in a computer lab. Participants logged into the prebuilt community chat room environment where they viewed the live streaming hosted by the brand ambassador and engaged in unscripted live chat via their computer. Events were broadcast from various wine ‘studio’ locations employing a webcam and web streaming software. In addition to recruited respondents, other ‘regular’ members of the community were also typically present, logged in from their homes, work or other remote locations within Australia and overseas. The ‘hosts’ responded to questions and comments put by respondents and community members alike, and asked questions of them also respective to their opinions of the wines tasted and other topics that arose during the course of the interaction. Each session ran for approximately one hour; however on occasion the event was extended because community members and respondents wanted the event to last longer, allowing for further discussion and engagement.

Brand ambassadors were briefed to the nature of the event prior to the session, with simple instructions to encourage group participation and ask questions of the “audience” to draw them into the conversation. They were instructed not to style the event on a one way communication like on television but to take advantage of the two way opportunities presented by the chat room. Brand ambassadors saw participants’ comments as they were made as no form of moderation of comments was done. Participants were encouraged to ask any and all questions that came to mind and make any comments on any aspect of the wines or the experience they felt appropriate. Brand ambassadors were warned that not all comments may be positive and that if a participant does not like either the wine or a remark they will feel free to voice their opinion. A function similar to

the “like” button on Facebook was installed to allow people in the event to add support to others’ feedback and encourage interaction. Facets of the proposed construct are shown with demonstrated aspects and participant exemplars in Table 1. A total of 1556 statements were made by community members, with aspects of cognitive satisfaction, emotional satisfaction, engagement and the brand ambassador receiving 10.6%, 11.8%, 38.9%, 3.1% of comments respectively.

## RESULTS AND DISCUSSION

Previous research supports the notion that consumer membership in on-line brand communities enhances their satisfaction of product and non-product related consumer needs (Christodoulides, de Chernatony, Furrer, Shiu, & Abimbola, 2006). Uniquely within this study, community member cognitive needs have been satisfied by the brand ambassador through the answering of questions and comments rather than community member interaction. Additionally 3 themes of cognitive interest have arisen, as shown in Table 1, the areas of product information, those that give situational or usage information and the opinion of the winemaker themselves or their endorsement, are shown to be a part of cognitive satisfaction for the community member.

Emotional needs, traditionally non-product oriented, are related to consumer desire for social interaction, the establishment of on-line friendships, the desire for fun and/or stimulation and freedom of expression (Muniz Jr & O’Guinn, 2001). Whilst many attributes have been tested individually in previous research, to the author’s knowledge, a comprehensive range of potential sources of satisfaction has not been empirically tested for their ability to satisfy member emotional needs. Analysis of comments made by community members during the brand led event, have outlined a range of previously unidentified aspects. This paper’s author proposes that emotional satisfaction be comprised of areas such as arousal, belonging to a group, social interaction and stimulation and fun.

Hollebeek (2011) suggests themes of ‘immersion’, ‘passion’ and ‘activation’ representing consumers various levels of engagement. Supported by Ahuja and Medury (2010) who recognize the importance of involvement, interaction, intimacy and influence as determinants of the level of consumer engagement. However with the impact of brand ambassadors engaging with community members in facilitating immersion and passion, it is suggested that further sates of activation or post event action are indicators of attachment.

To the authors’ knowledge, there has been no empirical analysis on the importance of a brand ambassador in either off line or online brand communities. Findings from this research indicate the important role an ambassador can have in the facilitation of community engagement and thus any resulting cognitive or emotional satisfaction. Attributes influencing brand ambassador success can be grouped in themes relating to them being likable, approachable and knowledgeable. The significance of the brand ambassador cannot go without mention, previous research in relation to brand based communities indicate brands being discouraged and in many cases excluded from communities (McWilliam, 2000). Yet within the results of this research, brand ambassadors and thus brands are central to discussion and interaction with other community members. Importantly, these results show no evidence of previously mentioned scepticism over brand motives.

**Table 1. Community member responses within brand ambassador led event**

Theme and number of	Participant Exemplars
<b>Cognitive Satisfaction</b>	
Product information 98	<i>R1: what forms sediment? R2: Does decanting benefit all red wines, just older or just younger? R3: to which vintage in recent years would you most compare the 2012? R7: When designing a wine are you looking to please your buyers or looking to stand out in the market place with something different?</i>
Situational Usage 57	<i>R4: . ideal timeframe for a wine which has been cellared to be drunk, 5,10y R5: I once heard a theory that a white wine should be taken out of the fridge half hour before serving and a red put in the fridge for half hour before serving. R1: What's your ideal food match for this one?</i>
Endorsements 37	<i>R6: What do you think about the trend away from very ripe fruit and high alcohol? Will Langmeil alter its philosophy at all in the light of the trend? F7: In your opinion will the 2012 vintage be better than 2010?</i>
<b>Emotional Satisfaction</b>	
Arousal 33	<i>R8: Chorizo, cheese and a big fat cigar afterwards. Now I’m in heaven!!</i>
Belonging 24	<i>R9: Even for a vegetarian that looks good. R9: A great wine plus great company!</i>

Social Interaction 131	<i>R10: okay, thank you for your company. R11: So good to hear from you! has been a very enjoyable session Cheers R12: I didn't drink the wine! You're embarrassing me in front of my new friends :(</i>
Stimulating/fun 26	<i>R13: You can use that any time Shavaughn! R14: Lovely the money shot still to come. R12: I was having too much fun</i>
<b>Engagement</b>	
Immersion 140	<i>R15: Come in Clare Valley ! R16: Oh dear lost you.. blame Lighting? R17: Oh thank goodness we thought we'd lost you</i>
Passion 188	<i>R12: It tastes like it was made with love R18: Seriously my dear friends...I am getting SO hungry, watching you (any chance you are broadcasting from Adelaide, close to North Terrace? :P If you feed me, I swear I'll do all the dishes.....</i>
<b>Attachment</b>	
Post event action 380	<i>R19: we have a visitor coming from overseas next week....if we were to bring her to visit your winery, what could we do/see? R19: accommodation? R20: where is the winery R6: Congrats! The bottle looks great - I went and had a look.</i>
<b>Brand Ambassador</b>	
Likable 17	<i>R20: You are a delight together. R18: My husband - Leonardo, who is sitting next to me - just agreed that we want to be like you, when we "grow up" ;-)</i>
Approachable 15	<i>R20: I'm a virgin to this cooking show and I'm just in love with it and you and your life</i>
Knowledgeable 7	<i>R20: You are truly a fountain of knowledge Burt. R12: I bet you're really good at Trivial Pursuit Burt</i>

Evidence in support of [Figure 1](#), and the link between cognitive and emotional satisfaction, engagement and the link to brand attachment can be demonstrated by community responses in [Table 2](#). These unsolicited consumer responses to the brand ambassador hosted event additionally show the value of the brand ambassador themselves. Beginnings of brand attachment and were demonstrated by R23 who invested considerable effort to extend the link with the event host and hosting brand after the event. Further discussion and analysis of attachment are measured quantitatively and will be reported elsewhere.

**Table 2. Attachment indicators**

R21	Just a note to thank you for a most enjoyable evening. Really loved the wine experience and learnt a lot along the way. Cheers
R22	.... thanks for the bottle going to have it with dinner tonight with some friends and will be interested in their comments.. Enjoyed the experience last night and would do it again especially now that I know what to expect and how it runs.
R23	Our last tasting panel was a delight! In fact I took a trip with a friend to Barossa Valley solely for the purpose of visiting the St Hallett winery and hopefully meeting Stuart in person. Unfortunately, he was not available at that day but we left absolutely charmed by the quality of the cellar and personalised customer service. Simply excellent! My friend and I had a wonderful time there! I probably would not have found this gem if it was not for you. So thank you again for this opportunity! I will spread a good word among my friends and anyone who is interested in wines.

## IMPLICATIONS AND FUTURE RESEARCH

This research suggests that virtual community setting may offer the opportunity of meeting consumers' cognitive and emotional satisfaction. Additionally, our results show the positive effect a brand ambassador can have in engaging a brand owned online community without the previously reported degree of consumers' suspicion. This has implications for brand managers who wish to create strong attachment based relationships with consumers no matter their physical location. The benefits of this closer relationship may be seen throughout marketing decisions within an organisation. For example, greater feedback with a faster turnaround time may reduce costs relating to product development. Indeed, consumers exhibiting higher levels of attachment may be more likely to assist in the development of new opportunities. Whilst further analysis of attachment indicators is still required, the foundation for establishing a strong, supportive brand owned community has been established.

## REFERENCES AVAILABLE UPON REQUEST



# ONLINE CONSUMER ENGAGEMENT BEHAVIOUR: THE CONSUMER-BASED ANTECEDENTS

Yeshika Alversia, University of Birmingham, UK  
Nina Michaelidou, Loughborough University, UK  
Caroline Moraes, Coventry University, UK

## INTRODUCTION

The purpose of this paper is to identify the consumer-based antecedents of online Consumer Engagement Behaviour (CEB). Online CEB refers to non-transactional behavioural manifestation focusing on brands, products or firms, with a direct or indirect and positive or negative impact on firm performance (van Doorn et al. 2010). Online CEB includes e-WOM, online consumer recommendations, blogging, or writing online reviews related to particular product categories or brands. The proliferation of these activities due to the rise of social networking sites enables consumers to interact, share, and create content about many things, including brands. Therefore, it is important for firms to examine the antecedents of online CEB in order to understand its nature and better manage online CEB. This paper proposes a conceptual model of consumer-based antecedents of online Consumer Engagement Behaviour.

## BACKGROUND

To date, much of the research on consumer behaviour focuses on the transactional side of the relationship between consumers and producers. Previous studies examine the antecedents of consumer behaviour and develop many methods to predict it (e.g., Fader and Hardie 2007; Reinartz and Kumar 2000; Verhoef 2003). Undoubtedly, the transactional side of the relationship is very important for firms as it usually creates immediate cash flows, and previous research shows that firms must be able to retain, sustain and nurture their consumers in order to create long-term, sustainable competitive advantage (Anderson, Fornell, and Mazvancheryl 2004; Gruca and Rego 2005). However, non-transactional consumer behaviour is likely to become more relevant in an increasingly networked society. Social media websites such as Facebook, YouTube and Twitter provide unlimited means for consumers to interact, express, share and create content about brands. Thus, firms that ignore non-transactional behaviour may lose opportunities and suffer from negative reputation effects (Kumar et al. 2010; Rust, Lemon, and Zeithaml 2004). Furthermore, by ignoring non-transactional behaviour, a firm may calculate returns on marketing activities inaccurately (Rust, Lemon, and Zeithaml 2004). Verhoef, van Doorn, and Dorotic (2007) suggest that understanding and managing CEB (online or offline) is an important practice to maximize the value of a firm's customer. A recent study by Brodie et al. (2011) indicates that consumer engagement enhances loyalty and satisfaction, empowerment, connection, emotional bonding, trust and commitment. Therefore, firms must examine the antecedents of online CEB in order to understand its nature and manage it appropriately.

Previous research (Van Doorn et al. 2010) examines three types of factors that can affect CEB, namely consumer-based, firm-based, and context-based antecedents. Consumer-based antecedents derive from the consumer's side and include consumer involvement, attitudes, and affect. Firm-based antecedents are the factors affecting CEB from the firm-side, including brand, firm size, and firm reputation. Context-based antecedents come from the macro environment, largely arising from the political, legal, economic, social and technological (PEST) aspects of the societies where firms, competitors, and consumers interact (van Doorn et al. 2010). Currently, most of the existing studies on the antecedents of CEB focus on the firm-side (e.g., Bijmolt et al. 2010; Carter 2008; Roberts and Alpert 2010; Sprott, Czellar and Spangenberg 2009), while only a few studies focus on the consumer-side antecedents of CEB. Given the importance of online CEB to management practice as highlighted above, and due to the existing gap in the CEB literature, further research is needed to identify consumer-based antecedents of online CEB. This conceptual work begins by reviewing the existing literature on CEB and contributes to knowledge by identifying and hypothesising the relationships between the consumer-based antecedents of online CEB. A conceptual model is developed and a plan for future empirical research on how the model can be tested is also presented below.

## THE ANTECEDENTS OF ONLINE CONSUMER ENGAGEMENT BEHAVIOUR

Online CEB is affected by key consumer-based relational concepts (van Doorn et al. 2010). Based on an extensive literature review, four relational concepts are identified and proposed as the main antecedents of online CEB, including consumer product involvement, consumer brand attitude, emotion toward a brand, and brand attachment. [Figure 1](#) depicts the conceptual model. The sections below discuss each antecedent.

## Consumer Product Involvement

Consumer involvement is a key concept for understanding consumer behaviour and therefore online CEB alike. Consumer involvement is intrinsic to why consumers care about specific products or brands, why they are sometimes highly motivated to seek information about a product category and not another, and why they will at times buy and use a specific brand and not another. Consumer involvement is defined as the “*perceived relevance of the object based on inherent needs, values, and interests*” (Zaichkowsky 1985, p. 342). It occurs when a consumer perceives that a particular product has a level of personal relevance to him or her (Celsi and Olson 1988) and is often called product involvement. A product is considered personally relevant to a consumer when he or she perceives the product as a channel for achieving personal values and goals (Celsi and Olson 1988). Thus, product involvement can be seen as consumers’ perceived relevance of a particular product category based on their inherent needs, values and interests. The more a consumer perceives a product to have an association with their personal values and goals, the stronger the relevance and therefore product involvement.

Involvement leads to greater external search (Beatty and Smith 1987), greater depth of information processing and more elaboration (Petty and Cacioppo 1986). For example, a person may perceive a car as highly relevant to himself because it shows his values and style. Meanwhile, for another person, a car is viewed as a functional tool of transport. Thus, as the consumer becomes more involved with a product category (e.g., sports cars), she or he becomes more engaged in activities related to that product category (e.g., they spend more time searching on the internet for information to enhance their knowledge of sports cars, they discuss particular types of sports cars more frequently in an online community, and may even create a sports cars community on social media). These activities are non-transactional types of behaviour performed by consumers online towards a particular product (e.g., a sports car) or, in other words, forms of online CEB. On this basis, it is hypothesised that product involvement has a positive impact on online CEB.

## Brand Attitude Strength

Over the years, the concept of attitude has had many different definitions. Despite the varied definitions, previous studies on attitude have a common platform and suggest that attitudes have an evaluative component, or a summary evaluation of an object (Ajzen and Fishbein 2000; Eagly and Chaiken 1993; Petty et al. 1997), with attribute dimensions such as good-bad, pleasant-unpleasant, and likeable-dislikeable. Strong attitudes result from effortful thought about the attitude object (Petty and Cacioppo 1986), where this effortful thought guides behaviour (Park et al. 2010). Similarly, according to the theory of reasoned action (Fishbein and Ajzen 1975), the more favourable the attitude; the stronger the behavioural intention leading to actual behaviour.

In the marketing domain, prior research shows that the strength of brand attitudes predicts brand consideration, consumer intention to purchase, purchase behaviour, and consumer brand choice (Fazio and Petty 2007; Petty, Haugtvedt, and Smith 1995). Therefore, the present study proposes that brand attitude strength may also predict consumer behaviour beyond purchase. According to Park et al. (2010), strong brand attitudes represent consumer evaluations involving a judgment about the brand, and the judgment can be either positive or negative. Thus, strong brand attitude refers to the person’s judgment of the goodness or badness of a brand (Park et al. 2010). In relation to online CEB, it is argued that both positive and negative strong attitudes towards brands may predict online CEB (e.g., writing a positive or negative online product review). For example, in the case of a strong negative attitude, a consumer who evaluates Coca-Cola as very unhealthy is more likely to write a negative review on his weblog than a consumer with weaker negative attitude. On the other hand, another consumer who really likes Coca-Cola (i.e., strong positive attitude) may put a lot of effort in generating online content, that is, user generated content (Christodoulides, Jevons and Bonhomme 2011) about Coca-Cola, while other consumers with moderate positive attitudes towards the brand will not do so. Thus, this present study hypothesises that brand attitude strength has a positive impact on online CEB.

## Emotions toward Brand

Affect is defined as a general category for mental feeling processes (Bagozzi et al. 1999). Similarly, Pieters and Van Raaij (1988) define affect as a generic term for all kinds of emotions, feelings and moods. In the marketing domain, the role of affective processes in consumer behaviour is an important subject of study (Cohen and Areni 1991). Previous studies have examined emotions generated by the use of specific products and services, favourite possessions, or various consumption situations more generally (Richins 1997). Other research has also investigated the relationship between consumption emotions and satisfaction (Mano and Oliver 1993; Westbrook 1987).

The present study argues that emotions, unlike moods, are one of the antecedents of online CEB. Emotion is a strong affective reaction that is directed towards a specific object (Bagozzi 1999); the object could be a person, a situation, or in this case, a brand. Emotions usually relate to a specific cause and have a strong manifestation (Bagozzi 1999). On the other hand, moods are not directly intended towards a specific object and are lower in intensity than emotions (Frijda 1993). Furthermore, Frijda (1993) suggests that emotions are intentional to an object or referent, while moods are generally non-intentional and more global. Also, compared to emotions, moods are less directly coupled with action tendencies and explicit actions (Clark and Isen 1982). As a consequence, moods are often more difficult to verbalise and to be attributed to a specific cause than emotions (Cohen and Andrade 2004). Although the duration of an emotion is often shorter than that of a mood, some severe emotions (i.e., love, anger) may have longer duration (Pieters and Van Raaij 1988). In the case of online CEB, an individual who loves Louis Vuitton (LV) handbags is more likely to participate in LV online discussion forums more frequently than a person who has no feelings toward that brand (e.g., <http://louisvuittonlover.blogspot.co.uk>). Thus, it is hypothesised that emotions have a positive impact on online CEB.

### **Brand Attachment**

People can form attachments to a variety of objects. Although most research in psychology has examined attachment in interpersonal contexts, research in marketing suggests that consumers can also develop attachment to marketplace entities, including brands (Fournier 1998; Keller 2003; Schouten and McAlexander 1995). Indeed, academic researchers and practitioners have recently shown significant interest in studying consumer attachment to brands (Fedorikhin, Park, and Thomson 2008; Park and MacInnis 2006; Park et al. 2009; Thomson 2006).

Brand attachment describes the strength of the bond connecting the consumer to the brand (Park et al. 2010), and is a key construct because it affects behaviours that foster brand profitability and consumer lifetime value (Thomson, MacInnis, and Park 2005). Furthermore, Park et al. (2010) suggest that brand attachment offers value over brand attitude strength in predicting consumers' intentions to perform difficult behaviours, actual purchase behaviour, brand purchase share, and the extent to which consumers rely on a specific brand to address relevant needs. Similarly, the authors argue that "*brand attachment more accurately predicts intentions to perform behaviours that use significant consumer resources (time, money, reputation)*" (Park et al. 2010, p. 2). Following this stream of literature, the present study proposes that the bond that connects the consumer with the brand (i.e., brand attachment) is a consumer-based antecedent of online CEB. The stronger the attachment, the more likely the consumer is to engage online with the brand. In other words, it is hypothesised that brand attachment has a positive impact on online CEB.

### **Attitude toward Online CEB as the Mediator**

While attitude toward a brand is proposed as one of the main antecedents of CEB, this study also hypothesises that attitude toward the behaviour (i.e., attitude toward CEB) mediates the effect of each antecedent of online CEB, and has a positive impact on online CEB. This notion is supported by attitude theories such as the theory of reasoned action (Fishbein and Ajzen 1975), the theory of trying (Bagozzi and Warshaw 1990), and the theory of planned behaviour (Ajzen 1991), which suggest that positive attitudes lead to stronger intention to perform the actual behaviour. Indeed, a meta-analysis of the theory of planned behaviour also suggests that attitude toward performing behaviour is a consistent predictor of behavioural intention, and behavioural intention is a stronger predictor of actual behaviour than attitudes (Notani 1998).

The theory of reasoned action (Ajzen and Fishbein 1980; Fishbein and Ajzen 1975) explains why attitude towards the behaviour (in this case, towards online CEB) acts as a mediator to the actual behaviour. The theory suggests that intention is the best predictor of behaviour, and intention is determined by two things: one's attitude towards a specific behaviour and one's subjective norms (Fishbein and Ajzen 1975). According to this theory, if individuals evaluate a particular behaviour as positive (attitude), and think their significant others want them to perform the behaviour (subjective norm), they develop a stronger intention and are more likely to actually perform the behaviour (Fishbein and Ajzen 1975). The theory of reasoned action is used to explain behaviours that are completely under volitional control, that is, "*people can easily perform these behaviours if they are inclined to do so*" (Ajzen 1985, p. 12). In this study, online CEB is assumed to be a type of behaviour which is under volitional control. Of course, external constraints such as lack of technical skills or time may prevent an individual from actually performing online CEB. Nevertheless, these constraints are not seen as internal to the consumer.

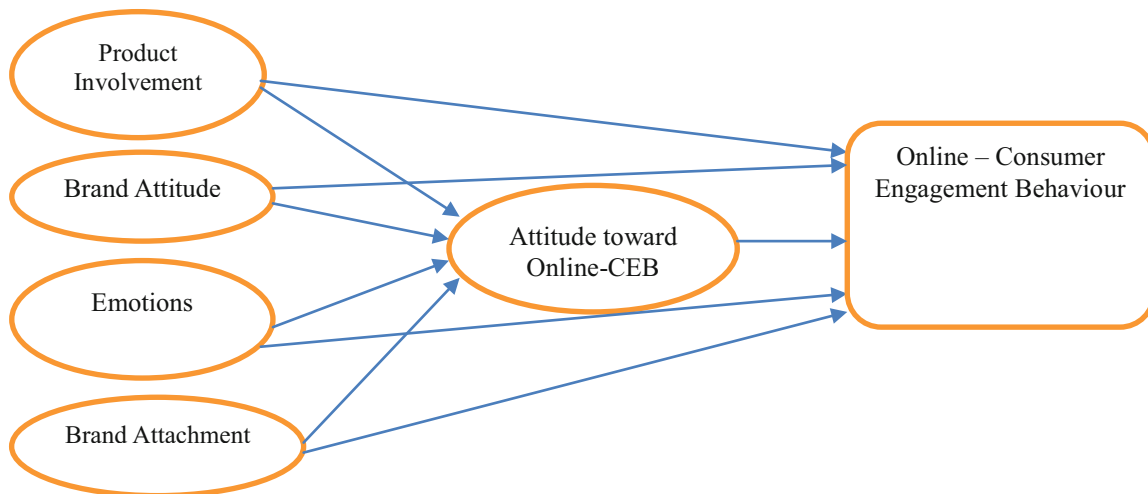
## CONCLUSION AND AGENDA FOR FUTURE RESEARCH

This paper identifies and hypothesises the relationships between four consumer-based antecedents of online CEB, namely product involvement, brand attitude strength, emotion towards the brand, and brand attachment. To date, most research on CEB (offline and online) has focused on its firm-based antecedents and the consequences of such behaviours to firm performance. However, given the role of online CEB in management practice, the consumer-based antecedents of online CEB are relevant and must be examined to be fully understood and managed by firms. The conceptual developments presented above are a work in progress. Nevertheless, they stress the importance of online CEB in light of the easiness with which consumers can interact with each other on various social media platforms in order to perform online CEB. Non-transactional consumer acts such as eWOM, online product reviews, or product-related weblogs indicate consumers' online engagement with specific brands, products or firms, and are therefore likely to directly or indirectly impact firms (Muntinga et al.2011). The first step in understanding online CEB is to examine its main antecedents, their interactions, and their impact on consumers' actual online engagement behaviours. Therefore, plans for future empirical research entail testing the conceptual model presented above.

## REFERENCES

References available upon request

Figure 1: Research Framework



### **Session 12.3. Brand Theory and Strategy**

Room: Yarra #2

Session Chair: Phillip Grant, KTH Royal institute of Technology

#### ***The Contribution of Contract Theory to Brand Strategy: A Structured Abstract***

Stephen Lloyd, Auckland University of Technology

Matthew Barber, Auckland University of Technology

#### ***Antecedents and Consequences of Employer Brand Equity: Towards a Conceptual Framework***

Sultan Alshathry, University of Adelaide

Marilyn Clarke, University of Adelaide

Steve Goodman, University of Adelaide

#### ***Brand Portfolio Architecture and Firm Performance: The Moderating Role of Generic Strategy***

Amanda Spry, University of Melbourne

Bryan Lukas, University of Melbourne

#### ***Performance Benefits of Hybrid Brand and Market Orientation Interaction***

Bill Merrilees, Griffith University

Carsten Baumgarth, HWR, Berlin

# THE CONTRIBUTION OF CONTRACT THEORY TO BRAND STRATEGY

Stephen Lloyd, AUT University, New Zealand  
Matthew Barber, AUT University, New Zealand

## ABSTRACT

This conceptual paper addresses an under-researched area of brand theory that is central to the link between the brand proposition and those expectations consumers thereby gain, reasonably, about the brand and its promises, and which influence brand-consumer relationships. The paper uses historical analysis of brand literature and of recent literature on brand-consumer relationships and on contract theory. Explicit advertising propositions are expressive of a promise on which brands are expected to deliver; this is not the case with implicit propositions. Yet underpinning both these types of promise is an expectation that a product/service must deliver on its obligations of safety and performance and that the brand owner accept legal responsibility for the alignment of the brand's promises with the brand's performance. The research identifies a possible boundary of the domain of the brand construct and thereby provides management with guidance to ensure a brand's legitimacy in the eyes of its consumers and of the company's stakeholders.

## INTRODUCTION

Researchers identify various metaphors to explain facets of a brand; brand identity is one such metaphor along with brand reputation, brand image and brand personality (Stern 2006). Consumer-brand relationships have been expressed through anthropomorphism (Lloyd and Woodside 2013), and by the concept of brand personality (Aaker and Fournier 1995; Fournier 1998; Fournier and Yao 1997). Consumers embrace brands with strong, positive personalities because of a human tendency to anthropomorphise non-human objects (Freling, Crosno and Henard 2010). If brands have personalities, then people can have relationships with them (Fournier, 1998). This paper examines the value to an understanding of consumer-brand relationships of the legal concept of Branding has a long history and relates to life-spheres such as the military, schools, museums, churches, and religion itself (Bastos and Levy 2012). Brands and branding remain research priorities (MSI 2012). "Where [does] the brand play the greatest role in the purchase journey? What matters are the moments of truth" (MSI, 2012). At which stage in the journey to purchase, or after purchase, does the moment of truth lie?

A postmodernist view of branding sees fragmentation as antecedent to a condition in which each consumer has membership in multiple styles (Firat 1992). "Images will, thus, increasingly come to the forefront, and marketers will have to understand the processes (specifically, representation and signification) which employ and produce images." (Firat, 1992, p. 82) If such images and symbols are constantly shifting, then consumer loyalties cannot be fixed. It is disagreement with this assumption about branding that forms the basic tenet of the argument in this paper: that brand relationships of involvement and engagement are built on expectations; on a promise and an expectation of delivery on the promise; hence the relevance to brand theory of the concept of brand contract. Expectations, however, may not be based solely on the content of brand communications. This paper examines the interplay of product/service brand, and explicit and implicit brand communications and their role in building expectations of brand product/service delivery, satisfaction and, ultimately, loyalty.

The principal aim of the paper here is to consider the brand from the perspective of contract law in order to provide additional insights into the domain of the brand construct and of brand-consumer relationships. Such a consideration involves looking at the role of brands in building relationships of loyalty among consumers, and at the law governing transactions, which is surprisingly small. The paper hopes to offer insights into brand-consumer relationships not readily available from current thinking.

## LITERATURE REVIEW

Theories of branding agree that brand equity is important and that the concept involves the value added to an offering by consumers' perceptions of and associations with a particular brand name (Aaker 1996; Baldinger 1990; Baldinger and Robinson 1996; Chaudhuri and Holbrook 2001; Dyson, Farr and Hollis 1996; Keller 1993; Park and Srinivasan 1994). Researchers identify two aspects to brand equity—from the viewpoints of the company and from the viewpoint of the consumer (Chaudhuri & Holbrook, 2001). Customer-based brand equity is seen to be founded on psychological associations with the brand (Keller, 1993). The theoretical orientation of this study is one that sees the company or marketer and the customer or consumer as parties to a transaction, a transaction predicated on a promise, or proposition, on the part of the company or marketer, and an expectation on the part of the customer or consumer that the promise will be delivered. The proposition is the expression of the key brand benefit based on a product attribute, on user imagery or on human needs



(Harvey and Evans 2001). The proposition may be expressed explicitly on the basis of product/service performance attributes, or implicitly, based on a less-tangible promise-by-association.

A recent historical study of the brand and branding (Bastos and Levy 2012) includes a review of the brand literature from the Journal of Consumer Research, the Journal of Marketing, the Journal of Marketing Research, and results in a list of the major topics of which two form the focus of this paper: learning and consumer prior knowledge; commitment, loyalty, and brand relationships. Brand relationships are categorized as exchange or communal (Aggarwal, 2004). While a brand relationship may become a regular part of life, parties are free to break away as soon as the connection becomes unprofitable (Fournier & Alvarez, 2010).

### **Companies, Products and Brands**

The underlying assumption about the goal of this research is based on the assumption that commercial institutions (companies) possess most of the legal rights and obligations of a human being (Micklethwait and Wooldridge 2003). The Companies Act of 1862 defined a company as more than simply an organization engaged in business: “the limited liability joint-stock company is a distinct legal entity (so distinct, in fact that its shareholders can sue it) endowed by government with certain collective rights and responsibilities” (Micklethwait & Wooldridge, 2003, pp. 53-57). As Weber attests, Anglo-Saxon companies have generally been willing to take on social obligations without the prompting of governments (Weber 1930). Companies are legal entities (Micklethwait & Wooldridge, 2003). It is the company’s performance of its legal rights and responsibilities that can so often be the focus of stakeholder interest. Brands, it will be argued, have no legal status of their own.

Bastos and Levy (2012) offer evidence of a link between the early days of branding as an mark of ownership and the transformation of branding into a multidimensional, multifunctional, and malleable and complex entity. Branding as an mark of ownership remains of vital interest today particularly in relation to a company’s valuation in terms of brand equity (Doyle 2001; Keller 1993).

### **Brands and Law**

There is significant protection in law for brands and brand properties, without which another party could appropriate the value of a brand, for example by unlawful replication, trade mark and copyright infringement (Desai and Waller 2010). The concern of the paper here is in the law governing transaction that is to say between buyer and seller. Essentially this law has the law of contract as a foundation, which is overlaid by statutory rules, for example the sale of goods rules and consumer protections in such transactions. In New Zealand, for example, a simple contract for sale will invoke traditional common law contract rules in addition to the (potential) application of a number of statutes, for example: Sale of Goods Act 1908, Fair Trading Act 1986, Consumer Guarantees Act 1993 as well as general contractual reform statutes such as the Contractual Remedies Act 1979. These set out the obligations a seller assumes, and the standards a seller must satisfy, in transacting to sell. A breach of these obligations normally entitles a purchaser to the right to damages and sometimes the right to force the other party to perform the contract as promised, and to a consumer the right to return the goods purchased. Again in New Zealand: *Attorney-General for England and Wales v R* [2002] 2 NZLR 91, s18 Consumer Guarantees Act 1993.

### **Brand Relationships**

The development of a brand personality provides a context for consumer–brand relationships (J. Aaker & Fournier, 1995; Fournier, 1998; Fournier & Yao, 1997). Consumers embrace brands with strong, positive personalities because of a natural human tendency to anthropomorphise non-human objects (Freling, Crosno, & Henard, 2010). The tendency for consumers to perceive brands as actual human beings has significant implications in the area of branding. It is suggested that the theory of anthropomorphism explains how the self-concept and brand image congruity may influence the inference process of brand anthropomorphization (Puzakova, Kwak, & Rocereto, 2009). The development of consumer-brand personality relationships is seen as a route not just to persuasion, but towards brand involvement and engagement, and thereby to brand loyalty.

### **Brand Involvement and Engagement**

The marketing literature evinces considerable interest in the concept of customer-firm and customer-brand engagement; this is especially true for the services marketing literature (Bowden 2009a; Bowden 2009b; Brodie and Hollebeek 2011; Brodie et al. 2011; Higgins 2006; Higgins and Scholer 2009; Hollebeek 2011a; Hollebeek 2011b; Hollebeek 2012). Higgins and Scholar (2009) provide a perspective on engagement which has relevance to the consumer brand, advertising



communications orientation of this study. Explicit messaging (e.g., product promise, consumer expectations, and performance evaluation), particularly with high argument strength (Lien and Chen 2013) falls within the auspices of a contractual understanding; an implicit level of messaging that may defy contractual definition. While the implicit message content of brand messages may evade contractual definition, does not. [Figure 1](#) illustrates the nature of consumer interaction with explicit and implicit messaging.

### **Advertising Involvement and Engagement**

The hierarchy effects model of advertising (Ray 1973) is predicated on the need for involvement of the consumer with the advertising message, and thereby with the brand. Several alternative involvement-driven models are available in advertising research, for example an elaboration likelihood model (Cacioppo and Petty 1984; Petty, Cacioppo and Schumann 1983), and an attitude toward the ad model (Levy 1985; Lutz 1985). Brand resonance, an intense, active loyalty relationship, is considered as an important outcome of brand relationships (Keller 2012). Brands indeed may become relationship partners to consumers (Fournier and Alvarez 2012). In contrast to liking, an hedonic experience, engagement is a motivational experience (Ewing 2009). Engagement is a second source of experience that: “involves the experience of a motivational force to make something happen ... or not happen ...” (Higgins, 2006, 441). [Figure 2](#) illustrates how involvement and engagement of mediate routes to brand loyalty for implicit and explicit messaging.

### **Symbolic and Metaphoric Dimensions of the Brand**

A symbol is something visible that by association or convention represents something else that is invisible, for example the eagle is a symbol of the United States and several universities (e.g., Auburn University, Boston College, and Yonsei University) (Princeton University Cognitive Science Lab 2005). Symbols associate two things and have both literal and figurative meaning and are seen as a means of encoding reality (Epstein 1994). The brand's name or logo may take on the role of symbol (Davies and Chun 2003). Brand symbolism is seen to build cohesion for a brand's identity by ensuring that brand attributes are recalled each time the brand symbol is seen (Aaker 1995). The outward presentation of a brand by means of a symbol helps consumers distinguish, for example, an automobile brand from its competitive set (Grassl 1999). Consumers require an appropriate and clearly demarcated fit between the symbol and the brand (Keller 1998).

A metaphor on the other hand is a figure-of-speech in which an expression is used to refer to something that it does not literally denote in order to suggest a similarity (Princeton University Cognitive Science Lab 2005). The language of marketing has been seen to be more metaphoric than the language of any other social science (Zaltman, Lemasters and Heffring 1982). A metaphor in marketing is “a literally false, declarative assertion of existential equivalence that compares two concepts or things, where one concept, called the primary concept, is claimed to be another, the secondary concept.

For the purpose of this study, the working definition of branding is: the endowment of a product or service with anthropomorphic characteristics for the purpose of building a positive relationship, and ultimately loyalty, with customers, consumers and other stakeholders.

## **METHODOLOGY**

The primary method used in this paper is an historical analysis of the marketing literature relating to branding and of legal theory relating to the contract. The principal aims of this research are to: gain a better understanding of the dynamics of the promise and expectations based on that promise, in branding and in brand communications; to discuss the relevance of the legal concept of the contract for the current and future significance of branding to business and to research. To those ends, the paper uses an historical methodology (Howell and Prevenier 2001) accounting for recent changes in branding over time, the contexts in which those changes occurred, and the relevance of the theory of contract for branding. A continual check is made in the research on the credibility and accuracy of interpretations (Low and Fullerton 1994).

## **ANALYSIS**

### **The Contract**

Historical analysis indicates that a contract is commonly defined as an agreement or set of promises that the law will enforce that is for breach of which the law will provide a remedy (Coote 1988). Paterson, Robertson and Heffey (2002) point out that there are many ways to understand a contract. The classical understanding of a contract is as an expression of joint will of

the parties engaged in a transaction. Contractual obligations according to this view are voluntarily assumed (cf., obligations imposed by the law of tort) to facilitate the freedom of the parties to create their own private law (Paterson, Robertson and Heffey 2002). Classical contract law has been criticized over the years and has been superseded by contemporary theories.

A contemporary theory is based on the moral obligation to keep a promise whereby the promisor has invoked a convention that gives the promisee moral grounds to expect the promised performance (Fried 1981). A second contemporary interpretation is that a contract is based on consent to the transfer of entitlements whereby the promisor is committed to consenting to legal enforcement (Barnett 1986). Another contemporary unifying theory sees a contract as a mechanism that facilitates economically efficient exchanges (Trebilcock 1993). Trebilcock (1993) suggests that the contract functions to prevent opportunistic behaviour.

Other theories are more pluralistic and draw on a number of goals, a combination of normative approaches and theories of obligation that draw on a complex mixture of values and influences (Hillman 1998). For example as a set of contradictory formal rules that serve an ideological function (associated with critical legal studies movement e.g., No Brand?); analysed from the point of view of gender with its ideology and its representations of women seen as having a negative effect on women; as a social relationship in which transactions are based on trust (Macneil 1978) or as a form of regulation. In its doctrinal context as part of the law of obligations (Paterson, Robertson and Heffey 2002) a contract embodies the obligation to perform certain promises (the law of contract), the obligation to avoid causing harm to others in certain situations (the law of tort) and the obligations to restore certain unjust gains (the law of restitution or unjust enrichment). With the internationalization of contract law the principles of contract law in different jurisdictions are converging.

### **Branding and the Brand**

Branding is seen as a means for creating a bond between a product and its target market (Aaker 1995). Building a strong brand is predicated on brand awareness, perceived quality, brand loyalty and positive brand associations (Aaker 1995). One contemporary theory of the contract is based on the moral obligation to keep a promise whereby the promisor has invoked a convention that gives the promisee moral grounds to expect the promised performance (Fried 1981). Ribena is New Zealand's number one selling blackcurrant fruit drink and is made from real blackcurrants: "Great taste. Rich source of vitamin C. Guaranteed" (Kitchen, Kim and Schultz 2008). In 2007 two New Zealand schoolgirls found that ready-to-drink Ribena, marketed by GlaxoSmithKline, contained almost no trace of vitamin C. As a result GlaxoSmithKline was in court in Auckland facing fifteen charges relating to misleading advertising, and risked fines of up to NZ\$3million (USD 2.1million) (Precourt 2010). GlaxoSmithKline admitted that its claims about Ribena may have misled consumers, published an apology and reformulated its ready-to-drink Ribena to live up to the brand's promise. The case of Ribena's explicit messaging and its contractual obligations is illustrated in [Figure 3](#).

### **Implicit and Explicit Levels of Meaning**

Most theories of responses to advertising focus on cognitive processing (Taute, McQuitty, & Sautter, 2011), yet concepts such as narrative transferences and the implicit meanings in consumers' interpretations of advertising executions are evident. The advertising of Lynx and Old Spice for example are cases of transformative advertising (Taute et al., 2011). Lynx and Old Spice advertising may transform not so much in association with the product usage but rather by engendering a feeling response (Duff & Faber, 2011) to the advertisements through engagement (Grant & Harari, 2005; Kurthen, Linke, & Reuter, 1991; Wallerstein, 1986), involvement (McLaren, 2006; Petty, Cacioppo, & Schumann, 1983; Wright, 2004), and elaboration (Cacioppo & Petty, 1984).

## **RESULTS AND DISCUSSION**

The study provides evidence of the value to marketing of the concept of contract and of reciprocity in building brand relationships. The theory of contract based on the moral obligation to keep a promise and the expectation that the promised performance (Fried 1981) will ensue that has relevance for brand marketers today. Contract theory is particularly relevant to brand marketing given the importance of product performance for brand reputation, satisfaction and loyalty (Selnes 1993).

The anchoring of a brand in its promise is seen to be crucial to the alignment of a brand's identity with its meaning in the minds of consumers. A brand's performance has implications for post-purchase evaluation and for brand loyalty (Hoyer 1984). Such anchoring has relevance for the moments of truth of a brand (MSI, 2012). While consumers embrace brands with strong, positive personalities with which consumers have relationships (Fournier 1998; Freling, Crosno and Henard 2010) such relationships embody strong product delivery expectations.

### **The Brand and the Contract**

Contractual obligations and standards tend to be product obligations and standards. They may be explicit, but may often also be implicit in the transaction. Where obligations and standards are implicit the general standard is contextual; in line with the reasonable expectations of the purchaser. This process is informed by a number of circumstances: the, product attributes, and the normal use of that product. These are product-based; the brand will not usually inform this process. A consumer therefore cannot bring suit claiming that the brand suggests the product should have particular characteristics or qualities that it does not have; or that the brand is undermined by the product or by the producers' subsequent behaviour. The court will generally not take this into account as informing a purchaser's reasonable expectations. In Section 7 of the New Zealand Consumer Guarantees Act 1993 the brand is omitted from the list of express relevant factors. Brands are typically thought of as extra-legal mechanisms akin to seller reputation (Lissowska 2011). Yet, an explicit, product-performance based promise to the consumer may be viewed otherwise.

### **The Legal Status of the Brand**

The brand is of key importance to the choice of purchasers in the purchase decision process, yet seems not to define the legal standards that the seller must then meet. There are a few possible reasons as to why this is, based on the broad functional dimensions of the brand. Firstly, the brand as indicator of the product, and secondly, the brand as a relationship partner.

#### *The brand as indicator of the product*

The concern here is with what a brand signals to a purchaser about the product of which it is an expression. For example, an Apple product may have been purchased and considered, post-purchase, to be poorly designed, not easy to use and not as innovative as anticipated. The proprietary nature of Apple product and services may be considered inflexible. A purchaser's concern with functional brand benefits may undermine the meaning the Apple brand may have had in the mind of the purchaser or others, or subsequently.

The case of Ribena cited earlier is relevant here. The evaluation of the Ribena was made based on the inability of the brand to live up to its promised product attributes. GlaxoSmithKline was held responsible for this deficit, not brand Ribena. The Ribena brand and the corporate, GlaxoSmithKline, in this sense become signals for brand and corporate reputation.

#### *The brand as a relationship partner*

Anthropomorphic bases for brand relationships may be uncertain, tend to be assumed by the purchaser based on marketing communications, rather than explicitly constructed by producer. In this sense they may be unverifiable because it cannot be shown that a particular brand association is part of explicit brand marketing content. (Would a reasonable consumer even be affected by brand associations? Would a reasonable consumer ignore such issues for these reasons?) Compared with price, product attributes, explicit marketing content (including selling proposition or promise) brand relationships are a more complex process.

The congruity of brand's image or implicit appeal with the identity of the purchaser is more personal, more difficult to ascertain and to verify, content-wise, from a legal perspective. A breach by a producer of is difficult to identify. At what point is a relational-benefit breached? Perhaps after purchase, for example by subsequent brand dilution or destruction. The law generally does not police social relationships for these and other reasons; such a loss is difficult to show and to quantify. This suggests that from a relational perspective, the brand is important yet not legally significant. Brand relationships are insufficiently concrete or tangible and uncertain to inform legal obligations. [Figure 4](#) attempts to define sources of brand contractual legitimacy those core brand components enacted by brand communications.

## Implications for management

The research suggests for brand management involvement in a full understanding of the explicit and implicit content of brand communications and consumers' underlying product expectations, not just from the point of view of the producer, since this will not capture all dimensions of the brand-consumer interface. It is suggested that in postmodern times consumers will be loyal not so much to brands, but to their images and symbols; and because these symbols keep shifting, consumer loyalties cannot be fixed (Firat and Venkatesh 1995). Successful firms "will likely be those that involve not only the brand manager but individuals with expertise in the creation, development, and management of the images and symbols to which consumers become and remain attached, as they become the brands they create themselves". (Bastos, & Levy, 2012, p. 363)

Yet the brands contractual relationship is between purchaser and the producing/supplying company. The association of a product with a brand may have a mediating role between the two parties, and may hide the actual legal transaction behind a brand interaction. Recent advertising for the Gillette brand includes Procter and Gamble (P&G) corporate brand identification. While a diachronic analysis of the brand may show the concept to be rooted historically in property rights these same rights may still exist synchronically (Lévi-Strauss 1971). Notwithstanding the concept of consumer brand equity (Keller 1993; Yoo and Donthu 2001), a brand is, from a legal perspective a signifier of the property rights and obligations the brand owner whose primary objective is to build business and shareholder equity (Doyle 2001).

## The Company behind the Brand

Corporate branding emerged as a key concept in the late 1990s (Burt and Sparks 2002). Corporate branding, internally, is seen to signal messages about a desired culture and externally to facilitate stakeholders' desires to look deeper into the corporation and, through building respect and trust with the corporation's offerings, to encourage consumers to accept the corporation's promises about other (e.g., product-brand) offerings (Balmer 2001; de Chernatony 1999). Companies and corporate brands are legal entities (Micklethwait & Wooldridge, 2003). It is the company's performance of its legal rights and responsibilities that can so often be the focus of stakeholder interest. As the recent case of Findus foods and contamination with horsemeat may have demonstrated, brands have no legal status of their own. It is the Findus parent company Nestlé that is legally responsible for the Findus brand's activities.

## Future Research Opportunities

The paper here suggests the following propositions for future research exploration. P<sub>1</sub>: The brand is the means of reasoning about goods and services – drawing patterns between products; P<sub>2</sub>: The brand serves in an economic sense as a signal for quality (or other elements such as safety); in a broader sense, P<sub>3</sub>: Brands are built through dialogue between businesses and individuals, and between individuals; P<sub>4</sub>: Contracts focus on transactions: the representations made by sellers, and consumer-law standards, set the obligations that a seller assumes in entering into the transaction; P<sub>5</sub>: The contents of those obligations is dependent on the external conduct of the parties as viewed by a reasonable bystander (rather than depending on the subjective intentions or beliefs of the parties); P<sub>6</sub>: The breach of these obligations by the seller entitles the purchaser to remedy, usually compensatory in nature.

Future research can explore application of the contract paradigm to the brand, specifically, how contracts could apply to brands directly: The research questions would be: RQ<sub>1</sub>: What obligations does a seller assume in relation to brand? RQ<sub>2</sub>: What is the basis for those obligations? RQ<sub>3</sub>: What remedies are available for their breach? RQ<sub>4</sub>:

One key point is that standards are no longer objective – based on a statute or on a reasonable bystander. Consumers may have their subjective conceptions of the brand violated despite the product having reasonable quality. This form of violation is significant to the seller, since it undermines their asset and goodwill. Whether a brand's promise is implicit or explicit, recourse to that law and to the brand contract is based on product performance and in the case of explicit messaging, the ability of brand attributes and performance to support promises made to the consumer.

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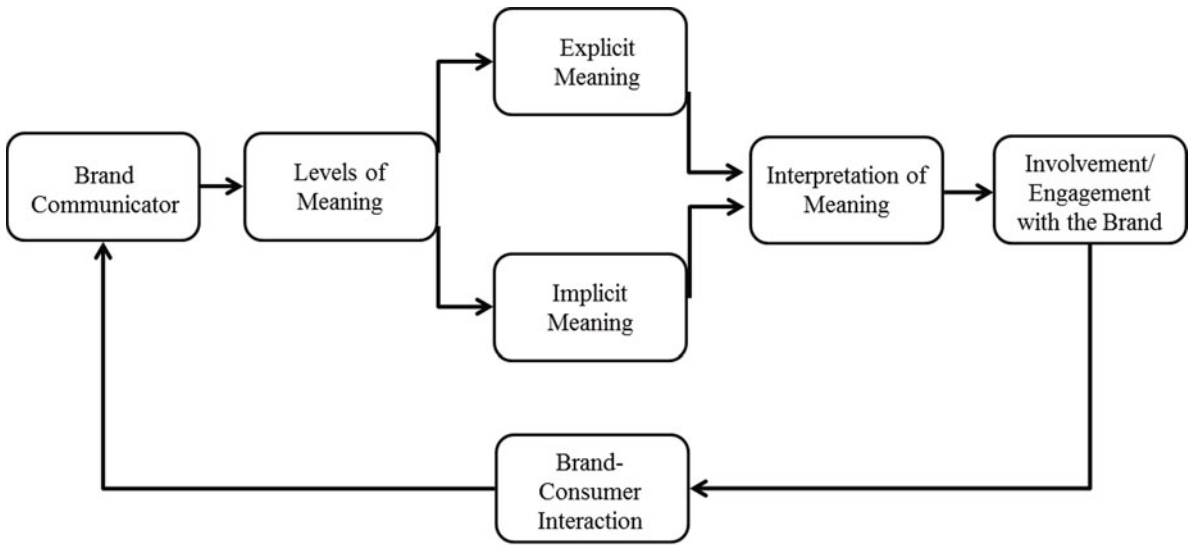
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**Figure 1**  
Levels of Meaning Brand Communication: Explicit and Implicit

<b>Basis for brand appeal (message strategy)</b>	<b>Basis for appeal</b>	<b>Route to loyalty</b>	<b>Desired brand outcome</b>
Implicit	Involvement	Engagement	Loyalty
Explicit	Product performance	Promise	Loyalty

**Figure 2: Routes to Brand Loyalty**

Level of communication	Promise predicated on	Outcome
Implicit	Intangible appeals	Non-contractual expectations
Explicit	Product/service attributes	Contractual

**Figure 3: Contractual Obligations: Implicit vs. Explicit Communications**

	Core brand components enacted	Basis for brand appeal (message strategy)	Sources of brand contractual legitimacy
<b>Brand</b>	Identity/Image	Implicit	Product performance
	Product/identity	Explicit	Product performance/ promise

**Figure 4: Sources of Brand Contractual Legitimacy**

# **ANTECEDENTS AND CONSEQUENCES OF EMPLOYER BRAND EQUITY: TOWARD A CONCEPTUAL FRAMEWORK**

Sultan Alshathry, University of Adelaide  
Marilyn Clarke, University of Adelaide  
Steve Goodman, University of Adelaide

## **ABSTRACT**

Recent years have witnessed the use of marketing perspectives to examine the challenges confronting companies in their ongoing quest for employee attraction and retention. Specifically, branding concepts have provided a useful theoretical foundation for researchers to explore and develop a deeper understanding of employer branding. However, most of the work in this area has focused on theory transfer and scale measurement with limited description of how employer brand equity might be developed and affect employee perception. The lesson from marketing is that branding research is more important when we know what drives its value and how it affects consumers' perceptions. Using Aaker's (1991) model of brand equity as a starting point, this paper introduces a conceptual framework for employer brand equity that incorporates both antecedents and outcomes and provides a theoretical foundation for future research.

References available upon request

# BRAND PORTFOLIO ARCHITECTURE AND FIRM PERFORMANCE: THE MODERATING IMPACT OF GENERIC STRATEGY

Amanda Spry, University of Melbourne, Australia  
Bryan A. Lukas, University of Melbourne, Australia

## INTRODUCTION

Even a casual observation of brand portfolio architecture used in marketing practice shows that different firms operating in the same market segments have different architectural preferences for their brand portfolios. Consider the automobile industry. Mercedes-Benz employs a corporate branding architecture (also known as a ‘branded house’ architecture), while Volkswagen makes use of a house-of-brands architecture (e.g., Audi, Bentley, Porsche, and VW). Clearly, both brand portfolio architectures are used with great success within the same market segments. Consider also the confectionary industry. Cadbury emphasizes a corporate branding architecture (e.g., Cadbury Dairy Milk, Cadbury Top Deck, and Cadbury Old Gold), while Mars uses a house-of-brands architecture (e.g., Mars, Snickers, and Maltesers). Again we observe the use of the two brand portfolio architectures within the same market segments with great success.

In our view, an interesting question arises from the foregoing evidence: are both brand portfolio architectures—corporate branding and house-of-brands—equally important and valuable for a given firm’s financial success? In other words, does it matter if a firm chooses one type of architecture instead of another? To answer this question, we draw on the resource-based view (RBV) and adopt a contingency perspective centered on a firm’s generic strategy (i.e., cost-leadership or differentiation).

## CONCEPTUAL FRAMEWORK

The RBV defines brands (and by extension, brand portfolios) as market-based assets (Bahadir, Bharadwaj, and Srivastava 2008). The performance of market-based assets is driven by resources and capabilities (Barney 1986), which are in turn honed by firm strategy (e.g., Miles and Snow 1978; Hambrick 1983). Applying this logic to our research question, we suggest that a corporate branding and house-of-brands architecture are not equally important and valuable for a particular firm’s financial success, and that implementing the best type of brand portfolio architecture depends on the firm’s generic strategy.

Cost-leaders are concerned with controlling the costs of production and marketing activities so that they can deliver a low-price product to customers (Porter 1980). A corporate branding architecture best fits this strategic stance, since one of its advantages is to enable economies of scale in marketing activities and standardised marketing communications (Murphy 1987; Saunders 1990). Differentiators are focused on delivering a product that is unique along dimensions valued by the customer (Porter 1980). A house-of-brands architecture best fits this strategic stance, since it is especially conducive to uniquely positioning each of a firm’s products (Murphy 1987; Saunders 1990). Although this brand portfolio architecture tends to be used by firms seeking differentiation between their own products, it is also highly effective when seeking differentiation from competitors’ products.

Against this background, we predict that: (1) for a firm with a focus on cost-leadership, emphasizing a corporate branding architecture will be more beneficial for firm performance than following a house-of-brands architecture, and (2) for a firm with a focus on differentiation, emphasizing a house-of-brands architecture will be more beneficial for firm performance than following a corporate branding architecture.

## RESEARCH METHODS

The empirical context for our study is the Australian consumer goods and services industries. We collected data from two sources: (1) marketing managers via a telephone survey (our primary data source) and (2) a database called *Company360* (our secondary data source). Because the data collection could not be completed before the conference submission deadline, we randomly selected a data collection cut-off date for any data to be included in the analysis reported here, which yielded a sample of 67 brand portfolios.

Our survey measured the independent (brand portfolio architecture) and moderating variables (cost-leadership and differentiation strategy), and the *Company360* database provided financial data for our dependent variable (firm performance). All measurement scales were derived from the literature except for the brand portfolio architecture scale, which we developed. This scale is comprised of three items corresponding with three scenarios involving launching a new product or entering a new market. For each scenario, managers gave a rating between 1 “always use an existing brand”, and 7 “always

use a new brand”. These scale ends reflect a brand portfolio architecture continuum, with a low score indicating an emphasis on a corporate branding architecture and a high score indicating an emphasis on a house-of-brands architecture.

### **FINDINGS**

To test our predictions, we conducted a hierarchical regression analysis. The analysis findings show rather unexpectedly that, for firms in our sample with a focus on cost-leadership, emphasizing a corporate branding architecture was not more beneficial for firm performance than following a house-of-brands architecture. Similarly, for firms in our sample with a focus on differentiation, emphasizing a house-of-brands architecture was not more beneficial for firm performance than following a corporate branding architecture.

In summary, on the basis of our preliminary data and present analysis, it appears that it may not matter if a firm chooses one type of architecture instead of another. We hope to re-analyze this unexpected finding once our data collection is complete.

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# PERFORMANCE BENEFITS OF HYBRID BRAND AND MARKET ORIENTATION INTERACTION

Bill Merrilees, Griffith University, Australia  
Carsten Baumgarth, HWR Berlin

## ABSTRACT

Recent studies conceptualize that market orientation and brand orientation may be more than simple alternative strategic options for marketing strategy, but evolve further into a distinctive hybrid orientation that combines and integrates the two orientations. That is, although separate market orientation and brand orientation may exist, sophisticated marketing may evolve to include what has been termed a market and brand orientation hybrid (Urde, Baumgarth and Merrilees, 2011). The current paper empirically tests for such a hybrid orientation. Additionally, the paper is able to identify and quantify the mechanism by which brand orientation impacts marketing performance. The identified mechanism has its genesis in the operational implementation of the marketing strategy.

### Keywords:

Brand orientation, interaction with market orientation, hybrid orientation, performance, strategy implementation

## INTRODUCTION

Brand orientation is a strategic focus of the firm in which the brand deliberately guides and integrates the business activities (Urde, 1994, Urde, 1999, Urde, Baumgarth & Merrilees, 2011). Thus a brand orientation approach places the brand as a major and central asset of the firm and a means of creating brand equity. Brand orientation takes an inside-out perspective and considers the brand as resource and strategic hub. Satisfying customer needs is a major consideration, but only within the limits of the brand and with less responsiveness to a market-orientated approach (Urde, et al., 2011). Previous brand orientation literature is now considerable and discussed as three streams in the next section. However, two major gaps emerge in the literature. Firstly, although the status of brand orientation is now assured as a strategic orientation alternative to market orientation, the nature of the interaction between brand orientation and market orientation is unclear. A promising new development is the concept of a hybrid orientation which synthesises both brand and market orientation (Urde, et. al., 2011). Scope exists to explore further these new possibilities of brand and market orientation, which is the first aim of the current study. Secondly, although as one might expect for a strategic perspective some studies do measure the performance impact of brand orientation (Gromark & Melin, 2011), few if any studies elaborate on the mechanism by which the performance benefits are generated, which becomes the second aim of the current study. Our two research aims, (1) identifying the nature and role of brand and market orientation interaction and (2) identifying the nature of the mechanism by which performance benefits are generated, are pursued with a two-prong plan. We begin by identifying a conceptual model or framework by which these aims can be addressed. Next we test this model in the context of a quantitative survey and analysis of a sample of B2B firms.

## LITERATURE REVIEW

The brand orientation literature is divided into three groupings for the purpose of this paper. Firstly, we briefly position the paper within the broader brand orientation literature. Secondly, we focus on the interaction between market orientation and brand orientation. Thirdly we also focus on the performance outcomes of brand orientation and specifically the mechanisms leading up to the performance outcomes.

### Interaction between market orientation and brand orientation

There is a long lineage of market orientation as a suitable strategic orientation for organisations (Jaworski & Kohli, 1993; Kohli & Jaworski, 1990; Narver & Slater, 1990). In the late 1990s an alternative strategic option of brand orientation emerged (Urde, 1994; 1999), though this alternative remained on the periphery of academic research and debate for some time. Some of the broader themes of the brand orientation literature are considered in the previous section. Our interest here is in the contestability of the strategic option space. The critical question is should market orientation and brand orientation be treated as mutually exclusive options or can some form of interaction between the two be contemplated? The starting position for such a debate begins with Urde (1999) who projected brand orientation as marketing orientation plus something. This suggests that firms may evolve from a relatively pure market orientation to a more sophisticated branding entity building on the previous market orientation. A pioneer in discussing the joint contributions of a brand perspective and a customer

perspective is Ambler et al. (2002). They indicate how each of brand equity and customer equity can enhance the perspective of both the brand and consumer. They give examples of an automotive manufacturer building the brand asset by understanding its customers' needs and a service-orientated bank adopting a brand perspective. The examples are interesting, but do not explicitly introduce the brand orientation concept, focusing instead on advertising-based brand building. Another early study attempting to integrate market orientation and brand orientation is Reid et al. (2005) who suggests that the two concepts share attention on the consumer, though their conceptual model simplifies this to a link from market orientation to brand orientation. Also at a conceptual level, O'Cass and Voola (2012) build on Reid et al. (2005) and propose that there may be complementary capabilities that unite market and brand orientation (in a political context), but do not elaborate on these capabilities.

From an empirical perspective there is a little literature that informs the nature of the interaction between market orientation and brand orientation. A pioneer study is Keiningham et al. (2005) who argue that both brand-centric and a customer-centric approach are useful rather than just one. Neither concept definitions correspond to our constructs of brand and market orientation, with customer satisfaction, for example, the chosen measure of customer-centric. Notwithstanding the limitation of the concepts, the study demonstrates for a truck manufacturer and a financial service company that a customer-centric approach and a brand-centric approach both contribute to predicting share of spending. An interaction term between the two concepts is also significant, but adds little to the total explanation which is quite low ( $R = 0.10$ ). Five years later a second relevant study emerges (Weisenbach Keller & Conway Dato-on, 2010) in a junior school context. Their sample is small, based on a single school with a limited number of employees. However, their results do suggest a correlation between market orientation and brand orientation.

The most recent and sophisticated approach to understanding the interaction of market orientation and brand orientation is Urde et al. (2011). They canvass a number of possibilities, but conceptualise that market-orientation and brand-orientation may not simply interact, but instead form a hybrid strategic option, called market-orientation and brand orientation. A key point to note is that a hybrid strategic orientation is not simply two alternatives interacting, but rather an integrated and complete strategic option in its own right. Urde et al. (2011) give a number of illustrations of actual companies using such a hybrid strategic option. Although there is growing debate about the possibility of interactions between market orientation and brand orientation, including the possibility of hybrid formulations, little empirical evidence informs this debate. A gap therefore remains in the literature, to which the current paper addresses.

### **Performance outcomes of brand orientation**

The most common and understandable link between brand orientation and corporate performance is a direct path between the two constructs. The studies vary considerably in terms of industries and samples, as does the measures of brand orientation and corporate performance. Corporate performance scope ranges across brand performance (Reid, et al. 2005; Wong and Merrilees, 2008), brand performance (Hankinson, 2002), objective financial profitability (Gromark and Melin, 2011), marketing performance (Baumgarth, 2009; Wong and Merrilees, 2007), retail offer advantage (Bridson and Evans, 2004) and organisational performance, including ability to serve stakeholders better than competitors (Napoli, 2006). Measuring performance in financial terms is argued to be ideal (Gromark and Melin, 2011). Within this approach, objective measurement of profitability is seen as the most preferred situation (Gromark and Melin, 2011), though subjective measures of financial performance also rate highly (Wong and Merrilees, 2008). The beta coefficient on the brand-orientation to corporate performance path is consistently positive, reasonably high (ranging from 0.2 to 0.5, mostly at the higher end) and strongly statistically significant (see [table 1](#)). The brand-orientation to performance link is robust across numerous types of studies and measures of performance. Although there are insufficient studies for a meta-analysis, the studies taken collectively provide convincing support that there are positive outcome benefits of taking a brand-orientated approach.

Additional research suggests further credit for brand orientation in indirectly contributing to corporate performance. For example, Baumgarth and Schmidt (2011) commence with company level brand orientation influencing individual-level aspect of internal brand commitment, internal brand knowledge and internal brand involvement, then impacting internal brand equity and finally customer-based brand equity. Most paths are moderate to high in magnitude and significant. As another example, Reid et al. (2005) in addition to a direct path add an indirect path from brand orientation to integrated marketing communication to brand performance. Additionally, Wong and Merrilees (2008) indicate a secondary role for brand orientation as impacting brand distinctiveness and subsequently innovation and finally brand performance. In this case, the key variable of influence is innovation, but linked, twice removed, to brand orientation. The studies examining an indirect role for brand orientation augment the direct role studies. Together, the two types of study provide convincing evidence that brand orientation generates favourable performance outcomes. However, although there seems to be a positive and powerful



link between brand orientation and performance, it is not at all clear what the mechanism is for such a link. How does it work? Does a brand-orientated approach enable the development of more powerful brands that add greater value for customers? Does a brand-oriented approach enable greater consistency through integrated marketing communication? Does a brand-oriented approach enable more integrated marketing across all marketing elements? Very few studies, if any, have addressed this question of identifying the mechanism by which a brand-orientated approach translates into higher marketing performance.

A potentially useful framework for gaining insight to this issue is from the papers by Mankin and Steele (2005) and Wong and Merrilees (2007). The basic tenet of Mankin and Steele (2005) is that many organisations underperform in their marketing strategy because of implementation difficulties. Their study reveals difficulties in getting leadership support, communication, resources and buy-in from stakeholders. Wong and Merrilees (2007) take this a step further and suggest that brand orientation might play a major part in reducing these marketing strategy implementation difficulties. They support this contention by showing that the marketing strategy to performance relationship is moderated by brand orientation. Although their results are consistent with the contention that brand orientation plays a major role in reducing marketing strategy implementation difficulties, it still does not explicitly confirm this contention. A gap remains in the literature. The current paper makes the brand orientation role in facilitating more consistent marketing strategy implementation more explicit.

## CONCEPTUAL MODEL AND HYPOTHESES

The literature review has focused on two main areas of inquiry warranting further investigation. Firstly, there is embryonic study of the interaction between market orientation and brand orientation. The debate is partly in terms of choosing between the two as a suitable strategic orientation, or exploring some form of interaction or hybrid between the two. There is such a paucity of literature on this vexing question that almost any relevant study will help shed light on the debate. Secondly, the second area demanding attention is in part the clarification of performance benefits of brand orientation. While there is a moderate volume of evidence indicating that there are positive performance outcomes of brand orientation, a more significant literature gap is in understanding the mechanism by which brand orientation creates performance outcomes.

To assist in examining these two research areas, we postulate a conceptual model starting with a link between market orientation and customer relationship management. The essence of a market-orientated approach is conducting market research and gathering marketing intelligence to better understand consumers. The customer is the centre of thinking for the company. The knowledge gained is then applied to marketing activities, especially the conduct of customer relationships. We postulate that brand orientation moderates the path between market orientation and customer relationship management. If we measured brand orientation as a continuous variable then the moderation process could be considered a simple interaction effect, worthy in its own right. However we measure brand orientation as discontinuous, high versus low. Measured in this way, the moderation of brand orientation can be considered to be measuring the hybrid strategic option advocated by Urde et al. (2011), namely market orientation and brand orientation for the case of a high brand orientation. This way we treat the hybrid option as a discrete, holistic strategy, not part of a continuum. The alternative combination of market orientation and very low brand orientation can be considered a relatively pure form of primarily market orientation. Our tests therefore compare the pure market orientation approach (low value of brand orientation) with a hybrid market and brand orientation approach (high value of brand orientation). Our first hypothesis is thus:

**H1:** *The path between market orientation and customer relationship management is moderated by a low-high split brand orientation variable, such that the coefficient is higher for the market-oriented enterprise (low brand orientation value).*

The conceptual model now traces the impact of customer relationship management on customer value creation, the ability to provide better value to customers. For both market-oriented firms and hybrid market and brand oriented firms, a positive relationship is expected between customer relationship management (providing superior customer service and maintaining and enhancing customer relationships) and customer value creation (e.g., Brady/Cronin 2001). However, it seems plausible that the hybrid enterprise may be able to use branding capabilities to extract more value from the customer relationship. The branding properties may make the goods and services have greater appeal among customers and thus generate greater value for customers. This leads to our second hypothesis:

**H2:** *The path between customer relationship management and customer value creation is moderated by a low-high split brand orientation variable, such that the coefficient is higher for the hybrid market and brand oriented enterprise (high brand orientation value).*

An additional antecedent for customer value creation is specified. Innovation is a major source of value creation in a dynamic sense, with an expected positive path between innovation and customer value creation. This path is applicable to both market-oriented firms and hybrid market and brand oriented firms. We have no reason to expect that the magnitude of this link would differ between the two types of firms, therefore no hypothesis is proposed. Moving to the final leg of the conceptual model, we propose a link between customer value creation and marketing performance. Obviously, we expect a positive link between the two variables. However, we do not expect any differential effect between our two types of enterprises, market-orientated and hybrid firms. An additional variable is included in the conceptual model, namely a link between management capability and marketing performance. Here we do expect a difference between the two types of firms, with more scope for the hybrid firms to extract marketing performance out of their management operations, which include more effective strategy implementation. Thus we have our third hypothesis:

**H3:** *The path between management capability and marketing performance is moderated by a low-high split brand orientation variable, such that the coefficient is higher for the hybrid market and brand oriented enterprise (high brand orientation value).*

## STUDY DESIGN

The model is tested using a structured survey design. B2B firms were targeted as a sampling frame using a commercial database. The Standard Industrial Classification 87 was used to identify the B2B firms. The surveys were distributed by a mail in a random way from the database, independently conducted by the commercial database supplier. The survey instrument required respondents to indicate their subjective perceptions on a number of relevant domains, with questions relating to: market orientation, brand orientation, customer relationship management, innovation performance, customer value creation, management capability and subjective marketing performance. Additionally questions included organisational characteristics. Each question was measured on a seven-point scale, with scale anchors ranging from “strongly disagree” to “strongly agree”.

The final sample is 367 B2B Australian enterprises, representing a response rate of thirteen percent. Three groups were identified. A sub-sample of 85 firms with relatively low orientations was not further analysed. A second sub-sample of 140 firms with a market orientation (high MO and neutral BO) and a third sub-sample of 142 firms with a hybrid orientation (high BO and high MO), with both groups analysed as components of a multi-group structural SEM model.

## STATISTICAL ANALYSIS

All the scales were reliable, with the composite reliabilities ranging from 0.77 to 0.86, all greater than the benchmark of 0.70. The main results cover both the measurement model and the structural model. Only the structural model results are presented here.

### Structural model results

The results for the structural model are good.  $\chi^2=119.80$  (92); Bollen-Stine bootstrap  $p>0.42$ .  $\chi^2/df=1.24$ . GFI=0.94; TLI=0.98; CFI=0.99. RMSEA=0.029; 90 percent range 0.000 to 0.0465. RMR=0.036. Overall there is a good fit of the data and the model, with  $\chi^2$  appropriately *insignificant* at the 5 percent level. The relevant fit indices are also high, all above the 0.90 benchmark level. Additionally, there is no evidence of major misfit, with RMSEA less than both of the 0.08 satisfactory benchmark and the 0.05 good benchmark (Browne, 1990). In fact the 90 percent range for RMSEA is entirely below the 0.05 level. In summary, the fit tests indicate that the structural model fits the data appropriately and thus we have confidence in further examining the path estimates. For the pure market-orientated (low brand-oriented) group the R<sup>2</sup> for the customer value equation is 0.50 and 0.27 for the marketing performance equation. For the high brand-orientated (hybrid) group the R<sup>2</sup> for the customer value equation is 0.49 and 0.34 for the marketing performance equation. As expected the coefficient for the first path from market-orientation to customer relationships is greater for the pure market orientated group compared to the hybrid group; but the difference is not statistically different (H1 is rejected). For the path from innovation performance to customer value, it is statistically significant for both groups, but as expected there was no cross-group difference for this coefficient. Special interest attaches to the path from customer relationship to customer value. It was expected that brand-orientation would moderate the path from customer relationship to customer value. As expected, the path coefficient is slightly greater for the hybrid group compared to the market orientated group; but the difference was slight and not statistically different using a chi-square difference between unconstrained and constrained model runs (H2 is rejected). It would seem that the

benefits of being brand-oriented are not sufficiently systematic enough to augment customer value beyond a small marginal amount. Expressed differently, a market-orientation approach is sufficient in most cases to exploit customer value creation.

Moving to the marketing performance equation, two paths are applicable, customer value as a link from the previous equation and management capability. As noted already, the explanatory power of the hybrid group is higher than the market orientated group. The standardized beta coefficient of the path from customer value to marketing performance is somewhat higher for the market orientated group, but the difference is not statistically different. A major difference in the pattern of results occurs when we examine the management capability to marketing performance path. For the high hybrid group the standardized beta coefficient is large at 0.42 and highly significant ( $t\text{-value}=3.79$ ). However for the market oriented group the beta coefficient is relatively small at 0.14 and statistically insignificant. Using the difference in chi-square test which examines the difference in the chi-square after we impose the restriction that the beta coefficients are the same (so we compare the chi-square with and without the restriction), the chi-square difference is statistically significant at the 5 percent level ( $df=1$ ). We therefore conclude that H3 is accepted. That is, the path between management capability and marketing performance is moderated by the level of brand-orientation. Brand-oriented (hybrid) firms are able to leverage their management capabilities more to extract more marketing performance. That is, brand-oriented firms are better able to harness their management operational skills and ability to execute marketing strategy in a way that yields higher sales and market share.

## DISCUSSION

The first area of investigation is the interaction between brand orientation and market orientation. Most of the literature treats these two orientations as alternatives, but there is recent interest in their interaction (Urde et al. 2011). The current paper extends this debate by formally identifying a group of firms with a hybrid, brand and market orientation. This seems to be the first study to formally and quantitatively identify such a group. For interest, a preliminary attempt was made to see if there were any defining characteristics of the hybrid orientation group compared to the market orientation group. There were not too many demographic differences. Interestingly, there was greater representation of market leaders in the hybrid orientation group and of market niche firms in the market orientation group, and with comparable numbers of market challengers and market followers. It is salient that market leaders are more likely to progress to the hybrid orientation strategy. The hybrid orientation firms achieve eleven percent higher marketing performance than market orientated firms. Both groups outperform the low orientation firms, justifying why we wanted to exclude them from the statistical modelling. Analytically, the structural model results for the hybrid orientation group (high BO and MO) are contrasted to a pure market orientation group (high MO neutral BO). In many cases the conceptual model paths do not vary markedly between the hybrid orientation firms and the market orientation firms. It was hypothesized that the hybrid orientation firms might be more effective at leveraging the customer relationship to customer value path, but this failed to be confirmed. In fact, in only one situation was there a statistically significant different result between the two orientation groups and that was the path from management capability to marketing performance, with a superior impact for the hybrid orientation group.

The results provide insight into the customer value creation process. A conventional way of delivering better value to customers is through customer relationships, that is, providing superior customer service and generally maintaining and enhancing relationships with customers. As such, market-orientation is the primary underlying driver, as expected given its focus on a customer-centric approach. However, providing good customer service and relationship management is insufficient for customer value creation. Equally important is innovation as a major contributor to value creation. Firms wishing to deliver better value to customers and deliver what customers want need to perform at both customer service and customer relationship management on one hand, and innovation on the other hand. This insight to customer value creation has no major role for brand orientation. It would seem that the customer creation process is not a basis for justifying a brand-orientation approach. Apart from examining the interaction of market-orientation and brand-orientation in creating consumer value, the study also examines the facilitating role of brand-orientation in implementing marketing strategy. Previous research is limited on this question, but there is some evidence of such a role (Wong and Merrilees, 2007). Their approach was somewhat different to our approach. In the current paper we examine the moderating influence of brand-orientation on the management capability to marketing performance path. The results indicate a large and statistically significant moderation. That is, the path is substantially different between high and low brand-oriented firms (that is, between hybrid orientation and market orientation firms); specifically, 0.42 and 0.14, a two to three-fold difference. High brand-oriented firms are more than twice as able as low brand-oriented firms to leverage management capability into marketing performance.

The marketing performance of firms, measured through sales and market share, is influenced by the creation of customer value and in consistent delivery through operational support. Expressed differently, marketing strategy requires the formulation and design of appropriate strategies that enhance customer value, but also appropriate implementation tactics.

Potentially good strategies will fall short of their performance potential if they are badly implemented (Mankin and Steele, 2005). Demonstrating the marketing strategy implementation benefits of brand orientation identifies and highlights a major role of brand-orientation. Essentially brand-orientation sharpens or focuses marketing strategy and sharpens the execution of strategy. Brand-orientation enhances the purpose of the firm and the strategic direction for the firm, with a clearer perspective of the future. A more disciplined approach results, enabling all aspects of operations to be more focused. A clearer and stronger brand essence facilitates marketing objectives, communication to all parties, stronger buy-in, execution and monitoring.

## MANAGERIAL IMPLICATIONS

Firms striving to increase customer value should focus providing superior customer service and enhancing customer relationships. A market-orientation is seen as a foundation for these developments. Firms should always be looking for better ways to gather market intelligence and market research. Increasingly, firms are using online surveys of customers and other newer approaches to gain customer insight. However, a market-orientation by itself is insufficient; rather, it must be leveraged into enhanced customer relationships and providing innovative products and services that better meet customer needs. A second major managerial implication is that brand-orientation facilitates the implementation of marketing strategy. The benefit of brand-orientation is not so much in creating symbolic value to customers, but rather in harnessing the operations of the firm to more robustly, reliably and consistently deliver on what is promised to customers. A stronger brand-orientation facilitates common understanding of the aims and essence of the firm, communication to all parties, stronger buy-in, stronger execution and better monitoring. The common benefit here is that a well-designed and formulated brand identity, vision and strategy will not greatly enhance marketing performance (sales and market share) unless it is tightly aligned and structured through brand-orientation. All internal processes and activities transforming marketing strategies into actions and customer impact are facilitated through the discipline of a brand-orientated approach. This is the mechanism through which brand-orientation has a marketing performance impact.

## TABLES

**Table 1: Influence of brand orientation on performance**

Authors	Context of the study	Influence of brand orientation on:	
		Market performance	Financial performance
Baumgarth (2009)	n = 261, b-to-b sector	Market performance ( $\gamma$ = 0.40)	
Baumgarth (2010)	n = 246, museum sector	Market performance ( $\gamma$ = 0.49)	
Baumgarth/Schmidt (2010)	n = 93, b-to-b companies	Customer-based brand equity ( $\gamma$ = 0.40)	
Bridson/Evans (2004)	n = 336, retailing	Retail offer advantage ( $\gamma$ = 0.29 – 0.58)	
Gromark/Melin (2011)	n = 263; 500 largest companies in Sweden		EBITA ( $R^2$ = 15 %)
Hankinson (2002)	n = 316, NPOs		Differences of voluntary income: low brand orientation: £ 3,278; medium brand orientation: £ 5,900; high brand orientation: £ 6,311)
Napoli (2006)	n = 403, NPOs	Ability to achieve goals ( $\gamma$ = 0.01 – 0.41)	
Wong/Merrilees (2008)		Brand performance ( $\gamma$ = 0.51)	
Hankinson (2012)	n=90; destination brand manager	Market goals ( $\gamma$ = 0.51)	
$\gamma$ : regression coefficient or standardized coefficient of a SEM			

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## **Session 12.4. Retail Environments and Franchise Support**

Room: Swanston #1

Session Chair: Alistair Tombs, University of Queensland

### ***How to Impact Franchisee Adjustment: An Empirical Examination of Franchisor Support***

Markus Blut, Newcastle Business School

Christof Backhaus, Technische Universität Braunschweig

David M. Woisetschläger, Technische Universität Braunschweig

Heiner Evanschitzky, Aston Business School

Tobias Heussler, DB Management Consulting, Germany

### ***Customer Value and Shopping Experience***

Beatriz Chamie, University of Sao Paolo

Ana Ikeda, University of Sao Paolo

Marcos Campomar, University of Sao Paolo

### ***Consumer Innovativeness Effects on Retail Extension Evaluations***

Merissa Chong, Swissotel The Stamford, Singapore

Ravi Pappu, University of Queensland

Alistair Tombs, University of Queensland

### ***Consumers' Willingness to Patronize Foreign-Based Business Format Franchises: Exploring the Fast-Food Sector***

Scott Ertekin, Missouri Western University

Lou Pelton, University of North Texas

Annie Liu, Victoria University of Wellington

Thuy Nguyen, University of North Texas



# HOW TO IMPACT FRANCHISEE ADJUSTMENT: AN EMPIRICAL EXAMINATION OF FRANCHISOR SUPPORT

Markus Blut, Newcastle University, United Kingdom  
Christof Backhaus, Technische Universität Braunschweig, Germany  
David M. Woisetschläger, Technische Universität Braunschweig, Germany  
Heiner Evanschitzky, Aston University, United Kingdom  
Tobias Heussler, DB Management Consulting, Germany

## ABSTRACT

The decision to enter a franchise system and to become a franchisee represents an important change in an individual's work environment (Kaufmann and Stanworth 1995). Once having signed a franchise contract, franchisees usually give up their current jobs and have to learn how to successfully establish and operate a franchise business. The initial phase of an individual's engagement as a franchisee is often accompanied by entrepreneurial euphoria, resulting from the fascination and excitement of beginning a new phase in their working life (Frazer 2001). However, recent research on relationship formation between franchisees and franchisors indicates that after some time, this initial fascination decreases due to sobering experiences with the franchise system. Blut and colleagues (2011) argue that this typical downturn of relationship properties may lead to a number of negative consequences such as increased opportunism of the franchisees, reduced investments, and lowered operational input (Oxenfeldt and Kelly 1968). Thus, it is important for the franchisor to understand why some franchisees adjust well after some time while others do not. Against this background, the contribution of this study is twofold. First, it develops a conceptual model of factors influencing the adjustment of franchisees during their first years. Second, it empirically tests the model including measures in the area of (a) job design, (b) knowledge management, and (c) attractiveness of the franchise using a matched sample consisting of 32 franchise systems and 1,581 franchisees. Based mainly on arguments from the expatriate literature and from social learning theory, we empirically test three hypotheses:

- H1: The decrease of franchisee satisfaction, trust, and commitment when franchisees move from the honeymoon to disillusionment stage is weaker in those franchise systems in which franchisees (a) are granted a high degree of autonomy (b) and in which franchisees are motivated to actively participate in decision making.
- H2: The decrease of franchisee satisfaction, trust, and commitment when franchisees move from the honeymoon to disillusionment stage is weaker in those franchise systems in which (a) franchisors extensively transfer knowledge to their franchisees and in which (b) a high percentage of franchisees has experience through prior self-employment.
- H3: The decrease of franchisee satisfaction, trust, and commitment when franchisees move from the honeymoon to disillusionment stage is weaker in those franchise systems characterized by (a) lower initial investments, (b) lower royalty rates, (c) greater contract lengths, and (d) better reputation of the franchise system.

Due to the nested nature of the data, we test our model using a multilevel regression model. Looking at the level-1 regression results, we note that franchisee satisfaction is significantly lower for franchisees in the disillusionment stage. We also find two significant negative effects on franchisee trust and franchisee commitment. These results indicate that after a period of excitement, franchisees experience disillusionment leading to lower relational properties. Turning to the level-2 effects, we find several cross-level interactions of measures in the area of job design, knowledge management, and attractiveness of the franchise. As expected through our conceptual reasoning, a high degree of franchisee autonomy, franchisee participation, knowledge transfer, prior self-employment, royalty, and reputation of the system buffer the disillusionment of franchisees for each of the three relationship properties, satisfaction, trust, and commitment. Moreover, initial investments are found to display only a buffering effect for trust but not for satisfaction and commitment. Finally, we do not find a cross-level interaction for contract length neither on the slopes of lifecycle-stage on satisfaction, trust, nor commitment. In sum, the results indicate that franchisors can indeed facilitate franchisee adjustment.

References Available Upon Request

## CUSTOMER VALUE AND SHOPPING EXPERIENCE

Beatriz Cavalcante Chamie, University of Sao Paulo, Brazil

Ana Akemi Ikeda, University of Sao Paulo, Brazil

Marcos Cortez Campomar, University of Sao Paulo, Brazil

### ABSTRACT

Many trends have characterized the modern retailing, including the competition between the brick and mortar and online stores. Brick and mortar stores have to find new ways to create shopper value making the act of buying a moment of pleasure. In order to obtain success on shopper experiences strategies it is important to consider tangibles and intangibles aspects that provide customer value. This study aims to understand what shoppers' value in their shopping experience in a toy store. The present research was based on means-end chain model to identify the elements that generates value. To reach the research goal a laddering technique was conducted with 15 in-depth interviews. The research has found six main shopper value representations: i) the toy store is a means to obtain stimuli that assist child development; (ii) the magical and playful stimuli evoke memories and fantasies; (iii) time and money are important resources upon purchase; (iv) the toy has to trigger child's desire; (v) the variety offered is important to support the choice; and (vi) the feeling of making a good purchase is a desired factor. Finally there is proposal on how retail can offer a superior value over the shopper experience.

### INTRODUCTION

Retail is a fascinating sector due to the range of products and particularities in the provision of services, and is often the first consumer contact with the product. The definitions of retail sometimes characterize it as a mere place for the provision of products from the industry. But it is also a place where there are trades of value, objective and subjective trades, a place where the client receives physical products, services, convenience and experiences, and on the other hand, he pays with its time, money and energy. For a positive equation, this result must be equal or higher than the expectations. Retail in the contemporary world is being challenged to increasingly become a generator of experiences, providing moments of pleasure and/or leisure during the shopping process. Shopping can be more than fulfilling a task, shopping can be a distraction, pleasure, leisure, learning, fun and even a way to take care of yourself. In this scenario, retailers, regardless of the type of product sold, will increasingly find difficulties to operate in the traditional way, attracting customers only through the location, the assortment offered and the low price policy. The positive experience when shopping should be a major goal for retailers, and for this, it is necessary to understand what has value to the shopper during this process. Woodruff (1997) states that in order to understand what the target customer values, one can prioritize the various dimensions of value identified to then reflect on how much retail exercises these elements in practice.

**The purpose of this article is to identify the objective and subjective factors involved in the shopping experience that create shopper value in toys stores.** Holbrook (1999, p.9) explains that the experience plays a central position on customer value creation. As shown in Illustration 1, the variable value was studied using the model of the means-end chain theory, which proposes the breakdown of the attributes, consequences (benefits) and personal values to identify the elements that generates customer value. The attributes and consequences (benefits) comprise the factors valued by customers, who are motivated by personal values.

The toys retailers were chosen because it uses a large number of visual and interactive stimulation through themed items (toys) and can provide an involving and joyful shopping experience, since their products meet emotional and entertainment needs. This article consists of a theoretical review that focuses on the value and shopping motivation issues, followed by a presentation of the methodology used, the analysis and results through field research and finally, the possibilities for retail to act in the customer value creation.

### LITERATURE REVIEW

The literature review explores the concept of customer value with the definition in light of various authors, then present the model of the means-end chain theory followed by a description of the factors involved in the shopper's purchase motivation.

## a) Customer Value

The concept of value in marketing is influenced by various fields of knowledge (Richins 1994; Veludo-de-Oliveira, and Ikeda 2005). It was in economics that the studies of value in the context of exchange began. Richins (1994) explains that in the context of economics, customer value is represented by the price he is willing to pay versus the utility or satisfaction that the good provides. The author adds that while this approach may be appropriate for some situations, there are several reasons to believe that the economic value can not fully capture the actual value of many objects owned by consumers, because value is not only on economic goods that can be sold or traded. The value assigned to several objects, even though they can be traded, may be related to the emotional sphere rather than its economic value. Kotler (1972), in his article "A generic concept of marketing" mentions that the basis of marketing is "[...] the exchange of value between two parties, and valuable items are not necessarily limited to goods, services and money; they also include other resources such as time, energy and feelings." (p. 48). That is, value is traditionally originated through confrontations between the benefits and costs involved, which are not always just monetary. Thus, creating value is to deliver a good balance between the benefits obtained and the costs involved in this process. In the marketing literature, value is analyzed under the context of exchange. The term can be used taking up the company or customer as a perspective and can be part of the following concepts: (i) customer lifetime value; (ii) customer value; and (iii) customer's personal values (approach more related to the field of psychology). These definitions, even with close nomenclatures, have totally different concepts, as can be seen in Illustration 2.

This paper will focus on customers' perspective. Among the various approaches to understand its meaning the most frequent is the cost-benefit ratio (Byramjee, and Bhagat, and Klein 2010). The concept is defined as follows:

- (i) "Perceived value is consumer's overall assessment of utility of a product based on perceptions of what is received and what is given." (Zeithaml 1988:14).
- (ii) "Customer value is market-perceived quality adjusted for the relative price of the product." (Gale 1994:xiv).
- (iii) "Customer value is the emotional bond established between a customer and a producer after the customer has used a salient product or service produced by that supplier and found the product to provide an added value." (Butz, and Goodstein 1996:63).
- (iv) "Customer value is an interactive relativistic preference experience." (Holbrook 1996:138).
- (v) "Value is often represented by: getting something extra; having needs satisfied; having expectations met; providing more than just low prices or basic products; providing products that are superior to competitors' products; producing higher-quality products." (Arora, and Singer 2006:93)
- (i) "Customer value is the customer's perceived preference for and evaluation of the product attribute, attribute performance, and consequences arising from use that facilitate (or block) achieving the customer goal and purposes in use situation." (Woodruff 1997:142).
- (ii) "The customers' perception of what they want to happen (that is, the consequences) in a specific type of situation of use, with the aid of a product or service offer, in order to accomplish a purpose or goal." (Woodruff, and Gardial 1996:54).

The definitions presented in the literature usually indicate a relationship of exchange between what is given and what is received (cost and benefits), but not always the authors clearly indicate a holistic view on the construction of value. Another definition to be emphasized is proposed by Woodruff and Gardial (1996), who highlight that value is created when the benefit is delivered, that is, the products are the means to achieve certain goals, and are created through the delivery of the consequences (benefits) resulting from the full experience lived by the consumer, and by the inherent characteristics of the product purchased, and the consequences that occurred in the situation of use.

An important distinction within the concept of customer value is the understanding of received value and desired value. According to Flint and Woodruff (2001), received value refers to the value that the customer actually experiences through the interaction with a specific product (whether a good or service), on the other hand, the desired value refers to the value the customer wants to receive from this product (good or service) and from those who offer them, in many ways more comprehensive than just the desired attributes. The desired value is formed through the complete delivery of the product, attributes and resulting consequences, whether positive and negative, monetary and nonmonetary, that the consumer wishes to occur. Flint and Woodruff (2001) argue that the desired value changes over time, because from the experience in the uses, customers learn to want attributes of new values with different consequences. According to Veludo-de-Oliveira and Ikeda (2005), the understanding, under the customer's perspective, of what value means, allows the organizations enhancement, creation and improvement of marketing strategies according to the factors identified. Holbrook (1996; 1999) proposes that the nature of value is an inter-relationship between four dimensions: (i) interaction: relationship between the consumer and the object (product); (ii) relativism: comparison between objects, between people and in a specific context; (iii) preference: related to the judgment; and (iv) experience: value is not in the product purchased or in the brand chosen or object possessed, but in the experience derived therefrom. Sheth *et al.* (1991a, and 1991b) state that value is multifaceted, comprising a set of

distinct dimensions. These distinct dimensions, according to the authors, make a difference in the contribution of a certain situation of choice. Thus, they present five dimensions of customer value that guide the entire behavior of choice of the market. These values are identified through the choices made, they are: (i) functional value; (ii) social value; (iii) emotional value; (iv) epistemic value; and (v) conditional value. In general, one can conclude that value is something perceived by the customer either in a rational and emotional manner, and thus retail can influence in its result, but not define it objectively.

#### **b) Means–End Chain Theory**

The model proposed in the means–end chain theory presents a way to understand the factors involved in the customer value creation. In other words, it is a model for the identification of the attributes (objective characteristics), consequences (benefits obtained) and personal values (deep motivations) that assist the identification of value–creating constructs, from the most objective to the most subjective aspects. Value is created through the delivery of benefits (consequences) that help consumers achieve their goals (Flint, and Woodruff 1997), which are motivated by personal values. Consumers have personal values that they intend to achieve and the situation of consumption is an opportunity to recognize them, that is, over time people learn which choices in certain situations helps them to achieve certain desired personal values (Gutman 1981). Therefore, products are purchased due to what they represent to people (Reynolds, and Gutman 1988). Gutman (1982) complements that the model of means–end chain is based on two fundamental principles: (i) the personal values that are defined as desirable final status and play a dominant role in guiding choice patterns; and (ii) people deal with a huge diversity of products that are potential to meet their personal values (drivers), grouping them into sets or classes in order to reduce the complexity of choice. The central aspect of the means–end chain model is that the consumer chooses the actions that produce the desired effects seeking to minimize undesired consequences. Gengler, and Reynolds (1995) report that consumers translate the attributes of the product into the production of benefits (or consequences), and the benefits are ultimately translated to the consumer in a direction oriented to personal values. That is, the product, as defined by its perceptual attributes, is the means that meets the most personal ends, represented by personal values. They complement that the means–end chain theory postulates the way by which these physical attributes of the products are related to the personal values of the individuals and define how products gain personal relevance and meaning. Botschen, and Thelen, and Oieters (1999) complement that the chain begins with the components product, service or behavior (attributes) and establishes a sequence of links with the concept of self (personal values) through the consequences perceived or benefits produced by certain attributes of the product, service or behavior. The means–end chain forms the so–called A–C–V (attributes, consequences and personal values).

#### **c) Shopping Motivation**

The shopping occurs when the consumer need for a particular good is sufficient for the allocation of time and money to generate a trip to a store, or when the consumer needs attention, wants to be with their friends or in contact with people, feels the need to walk or simply wants a leisure time (Tauber 1972). The shoppers get to the retail stores with a certain mindset, and with a mission or purpose. Soars (2009) describes that there are three main types of shopper missions, namely: (i) task: the shopper with this mission is driven by the need and has a shopping route set, but may have inspirations along the way, (ii) complex shopping: the shopper is more likely to be influenced by the atmosphere and the communication materials to assist the process, and (iii) search/recreation: this mission is actively seeking inspiration, guidance is not a priority and there is a great opportunity to provide the right atmosphere to involve the shopper and attract them. In the late '70s, Holbrook, and Hirschman (1982) found that there was a questioning to the knowledge of the time with respect to information processing, which ignored various leisure activities, sensory and aesthetic pleasures and emotional responses involved in the act of consumption. In the early '80s, consumption began to be seen as involving a steady flow of fantasies, feelings and fun; this was called existential or experiential vision. This phenomenological perspective brought an experimental insight to the information processing of customer behavior. These aspects were then called the “three Fs”, designation from the words: fantasy, felling and fun. In this context, fantasy means dream, imagination and unconscious desires; feelings represent emotions such as love, hate, anger, fear, joy and sadness; and fun represents the hedonic pleasures arising from recreational activities or aesthetic pleasures. To Babin, Darden and Griffin (1994) consumers can evaluate shopping experience as having both, utilitarian and hedonic values; although different, they are also complementary. Hirschman, and Holbrook 1982:100 complement “We believe that consumer behavior is much more complex regarding to sensation, imagination and emotion than what the traditional approach has reflected”. Addis, and Holbrook (2001) describe the increasing importance given to the subjective factors in consumption, and call this trend explosion of subjectivity. According to the authors, subjectivity is a term used to refer to the psychological aspects (feelings, thoughts and perceptions), which constantly change according to the environment. Shoppers consciously have a rational reason to make the purchase, but the subconscious emotions play an important role (Soars 2009). Shoppers who are motivated by hedonic factors are called by some authors as recreational

shoppers (Kaltcheva, and Weitz 2006). Korgaonkar, and Bellenger (1980) conducted a study that shows the importance of shoppers who seek a recreational nature during their shopping experience, as opposed to shoppers who buy for convenience or economic factors (also called task-oriented). These are those who dislike or are indifferent to the act of buying and primarily seek to save money or time, since the shopping experience is not a pleasurable use of their time. Recreational shoppers find pleasure when shopping and want more than just saving time or money. According to the authors, recreational shoppers engage in more unplanned purchases; they are less oriented to a task when shopping; they spend more time buying; they are more likely to continue walking through the stores after making the purchase, and are more interested in the search for information. Arnold, and Reynolds (2003) describe that the shopping process can be motivated by factors such as: (i) adventure: sense of exploration, pleasure, excitement and suspense as to what can be found; (ii) socialization: creating a chance of spending time with friends and family; (iii) bonus: a way to relax or cheer up, think about other things and forget the day-to-day problems, making one feel special, acting as a reward; (iv) inspiration: a shopwindow generates inspiration, updates on fashion, trends and technology. It is like a hobby; (v) to others: buying to others is more pleasant, giving a gift and find something really special that the person likes is a huge satisfaction, and; (vi) opportunity: it is like a game in search for deals and opportunities where the goal is to spend the money in the best way possible. Soars (2003) states that shoppers who feel smart, inspired and positive are the ones who spend more time in the store and buy more, driven also by the psychology of time perception. He adds that the shopping experience and time savings are as important to a shopper as money, because when shoppers enjoy the shopping trip and buy what they planned more quickly than expected, finding products easily, they get positive, and therefore, more prone to spend higher at the retailer, as if there was a symbiosis between what they are doing as shoppers and what the environment is doing for them. Thus, the challenge is to create an environment where shoppers perceive a unique relationship with the store. The literature review was important to understand the concepts of value that is the essential point of this study; the means-end theory to learn how to identify them by field research and the shopping motivation as the initial flash that triggers all the process.

## **METHODOLOGY, ANALYSIS AND RESULTS OF THE FIELD RESEARCH**

The present study employed the laddering technique through the means-end chain theory, mapping the elements forming value. Laddering is a qualitative research technique used to understand the behavior that has been used especially in marketing to explore personal opinions, attitudes, beliefs, and mainly in studies on customer value because it enables the discovery of attributes, consequences and personal values in a structured and deep manner (Veludo-de-Oliveira, and Ikeda, and Campomar 2006). Laddering refers to an in-depth discussion that focuses on the connections between personal values and the process of choice (Gutman 1991). According to Veludo-de-Oliveira, and Ikeda (2008), laddering follows the primary meaning of the technique which is to go through the most superficial to the deepest level, from the most concrete to the most abstract and from the most tangible to the most conceptual. Reynolds, and Gutman (1988) state that the respondents have to feel like they were on a journey of self-discovery and that the purpose of the trip is to revisit the common experiences and examine the premises and desires to conduct seemingly simple choices. The means-end chain, through the identification of attributes (that is, objective characteristics), consequences (benefits earned) and personal values (deep motivations), can help identify the factors that generate value, from the most objective aspects (attributes) to the most subjective (personal values). Customer value differs from personal values, but the first is driven by the second profoundly, thereby being interconnected. By thinking in a more tangible plan of actions based on what shopper values, the consequence, that is, the benefit, is one of the main points of attention, since the value, according to the definition of several authors mentioned in the paper, is obtained by means of the list of benefits obtained compared to the cost involved in the process as a whole. Value is created through the delivery of benefits that help consumers achieve their goals (Flint, and Woodruff, and Gardial 1997). The research was conducted in the first half of 2012 and performed with 15 shoppers, mothers of children from 2 to 8 years old, residents of Greater São Paulo, Brazil, belonging to the higher groups of economic classification named B1, A2 or A1 (ABEP 2009) who visited at least three times a toy store in the six months preceding the interview. The data collection occurred through in-depth interviews. In the present study, the shopper is the mother who often has different goals from the consumer, which in this case is predominantly the child. The consumer has a great influence on the purchase (especially children above four years old), regardless of their presence. The great expectation of the shopper is the satisfaction of the child, awakening their desire. On the other hand, the search for something that helps in the education and development of the consumers (children) proved to be a priority in the choice process. That is, it is the interest of the consumer (child) occurring together with the interest of the shopper, which in this case is the mother concerned with the education process of the child. The interviews resulted in 155 ladders, there were constructed using a content analysis technique, with an average of 10 ladders per respondent. The content analysis generated a total of 52 elements in the value chain: 16 concrete attributes, 8 abstract attributes, 8 functional consequences, 7 psychological consequences, 7 instrumental personal values and 6 terminal personal values. All elements have gained a meaning based on the interviews. After obtaining the elements as the total result of the interview, this study followed the technique of analysis and interpretation proposed in the laddering, which consisted of: (i) construction of the



implication matrix that summarize the direct and indirect relations among the different elements (ii) construction of the hierarchical value map (HVM), Illustration 3, where it is possible to observe in a visual manner the priority connections among the elements generating shopper value, at the end, (iii) identification of dominant perceptions. Each element had a code as an address to make it possible to process the primary data. The laddering data processing make this qualitative technique looks like a quantitative technique. The implication matrix was constructed in order to analyse how strong the connection between the elements was. The ones with less than 4 respondents (27%) connecting them were ignored in order to build the HVM. The hierarchical value map (HVM) made possible to see the connections between the elements in a graphical way, as shown in Illustration 3. The code above each element is related to their identification, and the number below is the frequency that they appear in the ladders. After the HVM construction, the dominant perceptions were identified, because they are the ones that made the shopper value findings more consistent. This step was of the most exhausting on the analysis, once the HVM had 259 chains as possibilities and it had to be measured individually in order to obtain the strongest chains. Through the most representative chains, it was possible to obtain the representations for the meaning of shopper values in the toy shopping experience.

The functional consequences (elements C) identified in the representative chains were the center of the shopper value construction, moved by attributes (tools) and by personal values (deep motivation) in order to set their meaning. The main representations of shopper value in the toy shopping experience were groped into six major topics: i) the toy store is a means to obtain stimuli that assist child development (C4 element); (ii) the magical and playful stimuli evoke memories and fantasies (C6 element); (iii) time and money are important resources upon purchase (C1 element); (iv) the toy has to trigger child's desire (C3 element); (v) the variety offered is important to support the choice (C5 element); and (vi) the feeling of making a good purchase is a desired factor (C7 element). The Illustration 4 presents subtopics with the elements linked to them.

The shoppers often have little clarity about what can be bought and start a search and inspiration process. The search for inspiration on what to buy seemed to be relevant in the profile of store studied and a demotivating factor of the development of online shopping. The shopper wants to be seduced in the store by magical stimuli, an atmosphere that leads to the fantasy and reminds them of their childhood. Many shoppers also seek the store as a means of recreation for their children, a way of entertainment that does not necessarily need to result in a purchase process, thus supporting the trend of hedonic shopping trips. Therefore, we see a high incidence of recreational shoppers (Kaltcheva, and Weitz 2006; Korgaonkar, and Bellenger 1980) who feel pleasure in the act of purchasing and want more than just saving time and money, they engage in unplanned shopping and are interested in finding information. On the other hand, there are those who avoid taking their children to the stores, because even getting involved with the environment, they seek a more practical aspect and focus on solving a task, which usually refers to buying gifts. This task is motivated by a search for confidence in the process of choice, as well as the savings of time and money resources. The research proved the assertion of Soars (2009), which describes that shoppers often have a rational reason to make their purchases, but subconsciously, their emotions play an important role.

The toy store is seen as a place of entertainment, fun and imagination, and that is why the main associations made are positive. There are shoppers who seek the store as a leisure program for the family and those who avoid them when they are with their children, as they are required to set limits with relation to their purchases. Children play a large degree of influence on purchases, often leaving mothers with the function of approval or veto. Brick and mortar stores are the preferences for shopping toys and shoppers seek online stores only if they want something specific and difficult to find in the brick and mortar store, as they like to touch and see the actual product before purchase.

## CONCLUSIONS

The present study supports the definition of authors concerning the need of a holistic view in order to reach a superior customer value (Holbrook, 1996; 1999, Woodruff and Gardial, 1996, Sheth *et al.* 1991b). The concept of value is very important to marketing, but it is often used generically reflecting little clarity on how to reach it. Delivering shoppers what they want goes beyond the delivery of attributes; it goes beyond a practical delivery; it is also the delivery of the feelings and personal values.

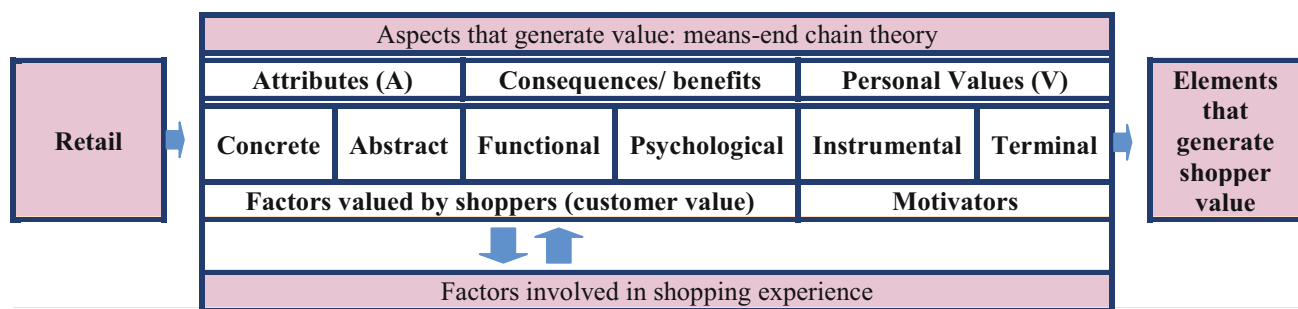
The literature review supported the problem recognition and was fundamental to the study in order to organize the findings. The result of the field research supported the creation of major representations showed in Illustration 4 (vision on what has to be done) and Illustration 5 (how to do it). The Illustration 5, shows the priority elements identified in the laddering study, and displays some possible actions for retailers to create strategies that generate shopper value. The creation of shopper value is represented by the benefits (consequences). These benefits delivered through the consequences of the attributes (or

performance tools in retail) are largely responsible for the creation of shopper value during their shopping experience. Illustration 5 presents a practical translation of: (i) what to develop in the store (concrete attribute); (ii) the focus of the offer (abstract attribute); (iii) what to deliver (functional consequences); (iv) the feeling that must be aroused (psychological consequences); (v) the drivers of behavior (instrumental personal value); and, finally, (vi) the deep motivations (terminal personal value).

It can be observed that retail does not create value only through the exchange of products for money, but in its full shopping experience that includes tangible and emotional factors. Interestingly, the research through the methodology adopted provides not only the answer on **what to do**, but also **how to do**. For example, aiming to increase the information in the store may seem very comprehensive, so it is necessary to determine how a retailer can do this. That is, what is the way of action and feeling that it should cause? To increase the customer value, one should not think only in practical ways, but also in the feelings that the “how” of the action should stimulate.

Finally, we understand that the in-store experience is the result of several factors that jointly affect the shopper value so a holistic perspective in the evaluation of the store and its effects is crucial. It is necessary to evaluate the aspects that make up the full shopping experience in-store in an integrated way, since they are interrelated. The customer value is a subject still little explored in the retail sphere, with opportunities for additional contributions that could bring new information to the academic community and to the retailers and so to become increasingly competitive, delivering a superior service to its target audience and consequently improving its results.

**ILLUSTRATION 1**  
**Theoretical scheme of the study**



**ILLUSTRATION 2**  
**Concepts of value**

Customer lifetime value	Also called customer equity. It is the total of the discounted lifetime values of all the firm's customers (RUST et. al., 2001). It's a company's perspective.
Customer value	Customer value is the evaluation of the usefulness of a product based on the perception of what is given in return for what is received, that is, an equation between the costs and benefits involved in the exchange process (ZEITHAML, 1988). It is a customer's perspective.
Customer's personal value	Personal values are the center, core, beliefs that drive the customer behavior in various situations; they are long lasting and independent of the shopping situation or product use. They are motivators that drive customers in the exchange process (FLINT; WOODDRUFF, 2001). It is a customer's perspective.



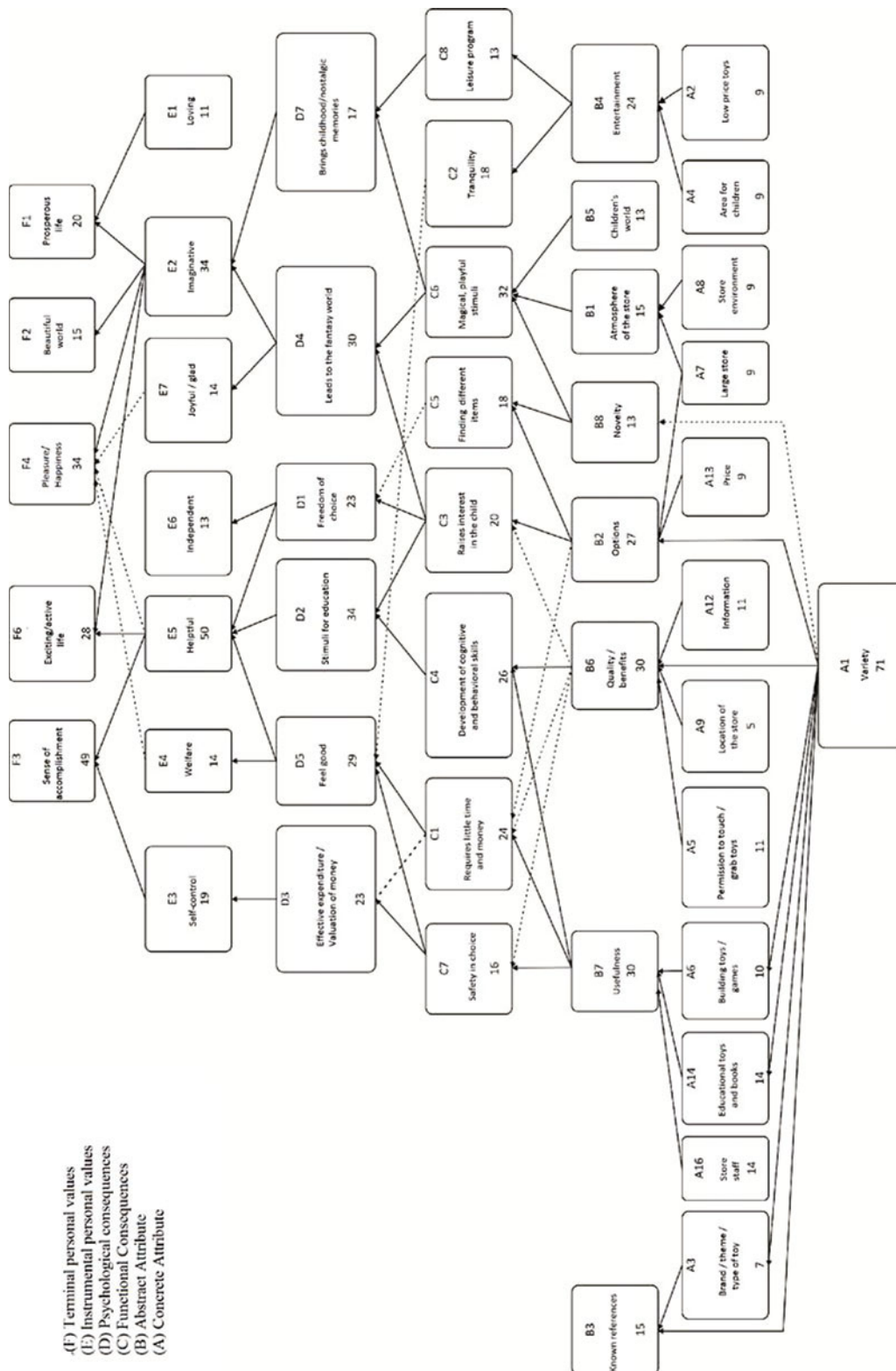


ILLUSTRATION 3

### Hierarchical map of value (HMV) in toy shopping experience

Notes: 1. Dotted lines = crossed lines 2. The elements A15, A10, A11, D6 and F5 are not present in the chains, as they do not have representative connections for their formation. In addition, the elements A3, B3 and E6 do not result in terminal values and are therefore invalid.

**ILLUSTRATION 4**  
**Major representations of shopper value in toy shopping experience**

1. Toy store is a means to obtain stimuli that assist child development.
  - a) The quality and benefits of the variety offered as a means to obtain stimuli,
  - b) The importance of the presence of toys interpreted as useful as well as educational toys, books, games and toys to assemble in the variety of the store.
  - c) The information and store staff as a means to facilitate the search for stimuli.
2. Magical and playful stimuli evoke memories and fantasies.
  - a) The fantasy world
  - b) When I was a kid, it was like this...
3. Time and money are important resources when shopping.
  - a) Expensive gifts only on special occasions.
  - b) Time is worth a lot.
4. The toy has to trigger child's desire
  - a) Something that develop child in a fun way.
  - b) Freedom and imagination to arouse the desire of the child
5. The variety offered is important to support the choice.
6. The feeling of making a good purchase is a desired factor.
  - a) Costs and benefits involved in the purchase.
  - b) The importance of effective communication in the store.

SOURCE: Representation proposed by the authors.

**ILLUSTRATION 5**  
**Possible actions of toys' retailers that generate shopper value**

		<b>Priority elements</b>
<b>Tools (Attributes)</b>	What to develop in the store? (Concrete Attribute)	Assortment; Permission to touch/grab toys; Building toys/games; Location of the store; Information; Price Educational toys and books; Store staff
	Focused on the offer of (Abstract Attribute)	Options; Quality/benefits; Usefulness; Novelty
<b>What has value to the shopper in the shopping experience (Consequences)</b>	Aiming to deliver the following benefits in the shopping experience and products found ... (Functional Consequences)	Lower expenditure (time and money); Arouse the child's interest; Products that develop the cognitive and behavioral skills; Find different items; Magical, playful stimuli; Safety in the choice
	That makes the shopper feel.... (Psychological Consequences)	Freedom of choice; Stimuli for education; Effective expenditure / valuation of money; Stimulus to the fantasy world; Welfare; Memory of childhood- nostalgic
<b>Drivers (Personal values)</b>	The behavior Is driven by... (Instrumental Personal Value)	Imagination Self-control Effectiveness (Helpful) Joy, satisfaction
	For its deeper motivation is the search for... (Terminal Personal Value)	Prosperous life; Beautiful world; Sense of accomplishment; Pleasure/happiness; Exciting/active life

SOURCE: Representation proposed by the authors.

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## CONSUMER INNOVATIVENESS EFFECTS ON RETAIL EXTENSION EVALUATIONS

Merissa Chong, University of Queensland, Australia

Ravi Pappu, University of Queensland, Australia

Alastair Tombs, University of Queensland, Australia

### ABSTRACT

Retail firms are continually seeking ways to grow their business, sell more products, extend into new markets and so increase the equity of their brands. One successful growth strategy to achieve such objectives is brand extension. Despite considerable research in the area of brand extensions, there is surprisingly little research on how consumers view retail extensions. This study examines how consumer innovativeness affects their evaluations of two important components of the brand equity of retail extensions. The proposed conceptual model was tested for two global retailers that offered retail extensions of varying level of similarity to the parent retailer: McDonald's (who have extended their brand into McCafe) and KMart (who have extended their brand into KMart Tyre and Auto Service). Participants ( $n_1 = 255$ ,  $n_2 = 250$ ) were adult consumers who evaluated the store retailer brand and its retail extension on perceived quality, brand loyalty and reported their innovativeness. The results indicated that perceptions of quality mediated the impact of customer innovativeness on brand loyalty. These effects were stronger where the retailer-extension pair was similar rather than diverse.

References Available Upon Request

# **CONSUMERS' WILLINGNESS TO PATRONIZE FOREIGN-BASED BUSINESS FORMAT FRANCHISES: EXPLORING THE FAST-FOOD SECTOR**

Scott Ertekin, Missouri Western State University, U.S.A.  
Lou E. Pelton, University of North Texas, U.S.A.  
Annie H. Liu, Victoria University in Wellington, New Zealand  
ThuyNguyen, University of North Texas, U.S.A.

## **ABSTRACT**

There exists a long-standing tradition of U.S.-based business format franchises that export their brands and franchise concepts abroad. In fact, the United States has long been the world leader in exporting franchises. In 2007, more than 93% of all global franchises were based in the United States. The globalization of brand mammoths like Century 21, McDonald's, 7-Eleven and Starbucks illuminate the unprecedented growth of U.S.-based franchises worldwide. However, the U.S. market has experienced a new trend: it is now a focal market for foreign-based franchise systems' global market entry and expansion strategies ("Buying a Foreign-Based Franchise" 2005). The findings of this study provide important insights for global franchising managers. For instance, a focus on creating consumer affect is seen to be fruitful as I was able to find support for the affect and retail patronage linkage. As global franchise offerings are new and original, they might be more successful if the managers focus on creating affect, especially during the market penetration stage where first impressions are formed. In addition, creating curiosity about product offerings is also advisable for such foreign-based firms, as there was a positive association for the level of curiosity and retail patronage. The curiosity dimension is very important for foreign-based retail firms as the service offering they bring to the United States is characterized by uniqueness or authenticity. To that end, if these strategies are pursued, then the practical benefits of this would be immense. In addition, the inability to link essentialist categorizations to retail patronage can be important, such that a focus on signs, symbols, and artifacts might not necessarily have negative consequences, even for consumers who are high in essentialist categorizations.

References Available Upon Request

**Session 12.5. Pay What You Want Pricing, Price, Quality and Size**

Room: Swanston #2

Session Chair: Atanu Adhikari, Indian Institute of Management

***Pay What You Want: Willingness to Pay under No, Part, and Full Information about Cost of Product***

Atanu Adhikari, Indian Institute of Management

***Factors Influencing Customers' Willingness to Pay Under What You Want Context: A Structured Abstract***

Rajat Roy, Curtin University

Fazlul Rabbanee, Curtin University

***Factors Moderating Asymmetric Inter-Tier Competition: A Conceptual Examination Using Price-Quality Tradeoff Framework***

K. Sivakumar, Lehigh University



# **PAY WHAT YOU WANT: WILLINGNESS TO PAY UNDER NO, PART, AND FULL INFORMATION OF COST OF PRODUCT**

Dr. Atanu Adhikari, Indian Institute of Management Kozhikode, India

## **ABSTRACT**

In pay what you want pricing method, consumers are free to determine the price of the product (including zero) and pay accordingly. Researchers found that delegation of power to the consumer for deciding price, combined with their social status encourages them to pay a reasonable price for the product they consume. Studies suggest that consumer's willingness to pay differ in presence of information about the product than in absence.

This study investigates consumer's willingness to pay under pay what you want (PWYW) pricing strategy when they are not informed about the cost of the product, only informed about total cost of the product, and fully informed about the detail cost of the product by the seller. Experimental research is conducted in the context of food item to measure consumers' willingness to pay in PWYW pricing strategy. Two studies were conducted on food items and hot beverages. The average price paid under PWYW condition is significantly greater than zero ( $p < 0.01$ ) in all the cases studied. However, interesting finding of our research is that consumers' willingness to pay increases significantly ( $p < .05$ ) when sellers disclose cost of the product. Unlike some of the earlier studies we found that number of units sold and total revenue under PWYW pricing are significantly higher than total number of units sold and total revenue under regular pricing (both cases  $p < 0.01$ ). It is observed that percentage increase in revenue as well as in unit sold is considerably less when consumers are exposed to social pressure (study 2) than when they are not exposed to social pressure by the seller (study 1). On the other hand, quite interestingly, we found that percentage of consumers' willingness to pay over the disclosed cost price by the seller is significantly higher ( $p < .05$ ) when seller force customers to social pressure, than otherwise. This study provides a theoretical and empirical insight of how willingness to pay changes under PWYW pricing when customers are exposed to information about the cost of product by the sellers. It is also shown in this study the consumer's behaviour in pay what you want pricing when they are exposed to social pressure.

This study analyses consumers buying behaviour from different perspective and estimates the effect of pay what you want pricing on number of units sold, total revenue, total profit and percentage of increase in willingness to pay over the cost price of the items. Our experiments in line with previous researchers also show that consumers do not follow the traditional economic theory of rationality in this context pay price significantly higher than zero when there are allowed to pay nothing. The study also revealed an interesting behaviour of consumers as it found that total sales and total revenue are significantly less when consumers are exposed to social pressure than when they are not exposed to social pressure.

Reference will be available on request.

## **FACTORS INFLUENCING CONSUMERS' WILLINGNESS TO PAY UNDER PAY WHAT YOU WANT CONTEXT**

Rajat Roy, School of Marketing, Curtin University, Australia  
Fazlul K. Rabbanee, School of Marketing, Curtin University, Australia

### **ABSTRACT**

Pay What You Want (PWYW) is a type of participative pricing mechanism where the buyer can offer any price including a price of zero; and the seller has to accept the price without withdrawing the product offer. Although existing research identified several variables such as altruism, price consciousness, reference price, income, and perceived fairness of the price paid to influence consumers' willingness to pay (WTP) under PWYW context; however, many of these variables may act in complex interactive ways. To the best of our knowledge, no study tested the interaction among these variables in a PWYW context. This research examined the direct and interactive impact of product involvement, price consciousness and internal reference price on consumers' WTP under PWYW context. It confirmed that consumers pay a significantly higher price than zero under PWYW condition. The findings of the study revealed that product involvement had a direct impact on consumers' WTP. Further, the effect of product involvement on consumers' WTP was found to be moderated by price consciousness. This moderation, however, took place for consumers with high internal reference price but not for consumers with low internal reference price. Managerial implications of the findings were discussed.

# **FACTORS MODERATING ASYMMETRIC INTER-TIER COMPETITION: A CONCEPTUAL EXAMINATION USING PRICE-QUALITY TRADEOFF FRAMEWORK**

K. Sivakumar, Lehigh University, USA

## **ABSTRACT**

Much existing research has demonstrated the superiority of high-tier brands over low-tier brands in benefitting from price competition between the two tiers. This research expands our knowledge by examining the role of factors moderating this asymmetry in inter-tier competition. Using the conceptualization of price-quality tradeoffs from existing research, we derive several research propositions that explicate how these moderating factors define the boundary conditions of inter-brand competition. Theoretical contributions, managerial implications, and future research directions emanating from our research are highlighted.

**Session 12.6. Marketing in Asia: Adoption and Decision Making**

Room: Tower 2

Session Chair: Matthew Liu, University of Macao

**A New Viewpoint on the Structure of Consideration Set and Its Change**

Naoki Akamatsu, Keio University

**How Confucius Influences Consumer's View on Socially Responsible Corporations: A Structured Abstract**

Felix Tang, Hang Seng Management College

Vane-Ing Tian, Open University of Hong Kong

Alan Ching-Biu Tse, Chinese University of Hong Kong

Eric Chee, Hang Seng Management College

**Impact of Culture on Indian Consumers: An Exploratory Study**

Taposh Ghoshal, Central University of Jharkhand

**Friday, 6:00-7:00 p.m.**

**President's Reception**

**Swanston Rooms**

**Friday, 7:00-9:00 p.m.**

**Congress Banquet**

**Langham Hotel Ballroom**

# A NEW VIEWPOINT ON THE STRUCTURE OF THE CONSIDERATION SET AND ITS CHANGE

Naoki Akamatsu, Keio University, Japan

## ABSTRACT

Many studies have examined the structure of the consideration set; however, few studies have been concentrated on its formation flow or change. Although Jarvis and Wilcox (1973) have stressed the importance of these factors, the actual data show that studies on these aspects of this important topic are seldom performed. The purpose of this study is, first, to provide a new viewpoint on the structure of the consideration set by examining the two factors—"size" and "grade of homogeneity"—through a review of the structure of the consideration set, and by providing data that confirms its usefulness. Next, by using this new approach, the role of the change in the structural patterns of the consideration set is shown. After classifying consumers according to the pattern change, the difference in contact media is compared and considered.

The application of the new viewpoint revealed differences in consumers' frequency and the intention of the use of contact media. In addition, significant differences were observed among different structure change patterns in contact media. A discussion and detailed results are described below.

(1) Examining the structure of the consideration set according to "size" and "the grade of homogeneity" is useful, particularly because differences in structure are observed among consumers who experience contact with different media. Next, after consumers are classified according to the pattern change in type of the structure of the consideration set, the average value of the frequency of contact media and the intention of the use of some CGM (Consumer Generated Media) sites are compared between some classified groups. (2) "The consumers for whom neither structure nor brand changes" browse a homepage and a blog site more frequently than "the consumers for whom brands taken into consideration completely differ, though the structure did not change." It is thought that consumers who have loyalty to a specific brand perform information contact positively in order to confirm their selection (c.f. Cherney 2003). (3) The intentions of the use of some CGM sites were higher for "those consumers for whom the grade of homogeneity and size changes" than for "consumers for whom brands taken into consideration completely differ, though structure does not change." As pointed out by Howard and Sheth (1969), this is because the information search is positively related to the stage of the comprehensive decision-making—that is, the former consumers will tend to seek variety. This points out the usefulness of determining the differences in consumer behavior with changes in the structural pattern of the consideration set.

Reference available upon request

# HOW CONFUCIUS INFLUENCES CONSUMER'S VIEW ON SOCIALLY RESPONSIBLE CORPORATIONS

Felix Tang, Hang Seng Management College, China

Vane-ing Tian, The Open University of Hong Kong, China

Alan Ching-biu Tse, The Chinese University of Hong Kong, China

Eric Chee, Hang Seng Management College, China

## ABSTRACT

This research discusses and extends a Confucius-based concept, *junzi* and its five virtues to explain how Asian consumers may evaluate the actions of a company from five dimensions (i.e., humaneness, righteousness, propriety, wisdom, and integrity). It develops a consumer-oriented measurement of *junzi* orientation in evaluating the actions of corporations. The result of a face-to-face survey conducted in Hong Kong (n=1,114) indicates consumer's assessment of a corporation's *junzi* orientation significant affects how they evaluate the corporate image of a corporation operating in a Chinese society. Our finding extends Miao's (2004) insight on decision making into the consumer domain; that is, the *junzi* concept provides a culturally-rooted framework in Asian consumer's purchase decision making process. Our finding also echoes Tian's (2010) concern of whether the five virtues are equally important in the eyes of consumers. Our results suggest that among the five dimensions, humaneness (*ren*), propriety (*li*), and integrity (*xin*) are relatively more important in improving a company's image. Our results on age group differences should also be insightful to marketers in developing segmentation, positioning, and CSR strategies in Asian markets.

References available upon request

# **IMPACT OF CULTURE ON INDIAN CONSUMERS: AN EXPLORATORY STUDY**

Taposh Ghoshal, Central University of Jharkhand, India

## **ABSTRACT**

Culture has always been a predominant determinant of consumer behaviour. Culture denotes the ways of living of people, beliefs, values, customs, institutions, languages, technology, art and is considered as the sum total of knowledge, belief, art, morals, custom, and other capabilities and habits acquired by man as a member of the society. India, being the land of diverse cultures nurtured over ages has noteworthy repercussion on the psyche of consumers and their buying behaviour. Today, India's rising economic power is triggered by nearly 120 million consumers who form the strong "Middle Class or Consumer Class" of the country is supported by higher disposable incomes, low cost competitive workforce, investment friendly policies and progressive reform process. India with its rich cultural grounding and a fast growing economy, the study assumes great significance.

The present study examines the level of impact of culture on the Indian consumers. The study follows the classification of cultural indicators, socio-cultural changes and its effect on buying habits of Indian consumers and grouping of cultural constituents into broad categories, suggests cultural indicators for strategy-making. It is seen that socio-cultural changes and its effect on buying habits of Indian consumers have led to a noticeable change in the lifestyle of people and consequently the buying behaviour of people in India, especially in the urban areas. The study demystifies myths prevailing about Indian populace and its predisposition towards markets and products. It also explores the connect between the socio-cultural power distance, collectivism, religion and lifestyle as important aspects of culture with the changing economic environment and its influence on consumer behaviour of people in India.

The study observes that Tradition/ Social Norms/ Value Systems, Lifestyle, Group Influences, Economic Stability and Education have emerged as predominant variables in the cultural change in India having a direct bearing on the consumer behaviour in India. The study reveals India as a fast growing market with immense potential, but, unlike other markets, it is diverse in its socio- cultural aspects and has a profound influence on the way an average Indian leads his life. Business organizations, willing to operate successfully must take this uniqueness as an important factor for charting out their reaching out to its customers in India.

## **INTRODUCTION**

The history of mankind has been a journey of human race on the wings of culture. Culture as followed in different societies in different parts of the world has given humanity with an identity, cohesion and hope to live through the vicissitudes of time. Being an integral part of life, cultures have directed ways of living, influenced preferences and has been crucial in affecting the way people live through their lives.

It has long been recognized that culture has a definite influence on consumers (Duesenberry, 1949). Culture is considered as a composite external factor that influences the consumers (Loudon & Bitta, 1984, Zaltman & Wallendorf, 1983, Schiffman & Kanuk LL, 1983). Nicosia (1966), Engel et.al (1968), Howard and Sheth (1969), Holloway, Mittelstaedt and Venkatesan (1971) that various factors have a definite influence on consumer behaviour. Some of these are external forces and include the culture, social class, and group influence (Kasarjian & Robertson, 1968, Holloway, Mittelstaedt and Venkatesan 1971), while others are internal like individualism with respect to personal belief on religion, ethics and faith. These forces interact with each other and the result is a total environment in which the consumer makes his buying decisions.

Social scientists have defined culture as the "ways of living of people". Broadly speaking, it includes beliefs, values, customs, institutions, languages, technology, art and all other processes of human agency, individual and collective (Chaudhary, 2004). It is also considered as the sum total of knowledge, belief, art, morals, custom, and other capabilities and habits acquired by man as a member of the society. Culture is dynamic (Schiffman & Kanuk, 1983, Chaudhary, 2004), shared (Murdock, 1965) and adaptive (Loudon & Bitta, 1984). It is said to be a "complex whole," consisting of interdependent components, is comprehensive, learnt and manifested within boundaries of acceptable behavior (Sternthal & Craig: 1982). Max Weber used the analogy of a spider's web to symbolize the complex formations of culture (Schroeder, 1992). Simpler formulations suggest culture as the constituent that help groups of people to have a shared history, similar environment and a sense of belonging together (Valsiner, 2000a) or the 'invisible obvious' (Smedslund, 1985). In any case, the core of any culture is the set of values that are individually and collectively regarded crucial to individual's or community's identity in a society (Chakraborty, 1991). Values produce inclinations to respond to specific stimuli in standard ways and determine his behaviour, including his responses to satisfy his needs and wants. Different cultural perspectives provide different stimuli to their members who, in consequence, learn behaviour in a particular time and place (Cole, 1996). Valsiner (2000b) enumerates two fundamental assumptions of a cultural sensitive approach to the study of human behaviour. First, the human



psychological functioning is cultural in nature, and second, that although the guiding force is cultural and outside the individual, each person constructs reality individually.

### **CULTURAL DIVERSITY AND ITS IMPACT ON MARKETS**

Culture as an essential constituent of a market and its influence on changing consumers' preferences has drawn considerable attention in recent times. India is no exception. With strong cultural foundation of over one billion people with different religions, sub-cultures, societal norms and changing paradigms and India today ranking among the world's fastest-growing economies in the world, India is considered as a major emerging consumer market. In view of the growing market potential of India and strong cultural affiliation of average Indian customers, a study of the influence of culture on the pattern of behaviour has emerged as a noteworthy subject of study.

As culture intersects with nationality, culture is interpreted mainly in terms of power distance, individualism, masculinity, uncertainty avoidance, and long-term horizon (Hofstede, 1980), and has its reflections in the socio-cultural norms of people of a particular nationality. The tendency to regard culture to mean nationality is however, often questioned and as it creates an illusion of homogeneity that is just not real and strongly underestimates the heuristic value of the term (Valsiner 2000a). Oomen (1997) prefers to use ethnic identity instead of national identity in a culturally heterogeneous country like India. This is reflected in the socio-cultural matrix of Indian society (Sinha and Tripathi, 2002). In India, the cultural settings might differ but there exists a 'collective individualism' that defines the way of life of an average Indian to a great extent. Oomen (2003) states that there are four distinct features of Indian communities – hierarchy, patriarchy, disparity and exclusion – each influencing the individual/ collective behaviour significantly.

Culture is thus considered as a composite external factor that influences the consumers (Loudon & Bitta, 1984, Zaltman & Wallendorf, 1983, Schiffman & Kanuk LL, 1983), and includes the culture, social class, and group influence (Kasarjian & Robertson, 1968, Holloway, Mittelstaedt and Venkatesan, 1971). Nicosia (1966), Engel et.al (1968), Howard and Sheth (1969), Holloway, Mittelstaedt and Venkatesan (1971) have articulated in their models some of the internal factors - individual values, beliefs, religion etc. and how they influence consumer behaviour. The external and internal forces interact and the result is a total environment in which the consumer makes his buying decisions.

Such interpretation of culture assumes great significance while studying the cultural influence on Indian Consumer considering the strong effect that values, beliefs, customs, religion and other socio-cultural mores have on the way of life of an average Indian, including their buying behaviour.

### **INDIAN CULTURE AND ITS ROOTS**

Culture of India is one of the oldest and most consistent on earth (Singh, 1999). All through these years, the culture prospered in India as the spirit of the masses and provided the all-important foundation and the pillars for this great civilization. In India, culture is deeply embedded in the life of the people. The cultural norms defined by religion, social practices and customs and traditions predominate to a large extent the behaviour in India.

India, as a country, is pluralistic, contradictory, yet integrated into a unified whole. Several cultural traits have been identified as characterizing the commonality of Indian despite a staggering number and variety. This includes an innate ability to improvise, adapt and innovate (Khilnani, 2001, Beteille, 1993). Indian culture is characterized by passion, compassion, sensitivity, happiness, kindness, care and love. It also has a tremendous capacity to be flexible and open-minded and to retain a universal outlook, which has enabled him to preserve its identity over the ages. Such predisposition is deeply rooted in the cultural foundations and embedded intensely in the psyche of Indians. Such deep attachment to the socio-cultural environment integrates the Indian consumer to his traditions and is reflected in his pattern of behaviour.

With the strong cultural foundation of over one billion people with different religions, sub-cultures, societal norms and changing paradigms, India today ranks among the world's fastest-growing economies in the world. It is emerging as a major market and is poised for a quantum leap in terms of economic success in the not so distant future. The rising economy of India founded on such strong cultural footing makes India a unique market for the world and the Indian consumer an important subject for study.

Indian culture is one of the oldest and most consistent on earth (Singh, 1999). It prospered in India as the spirit of the masses and provided the all-important foundation for this great civilization and is reflected in its music, knowledge, languages, castes, creed, religions and history, and has an indelible influence on the people of this country. India, as a country, is pluralistic, contradictory, yet integrated into a unified whole. Several cultural traits have been identified as characterizing the commonality of Indian despite a staggering number and variety including an innate ability to improvise, adapt and innovate (Khilnani, 2001, Beteille, 1993). Ancient Indian scriptures characterize Indian culture with passion, compassion, sensitivity, happiness, kindness, care and love. It also has a wonderful capability to be flexible and open-minded yet retain its original

outlook, which has enabled him to preserve its identity over the ages. The resulting fusion of peoples of different races, religions and nationalities, each with their own unique thoughts and philosophies - the cultural synthesis - is today manifest in its most wondrous form in the life and society of Modern day India. Such deep attachment to the socio-cultural norms of Indian consumer is reflected quite explicitly in their pattern of behavior as well. India is a large country not only as a part of humanity, but also in terms of its diversity, with many languages, cultures and religions, remarkably distinct pursuits, vastly disparate convictions, and widely divergent customs (Sen, 2004).

### THE INDIAN CONSUMERS

The 120 million consumers who form the strong “Middle Class or Consumer Class” of the country provide a true indication of India’s growing economic power. Seventy percent of India's citizens are less than 36 years old. Also, 20 percent of the world's population under the age of 24 is Indians.

In the last two and a half decades, rural India has changed tremendously in its aspirations, attitude and consumption. In the last decade, the income of rural India has grown several-fold (Rajan RV, 2005). The total expenditure of urban India is almost equal to what has been spent by rural India. But what is being spent by urban India is being done by only a small percentage of the population. About 25 per cent of the urban India is spending as much as 75 per cent of what rural India is spending indicating a good potential in rural India.

### THE STUDY

The study aims at doing an in-depth study and has a deep and holistic view of the entire context. Consequently, attempts have been made to explore the level of impact of culture on the Indian consumers. In-depth interaction with a wide cross-section of society comprised of people from various social strata (*Chhotanagpur Tribals, Jains, Jats and Bhumi-hars* - both from urban and rural backgrounds, Intellectuals, businessmen, professionals and salaried people) belonging to different economic clusters (Lower class, Lower middle class, Middle class and Upper middle class), religions (*Hindus, Sikhs, Christians and Muslims*) and cultures (*Rajputs, Bengalis, Tamilians, Punjabis, UPites and Oriyas*). Provided the data A sample of two hundred and fifty seven respondents was selected on the basis of Non-probability sampling (purposive sampling). While selecting the sample, due consideration was given to make it a truly representative sample and ensure that the results of the sample could be applied, in general, for the universe with a reasonable reason of confidence. It was also considered that the sample was viable in the context of funds available for the study. The questions asked to the sample are as follows:

1. Are Indian consumers deeply attached to their culture?
2. If so, what are the important components of Indian culture?
3. What are the most important influences on Indian culture?
4. Is the changing external world having its influence on the Indian consumers?
5. If so, is it resulting in changing cultural values?

The responses were categorized into—

6. Classification of cultural indicators,
7. Socio-cultural changes and its effect on buying habits of Indian consumers, and
8. Grouping of cultural constituents

### CULTURAL INDICATORS FOR STRATEGY-MAKING

The analysis of the data reveals important indicators that could be useful to marketers focusing on India as a market. These indicators can be enumerated as below:

- Indian consumers are deeply attached to their cultural roots. These cultural affiliations are grounded upon strong value systems that provide a source of sustenance for the Indian populace. These cultural realities are observed in the way an Indian leads his life.
- India is viewed as a society with strong social customs. The social norms established over ages in the Indian society echo its culture on two levels. (a) On a societal level, there are numerous socio-religious customs with unique cultural manifestation - religious ceremonies, social norms, value systems and traditions; they mark an Indian’s life from birth to death; *Annaprasan (when a child eats grain for the first time), Sacred Thread ceremony, Institution of Marriages and Shraddh (for the peace of the departed soul)*. Each determines an image of cultural predominance in Indian society. Similarly, aspects relating to conscious vegetarianism or non-vegetarianism symbolize strong cultural references in the Indian social order. (b) On a family level, the traditions and social norms are equally strong. The joint family system, still prevalent in many parts of the semi urban and rural India, is often governed by conventionalism and rigid cultural norms. Indian traditions stress on respect for elders, respect for guests, cohesion within family and communities, powerful

societal hierarchy, and strong affiliations with societal norms that provide ample testimony to the strong cultural rooting in Indian society.

- There seems an apparent modernity in the urban places in terms of use of modern gadgets, lifestyle, food habits, fashion and spending habits. However, these reflections are considered peripheral; the basic behaviour still guided by cultural values itself.
- Possessions as identified as significant aspect of culture (Russell Belk, 1988) are important to India. In the Bihar state of India, carrying a gun, owning a horse, and riding a heavy vehicle like a *Toyota Qualis* is a status symbol. In the northern states of Uttar Pradesh and Bihar, the status of a person is known by the value of property, social status and power (money, political etc.). In Punjab, people consider owning a house, driving a swanky car and possessing all modern gadgets as a matter of prestige. In Tamil Nadu, possessing diamond jewellery is a matter of pride.
- Rich in its cultural inheritance, festivals are intrinsic to the Indian ethos. They reflect the diversity of celebrations in a multi-cultural nation, which values sentiments, respects traditions and fosters community living. These festivals are religious, social, agricultural and ethnic and are a celebration of life itself. Festivals are celebrated with gusto, devotion, verve and passion. Some festivals are religion specific protocols aiming towards communication with the divine. Others are considered necessary social obligations to be followed religiously.
- The community feeling is very strong in many regions of India. This “Clan Feeling” often termed as ‘collective individualism’ could be based on religion, social class, geographical distribution, socio-economic or cultural factors. People have a high degree of faith and belief and follow what their group decisions are.
- People have varied spending habits in India. In general the South and East Indian community is conservative in spending while people from the northern and western India are lavish in their material disposition.

### **SOCIO-CULTURAL CHANGES AND ITS EFFECT ON BUYING HABITS OF INDIAN CONSUMERS**

There has been a noticeable cultural change of the Indian Consumer in the last one and a half decades following liberalization of the Indian economy in 1991. The transformation brought about by economic opportunities has led to migration of people to urban localities, disintegration of joint family systems to nuclear families greater awareness resulting from education, and exposure to the outside world. This has led to a noticeable change in the lifestyle of people including their eating habits, ways of socializing, entertainment, sports, dress code and other ways of living. Today, people, especially young men and women working in metro cities and living away from their parents often have a totally different way of living than that of people of same age and economic strata living in joint families. There is also a growing preference for food of other societies and countries, trendy dresses, and new ways of entertainment like cinema, television, and picnics etc. for urban masses and discos, night clubs and amusement parks. Sport has become a source of entertainment today. Cricket has become an institution in itself. Soccer was a passion in the Indian states of Bengal, Kerala and Goa. Other new sports include hockey, golf, billiards and chess and involve the old and the young alike. Some of the changing preferences are indicated below.

**TABLE-1**

This change has had a considerable effect on the buying behaviour of people in India, especially in the urban areas.

### **Culture and its Constituent Factors**

Accordingly, the different constituents of culture emerging from data collection have been categorized and are grouped into following four categories.

**TABLE-2**

On each factor, responses, collected on a 5-point Likert Scale, indicated the following results:

#### Components of Culture

The important components of culture in India are as follows:

- Socio-cultural power distance is strong in India (4.26)
- Collectivism is prominent than individualism in India (4.01)
- Lifestyle is directly related to the cultural values of a society has.(4.00)
- Religious affinity is more in Indian society (3.92)
- Festivals are most important reflections of Indian culture (3.81)
- Possession orientation provides a cultural cue to Indian Culture (3.67)
- People in India consider product as part of their cultural disposition.(3.55)
- In India, cultural rooting is governed by the economic conditions of people (2.91)

It can be again inferred that in India, socio-cultural power distance, collectivism, religion and lifestyle are considered important aspects of culture. It is also noteworthy that economic conditions had little influence on cultural paradigm of people.

### Attachment to Culture

It was observed that:

- People living in villages and small towns adhere more to their cultural roots (4.33)
- Joint family structure promotes cultural norms more than nuclear families (4.22)
- Religion plays a vital role in integrating the cultural ties in India (4.19)
- Indian culture is predominantly guided by strong value systems (4.1)
- Indian consumers believe that long-term gains are rooted to their culture (3.8)
- Social bonding is strong in Indian societies (3.64)
- Clan feeling has a noteworthy aspect of Indian culture (3.51)
- Indian consumers adapt to external influences (3.15)

It is thus evident that people living in the smaller locations and joint family structure are having a high cultural orientation. Religion emerged as an important facet of culture and belief on long-term gains emerged as an important factor for cultural affinity. According to this survey data, Indian consumers are still not much adaptable to external influences.

### Influences on Culture:

The following factors were found to be influencing cultural patterns in India:

- Education has affected the culture of people in India (4.18)
- External environment has strongly influenced fashion and style of people (4.14)
- Eating habits are changing considerably (4.12)
- Traditions are affecting the buying behaviour of Indian consumers (4.11)
- Increasing economic prosperity is affecting social life (3.89)
- Media has influenced the consumer culture in India (3.56)
- Globalization has influenced the cultural context in India (3.55)

The most important is the effect of globalization on the way of life of the Indian people. Education, changing lifestyle, eating habits, and also traditions are slowly changing. However, it is not certain whether these could be called as cultural mutations or are temporary phenomena. Responses indicate vital information about the factors that firms should take care to market products in India.

### Impact on Culture

The following factors were found to have an impact on cultural change in India.

- Spending habits have been affected by changing culture (3.98)
- Personality aspects have modified in consumers in India (3.98)
- Social norms have transformed in India considerably (3.85)
- Cultural motivation is plummeting amongst the Indian consumers (3.40)
- Sports have redefined the cultural meaning of people of India (3.38)
- Mode of entertainment has influenced Indians radically in last two decades (3.34)
- Media is having a significant impact on cultural orientation in India (3.22)

Effect of the external influences, especially globalization and consequent entry of few multinational companies in India has triggered a change in the spending pattern. These were found to be region specific. It was reported that personality aspects of consumers have modified and accordingly, the social norms have transformed in India. However, cultural motivation though seems to be ebbing, still holds fast in the changing scenario. Mode of entertainment has influenced Indians radically in last two decades. Sports, being a mode of entertainment, also redefined the consumer behaviour considerably.

A synthesis of the above leads us to “Tradition/ Social Norms/ Value Systems, Lifestyle, Group Influences, Economic Stability and Education” as predominant variables in the cultural change in India. It is thus hypothesized that these variables have a bearing on consumer behaviour in India.

On the basis of the above, a model was constructed with consumer behaviour as the dependant variable and Tradition/ Social Norm Value Systems, Lifestyle, Individual/ Group Influences, Economic Standing and Education as Predictor variables. The model was tested with linear regression methodology and it was found to be significant with F value of 2.971 (significant at .016).

**TABLE-3**

When the significance of the Predictor variables were checked, it was found that among the chosen the Predictor Variables ‘Tradition’ was the only significant variable at .014 level) and the other variables – Lifestyle, Education, Family and Festivals are not being significant. (See Table-4 below)

**TABLE-4**

## **INFERENCES**

The study reveals that India is a fast growing market with immense potential. However, unlike other markets, it is diverse in its socio- cultural aspects and has a profound influence on the way an average Indian leads his life. Business organizations, willing to operate successfully must take this uniqueness as an important factor for charting out their reaching out to its customers in India. Data suggests that Indians are basically conservative, conventional and are very proud of their culture and traditions. This is noticeable more in the case of people living in the smaller locations where joint family structure still exists. Such families have a high cultural orientation. Religion is an important facet of culture in India and belief on long-term spiritual gains is considered as most important factor for an average Indian. All this has etched a unique fabric that is marked by socio-cultural power distance, collectivism, and lifestyle as important aspects of culture. Socio-religious traditions, social norms, ethics and values embedded in the human mind, way of life, Group Influences, Economic Stability and Education” have been the predominant variables in the cultural change in India. These variables have a bearing on the consumer behaviour in India.

It is also noteworthy that economic conditions have little influence on cultural paradigm of people. Globalization has had a profound effect on the Indian people. Education, changing lifestyle, eating habits, and also traditions are slowly changing. This has happened also because of migration of people from villages to urban cities due to economic reasons. However, it is not certain whether these could be called as cultural mutations or are impermanent phenomena. Following liberalization of its economy, the Indian consumer has been in contact with the outside world through intensive exposure to IT, audio-visual and aggressive advertising and liberal policies of the government as incorporated in the new economic policies. This has resulted in a continually increasing level of awareness about the way the world is growing and options available to him to improve the quality of his life. The nascent aspiration to live a better life has been set off by his rising income, easy availability of products, which hitherto had been a distant dream, and a new sense of status consciousness that is part of the new society of which he is a part now. This is propelled by easy availability of finances from banks, which is making their dreams into a reality. Now with the world-class products flooding the market, the consumer has a choice and can buy as per his desires. These effects of the external influences, especially globalization and consequent entry of few multinational companies in India have triggered a change in the spending pattern. The way people think and respond have changed gradually and as also the social norms. However, while all this has been the result of his external environment, he, being part of a very rich and deep-rooted culture, is still attached to it and adheres to his cultural values. In this process, the Indian culture is synthesized to create a new way of life (4-A Model):

**FIGURE-1**

## **IMPLICATIONS FOR MARKETERS IN INDIA**

It is therefore important for marketers to understand the explicit and implicit needs of consumers in India. While the former is easy to comprehend, the latter needs special attention. Indians are very particular about the ethical value system in business. Consumers expect ethical behaviour, value orientation, sensitivity, receptivity, responsiveness commitment, transparency, and long-term relationship in all their dealings and detest those who do not imbibe them in their business philosophy. Such thinking is triggered by needs or wants that is augmented by the deep-rooted cultural foundation. The good or bad impression about companies and their products/ services spreads fast through word of mouth publicity and can affect business substantially in either case. Thus to operate in Indian market, firms will required to base their strategies on strong ethical values that are replicated across the entire value chain. The marketing philosophy must entail a high value orientation based on genuineness, honesty, responsiveness, commitment and transparency. A Marketing Model is suggested below that could be applied for in culturally strong market like India.

**FIGURE-2**

## **CLOSING COMMENTS**

This exploratory study has tried to understand cultural influence in Indian consumers. Results obtained have many important implications. For instance,

- While it is important to understand the overt needs of the customers, there is a need for firms to understand the unspoken expectations of customers in cultural strong markets.



- Implicit expectations could be a reflection of cultural predisposition and could be the deciding factor in any purchase decision.
  - Culture provides a potent indicator of consumer preference in market.
  - The degree of influence of cultural factors on Indian consumers depends upon the extent of cultural depth of the consumers.
  - Consumers, with strong cultural roots, look for a reflection of their cultural values in the products and consider products as extension of themselves.
  - Marketing in culturally strong markets would depend upon a long-term approach. It is based on high ethical standards and values that are dynamically aligned to the value system of consumers.
  - Mutual faith and trust could be the core of long-term firm-customer relationship in culturally strong markets. Firms that build up a credibility of being trustworthy, are expected to gain advantage in the long run.
- Adherence to the above might help firms to venture into markets like as India.

## TABLES

**TABLE-1: Changing Preferences of Indian Consumers**

Habits	From	To
Eating	Home made fresh food	Eating in restaurants, Fast food
Dress Preferences	Traditional dresses ( <i>Dhoti, Sari, Kurta-Pyjama, Lungi</i> )	Convenient fashion dresses (Pants, Jeans, Skirts, Tops)
Social norms	Joint families, respect for elders, adherence to religious norms and social values	Nuclear families, respect for elders, adherence to religious norms and social values
Entertainment	Festivals, <i>Melas</i> , Social and religious ceremonies	Cinema, TV, Amusement Parks, Sport, Picnics, Festivals
Games (Children)	Traditional games	Electronic games, outdoor sports
Games (Youth)	Traditional games ( <i>Kabbaddi, Kho-Kho</i> etc.)	Cricket, Football, Rowing, Yachting, Billiards etc.)
Spending Habits	Basically Conservative, frugal	Liberal
Education	Less, conventional	High, Modern
Communication	Letters, Telegrams, Trunk Calls	IT based, Mobiles, Internet
Festival purchases	Traditional items	Traditional and other modern items
Banking	Manual	Electronic
Commuting	Bicycles, scooters, public transport	Cars, Motorbikes, Public Transport
Health	<i>Ayurveda</i>	Modern allopathy

**TABLE-2: Culture and its Constituent Factors**

Dimensions	Constituent Factors
Attachment to culture	Location, Family Structure, Religion, Value Systems, Belief, Social bonding, Adaptability and Clan feeling
Components of culture	Collectivism, Lifestyle, Religion, Cultural disposition, Festivals, Possession Orientation, Socio-cultural power distance and Economic conditions
Factors influencing culture	Education, Fashion & Style, Eating habits, Traditions, Economic prosperity, Media, Globalization
Impact of cultural influences	Spending Habits, Personality, Social norms, Cultural motivation, Sports, Entertainment, Family bonding

**TABLE-3: ANOVA**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.386	5	.277	2.971	.016 <sup>a</sup>
	Residual	8.674	93	9.327E-02		
	Total	10.059	98			

a. Predictors: (Constant), Tradition/ Social Norms and Value Systems, Lifestyle, Individual/ Group Influences, Economic Stability and Education, b. Dependent Variable: Consumer Behaviour

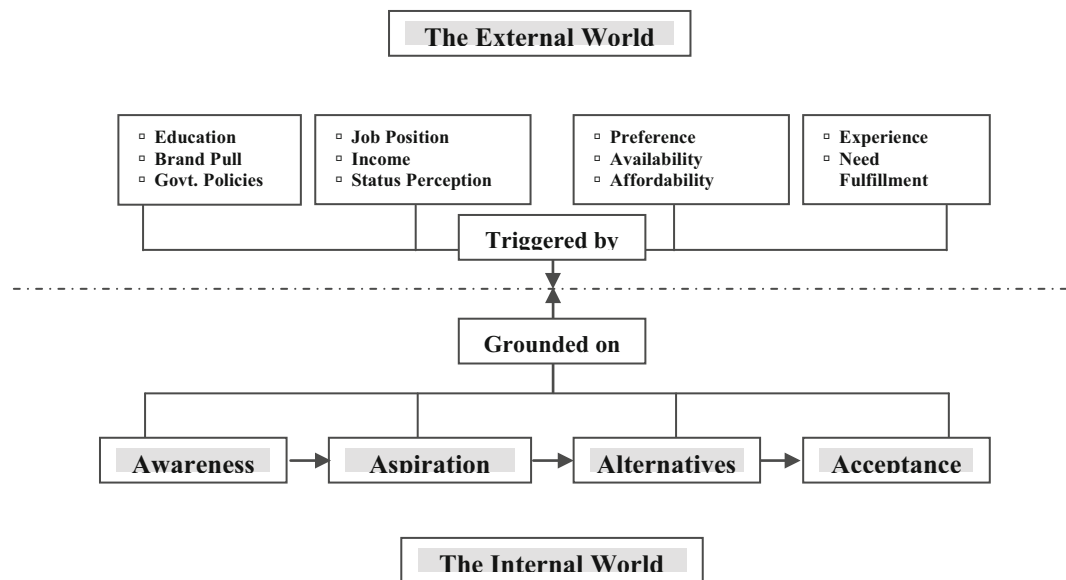
**TABLE-4: Coefficients A**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	$\beta$	Std. Error	$\beta$		
(Constant)	2.858	.450		6.355	.000
Education	-6.19E-02	.042	-.163	-1.489	.140
Economic Stability	2.175E-02	.038	.063	.573	.568
Influence	-8.93E-03	.050	-.018	-.180	.858
Lifestyle	2.688E-02	.026	.102	1.022	.310
Tradition	.184	.074	.254	2.499	.014

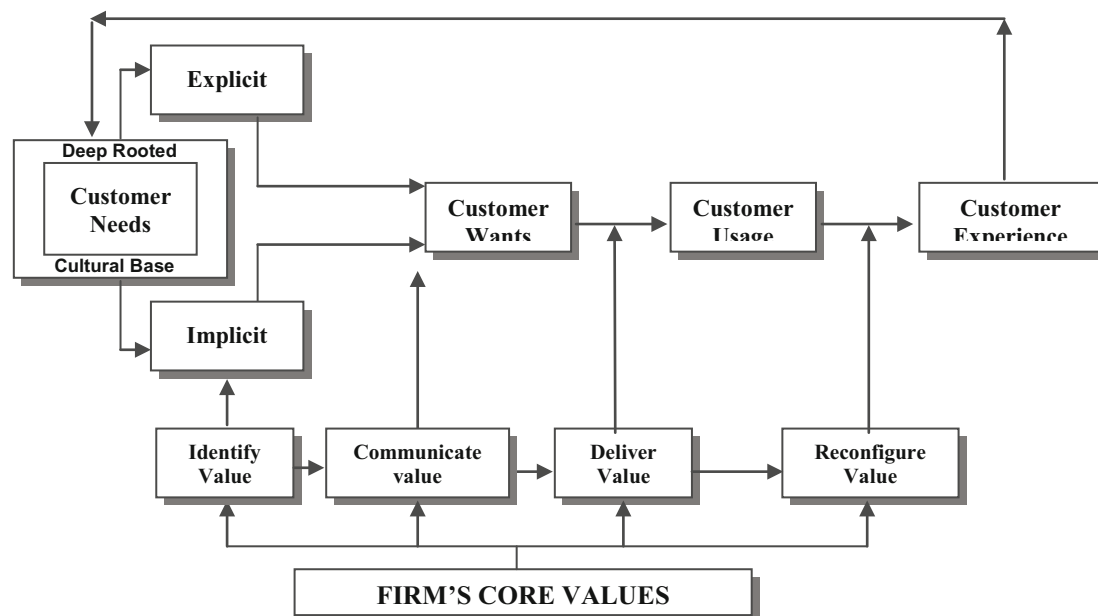
a. Dependent Variable: Consumer Behaviour

## FIGURES

**FIGURE-1: 4-A Model of Cultural Metamorphosis**



**FIGURE-2: Marketing Model for Culturally Strong Markets**





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