

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

Colin Campbell *Editor*

The Customer is NOT Always Right? Marketing Orientations in a Dynamic Business World

Proceedings of the 2011 World Marketing Congress



 Springer

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Proceedings of the 2011 World Marketing Congress



Melbourne, Australia

July 20-23, 2011

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Melbourne, Victoria, Australia

Reprint from Original edition
Proceedings of the 15th Biennial World Marketing Congress edited by Colin L. Campbell
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ISSN 2363-6165 ISSN 2363-6173 (electronic)
Developments in Marketing Science: Proceedings of the Academy of Marketing Science
ISBN 978-3-319-50006-5 ISBN 978-3-319-50008-9 (eBook)
DOI 10.1007/978-3-319-50008-9

Library of Congress Control Number: 2016961245

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Printed on acid-free paper

This Springer imprint is published by Springer Nature
The registered company is Springer International Publishing AG
The registered company address is: Gewerbestrasse 11, 6330 Cham, Switzerland

The Customer is NOT Always Right? Marketing Orientations in a Dynamic Business World

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Barry J. Babin, Louisiana Tech University, USA
Adilson Borges, Reims Management School, France

The conference theme is intentionally provocative and as a result, the sessions cover a wide range of sessions representing the cutting-edge in marketing thought and research. Authors submitted 500 papers, session proposals and other materials for inclusion on the program. From those, 276 competitive papers are presented here along with presentations comprising 25 special sessions. The authors of the works presented here represent 50 different countries and nearly 1,000 people participated in the processes that led to this program. The result is truly a World Marketing Congress.

Hosting a WMC requires tremendous sacrifice and work from many people – more than we can name. But, we want to thank all the program managers especially the track chairs who capably put together this outstanding program. Their names are listed below. In addition, all those who reviewed papers deserve our gratitude as well. Jay Lindquist, the AMS Co-Director of International Programs has played a special role in every WMC ever held and this one is no exception. Jay truly made the WMC possible. Thanks Jay! In addition, thanks to Florence Cazenove, the AMS Director of Marketing and Communications, for assistance too numerous to list. Thanks also to the team at RMS who managed the special arrangements for the Congress and to François Bonvalet for agreeing to cosponsor this 15th WMC. Lastly, we offer sincere gratitude to all who submitted papers or who are participating in the program in some other capacity. Without you, we also would not have the WMC.

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TABLE OF CONTENTS

Session 1.1: Innovation in Marketing	1
From Compliance Culture in Elder Care to Resident Focus Innovation as Social Entrepreneurship – A Global Opportunity	2
<i>Lois M Hazelton, University of Adelaide, Australia</i>	
<i>L Murray Gillin, University of Adelaide, Australia</i>	
Facilitating Creative Problem Solving in the Marketing Curriculum in Response to the Demands of the Networked Information Society	12
<i>Denise Wood, University of South Australia, Australia</i>	
<i>Noel J. Lindsay, The University of Adelaide, Australia</i>	
<i>Stuart Gluth, University of South Australia, Australia</i>	
<i>Ron Corso, University of South Australia, Australia</i>	
<i>Carolyn Bilsborow, University of South Australia, Australia</i>	
Session 1.3: Advertising Impressions	22
Advertising Appeals and a Psychological Scarcity Effect: Competitive Arousals and Implications on Purchase Interest	23
<i>Bridget Satinover Nichols, Northern Kentucky University, USA</i>	
Time Lags of Online Advertising: Using Interactive Ad Channels to Attract Existing and New Customers	24
<i>Ralph Breuer, RWTH Aachen University, Germany</i>	
<i>Malte Brettel, RWTH Aachen University, Germany</i>	
The Power of Abstract Images in Advertising	25
<i>Shane Smith, Kennesaw State University, U.S.A</i>	
Session 1.4: Cross-Cultural Research	29
Interaction Orientation and its Influence on Performance – A Three-Country Comparison	30
<i>Julia Thalmann, RWTH Aachen University, Germany</i>	
<i>Malte Brettel, RWTH Aachen University, Germany</i>	
East-West Differences in Gender-Role Orientation and Entrepreneurial Selfefficacy: A Proposed Study	31
<i>Mary Conway Dato-on, Rollins College, USA</i>	
<i>Stephen L. Mueller, Northern Kentucky University, USA</i>	
Session 1.6: Farmers and Informal Marketing	32
Fairness and Alternative Food Networks in Italy	33
<i>Angela Mariani, Università degli Studi “Parthenope”, Italy</i>	
<i>Antonella P. Vastola, Università degli Studi della Basilicata, Italy</i>	
Session 1.7: Issues in Wine Marketing	38
Meaning Through the Grapevine: A Critical Analysis of Wine Promotion	39
<i>Rob Kuennen, University of Iowa, USA</i>	
Session 1.8: Counterfeit Products, Crowd Behavior in Sport Events	41
Why Buy the Original, if the Fake Can Do the Same? (Can It?) – The Demand for Counterfeit Sports Gear in an Emerging Market	42
<i>Barbara Stöttinger, Vienna University of Economics & Business, Austria</i>	
<i>Elfriede Penz, Vienna University of Economics & Business, Austria</i>	

Toward a Better Understanding of Crowded and Scarce Sporting Events: Do Fans Think as Much as They Feel?	43
<i>Frank Pons, Université Laval, Canada et Euromed Management, France</i>	
<i>Mehdi Mourali, University of Calgary, Canada</i>	
<i>Lionel Maltese, Eurimed Management</i>	
<i>André Richelieu, Université Laval, Canada</i>	
A Question of Give and Take: How Company Support of Corporate Runs Affects Organizational Identity and Organizational Commitment	44
<i>Tatjana Maria Koenig, Saarland Business School, HTW Saarbruecken, Germany</i>	
Session 1.9: Brand Power and Issues in Sports Management	48
Managing Team and League Brands: Diverging Interests in the National Hockey League	49
<i>Daniel S. Mason, University of Alberta, Canada</i>	
<i>Brian P. Soebbing, University of Alberta, Canada</i>	
<i>Lei Jiang, University of Alberta, Canada</i>	
Personal Ethics of Today's Sport Fans: Connecting Cultural Values, Ethical Ideologies, and Ethical Intentions	58
<i>Brent Smith, Saint Joseph's University, United States of America</i>	
<i>John Lord, Saint Joseph's University, United States of America</i>	
Effective Marketing Communication Efforts of Sports Development Initiatives: A Case Study of the Public Sector in the United Kingdom.....	59
<i>Ian Arnott, University of Northampton, United Kingdom</i>	
Session 2.15: Poster Presentations.....	60
Research of Mass-Media Activity for the Development of Consumers Segment Sensitive to Ecological Attributes of Goods and Services in Russia	61
<i>Lukina Anastasia Vladimirovna, Plekhanov Russian Academy of Economics, Russia</i>	
Session 2.3: Consumer Behavior I.....	62
Exposing the Competition, Co-Opetition, and Cooperation Process of Consumers in a Retail Shopping Context	63
<i>Bridget Satinover Nichols, Northern Kentucky University, USA</i>	
Consumers' Brand Identity Complexity: Conceptualization and Initial Evidence	64
<i>Ulrich R. Orth, Christian-Albrechts-University Kiel, Germany</i>	
<i>Gregory Rose, University of Washington Tacoma, U.S.A</i>	
Glucose Depletion and Decision Making: An Examination of Choice in Context.....	65
<i>Eric Shih, SKK GSB Sungkyunkwan University, Korea</i>	
<i>Seigyoung Auh, Thunderbird School of Global Management, USA</i>	
<i>Bulent Menguc, Brock University, Canada</i>	
Session 2.4: Consumer Attitudes and Reactions.....	66
Customer Satisfaction and Emotion in the Call Centre Context	67
<i>Aude Rychalski, ESCEM, France</i>	
<i>Adrian Palmer, ESC Rennes Business School, France</i>	
Together We Can Make it: Exploring Why Consumers Engage in Boycotts	71
<i>Carmen-Maria Albrecht, University of Mannheim, Germany</i>	
<i>Daniel Heinrich, University of Mannheim, Germany</i>	
<i>Mathew Joseph, St. Mary's University, USA</i>	

Session 2.5: New Frontiers in Emotions	72
Emotion Experience in Ethical Consumption: An Exploratory Study in a Tourism Context.....	73
<i>Sheila Malone, Nottingham University Business School, United Kingdom</i>	
Emotionally Attached: Neural Correlates of First Choice Employer Brands - An FMRI Study	77
<i>Linn Viktoria Rampl, Zeppelin University, Germany</i>	
<i>Christian Opitz, Zeppelin University, Germany</i>	
<i>Isabell M. Welp, Technical University Munich, Germany</i>	
<i>Peter Kenning, Zeppelin University, Germany</i>	
Session 2.6: Fashion Decision Making and Purchasing Behavior	78
Barriers to Socially Responsible Apparel Purchasing Behavior: Are Consumers Right?	79
<i>Joy M. Kozar, Kansas State University, USA</i>	
<i>Kim Y. Hiller Connell, Kansas State University, USA</i>	
The Competitive Advantages of Sourcing Agents in Global Apparel Supply Chains: An Exploratory Study	86
<i>Celeste Nicole Cook, Kansas State University, United States of America</i>	
<i>Joy M. Kozar, Kansas State University, United States of America</i>	
Influence of Department Store Image on Private Label Brand Preference Among Consumers with Different Level of Knowledge and Familiarity	96
<i>Yoo-Kyoung Seock, The University of Georgia, Athens, GA, USA</i>	
<i>Jennifer McBride, The University of Georgia, Athens, GA, USA</i>	
Session 2.7: Luxury and Arts.....	99
The Impact of Brand Familiarity, Branding and Distribution Strategy on Luxury Brand Dilution.....	100
<i>Fanny Magnoni, Cerag IAE Grenoble, Pierre Mendès France University, France</i>	
<i>Elyette Roux, Cergam IAE Aix-en-Provence, Aix-Marseille University, France</i>	
Arts in Italy: Development Trough Experiential Marketing. Some Empirical Evidences.....	104
<i>Loretta Battaglia, Catholic University, Italy</i>	
<i>Maria Rita Santagostino, Catholic University, Italy</i>	
<i>Valentina Bargauan, Catholic University, Italy</i>	
Session 2.8: Marketing and the Law	114
Trademarking Color: The Role of Survey Evidence	115
<i>David H.B. Bednall, Deakin University, Australia</i>	
<i>Marie Ashwin, École de Management de Normandie, France</i>	
<i>Alan Hirst, London Southbank University, United Kingdom</i>	
Session 2.9: Pricing Strategies in Retailing and Services.....	119
Don't Waste Your Emotions: The Impact of Price and Advertising Appeals in Services.....	120
<i>Bidisha Burman, Appalachian State University, USA</i>	
<i>Pia A. Albinsson, Appalachian State University, USA</i>	
The Impact of Price-Related Incidents on Store Loyalty	121
<i>Stephan Zielke, Rouen Business School, France</i>	
To Collude or Not to Collude: An Exploratory Study of Retail Store Performance and Strategic Choices in Bangkok Clothing Clusters.....	125
<i>Warin Chotekorakul, Assumption University, Thailand</i>	
<i>James Nelson, Thammasat University, Thailand</i>	

Session 3.3: Social Aspects of Advertising.....	129
Online Adgames: A New Tool for Marketing Communication	130
<i>Celina Steffen, University of Siegen, Germany</i>	
<i>Hanna Schramm-Klein, University of Siegen, Germany</i>	
<i>Sascha Steinmann, University of Siegen, Germany</i>	
<i>Gunnar Mau, University of Siegen, Germany</i>	
Influences of Culture and Language: The Thinking Pattern Switch Among Bicultural Consumers	131
<i>Weisha Wang, Manchester Business School, United Kingdom</i>	
<i>Charles, C.Cui, Manchester Business School, United Kingdom</i>	
Online Shoppers' Social Media Usage and Shopping Behavior	133
<i>Christina Chung, Ramapo College of New Jersey, U.S.A</i>	
<i>Alexander Muk, Texas State University-San Marcos, U.S.A</i>	
Session 3.4: Global Branding and Consumption	134
The Effect of Culture, Product Self-Image Congruence, and Brand Attitudes on the Propensity to be Brand Loyal	135
<i>Janice M. Payan, University of Northern Colorado, USA</i>	
<i>James Reardon, University of Northern Colorado, USA</i>	
Building Global Brand Communities: Consumer Practices and Creolization	136
<i>Dana L. Alden, University of Hawai'i at Manoa, USA</i>	
<i>Qimei Chen, University of Hawai'i at Manoa, USA</i>	
<i>Xin Zhao, University of Hawai'i at Manoa, USA</i>	
Session 3.5: Entrepreneurship I	140
Higher Commitment Entry Modes in International New Ventures: The Influence of Strategical Orientations	141
<i>Diego Monferrer Tirado, Universitat Jaume I, Spain</i>	
<i>Andreu Blesa Pérez, Universitat Jaume I, Spain</i>	
<i>María Ripollés Meliá, Universitat Jaume I, Spain</i>	
Testing an Integrative Model of Export Performance in Turkish SMEs.....	154
<i>Nihat Kamil Anil, Kırklareli University, Turkey</i>	
<i>Aviv Shoham, University of Haifa, Israel</i>	
A Multi-Level Study on Franchisee- and System-Level Antecedents of Opportunism and Satisfaction.....	155
<i>Heiner Evanschitzky, Aston University, UK</i>	
<i>Barbara Caemmerer, ESSCA, France</i>	
<i>Christian Brock, Zeppelin University, Germany</i>	
The Effects of Marketing-R&D Integration and R&D Strength on Business Growth and Customer Equity: A Corporate Entrepreneurship Study	156
<i>Ken Matsuno, Babson College, the U.S.A</i>	
<i>Zhen Zhu, Suffolk University, the U.S.A</i>	
<i>Mark P. Rice, Worcester Polytechnic Institute, the U.S.A</i>	
Session 3.6: Global Marketing I	160
Can Country Image Protect Firms Facing a PR Crisis?	161
<i>Roberta Veale, The University of Adelaide, Australia</i>	
<i>Pascale Quester, The University of Adelaide, Australia</i>	
<i>Vinh Nhat Lu, Australian National University, Australia</i>	

Complementary Effect of Entrepreneurial and Market Orientations on Export New Product Success Under Differing Levels of Competitive Intensity and Financial Capital.....	164
<i>Nathaniel Boso, Loughborough University, United Kingdom</i>	
<i>John W. Cadogan, Loughborough University, United Kingdom</i>	
<i>Vick M. Story, The University of Nottingham, United Kingdom</i>	
The Role of Involvement and Expectations in Olympic Games Attitudes: A Cross-National Study	165
<i>Anahit Armenakyan, Carleton University, Canada</i>	
<i>Louise A. Heslop, Carleton University, Canada</i>	
<i>John Nadeau, Nipissing University, Canada</i>	
<i>Norm O'Reilly, University of Ottawa, Canada</i>	
Session 3.7: Market Learning and Competitive Advantage.....	175
Dynamic Marketing Capabilities: An Integrative Framework Proposal to Absorb and Manage Market Knowledge.....	176
<i>Vanesa Barrales-Molina, University of Granada, Spain</i>	
<i>Francisco J. Martínez-López, University of Granada and Open University of Catalonia, Spain</i>	
<i>Juan Carlos Gázquez-Abad, University of Almería, Spain</i>	
Stakeholder-Focused Organizational Learning, Responsiveness and Innovation / Imitation.....	177
<i>Jeannette A. Mena, University of Mississippi, U.S.A</i>	
<i>G. Tomas M. Hult, Michigan State University, U.S.A</i>	
The Framing of Interorganizational Imitation	178
<i>Ralitza Nikolaeva, ISCTE-Instituto Universitário de Lisboa, Portugal</i>	
The Moderating Effect of Key Customer Focus on Market-Baseded Organizational Learning	179
<i>Niels Becker, RWTH University of Aachen, Germany</i>	
<i>Malte Brettel, RWTH University of Aachen, Germany</i>	
Session 3.8: Branding Issues Related to Performance, Trust and Quality	180
Can Trust and Loyalty be Transferred in the Case of a Brand Change?	181
<i>Véronique Pauwels-Delassus, IESEG, France</i>	
<i>Raluca Mogos Descotes, ESSCA, France</i>	
Factors Impacting the Success of New Product Development in the UK Grocery Retail Industry: An Empirical Examination of Product Innovation Performance.....	182
<i>Bryn Walton, University of Kent, United Kingdom</i>	
<i>Dan Petrovici, University of Kent, United Kingdom</i>	
<i>Andrew Fearne, University of Kent, United Kingdom</i>	
Session 3.9: European Wine Marketing	186
Does Storytelling add Value? The Case of Bordeaux Fine Wines.....	187
<i>Pierre Mora, BEM Bordeaux Management School, France</i>	
<i>Florine Livat, BEM Bordeaux Management School, France</i>	
Session 4.10: Mindful Consumers	192
Creating Memories and Bonding Through Competitive Shopping: Evidence of Co-Creating Experiential Retail Value.....	193
<i>Bridget Satinover Nichols, Northern Kentucky University, USA</i>	
<i>Daniel J. Flint, University of Tennessee, USA</i>	

Self-Image Congruity and its Impact on Wine Tourism	194
<i>Marlene A. Pratt, Griffith University, Australia</i>	
Consumers' Propensity to Resist: The Volitive Dimension of Consumer Resistant Behaviors	198
<i>Annie Stéphanie Banikema, Université Paris Est, France</i>	
<i>Dhruv Bhatli, Université Paris Est, France</i>	
Session 4.11: Psychology and Sport. Exploring Attitude and Relationships	
Between Consumer Groups	199
Predicting Sport Team Loyalty: High and Low Scenarios	200
<i>Rodoula H. Tsiotsou, University of Macedonia, Greece</i>	
Relationship Building in Football: Focus on the Family	205
<i>Lorna Young, Oxford Brookes University, UK</i>	
<i>Jillian Farquhar, University of Bedfordshire, UK</i>	
The Influence of Regular Sports Participation on Consumer Psychology	209
<i>Steven J. Andrews, University of Oregon, USA</i>	
<i>Catherine Armstrong-Soule, University of Oregon, USA</i>	
Session 4.2: Getting Quality Responses in Market Surveys	212
Exploring Data Quality and Measurement in Mixed Mode Data Collection	213
<i>Jill S. Attaway, Illinois State University, USA</i>	
<i>Mitch Griffin, Bradley University, USA</i>	
<i>Michael R. Williams, Oklahoma City University, USA</i>	
Session 4.3: Affect of Effect in Advertising	214
The Role of Affect and Gender in the Evaluation of New Products in	
Advertising Signaling Processes.....	215
<i>Clara Isabel Koetz, Federal University of Rio Grande do Sul, Brazil</i>	
<i>Cristiane Pizzutti dos Santos, Federal University of Rio Grande do Sul, Brazil</i>	
<i>Gérard Cliquet, University of Rennes 1, France</i>	
A New Typology on Sex Appeal Advertisements.....	219
<i>Kallirroy Boutsikaki, City University, United Kingdom</i>	
<i>Prof. George Balabanis, City University, United Kingdom</i>	
Resolving Contradictions in Endorser Effectiveness: An Empirical	
Test for a New Framework	224
<i>Kazuki Kubota, Keio University, Japan</i>	
To Adapt or to Standardize, A New Challenge for Copywriting: Could Globish	
be the (Right) Answer ?	225
<i>Mathilde Delvert, Reims Management School, France</i>	
<i>Nathalie Spielmann, Reims Management School, France</i>	
Session 4.4: Co-Creation and Cooperation	226
A Multilevel Investigation of The Effect of Employee's Satisfaction on Customer Outcomes	
in a Financial Services Context	227
<i>Boukis Achilles, Athens University of Economics and Business, Greece</i>	
<i>Gounaris Spiros, Athens University of Economics and Business, Greece</i>	
<i>Kostopoulos Giannis, Athens University of Economics and Business, Greece</i>	

The Structure and Formation of Customer Value in B-to-B Services.....	237
<i>Järvi Pentti, University of Jyväskylä, Finland</i>	
<i>Munnukka Juha, University of Jyväskylä, Finland</i>	
<i>Uusitalo Outi, University of Jyväskylä, Finland</i>	
What Makes the Consumer Learn and Adopt a Format Innovation for Grocery?	
An Approach by the Cognitive Script and the Organizational Socialization of the Customer	242
<i>Tatiana Henriquez, ESC Troyes/IAE of Dijon, CERMAB – LEG, France</i>	
Session 4.5: Dealing with Negative Emotions.....	248
Consumer Responses to Swine Flu (H1N1) Threat and Fear Arousing Communications:	
The Case of Turkey.....	249
<i>Ayla Ozhan Dedeoglu, Ege University, Turkey</i>	
<i>Keti Ventura, Ege University, Turkey</i>	
Overload Confusion, Stress and Coping in a Retail Setting.....	259
<i>Marion Brandstaetter, Karl-Franzens-University Graz, Austria</i>	
<i>Thomas Foscht, Karl-Franzens-University Graz, Austria</i>	
Negative Emotions Toward Luxury Goods: An International Comparison	
of Very Wealthy Consumers.....	260
<i>Elyette Roux, CERGAM, IAE Aix-en-Provence, Aix-Marseille University, France</i>	
<i>Virginie de Barnier, CERGAM, IAE Aix-en-Provence, Aix-Marseille University, France</i>	
<i>Cristina T. Bacellar, Ecole de Management de Normandie, France</i>	
<i>Tingting Mo, CERGAM, IAE Aix-en-Provence, Aix-Marseille University, France</i>	
Why do you Consume this Product Again? The Role of Consumption on Consumer's Behavior.....	261
<i>Camille Saintives, University of Reims, France</i>	
Session 4.6: Health Marketing.....	270
E-Health Information Search Intentions of Turkish Internet Users	271
<i>Bahar Yasin, Istanbul University, Turkey</i>	
<i>Hilal Ozen, Istanbul University, Turkey</i>	
Modeling Quality Orientation and Organisational Performance in Public Healthcare Organisations.....	281
<i>Isabel Maria Macedo, University of Minho, Portugal</i>	
<i>Mei-Na Liao, University of Bradford, UK</i>	
<i>José Carlos Pinho, University of Minho, Portugal</i>	
H1N1 Prevention Behaviors in Australia: Implications from an Extended Health Belief Model	285
<i>Danae Manika, The University of Texas at Austin, USA</i>	
<i>Linda L. Golden, The University of Texas at Austin, USA</i>	
<i>Patrick L. Brockett, The University of Texas at Austin, USA</i>	
Session 4.7: Consumer Interest in CSR and Business Ethics	287
Postmodern Business Ethics: Is it Time to Change our Mental Model?	288
<i>Walter Wymer, University of Lethbridge, Canada</i>	
Shedding Light on the Ethical Consumer Debate: Evidence from a Qualitative Investigation	
of Body Shop Consumers	292
<i>Katja H. Brunk, Solvay Brussels School of Economics</i>	
<i>and Management (Université Libre de Bruxelles), Belgium</i>	
<i>Magdalena Öberseder, WU Vienna, Austria</i>	

“Why Don’t You Care About CSR? – A Qualitative Study Exploring the Limited Role of CSR in Consumption Decisions.....	301
<i>Magdalena Öberseder, WU Vienna, Austria</i>	
<i>Bodo B. Schlegelmilch, WU Vienna, Austria</i>	
<i>Verena Gruber, WU Vienna, Austria</i>	
Session 4.8: Customer Experience.....	302
Customer Experiences as Drivers of Customer Satisfaction	303
<i>Ilaria Dalla Pozza, EMLV Paris, France</i>	
Examining Customer Perceptions of Relationship Quality Over Time	304
<i>Sandy Ng, RMIT University, Australia</i>	
<i>Meredith T. David, University of South Carolina, United States of America</i>	
<i>Tracey S. Dagger, Monash University, Australia</i>	
The Effects of the Pre-Enrolment Experience on Students’ Relationship Intention	305
<i>Adrian Palmer, Swansea University, United Kingdom</i>	
<i>Nicole Koenig-Lewis, Swansea University, United Kingdom</i>	
Session 4.9: Providing Customer Solutions-Doing What is Best for the Customer	306
How Does Market Orientation Affect Sales and Marketing Collaboration and Business Performance?	307
<i>Kenneth Le Meunier-FitzHugh, University of East Anglia, UK</i>	
<i>Leslie Le Meunier-FitzHugh, University of East Anglia, UK</i>	
Frontline Employees as Innovators: Generating Innovative Ideas from Customer Contact Situations.....	308
<i>Debra Hanning, TU Dortmund University, Germany</i>	
<i>David M. Woisetschläger, TU Braunschweig University, Germany</i>	
<i>Hartmut H. Holzmüller, TU Dortmund University, Germany</i>	
The Road to Hell is Paved with Good Intentions: The Paradox of Unethical Sales Behaviour	309
<i>Anssi Tarkiainen, Lappeenranta University of Technology, Finland</i>	
<i>Nick Lee, Aston University, United Kingdom</i>	
<i>John W. Cadogan, Loughborough University, United Kingdom</i>	
<i>Sanna Sundqvist, Lappeenranta University of Technology, Finland</i>	
Session 5.11: Sponsorship and Sport	313
Community Sport Organization Sponsorship as Corporate Social Responsibility Strategy: A Qualitative Study	314
<i>Karen Palmer, University of Adelaide, Australia</i>	
<i>Pascale Quester, University of Adelaide, Australia</i>	
<i>Carolyn, Plewa, University of Adelaide, Australia</i>	
Exploring the Power of Sporting Celebrity Endorsements: A Comparison of Contrasting Sports	317
<i>Fiona Davies, Cardiff Business School, U.K</i>	
<i>Stephanie Slater, Cardiff Business School, U.K</i>	
How Customer Equity Drivers Affect Behavioral Intentions and Behavior Over Time: An Empirical Assessment.....	318
<i>Heiner Evanschitzky, Aston University, UK</i>	
<i>Alexander Eiting, TU Dortmund University, Germany</i>	
<i>David M. Woisetschläger, TU Braunschweig University, Germany</i>	
<i>Verena Richelsen, Bayer Business Services, Germany</i>	
Session 5.2: Methodological Issues Related to Internet Surveys.....	319
Methodological Issues Relating to Internet-Based Surveys	320
<i>Session Chair: Scott M. Smith, Brigham Young University, USA</i>	

Session 5.4: Co-Creation and Involvement	321
Customer Involvement in a Technical Product Development Process – Time to Implement a Service-Dominaant Logic Perspective?	322
<i>Jan Bodin, Umeå School of Business at Umeå University, Sweden</i>	
<i>Sofia Isberg, Umeå School of Business at Umeå University, Sweden</i>	
Customer Co-Creation as a Process of Collective Action: Marketing’s Role in Bridging Heterogeneous Customer Involvement.....	323
<i>Yuko Yamashita, Hitotsubashi University, Japan</i>	
Resident Co-Creation: The Case of the 2010 World Cup in South Africa	333
<i>Adele Berndt, Monash South Africa</i>	
<i>HB Klopper, Monash South Africa</i>	
<i>Ilse Niemann-Struweg, Monash South Africa</i>	
<i>Corne Meintjes, Monash South Africa</i>	
Session 5.5: Entrepreneurship II.....	334
Marketing-Oriented Entrepreneurial Self Efficacy, Self-Construal and Entrepreneurial Intention in a Collectivist Economy	335
<i>Eric S. C. Lo, Hong Kong Baptist University, Hong Kong</i>	
<i>Wai-sum Siu, Hong Kong Baptist University, Hong Kong</i>	
<i>Tingling Lin, National Taipei University, Taiwan</i>	
<i>Wenchang Fang, National Taipei University, Taiwan</i>	
The Effects of Informal Sales Management Controls on the Learning and Entrepreneurial Orientation Within Sales.....	336
<i>Susanne Spillecke, RWTH Aachen University, Germany</i>	
<i>Malte Brettel, RWTH Aachen University, Germany</i>	
Power, Conflicts, and Their Consequences for Export Performance: Evidence from Slovenian SMEs.....	337
<i>Gregor Pfajfar, University of Ljubljana, Slovenia</i>	
<i>Maja Makovec Brenčič, University of Ljubljana, Slovenia</i>	
<i>Aviv Shoham, University of Haifa, Israel</i>	
The Path of the Social Entrepreneur: A Narrative Analysis Approach.....	338
<i>Fredric Kropp, Monterey Institute of International Studies, USA</i>	
<i>Ronit Yitshaki, Bar-Ilan University, Israel</i>	
<i>Clayton T. Snyder, EcoMedia – CBS, USA</i>	
Session 5.6: Global Marketing II.....	339
Globalization, Culture, Consumer Dispositions, and Consumption: The Case of Iran.....	340
<i>Mark Cleveland, University of Western Ontario, Canada</i>	
<i>Michel Laroche, Concordia University, Canada</i>	
<i>Parastoo Naghavi, Concordia University, Canada</i>	
<i>Mohammad Ali Shafia, Iran University of Science and Technology, Iran</i>	
Barriers to Export and Export Performance for Canadian Firms	341
<i>Fahri Karakaya, University of Massachusetts Dartmouth, U.S.A</i>	
<i>Peter Yannopoulos, Brock University, Canada</i>	
The Role of “Consumer Need for Uniqueness” and Product Typicality in Explaining Variation of Country of Origin Effects.....	342
<i>Ting-Hsiang Tseng, Feng Chia University, Taiwan</i>	
<i>George Balabanis, City University London, UK</i>	

Session 5.7: Consumer Vulnerability and Protection.....	345
Pharmaceutical Industry Compliance with Industry Guiding Principles for Direct-To-Consumer Advertising.....	346
<i>Denis G. Arnold, University of North Carolina at Charlotte, USA</i>	
<i>James L. Oakley, University of North Carolina at Charlotte, USA</i>	
There is Bad and There is Worse – A Comparison of Consumer Reactions to Productharm Crises and Brand Crises.....	347
<i>Ursula Haas-Kotzegger, WU Vienna, Austria</i>	
<i>Bodo B. Schlegelmilch, WU Vienna, Austria</i>	
Ethical Appraisal of Credit-Card Marketing Strategy: Measure and Antecedent Exploration of Consumer Vulnerability to Credit-Card Debt	348
<i>Sandra Awanis, University of Manchester, United Kingdom</i>	
Session 5.8: Importance of Branding	358
Place Branding: Sensing the Difference?	359
<i>Luca Petruzzellis, University of Bari, Italy</i>	
Do Consumers' Purchase Intentions Differ for Prototypical and Me-Too Brands in the Banking Industry?.....	361
<i>Vanessa Quintal, Curtin University, Australia</i>	
<i>Ian Phau, Curtin University, Australia</i>	
Branding Universities: An Updated View of Factors Underlying College Choice.....	370
<i>Mathew Joseph, St. Mary's University, USA</i>	
<i>Deborah F. Spake, University of South Alabama, USA</i>	
<i>Carmen-Maria Albrecht, University of Mannheim, Germany</i>	
Session 5.9: Customer Experience.....	373
Effects of Service Trial Offers on Customers' Pre-Trial Attitude Toward the Service Provider	374
<i>Pauline Revest, IAE Aix en Provence, France</i>	
How Other Customers Influence Customer Satisfaction During the Service Delivery	377
<i>C. Camelis, IAE La Réunion - CEMOI, France</i>	
<i>F. Dano, IAE Aix en Provence - CERGAM, France</i>	
<i>V. Hamon, Consultante, France</i>	
<i>S. Llosa, IAE Aix en Provence - CERGAM, France</i>	
Session 6.10: Customer Reactions	381
Delivering Linking Value Through Events: Investigating Communal and Experiential Drivers of Loyalty.....	382
<i>Jan Drengner, Chemnitz University of Technology, Germany</i>	
<i>Steffen Jahn, Chemnitz University of Technology, Germany</i>	
<i>Hansjoerg Gaus, Saarland University, Germany</i>	
<i>T. Bettina Cornwell, University of Oregon, USA</i>	
The Effects of Control in the Store Environment: A Motivational Approach	383
<i>Renaud Lunardo, Troyes Champagne School of Management, France</i>	
<i>Ababacar Mbengue, Reims Management School, France</i>	
When Consmer Likes to Engage in Selfff-Design Task and Shows Positive Evaluation for the Self-Design Product: The Effect of Regulatory Orientation.....	391
<i>Huachao Gao, Nanjing University, China</i>	
<i>Yiren Dong, Nanjing University, China</i>	
<i>Yonggui Wang, The University of International Business and Economics, China</i>	

Session 6.2: Social Responsibility	397
Evidence of the Primary Role of Environmental Image in Consumer CSR Evaluations	398
<i>Jeremy Wolter, Florida State University, United States</i>	
<i>J. Joseph Cronin, Florida State University, United States</i>	
<i>Jeffery Smith, Florida State University, United States</i>	
Understanding the Risk Mitigation Decision: Homeowners and Environmental Risks	402
<i>Ingrid M. Martin, California State University, Long Beach, U.S.A</i>	
<i>Wade E. Martin, California State University, Long Beach, U.S.A</i>	
Customer Orientation, Merchandising Competencies, and Financial Performance of Small Fashion Retailers in Bangkok	406
<i>Warin Chotekorakul, Assumption University, Thailand</i>	
<i>James Nelson, Thammasat University, Thailand</i>	
Session 6.3: Advertising Execution	410
What are the Characteristics Defining Flyer-Prone Consumers? A Theoretical and Empirical Analysis	411
<i>Juan Carlos Gázquez-Abad, University of Almería, Spain</i>	
<i>Francisco J. Martínez-López, University of Granada and Open University of Catalonia, Spain</i>	
<i>Manuel J. Sánchez-Franco, University of Seville, Spain</i>	
Children's Ads: Do Cross-Cultural Differences Exist in Advertising Practices?	412
<i>Aysen Bakir, Illinois State University, U.S.A</i>	
<i>Kay M. Palan, Western Michigan University, U.S.A</i>	
<i>Rickard H. Kolbe, Northern Kentucky University, U.S.A</i>	
Fresh Faces for Established Brands: The Role of Holistic Type and Sequence of Exposure in Consumers' Formation of Trait Inferences	416
<i>Yonca Limon, Christian-Albrechts-University Kiel, Germany</i>	
<i>Martin Reimann, USC, U.S.A</i>	
<i>Ulrich R. Orth, Christian-Albrechts-University Kiel, Germany</i>	
<i>Antoine Bechara, USC, U.S.A</i>	
Session 6.4: Consumer is Not Always Right?	417
Exploring the Boycott Phenomena from a Customer Value-Based Perspective: What are the Reasons for Consumers Non-Consumption?	418
<i>Klaus-Peter Wiedmann, Leibniz University of Hanover, Germany</i>	
<i>Barbara Seegebarth, Leibniz University of Hanover, Germany</i>	
<i>Nadine Hennigs, Leibniz University of Hanover, Germany</i>	
<i>Lars Pankalla, Leibniz University of Hanover, Germany</i>	
<i>Martin Kassubek, Leibniz University of Hanover, Germany</i>	
Session 6.5: The Self and Emotion	420
"The Possibility of an Island": The Insula and its Role in Consumers' Emotion	421
<i>Bernard Rouillet, Université de Bretagne Sud, France</i>	
<i>Olivier Droulers, Université de Rennes 1, France</i>	
<i>Ingrid Poncin, SKEMA Business School, France</i>	
Enjoy Now or Later: An Explanation of Elderly Recipients' Preferences Regarding Luxury Gifts	425
<i>Azadeh Kazeminia, Luleå University of Technology, Sweden</i>	
<i>Lars Bäckström, Luleå University of Technology, Sweden</i>	
<i>Leyland Pitt, Simon Fraser University, Canada</i>	

The Good, the Bad and the Untended: Negative Self-Conscious Emotions in Marketing.....	426
<i>Kate Pounders, California State University San Bernardino, United States</i>	
<i>Judith Anne Garretson Folse, Louisiana State University, United States</i>	
Session 6.6: Creating Innovation.....	427
The Good and Bad of Product Program Innovativeness: Evidence From Buyer And Seller Companies	428
<i>Ruth Maria Stock, Technische Universität Darmstadt, Germany</i>	
<i>Nicolas Andy Zacharias, Technische Universität Darmstadt, Germany</i>	
Idea Competitions in New Service Development: Co-Creation with a Certain Consumer Group	429
<i>Monika C. Schuhmacher, University of Mannheim, Germany</i>	
<i>Sabine Kuester, University of Mannheim, Germany</i>	
<i>Dorothee Flötotto, University of Mannheim, Germany</i>	
How Eco-Oriented Firm Influences Innovators Intention to Purchase Biofuel	433
<i>Mustika Sufiati Purwanegara, Institut Teknologi Bandung, Indonesia</i>	
<i>Nita Garnida, Institut Teknologi Bandung, Indonesia</i>	
Session 6.7: Cultural Perspectives in Marketing Ethics	438
Does Management Education Produce Ethical Managers?	439
<i>Walter Wymer, University of Lethbridge, Canada</i>	
<i>Sharyn R. Rundle-Thiele, Griffith University, Australia</i>	
Cause-Related Marketing in Spain. A Consumer Behavior Perspective. Effects on Satisfaction and Loyalty	442
<i>M. Mercedes Galan - Ladero, University of Extremadura, Spain</i>	
<i>Clementina Galera – Casquet, University of Extremadura, Spain</i>	
<i>Victor Valero – Amaro, University of Extremadura, Spain</i>	
Disaggregating Corporate Philanthropy: The Impact of Individual Dimensions on Customer-Based Corporate Reputation	443
<i>Bodo B. Schlegelmilch, Vienna University of Economics and Business</i>	
<i>Ilona Szócs, Vienna University of Economics and Business</i>	
Exploring Cross-Cultural Differences in Ethical Predispositions and Behavior in a Selling Context.....	447
<i>Jill S. Attaway, Illinois State University, USA</i>	
<i>Jacques Boulay, ESSCA School of Management, France</i>	
<i>Jeri M. Beggs, Illinois State University, USA</i>	
Session 6.8: Organizational Issues and Processes.....	457
Inter-Organizational Supply Chain Performance: How the Relationship Factors Influence the Australian Beef Industry?	458
<i>Mohammad Nasir Uddin, Curtin University of Technology, Australia</i>	
<i>Mohammed Quaddus, Curtin University of Technology, Australia</i>	
<i>Nazrul Islam, Department of Agriculture & Food WA and Curtin University of Technology, Australia</i>	
A Typology of Relational Processes in Egyptian Companies: An Exploratory Investigation.....	465
<i>Omneya Mokhtar Yacout, Alexandria University, Egypt</i>	
Understanding the New, Negotiated Phase of Relationship Marketing: A Proposed Research Agenda.....	475
<i>Don Schultz, Northwestern University, USA</i>	
<i>Edward C Malthouse, Northwestern University, USA</i>	
<i>Doreen Pick, Freie Universität Berlin, Germany</i>	

Session 6.9: Front Line Employees.....	482
The Customer is not Always Right, but are your Employees?.....	483
<i>Gauthier Catherine, HEC Montréal, Canada</i>	
<i>Chebat Jean-Charles, HEC Montréal, Canada</i>	
<i>Vandenbergh Christian, HEC Montréal, Canada</i>	
Modeling Customer-Employee Instant Rapport in the First Service Encounter	484
<i>Jiun-Sheng Chris Lin, National Taiwan University, Taiwan</i>	
<i>Cheng-Yu Lin, National Taiwan University, Taiwan</i>	
<i>Wei-Lin Wang, McGill University, Canada</i>	
Session 7.1: You Can Show them the Risk. You Can't Tell them it's Risky. So Why Don't They Believe You?	485
You can show them the Risk. You can Tell them it's Risky. So why don't they Believe you	486
<i>Ingrid M. Martin, California State University, Long Beach, U.S.A</i>	
<i>Michael Kamins, State University of New York at Stony Brook, U.S.A</i>	
Supplement Usage Status and Risk Information	486
<i>Ingrid M. Martin, California State University, Long Beach, U.S.A</i>	
<i>Sayantani Mukherjee, California State University, Long Beach, U.S.A</i>	
Preteens' Ascribed Motivations to Smoke (Not Smoke).....	487
<i>Paul M. Connell, State University of New York at Stony Brook, United States</i>	
<i>Merrie Brucks, The University of Arizona, United States</i>	
<i>Dan Freeman, University of Delaware, United States</i>	
An Attributional Basis for Evaluating the Concept of Free Will of Young Smokers	488
<i>Aditi Grover, Plymouth State University, USA</i>	
<i>Michael A. Kamins, SUNY-Stony Brook, USA</i>	
<i>Ingrid M. Martin, California State University – Long Beach, USA</i>	
Session 7.3: Customer Reactions	490
Do Customers Care About Firms' Motivations for Acting Socially Responsible? A Multilevel Analysis	491
<i>Isabelle Kes, Ruhr-Universität Bochum, Germany</i>	
<i>David M. Woisetschlager, TU Braunschweig University, Germany</i>	
The Evaluative Attributes of Front Line Employees in Banking: The Customer Voice.....	492
<i>Nathalie Lemaitre, IAE Aix en Provence, France</i>	
Impacts of Price Transparency on Consumer Price Fairness Perspectives and Behavioral Intentions	496
<i>Gopalkrishnan Iyer, Florida Atlantic University, USA</i>	
<i>Dhruv Grewal, Babson College, USA</i>	
<i>Sandra Rothenberger, University of Innsbruck, Austria</i>	
The Best Defense can be a Good Offense. Promoting Responsible Gambling Among Youth	497
<i>Linda Lemarié, HEC Montréal, Canada</i>	
<i>Jean-Charles Chebat, HEC Montréal, Canada</i>	
Session 7.4: Distribution and SCM	506
Estimating the Buyer's Willingness to Pay Using Bayesian Belief Distribution with IFR	507
<i>Xavier Brusset, Center of expertise and research in Retailing, ESSCA School of Management, France</i>	
<i>Roxane Cattan-Jallet, ESSCA School of Management, France</i>	
Cooperative Relationships Between Product Brands and Ingredient Brands	512
<i>Akinori Ono, Keio University, Japan</i>	
<i>Shingoh Iketani, Keio University, Japan</i>	

The Influences of Transaction Cost Factors and Capabilities Factors on the Degree of Channel Integration	515
<i>Hidesuke Takata, Keio University, Japan</i>	
The Changing Japanese Retail Market Potential from 1997 to 2007	516
<i>Charles A. Ingene, The Hong Kong Polytechnic University</i>	
<i>Ikuo Takahashi, Keio University, Japan</i>	
Session 7.5: Teaching and Innovation II.....	517
Reflective Learning in Business Education: A Replication in an Asian Context	518
<i>Weiling Zhuang, Eastern Kentucky University, USA</i>	
<i>Pinghui Zhu, Xiamen University, China</i>	
<i>Maxwell K. Hsu, University of Wisconsin- Whitewater, USA</i>	
<i>Qian Xiao, West Texas A& M University, USA</i>	
Consequences of Decisions and Choices with Respect to the Satisfaction of Individual Needs of Higher Education Consumer	519
<i>Popescu Maria – Lavinia, “Babeş –Bolyai” University Cluj-Napoca, Romania</i>	
Session 7.6: Global Marketing III	524
Measuring the Influence of Corporate Image on Country of Origin Image. The Case of Spain	525
<i>Carmen Lopez, Plymouth Business School, Plymouth University, UK</i>	
<i>Manto Gotsi, Cardiff Business School, Cardiff University, UK</i>	
<i>Constantine Andriopoulos, Cardiff Business School, Cardiff University, UK</i>	
<i>George Balabanis, Cass Business School, City University, UK</i>	
Examining the Longitudinal Effects of an International Crises	526
<i>Amro Maher, Qatar University, Qatar</i>	
Brand Positioning Strategies During Global Expansion: Managerial Perspectives from Emerging Market Firms	527
<i>Dana L. Alden, University of Hawaii at Manoa, USA</i>	
<i>Angeline Nariswari, University of Hawaii at Manoa, USA</i>	
Session 7.7: Marketing Research Tools & Techniques	531
Trajectory-Based Segmentation of Loyalty Program-Type Data.....	532
<i>Arthur W. Allaway, University of Alabama, USA</i>	
<i>Giles D’Souza, University of Alabama, USA</i>	
<i>David Berkowitz, University of Alabama-Huntsville, USA</i>	
<i>William Magnus Northington, University of Alabama, USA</i>	
Combining Mystery Shopping and Customer Satisfaction Surveys in Small-Area Estimation.....	533
<i>Pablo Marshall, Pontificia Universidad Católica de Chile, Chile</i>	
Data Quality in Marketing Research – How to Determine Accuracy in Online Questionnaires	534
<i>Boris Toma, University of Mannheim, Germany</i>	
<i>Daniel Heinrich, University of Mannheim, Germany</i>	
<i>Hans H. Bauer, University of Mannheim, Germany</i>	
Session 7.8: Relationship Marketing in Service Context	535
Commitment as a Mediator Variable used to Predict Future Service Purchase Intentions: An Empirical Study of Performing Arts Consumers in Spain.....	536
<i>María José Quero, University of Málaga, Spain</i>	
<i>Rafael Ventura Fernández, University of Málaga, Spain</i>	

Exploring the Formation Process of Brand Love: A Comparison Between Goods and Services.....	546
<i>Rodoula H. Tsiotsou , University of Macedonia, Greece</i>	
<i>Ronald E. Goldsmith, Florida State University, U.S.A</i>	
Impact of Service Recovery Fairness Perceptions of Customer Relationships.....	551
<i>Anuj Paul Gosain, Indian Institute of Management Bangalore, India</i>	
<i>G. Shainesh, Indian Institute of Management Bangalore, India</i>	
Session 8.15: Poster Presentations.....	555
When and Where to Prompt for an Online Promotional Code to Avoid Cart Abandonment.....	556
<i>Fanny Reniou, Reims Management School, France</i>	
<i>Ziad Malas, IUT Paul Sabatier, Université Toulouse III, France</i>	
<i>Thierry Delécolle, ISC Paris School of Management, France</i>	
<i>Pierre Desmet, Université Paris-Dauphine, France</i>	
New Challenges for the Internationalization of Firms. Italian Companies in China: Business Models and Market Policies	560
<i>Elena Cedrola, University of Macerata, Italy</i>	
<i>Loretta Battaglia, Catholic University of Milan, Italy</i>	
<i>Chiara Cantù, Catholic University of Milan, Italy</i>	
<i>Laura Gavinelli, University of Milan Bicocca, Italy</i>	
<i>Alessandra Tzannis, Catholic University of Milan, Italy</i>	
Brand Architecture within the Pharmaceutical Industry	570
<i>Christoph Burmann, University of Bremen, Germany</i>	
<i>Christopher Kanitz, University of Bremen, Germany</i>	
A Model of Integrated Marketing Communication Orientation: The Mexican Firms Case	580
<i>Laura Esparza-Martínez Universidad de Monterrey, México</i>	
<i>Marco Vinicio Gómez-Meza, Universidad Autónoma de Nuevo León, México</i>	
Session 8.3: Cognitive Influences.....	581
What a Strange Bottle! Effects of Perceived Congruence of a Package Design.....	582
<i>Nathalie Fleck, Université de Cergy-Pontoise, France</i>	
<i>Virginie Maille, SKEMA Business School, France</i>	
<i>Priya Raghubir, New York University, U.S.A</i>	
The Influence of Servicescape on Counterfeit Purchasing: An Exploratory Study	586
<i>Antje Cockrill, Swansea University, United Kingdom</i>	
<i>Natalie Kate Rebecca Counsell, University of Central Lancashire, United Kingdom</i>	
<i>Peter Stokes, University of Chester, United Kingdom</i>	
A Congruence Model of Person-Environment Interaction and Consumption Decisions as we Age.....	589
<i>Susan Forquer Gupta, Monmouth University, U.S.A</i>	
Session 8.4: E-Shopping I.....	596
Imitation Motives in Retailers' Adoption of the Internet Channel.....	597
<i>Ralitza Nikolaeva, ISCTE-Instituto Universitário de Lisboa, Portugal</i>	
Chinese Consumers' Online Group Buying Behaviour Model	598
<i>Matthew Tingchi Liu, University of Macau, Macao</i>	
<i>James L. Brock, Pacific Lutheran University, USA</i>	
<i>James Gui Cheng Shi, Macau University of Science and Technology, Macao</i>	
<i>Christopher Rong Wei Chu, Fudan University, China</i>	

A Review of Online Consumer Behaviour Research: Main Themes and Insights	599
<i>Inma Rodríguez-Ardura, University of Oxford, United Kingdom, and Internet Interdisciplinary Institute, Open University of Catalonia, Spain</i>	
<i>Francisco J. Martínez-López, University of Granada and Open University of Catalonia, Spain</i>	
<i>Juan C. Gázquez-Abad, University of Almería, Spain</i>	
<i>Gisela Ammetller, Internet Interdisciplinary Institute, Open University of Catalonia, Spain</i>	
Session 8.5: Emerging Market Issues.....	600
The Applicability of Market-Centered Strategies and Tactics to Nonprofit Organizations in Emerging Markets: An Exploration	601
<i>Mary Conway Dato-on, Rollins College, USA</i>	
<i>Eileen Weisenbach Keller, Northern Kentucky University, USA</i>	
The Importance of Measuring Control Mutuality in B2B Relationships in Developing Countries.....	606
<i>Elsamari Botha, University of Cape Town, South Africa</i>	
<i>Gert Human, University of Cape Town, South Africa</i>	
Being Socially Responsible in Russia: Does it Matter to Global or Local Firms?	607
<i>Yuliya Strizhakova, Rutgers University, USA</i>	
<i>Robin Coulter, University of Connecticut, USA</i>	
<i>Linda Price, University of Arizona, USA</i>	
How do Emerging Countries' Brands Compete? Proposed Model and Empirical Research	608
<i>Claude Chailan, International University of Monaco, Monaco</i>	
Session 8.6: Strategy for Innovation	609
Antecedents and Consequences of Innovativeness.....	610
<i>Ossi Pesämaa, Queensland University of Technology, Australia</i>	
<i>Aviv Shoham, University of Haifa, Israel</i>	
<i>Ayalla A. Ruvio, Temple University, USA</i>	
Alignment of Market Orientation and Innovation as a Success Factor a Five-Country Study	611
<i>Monika Oswald, RWTH University Aachen, Germany</i>	
<i>Malte Brettel, RWTH University Aachen, Germany</i>	
Effects of Market Orientation on Cooperation Between R&D and Marketing.....	612
<i>Zeynep Gül Günbegi, Bahçeşehir University, Turkey</i>	
<i>Elif Karaosmanoğlu, İstanbul Technical University, Turkey</i>	
<i>Selime Sezgin, Bahçeşehir University, Turkey</i>	
Session 8.7: Marketing Research Tools & Techniques	617
Using a Judgemental Analysis System to Evaluate the International Mainframe and Computer Market	618
<i>Christopher P. Holland, University of Manchester, U.K</i>	
<i>Peter Naude, University of Manchester, U.K</i>	
<i>Barrie Heptonstall, IBM Systems and Technology Group, U.K</i>	
C' Test Helps or Hinders? – Clarifying the Communication Fallacy of “Effect to be Mediated” in Marketing Research	631
<i>Xinshu Zhao, Hong Kong Baptist University, P. R. China</i>	
<i>Qimei Chen, University of Hawaii at Manoa, USA</i>	
Triangulation in Industrial Market Research - Development of a Mixed-Methods-Approach for Market Forecasts	633
<i>Marc M. Kuhn, Baden-Württemberg Cooperative State University Stuttgart, Germany</i>	
<i>Clemens W. Baumann, Baden-Württemberg Cooperative State University Stuttgart, Germany</i>	

Session 8.8: Relationship Strategy 1.....	643
Loyalty Programs and How They Can Benefit Retailers Through Customer Knowledge	644
<i>Steve Worthington, Monash University, Australia</i>	
Determinants of Loyalty Card Usage Frequency – A Multi-Level Analysis	645
<i>Marc Schnöring, Ruhr-Universität Bochum, Germany</i>	
<i>David M. Woisetschläger, TU Braunschweig University, Germany</i>	
Effect of Relationship Marketing on Customer Retention: Evidence from Mobile Telecommunications Industry of a Large Emerging Economy	646
<i>Sanjaya Singh Gaur, Auckland University of Technology (AUT University), New Zealand</i>	
<i>Hanoku Bathula, AIS St Helens, New Zealand</i>	
Session 8.9: Service Failure & Recovery	649
Understanding Why Customers Choose to Abuse or Not to Abuse, Return Policies: The Customer's Return is Not Always Legitimate!	650
<i>Mark S. Rosenbaum, Northern Illinois University, United States of America</i>	
<i>Ronald Kuntze, University of Tampa, United States of America</i>	
<i>Barbara Ross-Wooldridge, University of Texas, Tyler, United States of America</i>	
Coping with Service Failures: The Role of Emotional Intelligence, Self-Efficacy and Intention to Complain	654
<i>Yuliya Strizhakova, Rutgers University, USA</i>	
<i>Yelena Tsarenko, Monash University, Australia</i>	
Service Recovery Strategies and Perceived Justice: The Moderating Role of Psychological Contract Violation.....	655
<i>Rania Mostafa, University of Leeds, UK</i>	
<i>Cristiana Raquel Lages, Loughborough University, UK</i>	
Session 9.1: Tweeting Birds: An Aviary Lifestyle Segmentation Strategy for Social Media	656
Tweeting Birds: An Aviary Lifestyle Segmentation Strategy for Social Media.....	657
<i>Session Chair: Frederic Kropp, Monterey Institute of International Studies, USA</i>	
Aviary Segmentation: Theory and Method	657
<i>Lynn R. Kahle, University of Oregon, USA</i>	
<i>Eda Gurel-Atay, University of Oregon, USA</i>	
<i>Jae Gu Yu, Hanyang University, Korea</i>	
<i>Karen Ring, Universal McCann, USA</i>	
Sources of Health Information as a Function of Aviary Lifestyles and Product/Service Category.....	657
<i>Elizabeth Stickel, University of Oregon, USA</i>	
<i>Eda Gurel-Atay, University of Oregon, USA</i>	
<i>Steven Andrews, University of Oregon, USA</i>	
<i>Cat Armstrong Soule, University of Oregon, USA</i>	
Cardinals, Hawks, and Blue Jays: Sports, Media and Aviary Lifestyles for Brand Choice	658
<i>Chris Lee, University of Oregon, USA</i>	
<i>Jae Gu Yu, Hanyang University, Korea</i>	
<i>Leslie Koppenhafer, University of Oregon, USA</i>	
<i>Namika Sagara, Duke University, USA</i>	
Session 9.10: New Technology for Business Education: The Moodle Way.....	660
New Technology for Education: Moodle	661
<i>Christina Chung, Ramapo College of New Jersey, USA</i>	
<i>Laurie A. Babin, University of Louisiana Monroe, USA</i>	

Session 9.11: The Tourist Experience	662
Factors Effecting Destination Loyalty: A Case of Cox's Bazar, Bangladesh	663
<i>Md. Enayet Hossain, Curtin University, Australia</i>	
<i>Mohammed Quaddus, Curtin University, Australia</i>	
<i>Tekle Shanka, Curtin University, Australia</i>	
The Role of Eco-Cultural Attractions in 'Perception Engineering': A Case Study Conducted in Goa, India	668
<i>Tony L. Henthorne, University of Nevada Las Vegas, USA</i>	
<i>Babu P. George, University of Southern Mississippi, USA</i>	
Session 9.3: Account Management, Trust and Sustainability	672
A Conceptual and Empirical Examination of Key Account Management Orientation and its Implications – The Role of Trust	673
<i>Nektarios Tzempelikos, Athens University of Economics and Business, Greece</i>	
<i>Spiros Gounaris, Athens University of Economics and Business, Greece</i>	
Using the Big Picture Approach to Integrate Sustainability in Business-to-Business Marketing	682
<i>Tracy L. Gonzalez-Padron, University of Colorado Colorado Springs, USA</i>	
<i>Jeffery Ferguson, University of Colorado Colorado Springs, USA</i>	
<i>John Milliman, University of Colorado Colorado Springs, USA</i>	
An Empirical Examination of Causes and Consequences of Trustworthiness: A B2B Services Perspective	683
<i>Ralitza Bell, Australian Catholic University, Australia</i>	
Session 9.4: Selling with Electronic Media	693
Promotion via SMS, Effective or Not? A Study of Consumers' Attitude Toward Reception of Promotional Ads By SMS on Mobile Phone	694
<i>Anik St-Onge, Université du Québec à Montréal</i>	
<i>Émilie Anouk Mignot, Université du Québec à Montréal</i>	
<i>Roy Toffoli, Université du Québec à Montréal</i>	
Virtual Sales Agents: The Reasons of Failure	697
<i>Mohamed Slim Ben Mimoun, Skema-Univ Lille Nord de France, France</i>	
<i>Ingrid Poncin, Skema-Univ Lille Nord de France, France</i>	
<i>Marion Garnier, Skema-Univ Lille Nord de France, France</i>	
Consumer Expectations of Emerging E-Storefronts: An Empirical Study in Hong Kong	705
<i>Ziqi Liao, Hong Kong Baptist University, Hong Kong, China</i>	
Session 9.5: Job Involvement, Burnout and Deviance - Day in the Life of a Sales Person.....	707
Toward an Understanding of Salesperson Deviance: A Structured Abstract.....	708
<i>Mahmoud Darrat, Auburn University at Montgomery, USA</i>	
<i>Barry Babin, Louisiana Tech University, USA</i>	
Self-Efficacy and Salesperson Job Involvement as Mediators of the Emotional Intelligence – Creativity Relationship	716
<i>Felicia G. Lassk, Northeastern University, USA</i>	
<i>C. David Shepherd, Georgia Southern University, USA</i>	
Salespeople Quality of Life: Introducing COBE (Comprehensive Burnout and Engagement) Model.....	717
<i>Sandrine Hollet-Haudebet, IRG University Paris-Est, France</i>	

A Motley Pattern of Sales-Marketing Integration	718
<i>Avinash Malshe, University of St Thomas, MN, USA</i>	
<i>Ravipreet Sohi, University of Nebraska-Lincoln, USA</i>	
<i>Michael Krush, North Dakota State University, USA</i>	
Session 9.7: Psychology in Service Marketing & Marketing Orientation.....	721
Responding to Customers' "Gray" Requests: The Service Employee Dilemma	722
<i>Mary P. Harrison, University of Alabama, USA</i>	
<i>William M. Northington, University of Alabama, USA</i>	
<i>Sharon E. Beatty, University of Alabama, USA</i>	
<i>Betsy B. Holloway, Samford University, USA</i>	
<i>Sijun Wang, Loyola Marymount University, USA</i>	
Effectiveness of Customer Referral Reward Programs: The Mediating Role of Metaperception	723
<i>Dominik Georgi, Frankfurt School of Finance & Management, Germany</i>	
<i>Jochen Wirtz, National University of Singapore, Singapore</i>	
<i>Ping Xiao, National University of Singapore, Singapore</i>	
<i>Christopher Tang, UCLA, USA</i>	
From Switching Intent to Behavior: A Construal Level Theory Perspective in the Context of Contractual Services.....	724
<i>Jochen Wirtz, National University of Singapore, Singapore</i>	
<i>Yuchen Hung, National University of Singapore, Singapore</i>	
<i>Catherine Yeung, National University of Singapore, Singapore</i>	
<i>Jeongwen Chiang, China Europe International Business School, P. R. China</i>	
Session 9.8: Relationship Strategy 2.....	725
The Impact of Customers' direct and Indirect Experience on e-Trust	726
<i>Joohyung Park, Purdue University, U.S.A</i>	
<i>JungKun Park, University of Houston, U.S.A</i>	
<i>Shirley Ezell, University of Houston, U.S.A</i>	
The Effect of Organizational and Cultural Antecedents on a Customer Prioritization Strategy in Times of Market Dynamism	733
<i>Niels Becker, RWTH University of Aachen, Germany</i>	
<i>Malte Brettel, RWTH University of Aachen, Germany</i>	
How Customer Equity Drivers Affect Behavioral Intentions and Behavior Over Time: An Empirical Assessment.....	734
<i>Heiner Evanschitzky, Aston University, UK</i>	
<i>Alexander Eiting, TU Dortmund University, Germany</i>	
<i>David M. Woisetschläger, TU Braunschweig University, Germany</i>	
<i>Verena Richelsen, Bayer Business Services, Germany</i>	
Session 9.9: Service Failure & Switching Behaviors	735
Intercultural Service Encounters: Exploring the Role of Cultural Attribution and Intercultural Competence.....	736
<i>Jackie L.M. Tam, The Hong Kong Polytechnic University, Hong Kong</i>	
<i>Piyush Sharma, The Hong Kong Polytechnic University, Hong Kong</i>	
<i>Namwoon Kim, The Hong Kong Polytechnic University, Hong Kong</i>	

Session 10.3: Consumer Differences	740
Analyzing the Antecedents and Consequences of Consumer Ethnocentrism	
Amongst Russian Food Consumers.....	741
<i>Kyösti Pennanen, VTT Technical Research Centre of Finland, Finland</i>	
<i>Harri T. Luomala, University of Vaasa/Epanet, Finland</i>	
<i>Julia Solovjova, St.Petersburg State University of Economics and Finance, Russian Federation</i>	
Peer Group Influence and Products Purchase Decisions of Young Saudi Adult Males	750
<i>Robert A. Opoku, King Fahd University of Petroleum & Minerals, Saudi Arabia</i>	
<i>Alhassan G. Abdul-Muhmin, King Fahd University of Petroleum & Minerals, Saudi Arabia</i>	
The Effects of Brand Familiarity and Consumer Value – Brand Symbolism (In)Congruity on Taste Perception.....	754
<i>Rami Paasovaara, University of Vaasa, Finland</i>	
<i>Harri Luomala, University of Vaasa, Finland</i>	
Session 10.4: Doctoral Colloquium	758
Core Corporate Strategic Capabilities: Role of Corporate Capabilities, Integrity, Institutions, and Implications Toward Sustainable Corporate Reputation and Performance.....	759
<i>Emmanuel J. Chao, Agder University, Norway</i>	
From the Knowledge Creating Process to the Knowledge Creating Outcome: The Way to go for Multinational Corporations	760
<i>Pamela Chidiogo Izunwanne, University of Agder, Norway</i>	
The Role of Entrepreneurial and Networking Orientations in Developing Marketing Capabilities of Born Global Firms.....	770
<i>Burak Tunca, University of Agder, Norway</i>	
The New Frontier in Boundary-Spanning Roles- Improvisation as a Tool to Manage Role Stress	780
<i>Jessica Vredenburg, University of Melbourne, Australia</i>	
How Consumers Process Prevention-Oriented Direct-to-Consumer Advertising Messages: A Conceptual Paper	784
<i>Danae Manika, The University of Texas at Austin, USA</i>	
Session 10.5: Market Orientation: Antecedence and Consequences	785
A Five-Country Study on the Curvilinear Performance Consequences of Responsive and Proactive Market Orientation.....	786
<i>Monika Oswald, RWTH University Aachen, Germany</i>	
<i>Malte Brettel, RWTH University Aachen, Germany</i>	
Analyzing the Mediating Effect of Learning Orientation on the Relationship of Market Orientation and Company Performance in Times of Turbulence.....	787
<i>Niels Becker, RWTH University of Aachen, Germany</i>	
<i>Malte Brettel, RWTH University of Aachen, Germany</i>	
Interaction Orientation: Do Corporate Culture, Organizational Structure, and Leadership Style have an Impact on it?	788
<i>Julia Thalmann, RWTH Aachen University, Germany</i>	
The Impact of Employees' Workplace Interaction on Market-Oriented Behavior	789
<i>Tao Zhu, University of Groningen, the Netherlands</i>	
<i>Roger Leenders, University of Groningen, the Netherlands</i>	
<i>Wilfred Dolfsma, University of Groningen, the Netherlands</i>	

Session 10.6: Influencing Consumer Decision Making through Online Promotions and Reviews	790
How Online Consumer Reviews Influence Blog Users' Product- and Brand Preferences: Differences Between Lurkers and Posters.....	791
<i>Boris Bartikowski, Euromed Management, France</i> <i>Gianfranco Walsh, University of Koblenz-Landau, Germany</i>	
Consumer Responses to Promotional Games in Social Media.....	792
<i>Richard C. Hanna, Northeastern University, USA</i> <i>Scott D. Swain, Northeastern University, USA</i> <i>Jonathan Hibbard, Boston University, USA</i>	
Session 10.7: Marketing and Finance	793
The Relationships of Advertising, and Research and Development with Capital Market Risk: Do Firms with Higher Risk to have Different Relationship with these Risk?	794
<i>Miao-Ling Chen, National Sun Yat-sen University, Kaohsiung, Taiwan</i> <i>Chi-Lu Peng, National Sun Yat-sen University, Kaohsiung, Taiwan</i>	
Customer Involvement, Retail Mix Elements and Customer Loyalty in two Diverse Retail Environments	795
<i>Nic S. Terblanche, University of Stellenbosch, South Africa</i>	
Session 10.8: Franchising, Internet and Loyalty	805
The Optimal Design of the Internet Common Retailer: A Game-Theoretic Analysis for Priceline	806
<i>I-Huei Wu, National Taiwan Normal University, Taiwan, R.O.C</i> <i>Chyi-Mei Chen, National Taiwan University, Taiwan, R.O.C</i> <i>Shan-Yu Chou, National Taiwan University, Taiwan, R.O.C</i>	
Efficacy of Franchisee Autonomy: An Examination of Boundary Conditions.....	807
<i>Heiner Evanschitzky, Aston University, UK</i> <i>Christof Backhaus, University of Bochum, Germany</i> <i>Markus Blut, University of Dortmund, Germany</i> <i>David Woisetschläger, University Braunschweig, Germany</i>	
Shifting the Standardisation/Adaptation Debate to National Franchising: Empirical Evidence from Germany	808
<i>Christof Backhaus, Ruhr-Universität Bochum, Germany</i> <i>Markus Blut, TU Dortmund University, Germany</i> <i>Tobias Heussler, Marketing Center Münster, Germany</i>	
Session 10.9: Behavior change in Social Marketing	809
Bystander Intervention in Domestic Violence: Evaluating Social Marketing Campaigns	810
<i>Magdalena Cismaru, University of Regina, Canada</i> <i>Gitte Jensen, University of Regina, Canada</i> <i>Anne M. Lavack, Kwantlen Polytechnic University, Canada</i>	
Social Marketing: the Lifeblood of Blood Donation?	811
<i>John Healy, Cork Institute of Technology, Ireland</i> <i>Maurice Murphy, Cork Institute of Technology, Ireland</i>	
Session 11.1: Consumer Behavior VI.....	812
The Role of National Cultural Values Within the Theory of Planned Behaviour.....	813
<i>Louise M. Hassan, Lancaster University, U.K</i> <i>Edward Shiu, Bangor University, U.K</i>	

An Alternative Model of Schwartz's Basic Human Values in Consumer Research.....	814
<i>Arien Strasheim, University of Pretoria, South Africa</i>	
<i>Leona Ungerer, University of South Africa, South Africa</i>	
Exploring Consumer Motivation in Online Social Lending for Development	815
<i>Robert Mittelman, Carleton University, Canada</i>	
<i>José I. Rojas-Méndez, Carleton University, Canada</i>	
Session 11.2: Writing, Teaching and Using Case Studies in Marketing.....	825
The Strategy and Tactics of Cases in Marketing Education.....	826
<i>Michael John Harker, University of Strathclyde, UK</i>	
<i>Ross Bennan, Middlesex University, UK</i>	
Session 11.3: Organizational Learning, Pricing and Simulations.....	830
The Effects of Organizational Learning on Innovation and Performance in KIBs:	
An Empirical Examination	831
<i>María Leticia Santos Vijande, University of Oviedo, Spain</i>	
<i>José Ángel López Sánchez, University of Extremadura, Spain</i>	
Session 11.4: New Media, New Customers? Understanding What Works	834
The Customer is not Always Right? A Study on the Trustworthiness of EWOM Senders	835
<i>Andreas Munzel, Ludwig Maximilians University Munich, Germany</i>	
<i>Anton Meyer, Ludwig Maximilians University Munich, Germany</i>	
<i>Kathrin Feigl, Ludwig Maximilians University Munich, Germany</i>	
Website Interactivity and User Involvement: The Moderating Effects of Need for Cognition	836
<i>Ling-Ling Wu and Yu-Ying Li, National Taiwan University, Taiwan</i>	
<i>Ming-Yih Yeh, National Taiwan University of Science and Technology, Taiwan</i>	
A Longitudinal Analysis of Trust in a Fast Growth Technology-Based Company	845
<i>Adrian Palmer, ESC Rennes School of Business, France</i>	
<i>Qunying Huo, ESC Rennes School of Business, France</i>	
Session 11.5: Teaching and Innovation I.....	849
Clickers are Dynamic Assessment Tools in Marketing Education	850
<i>Pelin Bicen, Penn State University, Erie, USA</i>	
<i>Mary Beth Pinto, Penn State University, Erie, USA</i>	
Western Marketing Education in the Arab World: Where are we in the 'Adapt'	
Versus 'Standardize' Debate?.....	851
<i>Nnamdi O. Madichie, University of Sharjah, UAE</i>	
A Process and Model of Business Sustainability: Case Study	856
<i>Göran Svensson, Oslo School of Management, Norway</i>	
<i>Beverly Wagner, University of Strathclyde, UK</i>	
Session 11.6: Bank Marketing II	857
The Quality of Customer Relationships in Different Clusters of Italian Banks:	
Evidence and Implications.....	858
<i>Mauro Cavallone, University of Bergamo, Italy</i>	
<i>Michele Modina, University of Molise, Italy</i>	
The Application of Market Orientation in Banking Industry	863
<i>Paloma Bernal Turnes, Rey Juan Carlos University, Spain</i>	
<i>Carmelo Mercado Idoeta, Rey Juan Carlos University, Spain</i>	
<i>Anne Julien, Reims Management School, France</i>	

Advertising, Risk Tolerance and Investor's Behaviors: Theory and Evidence from the Mutual Fund Industry.....	866
<i>Chi-Lu Peng, National Sun Yat-sen University, Kaohsiung, Taiwan</i>	
<i>Miao-Ling Chen, National Sun Yat-sen University, Kaohsiung, Taiwan</i>	
<i>An-Pin Wei, National Sun Yat-sen University, Kaohsiung, Taiwan</i>	
Session 11.7: Value, Alliance and Dynamics	867
Orchestration of the Marketing Strategy Under Competitive Dynamics	868
<i>Rajagopal, EGADE Business School, Mexico</i>	
Dynamics of Value Creation, Capture, and Erosion: Towards a Theory of firm Sustainability.....	874
<i>Rajiv K. Kashyap, William Paterson University, USA</i>	
<i>Raza Mir, William Paterson University, USA</i>	
<i>Easwar S. Iyer, University of Massachusetts Amherst, USA</i>	
Plugging Social Responsibility into Shopper Marketing	875
<i>Dan Flint, University of Tennessee – Knoxville, USA</i>	
<i>David W. Schumann, University of Tennessee – Knoxville, USA</i>	
Session 11.8: Retail Strategy	876
Trust and Satisfaction as Mediators of Premium Prices.....	877
<i>Arjun Chaudhuri, Fairfield University, U.S.A</i>	
<i>Mark Ligas, Fairfield University, U.S.A</i>	
Consumers Switching to Store Brands: Is Product Innovation Effective to Prevent it?	878
<i>Carmen Abril, Complutense University, Spain</i>	
<i>Joaquin Sanchez, Complutense University, Spain</i>	
<i>Jesus Garcia-Madariaga, Complutense University, Spain</i>	
Adaptive Spending in an Economic Crisis: Segmentation by Adaptation Patterns	879
<i>Daniel P Hampson, Manchester Business School, The University of Manchester, UK</i>	
<i>Peter J McGoldrick, Manchester Business School, The University of Manchester, UK</i>	
Session 11.9: Social Marketing and Harmful Behavior	880
Materialism and Aggressive Driving: An Israeli Study	881
<i>Kalanit Efrat, Ruppin Academic Center, Israel</i>	
<i>Aviv Shoham, University of Haifa, Israel</i>	
Benchmarking Alcohol Literacy: A Multi-Country Study	882
<i>Sharyn Rundle-Thiele, Griffith University, Australia</i>	
<i>Dariusz Siemieniako, Bialystok University of Technology, Poland</i>	
<i>Krzysztof Kubacki, Keele University, United Kingdom</i>	
<i>Sameer Deshpande, University of Lethbridge, Canada</i>	
Is the Glass Still half full? Can Social Marketing Threat Appeals Still have a Role in Reducing Binge Drinking Among Female College Students?	883
<i>Fergus Murphy, Cork Institute of Technology, Ireland</i>	
<i>Maurice Murphy, Cork Institute of Technology, Ireland</i>	
Session 12.11: Tourism Marketing.....	884
The UK as an Educational Tourist Destination: Young Chinese' Experiences of the UK	885
<i>Antje Cockrill, Swansea University, United Kingdom</i>	
<i>Anita Zhao, Swansea University, United Kingdom</i>	

Segmenting Pleasure-Seeking Tourists: A Research Agenda	886
<i>David Horrigan, LRG University of Applied Sciences, and Glion Institute of Higher Education, Switzerland</i>	
<i>Jamie Murphy, Murdoch Business School, Western Australia</i>	
The Paradoxes of Tourism.....	890
<i>Philippe Callot, ESCEM Group, France</i>	
Session 12.3: Becoming Green	896
Predicting Consumer Intentions to Purchase Energy-Efficient Products.....	897
<i>Hong-Youl Ha, Kangwon National University, South Korea</i>	
<i>Swinder Janda, Kansas State University, USA</i>	
It's Not Easy Being Green: Why Consumer Behaviors Don't Match Their Attitudes	898
<i>Colin B. Gabler, University of Alabama, United States</i>	
<i>Timothy D. Butler, University of Alabama, United States</i>	
Session 12.4: BRIC Markets I.....	899
The Determinants of the Quality of the Sales-Marketing Interface in a Multinational Customer Brand Focused Company: The Latin American Branches.....	900
<i>Teresa Cometto, Universidad ORT Uruguay, Uruguay</i>	
<i>Gaston J. Labadie, Universidad ORT Uruguay, Uruguay</i>	
<i>Miguel Palacios, Universidad Politécnica de Madrid, Spain</i>	
Does Country of Origin (COO) Matter for Consumers in Emerging Country? A Study on Influence of COO at the Time of Product Evaluation of Mobile Phones by Indian Consumers	909
<i>Saikat Banerjee, Indian Institute of Foreign Trade-IIFT, India</i>	
<i>Bibek Ray Chaudhuri, Indian Institute of Foreign Trade-IIFT, India</i>	
How Customer Involvement Influence Loyalty of Credit Card Holders in India.....	911
<i>Matthew Tingchi Liu, University of Macau, Macao</i>	
Session 12.5: Understanding Social Marketing: Where are we now?	912
No Place to Hide: Is the Cigarette a Potential Cessation Tool?	913
<i>Louise M. Hassan, Lancaster University, U.K</i>	
<i>Edward Shiu, Bangor University, U.K</i>	
Is Social Marketing Just Smoke and Mirrors? Adolescent Female Smoking	914
<i>Barry Griffin, Cork Institute of Technology, Ireland</i>	
<i>Maurice Murphy, Cork Institute of Technology, Ireland</i>	
Implementing Sustainability: Are Universities Leading the Way?	915
<i>Linda Brennan, RMIT University, Australia</i>	
<i>Wayne Binney, Victoria University, Australia</i>	
Session 12.6: Reaching Consumers in the 21st Century through Advertising and Social Media.....	916
Time Lags and Synergies of Online Advertising	917
<i>Ralph Breuer, RWTH Aachen University, Germany</i>	
<i>Malte Brettel, RWTH Aachen University, Germany</i>	
The Effects of Consumer Weight Level on Attitude towards Food and Advertisements	918
<i>Yujie Wei, University of West Georgia, USA</i>	
<i>Mimi Rickard, University of West Georgia, USA</i>	
<i>Cheryl Brown, University of West Georgia, USA</i>	

Connecting Social Media and Traditional Media: Best & Worst Practices	919
<i>Andy Rohm, Loyola Marymount University, USA</i>	
<i>Richard Hanna, Northeastern University, USA</i>	
<i>Victoria Crittenden, Boston College, USA</i>	
Session 12.7: Pricing Behavior and CRM.....	920
To Punish or to Forgive: Examining the Effects of Monetary Penalties on Consumers' Perceptions and Behavioral Intentions	921
<i>Lan Xia, Bentley University, USA</i>	
<i>Monika Kukar-Kinney, University of Richmond, USA</i>	
Price Discrimination, Consumer Trust and the Emergence of the Concept of Rule Familiarity in the Service Industries.....	925
<i>Una McMahon-Beattie, University of Ulster, UK</i>	
<i>Adrian Palmer, University of Wales Swansea, UK</i>	
Where to Search for Price Knowledge? The Influence of Lifestyle on Price Knowledge.....	928
<i>Marc Linzmajer, Zeppelin University, Germany</i>	
<i>Tim Eberhardt, Zeppelin University, Germany</i>	
<i>Peter Kenning, Zeppelin University, Germany</i>	
Session 12.8: Retailing and Consumer Behavior	929
The Role of Listening in E-Contact Center: Investigation for CRM Outcomes in Retailing Settings	930
<i>JungKun Park, University of Houston, USA</i>	
<i>Te-Lin Chung, Purdue University, USA</i>	
<i>Brian Rutherford, Purdue University, USA</i>	
The Effects of Customer Evaluations of Channel Integration: Does an Integrated Multichannel Strategy Pay Off?	931
<i>Hanna Schramm-Klein, University of Siegen, Germany</i>	
<i>Gerhard Wagner, University of Siegen, Germany</i>	
<i>Sascha Steinmann, University of Siegen, Germany</i>	
<i>Dirk Morschett, University of Fribourg, Switzerland</i>	
Reviewers	932
Participant Index	936

Wednesday, 20 July
Time: 8:30 AM

Session Number: **1.1: Innovation in Marketing**

Session Chair: Kropp, Frederic, *Monterey Institute of International Studies*

**From Compliance Culture In Elder Care To Resident Focus Innovation As
Social Entrepreneurship: A Global Opportunity**

Hazelton, Lois, *ECIC*

Gillin, Murray, *ECIC*

**Facilitating Creative Problem Solving in the Marketing Curriculum in
Response to the Demands of the Networked Information Society**

Wood, Denise, *University of South Australia*

Lindsay, Noel, *University of Adelaide*

Gluth, Stuart, *University of South Australia*

Corso, Ron, *University of South Australia*

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FROM COMPLIANCE CULTURE IN ELDER CARE TO RESIDENT FOCUS INNOVATION AS SOCIAL ENTREPRENEURSHIP – A GLOBAL OPPORTUNITY

Lois M Hazelton, University of Adelaide, Australia
L Murray Gillin, University of Adelaide, Australia

ABSTRACT

This paper reviews the international need for elder care and discusses a model for creating an internal environment for sustainable innovation based on an empirical study of elder care facilities that act entrepreneurially and support innovation to deliver resident valued services that meets policy guidelines aligned to community and government expectations and standards. A validated and adapted audit instrument is used to: identify the opportunities for corporate social entrepreneurship within the Australian elder care industry; evaluate the role of the board, management, and staff as care providers in targeted innovation initiatives including marketing to potential residents; and measure sustainable innovation. Analysis indicates that the research instrument can both assess the climate for social entrepreneurship and innovation and identify the training areas for sustained innovation within elderly care organisations.

INTRODUCTION

Care of the elderly has become a topic for sustained discussion as all societies consider ways to cope with world-wide, rapidly increasing interest in socio-economic demography. This is particularly so for the dramatically changing aged structure of both Western and Eastern/Asian cultures. Individuals as they age have always been concerned about the ‘who, what, where, why and how’ of their future. Families and significant others have become increasingly concerned with the quality of elder care services at all levels – decision making, access to quality services and bedside care are three such areas of concern. Elder care is a major industry that consists of many components to make a functioning whole.

There are close to two million Australians over the age of seventy and the number is set to double in the next twenty years (Productivity Commission 2011). Throughout the world today, there are more people aged 65 and older than the entire populations of Russia, Japan, France, Germany and Australia—combined. By 2030, 55 countries are expected to see their 65 and older populations at least 20 percent of their total; by 2040, the global population is projected to number 1.3 billion older people—accounting for 14 percent of the total; by 2050, the U.N. estimates that the proportion of the world's population age 65 and over will more than double, from 7.6% today to 16.2% (United Nations, 2009). This projected increase is shown in [figure 1](#). In Europe, (European Community-Twelve) it was estimated that by 2011, 17% of the population is expected to be 65+ - (a growth from 9% in 1950); in the USA the demographic is estimated to be 13% (compared with 8% in 1950), and in Japan 19% (compared with 5% in 1950) (Nijkamp, Rossdorf and Wilderson, 1991). Data from the fifth national census for China (2001) identifies the proportion of people over the age of 60 was 10% of the population and for those over 65 had reached 7%. (Wong, 2007) thus lifting China into the ranks of ‘ageing societies.’

The far-reaching impact of these demographics for the socio-economic lifestyle of the fifty million aging *Baby Boomers* are sparking demand for products and environments that accommodate their changing physical and sensory capabilities: notably regarding the social security system; pensions schemes; medical and social care; and in general the services planning for the elderly (eg. intramural versus extramural care) (Nijkamp et al, 1991) (United Nations 2009).

The national reaction to the consequential increased demand for pensions, health, resident places and other services for the elderly has meant that more resources must be found, and that governments have developed social care policies that reflect their own philosophy in relation to the type and extent of care required, and the responsibilities to be exercised by elderly individuals and their families. In a recent survey (Productivity Commission 2011), the Australian residential elderly care system was considered outdated in regard to regulatory practice and pricing arrangements which threatened the viability of the elder care sector. Also identified were the diminishing returns on private investment in the industry at a time of unprecedented demand and growth. The average return on investment for new, single-room facilities is now just 1.1% and falling. Almost half of the current facilities are over twenty

years old. There is a need to overhaul the system to offer quality, equitable, efficient and sustainable care (Productivity Commission 2011). Importantly, the common theme is the provision of quality residential and community services for the elderly, but such services are costly and result in a high financial burden on the tax-paying members of the society. All this uncertainty in developing sustainable elder care presents a global opportunity. This paper will explore the factors in the current practice for management of elder care and identify the role of innovation where a social entrepreneurship culture is established.

MODEL FOR SUSTAINED INNOVATION

A fact often overlooked in national policy debates is that innovation does not surface in an organisational or operational vacuum (Cutler, 2008; Ireland, Kuratko, Morris, 2006a). Ireland and his colleagues define a Corporate Entrepreneurial Strategy (CES) “as a vision directed, organisation wide reliance on entrepreneurial behaviour that purposefully and continuously rejuvenates the organisation and shapes the scope of its operations by recognising and exploiting entrepreneurial opportunities that are oriented to innovation” (Ireland et al 2006a, p21). Indeed, for a corporate social organisation, it is argued that board members, management staff and care employees throughout the organisation who are engaging in entrepreneurial behaviour are the very foundation for organisational entrepreneurship and innovation (Spring & Gillin 2005, Bartlett & Choshal, 1994, O’Reilly & Tushman, 2004). Ireland et al (2006b) define this entrepreneurial behaviour as “a process through which individuals (all levels) in an established organisation pursue entrepreneurial activities to innovate without regard to the level and nature of currently available resources” (p10), (Zahra and Covin, 1995, Zahra, Nielsen, and Bogner, 1999). Innovation is commonly described as “creating value by doing things differently” or “creating value through doing something in a novel way”, or “good ideas put to work” (Cutler, 2008, p10), and where value in elder care facilities is that perceived by the resident or in the bottom-line. It is the active appreciation of the dynamic processes associated with innovation that leads to change.

As outlined in the introduction, the growth in elderly numbers of 65+ is an international phenomenon with ever increasing demands for quality facilities and services in elder care. Illustrative of this reality, the model shown in [Fig 2](#), bases the elder care industry firmly within the external environment (see outer ellipse). Creating an internal environment (inner 6 ellipses) for sustainable innovation the Board (approved provider) must take cognisance not only of the external environment but also the impact of policies, regulations and practices associated with providing an effective elder care facility. From the international literature it is clear that the external environment has common elements such as: government policies; education and practice standards; type and purpose of facilities; best practice concepts; access and use of medical and science contributions to gerontology; and the processes of accreditation. In establishing an elder care facility to meet the physical and philosophical needs of the expected residents, all the elements of the external environment must be accommodated in the new entity.

Within the Australian system of elder care provision, the Board (see ellipse [Fig 2](#)) is recognized as the ‘approved provider’ and under Government policy has to juggle these multiple parts to ensure successful outcomes. In consideration of governance, hospitals as the historic health care service had Boards of Management which were typically comprised of doctors, lawyers, accountants and more recently a trend towards inclusive memberships, with members of other professions (nursing, social work) and lay people (Griffith 1999). However, in developing a model for sustainable innovation in the elder care industry it is important to recognise that the approved provider has responsibility for establishing both the structure and culture for delivery of the elder care services within their facility and that supports the achievement of the strategic vision for the elder care facility with a resident focus and financial viability. Such a Board is responsible for its stewardship in delivering services to the Elderly in a manner which ensures that the residents are satisfied, the Staff are happy and committed to their service, and which results in a socially acceptable bottom line.

Within this facility it is essential to maintain the functional health patterns for residents and establish an activity scenario that delivers a satisfying experience of daily living for each resident. Specifically, such a “maintenance requirement”- ellipse ([Figure 2](#)) will include hydration, medication, nutrition, physical, emotional and social needs. Government policy considers these requirements as mandatory and the basis for seeking Government funding for the elder care facility. The major control to receiving Government funding is the achievement and maintenance of a Department of Health accreditation process to provide care for the elderly. This accreditation process is assessed against four standards which cover such activities as: management, care, lifestyle, quality and safety issues. and the assessed performance of the staff and facility to meet forty-four measured outcomes (Aged Care Act 1997). This

stage of the model is identified as ‘Compliance focus’- elipse (Fig 2) where the majority of facilities find much of the staff time is occupied in form-filling and recording daily/weekly activity practices. Management staff are preoccupied with this stage such that little time is available to develop a culture looking for opportunities associated with improving resident experiences.

The next stage is “efficiency focus”- elipse (Fig 2) which is associated with ensuring that continued compliance practices can be delivered efficiently both in respect of staff time, staff numbers and overall service costs. If this stage is treated predominantly as a necessary accounting style function little capability or input will be provided to look for innovations that can both improve the delivery of services and be provided at an effective use of resources.

In the “innovation focus”- elipse stage (fig 2) it is essential that a structure and culture are established to both identify and evaluate opportunities by creating an internal environment that supports sustainable innovation (inner elipse). Indeed Board members, management staff and care employees throughout an elder care facility who are engaging in entrepreneurial behaviour, are the very foundation for organisational entrepreneurship and innovation. Thus the “pivotal crucible for innovation” is the entrepreneurial activity of deploying new ideas, inventions or services within the resident facility and marketplace (Cutler, 2008).

MEASURES OF INNOVATION & SOCIAL ENTREPRENEURSHIP

An important outcome in this paper is the development of reliable measures of innovation and entrepreneurial culture. “Many of the submissions to the Cutler Review (2008) that included data on innovation relied on traditional measures of R&D and intellectual property. Cutler points out indicators are then developed from combining these partial, proxy measures, often using sophisticated econometrics. The somewhat mysterious assumption is that if you get the maths right, you will obtain something meaningful from raw data of limited relevance” (Dodgson, 2008). In consideration of the complex interaction of global issues that impact on the innovation initiatives of the Board, internal stakeholders and the regulated environment of the operation’s activities, any relevant measuring instrument must incorporate the relationship with external stakeholders such as government policy makers, regulators, professional practice requirements, programs and structures for delivering elder care services, and with internal stakeholders such as the Board, staff, and management if sustainable and efficient resident care and satisfaction is to be achieved.

Methodology

The case studies are sourced from five innovative Elder Care Residential Homes. In this research a purposeful approach was taken to selecting the Elder Care Facilities which could be identified as exhibiting characteristics appropriate to the research question. Such characteristics were: a professional board as the approved provider; an understanding of corporate social entrepreneurship; well structured relations between Board/CEO/staff innovation initiatives at all levels; and a commitment to assess resident satisfaction.

The research seeks to assess the Board’s capacity (unit of analysis) to create an internal environment (independent variable) that supports sustainable social entrepreneurship and innovation. A Social Entrepreneurship & Innovation Climate Indicator (SEICI) is used to assess the innovation climate of the Elderly Care environment: four central components (dependent variables) - structure, controls, human resource management and culture are evaluated from an adaption of the Social Entrepreneurship Climate Instrument (Ireland et al 2006a). Some questions were modified to reflect the social dimension in an elder care facility without changing the focus of the survey instrument. In addition a second set of instruments (Ireland et al, 2006b) were used to assess the Entrepreneurial & Innovation Intensity (EII) within the organisation. This instrument seeks to measure innovativeness (creative, unusual or novel solutions), risk-taking (committing significant resources to opportunities) and proactiveness (anticipating and acting in light of recognised opportunities). In addition, the Board chair/member, CEO and DON (Director of Nursing) were interviewed to assess the perceptions and reality of the leader’s commitment to entrepreneurship and innovation.

Results & Implications

A brief analysis is presented that explores Elder Care Resident Homes based on intended mission and intended impact to illustrate entrepreneurial and innovative facilities as sustainable social and economic ventures with a strong resident value focus. The data identifies three entrepreneurial measures associated with socially sustainable

elderly care in Australia: 1) Innovativeness (creative, unusual or novel solutions); 2) Risk taking (committing significant resources to opportunities), and 3) Proactiveness (anticipating and acting in light of recognised opportunities).

Intensity of sustained innovation:

In assessing the Entrepreneurial & Innovation Intensity (EII) of the five Elder Care Facilities two screens were found to be appropriate to a social enterprise focused on services rather than product supply. The two screens - company characteristics (mean values) (Fig. 3); and level of decision making (mean), identify the degree of entrepreneurship and compare the perspectives of different leaders/managers surveyed. This analysis provides an index by which the facility can benchmark itself with other providers of Elder care. If collected annually the data can be used to assess progress in achieving innovative performance and, if measured in different parts of the organisation, provide a basis for staff development.

Opportunity culture and social entrepreneurship/Innovation:

Content analysis (Fig 4) of the semi-structured interviews reveals a number of entrepreneurial & innovation environment factors that are associated with the culture, strategy and performance in the delivery of resident focused services within the elder care facilities. Of particular note is the strong commitment to a change culture, opportunity focus, innovative resourcing with education and training and all three with a strong resident and community focus. The analysis shows an absence of comments on failure tolerance and low levels of comments on innovative rewards, team culture and leadership amongst care staff. All indicated significant support on the availability of innovative resources and relevant training.

Data from the Social Entrepreneurship & Innovation Climate Indicator (SEICI) (Fig 5) provides an insight into how the respondents perceive their workplace and organisation and how the elder care facility has developed to achieve the current level of entrepreneurial intensity. Importantly, the SEICI is used to access, evaluate and manage the organisation's internal work environment in ways that support entrepreneurial behaviour and the use of a corporate entrepreneurial strategy. As discussed above the internal environment that supports corporate social entrepreneurship is characterised by the organisation structure, controls, human resource management systems and culture. The SEICI is constructed around scales to measure: management support for corporate entrepreneurship; work discretion; rewards/reinforcement; time availability; organisation boundaries; and specific climate variables. Figure 5 shows the SEICI profile for the aged care organisations (means) in terms of the first five measures and as a function of the innovation perceptions of each leader/manager with a maximum scale of five. The profiles for the CEO and DON are very similar except for the measure of time availability where the DON perceives minimum time availability for individuals and groups to create and pursue innovation at the frontline service needs. Interestingly the Board reviewer agreed with the CEO on the value of the measures associated with perceptions of management support for innovation, but had difficulty rating the questions for the other four measures.

CASE STUDY

Goodwin Aged Care Services

An example of creating sustainable innovation in conformity to the model Figure 1, is provided Goodwin Aged Care Services. Goodwin's strategic vision was to embark on a five-year plan to double in size and continue to provide resident valued living. Such ambitious growth has an impact on all functions associated with providing basic maintenance of services, achieving compliance with accreditation standards and seeking to increase efficiencies. In particular Goodwin saw an opportunity for radical innovation in meeting their staffing requirements. The CEO, McKenzie states "we have an ageing workforce, with the average staff member working 42 hours per fortnight and with a culture in which elder care work is not the highest priority."

Such a scenario is also part of the Canberra's low unemployment rate of 2.4 per cent (national average 4.4 per cent), high salaries offered by the public service, and other elder care providers being established with a demand for skilled elder care workers. Within this turbulent environment McKenzie (2008) asked "Where is the staff for Goodwin going to come from?" "With an ageing workforce we need to attract younger staff into the industry."

The management group identified the entrepreneurial opportunity as a challenge to recruit highly trained, competent

staff, who know what they are doing, who are reliable and who come to work effectively. In contrast to the past, McKenzie articulated the new philosophy “Invest in a permanent workforce in whom there are no casual staff or agency supply staff.”

Research by McKenzie (2008) into employee motivators versus what employers think motivates staff (Table 1) provides the framework for an innovative recruitment process offering a total package which addresses the employee motivations of the generation Y population who are less than twenty-seven years of age. They have very different values to the existing Baby Boomers and have many work options from which to choose. Analysis of table 1 resulted in developing an innovative approach to staffing in elder care. “To attract good quality staff and retain our existing quality staff we should embark on an *employee of choice* strategy.” (McKenzie 2008)

The resulting certified staffing agreement included a number of innovations to deliver “Better pay conditions; leave benefits; personal benefits; educational benefits; extra mural benefits; and changed management attitudes that support staff development and team work.” Outcomes, based on the 2007 and 2008 staff satisfaction surveys, show that of the eighteen satisfaction measures tested in 2007, seventeen were significantly improved in 2008. Between May 2007 and September, 2008, the average age of staff in the four facilities of Goodwin fell from 44 to 42 with increased skill levels and a reduction in turnover rates. Such a transition, based on innovative management practices will ensure that Goodwin will survive and grow in the competitive environment.

Most scholars agree that what differentiates an entrepreneur from the rest is their behaviour. Nevertheless, attempting to differentiate the behaviour of an entrepreneur from others has thus far proved difficult (Keh, Foo et al 2002; Mitchell, Busenitz et al 2002; McGrath, MacMillan 2000). Also the concept of corporate entrepreneurship within traditional organisations has been poorly understood resulting in a lack of strategic innovation in board direction and policy formulation. Hence equipping people with the skills to innovate is essential, not only the generation and application of new knowledge, but also to use and adapt the knowledge produced elsewhere (Cutler, 2008).

DISCUSSION

The findings confirm the power of the SEICI to discriminate between various perspectives on innovation from differing management positions in the organisation, such as Board member, CEO or DON.

The content analysis of the structured interviews (Fig 4) confirms that each of the participants reflects differing perspectives but all identified and understood the basic elements characterizing an innovative organization. Indeed the 14 factors identified as major nodes in the content analysis will be used as the elements to build appropriate training programs to reinforce innovative behaviour.

All participants both identify innovative behaviour and rank the entrepreneurial climate as high for management support, work discretion and reward reinforcement but see both time availability and organization boundaries as relatively low (Fig 5). These results agree well with the structured interview data (Fig 4) and point to the value of the SEICI as an indicator of where training is necessary to bring the entrepreneurial climate to a satisfactory level. For these organization training programs will be useful for staff associated with issues around time availability to practice innovation and in areas of organization culture and structure.

Interestingly those ‘low care’ facilities, with an expressed commitment to consider resident focused values, appear to be more economically viable and supports the model in figure 2. This is an important result for government regulators and policy formation. In measuring innovation intensity it is noted that the Elder Care organisation performance is low relevant to other industries such as telecommunications and nearer that of the consumer food industry (Ireland et al, 2006). This difference may be associated with the degree of compliance existing in highly regulated industries. In addition the assessment of the innovation climate enables the organisation to assess, evaluate and manage the internal work environment in ways that support innovative behaviour and the use of socially sustainable entrepreneurship. Fig. 2 provides a stage model concept of the progress from a purely maintenance approach to elder care, through a process of compliance and efficiency to a sustained innovation commitment to achieving a strategic value of resident focused care. Such findings enable an Elder Care organisation to develop appropriate training interventions that raise the culture and intensity of innovation that meets the need for improved resident valued care.

CONCLUSION

Analysis indicates that the health audit as adapted from the Ireland et al 2006 instruments are relevant instruments to assess the propensity for corporate social entrepreneurship and innovation within aged care organisations. It is likely that organisation performance is enhanced when a facility's entrepreneurial intensity exceeds the industry average.

The importance to the elder care facility completing the entrepreneurial health audit is in providing measurement and feedback that will allow the board, management, and care staff to understand the relevance of entrepreneurial intensity to the provision of resident valued innovation services. In particular such measurements identify innovation weaknesses and point to the need for specific training in innovation related skills.

The assessment of the entrepreneurial climate or culture enables the organisation to assess, evaluate and manage the internal work environment in ways that support entrepreneurial behaviour and the use of a corporate social entrepreneurship strategy.

TABLES

Table 1, Motivators of staff satisfaction, (McKenzie 2008)

What Employees Want

- Interesting Work
- Full appreciation of work done
- Feeling of being 'in' on things
- Job security
- Good wages
- Promotion and growth
- Good working conditions
- Personal loyalty to employees
- Tactful disciplining
- Help with personal problems

What Supervisors Thought

- Good wages
- Job security
- Promotion and growth
- Good working conditions
- Interesting work
- Personal loyalty to employees
- Tactful disciplining
- Full appreciation of work done
- Help with personal problems
- Feeling of being 'in' on things

Goodwin Aged Care Services, 2008

FIGURES

Figure 1. Projected Acceleration of Population Aging - United Nations 2009

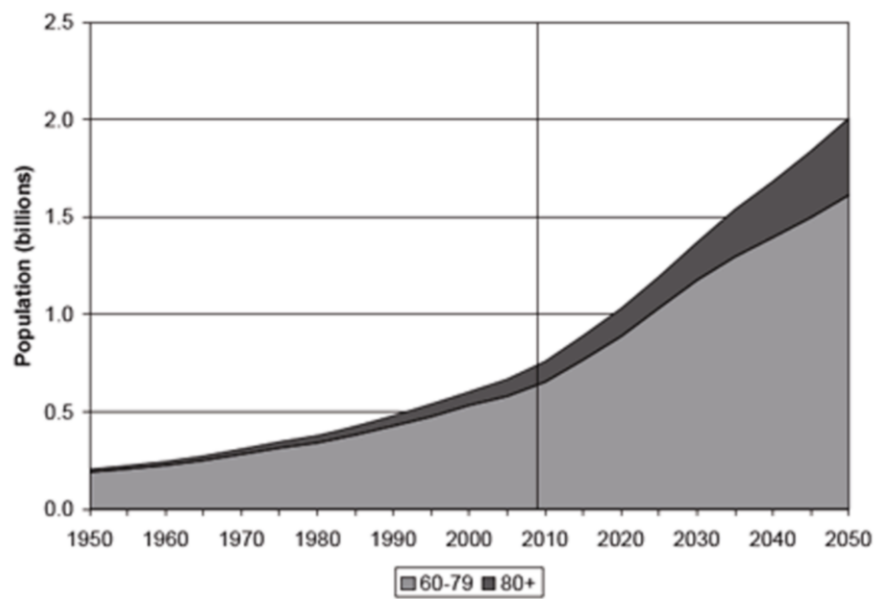


Figure 2. Model for Sustained Innovation in Elder Care Facilities – Hazelton & Gillin 2009

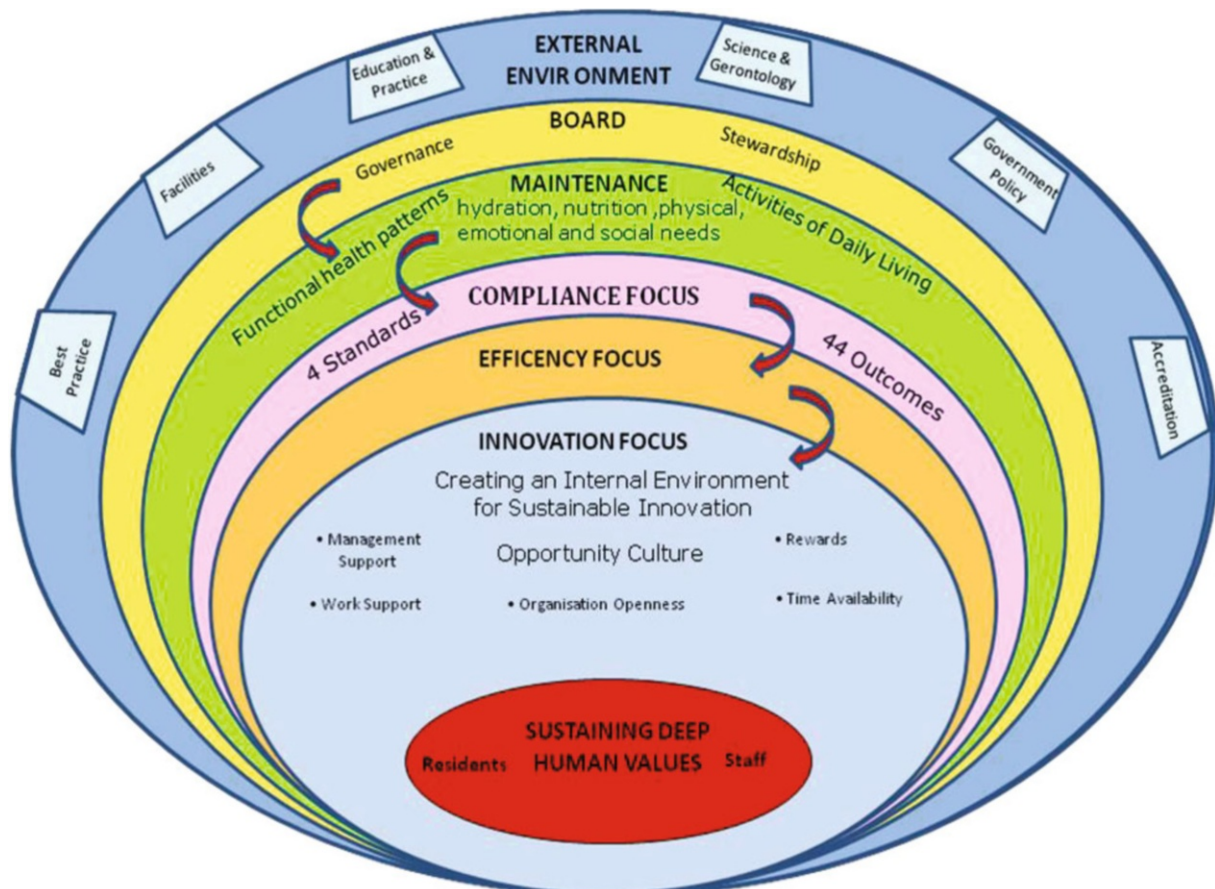
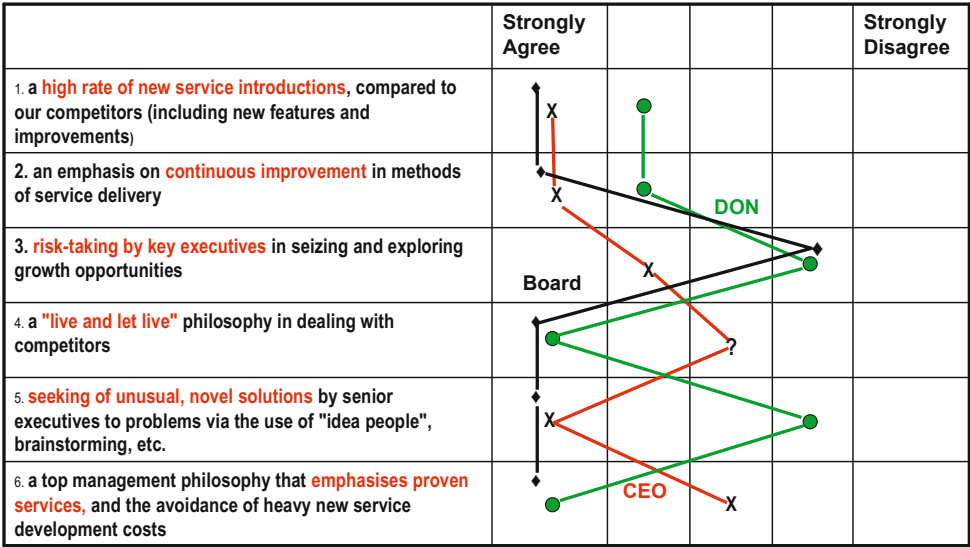


Figure 3. Measuring Social innovation Intensity Hazelton & Gillin 2008



After Kuratko et al 2006

Figure 4. Environmental Factors as a Function of Board/CEO/DON Interviews by Content Analysis

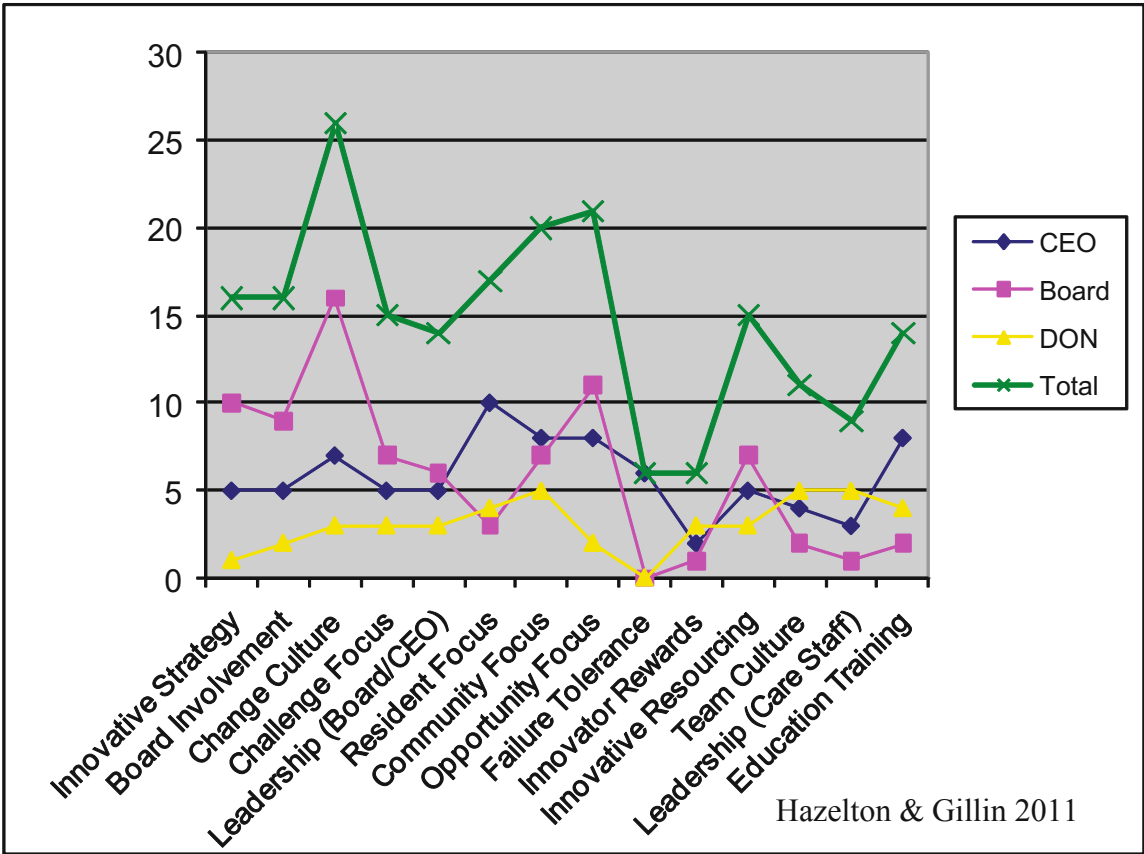
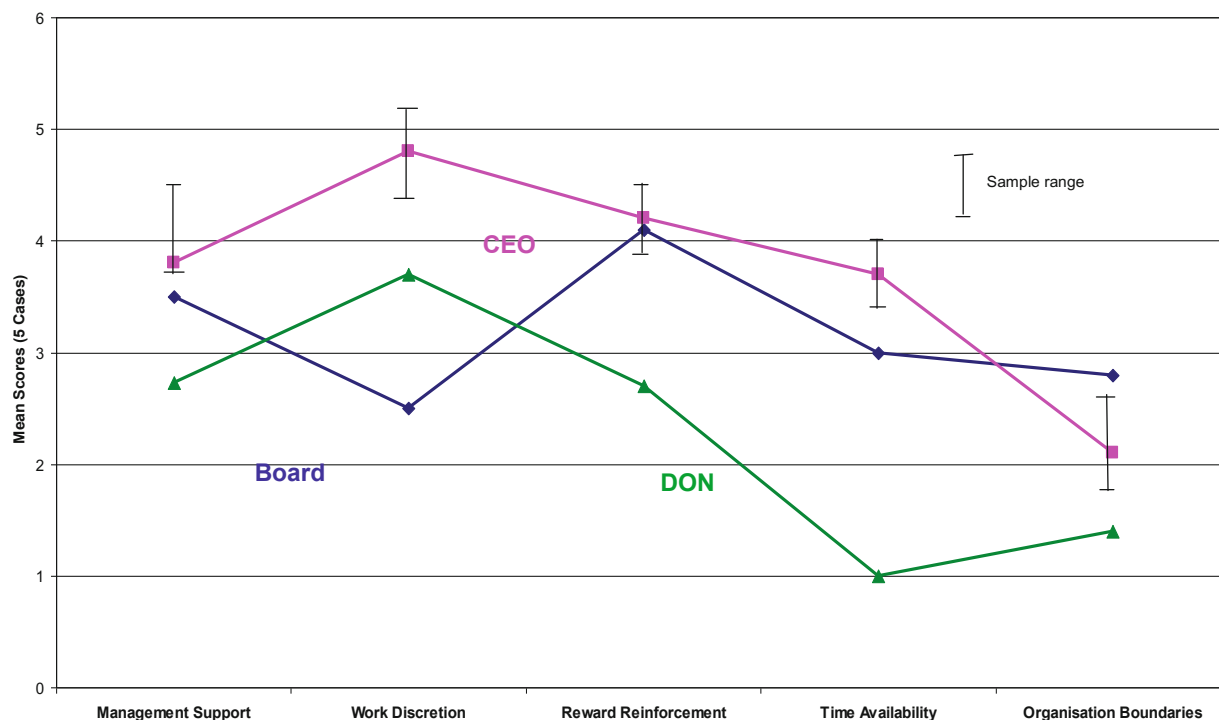


Figure 5 SEICI Innovation Profiles for Aged Care Organisation (Hazelton & Gillin 2011)



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FACILITATING CREATIVE PROBLEM SOLVING IN THE MARKETING CURRICULUM IN RESPONSE TO THE DEMANDS OF THE NETWORKED INFORMATION SOCIETY

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ABSTRACT

This paper describes a systems approach to creative problem solving designed to better prepare marketing graduates for the uncertainties of the networked information society. This is in response to the growing need for future graduates to be able to make effective use of participatory Web 2.0 technologies for building customer relationships and harnessing their creative potential to collaboratively influence and improve product development, and to market products more effectively. The paper outlines alternative marketing paradigms, describes the attributes required of graduates to be able to maximize the potential of Web 2.0 technologies, and the role that creativity plays in developing graduates' ability to think critically, identify and solve problems, and communicate effectively. The failure of traditional approaches in teaching and learning to facilitate student creativity is discussed and a systems approach to creative problem solving designed to address these identified challenges is proposed. Illustrative examples of the use of the approach in graduate and undergraduate courses are presented and the potential for integration within the marketing curriculum is discussed.

INTRODUCTION

The long standing business and marketing paradigm based on the assumption that a customer-centric approach leads to value creation and increased firm profit performance (Rust and Zahorik 1993) has been challenged by some researchers who argue that, given times of uncertainty, a less customer-centric approach is more appropriate. However, this alternative paradigm fails to acknowledge the growing body of evidence in support of the effective use of participatory Web 2.0 technologies for building customer relationships and harnessing their creative potential to collaboratively influence and improve product development and reach a larger market. This paper outlines a third paradigm, focusing on the increasing importance of engaging with customers as both "producers" (Bruns 2008) and marketers through social media, and the creativity skills required of future graduates to make more effective use of these technologies to solve increasingly complex problems, build customer relationships, and market products more effectively.

ALTERNATIVE BUSINESS AND MARKETING MODELS

This section provides a discussion of the evolution from what should be industry best-practice in moving from a product-centric to a customer-centric marketing model. While theoretically this has occurred, in practice, most firms still cling to their products at the expense of focusing on their customers. Exacerbating this problem is an emerging technology wild card that now dictates a new emergent customer participatory model to replace (or at least extend) the traditional customer-centric model. Firms that do not embrace the emergent technological changes, and the new and innovative ways of doing business that are associated with these changes, face serious consequences.

The Move from Product-Centricity to Customer-Centricity

At the completion of World War II, there was a significant customer pent-up demand for new products. During this period, the marketing function focused on "... promoting, pricing, and distributing products for the mass market" (Sheth, Sisodia, and Sharma 2000, p. 55) with profits aligned to the market-share firms obtained. Firms were internally focused with an emphasis on producing superior products vis-à-vis being customer or consumer centric. During the 1950s, as competition increased, significant changes occurred in marketing thinking and there was an impetus for firms to move from product to market orientations. It was during this period that the contemporary marketing concept evolved (Sheth et al. 2000). Accelerating the metamorphosis from product to market focus were the huge leaps in ICT in the latter half of the 20th Century. These provided significant advancements in the collection, storage, analysis, and transmission of information. These advancements provided the basis to enhance relationships with customers via

investment in customer relationship management systems and database software marketing packages so as to reach out and provide “personalized” attention to valuable customers.

A key mainstay underpinning the marketing concept is that firm success in the marketplace is achieved through putting the concerns of the customer foremost. Customer-centric firms develop a competitive advantage because they are able to respond to different customer groups with a somewhat personalized service tailored to the customer’s needs (Galbraith 2005). Firms that develop this capability are more likely to attract and maintain satisfied loyal customers and both practitioners and researchers agree that this is a key contributor to firm success (Rust and Zahorik 1993). Although evidence of the importance of customer satisfaction continues to accrue, there are many in industry that fail to appreciate that firm success is linked to customer satisfaction. The reality is that most firms remain product-centric despite the rhetoric that they have a customer focus (Galbraith 2005).

Post Customer-Centricity: An Emerging Participatory Model

While many firms remain in “catch-up” mode in moving on from a predominantly product focus, technological advances have yet again underpinned changes to how new age customers want to be involved in the marketing function. Web 2.0 (a group of technologies that are associated with terms such as blogs, wikis, podcasts, and RSS feeds that facilitate a more socially connected World Wide Web where individuals are able to augment and modify the information space) provides the basis for building customer relationships by empowering customers to not only be managed through customer relationship management systems, but to actively contribute in their capacity as product users - “producers” (Bruns 2008).

Obasanjo’s (2004) classification of social software enables us to easily identify the core features and particular applications that incorporate the principles of social networking espoused by O’Reilly (2005). Obasanjo (2004) identified five classes of social software ... communication, sharing, discovery of old and new contacts, relationship management, and collaborative gaming. These applications are well suited to “produsage”, which Bruns (2008) suggests is characterized by community-based production, fluid roles, unfinished artefacts, and common property. This kind of “produsage” is said to erode the production and marketing value chain by increasing the capacity of more diverse non-market producers to both produce and market goods by collapsing the cost of producing and exchanging information, thus elevating informal social marketing to a more central role in the information economy. Consumers are also using this new democratic marketplace to shape public perception of products and services through effective use of Web 2.0 social media. This phenomenon has resulted in a clash between traditional institutionalised approaches to production and marketing, and emerging social practice.

Another significant trend emerging in parallel with this shift toward more participatory modes of production, marketing, and distribution has been the emergence of a new generation of digitally literate “producers”: These young people are said to display particular characteristics including the ability to multi-task, a desire for immediacy, a preference for multi-modal learning, a need to be socially connected through networked activities, responding best to experiential activities, and an interest in “things that matter”. It is also argued that these “net gen” learners are entering university already equipped with skills in the use of a wide range of Web 2.0 applications such as wikis, social networking, blogging, podcasts, and 3D gaming. However, evidence is also mounting of the challenges in adapting these technologies to the teaching and learning curriculum.

The increasing demand to equip graduates with both the ability to respond to an increasingly complex world and the ability to make effective use of new and emerging technologies, requires a new paradigm in marketing education; one that leverages off the digital literacy of our changing student and customer demographic. This includes those who develop their creative capacity through lateral thinking to develop problem solving skills and who make effective use of social media. Thus, it is timely to develop a new kind of customer relationship model whereby the “producers” are the ones who contribute to the development of products and market them via wider Web 2.0 based distribution channels. In this regard, [Table 1](#) provides a comparison of the product-, customer-, and producer-centric approaches.

NEED FOR CREATIVITY IN AN INCREASINGLY COMPLEX NETWORKED INFORMATION SOCIETY

It is evident from the preceding discussion that the shift to a networked information society has profound implications. The combination of technological developments and globalization, combined with volatile markets and increasing uncertainty in a complex networked society, necessitates fundamental changes in the ways in which firms identify

problems and solutions, market their products, and respond to customer demands. Such shifts also necessitate changes in the skills required in the marketplace since working with complex problems requires the ability to think creatively, synthesize information, make connections, evaluate alternatives, and implement solutions (Jackson 2006).

The need for a more creative workforce, one that is able to respond to complex and uncertain times, is a recurring theme in the literature (Florida 2003). It is argued that the key to economic growth necessitates both the ability to attract such a creative workforce as well as the ability to translate this advantage into new ideas, business generation, and economic growth (Florida 2003). High quality ideas are assumed to underpin effective management and ineffective management suggests the adoption of poor quality ideas. Creativity underpins the development of novel and valuable ideas by individuals or small groups of individuals operating together. Creativity and innovation (something new that creates value in the eyes of the consumer) are therefore seen as crucial to the success of businesses in the networked information society of the 21st Century. While innovation is not new; history shows that there always has been a propensity to change the way things are done so as to improve the quality of our lives (Fagerberg 2005).

It should be evident from this discussion, that the demands of our increasingly complex world and the challenge of responding to uncertainty require a different set of graduate attributes. This represents a radical departure from the routine problem solving tasks that have characterized the information age (Florida 2003). The marketing firms of the 21st Century require graduates who are able to undertake creative work in environments that are increasingly dependent on digital technologies and who can make effective use of customer relationship management using social media, while also responding to the demands of the “product-innovation-diffusion-stasis cycles of economic production” (McWilliam 2007, p. 5). Yet, despite consensus about these changing workforce demands, there is compelling evidence that universities are failing to equip graduates with the creative skills required to be effective in the workplace

NEED FOR CREATIVITY IN THE HIGHER EDUCATION CURRICULUM

In what has come to be regarded as a seminal presentation to the American Psychological Association, Guilford (1950) drew attention to the lack of research addressing the creative aspects of personality, arguing that since a creative act is an instance of learning, a comprehensive learning theory must take into account both insight and creative activity (p. 446). Guilford further pointed to the demand from industry and government for graduates with leadership skills who demonstrate the ability to lead, plan, and inspire vision. It should be self-evident that nurturing creativity in higher education is even more critical to meeting the needs of an increasingly complex and uncertain future (Jackson 2006).

However, although many universities acknowledge the importance of creativity within the curriculum, most programs are structured around achieving certain graduate qualities that elevate traditional education methodologies and practice, based on knowledge acquisition and retention, rather than creativity. Emphasis in education has been mostly concerned with what De Bono (1973) calls vertical thinking, the process of proving and developing concept patterns, whereas lateral or creative thinking sets out to restructure such patterns and provoke new ones. Tosey (2006) suggests that creativity in the higher education curriculum is more often used “to converge and control” (p.35) than to engage productively “at the edge of order” (Fullan, cited in Tosey, p.34). Thus, McWilliam (2007) asserts that universities need a much higher preparedness to tolerate failure which contributes to the tension between creativity and control. While it is evident that fostering creativity is “best achieved through a process-based or activity-based curriculum that engages students in challenging, novel and unpredictable ways of working and learning” (Jackson 2006, p. 213), the strategies for achieving this goal have remained elusive. Our research aims to demystify some of these limiting attitudes through the development of an idea generation framework within a creative problem solving approach.

FRAMEWORK FOR CREATIVE PROBLEM-SOLVING IN THE HIGHER EDUCATION CURRICULUM

In the preceding sections the case has been made for embedding strategies for facilitating creativity in the higher education curriculum to better prepare graduates for the challenges of an uncertain future and develop their abilities to solve complex problems in the networked information era. In this section we outline a proposed framework, adapted from the well established Creative Problem-Solving (CPS) model, for use in the marketing curriculum.

A Systems Approach to Creativity

Creativity involves producing novel and useful ideas or products. In defining creativity in this way, we acknowledge that creativity can be learned and assessed, and that there are several factors that either facilitate or impede the

achievement of creativity performance. This view is consistent with Csikszentmihalyi's (1999) systems approach to creativity, which considers the interaction among three subsystems: the domain, the person, and the field.

While the development of problem-solving ability is recognized as a primary goal of the education process, the role of creativity as being fundamental to the process of problem solving has largely been overlooked (Ruscio and Amabile 1999). This finding is perhaps somewhat perplexing since, by definition, "creativity is exhibited when an individual solves a problem in a way that is novel and appropriate (or valuable)" (Ruscio and Amabile 1999, p. 2). According to Amabile (1996), there are three main components of creative performance. These are: domain-relevant skills, creativity-relevant processes, and task motivation. This approach recognizes that domain-relevant skills (for example, facts, principles, technical skills, and opinions) are required for a learner to have access to the full range of response possibilities from which a new response is to be synthesized, and the information against which the new response is to be judged (Csikszentmihalyi 1999). Creativity is more likely to be facilitated when the task is intrinsically motivating (the experience of learning is its own reward) (Csikszentmihalyi 1999).

The Creative Problem Solving Approach

Creative Problem-Solving (CPS) has its roots in the work of Osborn (1953) who developed CPS as an aid to the understanding the different phases of creative problem-solving. Amabile's (1996) componential framework of creativity incorporates a similar CPS approach, which is described as a sequence to response generation process. This process incorporates five steps: (1) problem or task identification; (2) preparation; (3) response generation; (4) response validation and communication; and (5) outcomes. We have adapted aspects of Amabile's (1996) componential framework of creativity and Titus's (2000) CPS model within a systems approach involving a six stage creative problem solving process. Our model recognizes the impact that the domain, field, and individual factors (Csikszentmihalyi 1999) have on the creative problem solving process (see [Figure 1](#)). In the next section, we elaborate on the techniques we have found to be successful in facilitating the ability for students to generate ideas during the creative problem solving process.

Idea Generation

Throughout this paper, we have argued that the increasingly participatory approach to production, marketing, and distribution, together with the increasing demand to equip graduates with the ability to respond to an increasingly complex world reinforces the need for renewed focus on the role of creativity in higher education pedagogy (McWilliam 2007). There is little doubt that certain aspects of creativity can be fostered through formal and informal learning (McWilliam 2007) and the systems approach to creative problem solving outlined in this paper provides a scaffold for learners. It has also been argued that ideation (idea generation) is a required aspect of each stage of the creative problem solving process and that divergent ideation is critical to the generation of novel pathways to problem solving.

Ideation depends on the restructuring of existing ideas, knowledge, technology, and systems into new models and configurations. This represents models of information shifts or inventiveness that generate new meanings. Such a perception shift allows us to transfer key ideas to another application. To achieve this goal, students need to know how to observe the unexpected by modelling processes of random association and careful observation of accidental juxtaposition. The following list of ideation techniques that support this approach have been informed by the primary creative abilities identified in the Guilford Test of Divergent Thinking and the Torrance Tests of Creative Thinking. We argue that these can be fostered within the curriculum and, to this list, we add additional techniques drawn from the literature (see for example De Bono 1973), which together comprise the following 12 techniques incorporated into our creativity framework:

1. Fluency of ideas involving the generation of a large number of possibilities
2. Flexibility of ideas that encourages restructuring of information to create new configurations
3. Challenging Assumptions to break patterns of behavior and facilitating the unexpected
4. Deconstructing the problem and solving the parts then recombining those to give unexpected combinations. It is much easier to solve the "little" bits than to come up with an overall solution for all problem aspects at once.
5. Random Association to make connections between things even when they are not apparent
6. Intuition, focusing and disciplining it by modelling, trust, relaxation and allowing time and space
7. Risk taking and making mistakes to explore possibilities without penalty if they don't work

8. Group and collaborative work reacting to each other's proposals and conversations
9. Sensory Activity less-likely ways of exploring the problem and subsequent possible solutions
10. Analogies and Metaphors making associations that create more than the sum of two ideas
11. Lists cross referencing items either randomly or systematically demands new possibilities, and
12. Removing inhibitors increasing participants' confidence to explore and try things when the outcomes are not always clear and they're conditioned to having to come up with the single 'right' answer.

Table 2 classifies these techniques according to the four categories of ideation techniques (visioning, modifying, exploring/discovering, and experimenting) adapted from The Global Creativity Corporation's Innovation Styles System and cross-referenced against the different stages of the creative problem solving process.

This approach to idea generation is designed to engage students by building confidence in an environment where outcomes are not known or expected. Creative outcomes are by definition not predictable; they are about possibilities. This model is based on valuing all parts of the process, not just the final outcomes, and all attempts, including failure — especially where learning takes place. In particular, the model should be structured so that learning does take place from failing, and students overcome a fear of failing. It is also important to start with simple means with reduced complexity ... allowing students to make many little creative jumps, without much risk, so that they succeed quickly and easily, and gain confidence so that they gain an understanding of how basic principles work, simply and fast, building up to more complex and “meaningful” work as confidence and understanding is achieved, both consciously and unconsciously. In this next section, we describe how the systems approach to creative problem solving has been applied across a range of disciplinary fields including marketing, event management, entrepreneur training and media arts.

CPS PROCESS IN PRACTICE

The benefits of introducing creativity within the marketing curriculum are well documented in the literature (Titus 2000). Titus (2000) has shown how the creative problem solving approach applies to the marketing process (see p. 227). We have adapted this model to show the ways in which social media can scaffold the CPS process in the marketing curriculum, and the corresponding ways in which social media may be used in the marketing process (Figure 2).

During the *first stage* of this creative solving process, divergent thinking needs to be encouraged to enable individuals to embark on a process of problem discovery, beginning with the generation of many possible areas of focus before subsequently refining the number and focus to the specific problem or task to be investigated. During the *second stage*, problem delineation, individuals refine their ideas about the problem they have chosen to investigate/explore, and in the case of marketing, this involves focusing on a given target market. This stage logically leads to the next involving information gathering, which in turn builds the individual's domain knowledge. Social media plays a part here in enabling students to refine their ideas based on peer feedback, and companies can test out market response through two-way dialogue with potential customers facilitated via a blog, wiki or discussion forum. The *third stage*, information gathering, involves the exploration of novel approaches to solving the problem (divergent thinking) and gathering information (moving from divergent to convergent thinking). For the student, this stage will typically involve obtaining primary, secondary, and/or tertiary sources that provide the foundation for a literature review or market analysis, which can be recorded via their “ideas” blog. Domain knowledge is critical at this stage. By the *fourth stage*, both creativity relevant skills as well as task motivation are important (Amabile 2006). Generally, the more options that an individual can generate, the more likely that he/she will generate more novel approaches to a solution. As with the first stage, social media plays an important role in supporting collaboration as individuals brainstorm ideas to produce unexpected combinations of ideas. The *fifth stage* involves evaluation and validation of the responses generated during the previous stages of the creative problem solving process. By this stage, there is a shift from divergent thinking to convergent thinking as individuals critically examine the ideas generated during the previous stages of the CPS process (Titus 2000). Not surprisingly, domain-relevant skills are required at this stage as individuals judge the quality of their ideas against existing knowledge. Social media also plays a role in enabling companies to test out their proposed solutions in the market place prior to final implementation. The *sixth stage* involves decision-making and completion of a task or implementation of a marketing plan. The process will either terminate or cycle back through all of the stages of the CPS process if the individual has been unable to complete the previous stage successfully. The use of social media as a mechanism for gauging community acceptance of ideas as they are generated and possible solutions has an important role to play in mitigating the potential of reaching such roadblocks at the final stage of the CPS process.

CONCLUDING COMMENTS

This paper outlines a systems approach to creative problem solving based on approaches that have been found to be effective and that are widely reported in the literature. The approach we describe is scaffolded through the effective use of social media in ways that appeal to “net gen” learners, while also facilitating the development of their creative problem solving skills through a structured approach incorporating reflection, collaboration, peer review, and “produsage”. We have shown how the CPS approach aligns with contemporary marketing approaches that harness the power of social media to engage with customers using innovative strategies for building and maintaining customer relationships. The introduction of a systems approach to creative problem solving is not without its challenges as described in the preceding sections. As with the CPS process itself, the implementation of the systems approach to creative problem solving in the marketing curriculum requires a cyclic approach involving ongoing revision and refinement based on student feedback. The use of social media throughout a course provides a valuable medium for formative feedback for both students and teachers. This enables students to act on feedback progressively, and teachers to adopt a reflexive approach, adjusting their teaching on the basis of the continual feedback provided through student blogs and the course wiki. Similarly, the use of social media enables marketers to monitor consumer responses to their initiatives thereby enabling them to similarly adopt a reflexive approach to building customer relationships.

Table 1: Comparison of the Product-Centric, Customer-Centric, and Producer Centric Approaches (adapted from Shah, Rust, Parasuraman, Staelin, & Day, 2006)

	Product-Centric Approach	Customer-Centric Approach	Producer-Centric Approach
Basic philosophy	Sell products; we'll sell to whoever will buy	Serve customers; all decisions start with the customer and opportunities for advantage	Customers contribute to the design, development, decision-making and marketing process
Business orientation	Transaction-oriented	Relationship-oriented	Relationship and network oriented
Product positioning	Highlight product features and advantages	Highlight product's benefits in terms of meeting individual customer needs	Highlight customers' ability to contribute to the design of solutions that meet their needs and to market the products through the use of social media
Organization structure	Product profit centres, product managers, product sales team	Customer segment centres, customer relationship managers, customer segment sales team	Requires expertise in facilitating engagement with customers through social networking
Organization focus	Internally focused, new product development, new account development, market share growth; customer relations are issues for the marketing department	Externally focused, customer relationship development, profitability through customer loyalty; employees are customer advocates	Externally focused, customer relationship development, profitability through customer loyalty and customers' contribution to the design, development and marketing process; employees are customer advocates and customers are advocates for company and each other
Performance metrics	Number of new products, profitability per product, market share by product/subbrands	Share of wallet of customers, customer satisfaction, customer lifetime value, customer equity	Share of wallet of customers, customer satisfaction, customer lifetime value, customer equity, growth in innovation
Management criteria	Portfolio of products	Portfolio of customers	Portfolio of customers as 'producers' (both producers and customers/users)
Selling approach	How many customers can we sell this product to?	How many products can we sell this customer?	How many products can we sell this customer and how many products can customers sell for the company?
Customer knowledge	Customer data are a control mechanism	Customer knowledge is valuable asset	Customer knowledge is valuable asset and essential for innovation

Table 2: A Framework for Creative Problem-Solving using Idea Generation Techniques adapted from Titu (2000), Gluth and Corso (2009), and Innovation Styles and Market Comparison (The Global Creativity Corporation 2007)

CPS Stages	Idea Generation (Ideation) Techniques			
	Visioning	Modifying	Exploring/Discovering	Experimenting
Problem Identification	<p>Fluency of ideas involving generation of large number of possibilities</p> <p>Brainstorming</p> <p>Use of guided imagery</p> <p>Collaborating and discussing to generate ideas</p> <p>Using social media to enable community to submit their ideas</p> <p>Using blog to reflect</p>	<p>Refining what others have done using:</p> <p>SCAMPER technique: (s)ubstituting (co)mbining (m)odifying (p)ut to use (e)liminating (r)arranging</p> <p>Modifying ideas based on peer feedback and discussion</p> <p>Using social media to create mash-ups of ideas</p>	<p>Cross referencing items either randomly or systematically demands new possibilities</p> <p>Sensory Activity to facilitate exploring the problem and subsequent possible solutions</p> <p>Using analogies and metaphors making associations that create more than the sum of two ideas</p>	<p>Removing inhibitors increasing participants' confidence to explore and try things when the outcomes are not always clear and they're conditioned to having to come up with the single 'right' answer</p>
Problem Delineation	<p>Intuition to understand the bigger picture</p> <p>Refining the problem</p> <p>Deconstructing the problem</p> <p>Mindmapping</p> <p>Storyboarding</p> <p>Using blog to refine thinking and reflect</p>	<p>SCAMPER – combining the deconstructed components in new ways</p> <p>Challenging assumptions to break patterns of behavior and facilitating the unexpected</p> <p>Random Association to make connections between things even when they are not apparent</p>	<p>Using intuition as springboard for exploration</p> <p>Refining ideas through discovery</p> <p>Using intuition to question assumptions and refine thinking about the problem</p>	<p>Assessing components to identify “leverage points” and opportunities for new approaches</p>
Information Gathering	<p>Seeking information on the big picture and component parts guided by intuition and refinement of the problem</p>	<p>Considering multiple sources and then looking for springboards to new sources – forming new associations</p>	<p>Challenging assumptions to generate new ways of addressing the research process</p> <p>Undertaking research using a variety of sources</p>	<p>Combining findings from sources to help refine the solution or to generate new ideas to springboard further areas and sources for research</p>

	<p>Using blog to capture thoughts and document research findings</p> <p>Sharing findings via wiki and bookmarking sites</p>	<p>Modifying research strategy as ideas are refined</p> <p>Analysing information to identify priorities, possibilities and areas for further research</p>	<p>(Web, social media, library, databases, broadcast media, primary sources) and then refining research process</p> <p>Seeking different sources of information</p>	
Experimentation and Validation	<p>Using visionary techniques employed to generate and identify problem to come up with novel solutions</p> <p>Using blog to document experiment and reflect on the outcomes</p> <p>Collaborating via blog and discussion forum</p>	<p>Moving from divergent manipulations of information to convergent refinement to focus on practical solution</p>	<p>Risk taking and making mistakes to explore possibilities without penalty if they don't work leading to refinement and weighing up the solutions to arrive at practical solutions</p>	<p>Risk taking and making mistakes without penalty if they don't work, leading to refinement and weighing up the solutions to arrive at practical solutions</p> <p>Building on the solutions that have been shown to be more likely to lead to success</p>
Implementation	<p>"Produce" using social media</p> <p>Discussion, peer review, use of web metrics and formal evaluation</p> <p>Personal blog for reflection on process</p> <p>Public blog for gaining feedback</p>	<p>Modifying approach if initial implementation needs further refinement</p>	<p>Exploring the unique contribution the innovation has made through market research and evaluation</p>	<p>Evaluating and examining success and identifying areas for future improvement.</p>

Figure 1: A Systems Approach to Creative Problem Solving (CPS) adapted from Amabile (1996), Csikszentmihalyi (1999), and Titus (2000)

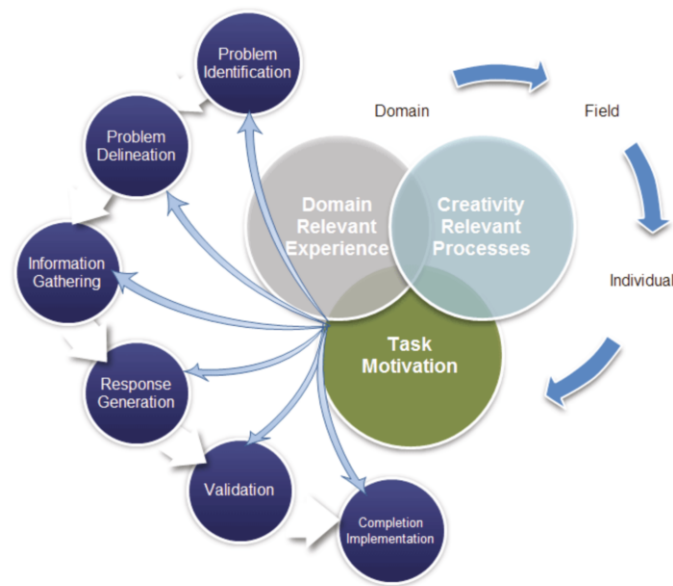
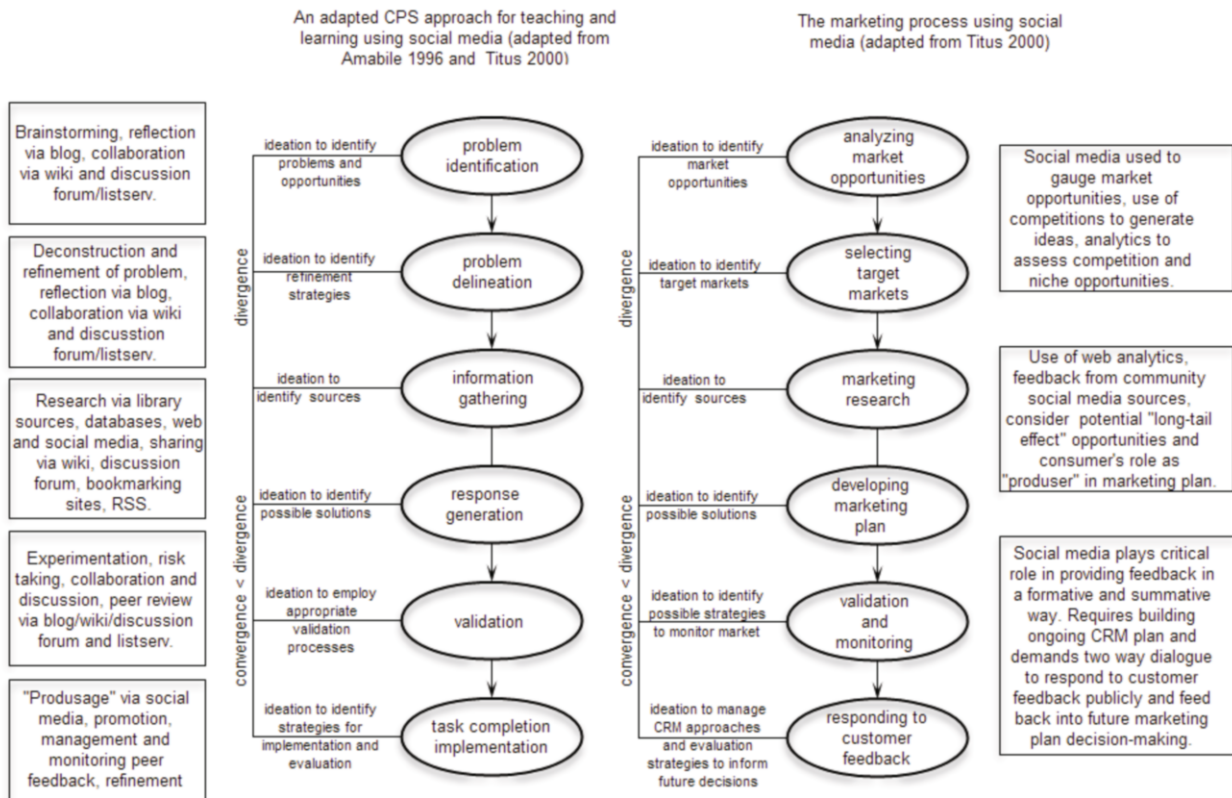


Figure 2: An adapted CPS Approach to Teaching and Learning using Social Media illustrating the Relationship between CPS and the Marketing Process (adapted from Titus 2000)



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Wednesday, 20 July
Time: 8:30 AM AM

Session Number: **1.3: Advertising Impressions**

Session Chair: Ortinau, David J., *University of South Florida*

Advertising Appeals and a Psychological Scarcity Effect: Competitive Arousals and Implications on Purchase Interest

Nichols, Bridget, *Northern Kentucky University*

Time lags of online advertising: Using interactive ad channels to attract existing and new customers

Breuer, Ralph, *RWTH Aachen University*

Brette, Malte, *RWTH Aachen University*

The Power of Abstract Images in Advertising

Smith, Shane, *Kennesaw State University*

ADVERTISING APPEALS AND A PSYCHOLOGICAL SCARCITY EFFECT: COMPETITIVE AROUSALS AND IMPLICATIONS ON PURCHASE INTEREST

Bridget Satinover Nichols, Northern Kentucky University, USA

ABSTRACT

Economic theory stipulates that companies compete as a natural force of the free market system. Within the same theory, assumptions about how consumers respond to supply and demand fluctuations are made without due consideration for many tenets of consumer behavior like perceptions or attitudes. Only recently have researchers begun to explore the “human” effect of supply and demand, concentrating on scarcity-based situations (Brannon and McCabe 2010; Lynn 1989). These studies have focused largely on scarcity’s ability to increase desirability for goods, suggesting this occurs through mechanisms of perceived value (Lynn 1991), and consumers’ needs for uniqueness (van Herpen et al. 2005), since people who desire individuality recognize that owning scarce goods can create this distinction. Research indicates that advertisements with scarcity appeals lead to enhanced value perceptions and purchase intentions for scarce goods (Eisend 2008), because they create a sense of “missing out.” Behaviorally, the scarcity effect influences people’s tendency to attempt acquisition of resources that are scarce or becoming scarcer (Cialdini 1995). Evidence of this can be found with respect to auctions (Ariely and Simonson 2003; Ku et al. 2004), Black Friday shopping (Harrison, Reilly, and Gentry 2010), and special retail events (Nichols 2010).

Researchers consider the use of scarcity tactics a persuasion strategy because scarcity implies competition, and to obtain something scarce implies that one has won the competition (Knowles and Linn 2004). In general, consumers’ valuation of tangible goods is higher when scarcity is due to increased demand and restricted supply, rather than by accidental supply circumstances (Verhallen and Robben 1994). Besides the product scarcity tactic (e.g. restricted supply), which dominates the literature, time scarcity tactics are also largely employed in advertising. Time scarcity refers to a real or implied limitation on the duration for which an offering can be acquired. Like product scarcity, time scarcity can also evoke fear or threat to choice when consumers fear missing out on an offering and consider anticipated regret (Cialdini 1995). Advertisements with a time scarcity stimulus have shown to increase perceptions and purchase intentions of the advertised product (Eisend 2008).

Despite the proclivity of scarcity-based appeals in marketing and advertising, limited efforts have been made to investigate the “human effect” of these tactics. Similarly, competition and competitiveness is lacking empirical examination in the consumer domain. This paper hypothesizes that scarcity-based advertising appeals will heighten consumer competitive arousal (CCAr; Nichols 2011). Guided by commodity theory (Brock 1968) and the scarcity effect (Cialdini 1995), an experiment tests the effects of product and time advertising scarcity appeals on competitive arousals in a retail context. Consumer competitive arousals were measured with an existing scale (Nichols 2011). Two theoretically relevant personality traits were tested as moderating variables. Findings indicate that scarcity appeals are able to create competitive arousals in consumers, predominantly advertising appeals promoting product supply limitations. The traits of need for uniqueness and interpersonal competitiveness were not supported as moderating variables. Importantly, consumer competitive arousals appear to influence purchase interests of scarce goods.

References available upon request

TIME LAGS OF ONLINE ADVERTISING: USING INTERACTIVE AD CHANNELS TO ATTRACT EXISTING AND NEW CUSTOMERS

Ralph Breuer, RWTH Aachen University, Germany
Malte Brettel, RWTH Aachen University, Germany

ABSTRACT

Although online advertising has become a full element of the marketing mix and is still growing in importance, studies of long-term, or lagged, advertising effects have generally either neglected interactive online advertising channels or have treated online advertising as one uniform block. We analyze the short- and long-term effectiveness of different types of interactive online advertising channels with special attention to the differences between existing and new customers. We look at the sales effect of search engine marketing (SEM), banner advertising, price comparison advertising (PCA) and customer loyalty program advertising (CLA) using a sample of 2.8 million purchases and over 1.1 million individual costumers. The data spans a period of 365 days and was obtained from the .com-website of a leading online-platform for used and antiquarian books.

Since SEM, banner advertising, and CLA are widely know we will focus our brief introduction on PCA: Price comparison websites are internet service platforms that allow users to compare prices across a wide variety of retailers. Next to each displayed price there is a link to the retailers' website, and clicks on these links can be counted to determine effectiveness. Since retailers pay to be listed on these price comparison websites and can improve their ranking position by paying a premium, price comparison websites are much more an advertising channel than an objective tool to screen the market. Therefore, we call placement on such sites price comparison advertising (PCA). Like search engine advertising PCA is a type of interactive on-demand advertising (Rappaport 2007).

The model used to estimate carryover effects of advertising is based on the direct aggregation approach derived from Srinivasan and Weir (1988) and works as described in Herrington and Dempsey (2005). It delivers a separate λ -values for the carryover effect of each advertising channel and is estimated with Stata 11 using Generalized Least Squares.

The findings indicate that different online advertising channels have different carryover effects (e.g. $\lambda_{PCA,EC}$: 0.05 vs. $\lambda_{SEM,NC}$: 0.65), which means that their sales impact ranges between less than a day (e.g. PCA_{EC} : 0.8 days) and a couple of days (e.g. SEM_{NC} : 5.3 days). Only by using the direct aggregation approach with separate λ -values for each advertising channel that we employed here, instead of a one-size-fits-all λ for all channels together, it is possible to identify the appropriate carryover effect for each advertising channel.

Our calculations show that in the analyzed sample, all else being equal, banners and CLA are working better to target existing customers whereas PCA is better suited to attract new customers. Although those results might vary by e.g., product category or ad content, our contribution is the approach of how to consider time-lags and long-term advertising effects when analyzing the target group specific effectiveness of different online advertising channels. On top of this general marketing research can profit from our results because the approach can also be used for offline and mixed offline/online environments to improve marketing mix decision.

The results indicate that existing studies that ignore long-term effects of advertising, use a one-size-fits-all λ for all channels, or do not differentiate between target groups could be improved by considering those elements which significantly influence advertising success.

Several avenues for further research exist. To keep it short we present only one of the avenues: It would be interesting to understand the influence of physical differences between online and offline advertising on its effectiveness. In particular we ask: Do physical circumstances of online, in comparison to offline advertising (e.g. customer has to leave its house after watching a TV ad, before he/she can buy the advertised product) influence psychological effects of advertising (e.g. intermediate ad effects)?

References available upon request

THE POWER OF ABSTRACT IMAGES IN ADVERTISING

Shane Smith, Kennesaw State University, U.S.A.

ABSTRACT

Marketers have discovered the power of utilizing images in advertisements as a means to convey the experience of their product offerings. Advertising images of human models engaging in the product experience have the power to create self-referent schema storylines, emit emotions, and effect attitudes and behavior intentions toward that of the product. However, little research has been done to investigate the effect of a model's image on the ability to fully engage the participant in self-referent processing. Does an abstract image of the model allow for the participant to transport themselves into the role of the model more easily than that of an image which clearly shows the distinguishing features of the model?

INTRODUCTION

Reaching the consumer is often a difficult task. Whether the goal is that of getting the attention of the consumer in a magazine, television commercial, or some other medium, competition can be fierce. How is the marketing manager supposed to not only gain the attention of the consumer but also ensure that the consumer receives the experiential message as intended? The product itself may be full of experience and emotion (i.e. tourist destination), but these messages are often hard to get across in today's competitive and cluttered marketing environment.

So how should the marketing manager target the consumer using these mediums? Often times, clear images of model consumers enjoying the experience are used to gain the attention of the target consumer along with a listing of the product details. I purport that the use of images with model consumers clearly showing facial features can also restrict the consumer from engaging with the image to its full extent. I also purport that the use of textual listings such as the listing of amenities, pricing and other product particulars will restrict the consumer from engaging in the experiential image. One can truly immerse themselves into an advertising image similar in the way that we immerse ourselves into a novel. This narrative transportation (Gerrig; 1993) allows us to transport ourselves into the setting, imagining ourselves as a side participant. To make this transportation, we process things differently than when we are cognitively using our minds to process listing information (Green & Brock; 2000).

In this study, I will demonstrate how abstract images allow the individual to interpret the image using a desired schema already created by the individual. As in reading a novel, an individual can choose how to visualize the character in the marketing medium. If the image displayed in the advertisement shows clear facial features of the model consumer, there will be no leeway for the participant to interpret that model consumer as themselves or some other desired figure. However, if the image of the model consumer lacks clear facial features such as a picture taken from behind, the participant now has the freedom to picture themselves as that model on that secluded beach.

I will also demonstrate that the individual can not be transported when distracted with the task of cognitively listing as one does when reading about the product offering (amenities, pricing, etc.). Dual-processing models (ELM; Petty & Cacioppo, 1981) have been used to explain the cognitive elaboration used when processing listing tasks. However, transportation processing (Green & Brock, 2000) is used to explain the immersion of oneself into text and when this is interrupted by cognitive elaboration, all immersion is retracted, similar to the way one can be disrupted while engaged in a novel.

LITERATURE

Communication-Evoked Imagery

In a situation in which the product is an intangible service, the industries, such as tourism, often use images in their promotional work in order to help capture the experience offered by their product. A tourist destination may utilize an image of a happy couple on a secluded beach while a hotel may utilize an image of a relaxed woman utilizing the spa amenities at the resort. These images hope to convey the product experience offered as well as to elicit emotions that may be gained from the experience. Researchers have found two similar theories that demonstrate the effects of imagery on attitudes and intentions by the most readily available information that comes to mind when they see an image. These theories (dual-coding hypothesis and availability-valence hypothesis) are based on how the individual retrieves information after it is stored in a manner related to an image itself (Unnava and Burnkrant 1991; Kisieliuss and Sternthan 1984, 1986). To further the strength

of the image, Sheikh and Jordan (1983) state that the processing of images is more likely to retain the emotional nature of the stimulus that creates it affect.

Cognitive Pleasure

Research purports that the creation of fantasies daydreams and fantasies that a symbolic image can inspire, can encourage cognitive pleasure in addition to the sensory and emotional pleasures (MacInnis and Price 1987). The messages that images convey in various advertising media (Television, Solomon and Greenberg 1993; Print, Scott 1991; Radio, Bone and Ellen 1992) can require cognitive activity to both comprehend the material as well as to create further imagery. This pleasurable cognitive activity has been found to transfer towards the attitude of the product.

Self-Referent Processing

The characters portrayed in an image also influence the processing of the image. For example, advertisements often portray a happy couple enjoying the experience of the product. The two models in this image are clearly the focal point of the image. However, what has not been made clear in this example is whether the participant identifies with the models and why or why not? Do the models look like themselves and their significant other? It is clearly the intent of the advertiser to encourage the participant to imagine themselves in the image, but how is this done? Does he or she see themselves in this image? Research on self-related imagery demonstrates that the participant makes all efforts to picture oneself in the image prior to relating others within the image (Brown, Keenan, and Potts 1986; Kuiper and Rogers 1979). The participant first activates the schema references from their own experience before applying those of other-related schemas (MacInnis and Price 1987; Smith et al. 1984). Also, images that are self-referent will be more vivid in that it creates images from the self-schema over that of other-related schema.

Narrative Transportation

Gerrig (1993) has purported that participants often try to create a story with a beginning, middle and an ending when encountered with either text and/or image. The term *Narrative Transportation* was created to capture the mental process that melds attention, imagery, and feelings by the feeling of being lost in this story (Green and Brock 1993).

Someone ("the traveler") is transported, by some means of transportation, as a result of performing certain actions. The traveler goes some distance from his or her world of origin, which makes some aspects of the world of origin inaccessible. The traveler returns to the world of origin, somewhat changed by the journey. (Gerrig 1993, pp. 10-11)

Many of us are experienced in being "lost" in a story (Nell, 1988, 2002) such as reading a novel or viewing a movie. However, this transportation can be inspired by any media that allows us to create our own storyline. The image of driving down a challenging and windy mountain highway in our new red sports car or relaxing in a hammock on a secluded beach, listening to the birds and the waves are two examples of being transported by simple television advertisements. These are triggered by plausible (Smith et al. 1984) self-referent mental schemas that we may already hold.

When a participant is transported, researchers have found that the participants do not see themselves as if they were viewing from afar but that they see the stories through their own eyes (Lord 1980). Gerrig (1993) describes this as a side-participant in the story with the participant viewing the story about them but not actually seeing themselves in the imagery created. Thus similar to Lord's (1980) research, the participant sees themselves through their own eyes, projected in the story but does not literally see themselves as the model.

PROPOSITIONS

So a question remains that when a participant views an advertisement, how do they process an image that clearly is not of themselves on the secluded beach? Can the participant be as easily transported by the image of models who are concretely not themselves or another related individual? Is there a significant difference in the level of transportation between that of an image that displays models that are clearly not self-referent to that of images in which the participant has leeway to make the model self-referent? For example, can an image with two models found on a secluded beach encourage more transportation if the image only shows the backs of the model's heads without displaying any discerning facial features?

- P1:** The advertisements with abstract images of the models will enhance the narrative transportation of the subject than that of the ad with concrete model images.
- P2:** The advertisements with abstract images of the models will increase the attitude toward the ad over that of the ad with concrete model images.
- P3:** The advertisements with abstract images of the models will increase the behavioral intent of the subject wishing to learn more about the product than that of the ad with concrete model images.
- P4:** The advertisements with abstract messages will enhance the narrative transportation of the subject than that of the ad with listing information.
- P5:** The advertisements with abstract messages will increase the attitude toward the ad over that of the ad with concrete model images.
- P6:** The advertisements with abstract messages will increase the behavior intent of the subject wishing to learn more about the product than that of the ad with listing information.

STUDY

Magazine ads will be produced professionally to represent the advertisements of a tourist destination in their quest to attract the magazine viewer to consider their services by traveling to the said tropical island on the viewer's next personal vacation. The ads will include images of both a male and female model relaxing on a beautiful secluded beach enjoying time away from normal daily life activities. The models used will not be of celebrity status but that of someone that the reader may be able to relate to. The study will reflect a 2 X 3 between-subject format with the first conditions alternating between images of the model's faces to be clearly seen by the reader (concrete) and images of the model's faces obstructed and not clearly seen (abstract). The second set of conditions will reflect the text of the ad with one condition listing the detailed information about the travel particulars of the vacation including dates, specific locations, itinerary and prices. The second condition will withdraw these specific points of travel detail and include a storyline narrative of the fictional model's adventure. The last condition in the set will eliminate all text other than the fictional location's name creating a control condition allowing for the reader to interpret the scene with their own engagement.

After the subjects have spent time with the mock magazine and its fictional advertisement, the subjects will be faced with a number of measurement instruments to complete. The first instrument will be a questionnaire investigating the involvement or engagement that the reader has with the ad. Taken from Green and Brooks (2000) narrative transportation scale for narrative stories, the instrument will be altered to reflect a more brief imagery of which is commonly found in magazine articles. Testing of Cronbach's Alpha will judge the strength of this new measure after its alterations. This instrument will detail the amount of transportation the reader encounters from the advertisement. It is projected that the readers in the abstract image and narrative text conditions will encounter higher levels of engagement than that of those in the conditions of concrete images and the listing of details.

Measures of behavioral intent as well as brand interest will also be used to further investigate the power of narrative transportation. With the example of past studies, it is expected that those subjects that indeed were found to be highly engaged are also more likely to score significantly higher on behavior intents and brand interest. Scales from existing research will be altered and used for this measure. Also, manipulation checks will be performed to ensure that the subjects are indeed recognizing the differentiated graphics and text.

Data will be collected first by utilizing students from a university that consists of a large non-traditional student body. The student respondent is sufficient to being this study is focusing not on the context of purchasing the vacation but of relating to the images and textual information. A minimum of twenty students per condition will be used. ANOVA analysis will be used to discern any significant differences between the varying conditions.

CONCLUSION

The market is well known for its experiential nature captivating the guest in its many amenities. However, it has always been a difficult task to capture this holistic experience in the use of ads whether they are found on the television, magazine or the

internet. This research aims to show that the marketing manager can improve the chances of engaging the ad viewer by narratively transporting them into a self-created storyline. This transportation can be created by allowing the viewer to create their own story by the allowance of the ads characters to be chosen by the viewer. This self-created storyline then becomes one of self-relation enhancing the engagement as well as the story's meaning to the viewer.

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Wednesday, 20 July
Time: 8:30 AM

Session Number: **1.4: Cross-Cultural Research**

Session Chair: Conway Dato-on, Mary, *Rollins College*

Interaction Orientation and Its Influence On Performance - A Three Country Comparison

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Brettel, Malte, *RWTH Aachen University*

East-West Differences in Gender-Role Orientation and Entrepreneurial Self-Efficacy: A Proposed Study

Conway Dato-on, Mary, *Rollins College*

Mueller, Stephen, *Northern Kentucky University*

INTERACTION ORIENTATION AND ITS INFLUENCE ON PERFORMANCE – A THREE-COUNTRY COMPARISON

Julia Thalmann, RWTH Aachen University, Germany
Malte Brettel, RWTH Aachen University, Germany

ABSTRACT

Considerable literature in marketing is based on the marketing concept that emphasizes that a firm needs to focus on a well-defined market segment in order to stay competitive (Sheth et al. 2000). However, because of the rapid technological advancement of the past two decades and the continuously increasing variety of products and services, approaches to marketing have changed. Now that customers can participate interactively with their environments through the internet and firms can be provided valuable information on customers' desires every day, marketing must move toward a customer-based concept (Hoekstra et al. 1999). As such, it is the individual customer and not the market segment on which firms must focus in order to stay competitive.

The construct "interaction orientation" that has been developed by Ramani and Kumar (2008) addresses this research gap and implements the idea of the individual customer into four capabilities—that is, belief in the customer concept, (2) customer empowerment, (3) interaction response capacity, (4) and customer value management. Thus, the four characteristics of interaction orientation enable all customer-related activities in a business process to be carried out to improve a firm's market position.

Contrary to market orientation, interaction orientation puts the customers themselves and not the overall market at the center of marketing-related capabilities. Furthermore, it emphasizes the need to work closely with customers and highlights the relevance of financial metrics when making marketing decisions (Ramani and Kumar 2006). So far, Ramani and Kumar (2008) found a positive relationship between interaction orientation and customer-based performance outcomes.

This study deepens the understanding of interaction orientation in two ways:

First, the influence of each of the four interaction-oriented capabilities on customer satisfaction and market success is tested. Second, extant literature has conducted the link between interaction orientation and performance solely in the U.S. context. The fact that interaction orientation focuses on the individual customer and the integration of that customer's knowledge into a firm's practices and processes underscores that employees' cultural backgrounds may affect their ability to understand and implement the individual viewpoint. As such, we assume that people in Western cultures, which tend to focus on self-fulfillment and individualism, find it far easier to adapt to interaction orientation than do people in Asian cultures, where group spirit and collective thinking prevail. Therefore, the survey was conducted in three different nations in order to explore whether the four interaction-oriented capabilities depend on the cultural setting.

We collected data from firms in Germany, Thailand, and the United States and received 787 qualified answers: 381 in Germany, 262 in Thailand, and 144 in the United States.

For calculating the main effects, we used AMOS 17.0 structural equation modeling with a maximum likelihood criterion and we examined the moderating effects using regression analysis with interaction terms. Our study confirms that implementing interaction orientation positively influences a firm's competitive advantage, as there are positive links between the interaction-oriented capabilities and both customer satisfaction and market success. Moreover, national culture partially moderates the relationship between interaction-oriented capabilities and performance consequences. As such, we provide marketing managers with concrete information where interaction orientation can be most easily implemented.

References available upon request.

EAST-WEST DIFFERENCES IN GENDER-ROLE ORIENTATION AND ENTREPRENEURIAL SELF-EFFICACY: A PROPOSED STUDY

Mary Conway Dato-on, Rollins College, USA
Stephen L. Mueller, Northern Kentucky University, USA

ABSTRACT

Studies over the past decade suggest a persistent gap between men and women in their level of entrepreneurial activity (Minniti, Arenius and Langowitz 2005), in entrepreneurial orientation and propensity (Langowitz and Minniti 2007; Mueller 2004), as well as in the motivation, desire, and intention to become entrepreneurs (Minniti and Nardone 2007). Some researchers have attributed this “gender gap” to differences in how men and women perceive the environment for entrepreneurship and how they perceive their ability to succeed (Langowitz and Minniti 2007).

Gupta et al. (2009) examine the role of gender stereotypes in entrepreneurship and their differential influence on men’s and women’s entrepreneurial intentions. In a similar study, Mueller and Conway Dato-on (2008) test whether gender role-orientation (i.e. masculine, feminine, or androgynous) is a better predictor of entrepreneurial self-efficacy than biological sex. The results of both studies indicate that the intention to become an entrepreneur (as well as its antecedent of self-efficacy) is more likely determined by an individual’s gender perception of self and values than by biological sex per se (Gupta et al. 2009; Mueller and Conway Dato-on 2008).

In addition to the influence of gender-role orientation on entrepreneurial self-efficacy, recent studies suggest national culture may also guide beliefs about one’s ability to become a successful entrepreneur and actions toward becoming an entrepreneur (Baughn et al. 2006; Lee and Petersen 2000). The link between culture and entrepreneurship is based on the understanding that culture shapes the development of personality characteristics and prompts individuals in a society to engage in behaviors.

Despite this hypothesized link, a recent comparison study between respondents from the USA and Spain (Mueller and Conway Dato-on 2010) found no difference in ESE across the two cultures. While several possible explanations were offered for this outcome, the strongest conclusion was that more investigation was necessary across more culturally distant cultures with greater economic disparity as these two factors are said to influence entrepreneurial endeavors (Mueller and Goic 2003; Wennekers et al. 2005).

This abstract presents an ongoing study that is intended to extend the work of Gupta et al. (2009), Mueller and Conway Dato-on (2008, 2010), and others by investigating the complex relationship between the multidimensional construct of gender-roles and entrepreneurial self-efficacy across cultures through a preliminary study of respondents from South Korea. The eventual goal and plan for future research is to replicate the study in enough settings to enable cluster comparisons between different cultures.

References available upon request

Wednesday, 20 July
Time: 8:30 AM

Session Number: **1.6: Famers and Informal Marketing**
Session Chair: Balazs, Anne, *Eastern Michigan University*

Fairness and Alternative Food Networks (AFN) in Italy
Mariani, Angela, *Università degli Studi "Parthenope" - Napoli*
Vastola, Antonella P, *Università degli Studi della Basilicata*

FAIRNESS AND ALTERNATIVE FOOD NETWORKS IN ITALY

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Antonella P. Vastola, Università degli Studi della Basilicata, Italy

ABSTRACT

A fairer and sustainable distribution of added value and information along the food supply chain is becoming a relevant issue. Extensive literature has analyzed the development of distributions models, commonly called Alternative Food Networks (AFNs), that short-circuit the long, complex and rationally organized industrial chain, emphasizing their meanings in terms of economic, environmental and social sustainability. The purpose of this paper is to present some preliminary results from an on-going research that aims to investigate on rules and criteria for a fairer market. In particular we propose an analysis of AFNs in Italy, using Fair Trade as benchmark, according to their capacity to carry out fairer relationships between producers and consumers. AFNs evaluation, based on a qualitative analysis carried out looking for a representative sample of cases, has been done considering their results in terms of: distribution of value along the chain; price fairness and transparency; access to markets for small producers; compliance of products to social standards; relationships between consumers and producers (involvement, stability and trust). Three types of AFNs are discussed: Direct selling, Farmers’ Markets, Partnership between producers and consumers (in the form of Solidarity Purchasing Groups).

INTRODUCTION

A fairer distribution of added value and information along the food supply chain are becoming major issues in the EU economic policy agenda for raising its overall efficiency, competitiveness and sustainability (European Commission, 2009; European Parliament, 2010).

Extensive literature has analyzed the development of distributions models, commonly called Alternative Food Networks (AFNs), that short-circuit the long, complex and rationally organized industrial chain, emphasizing their meanings in terms of economic, environmental and social sustainability. As Venn et al. (2006, p.256) suggest “describing anything that is not a conventional retailer outlet as an AFN is perhaps not sufficient, as this undermines the depth diversity of this growing sector and does not give credit to the array of creative/innovative relationships orchestrated through new consumers-producers partnership”. A narrower definition leads to identify strong AFNs which are characterized by three common traits: i) they redistribute value through the network in the opposite direction of bulk commodity system; ii) they re-instill trust between the producer and the consumer; iii) they create a space for new form of political association and market governance which inherently challenge the conventional system (Follen, 2009).

Considering these premises, the purpose of this paper is to present some preliminary results from an on-going research that aims to investigate the rules and criteria for a fairer market (Covino et al, 2010). In particular we analyze AFNs in Italy according to their capacity to carry out fairer relationships between producers and consumers.

The work is organized into two sections. The first one presents the conceptual framework used as references for our research. We overview the results of some research, recently published, that have analyzed if consumers’ food choices are influenced by an income distribution along the food chain. After this, we focus on fair price determination and price transparency as two main conditions for a fairer income distribution and consumers awareness. Finally we consider Fair Trade as a best practice of a strong AFN. In the second section, the features of Italian AFNs are described and analyzed, considering three types: direct selling, farmers’market and partnership between producers and consumers. In particular, considering a sample of cases of Italian AFNs, we highlight their capability to achieve “strong” relationships versus other situations in which a redistribution of income is the only remarkable goal.

CONCEPTUALISATION

Fairness and Food Choice

Many experimental games have demonstrated that in several economic activities people make economic/social decisions taking into account not only their material self-interest, but also the interest of other individuals affected by their decisions. This means that people display “other-regarding preferences”: the well-being of others, the fairness and the equity of outcomes all matter in the final choice of individuals. One of the novelties of this approach (Fehr and Schmidt, 1999) compared to the neoclassical, is to highlight the social or distributive preferences: a person, taking his decisions, also cares about the impact of his actions on the final payoff of the other people (altruism), or the difference among payoff to self and to the other (inequity aversion).

The introduction of other-regarding preferences in empirical studies regarding the agrofood system is quite recent. Altruism, fairness and concern for inequity have showed useful to better understand food choice behaviour. The majority of the empirical studies is referring to theoretical framework proposed by models of social or distributive preferences.

Chang and Lusk (2009) results show that consumers may prefer to buy organic food because of their concern to avoid inequality of monetary payoffs for small farmers – which are associated with organic foods – with respect to big producers. If fairness considerations are so important to consumers, a certification system for organic product recognizing the commitment to a “fairer” value distribution along the supply chain could help consumers to make better choices and would afford a new differentiation tool. The addition of social criteria to the standards of the organic regulatory authorities is an issue that has long been addressed in literature (Browne et al, 2000) and is gaining increasing importance in the economic policy agenda (Padel et al, 2009).

Toler et al. (2009) research indicates that at least a portion of the willingness to pay for “locally grown” products can be attributed solely to other-regarding preferences for local farmers. Moreover, they found that consumers exhibited a preference for fairness in the distribution of benefits in the food supply chain and preferred money allocations going to local farmers as opposed to identical allocations going to non local farmers, with not significant difference between farmers market and grocery store shoppers.

Price: Fair and Transparent

As the allocation of income, along the supply chain, is an issue for consumers, it is necessary to deepen the meaning of a fair price. According to marketing literature, fair is a global measure of price acceptability (Maxwell, 2002). Considering only the economically fair price, it can be said that a selfish and utility maximizing buyer will judge the fairness of a price according to the criterion of the most convenient or cheapest price. It is widely recognized that a more exhaustive fairness definition should consider the economic as well as the social aspects of production and trade. Social fairness has been defined as “according to the rules”, involving a judgment of social acceptability of a given price or conduct according to community rules.

In the social fairness literature (Maxwell, 2002) there exist three types of rule-based fairness: (i) rules of outcome; (ii) rules of process; (iii) effect of power. As a result it is possible to define a rule-based fair price model as a chain reaction process: a fair price judgment involves a comparison between prices (i.e. reference price) and/or procedures (pricing process) and/or type of sellers (power exercised along the supply chain) and it will lead to the willingness to purchase.

In this process the role played by information distribution is fundamental. In fact, when seller pricing strategies are not observable to the buyers, evaluating whether a pricing process was fair is more difficult for the buyer and it could lead to a lower willingness to purchase.

Price transparency defined as “information revealing the allocation among agents in a supply-chain of proceeds from the sale of a product or service” by Carter and Curry (2010), would avoid the consequences of informational asymmetry.

In a transparent pricing scenario, the buyers are capable of judging the seller’s pricing effort as “in conformity to rules” and they could be willing to pay a premium price. For a firm this premium surplus represents an increase in revenue without a corresponding increase in cost, due to a buyer’s willingness to pay for a product/service in which he/she recognizes an added value in terms of fairness.

This pricing process has also benefits in terms of consumers differentiation among sellers: a buyer would choose to pay, voluntarily, more for the good of a given seller, apparently identical to other ones, if he/she thinks that the allocation of price revenues among supply chain agents is appropriate.

Fair Trade as Best Practice

Fair trade (FT) experience provides many insights for organizing fair oriented relations in the food supply chain. FT is a response to the failure of conventional international trade to deliver sustainable development opportunities for people in developing countries, whether as producers in family-based production units or as hired workers (Gendron et al, 2009). It is interesting here to focus on two unique characteristics of fair trade: sustainable and equitable trading relationships and consumers awareness rising.

Sustainable and equitable trading relationships are realized through: criteria for price setting, stability of trade relations and favourable payment terms. Prices set by FT are not indexes of scarcity and are not affected by the bargaining power of the contractors. Producers agree on prices which are calculated to cover the costs of a process carried out in accordance with social (i.e. sustainable livelihood for producers and workers; decent working conditions) and environmental standards. Long-term contracts, which include forms for pre-financing, allow to build partnership between producers and buyers (information sharing, planning investment, stabilize revenues).

Consumer awareness is promoted by the large set of information provided with the products that allow: to disclose revenue allocation along the supply chain and to evaluate all of the social and environmental features that make a FT product different from a conventional one.

In the FT market the higher price reflects higher social requirements. Consumers purchase not only the physical product but also a certain quality of relations along the chain. That means that consumers are willing to pay for fair relationships along the chain (Mann, 2007).

In the literature is well documented that ethical credential (social and environmental) of products and retailers are key choice criteria for a growing proportion of consumers (McGoldrick, 2008).

THE ROLE OF FAIRNESS IN ITALIAN ALTERNATIVE FOOD NETWORKS

Methodology

In this research we propose an analysis of AFNs in Italy, using FT as benchmark, according to their capacity to carry out fairer relationships between producers and consumers.

AFNs evaluation has been done considering their results in terms of: distribution of value along the chain; price fairness and transparency; access to markets for small producers; compliance of products to social standards; relationships between consumers and producers (involvement, stability and trust).

The qualitative analysis has been carried out looking for operational examples: case studies, initiatives and projects. Information sources have been: academic journals, previous research, Internet and newspapers. Due to the often highly localized nature of the subject, the examples collected certainly do not represent the entire universe, but a representative sample.

Three types of AFNs are discussed: Direct selling, Farmers' Markets, Partnership between producers and consumers.

Results

Direct selling is a shortening of the channel that allows the farmers (even small ones) to get a better price and to build trust-based relationships with the consumer.

In Italy, direct selling is growing rapidly, but it is still weighing less than in other EU countries (eg. Great Britain and France). According to recent estimates (2009), about 63,600 farms (7.4% of those registered in the Trade Chambers) sell directly and the turnover is approximately 3 billion Euros. Farmers' commitment to search for direct outlets to the market is proved by the increasing product differentiation, a larger product selection that includes not only wine and olive oil, as in the past. Nearly 70% of agricultural enterprises don't have a dedicated space for sale, but a growing number of farms increases the organization level by running a shop. E-commerce, vending machines (mainly milk) and stronger ways of consumer involvement (i.e. pick your own) are growing as well.

The results of some empirical research show that farmers use direct sales to increase and stabilize income and then to promote the product. Overall income expectations are met with significant differences between products, on average farmers are able to negotiate a higher price (45-50% more compared to sales to wholesaler; 25-30% more compared to sales to large retailers). Consumers choose to buy directly from farms mainly to get genuine and fresh products, nevertheless it is also important the opportunity to establish direct relationship with the farmer and to support local economy and to purchase safer products. More convenient prices are the last reason which influences buyer choice.

For Farmers' Markets, operating rules are a significant element for an evaluation of fairness not only related to a redistribution of income along the chain. The results depend on the existence of rules for: pricing, vendor selection, products quality and consumers involvement.

In Italy farmers' markets are developing rapidly, with very different features in terms of actors, goals and organization¹. Besides the initiatives promoted and managed directly by producers (mainly organic and biodynamic), in recent years several other ones have been launched and supported by public authorities, Farmers' Organizations, Non-Governmental and advocacy organizations.

Only recently (in 2007) a national legal framework was established; the implementation and the regulation of farmers' markets is committed to local level. The farmers' markets sponsored by public authority aim: to create a direct market access for local producers, to enable consumers to purchase at lower costs, to promote healthier consumption patterns.

¹ According to the most recent data (2010) in Italy there are around 1250 Farmers' markets, 705 of whom operating on a regular basis, in which are involved more than 16000 firms. The turnover is approximately 320 million Euros. More than 50% of the Farmers' market are located in 4 regions of North Centre Italy.

On the basis of our investigation, farmers' markets have been mainly promoted as a way to get cheaper prices for consumers, therefore the attention is focused on the price control.

A professional organization (Coldiretti) is playing a leading role as a body that coordinates and supports a network of markets (called Campagna Amica). These Farmers' markets have common regulations which provide, among others, the control of maximum prices charged (as determined by a framework agreement with leading consumer associations). Producers commit themselves to assure at least a 30% saving compared with the reference price supplied by SMS Consumatori². Higher prices must be justified by higher quality (eg. organic, traditional varieties, etc.).

In a small number of markets³, that could be defined as "fairer oriented", there are operating rules that pay special attention to:

- criteria for determining the price, that refers not only to the price paid by consumers but also to a fair price to producers (to be assessed on the basis of the calculation of average production costs at local level market) and price transparency;
- access for small producers, the physical presence of farmers is not mandatory but shared farm booths are provided and form of alternative certifications are accepted⁴;
- quality of products, in addition to the credentials normally required (locally grown, organic, Gmo-free, geographical indications etc.) products are required to comply with social standards (proper remuneration and working conditions);
- consumers' involvement, that is pursued through education and information activities.

Finally, partnership between producers and consumers, where decision about production process, risk and rewards of farming are shared, can achieve the higher level of fairness.

In Italy, the Solidarity Purchasing Groups (SPG) represent the largest and most established form of partnership between consumers and producers. Since the first experience in 1994, there has been a rapid development and the SPG have been organized in a network⁵. The SPG are groups of citizens who share the concept of solidarity. There is not a single model but some goals are shared, that is to say: critical consumption and responsible practices, attention to social and environmental issues, support to small and very small producers and to local agriculture.

The SPG choose small producers, with production processes that meet environmental and social sustainability criteria. Relationships are based on trust and transparency, which has roots in sharing information on production processes and product features. A central aspect is the procedure for pricing, prices are proposed by the farmers and then evaluated by consumers taking into account both production costs and market prices. This scheme makes it possible to define a fair price for both. Moreover, prices are stable over time and supply relationships have a long term perspective.

The SPG are based on forms of relationships with suppliers similar to the Fair trade, although only some of them offer pre-financing.

CONCLUSION

In our research we have started a survey and an evaluation of Alternative Food Networks experiences in Italy which may represent best practices in terms of implementation of fairer relations in the food supply chain.

Solidarity Purchasing Groups represent the most advanced expression of a fair relationship between producers and consumers based on trust and transparency, which has roots in sharing information on production processes and product features and in a participatory process to define the prices. Farmers' markets are successful experience of a more favorable value added distribution for farmers along the supply chain. Nevertheless, as occurred in few markets, some operating rules could be implemented to achieve a fairer relationship between producers and consumers. These rules allow to: determine a fair price for both consumers and producers; provide opportunities for easier access to small producers; ensure social sustainability of the products; increase consumers' awareness.

For fairness in the supply chain further theoretical and empirical studies have to be carried out: i) rules and criteria to achieve a fair price; ii) how social standards (i.e. sustainable livelihood for producers and workers; decent working conditions) could be implemented; iii) how to disclose the social credentials of products (inter alia, transparent pricing).

² SMS Consumatori is a price information tool operated by the Ministry of Agriculture <http://www.smsconsumatori.it/>.

³ i.e.: i) Il Mercatale del Valdarno di Montevarchi <http://www.ilmercatale.it/>; ii) I Mercati della Terra di Slow Food <http://www.mercatidellaterra.it/>; iii) Il Mercato Terra/TERRA <http://terraterra.noblogs.org/>

⁴ Organic certification is often prohibitive for small farmers, especially in terms of bureaucracy and costs. Among the alternative certifications are distinguished: Group Certification (ICS) and Participatory Guarantee System (www.ifoam.org; www.terramadre.info).

⁵ The number of Solidarity Purchasing Groups involved in the network Rete nazionale di collagamento dei Gas (<http://www.retegas.org/>) are more than 350.

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Wednesday, 20 July
Time: 8:30 AM

Session Number: **1.7: Issues in Wine Marketing**

Session Chair: Spielmann, Nathalie, *Reims Management School*

Meaning Through the Grapevine: A Critical Analysis of Wine Promotion

Kuennen, Rob, *University of Iowa*

MEANING THROUGH THE GRAPEVINE: A CRITICAL ANALYSIS OF WINE PROMOTION

Rob Kuennen, University of Iowa, USA

INTRODUCTION

The per capita consumption of wine in the United States is at its highest point since 1988, and knowledge related to the production and consumption of wine has developed into a form of cultural and symbolic capital (Bourdieu, 2003; Holt, 1998). With over 2.3 million subscribers and a web site that offers visitors to “Learn More, Drink Better,” *Wine Spectator* is one example of a media product published to promote the wine industry in the United States. Although many researchers have examined advertisements *within* the context of particular magazines (Williamson, 2005; McCracken, 1993; McQuarrie & Mick, 1992), few have looked the whole magazine as a promotional genre capable of promoting ideology through the combination of its unique parts—covers, articles, editorials, reviews, recommendations, and advertisements.

Chandler (2004) defines genre as “a primary textual code involved in the construction of the subject” (p. 182). Far from being ideological neutral, genre seeks to naturalize a particular world view by transforming individuals into constructed subjects through the process of interpellation (Althusser, 2006). As an example of a particular genre, *Wine Spectator* exists primarily to convince consumers they can be fully integrated members of the modern wine culture simply through consuming wine and other goods that share “symbolic complementarity” with wine (Solomon & Assael, 1987). In reality, however, access to authentic wine culture is granted only to those individuals who understand the discourse of wine, of which wine consumption rituals represent one small part. The purpose of this paper is to expose how *Wine Spectator* uses messages of exclusivity to promote a myth of accessibility. Although the myth serves to increase industry sales, individual consumers are promised something that the magazine cannot deliver—access to the social and cultural capital associated with authentic wine culture.

METHODOLOGY

To expose the ideology inherent within the magazine *Wine Spectator* I will use semiotics to “interpret the signs in the context of their structure” (Domzal & Kernan, 2001, p. 50). In doing so I will analyze representative subtexts as well as how these component parts (subtexts) come together to create meaning. More specifically, I will analyze as subtexts two wine advertisements contained within the October 15, 2006, edition of the magazine *Wine Spectator*. In performing this analysis I will make use of the Saussurean (1983) tradition of semiotics in which the signifier and the signified are connected through the process of signification and in which multiple orders of signification exist. To determine the intertextual relationships that exist between the various components of the magazine I will perform a paradigmatic analysis of a chain of subtexts in order to uncover meaning inherent in the choice to include some subtexts (while choosing to exclude others). This chain of subtexts will include examples of wine advertisements, non-wine advertisements, articles, and wine evaluations.

CONCLUSIONS

The goal of this analysis is to expose the underlying ideology promoted by the magazine *Wine Spectator*. More specifically, I hope to show how the magazine uses messages of exclusivity to promote the myth of accessibility achieved primarily through the consumption of wine and related goods. Such consumption practices are motivated by the magazine stimuli, including product advertisements, articles, editorials, and wine reviews. Using a semiotic method of analysis that incorporates Barthes’ (1967, 1972) and Panofsky’s (1970) notions of denotation, connotation, and ideology, as well as Kristeva’s (1980) concepts subtextuality and intertextuality, I will argue that *Wine Spectator* promises consumers access to the socially desirable wine culture primarily through positioning wine culture as an exclusive club to which anyone can gain access—as long as they have access to the right information. Not surprisingly, *Wine Spectator* is a key source of this information.

Within the magazine the reader is exposed to subtexts he has seen before—vacations offers, automobiles, and consumer products—but the subtexts take on new meanings in their newly formed connections to the consumption of wine (intertextuality). No longer are dining and travel mundane consumer behaviors, but rather they represent exciting opportunities to consume wonderful new wines and to participate in the exciting, yet exclusive, authentic wine culture. Although magazine readers succumb to the myth of accessibility by increasing spending on wine products in the hopes of gaining access to the benefits of authentic wine culture, true “back door” access (Goffman, 1959) to authentic wine culture is rarely made available. Through its use of the myth of accessibility, therefore, *Wine Spectator* serves to democratize wine consumption (and increase industry revenues) by promising something that it cannot deliver—access to the social and cultural capital associated with authentic wine culture.

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Wednesday, 20 July
Time: 8:30 AM

Session Number: **1.8: Counterfeit Products, Crowd Behavior in Sport Events**

Session Chair: Cobbs, Joe, *Northern Kentucky University*

Why Buy the Original, if the Fake Can Do the Same? (Can it?) The Demand for Counterfeit Sports Gear in an Emerging Market

Stoettinger, Barbara, *WU Vienna*

Penz, Elfriede, *WU Vienna*

Toward a Better Understanding of Crowded and Scarce Sporting Events: Do Fans Think As Much As They Feel?

Pons, Frank, *Université Laval*

Mehdi, Mourali, *University of Calgary*

Lionel, Maltese, *Euromed Management*

Richelieu, André, *Université Laval*

A Question of Give and Take: How Company Support of Corporate Runs Affects Organizational Identity and Organizational Commitment

Koenig, Tatjana, *Saarland Business School*

WHY BUY THE ORIGINAL, IF THE FAKE CAN DO THE SAME? (CAN IT?) – THE DEMAND FOR COUNTERFEIT SPORTS GEAR IN AN EMERGING MARKET

Barbara Stöttinger, Vienna University of Economics & Business, Austria
Elfriede Penz, Vienna University of Economics & Business, Austria

ABSTRACT

Counterfeiting has emerged as a major problem for global marketers. It has risen dramatically over the past years and now represents some 5-8% of total world trade (Balfour, 2005). While supply side deterrents may still be helpful in this context, the active role of the consumer as ‘accomplice’ (Bloch, Bush, & Campbell, 1993) calls for demand side counteractions. As long as the demand is thriving, counterfeiters will always find new ways to serve customers (e.g., Albers-Miller, 1999). Substantial research has looked into what drives consumers to buy the fake rather than the original product and various influences were identified (Eisend & Schuchert-Güler, 2006; Staake, Thiesse, & Fleisch, 2009). Many of these studies have focused either on industrialized countries (e.g., Gistri, Romani, Pace, Gabrielli, & Grappi, 2009; Penz & Stöttinger, 2005) or emerging markets in SE-Asia (e.g., Phau & Min, 2009; Prendergast, Chuen, & Phau, 2002). One region, however, was neglected – the Middle East. Little is known about how consumers in the region perceive counterfeits (versus original brands), their motivations to buy fake products or their relationship and experience with fake goods – aspects of a phenomenon which is strongly related to culture (Eisend & Schuchert-Güler, 2006). This takes with surprise as countries in the region have a growing and young customer base. This makes them a particularly attractive target markets for branded products and at the same time easy prey to counterfeits (Ollier & Behean, 2009).

In our paper, we try to shed light on the consumer perceptions of counterfeit products in a selected country (Iran) and a particular industry (sports gear). While past research on counterfeits has primarily focused on luxury brands (e.g., Han, Nunes, & Drèze, 2010; Wilcox, Kim, & Sen, 2009), where the symbolic value is predominant, sports gear represents a product category with considerable social risk (e.g., to be detected as someone who wears fakes; which were investigated in most previous studies) and functional risk at the same time (e.g., injuries through faulty fake products; malfunction due to bad quality) (Eisend & Schuchert-Güler, 2006). Moreover, up to now, the specific retailing situation in the chosen country context makes it very hard to distinguish original from fake and thus facilitates deceptive counterfeiting.

As the geographic area and the specific product category investigated have not attracted attention so far, we decided to take a qualitative approach (qualitative interviews; $n = 15$). While no official figures exist, sales of counterfeits are rampant. Original sports gear manufacturers who sell their products in Iran try to protect their brand by selling through authorized channels only and relying on Iranian IPR law. We developed an interview guideline to focus specifically on the role of brands versus counterfeits for the consumers, usage situations and the impact of the immediate social environment on their purchasing decision. Interviews were conducted in the local language by a bilingual research assistant and transcribed into English. Respondents were selected from various areas in Teheran based on age, gender and profession. Interviews were conducted either at home or at the work place in a comfortable atmosphere without any listeners.

As our results show, respondents see counterfeits as a regular product alternative to branded products and take a pragmatic approach to the product decision. Original and fake brands are often owned together, but then used at different occasions and circumstances. Consumers also developed certain heuristics (e.g., choice of shopping outlet, consultation with “expert” friends) to identify fakes. They choose fakes for pragmatic reasons (e.g., can be changed more often due to the lower price) or a lack of financial means. The social risk of being detected as someone who wears fakes does not seem to be a big issue for consumers, while functional risks such as health concerns are taken into consideration.

As to managerial implications, consumers cherish and value brands (particularly Adidas). So if they had money and would have the trust in the sales outlet they choose to buy an original not a fake, they would select the original. Therefore, selling original brands through authorized dealers AND keeping tight control of them would instill confidence in consumers. Health concerns were quite prominent in our interviews, offering another starting point for a communication campaign of brand manufacturers to counter fakes in these markets. While consumers cherish the German origin of Adidas, they at the same time realize that Adidas products are made in China etc. (as are the fake Adidas products). This undermines their confidence in the brand promise and may decrease their brand loyalty to the original.

References available upon request

TOWARD A BETTER UNDERSTANDING OF CROWDED AND SCARCE SPORTING EVENTS: DO FANS THINK AS MUCH AS THEY FEEL?

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ABSTRACT

Recent studies (Tombs and Mc Coll-Kennedy, 2003; Rosenbaum and Massaiah, 2007; Machleit *et al.*, 2000, Eroglu, Machleit and Barr, 2005) underline the importance of considering different types of crowding (human versus spatial) when interpreting results on a crowd's impact. They also insist on the potential moderating role of the service encounter and the values at stake (leisure versus utilitarian) (Eroglu, Machleit and Barr, 2005).

One potential variable that has received limited attention from researchers (Tombs and Mc Coll-Kennedy, 2003) is the extent to which the experience represents a scarce event for the consumer (Superbowl, World cup soccer). For example, scarce sporting and cultural events seem to often be of greater value and to trigger more extreme behaviors from consumers (Madrigal, 2000; Holt, 1995).

Using an experimental design, this study demonstrates that scarcity adds value to the sporting event experience (Wann et al, 2004; Cialdini, 1995). Our study also offers potential explanations of the mechanisms behind the scarcity effect. These results suggest the importance of signals sent by the crowd to potential customers, particularly driving their expectations. Scarcity can be considered as one of these cues or signals, and future research along this line is critical in the sporting event business.

References available upon request

A QUESTION OF GIVE AND TAKE: HOW COMPANY SUPPORT OF CORPORATE RUNS AFFECTS ORGANIZATIONAL IDENTITY AND ORGANIZATIONAL COMMITMENT

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INTRODUCTION

The seminal work on the extension of the service-profit chain by Homburg, Wieseke and Hoyer (2009) drew a lot of attention to the construct of organizational identity and its positive effects on the firm. These positive effects are most certainly not limited to the service sector but generally applicable. Yet, the question remains of how to achieve a high level of employees' identification with the company.

Sporting events and sponsorships have been analyzed for their effects on customers' identification with a company or brand (e.g. Lings and Owen, 2007; Martensen, Gronholdt, Bendtsen and Jensen, 2007; Murray and Howat, 2002; Sneath, Finney and Close, 2005), yet rather seldom for their merits on internal marketing (e.g. Hickman, Lawrence and Ward, 2005). This research focuses on the internal marketing effects of corporate runs. Corporate runs differ from most other running events in that they are multi-corporate events, which require the active participation of employees based on the affiliation to their work organization. They can be defined as corporate sponsored amateur road races. Participants of one company run as a team and as such participation in the event itself is in the focus not the sportive success of the individual runner. Therefore, corporate runs seem to be a valuable research object for internal marketing effects.

Corporate runs originated in the U.S.. Nowadays, they enjoy enormous popularity in different parts of the world. In Germany they have grown to a mass-phenomenon with up to 10% of the regional working population actively taking part. The largest corporate run is said to be the J.P. Morgan Corporate Chase Run in Frankfurt with about 70.000 to 80.000 participants and about the same number of spectators each year. The running distance typically is 5-6 km (3.5 miles). On a national basis thousands of companies support this form of event. This research focuses on the question if the money spent here is well invested. A structural equation model serves to analyze the effects of perceived company support for corporate runs on organizational identity and commitment as well as on work motivation on the side of employees participating in the event.

THEORETICAL BACKGROUND AND HYPOTHESES

Social identity theory and equity theory provide the theoretical background for deriving hypotheses. According to social identity theory people structure their social environment (Ashforth and Mael, 1989) to find one's own position in it. Belonging to a certain group contributes to self-definition by the features in common with other members of the group (van Knippenberg and van Schie, 2000); especially if it is an important affiliation, e.g. a work organization (Bergami and Bagozzi, 2000). During the corporate runs team members visibly signal their affiliation e.g. with company shirts and contrast herewith against out-groups, i.e. employees of other companies. Larger companies sometimes invest several 10,000s of Euros into this event in cash, kind or manpower. For analyzing the effects of these company investments the construct of perceived organizational support serves as one of two exogenous variables in the model. The more support companies provide, the more employees will take part and the more likely the event will be a success. For the participating company this means it will contribute to company reputation. Both outcomes increase employees' wish to identify with the firm, thus we assume:

H1: Organizational support for corporate runs positively affects organizational identity.

As this event focuses on the corporate team, we assume a mediating effect of teambuilding, which is the degree to which the members of a corporate group perceive themselves as a unit during the event. Effort on the side of the company (company-shirts, running exercises in advance) can contribute to this perception as well as teambuilding presumably contributes to organizational identity, leading to the following two hypotheses:

H2: Organizational support for this event has a positive effect on teambuilding.

H3: The larger the teambuilding the stronger participants identify with their organization.

Related to organizational identity is the construct of organizational commitment (van Knippenberg and van Schie, 2000) which exceeds the sense of belonging and oneness with an organization by the "willingness to exert considerable effort on behalf of the organization..." (Mowday, Steers and Porter, 1979). The stronger individuals identify with a group the more

they commit themselves to act in the group's interest. With reference to the social identity approach van Knippenberg (2000) further points to the question of effects on work motivation, which we presume to be positive, implying the following hypotheses:

H4: The larger the organizational identity the higher the organizational commitment.

H5: The larger the organizational identity the higher the work motivation

Equity theory (Adams, 1963) is based on the notion of fairness or "give and take". This suggests that employees appreciate their organizations' support especially for an event outside the workplace and adjust their input accordingly (Austin and Walster, 1975; Brammer, Millington and Rayton, 2007) which means motivating effects during the event should transfer back to the work place. We further presume that work motivation positively affects organizational commitment. Motivated employees typically feel committed not only to their jobs but also to their employers, leading to

H6: Organizational support of the corporate runs contributes to employees' work motivation.

H7: Work motivation has a positive effect on organizational commitment.

On the side of the participants, we employ event involvement as a second exogenous variable that is defined as "a state of motivation, arousal, or interest with regard to a product, an activity, or an object" (Funk, Ridinger and Moorman, 2004). We focus on the situational aspect (Pham, 1992) here, i.e. involvement in this team event, as the sportive aspect (running involvement) might not contribute to teambuilding as much. By the same token we suggest positive effects of event involvement on organizational identity and commitment:

H8: Event involvement is positively related to the perception of teambuilding.

H9/H10: Event involvement positively effects organizational identity and organizational commitment.

METHODOLOGY AND RESULTS

Results of in-depth interviews and a preliminary study ran into the main study that was conducted in cooperation with seven event planning agencies over Germany – including one of the three largest, three medium-sized and three smaller events. The agencies sent out the link for the online questionnaire via their mailing lists to the team-captains of the companies and newsletter-recipients. In return, the agencies received a satisfaction analysis free-of-charge. A total of 1,915 respondents took part in the survey. After clearing missing values, 803 datasets remained for construct validation and SEM (SPSS, AMOS 18.0).

All constructs yielded one-factor solutions with well over 50% of variance explained and Cronbach alphas around .8 (Rossiter, 2002). The confirmatory factor analysis showed indicator reliabilities larger than .4 (Bagozzi and Baumgartner, 1994), composite reliabilities exceeding .6 (Bagozzi and Yi, 1988) and AVE values larger than .5 (Fornell and Larcker, 1981). The model fit measures signal a close fit: chi-square/df = 2.44, RMSEA = .043 (Brown and Cudeck, 1993), RMR = .026; and the fit indices are well above the "Magic .90" (Hair et al. 2005, p. 751) with GFI=.96, AGFI= .95, RFI=.95, IFI=.97, CFI=.97, NFI=, TLI=.96, TLI=.97. Turning to the hypotheses, we find the majority of them supported (see [Figure 1](#)). The standardized regression coefficients suggest strong and highly significant effects for event involvement and organizational support on teambuilding ($R^2=.48$). The proposed direct effect of organizational support on organizational identity is significant, yet with $< .2$ rather weak (Chin, 1998). When including the strong mediating effect of teambuilding, the total effect amounts to .31 which is substantial. The model further accounts for 20% of the event participants' organizational identity. In addition, we see a strong and highly significant effect of organizational identity on work motivation which contributes to the total effect of organizational support on work motivation (total effect = .47). The proposed effects of event involvement on organizational identity and organizational commitment (hypotheses 9 and 10), however, were not supported. In general, we see a strong relevance of organizational support in combination with the teambuilding effect for corporate runs. Moreover, the data supports positive outcomes of organizational identity on work motivation and organizational commitment as presumed. Yet event involvement shows the proposed effect on teambuilding yet not on organizational identity or organizational commitment.

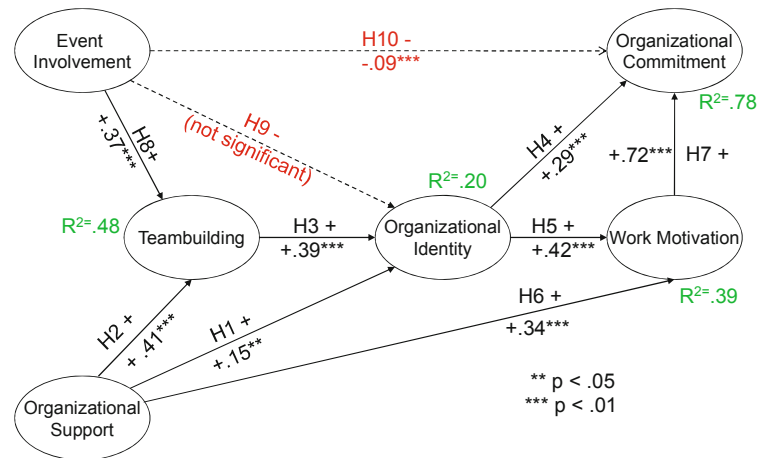


FIG. 1: Approved Path Model

(Note: dashed line for hypotheses that are not supported, red: unexpected values)

CONCLUSION AND IMPLICATIONS FOR THEORY AND PRACTICE

Considering the mass-phenomenon of corporate runs on a global basis, it is astonishing that these events have – to the author’s knowledge – not yet gained the attention of marketing researchers. Especially in times of crises management might question the investments into this kind of event. Yet, the results of this research show, that organizational support for the corporate runs is heavily appreciated by the participating employees. It significantly increases organizational identity and commitment and particularly contributes to work motivation – and when is this more needed than in times of crisis? However, the considerable mediating effect of teambuilding is essential for the impact of organizational support. Therefore, management when backing corporate runs should invest in measures that support teambuilding. For instance, company shirts strengthen the in-group perception and contrast against out-groups, i.e. employees of other organizations. To provide buses for joint arrival may strengthen team spirit as well as collective running exercises in preparation to the event. Moreover, after-run parties may be a non-negligible part of the event that is worth investing in. In general, corporate runs are multi-company-events and as such typically less costly than events organized by the individual company. Moreover, the impact of corporate runs on basic constructs like work motivation and organizational identity might indicate sustainable effects of a one-time (here yearly) event. Besides the effects on internal marketing, corporate runs might be valuable for sponsorship research. Active participation might strengthen information processing, e.g. in terms of sponsorship perception. A question left to further research, as well as the effects of large participant numbers on company reputation. However, the sheer number of people with a work affiliation renders participants a highly valuable target group.

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Wednesday, 20 July
Time: 8:30 AM

Session Number: **1.9: Brand Power and Issues in Sports Management**

Session Chair: Groza, Mark D., *University of Massachusetts*

Managing Team and League Brands: Diverging Interests in the National Hockey League

Mason, Daniel, *University of Alberta*

Soebbing, Brian, *University of Alberta*

Jiang, Lei, *University of Alberta*

Personal Ethics of Today's Sports Fans: Connecting Cultural Values, Ethical Ideologies, and Ethical Intentions

Smith, Brent, *Saint Joseph's University*

Lord, John, *Saint Joseph's University*

Effective Marketing Communication Efforts of Sports Development Initiatives: A Case Study of Public Sport Provision

Arnott, Ian, *University of Northampton*

MANAGING TEAM AND LEAGUE BRANDS: DIVERGING INTERESTS IN THE NATIONAL HOCKEY LEAGUE

Daniel S. Mason, University of Alberta, Canada
Brian P. Soebbing, University of Alberta, Canada
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ABSTRACT

The purpose of this paper was to explore how conflicts can arise where interests regarding team and league branding in professional sports leagues diverge. We draw from agency theory to explain how a prospective National Hockey League franchise owner, Jim Balsillie, attempted purchase and relocate the team, which represented a bold attempt to use bankruptcy laws to circumvent the contract governing the principal-agent relationship between the NHL and its member clubs. We argue here that, like franchise relocation, branding at both the league and franchise levels should be controlled by the league, as principal, and not any one agent. Thus, the NHL's efforts to retain control over the location and ownership of one of the Coyotes represent an important step in preserving the ability of the league to manage the NHL as a brand. The conflict between Balsillie and the NHL reveals the unique challenges faced by sports leagues to protect league-wide interests while managing the behaviour of individual teams. By examining branding from both the perspective of individual franchises and leagues as a whole, we gain greater insights into the agency problems inherent in the structure of North American sports leagues.

INTRODUCTION

North American professional sports leagues and their member franchises have emerged as valuable brands in a crowded entertainment marketplace. This can be seen through the many associations that sponsors have with leagues and member teams, and the increasing revenues generated by the four major leagues—National Basketball Association (NBA), National Football League (NFL), Major League Baseball (MLB), and National Hockey League (NHL)—which *Forbes* magazine estimates to be in excess of 19 billion USD annually.

There are several characteristics of professional team sport as an entertainment product that make it unique. The first relates to the uncertainty of outcome of games and the series of games that leads to a league championship. The second—more of interest to our discussion here—is the fact that leagues are actually comprised of independently owned franchises that come together to create a league. Each franchise has its own history, ownership structure, fan base, and value as a brand that is independent of — but contributes to—the brand value of the league as a whole. For example, the brand value of the NFL in the US is far greater than that of the NHL. At the same time, within their own leagues, the brand value of the Dallas Cowboys and Detroit Red Wings far exceeds that of the Jacksonville Jaguars and Atlanta Thrashers, respectively.

As a league member, each team seeks to maximize its own brand value and increase the value of the independently owned franchise, while cooperating with other league clubs to develop a brand value for the league itself. Each of the four major leagues has been able to establish itself as the premier circuit in their respective sports, and through their executive committees/boards of governors and commissioners, work diligently to protect the value of the league as a singular property, which then adds value to all league clubs. For example, the NFL has an enviable position as being an elite league; this in turn can be leveraged to obtain lucrative media agreements and other sponsorship arrangements with companies attempting to associate with the NFL brand.

However, what happens when the interests of the league-wide brand do not coincide with the interests of an individual franchise or that franchise's prospective owner? This paper explores this issue by examining the recent attempts by Blackberry co-owner, Jim Balsillie, to purchase the Phoenix Coyotes franchise and move them to Southern Ontario. In this case, moving to Hamilton represented an opportunity to significantly increase the value of the Coyotes franchise and rebrand it in a hockey-crazed region. However, the NHL resisted Balsillie's efforts in order to preserve stability in its franchises, protect the value of two franchises in close proximity to Balsillie's intended site (the Toronto Maple Leafs and Buffalo Sabres), and retain the option to add an expansion franchise there at a later date. In order to better understand the conflict, we draw from agency theory to explain how the entrepreneurial behavior of the franchise, as agent, is counter to the interests of the league, as principal. Following an overview of agency theory, we review the series of events that have led to the recent bankruptcy court decision involving the Coyotes. We then discuss the diverging interests of both the prospective owner and

league in terms of agency theory and the league and franchise brands. In doing so, we hope to shed light on how sports leagues provide a unique context to examine entrepreneurial branding and how this can lead to conflict in this context.

AGENCY THEORY AND PROFESSIONAL SPORTS LEAGUES

To start, we acknowledge that an agency relationship exists between the NHL and its member franchises (Mason, 1997). A principal-agent (P-A) relationship is governed by a contract between principal(s) and agent(s); they can exist on many different levels in organizations (Jensen and Meckling, 1976). P-A relationships can take many different forms, such as single-principal, single-agent relationship and multiple-principal, multiple-agent relationships (Arrow, 1984; Mason and Slack, 2005; Itoh, 1991). In the context of professional team sport, the league establishes a single-principal, multiple-agent relationship with its affiliated franchises (Mason, 1997; Mason and Slack, 2005). In this case, the league, as a collective of member franchises, acts as a single principal to a group of franchises (who act as agents for the league). The role of the individual franchises is to come together to produce the league product. The league product can be described variously, but at its core is a series of matches between teams that comprise a season (Mason, 1999). Agency theory is typically concerned with agency problems that exist in the dynamics of principal-agent relationships in specific organizations (cf. Eisenhardt, 1989; Jensen, 1986; Nilakant and Rao, 1994); in other words, where the agent acts in a manner inconsistent with the interests of the principal (Audretsch *et al* 2009; Barney and Hesterly, 1996; Bonazzi and Islam, 2006; Douglas, 2009; Eisenhardt, 1989; Jensen, 1994; Jensen and Meckling, 1976).

An agency relationship is described metaphorically as a contractual arrangement between principal(s) and agent(s) when the owners of resources have no time, ability or expertise to do some tasks themselves, thus requiring the hiring of agents with specialized skills and knowledge to perform specific services (Jensen and Meckling, 1976; Mason, 1997; Nilakant and Rao, 1994; Sappington, 1991). In the context of a professional sports league, this is somewhat different; teams are required by the league to come together to compete against each other in order to produce the league product. The formal relationship between the franchise and league is governed by the league's constitution and by-laws. This represents the explicit form of the contract between principal and agent. As explained by Mason (2008),

The sports product that is produced represents a joint product of the league. Teams must cooperate to produce the product—by agreeing on scheduling locations, rules, the division of revenues, and so on—but the product itself must appear to be produced by two teams that are fiercely competing against one another to win (pp. 82-83).

Thus, in North American sports leagues with profit-maximizing franchise owners, there is little real economic competition *per se* between the clubs themselves; any elements of competition are undertaken in order to produce, and create demand for, the league product. In addition, the league establishes formal rules related to expansion, franchise relocation, and the relationship between teams and the league as a whole. When purchasing a league franchise, team owners receive four basic rights: intangible assets including the right to the team's logo, and brand identity (including goodwill); the right to acquire and retain player contracts within the league system; the rights to a league-designated territory; and tangible assets (such as equipment and facilities). In exchange, franchises agree to abide by the league's constitution and by-laws and work with the league and other league franchises to produce and market the league product, and to maximize league and team revenues. To enable this process, each team receives representation on the league's board of governors.

In general, agency theorists are concerned with circumstances where the agent does not perform adequately on behalf of the principal. Thus, due to uncertainty regarding agent behavior, coupled with the bounded rationality of principals, incentive schemes have to be created for the agents to act in the principals' interests; agency costs are incurred for reducing the presence of agency problems. In professional sports leagues, incentive schemes include the sharing of revenues across teams on the basis of team performance in the interests of the league. An example of this occurs in the NHL where low-revenue franchises receive funding from high-revenue franchises where the former reaches specific measures in attendance and other benchmarks. In this case, low revenue clubs are rewarded for driving their own revenues higher (which increases overall league revenues). In addition, it is hoped that weaker revenue teams will reinvest funds into player salaries to make them more competitive, thereby helping leagues to improve competitive imbalances between low and higher revenue clubs.

Carlin and Gervais (2008) suggested that the behavior of the agent should be examined carefully while framing an optimal contract. This is because if both parties in the principal-agent relationship seek to maximize their own utility, there is good reason to believe that the agent will pursue other interests than the principal (Bois *et al*, 2004; Jensen and Meckling, 1976). Examples from North American sports leagues include tanking, where teams deliberately lose games in order to increase their position in the amateur entry draft. In this instance, it is in the team's interest to lose a game and therefore

finish lower in the standings in order to receive a better player in the upcoming amateur draft. However, this is not in the league's interests as it undermines the legitimacy of the games and harms the image of the league as a whole (Soebbing and Mason, 2009). In addition, another agency problem occurs where teams seek to relocate their franchises without due consideration of the overall interests of the league. The most notable example of this occurred in the NFL where the Oakland Raiders moved to Los Angeles without the consent of the NFL, vacating a market with a history of strongly supporting the local franchise.¹ This latter problem provides the context for discussion in the current paper.

Researchers on agency theory have identified two primary types of self-interested behavior employed by agents: adverse selection and moral hazard (Eisenhardt, 1989). Adverse selection occurs where agents misrepresent their abilities in providing their services to the principals due to the existence of information asymmetry (Eisenhardt, 1989; Trailer *et al.*, 2004). In the sports industry, team owners have deliberately misrepresented their financial means in order to gain control of and operate a team. In the case of moral hazard, agents put forth less effort in performing their duties. For example, a profit maximizing owner in a large-market might put forth less effort in fielding a competitive team, and be content generating revenues without any real attempt to improve team performance. The subsequent decline in the performance of the large-market team would then hurt the overall interests of the league, by affecting competitive balance and potentially the television ratings of games in a key market. Tanking could be described as a shirking problem—in this case a team might field a weaker roster in an effort to lose—this is in opposition to the league's interest in having two teams put forth maximum effort to win in a given match.

Another circumstance that potentially leads to a divergence of team and league interests in the North American system relates to franchise relocation. In many respects, franchise relocation—or at least the threat of relocation—benefits all franchises and the league as a whole. This is due to the fact that the relocating team typically receives a much more favorable lease arrangement, which can then in turn be leveraged by other franchises to improve their own financial situations. However, when a team moves to a highly desirable market, leagues also forgo the fees that could be obtained by placing an expansion franchise in that market; in this case the team benefits financially, but the league forgoes the expansion revenues that would be distributed to all league clubs. The following describes a unique scenario. In the case of the Phoenix Coyotes of the National Hockey League, the desire to move was expressed by a prospective owner, Jim Balsillie, who sought to purchase the financially ailing team, but only on the condition that he be allowed to move the franchise to the highly lucrative Southern Ontario hockey market.

THE COYOTES CASE

Jim Balsillie is the co-CEO of Research in Motion and the co-founder of the Blackberry, Research in Motion's signature product. According to Research in Motion's website (<http://www.rim.com>), Balsillie's responsibilities include "driving corporate strategy, business development, marketing, sales, and finance." He has a stake in Research in Motion worth approximately 2.9 billion dollars (Gordon *et al.*, 2009).

Balsillie was hired by Research in Motion in the early 1990s. He is a native Canadian and holds an MBA from Harvard University. He is also an avid hockey fan. For example, Research in Motion's boardrooms are named after retired hockey stars. In addition, his dream has been to own a National Hockey League franchise: in his own words "What Canadian boy wouldn't do it [buy an NHL team] if he could?" (Tedesco, 2008, n.p). As a result, he has made attempts to purchase at least a minority stake in an NHL hockey franchise and relocate the franchise to Canada in each of the past four years. The first attempt was in October of 2006 with the attempted purchase of the Pittsburgh Penguins. At the time, the league was open to Balsillie purchasing the Penguins. However as the process unfolded, it became apparent that Balsillie's goal was to purchase the Penguins and relocate the franchise to Canada. When this occurred, Gary Bettman and the league owners immediately voted on and ratified several new conditions of sale, including a no-move clause prohibiting Balsillie, should he buy the team, from moving the Penguins franchise for seven years (Tedesco, 2008). In light of these new stipulations, Balsillie withdrew his offer to purchase the franchise.

In May 2007, Balsillie attempted to purchase the Nashville Predators. According to media reports, Balsillie offered to pay 238 million USD to purchase a majority ownership of the team. At the time, Nashville was only valued at about 110 million USD and was ranked the twenty-third most valuable NHL franchise (out of thirty teams) by *Forbes* magazine. By offering double the franchise's estimated value for majority ownership, Balsillie must have anticipated that he would be looked upon favorably by the Gary Bettman and the NHL owners, whose own franchise values would be positively impacted by such a high sales price. However, talk immediately surfaced about Balsillie relocating the Predators to Southern Ontario. During the negotiations, Balsillie secured a lease agreement with the existing facility in Hamilton, Ontario (Copps Coliseum), and

planned to renovate that arena to meet the standards of a modern NHL arena. In addition, Balsillie also began taking deposits from prospective season ticket holders for the new team once it relocated to Hamilton. However, this flew in the face of the NHL's desire to preserve franchise stability in its existing markets, the deal to purchase the Predators did not progress, and the NHL was then able to find a buyer for the Predators, albeit for \$190 Million, considerably less than what Balsillie had offered.² Balsillie attempted to purchase a minority stake in the Predators one year later, but that attempt to purchase a minority stake failed as well.

Balsillie's most recent effort to secure ownership of an NHL franchise occurred in May 2009. Although the Penguins had since secured a new arena, several franchises—particularly those in non-traditional markets located in the southern United States—continued to experience financial problems. One such team was the Phoenix Coyotes, who had been in the Phoenix metropolitan area since the Jets relocated there from Winnipeg, Manitoba, after the 1995-1996 season. Quietly, with the owner enduring substantial losses, the NHL began loaning the team funds to maintain operations. League Commissioner, Gary Bettman, commented about the possibility of relocating the Coyotes or other franchises in financial difficulty:

We generally try to avoid relocating franchises unless you absolutely have to...We think when a franchise is in trouble, you try and fix the problems. That's what we did in Pittsburgh and Ottawa and Buffalo prior to our work stoppage. That's what we did when the perception was that five out of six Canadian franchises around the turn of the century were in trouble. We fixed the problems. We don't run out on cities (Gross, 2009, n.p.).

Despite this sentiment and in light of ongoing financial issues Phoenix majority owner, Jerry Moyes, filed for Chapter 11 bankruptcy protection, in May of 2009. Right before filing for bankruptcy protection, Moyes contacted Balsillie to inquire if Balsillie was interested in purchasing the team. In documents filed in bankruptcy court, Balsillie had agreed to purchase the Coyotes for 212.5 million USD on the condition he could relocate the Phoenix Coyotes to the "unserved market" of Southern Ontario (Spurrier, 2009), approximately 1,850 miles away by airplane. At the time, *Forbes* valued the Coyotes at 142 million USD; meanwhile, an independent research firm concluded that a second franchise in Southern Ontario would be valued at 400 to 600 million dollars (Walters, 2009). Thus, Balsillie's attempt to pay a premium for a bankrupt franchise would pay off handsomely should he be allowed to purchase and relocate the team. In addition to the purchase price of the franchise, he pledged an estimated 17 million USD for the team to maintain solvent during the bankruptcy proceedings.

By attempting to purchase the team through bankruptcy court, Balsillie tried to buy the team and circumvent NHL rules which state that teams cannot be relocated without the approval of the league owners. Commissioner Gary Bettman responded to this attempt by saying, "This is not about whether or not we want a franchise in southern Ontario. This is not about whether or not Mr. Balsillie would make a suitable owner that the owners would approve. This is about the league's rules and the enforceability of our rules" (Gross, 2009, n.p.). In doing so, the commissioner was clearly articulating that teams needed to comply with the terms of the contractual relationship between franchises, as agents, and the league (as principal). In fact, Bettman had previously stated that a franchise in Southern Ontario could work, only on a timeline determined by the league (Coutts, 2008). Deputy commissioner Bill Daly stated, "Mr. Balsillie is acting, again, in total disregard of any rules, or any structure...I would be very surprised if the board would look favourably on the way that Mr. Balsillie has conducted himself in this instance" (McParland, 2009a, n.p.). Thus, the NHL continued to reiterate the terms of the contract governing the P-A relationship between teams and the league.

In his battle to wrest control of the team, Balsillie also attempted to sway public opinion—many Canadians were keen to see another team in Canada—to build popular support for his efforts, while cementing his business reputation (Gordon and Shoalts, 2009). As Balsillie himself stated, moving the Phoenix franchise would improve the NHL's image, "increase the output of hockey, increase the number of fans attending hockey games and increase fan intensity levels in the relevant markets" (Waldie and Shoalts, 2009, p. A.1). Soon after the documents were filed in bankruptcy court, Balsillie launched the website *MakeItSeven* which asked fans, particularly Canadian ones, to "add their voices" (McParland, 2009b) regarding the importance of having a seventh Canadian franchise in the NHL. Visitors to the website could purchase limited edition merchandise and send an email to the commissioner requesting that the Coyotes be relocated to Hamilton. The website had over 155,000 people register by early June (Canada News Service, 2009). In late June, Hamilton hosted a "Make it Seven Day" where a rally was held to show the city's support to relocate the franchise. Balsillie said, "Make it Seven Day is all about providing a voice to Canadian hockey fans, while raising money for minor hockey teams across the country" (Canwest News Service, 2009, p. C2).

In addition, Balsillie enlisted various Canadian politicians to voice their support. Hamilton city councilor Terry Whitehead stated in November 2008 that: "This is not about viability; this is about politics, and unfortunately politics don't always make good business decisions. We need to take the politics out and realize that there is a hunger in Southern Ontario that needs to be fed" (Coutts, 2008, n.p.). Canadian Prime Minister, Stephen Harper, also supported Balsillie's bid, agreeing that the Southern Ontario

region could support another NHL team. Finally, Toronto's mayor supported the possible move to Hamilton, despite the fact that Hamilton was within the Toronto Maple Leafs' league-designated territory: "I mean, they [Hamilton] are our rival in football [Canadian Football League] and wouldn't it be great to have a rivalry like that in hockey?" (Waldie and Shoalts, 2009, p. A.1).

Working secretly with Hamilton officials in the days after the initial offer was given in bankruptcy court, the two parties negotiated an agreement to make the Hamilton arena the home of the relocated franchise. In addition to forming a coalition with the local political regime in Hamilton, Balsillie was also able to woo Canadian corporate sponsors, including Labatt's, Home Hardware, DeWalt Tools and Prime Restaurants.³ In doing so, Balsillie was able to engage the greater Toronto market and create a compelling message for local fans. However, some observers noted that Gary Bettman and the NHL have a very strong brand and the relocation would affect the brand of the company (Shaw, 2009, to be further discussed below).

The bankruptcy auction for the team only produced two bids. The first was Balsillie's bid of 212.5 million US dollars. The second was a bid from the NHL of 140 million USD. Two other groups were rumored to be interested in submitting bids, one group led by Jerry Reinsdorf (majority owner of MLB's Chicago White Sox and the NBA's Chicago Bulls) the other from a group called Ice Edge (whose leader was a former executive at Research in Motion). However, neither group tendered a bid for various reasons, including concerns regarding negotiating a new lease on the arena from the city of Glendale, the site of the Coyotes home arena.

On September 31, 2009, the bankruptcy judge ruled on the bids of both the NHL and Balsillie. The previous month, the NHL stance was that if the judge ruled in favor of Balsillie, the league would "go to the wall" to defend a league's right to decide where and when franchises would relocate (Canadian Press, 2009, n.p.). In his ruling, he rejected both bids. However, his ruling officially ruled out the bid of Balsillie by upholding the league's right to decide on the relocation of franchises. The NHL could revise their bid and submit it to the bankruptcy court for approval. Balsillie decided not to appeal the court's ruling. He stated,

Nobody can deny that we are now a big step closer to having a seventh NHL team in Canada. It doesn't matter who owns that team. When that day comes, I will be the first in line to buy a ticket to the home opener...I want to take this opportunity to thank my family for all their love and support. I also want to thank the more than 200,000 fans who supported the bid online and the countless others who contacted me personally to show their support. This bid always was about the game we all love (TSN.ca Staff, 2009, n.p.).

The NHL resubmitted its bid and was awarded the franchise. The NHL continues to work to find a suitable buyer for the franchise, with the goal of keeping the franchise in Glendale.

DISCUSSION

Balsillie's efforts to use a court decision to provide the opportunity to purchase and relocate an NHL team to Southern Ontario represented a bold attempt to use bankruptcy laws to circumvent the contract governing the principal-agent relationship between the National Hockey League and its member clubs. In this case, the increase in the value of the franchise in moving to the Southern Ontario market would represent a substantial gain for the prospective owner of the Coyotes. However, this gain would be at the expense of the other league franchises and league as a whole. As explained by Mason (2008, p. 89):

Perhaps the most prominent example of [agent opportunism in professional sport] occurs where teams relocate to new cities. In many ways, the threat of relocation benefits all league clubs; by keeping the number of franchises artificially low and maintaining a number of markets interested in acquiring a league club, existing teams are able to extract more lucrative lease and other facility agreements within their existing communities. However, this works where the league can oversee – and approve of – franchise movement. For example, an existing club may be interested in moving to a new market in order to generate greater revenues. However, the new market might be an ideal expansion site, which can generate a large expansion fee that would be divided amongst league clubs. In addition, the relocation of a team might undermine the interest in, or reputation of, the league as a whole, as the [League Executive Committee] seeks stability among its franchises and does not want to alienate fans in existing markets.

In the Coyotes case, there are several interrelated issues at play. The first is that, as a prospective owner, and not a current owner of a team, Balsillie sought to bypass the rules governing the principal-agent relationship by making the move of the Coyotes a condition of his purchase of the bankrupt franchise. Thus, Balsillie was acknowledging the terms of the P-A contract in trying to move the team without the consent of the NHL as principal. What is interesting here is that Balsillie was willing to force himself into an agency relationship with a principal that has clearly established an unwillingness to engage in an agency relationship with him. From the NHL's perspective, why would the league want to enter into an agency relationship with an agent who already has shown a predilection to violate the terms of the contract governing the P-A relationship between teams and the league? Balsillie's efforts represent the most egregious attempts to do so since Al Davis' used antitrust law to move his Raiders franchise without the permission of the NFL.

From an agency theory perspective the NHL, as principal, must be able to monitor and enforce the behaviors of its member franchises. The following section draws from the literature on branding to make some recommendations regarding the NHL. Much of the research examining sport and branding has examined brand loyalty (Kaynak *et al.*, 2008). When examining the plight of franchises at the league level, it is clear that brand loyalty is tied to the stability of franchises in the aggregate, not just to their respective markets. In other words, the NHL, as principal, must work to ensure that brand loyalty is not undermined across franchises, which may occur where franchises are seen to move freely when in financial distress. Seen in this manner, while it may be in the interests of an individual franchise to abandon a market for a more lucrative one, it is in the NHL's interests to exhaust all opportunities to preserve that same market and signal to all consumers that the NHL will make its best effort to reward their loyalty to their respective teams by preserving their franchises in their established markets. Thus, the NHL's position regarding the Coyotes and Glendale can be easily understood in terms of the league's role as principal.

Another strong argument for the NHL's desire to protect an existing market relates to Kotler's (1993) discussion of the cost of brand building:

Customer loyalty has both economic and noneconomic benefits, as there is a high cost of acquiring new customers when compared with keeping the current portfolio where present customers are there to generate more profits and spread favorable communications (Kaynak *et al.*, 2008, p. 343).

In this way, the NHL has recognized that it is more efficient to try to preserve the Coyotes market for the core groups of fans in that city than to try to build that same loyalty in a new market. Empirically, Soebbing (2008) showed that a relocated franchise in Major League Baseball saw a decrease in average regular season attendance. In addition, given that Southern Ontario represents such a coveted market, it would be more prudent for the league to make an effort to save the Phoenix market while simultaneously exploring Southern Ontario as a viable market for expansion or relocation. The key here is that this process is rightfully controlled by the league, as principal, and not any one agent. This is not to say that the Coyotes will not eventually have to relocate; however, the NHL should have the right to decide the terms under which this occurs. In the meantime, the attempt to save the team sends a message to fans in Phoenix and, indirectly, fans across the league, that the league is trying to reward their loyalty to the team and not abandon them.

By examining how the league has tried to help preserve the brand value of franchises within their markets from an agency perspective, an important consideration emerges related to the distinction between the league and team brands, and at what level control over these brands should occur. In the context of professional sports leagues, there are several arguments for having the league control branding initiatives and not individual franchises. First, prior research has established that success is an important creator of brand associations. Thus, the development of brand associations by individual franchises is dependent upon the success of the team on a year-by-year (or even game-by-game) basis. However, where branding associations occur at the league level, leagues provide a more stable platform through which associations can be made (Gladden and Funk, 2002), and leagues can more deftly manage the cyclical nature of successful and losing franchises.

In addition, by controlling branding at the league level, the principal is not as dependent upon the whims of management of the individual franchises. For example, Richelieu and Pons (2009) examined four different NHL teams and found that they lacked a formal brand strategy altogether, despite the fact that each shared some common brand elements. Thus, the league could focus on these common elements to build an identity associated with the league, not just the team. As explained by Gladden and colleagues (2001): "The key for professional teams will be to differentiate their brand by developing and/or strengthening positive associations with team brands in the minds of consumers" (p. 301). Extending this, leagues could focus on this same process for the league, rather than the individual team. In addition to avoiding the cycles of competitive success and failure faced by individual teams, leagues could also attempt to avoid other potential problems that occur at the franchise level, such as the trading of popular players (Gladden *et al.*, 2001, p. 308).

According to Ross (2006), little is known about how strong brands are created, especially when considering sports brands. Favorable brand equity is associated with many benefits, including increasing "the probability of brand choice, customer (and retailer) retention, profit margins, willingness to pay premium prices, consumer search, marketing communication effectiveness, positive word-of-mouth, brand licensing opportunities, and brand extensions" (Ross, 2006, p. 23). In North America, the National Football League is undeniably the strongest brand amongst professional sports leagues. Not coincidentally, this is a function of branding decisions that have been made at the league level in an effort to build the league (and not just team) brand.

As sport becomes increasingly delocalized, the value of the league brand will increase in importance, as consumers will not have the same geographical ties to the franchises themselves. The NFL, through its visionary commissioner Pete Rozelle, was able to position itself as a league brand by creating mechanisms – such as widespread revenue sharing – that allowed all league teams to become competitive and reduce the likelihood of a handful of franchises becoming dominant brands (Fortunato, 2008). In doing so, the NFL has become the most powerful league brand, in addition to the power of the brand of its individual franchises.

CONCLUSIONS

In using an agency theory framework, this paper has examined how the NHL's efforts to retain control over the location and ownership of one of its individual franchises represents an important step in preserving its ability to manage the NHL as a brand. While the brand value of the Phoenix Coyotes might be substantially higher in the Southern Ontario market, moving the franchise without due consideration of the fans in Phoenix will undermine the NHL as a whole. In the end, there may not be enough loyalty to sustain a team in Phoenix; however, it is in the best interests of fans in Phoenix and across the league to allow the league to explore its options regarding franchise relocation, rather than leave such decisions to the discretion of a single franchise owner.

The case of the Phoenix Coyotes is also exacerbated by the lack of competitive success of the team, which has never advanced past the first round of the NHL playoffs since it arrived in Phoenix. It could be argued that the market has not been given a "chance" to develop strong associations with the local community, given that it has never really experienced a successful team. However, in the long run, a market must be able to sustain a losing team: "Even though the level of success on a field of a professional team may have an impact on brand development, ultimately strong brand equity should overcome losing records through the establishment of a strong identity" (Richelieu and Pons, 2009, p. 165). As has been argued in this paper, the control of this process rightfully should remain in the hands of the NHL, and the league should focus on building the brand of the league as opposed to specific clubs. The recent success of the Winter Classic—an NHL regular season game played outdoors—is a testament to this transition, where the brand association is with the event itself and not the specific franchises playing in the game.

NOTES

¹The team eventually returned to the Oakland market.

²Interestingly, the team was sold to a group of investors; one of whom, William "Boots" Del Biaggio, represented a different kind of agency problem for the league.

³However, some companies were hesitant to link themselves to Balsillie due to having to deal with potential fallout from the NHL.

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**PERSONAL ETHICS OF TODAY’S SPORT FANS:
CONNECTING CULTURAL VALUES, ETHICAL IDEOLOGIES, AND ETHICAL INTENTIONS**

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John Lord, Saint Joseph’s University, United States of America

ABSTRACT

The fanatics of sport are highly engaged participants and observers who can stir excitement, or ire, among others within their midst. In reference to sport fanatics, Mike Schmidt, a former player for *Philadelphia Phillies* professional baseball team, once declared, “They read their sports pages, know their statistics and either root like hell or boo our butts off. I love it. Give me vocal fans, pro or con, over the tourist types who show up in Houston or Montreal and just sit there.”

Mainstream competitive sports, such as basketball, American football, baseball, and soccer, have attracted the attention of consumers around the world. Aside from the athletes and referees who craft the play of these sports, the fans who watch and react to them represent an equally integral feature of the overall sport experience. More than simply spectators, fans are prosumers (producers and consumers) who have the potential to affect that experience for other fans, athletes, and officials.

While fans are expected to express their emotions, evaluations, and expectations in the sporting arena/court/field, opinions vary about whether certain fan expressions can be deemed inappropriate, excessive, or even offensive. In this study, we examine whether sport fans’ personal cultural values and ethical ideologies influence their reactions -- ethical perceptions and ethical intentions – to questionable fan behaviors.

Essentially, the sport community understands that favorable fan experiences are vital to the success of all sports. As a result, sport leagues, team owners, venue managers, and fans have a keen interest in maintaining a welcoming climate for all spectators. Questionable fan behaviors represent potential annoyance, or menace, to that climate, particularly for fans attending with spouses, children, and families. All stakeholders participating in the sport experience — whether at, on, and near the arena/court/field of play — have a collective responsibility to foster an environment free from indecent language, abusive behaviors, disruptive acts, and various forms of disrespectful conduct.

In light of the globalization of various sports and the growth of consumer cultures surrounding them, the study of cultural values and ethical ideologies among sport fans is important for understanding the sorts of behavior that fans expect of themselves and their peers. Given that these fans *prosume* elements of the sport experience, such an understanding can help inform how decision makers set rules and conditions for appropriate spectating. The results of this research do not offer specific remedies for unacceptable fan behavior; however, they do provide some basic insights into how individuals’ personal values and moral positions can influence their perceptions and evaluations of various fan behaviors.

References Available Upon Request

EFFECTIVE MARKETING COMMUNICATION EFFORTS OF SPORTS DEVELOPMENT INITIATIVES: A CASE STUDY OF THE PUBLIC SECTOR IN THE UNITED KINGDOM

Ian Arnott, University of Northampton, United Kingdom

ABSTRACT

Questions could be had that there should be an increased focus in the area of marketing communications of sports development initiatives within the public sector to its consumers. Drawing upon marketing theory and sports marketing literature the research argued on how some of the tools and variables that make up marketing communications such as the marketing mix (product, price, place, and promotion) work in harmonization with the promotional mix? Also as to how they sway the consumer's decision when consuming various types of development initiatives to increase participation in sport. Previous research (Westerbeck & Shilbury, 1999) has looked at what impact the marketing mix has had in the way of facility lead marketing and there was also some tenuous links by Schiender & Bradish, (2006) to that of place as a means of the distribution of the sports development initiatives. However this was one element of the marketing mix and not how all the variables could or worked in harmonization with each other or more in importantly the psycho-graphical affect upon increasing participation in sport as the sport development initiative does. Many would argue (Houlihan, 1997; Thomas, 2000) that there has been a non-interventionism approach to the development of sports which is reinforced by Green & Houlihan, (2006) who referred to it in the UK as it more like a "piece meal approach" or unstructured (Houlihan, 1997).

An understanding of the consumer psyche was of great importance to this research, which was similar to that conducted by Bradish et al. (2001) when they looked at segmenting the market place in sport. However, their research was slightly biased towards 200 males, where this research study included both male and female responses.

Therefore primary aim of the research was to investigate the marketing mix variables and how these impacted consumers' selection of a sports development initiative. Data for this case study was collected from a public sector sports facility located in the United Kingdom (UK) focusing on the gender and age of the sport development consumer as well as the main sport in which the consumer participated. A self administered piloted questionnaire was carried out in December (2009) with twenty consumers ($n = 10\%$). Developments were then made to the questionnaire before it was administered to the sports development initiatives participants ($N=200$). The participant's abilities were varied, and the questionnaire, to cater for this diversification, contained a range of nominal, ordinal, and interval questions. To gain a better perspective of the participants involved in this study were individuals who attended the sports facility who pay and play for the various initiatives that were run at the facility. The number of sports development initiative consumers used in this study was 92 males and 108 females. Historically, participation in sport in Great Britain, in the years 1996 – 2002, women took the lead in participation in sport, toppling men by a mere 1,021 in total (Sport England, 2005). The findings suggested that people selecting a sport development initiative based their choices on the marketing mix variable of place. In terms of promotion, the findings revealed that word of mouth communications had an influence on sports development initiatives.

References are available on request

Wednesday, 20 July
Time: 10:30 AM

Session Number: **2.15: Poster Presentations**

**Research of mass-media activity for development of consumers segment
sensitive to ecological attributes of the goods, services in Russia**

Lukina, Anastasia V, *Plekhanov Russian Academy of Economics*

RESEARCH OF MASS-MEDIA ACTIVITY FOR THE DEVELOPMENT OF CONSUMERS SEGMENT SENSITIVE TO ECOLOGICAL ATTRIBUTES OF GOODS AND SERVICES IN RUSSIA

Lukina Anastasia Vladimirovna, Plekhanov Russian Academy of Economics, Russia

ABSTRACT

Nowadays, we can conclude that Russian mass-media are so active in informing customers about ecology and ecological problems. The environmental concern grows simultaneously with active discussion of it in Russian mass media, and this trend will spread in the future. Mass media activities are consequences of environmental concern urgency for Russian citizens now. Furthermore, they take a significant part in the promotion of it. This paper investigates how the environmental impacts change the Russian society, the role and contribution of Russian mass-media in this process, and how marketing practitioners might take an advantage created by these changes.

The author earlier research made it possible to determine the group of environmentally-engaged people. They are the group of Russian population with high purchasing power. People aged from 36 to 54 years with a higher education, with high and average level of the income, inhabitants of large cities including Moscow. Unfortunately, it does not allow to say with confidence, that the stated concern is in the "active" form and will influence consumer behaviour. Therefore the author suggests to use mass-media as the indicator of the attitudes to the environment in Russian society.

At the first phase of investigation the author determined key word-combinations to identify mentions of environmental problems in archives of mass-media. To do this, the method of "in-depth interviews" was used. The following key word-combinations were recognized: "global warming", "global cold snap", "greenhouse gases" and "ecological catastrophe". At the second phase of investigation the most powerful Russian television channels and press (newspapers, magazines) were chosen. As criteria of a choice were the AIR (size of the mass media audience) and presence of electronic archive. The secondary data of electronic archives of the selected mass-media were explored from 01.01.2000 till 31.07.2010. The author set search by key word-combinations and the results of search were processed and analysed. Thereupon the Internet search engines Google, Rambler and Yandex were explored to research deeply the environmental concern of Russian citizens.

The research results have demonstrated an increase in mentions for last 10 years. The mass-media activity has recently increased dozens and hundreds times. The most significant growth has been observed in television and magazines. The most considerable changes and increase have been detected for such word-combinations as "global warming" and "greenhouse gases". The rate of mention was 71 times more in 2009 than in 2000. These two word-combinations have given more than 70 % of all key word-combinations mentions. Therefore the government decisions, goods and services that will be able to improve the situation with these environmental problems will meet response in Russian society, and will be in demand.

The Google and two Russian Internet search engines Rambler and Yandex were explored. Rambler and Yandex are the most popular search engines in Russia. Research limitations were only Russia, time period from 01.01.2000 till 31.07.2010. The significant increase of mentions have been observed. Both search engines Rambler and Yandex have given the same data. There were hundreds in 2000, but hundreds of thousands in 2010. We have checked in 1,8 times more mentions in the first seven months of 2010 than in the whole 2009. The mentions of key word-combinations in Russian segment of Google were not so revealing than ones in Rambler and Yandex.

The research results do allow us to make conclusion, that there are gender differences in environmental concern. Women are more sensitive to environmental impacts than men. Furthermore, women face inexorable pressure of the mass media. The mentions of the key word-combinations are found about two times more often in women's magazines than in men's ones. Some key word-combinations have been detected in 5 to 6 times often in magazines with female dominance in AIR than in ones with male dominance in AIR. This fact creates a new opportunity to develop marketing strategy and to offer the goods and services for women. We can suggest that women will be able to be the first consumers of ecological or green products, and the opinion leaders who will offer advice or information about the environmentally friendly products.

The trends that have been observed in Russia open the new opportunities for differentiation. They are the first step of consumers to take into account the ecological attributes in their purchase decisions

Wednesday, 20 July
Time: 10:30 AM

Session Number: **2.3: Consumer Behavior I**

Session Chair: Nichols, Bridget, *Northern Kentucky University*

Exposing the Competition, Co-opetition, and Cooperation Process of Consumers in a Retail Shopping Context

Nichols, Bridget, *Northern Kentucky University*

Consumers' Brand Identity Complexity: Conceptualization and Initial Evidence

Orth, Ulrich, *Christian-Albrechts University, Kiel*

Rose, Gregory, *University of Washington, Tacoma*

Glucose Depletion and Decision Making: An Examination of Choice in Context

Shih, Eric, *Sungkyunkwan University*

Auh, Seigyoung, *Thunderbird School of Global Management*

Menguc, Bulent, *Brock University*

EXPOSING THE COMPETITION, CO-OPETITION, AND COOPERATION PROCESS OF CONSUMERS IN A RETAIL SHOPPING CONTEXT

Bridget Satinover Nichols, Northern Kentucky University, USA

ABSTRACT

Competing is an experiential attribute that is (and has the potential to be) present in many shopping and consumer behavior situations. Although researchers have identified personality traits and situational circumstances as drivers of general competitive consumer behaviors (Mowen 2004), competitive shopping itself has not garnered significant attention. Meanwhile, evidence of consumers actively competing with each other can be found in scarcity-laden shopping situations like Black Friday, new product releases like Apple's iPad and iPhone, and during times of threat or fear, such as when hurricane or snowstorm forecasts drive people to hoard gasoline and staple foods. Competition for consumer goods receives the most attention under circumstances of scarcity, which can be a result of several supply-demand functions (Gierl et al. 2008). But what happens when people compete for scarce goods? Researchers contend that "...scarcity hinders our ability to think...when we watch something we want become less available...a physical agitation sets in....the blood comes up, the focus narrows.... the cognitive and rational side retreats.... cognitive processes are suppressed.... thoughtful analysis of the situation becomes less available... and brain clouding [occurs] (Cialdini 1993, p. 266)."

The subject of consumer competition and cooperation is important because the manner in which customers interact with one another can have significant implications for a retailer. As Martin (1996, p. 17) points out, "relationships between a business and its consumer customers are enhanced when the business' customers interact with one another in a satisfying (or at least tolerable) manner." This is echoed by research showing that shared retail spaces can influence customers' satisfaction with their overall experience (Grove & Fisk 1997).

Competition has rarely been considered in the consumer domain, despite the prevalence of competitive behaviors in everyday life. To address this lack of attention, a Grounded Theory study of was conducted to better understand the experiences of people who were engaged in a competitive retail shopping event. A sample of shoppers from Filene's Basements Running of the Brides event comprised the informant base, who participated in depth interviews. Specifically, the findings explain the manner in which retail customers shift from competitive thoughts and behaviors, to cooperative ones with other retail customers. Three complimentary "trajectories" help explain how this takes place. These trajectories represent 1) an evolving environment, 2) changing relations with opponents, and 3) shifting and intensifying emotions. Each trajectory is dynamic and interrelated. Together, the evolving atmosphere, shifting and intensifying emotions, and changing relationships created a synergistic effect enabling participants to transition from acts of competing to acts of cooperating, which encompass social relationships involving conflict and cohesion, respectively. For a set of participants, cooperation led to acts of charity and compassion. Understanding how consumers engage in competition, and consequently cooperation, should be of considerable interest to retailers wishing to execute competitively natured promotions. The findings also indicate the presence of co-opetition, a situation when rivals are competing and cooperating at the same time. Co-opetition signified an important step between competing and cooperating. For consumer theorists, this study offers insights into social behavioral processes.

References available upon request

CONSUMERS' BRAND IDENTITY COMPLEXITY: CONCEPTUALIZATION AND INITIAL EVIDENCE

Ulrich R. Orth, Christian-Albrechts-University Kiel, Germany
Gregory Rose, University of Washington Tacoma, U.S.A.

ABSTRACT

Researchers have acknowledged that consumers maintain multiple brand relationships that express their identities. Although there has been some research on the effects of crosscutting brand user groups on ingroup bias, the majority of research on brand user identity and consumer-brand relations has been conducted in the context of a single brand. In other words, most researchers who study brand identification agree in principle that consumers have multiple brand user identities, but there has been relatively little research on the complexity and overlap among a particular person's numerous brand user identities or on the effects of holding multiple brand identities on brand attitudes or behavior in general.

Drawing from social identity and self-categorization theory, this research introduces the concept of brand identity complexity (BIC)—a new theoretical construct that refers to an individual's subjective representation of the interrelationships among his or her multiple brand user ingroups. BIC reflects the degree of overlap and similarity perceived to exist between brand user groups of which a person is simultaneously a member. Results from two initial studies, one qualitative and the other quantitative, support the notion that BIC is a distinct construct, including the prediction that BIC is related to but different from established individual differences. Implications are discussed for brand management and research.

References available upon request

GLUCOSE DEPLETION AND DECISION MAKING: AN EXAMINATION OF CHOICE IN CONTEXT

Eric Shih, SKK GSB Sungkyunkwan University, Korea
Seigyoung Auh, Thunderbird School of Global Management, USA
Bulent Menguc, Brock University, Canada

ABSTRACT

This paper investigates the idea of an energy model which suggests that the mind requires energy resource when making effortful decisions. In particular, we hypothesize that ingestion of sugar provides the body with glucose as fuel for the brain, and this can reduce reliance on intuitive, heuristic-based decision making. In three experiments, we tested this hypothesis on three types of choices in context, namely reference dependence, attraction, and compromise effect. Participants completed a choice task after drinking lemonade sweetened with either sugar (glucose condition) or Splenda (placebo condition). The results showed that participants who drank lemonade with sugar made more choices that were consistent with using deliberative thinking processes.

Wednesday, 20 July
Time: 10:30 AM

Session Number: **2.4: Consumer Attitudes and Reactions**

Session Chair: Poncin, Ingrid, *SKEMA-Univ. Lille Nord de France*

Customer satisfaction and emotion in the call centre context

Rychalski, Aude, *ESCEM*

Palmer, Adrian, *Rennes Business School*

Together We Can Make It: Exploring why consumers engage in boycotts

Albrecht, Carmen-Maria, *University of Mannheim*

Heinrich, Daniel, *University of Mannheim*

Joseph, Mathew, *St. Mary's University*

CUSTOMER SATISFACTION AND EMOTION IN THE CALL CENTRE CONTEXT

Aude Rychalski, ESCEM, France
Adrian Palmer, ESC Rennes Business School, France

INTRODUCTION

Call centres defined here as “a physical or virtual operation within an organization in which a managed group of people spend most of their time doing business by telephone, usually working with a computer-automated environment” (Marr and Parry 2004, p.55) have seen rapid growth in recent years. A number of factors may explain this. The falling costs of telecommunications have opened new low cost possibilities for many service based companies to deal with their customers through the medium of the telephone, rather than face to face. The sector has taken on board many of the principles of industrialisation to reduce costs of servicing customers in a manner which allows less discretion to be taken by employees, whose actions are guided by automated systems. Many would argue that call centres can provide numerous benefits to customers compared with face to face contact, including longer hours during which service is available, and often the provision of specialized services which would not be available on a local face to face basis. Nevertheless, although call centres can potentially offer customers many benefits, criticism often focuses on lengthy times taken to answer a call; a lack of joined up information systems and when customers finally get through; an inflexible attitude by call centre staff who operate in an industrialized context, and are frequently seen as lacking the common sense to solve a customer’s simple problem.

One aspect of the industrialization of customer contact through call centres has been the development of performance metrics. The call centre industry predominantly operates as an outsourced supplier, governed by service level agreements and key performance indicators. In this context, there is extensive reliance on behavioural indicators, for example length of time taken to answer a call and average duration of call. Where customer feedback is subsequently solicited about the quality of the call, this has tended to focus on cognitive evaluations, for example whether the operator provided the required information accurately and speedily (Dean 2007). There has been much less investigation of the emotions evoked by customers during and following the call. In short, the call centre may have answered a caller’s query (cognitive evaluation), but they may have been left feeling anxious or unhappy (affective evaluation). There is now extensive evidence that satisfaction is not always a good predictor of whether a customer will continue in a relationship with an organisation (Brady and Cronin 2001). While some prediction error may arise from situational factors, a more serious challenge is based on recognition that satisfaction is predominantly a cognitive measure, and does not sufficiently take account of measures of affect (Bigné et al. 2005). The lack of theoretical research and practical application of emotions to the domain of call centres may seem surprising, as there has been widespread research into emotions in other domains of marketing, for example there is an abundance of studies on the structure of emotions and consumer-experienced emotions in the context of advertising (Liljander and Bergenwall 1997) and branding (Brakus et al. 2009).

One problem of applying metrics of affect to measures of call centre performance has arisen from difficulty in defining affect, which has been popularly operationalised through measures of emotions. Emotions have themselves been difficult to define, and it was noted by Fehr and Russell that “everyone knows what an emotion is, until asked to give a definition” (1984, p. 464). Furthermore, emotion should be distinguished from the related affective phenomenon of mood as emotions have relatively greater psychological urgency, motivational potency, and situational specificity (Westbrook and Oliver 1991). Nevertheless, a number of scales have been developed to measure emotions using quantitative approaches, for example the “dimensional approach” which conceptualises all emotions as belonging to three independent bipolar constructs of pleasure, arousal and dominance (Mehrabian and Russell 1974). The “basic emotion approach” does not attempt to aggregate emotions in this way, but seeks to measure individual emotions that are relevant to a context. The interrelationship between individual emotions was developed by Russell (1980) who used a spatial model to organise these emotions into bipolar pairs of opposites, for example pleasure-displeasure and excitement-depression. This model has been widely replicated (Izard 1977). However, previous research has noted that the range of emotions experienced by consumers is very broad and the content, structure and types of emotions may be specific to a context (Richins 1997). Previous studies demonstrate that some of Izard’s emotions had no relevance in certain service settings, especially some of the more negative emotions, such as disgust and shame (Liljander and Strandvik 1997; Magovcevic 2003; Richins 1997).

The aim of this programme of research is to develop a managerially useful metric of emotions experienced by users of call centres, which is significantly associated with future purchase and referral behaviour. As a prerequisite to the development of such an instrument, research is required to understand the set of emotions likely to be of most relevance to call centre users.

The academic literature on call centres is quite limited, and there has been no in depth investigation reported which identifies the nature of emotions present in customers' interactions with a call centre.

METHOD

Two focus groups and 20 in-depth interviews were conducted with participants who had experience of using French call centres as customers. Invitation to take part in the focus groups and one-to-one interviews was based on the principles identified by Miles and Hubermann (1994, p.29) that "choices of informants, episodes and interactions are driven by a conceptual question and not by a concern for representativeness". Given this approach to the selection of participants, the results can only allow a generalisation to theoretical propositions rather than to a statistically reliable prediction of behaviour (Yin 1984). Participants were selected according to their gender, age, level of education and level of competency in IT. Indeed, in order to obtain most relevant results, interviews focused on and were limited to experiences related to the Internet service provider sector.

Focus groups are widely used in interpretive phenomenological research. Group interaction provides a range of emotions and spontaneity while providing creative insights (Bauer and Gaskell 2000). The study was conducted in 2 stages. Data from focus groups was supplemented and corroborated by a series of one-to-one in-depth interviews (20). These allowed the development of a much deeper understanding of respondents' attitudes and behaviour, while providing insights into their lifestyles (Yin 1984).

Stage 1 was a pre-study made of two focus groups (7 and 3 participants) in order to have knowledge of participants' experience and type of emotions. Participants were asked to define their emotions according to the experience they had. They were also asked to illustrate their emotions by providing specific examples. Both focus groups were recorded and an analysis of data collected from focus groups using a content and context analysis (Miles and Huberman 1994). Stage 2 of our study involved 20 face-to-face semi-structured interviews. Since the aim was to explore how individuals understand specific concepts, semi-structured interviews were conducted while attempting to refine and take into account participants' additional or complementary comments. The researchers attempted to carefully explain and clarify some points while keeping relevant ideas. Interviews lasted between one hour and two hours. Recorded interviews were transcribed and analysed using NVivo. The form of analysis used here was based on the principles proposed by Miles and Hubermann (1994) and Strauss and Corbin (1998), and was highly iterative in nature. The researchers began with a list of guideline questions, but data collection and analysis were consciously combined. Initial data analysis was used to guide ongoing data collection. It is argued by Strauss and Corbin (1998) that this approach allows the researcher to increase the "density" and "saturation" of recurring categories.

RESULTS AND DISCUSSION

Four themes emerged from the first stage of the study. These four themes are impersonal contact, feeling of powerlessness, frustration and relief. The content analysis also showed that customers' emotions might be influenced by the level of urgency of the call and the type of issues for which customers called.

Results from the second stage confirmed some of the results from the first and informed others. Further analysis using NVivo to merge free nodes into tree nodes led to the identification of eight emergent emotions, which were described as happiness, frustration, relief, anger, satisfaction, powerlessness, discouragement and stressful. The set of emotions relevant to routine enquiries differed from the set that emerged from calls made to the call centre in conditions of emergency.

Some of the emerged emotions are consistent with items previously used in Izard's Differential Emotions Scale (Izard 1977). However, the emotions of powerlessness and discouragement emerged as two emotions found in call centre contacts that have not generally been prominent in previous studies of emotions.

CONCLUSIONS AND IMPLICATIONS FOR THEORY AND PRACTICE

Customer satisfaction measurement in call centres has suffered from focus on what can be easily measured. Most of the studies focus on an operational measurement and quantifiable metrics. Measures of affect may be important as well. Emotional aspects of call centres have been widely studied in the marketing literature and it seems relevant to also explain customer satisfaction with call centres by affect. This qualitative research has suggested that the set of emotions relevant to consumers' evaluations of call centres may not have been adequately captured in general lists of emotions used in studies of the service sector generally.

This exploratory research will inform the development of future quantitative research instrument that will benefit the call centre sector. This research has not linked measures of affect to customer behavior or behavioral intention. It is only an assumption of this research that happy customers will proceed to make a purchase / repurchase and to recommend a company to their friends. This needs to be tested with a model to predict customer repurchase / referral based on measures of affect. This exploratory research is subject to the usual limitations of qualitative research.

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TOGETHER WE CAN MAKE IT: EXPLORING WHY CONSUMERS ENGAGE IN BOYCOTTS

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ABSTRACT

Nowadays companies are more and more judged by consumers whether they act in a socially responsible way. But more and more often, consumers do not only judge the behavioral acts of the company, but also overtly express their discontent with the company. In other words, companies risk being the target of boycotts, in that consumers refuse to buy their brands if they act unethically. Based on a literature review and several in-depth-interviews, the current study identifies antecedents to consumers' boycott participation. A second empirical study reveals key drivers of consumers' boycott participation intention. While some of them are useful for boycott organizers to arrange boycotts successfully, others are manageable factors for companies to prevent consumers from participating in boycotts.

References available upon request

Wednesday, 20 July
Time: 10:30 AM

Session Number: **2.5: New Frontiers in Emotions**

Session Chair: Ocal, Yasmine, *Louisiana Tech University*

Emotion Experience in an Ethical Consumption Context: An Exploratory Study

Malone, Sheila, *University of Nottingham*

Emotionally Attached: Neural Correlates of First Choice Employer Brands - An FMRI Study

Rampl, Linn Viktoria, *Zeppelin University*

Opitz, Christian, *Zeppelin University*

Welp, Isabell M, *Technische Universität München*

Kenning, Peter, *Zeppelin University*

EMOTION EXPERIENCE IN ETHICAL CONSUMPTION: AN EXPLORATORY STUDY IN A TOURISM CONTEXT

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INTRODUCTION

The literature on consumer ethics and ethical consumption has experienced immense growth in the past thirty years leading to an array of decision-making models and frameworks (e.g. Rest, 1979, Hunt and Vitell, 1986, Ferrell and Gresham, 1985 and Marks and Mayo, 1991). Nonetheless, Carrigan and Attalla's (2001) 'attitude-behaviour gap' clearly illustrates an inconsistency between consumers actual ethical behaviour and their expressed ethical concerns. This gap has been recognised as one of the key difficulties in these models. One factor that might explain such difficulties is the way in which consumer are constructed as rational, complex decision makers thus overlooking non-rational factors such as emotion. Although, Gaudine and Thorne (2001), and many others have argued that ethical decision-making is an emotionally charged process. Thus far, affect is regarded as an undifferentiated aspect of attitude formation. Failing to recognise the important role of emotion in ethical decision making, this paper seeks to explore how emotions can influence such behaviour.

The literature on emotion and decision-making has predominantly focused on a response-based perspective. This perspective regards emotion as an outcome stemming from the decision-making process, aimed with emotional satisfaction (Baumeister et al., 2006, Bigné et al., 2004, Sirakaya et al., 2005, Mano et al., 1993 and Goossen, 2000). Little is known about the role of emotion as an integral part of the decision-making process. Furthermore, extant emotion theories have relied on a strong scientific, behaviourist paradigm stemming from traditional psychology. Yet this comes with its limitations. The range of emotions offered in the traditional models is regarded as too limiting for consumption contexts (Richins, 1997). Tourism as a one such context experiences emotion prior to and during consumption due to its complex combination of phenomena and relationships. Hence, a context specific view of emotion is required. As a result, this paper introduces Goldie's phenomenological perspective of emotion highlighting a subjective, intense and context specific view of emotion experiences. Goldie's perspective is bound up in the way we take in the world, and how we consume everyday experiences. It takes into account emotion experiences, 'what is felt', their meaning for individuals and how they make sense of them. Furthermore, it acknowledges a wider range of emotions experienced in consumption contexts.

As a prototypical ethical consumption experience, tourists ethical concerns are evident in current issues such as the debate around aviation and carbon emissions; the conflict between host destinations, local communities and incoming tourists, and the destruction of natural landscapes. Indeed, such issues can be a direct consequence of a tourists' decision-making process. Although an obvious economic advantage exists for tourism, it needs to be managed more efficiently to sustain the life of the industry. The literature recognises the importance of the supply-side perspective and its contribution to help manage tourism in a more ethical manner, yet, the role and responsibility of consumers is still lacking. This is despite the fact that consumers' ethical behaviour is suggested to be a "valuable extension of sustainable tourism management toolbox" (Dolnicar et al., 2008, p.199). Furthermore, a paradox exists with regard to the role of hedonism in ethical tourism. As a key motivational factor in mainstream tourism, the role of pleasure is not widely acknowledged in ethical tourism. Nonetheless, ethical tourism experiences can be hedonistic as pleasure and satisfaction can be derived from choosing 'the good life'; consuming in a morally conscious way (Soper, 2007). Consequently, for the purpose of this study, the term 'ethical tourism' is an umbrella term incorporates responsible, sustainable, eco, and environmentally friendly tourism. This includes all positive consumption behaviour as defined by the consumers' themselves, who claim to consume ethically in a tourism context.

This paper provides a review of the relevant literature highlighting prospective research links between ethical consumption, emotion and tourism. Furthermore, analysis from a qualitative study adopting an interpretative phenomenological analysis approach aims to provide a greater understanding of the role of emotion as a possible motivator for choice and behavioural change in an ethical consumption context. Thus enhancing the knowledge and understanding of consumer cognition as a continuing area of interest and crucially, emotion as a driver of choice that cannot be wholly explained by rational processes

METHODOLOGY

This study adopts an interpretivist research approach to help uncover participants' subjective experiences, their meaning, and how participants make sense of them. That is, it aims to help overcome the frustrations outlined in the dominant scientific methodology employed in extant emotion research. Employing an Interpretative Phenomenological Analysis (IPA: Smith, 2006) approach, this study focuses on the exploration and understanding of participants' experiences and perceptions as part of their 'lifeworld'. By concentrating on a 'particular' phenomenon in a 'particular context' by a 'particular' participant this offers "a deeper, more personal, individualised analysis" (Brocki et al., 2006, p.99). It is an idiographic study aimed at hearing the voice of the participant from the first person perspective. IPA is not a prescriptive approach; it provides a set of flexible guidelines that can be adapted by individual researchers in light of their research aims (Smith and Osborn, 2003). Thus, a semi-structured interview style was applied with the aid of an interview schedule. The interview schedule compliments phenomenological protocol allowing the life-world of the participant to emerge. That is, the pattern of dialogue is largely set by the participant rather than being guided by pre-specified questions. Once the data was collected and transcribed, the analytic stages included: reading the transcripts several times using left hand margin to make notes of significant/interesting points. Next the researcher returns to the transcript anew using the right-hand margin to develop the initial notes into more specific themes. Caution is paid not to confuse the participant's words and the researcher's interpretations. A further reduction of the data is carried out by establishing connections between the preliminary themes and grouping them appropriately. These groups are given a descriptive label that conveys the conceptual nature of the themes within. Finally, a table of themes is produced.

Participants

As this study is concerned with the aforesaid 'particular', a relatively homogenous participant group is required. On the basis of self-identified ethical beliefs in tourism choices; participants were accessed through ethical tourism networks and social networking sites. A total of 15 interviews were carried out and analysed as per IPA guidelines. This included 7 males and 8 female participants ranging between 29-48 years. As an exploratory study, this paper provides three broad outcomes: the use of emotive language, the role of desire and the concept of 'prolonged hedonism' in ethical consumption.

RESULTS AND DISCUSSION

Emotive Language Use in Ethical Consumption

In the first instance, a basic observation highlights that in every transcript examined the use of emotive language in individual's descriptions of their ethical consumption experiences was apparent. Although the analysis was not primarily focused on the use of language per se, it provides some interest outcomes with regard to the role of emotion in ethical consumption experiences. Participants use emotive language to describe their ethical consumption experiences such as; "we were so happy it was Spanish", "it is euphoric and has the wow factor ... "It just blew me away". Such statements were commonly used by participants thus contextualising consumer's emotion experience as part of their ethical consumption experience. The use of emotive language generally coincides with a desire for pleasure as part of the consumption experience. The next section examines the way in which individual's desires to consume ethically can help influence actual ethical behaviour. This provides important insights to help address the attitude-behaviour gap evident in the literature

A Desire For Pleasure in Consuming Ethically

On the whole, participants refer to pleasure as a positive emotional experience and as an integral part of ethical consumption. The term pleasure is often used synonymously with enjoyment which is intrinsically experienced; a subjective positive emotion experience. Indeed, the following extract illustrates the motivational role of pleasure as an important positive emotional state in ethical consumption. Referring to her ethical tourism choice Fiona stating: "I get my motivation from the enjoyment I get from doing these activities and past-times, as in I feel better, I feel healthier, my mind feels free when I am enjoying these past-times ... it's very pleasurable; actually it's extremely pleasurable but not pleasurable in as so happy and excited to be there, pleasurable as in its deeper I get so much out of it. I feel renewed and energised even though I will be physically wrecked. It's the energy you get from nature and the effort you put in. Inside I feel alive". For Fiona, consuming ethically is an emotion rich experience, and as a consequence such emotions have a strong influence on her personal choice.

Indeed, Fiona's desire for pleasure is apparent, yet it is also what motivates her to choose her ethical tourism experience. In developing the conversation, Fiona was asked to describe what she means by a 'deeper pleasure', Fiona states: "I think, you

are feeding your soul by going and exposing yourself to all these new things, I don't think you can feed your soul in Lanzarote ... It's exhilarating really; I suppose there is an element of fear, fear of the unknown and excitement about finding out". By referring to a deeper more fulfilling type of pleasure, it is clear that it is not pleasure for the sake of instant gratification or as an outcome of the experience itself, but as a subjective emotion experience while consuming. The impact of this experience affects Fiona deeply on a personal level to the extent she feels alive inside, energised and renewed. Similarly Sinead talks about her ethical tourism experience referring to enjoyment as represented in 'feeling alive'. By consuming ethically, Sinead feels alive in that her batteries are recharged and her spirits are lifted. As a subjective experience, Sinead uses reification to describe the profound nature of the experience stating "I breathe it all in". Indeed, this is common as many participants refer to enjoyment as being able to feel, smell and taste the experience. Through engaging their sense, individuals feel a deep emotional connection with the experience. For example, Sara talks about her experience as enjoyable, "I just like being in touch with nature, I like smelling, looking, feeling, touching experiencing being out in the middle of nowhere". However, this is in stark contrast to role of emotion in the tourism literature. Generally emotion is considered to be an outcome stemming from consumption experience based on emotional satisfaction (e.g. Bigné et al., 2004). Thus, it is necessary to make a clear distinction between a consumer's desire for pleasure in consumption and the deeper sense of pleasure as referred to by Fiona and Sinead. That is, as an important factor in the ethical consumption experience, the role of pleasure as a positive emotion experience needs to be fully understood.

According to O'Shaughnessy et al. (2002), a differentiation exists between pleasure and enjoyment in consumption experience. Pleasure is a positive feeling when one satisfies homeostatic needs whereas enjoyment is much deeper feeling requiring full involvement and is a deeply subjective experience. Enjoyment is experienced when one breaks the limitations of homeostatic needs thus having a deeper impact on the individual and can lead to personal growth and longer term happiness. Indeed, deeper pleasure or enjoyment in consumption experience is not "in sensations but in emotions accompanying experiences" (Gabriel et al., 2006, p.100). This distinction recognizes the difference between valuing an experience because it brings pleasure or valuing the pleasure experiences can bring. Supporting the view that positive emotions have an important role in ethical tourism consumption, this needs further research. Fiona emphasise the importance of enjoyment as a subjective emotional experience and its influence on her ethical consumption choices; "I get so much out of it that I choose this over and over again", this highlights the motivational role of positive emotions in ethical consumption and in consumers ethical decision-making.

It is clear from this study that the role of pleasure in ethical consumption differs from that of mainstream tourism. That is, it was evident from this research that a consumers' desire for ethical choices was driven by pleasure-seeking motivations in a more sustained and prolonged way, and not as an instant gratification which is fleeting. As a result a new concept arose identified as 'prolonged hedonism'. Fiona states: "Ethical tourism isn't about instant gratification, it's about like, there is more to it, it's an all round kind of a thing". Stated briefly, ethical tourism consumption has life-long value in comparison to mainstream tourism choices. However, in the literature a paradox exists between consumers' ethical choices and the role of hedonism. A trade off exists between ethical choices and hedonistic pleasure. Nonetheless, this research shows that ethical tourism is a pleasurable experience which is ongoing; it is not simply focused on instant gratification and extends beyond the consumption experience, yet this requires further investigation.

CONCLUSION AND IMPLICATIONS FOR THEORY AND PRACTICE

In summary, this qualitative study makes a contribution to furthering our understanding of the pivotal role of emotion in consumers' ethical consumption. The findings demonstrate the important role of pleasure in ethical tourism experiences, and of a consumer's desire for such pleasure as a motivating factor for ethical tourism choice. Although the literature fails to acknowledge the role of pleasure in ethical tourism, this study demonstrates the motivational role of pleasure as a positive emotion experience. By enhancing our understanding of emotion in ethical consumption experiences, this builds upon the attitude dependent perspective of ethical consumption and advances the current understanding of consumers' ethical behaviour

As this is an exploratory study, further research is required to develop these initial insights provided. That is, to provide a more robust understanding of specific emotions and in particularly positive emotions as an area that is under researched. This has positive implications for mass media marketing communications strategies and brand loyalty as positive emotions act as a positive incentive for repeat purchases. Furthermore, future research should expand upon the concept of 'prolonged hedonism' by means of linking this with the literature on Positive Psychology (Fredrickson, 2001). Although ethical tourism is broadly defined in this study, a well-rounded meaning and definition of ethical tourism consumption is essential.

Furthermore, the findings of this study have practical implications for ethical tourism providers, and relevant NGO's thus enhancing current marketing strategies through greater knowledge and understanding of consumer cognition and the role of emotion that cannot be wholly explained by rational processes.

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EMOTIONALLY ATTACHED: NEURAL CORRELATES OF FIRST CHOICE EMPLOYER BRANDS - AN fMRI STUDY

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Christian Opitz, Zeppelin University, Germany
Isabell M. Welp, Technical University Munich, Germany
Peter Kenning, Zeppelin University, Germany

ABSTRACT

Employer branding is becoming increasingly important for organizations, due to the rising importance of service- and knowledge-intensive tasks and products (Berthon, Ewing, & Hah, 2005; Vargo & Lusch, 2004). As a consequence, value-creation becomes ever more decisive in the effort to “create and deliver service quality” (Hartline & Jones, 1996, p. 207) to the customer, and is directly related to repurchase behaviour, customer loyalty (Cardador & Pratt, 2006), and word-of-mouth (Brown, Barry, Dacin, & Gunst, 2005), thereby impacting brand success and profitability (Moroko & Uncles, 2008). Additionally, employees directly and indirectly influence the reputation of organizations in several ways, most notably, communicating information about the company to both potential customers and potential employees (Helm, in press). Attracting and recruiting the best personnel, therefore, is an important driver of long-term firm success. It is surprising that, until very recently, marketing research has been dominated by a focus on consumers of a company’s products and services, while mainly neglecting branding research regarding company employees (Cardador & Pratt, 2006).

Against this background, our paper focuses on applying the concept of employer branding, the process of imparting “the package of functional, economic and psychological benefits provided by employment, and identified with the employing company” (Ambler & Barrow, 1996, p. 187) to current as well as potential employees. To identify neural correlates of attractive employer brands, a functional magnetic resonance imaging (fMRI) study was applied, based on the design of Deppe et al. (2005) for the first choice brand effect for fast-moving consumer goods (FMCG) brands. The participants ($N = 22$) were asked to indicate which of two management consultancies they would prefer to work for, using decision sets (a) including, and (b) not including, their individual first choice employer brand (FCB). We focused on management consultancy brands as stimuli for two primary reasons. First, within the service industry, and particularly in the consultancy industry (Ambler & Barrow, 1996), personnel is the key driver of a company’s success (Vargo & Lusch, 2004). Second, people are less likely to have experienced the services of consultancies themselves, than they are to have regularly interacted with service people at, for example, a bank. Focusing on this field should reduce confounding influences resulting from a participant’s personal experiences as a brand consumer, in contrast to perception of a brand as a potential employer. All subjects were students approaching the end of their study who did not yet work for a company. Additionally, the subjects indicated a score of five or more on the statements “I could imagine myself working for a consultancy” and “A consultancy is an attractive employer for me” (1 “totally disagree”; 7 “totally agree”; $\alpha = .85$; $M = 5.91$, $SD = 0.60$). Consequently, our sample represented one of the main target groups of early employer branding activities.

Our first results provide evidence of an FCB-effect for employer brands. For decisions including the FCB, increased activation was found in brain areas associated with the processing of emotions. Decreased activation was found in areas associated with reasoning. However, compared to the FCB-effect for FMCG brands (Deppe et al., 2005), the FCB decisions did not decrease reasoning with a similar magnitude. Results lead to the conclusion that the processing of preferred employer brands differs—at least partially—from the processing of preferred consumer brands. Decisions regarding future employers may be considered as far more complex than decisions between two different consumer brands. Itself, this may not be surprising, but this was also true when the FCB was part of the decision set and is in contrast to FCB effects found for FMCG brands. These results provide directions for future research in such areas as the complexity of long-term brand-related decisions.

References are available on request.

Wednesday, 20 July
Time: 10:30 AM

Session Number: **2.6: Fashion Decision Making and Purchasing Behavior**

Session Chair: Seock, Yoo-Kyoung, *The University of Georgia, USA*

Barriers to Socially Responsible Apparel Purchasing Behavior: Are Consumers Right?

Kozar, Joy M., *Kansas State University*

Connell, Kim Y. Hiller, *Kansas State University*

The Competitive Advantages of Sourcing Agents in Global Apparel Supply Chains: An Exploratory Study

Cook, Celeste Nicole, *Kansas State University*

Kozar, Joy M., *Kansas State University*

Influence of Department Store Image on Private Label Brand Preference Among Consumers with Different Level of Knowledge and Familiarity

Seock, Yoo-Kyoung, *University of Georgia*

McBride, Jennifer, *University of Georgia*

BARRIERS TO SOCIALLY RESPONSIBLE APPAREL PURCHASING BEHAVIOR: ARE CONSUMERS RIGHT?

Joy M. Kozar, Kansas State University, USA
Kim Y. Hiller Connell, Kansas State University, USA

ABSTRACT

This study lends insight into consumers' commitment to socially responsible apparel purchasing. As part of this study, the validity of perceived barriers among consumers in engaging in socially responsible apparel purchasing behavior were explored. It was discovered that consumers may be correct in their perceptions that apparel sold by socially responsible retailers is more expensive than that sold by mainstream brands. However, consumers may be somewhat misguided in their perceptions that socially responsible retailers offer fewer product choices as compared to mainstream brands or that acquiring goods from socially responsible retailers requires additional time and effort.

INTRODUCTION

Social responsibility is an ideological theory positing that individuals and organizations are responsible for improving the quality of life for all individuals within society. In the context of the apparel industry, social responsibility focuses on the production of apparel products utilizing standards and procedures that positively affect humans and their environments and encompasses a range of issues from environmental protection to labor practices, trade with developing countries, consumerism, and body image (Dickson and Eckman 2006).

Over the past 10 years, the apparel industry has increasingly focused on issues of social responsibility within the supply chain. Initiatives by the industry for encouraging greater social responsibility in the production of apparel products include streamlining compliance monitoring, expanding stakeholder involvement, raising reporting standards, and empowering workers (Dickson et. al. 2009). Recognition of the important role consumers can play in the development of a more socially responsible industry has also gained momentum. As stated in Dickson et. al., "Through their purchasing, consumers can pull the economy and effect change in business as well as contribute to the formation of a virtuous circle of business development and social responsibility" (pp. 313-314).

Informed by Dickson and Eckman's (2006) conceptualization of social responsibility, consumers engage in socially responsible apparel purchasing behavior through attempts to acquire apparel that enhances the well-being of humans and their environments. Socially responsible apparel consumers bear in mind both the social and environmental consequences of their purchases and desire to contribute towards social transformation through consumer behavior. Socially responsible apparel purchasing behaviors include buying fair trade, fair labor, and environmentally preferable apparel.

RELATIONSHIP BETWEEN SOCIALLY RESPONSIBLE KNOWLEDGE AND CONSUMER BEHAVIOR

In recent years, consumer awareness of labor exploitation and environmental neglect in apparel production has advanced ("New student activism takes on sweatshops" 1999; Van der Werf 1999). Multiple studies have found that today's consumers are knowledgeable about issues of social responsibility in the apparel marketplace. For example, a recent study asked consumers to describe the characteristics of a socially responsible apparel firm. Responses included "transparent with everything they do," "fair wages and safe working conditions," and "monitoring factories...hiring a third party [compliance officer]" (Hiller Connell and Kozar 2010).

Despite these findings, however, research has also shown that knowledge of issues of social responsibility does not necessarily affect purchasing behavior, particularly for apparel goods (Butler and Francis 1997; Carrigan and Attalla 2001; Hiller Connell and Kozar 2009; Kim and Damhorst 1998). For instance, Kim and Damhorst (1998) reported that while consumers were knowledgeable about environmental issues in the production of apparel goods, these attitudes did not influence greater socially responsible apparel purchasing behavior among participants. Moreover, in a study by Hiller Connell and Kozar (2009), the researchers noted a high degree of knowledge about socially responsible clothing businesses among consumers, with 49% of participants indicating a perception of being informed about issues pertaining to U.S. clothing manufacturers and 62% indicating being informed of issues in foreign clothing manufacturing. Yet, only 27% of participants in the study reported that they had previously boycotted an apparel brand or retailer because of reports of labor exploitation in the production of goods, 32% indicated that a company's record on treating workers fairly influenced their

purchase decisions, and 36% of participants reported paying premium prices for socially responsible apparel.

Additionally, a similar study reported that only a relatively small proportion of consumers indicated boycotting an apparel brand or retailer because of poor environmental policies (21% of participants), being influenced in their purchasing decisions because of a company's environmental record (31%), and paying premium prices at some point for eco-conscious goods (41%). As such, research has documented that a gap exists in consumers' knowledge of issues of social responsibility and their actual and/or reported purchasing decisions and behaviors (Kozar and Hiller Connell 2010).

THEORETICAL FRAMEWORK

Socially responsible behaviors are the outcome of both internal and external factors (Stern and Oskamp 1987). Internal factors, including personal attitudes, beliefs, and knowledge, are unique to an individual while external factors, such as social institutions, economic forces, and physical structures are more macro-level forces that are typically outside of an individual's control. In their A-B-C Model of Behavior, Guagnano et. al. (1995) state that socially responsible behaviors (B) are the result of personal attitudes and values (A) and external conditions (C), with external conditions acting as either a source of support for or barriers against behaviors. Behaviors are most consistent with attitudes and values when the external conditions are neutral. However, when the external conditions cause behaviors to become complicated, time consuming, or costly, they are less likely to reflect attitudes.

Research acknowledges both internal and external constraints to socially responsible apparel purchasing. Identified internal barriers include limited knowledge and negative attitudes about socially responsible apparel (Hiller Connell 2010; Hiller Connell and Kozar 2009, 2010). External barriers that act as a constraint to socially responsible apparel consumption include limited availability of socially responsible apparel, limited economic resources, disorganized retail environments, and unsupportive societal norms (Hiller Connell 2010). Other barriers to socially responsible apparel consumption include limited resources in terms of money and time, inadequate availability of product options, and insufficient information about sustainable apparel firms (Hiller Connell and Kozar 2010).

Further research has implicitly identified barriers to socially responsible apparel purchasing. These include the absence of attitudes of environmental concern (Hustvedt and Dickson 2009; Shim 1995; Stephens 1985), limited knowledge of the environmental effects of apparel consumption (Stephens 1985; Kim and Damhorst 1998), negative attitudes towards EPA (Hustvedt and Dickson 2009), and a lack of consideration of environmental effects of apparel consumption (Butler and Francis 1997). Stephens identified the demographic variables of age and education as internal barriers – with eco-conscious apparel consumers having higher educational levels and being older in age. Additionally, Hustvedt and Dickson (2009) and Hines and Swinker (1996) identified the price of eco-friendly goods as an external barrier.

PURPOSE AND OBJECTIVES

The purpose of this study is to explore the validity of previously identified perceived barriers among consumers. These barriers, specifically, relate to limitations in engaging in socially responsible apparel purchasing behavior (Hiller Connell and Kozar 2010). Research questions addressed as part of this study include the following: (1) Are customers right in their perception that socially responsible apparel is more expensive?; (2) Are customers right in their perception of limited socially responsible product choices?; and (3) Are customers right in their perception that acquiring socially responsible apparel requires greater effort and time?

METHOD

To answer these research questions, the investigators performed an online content analysis of apparel products offered by three different types of retailers: moderate, better, and socially responsible. According to Fashion Infomat (2008), moderate retailers are those that set prices slightly above budget retailers (i.e., also commonly referred to as discount retailers such as Wal-Mart, K-Mart, and Target) and comprise the largest category of goods in the marketplace. Conversely, retailers considered to have better price points are those that include medium to higher priced merchandise within their product assortments. These retailers offer superior quality goods as compared to budget or moderate retailers (Fashion Infomat). According to Green America, socially responsible companies are those identified as having a commitment to sustainability, the use of organic materials, sweatshop free and cruelty free products, and supportive of fair trade producers.

For the purposes of this study, the companies whose products were selected for further examination and comparison included

The Gap, American Eagle Outfitters, and Aeropostale (moderate retailers), Banana Republic, Ann Taylor, and J Crew (better retailers), and Nau, Patagonia, and Loomstate (socially responsible retailers). These companies were selected given their overall popularity among consumers, the researchers' personal knowledge of firms operating in the marketplace, and Green America's National Green Pages, an online directory of approximately 3,000 socially responsible businesses encompassing a wide assortment of soft goods manufacturers and retailers, including clothing and accessories, home and garden, gifts and toys, health and personal care.

Stimuli

To compare the three groups of retailers in terms of the barriers identified in Hiller Connell and Kozar (2010) as being limitations to engaging in socially responsible apparel purchasing behavior, the researchers selected two product categories – ladies boot-cut jeans and ladies V-neck t-shirts. The decision to focus on women's apparel as part of this study is justifiable given that existing research on perceived barriers to socially responsible purchasing behavior focuses primarily on female consumers. In order to ensure comparability in selecting the two product categories and evaluating each retailer's offerings, it was also important that each retailer share similar target markets and product availability.

Procedure

Upon selecting the three groups of retailers and identifying the product categories used for the purposes of this study, the researchers visited each company's webpage and searched for a basic ladies boot-cut jean and standard ladies V-neck t-shirt available at each site. Retail prices for the two different product categories were averaged for each of the three groups of retailers (i.e., moderate retailers, better retailers, and socially responsible retailers) to examine Research Question 1. To explore Research Questions 2 and 3, the researchers made detailed notes regarding other product attributes, including product description, style, silhouette, and fiber content.

FINDINGS

The first research question asked whether consumers are right in their perceptions that socially responsible apparel is more expensive. As seen in [Table 1](#), the findings provide evidence that there is some price differentiation between socially responsible retailers and mainstream apparel brands. For instance, the average price for women's boot-cut jeans among moderate retailers (The Gap, American Eagle Outfitters and Aeropostale) and better retailers (Banana Republic, Ann Taylor and J Crew) was \$50.50 and \$88.50 respectively, while the average price among socially responsible retailers (Nau, Patagonia and Loomstate) was \$132.00. This represents a 61.74% price difference for women's jeans among moderate and socially responsible retailers and a 32.95% price difference among better and socially responsible retailers. Price differences for women's V-neck t-shirts among socially responsible brands and mainstream brands were also found ([Table 2](#)), although the differences in price points were less than found for the previous product category. In this instance, comparisons among the retailers revealed average prices of \$17.16 (moderate retailers), \$24.83 (better retailers), and \$32.50 (socially responsible retailers). As such, for this specific product category (women's V-neck t-shirt), there was a 47.2% price difference between socially responsible and moderate retailers and a 23.6% price difference between socially responsible and better retailers. The implications of these findings are noted below in the discussion section.

The second research question sought to identify whether consumers are right in their perception of limited socially responsible product choices. Upon comparing the product offerings among the three categories of retailers (moderate, better and socially responsible), it can be concluded that consumers may be somewhat misguided in this perceived barrier. All three categories of retailers offered a classic boot-cut denim jean, dark or medium wash, made of 100% cotton or a cotton blend. All three categories of retailers also offered a similar white jersey knit V-neck t-shirt (with the exception of Patagonia who offered a scoop neck t-shirt – a negligible difference) with cap or short sleeves, made of 100% cotton or a cotton blend. Therefore, at least in terms of the product categories analyzed in this study, the merchandise assortment of socially responsible companies is similar to those of mainstream retailers. One interesting finding was the use of organic raw materials in goods sold by socially responsible firms. As indicated below, future research should explore the extent to which consumers are knowledgeable about the use of organic materials, as well as the eco-friendly production practices inherent of socially responsible firms, and whether knowledge of these elements serve as a positive reinforcement to socially responsible apparel purchasing behavior.

Finally, the study's third research question examined consumers' perception that acquiring socially responsible apparel requires greater effort and time. Again, the findings of this study would suggest that this may be a misperception among

consumers – at least in context of online purchasing. Although this study only compared the price points and product offerings of Internet retailers, the researchers found that no additional effort or time was required in seeking socially responsible apparel goods as compared to mainstream brands. It is plausible that consumers may be less informed of socially responsible retailers and, as a result, find it necessary to invest more time and effort into locating these brands compared to mainstream ones. However, if consumers were more aware of socially responsible apparel companies and could readily find these firms on the Internet, the time and effort required to purchase socially responsible apparel should be comparable to online purchases from mainstream companies. This is a noteworthy implication for marketers in the promotion of their brands – creating more visibility through national media campaigns will likely be beneficial to apparel firms operating with a commitment to social responsibility in the supply chain. Creating a differential advantage is increasingly important as apparel firms strive to be profitable in a competitive, over-saturated marketplace where consumer loyalty and spending wanes.

DISCUSSION AND IMPLICATIONS

A conclusion of the study is that consumers may be correct in their perceptions that apparel sold by socially responsible retailers is more expensive than that sold by mainstream brands such as The Gap, American Eagle Outfitters, Ann Taylor, or J Crew. However, the findings indicate a smaller discrepancy in the average price points between better and socially responsible retailers as compared to moderate and socially responsible retailers. The differences in price points also varied somewhat between the two product categories examined in this study. There was a smaller overall price difference between moderate and socially responsible retailers for women's V-neck t-shirts as compared to women's boot-cut jeans. This is a significant implication for retailers and marketers of socially responsible firms. It provides evidence that these firms should promote the negligible price difference for goods at lower price points (such as t-shirts). Further, given the findings of the first research question, apparel retailers with a strong commitment to social responsibility may be more strategic in centering their efforts in reaching patrons of retailers with better price points, including Banana Republic, Ann Taylor, and J Crew, as opposed to those with more moderate price points, such as The Gap, American Eagle Outfitters, and Aeropostale.

The study also discovered that consumers may be somewhat misguided in their perceptions that socially responsible retailers offer fewer product choices as compared to mainstream brands (Research Question 2) or that acquiring goods from socially responsible retailers requires additional time and effort (Research Question 3). As evidenced in this study, the product offerings for women's denim jeans and V-neck t-shirts were comparable among all three categories of retailers in terms of style, silhouette, and fabrication.

A surprising discovery was the extent to which socially responsible brands incorporate organic raw materials within their goods. This finding partially accounts for the differences in price points among the socially responsible retailers as compared to the mainstream brands. Future research should explore the extent to which consumers are knowledgeable about this and whether this attribute (the use of organic materials) would encourage greater customer loyalty of socially responsible apparel. Is it conceivable that consumers might perceive the differences in price points as less of a barrier if companies further promoted the use of organic materials in their socially responsible goods?

Recommendations for Future Research

Additional research on these topics should examine the differences in price points among socially responsible and mainstream brands for other product categories, especially given the smaller discrepancy in prices between better and socially responsible retailers. As noted previously, the differences in prices for women's V-neck t-shirts was less when compared to women's boot-cut jeans. Further comparisons among additional product categories will assist in fully understanding whether consumers are correct or misguided in their perceptions that socially responsible retailers sell goods at premium prices – and whether this is truly a barrier to consumer engagement in socially responsible apparel purchasing.

An additional recommendation for future research is to explore further the time and effort involved when shopping for socially responsible apparel through traditional brick and mortar stores. Although a conclusion of this study is that the time and effort required to purchase socially responsible apparel online is equal to that required when purchasing mainstream apparel online, this may be context specific. It is possible that it is difficult to find socially responsible apparel in brick and mortar stores as compared to mainstream brands whose retail stores are widespread throughout major metropolitan areas. Future research is needed to gain a better understanding of this possible barrier to socially responsible apparel purchasing.

Limitations

As part of this study, the comparisons made among the retailers' product offerings were slightly limited in that the researchers only engaged in contrasting the price points and availability of two product categories, namely, women's boot-cut jeans and women's v-neck t-shirts. This limits the extent to which the researchers can fully explain the legitimacy in the perceived barriers identified by consumers in engaging in socially responsible apparel shopping. Moreover, as noted above, additional research should explore the time and effort involved in acquiring socially responsible apparel in the traditional sense (i.e., brick and mortar stores) as it is anticipated and/or plausible that added resources (in terms of money and time) may be required in shopping for socially responsible apparel goods in this manner. However, this study does lend insight into consumers' commitment to socially responsible apparel purchasing and provides important implications to retailers and marketers operating in an extremely competitive marketplace and industry.

TABLES

Table 1: Comparison of Socially Responsible Denim Brands to Mainstream Brands

Ladies Boot-Cut Jeans				
	Company	Description	Fiber Content	Price
Moderate Price Point	The Gap	Classic boot-cut, dark wash, mid rise, contoured waistband, double button closure, zip fly, five-pocket styling	98% cotton, 2% spandex	\$69.50
	American Eagle	Slim boot-cut, dark wash, low rise	99%, 1% spandex	\$39.50
	Aeropostale	Classic boot-cut, medium wash	100% cotton	\$42.50
	Moderate Average Price			\$50.50
Better Price Point	Banana Republic	Classic boot-cut, dark wash, low rise, button closure, zip fly, front off-seam pockets, rear welt pockets	98% cotton, 2% spandex	\$79.50
	Ann Taylor	Modern boot-cut	98% cotton, 2% spandex	\$88.00
	J Crew	Slight boot-cut, dark wash, low rise, zip fly, five-pocket styling	98% cotton, 2% spandex	\$98.00
	Better Average Price			\$88.50
SR Price Point	Nau	Boot-cut, wide waistband, two-button closure, zip fly, trouser-style hand pockets, hidden 5 th pocket	100% organic cotton	\$180.00
	Patagonia	Boot-cut, button shank closure, zip fly, five-pocket styling	98% organic cotton, 2% spandex	\$79.00
	Loomstate	Boot-cut, dark wash, five-pocket jean	98% organic cotton, 2% spandex	\$138.00
	SR Average Price			\$132.00

Table 2: Comparison of Socially Responsible T-Shirt Brands to Mainstream Brands

Ladies V-neck T-shirt				
	Company	Description	Fiber Content	Price
Moderate Price Point	The Gap	White jersey knit V-neck, short sleeves, hits at the hips	100% cotton	\$19.50
	American Eagle	White jersey knit, V-neck, short sleeves, relaxed fit	100% cotton	\$15.50
	Aeropostale	White jersey knit	100% cotton	\$16.50
	Moderate Average Price			\$17.16
Better Price Point	Banana Republic	White jersey knit, V-neck, cap sleeves	95% cotton, 5% organic cotton	\$20.00
	Ann Taylor	White jersey knit, V-neck, cap sleeves	56% cotton, 38% modal, 6% spandex	\$24.99
	J Crew	White jersey knit, V-neck, slouchy fit	100% cotton	\$29.60
	Better Average Price			\$24.83
SR Price Point	Nau	White jersey knit, V-neck, cap sleeves	100% organic cotton	\$35.00
	Patagonia	White jersey knit, scoop neck	100% organic cotton	\$30.00
	Loomstate	White jersey knit, V-neck, skewed seams, relaxed fit	100% organic cotton	\$40.00
	SR Average Price			\$32.50

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THE COMPETITIVE ADVANTAGES OF SOURCING AGENTS IN GLOBAL APPAREL SUPPLY CHAINS: AN EXPLORATORY STUDY

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ABSTRACT

Global apparel supply chains require collaboration from many sectors, including consumers, retail firms, manufacturing firms and factories. The competitive advantage of sourcing agents as a facilitating sector of global apparel supply chains was explored as part of this study. Qualitative data was collected to analyze how industry professionals perceive the role of sourcing agents in facilitating apparel production movement. Participants revealed that sourcing agents provide a competitive advantage to U.S. apparel firms by assisting manufacturers in responding to retail demands, reducing production cost, facilitating production of complex designs, and negotiating in a global political and regulatory environment.

INTRODUCTION

According to the United States Department of Commerce (2009), in 1989 the U.S. imported \$26.75 Billion in apparel goods. In 2008, U.S. imports of apparel had tripled, exceeding \$93.18 Billion. Domestic firms import textile and apparel goods from nearly all of the 200+ countries in the world (Kunz and Garner 2007). In fact, 96.6% of apparel in the U.S. marketplace was imported from other countries in 2003 (Kunz and Garner, 2007). The question for apparel marketers then becomes, how do we remain competitive and successful in a global industry?

Imagine a factory owner sitting quietly in front of his computer screen, which is one of only five computers in the building, while he waits for an email to advise if his factory will receive an order for 50,000 dozen t-shirts for an American buyer whom he will never meet or even share direct communication. This scenario is reality for many apparel factories in rural China. Marketing a product that is produced by a factory that never communicates directly with a buyer is also a reality for many firms in the apparel industry. The motivations for this project stem from several years work experience in the apparel industry as a sourcing analyst and the awareness of a need for a liaison between domestic importers and off shore factories, namely a sourcing agent. As the apparel supply chain has become increasingly more globalized, barriers to communication and transportation between factories and operations managers, such as geography, language, and culture, have necessitated that apparel firms turn to sourcing agents to assist in delivering the right product at the right time. This research study is an examination of the competitive advantages rendered by role of sourcing agents in the production and marketing strategies of apparel firms.

THE RISE OF MARKET ORIENTATION

The history of the U.S. apparel industry dates back to the industrial revolution, during a time in which assembly lines and mass production were common. This production oriented industrial environment existed roughly from the 1850s to the 1920s, and provided a mechanism for refining and expanding the skills of workers. During the 1920s, Henry Ford continued to develop the assembly line process in the manufacturing of automobiles. Later, in the 1930s, the industrial environment moved from a production orientation to a sales orientation where products were mass produced and then sold to consumers who were given sales pitches as to why the products made in mass were best suited to their needs (Schiffman and Kanuk 2009). A shift in orientation occurred again in the United States in the 1950s, when the concept of sales orientation moved to a more market-based orientation. During this time, marketers began to realize that they would achieve greater profits if they could mass-produce the products that consumers wanted rather than sell consumers their mass production items. Wal-Mart executives have stated that they are “not in the business of selling things to consumers; it’s in the business of buying what people need to consume” (Blackwell et. al. 2001, p. 18). Many apparel retailers found flexibility in sourcing their production to other factories, often off shore, where only order commitments were necessary rather than equipment and production capital. However, global apparel supply chains generate a wide range of dynamic obstacles and issues including economic development, labor practices, international politics, and cultural awareness.

The idea of market orientation is the impetus for creating new supply chain options. Once manufacturers and marketers shifted to giving consumers control of product assortments and began responding to consumer demands rather than their internal resources as they did with mass production lines, manufacturers and marketers needed new and varying resources. Many retailers lack adequate internal resources to change and shift production, product categories or promotional materials

on the whim of consumer behavior. The capital required would subsequently harbor massive risk and investment by apparel firms. As a result, many firms have developed complex supply chains and opted to look outside their own internal resources to contractors who can meet the changing demands of consumers, including lower prices. Within the apparel manufacturing industry, sourcing agents serve as third party liaisons in the supply chain filling the gap between the outside resources of off shore factories and manufacturers and marketers in the U.S. The following section will further discuss the development of market orientation in the apparel industry and how the role of sourcing agents in apparel production developed during the rise of market orientation.

SHIFTING PRODUCTION OF APPAREL GOODS

Global industries across the world have embarked on ambitious attempts to find the lowest costs of goods, shortest lead times and best quality production methods. In the 1950s and early 1960s, the apparel industry saw production migration from North America and Western Europe to Japan (Gereffi 1999). During the 1970s and 1980s, there was again another shift, this time from Japan to Hong Kong, Taiwan Province of China and South Korea. During the 1980s, apparel production transitioned to developing countries, including those with the lowest wage rates, with the majority of apparel production moving to China (Gereffi 1999). China has benefited from an ability to produce full-package goods that require little raw materials transportation and low labor costs (Gereffi and Memedovic 2003). These full-package goods include all elements of production, from yarn production to garment assembly.

External factors such as political instability, changing currency rates, new trade agreements and technological advancements in production equipment have made it increasingly more difficult for retailers to make sourcing decisions in today's marketplace. Many of these external influences have the potential to impact the cost of importing goods, and require acute attention among those making sourcing decisions for a firm. For U.S. manufacturers, sourcing agents can assist in monitoring external factors and are critical to a firm in identifying the best production placement for cost. In apparel production, the intent to find the lowest possible cost is described as the "race to the bottom", a phrase coined to reflect the continuous effort to locate factories with the lowest labor costs. The "race to the bottom" is a symptom of the external factors such as below normal currency rates in developing countries, poverty level minimum wage labor costs, and the demand for reduced retail costs in the United States. This phenomenon and its relevance to the study are discussed further in the following section.

The Race to the Bottom

According to Ross (2009), "the race to the bottom involves investors deserting countries as lower-waged ones become available as export platforms" (p. 105). The race to the bottom is not a new phenomenon. The New England golden age of textile manufacturing was brief, between 1880 and 1930, when manufacturers began to look to the southern regions of the U.S. for lower wages (Rivoli 2005). The U.S. systematically began to take over textile production from their British counterparts, and today a similar shift to the Chinese market for the same reasons has been observed. Lower wage rates and easily controlled (i.e., docile) workers lead to cheaper products and thus, encourage manufacturers looking for low costs to move production (Rivoli 2005). The earliest laborers in apparel and textiles were families, but when the Industrial Revolution occurred, there was a need for systematic labor systems that could accommodate bottlenecks in the production process. As foreign economies developed, the lowest wage rates and lowest material costs often moved and new "mill girls" were found in lesser-developed countries. In today's market, sourcing agents facilitate the exploration of developing countries through their local knowledge and ability to identify the most cost effective labor supply.

STRUCTURE OF THE SOURCING FIELD

The field of sourcing is not unique to the apparel industry; rather, sourcing is relevant to any industry where firms elect to produce products outside of their internal manufacturing capacities. This study will address sourcing within the apparel industry, but the basic structure is the same for most industries. While some research has been done on exporter and importer relationships, minimal research exists on the buyer-agent relationship (Garg 2002). According to Kunz and Garner (2007), the process of deciding "where to buy has become almost as much of a driving force in this business as deciding what to buy" (p. 359). There are many questions that must be answered before a manufacturer or retailer commits to producing an item overseas, so much so that the process has become as cumbersome as creating the product vision and marketing strategy. The process that many manufacturers and retailers have turned to is referred to as full-package sourcing (Kunz and Garner 2007). This concept forces the contractor (which can be a direct factory or a sourcing agency) to finance and monitor most of the global apparel sourcing process, including design and product development as well as securing raw materials (Kunz and

Garner 2007). Since the process has moved to pushing more and more responsibility onto the contractor, the factories and sourcing agents have also gained power along with the responsibility of choosing adequate and competitive production facilities. According to Kunz and Garner (2007), full-package items force agencies to acquire more product knowledge and more adept management skills in order to be competitive in not only supplying a factory, but also supplying peace of mind for a secure and successful product delivery. Sourcing agents can reduce the risks of manufacturers and retailers by assuming responsibility for production and delivery.

According to Levy and Weitz (2009), “when sourcing globally, it’s harder to maintain consistent quality standards than when sourcing domestically” (p. 395). Levy and Weitz (2009) go on to discuss that in order for any supply chain to work efficiently, there must be strong relationships between the vendor and the retailer to include trust and efficient sharing of information. A component of this project is to determine how sourcing agents make the relationship between the retailer or manufacturer and the vendor stronger; thus, providing marketing advantages to the apparel firm. One competitive advantage is better understanding of trade preferences, which is discussed below.

IMPACT OF TRADE AGREEMENTS IN GLOBAL APPAREL SUPPLY CHAINS

Government officials from various countries including the G-20 (a group of the 19 finance ministers and economic governors from the world’s most developed nations and an additional representative of the EU) regularly meet to discuss possible bilateral and multilateral trade agreements to promote trade among nations. While multi-lateral free trade agreements encompass several countries, bilateral agreements govern trade between only two nations and often between a developed importing country and a developing exporting nation. A give-and-take process occurs in a political negotiation manner until free trade agreements are enacted (Grossman and Helpman 1995). The process of implementing complex bilateral and multi-lateral trade agreements often is a hybrid of political and economic negotiation that, in the end, may signify to apparel manufacturers and retailers a possible new outlet in seeking to maximize profits and efficiency in their supply chains. Given the complexity of the rules and regulations of trade agreements, sourcing agents are useful to firms in deciding where and with whom goods will be produced.

Within trade agreements, duty exemptions can be a significant benefit to a retailer seeking to improve profit margins. Duty exemptions offer competitive advantages to countries with slightly higher materials or labor costs. A study completed on the cost of producing a single pair of jeans in Mexico and then in China revealed that Mexico comes within 1% of the cost to produce the same item in China despite much lower Chinese wage rates. Because of a 16% tariff imposed on China, but not Mexico due to the NAFTA agreement between Mexico and the United States, Mexico’s costs are competitive with China (Abernathy et. al. 2006).

The economic development of low cost production locations is often linked to trade agreements. Given the nature of the apparel industry, developing countries have seen significant economic growth in the export of apparel products. Apparel manufacturing is a labor-intensive industry, with little risk in initial capital investments as equipment needed is relatively inexpensive as compared to other manufacturing industries (Abernathy et. al. 2006). Research on the consequences of the apparel industry’s utilization of developing countries for production has been conducted. In a study by Gereffi (1999), the author addressed issues of initiating and sustaining economic growth in developing countries. Gereffi found that manufacturing networks are historically and socially embedded in the process of manufacturing, especially in the apparel industry. These embedded relationships are rarely explored in terms of how sourcing agents might build marketing competitive advantages in the apparel industry.

METHOD

The purpose of this study was to explore the role of sourcing agents in facilitating apparel supply chains. Qualitative data was collected from active sourcing agents from various regions around the world including China, Korea, Taiwan, Turkey and Pakistan. Participants included sourcing agents and operations managers for American apparel firms. Interviews through phone calls and email were conducted with operations managers in the apparel industry from American apparel firms based in North Carolina and from sourcing agents around the world. This section outlines the research methods used for this project.

SAMPLE

Criterion-based sampling procedures were used to identify individuals that would provide the greatest contribution to the literature in terms of experience and willingness to cooperate in providing details about their practices. All participants have experience specific to global apparel supply chains. According to Berg (2009), the logic behind using a sample is to draw inferences about a larger population. In the case of this project, the larger population includes all sourcing agents and operations managers actively engaged in the sourcing of apparel goods. Thus, members of both of these groups were sampled as part of this study. The most important selection criterion for this study is the participants' active role in the process of sourcing apparel goods to the United States. The second criterion was that the sourcing agent or operations manager hold a decision-making role in the process (i.e., an operations manager who makes the production placement decisions for an American firm or a sourcing agent who is directly responsible for executing orders on behalf of the operations managers in the United States). Finally, sourcing agents from various firms and countries were selected to participate in the study in order to provide diverse perspectives.

Sourcing Agents

The sourcing agents participating in the study were from established connections from previous industry experience. Sourcing agents interviewed in this study were actively engaged in the sourcing of apparel goods to the United States. Participants were considered well established in the apparel market exhibiting success and longevity in serving as sourcing agents in the apparel supply chain for five or more years. A total of 12 sourcing agents were sent a request to participate in the study. Of the 12 requests, six agents participated in the final study. The agents that responded represented a range of product expertise in apparel from jewelry and accessories to women's dresses. The sourcing agents also represented various countries and regions including Pakistan, China, South Korea, Taiwan, and Central America. While the total quantity of respondents is less than the typical respondent volume, the quality of respondents makes the study more robust due to the difficulty in identifying respondents from various countries speaking various languages.

Operations Managers

The operations managers participating in the study were also selected from established industry contacts. Each participant holds at least a production decision-making role for a domestically operated apparel firm. Operations managers are those individuals responsible for determining how an apparel firm's supply chain is organized. For instance, these individuals make the decisions about which countries and factories will produce the goods for the firm and also whether a sourcing agent will be used in the process of producing apparel off shore. These participants were trained and working in either operations or sourcing and have adequate knowledge of the processes and procedures used to communicate and facilitate business with the firm's sourcing agents and overseas production. Of the 10 requests sent to potential participants, four completed the interview process. The experiences of these professionals, similar to the sourcing agents, were of a broad range of product expertise. Two respondents currently work in the intimate apparel and legwear business while another manages a plus size casualwear line for women. The fourth manager has experience across men's apparel, women's casual and intimate apparel, legwear, and footwear.

INSTRUMENT

Semi-structured interviews with sourcing agents and operations managers were used so that items not specifically noted in the initial interview questions could be addressed as the interviews progressed. Questions were used as a guide, but interviewees were encouraged to add any pertinent information about sourcing agents and additional follow-up questions were asked by the interviewer as necessary. The interviews were conducted at the participants' convenience, often through email correspondence for international dialogue, but also through phone interviews for domestic operations managers at apparel firms. Email communication often worked best when communicating with individuals that use English as a second language and allowed sourcing agents more time to understand and then respond to the questions without pressure of an interviewer waiting for an immediate response. Phone and email interviews provided the benefit of interviewing participants from diverse locations (Berg 2009).

All interviews were recorded with the permission of all interviewees and participants were advised that their comments were to remain anonymous. At the conclusion of phone interviews, the tape recordings were fully transcribed for data analysis and coding. Specific questions to sourcing agents included, but were not limited to items such as: 1) What are the key points you make when marketing your firm to Western buyers (i.e., your customers)?; 2) What is your interpretation of the expectations

of your customers?; and 3) How has your role as a sourcing agent in the apparel supply chain changed, if any, over the last ten years? Specific questions to operations managers included, but were not limited to: 1) What is the most difficult aspect of international sourcing?; 2) Does your firm utilize sourcing agencies? If yes, what is the primary reason, and if no, why does your firm not utilize sourcing agents?; and 3) In general, do you find your production supply chain more effective when utilizing sourcing agents in the production of your firm's goods? Please explain.

QUALITATIVE ANALYSIS PROCEDURE

Data from the interviews were reduced through coding to eliminate superfluous information gathered during the interview process. Data reduction allows the researcher to transform the data into a more manageable form that draws out themes and patterns (Berg 2009). Each interview transcript was initially reviewed and any relevant information to the purpose of this study was noted. This process did not identify major themes, but rather identified all relevant information from the interviews for coding at a later point. Immediately following the process of reviewing all interview data for relevant keywords and phrases, key concepts and themes began to emerge. A list of the primary concepts and key themes was developed and then organized with subheadings for supporting concepts for each of the interviews.

Once all major codes were identified, a summary memo was developed for each interview that depicted the information from each interviewee regarding the previously determined codes related to the role of sourcing agents in facilitating apparel supply chains. This process allowed the researcher to focus on the research purpose through extrapolated codes with each interview transcription. The purpose of the summary memo was to organize the data under major themes and prepare the information for drawing conclusions.

RESULTS

A total of 10 individuals participated in this study, representing two types of actors in the global apparel supply chain: sourcing agents and operations managers. Specifically, six participants were sourcing agents and four participants were operations managers. All of the participants had at least five years of experience in apparel sourcing. All participants reported making sourcing decisions daily and represent a wide range of experience with various apparel product categories, including footwear and accessories. The sourcing agents represent countries from around the world from Central America to South Korea¹. [Table 1](#) includes a summary of the participant characteristics.

RESPONDING TO RETAILER DEMANDS THROUGH PRODUCTION PLACEMENT

In a market oriented industry, manufacturers act as a reflection of retailer and ultimately consumer demands. Growing levels of retailer demands for quality and product turnaround time for delivery was noted in almost all of the interviews. Informant #2 stated that the most difficult aspects of international sourcing are "Making sure what we receive is what we ordered and that it passes ours and our retailer's testing requirements and performs well for the consumer." Informant #3, an operations manager, described the competitive nature of the apparel industry.

Informant #3: It is cut throat, especially at the department store level because their markups are so high. Wal-Mart is equally difficult. You are also typically competing against an internal sourcing department, so the only thing you bring to the table is carrying the inventory, eating the returns and things like that.

Again, Informant #2, an operations manager, describes the impact of consumer behavior on sourcing in the apparel industry.

Informant #2: Consumers are cutting back on apparel spending. Retailers are consolidating and wielding more power. They are adding additional costs by requiring, sometimes excessive, testing which we must pay for. Buyers are placing orders closer in to delivery demanding shorter production lead times. Prices are lower every season.

The above comments by two operations managers depict the dynamic and pressure intense status of the apparel industry. The alternative view is that of the sourcing agents themselves and how they perceive the impact of retailers on the sourcing of apparel goods.

¹ Quotations from sourcing agents are often in somewhat broken English, but are direct quotes from the interviews to maintain the accuracy of the findings. All of the sourcing agents are from countries other than the United States and English is their second language and in some cases, their third language.

Sourcing agents were perceived to identify more technical pressures from the retail industry, including finding new and innovative products while still competing on cost. Informant #9, who described a specific example from the hosiery industry, noted such perceptions:

Informant #9: We don't afraid of any challenge, sometime we create the challenge to achieve. For example, some fabric or yarn only suitable to knitted in the garment industry but we developed the yarn with mill to create novelty sock. We wish our innovation could give the market good impact to lead the hosiery market.²

Informant #9's attempt to achieve new product lines was noted in response to questions about retailer demands on production. Another sourcing agent describes the apparel industry below as volatile and high pressure:

Informant #5: Currently, apparel business is hot potato. Whatever, the price is the key point. Our customer approach to buyer and tell always that can hit the target even if it's very low compared to the normal process. In case we try to explain that it's not make sense. But due to bad economic, buyer has no choice.

Again, the sourcing agent experiences a lot of pressure, but in this case it is to provide quick product delivery at low prices to meet buyer demands. These demands are an impetus for seeking new locations for production placement of apparel goods orders.

COST AND PRICING STRATEGIES

Cost and pricing strategies were noted in every discussion with each informant. The cost and pricing issues span relevance across much of the marketing process, but were first applicable to the shifts in production locations. Shifting production and how sourcing agents aid in such shifts are discussed in this section. Informant #2, an operations manager, describes how "Price is the main factor followed by capabilities" when identifying the need for and selection of a sourcing agent. Informant #2 goes on to describe the negotiation process:

Informant #2: Honesty is crucial. Personally, I look for an agent who will quote the best price first off and not waste time with a lot of back and forth on prices.

Informant #9, a sourcing agent, describes specifically how price and having a production presence in various countries are related to their ability to assist operations managers in shifting production:

Informant #9: These years, buyer has learned to source in different country, except the quality, buyer also concerned with the price. Thus, we have to compete with more countries and have to develop our own value. It's not easy to be outstanding at this time, but we are still paddle to the path we are believe it could lead us to performance.

Another sourcing agent, Informant #5, describes how many of the large retail stores have pushed many standard operating expenses to the sourcing agents:

Informant #5: For saving money, most of big huge stores including Target, Wal-Mart etc. require us to develop designs/quality control etc. at the vendor or our side.

Informant #4, an operations manager, describes the challenges of maintaining cost and quality by stating "low cost and quality are the challenge while maintaining and adhering to leadtimes." Cost is certainly a factor when identifying potential needs for production movement. The significance of cost was noted throughout all of the above comments from both sourcing agents and operations managers. Still, it is not the only reason operations managers seek sourcing agents. The following section addresses the significance of complex designs when determining whether a sourcing agent is needed in the global apparel supply chain.

COMPLEXITY OF DESIGN

The respondents noted complexity of design almost as often as cost when discussing the role of sourcing agents in the global apparel supply chain. Many sourcing agents describe marketing their firm on their ability to source complex designs as essential.

Informant #9: When we marketing our firm, we are emphasizing our sourcing and developing ability. We invest a lot of different machine to serve variety product. We think it's very important to our clients to deal with sourcing agent who can handle more products than only single profession.

² This is the first instance where the English is broken as a result of being the second language of the respondent.

Informant #5: Personally, I think our role is more essential for better group buyers or importers etc. because they couldn't find out good factories which can accept small quantity order with complicated fashion details etc. nowadays and medium size vendors which have factories with a medium sized production capacity because most of off shore factories require big quantity orders.

In each of the above cases, complexity of design was noted by sourcing agents as an integral part in their role facilitating production in the supply chain. And, not only are sourcing agents addressing complexity of design as a reason for seeking off shore production, but also operations managers recognize that complexity of design is key to their use of sourcing agents. For example, Informant #2 states, "We are very a SKU intensive business so we need an agent with a well trained organized staff to keep track of all the changes." Informant #3 stated that when sourcing items off shore, their firm, "Needs more infrastructure the more complicated the product."

NEGOTIATION OF POLITICAL AND REGULATORY ENVIRONMENT

As noted previously, the political and regulatory environment plays a role in potential shifts in apparel production to new countries. Some of the respondents recognized their need to stay abreast of the political and regulatory environment. Informant #3, an operations manager, noted, "duty rates and lead time and quality help dictate which nation" their firm places apparel production orders. Informant # 9, a sourcing agent, stated that their sourcing agency will "do multiple country of origin to determine the duty." This suggests that sourcing agents sample products in various countries and also factor in the regulatory cost of duty when advising their customers in the United States. Informant #6 indicated:

Informant #6: Nowadays, it is essential to be updated and to keep my customers updated with the political and economic policies. There are times when these changes affect production. We need to keep this in mind and look ahead to ensure customers are well informed, give them the opportunity to decide.

Consequently, not only did participants suggest that the political and regulatory environment has the potential to impact cost, but also Informant #6 suggested that the political climate of countries like Pakistan (the country in which Informant #6 operates) are subject to changes that might impact production decisions.

To summarize, participants in this study all expressed various reasons for potential shifts in apparel production ranging from cost to the political and regulatory environment. Each respondent noted the benefits of using sourcing agents to assist in shifting production trends.

DISCUSSION

As part of the interviews, both sourcing agents and operations managers disclosed in great detail the process of implementing production shifts to new locations. First, retailer demands change from year to year and even season to season. These demands are not limited to fashion trends. If one supplier is unable to meet the testing requirements and quality standards of the retailer, a U.S. manufacturer will have no choice but to move production to another location. The sourcing agents also seemed to share a philosophy that they must be willing to face any challenge in order to acquire business from U.S. retailers. One sourcing agent noted, "We don't afraid of any challenge" while another indicated, "Our customer approach to buyer and tell always that we can hit the target even if it's very low compared to normal process." These comments suggest that retailers place a great deal of demands on sourcing agents' expertise and knowledge of the supply chain.

It comes as no surprise that all the participants noted cost and pricing strategies as part of the sourcing agent's role in facilitating production in the apparel industry. The respondents indicated that the apparel industry is very competitive. In fact, one sourcing agent described how retailers such as Wal-Mart and Target have shifted the development phase of the apparel supply chain to sourcing agents in order to save money. This suggests that not only are sourcing agents being used to reduce costs through finding the factory with the lowest price, but they are also assuming a larger role in the development of the product itself. This is supportive of the race to the bottom in the production of apparel goods, where many manufacturers seek methods of reducing costs to meet demands for lower prices each year.

When retailers and U.S. manufacturers push both production and development responsibilities to their sourcing agents, they invest in fewer fixed costs and are more flexible to make a change from one factory to another as well as one product to another. A market oriented supply chain that responds to the consumer environment requires flexibility in order to meet consumer demands. In fact, one sourcing agent described how the buyer had no choice but to require lower production costs. When the responsibility for developing new fabrications, designs and production options is placed on the sourcing agent, then

the retailer and manufacturer reduce their overhead costs while minimizing their fixed costs. Instead, the sourcing agent is investing resources in the development of apparel product and finding factories with the appropriate equipment and capacity for on time production to meet retailer and consumer demands.

When sourcing agents search for appropriate equipment, the design of the apparel product guides their search because a factory must have the ability to produce the garment. The complexity of designs was also identified among reasons for moving production and utilizing sourcing agents. When new products are complex and quality is critical, operations managers agreed that a sourcing agent provided useful insight. The complexity of design was almost as critical as cost in the decision to utilize a sourcing agent and a sourcing agent's unique ability to add a competitive advantage. Many respondents noted the need for a sourcing agent when styles were complex and orders were not of enough quantity to meet minimum order amounts for many larger off shore factories. When cost and complexity are an issue, a sourcing agent is critical to the operations manager who needs assurance that standards and deliveries are met.

As part of the findings, several sourcing agents and operations managers noted that the political and regulatory environment of the supply chain might cause production shifts. It was not apparent, however, that monitoring the political and regulatory environment was a unique qualification of the sourcing agent. The operations managers were capable of understanding trade agreements. However, the sourcing agent in Pakistan did note that they find it important to keep their customers well aware of the political and economic policies of their country. If political instability is suspected in a region, this qualification might become more imperative than in a stable environment where concerns about the political environment are less severe.

As mentioned by Levy and Weitz (2009), "when sourcing globally, it's harder to maintain consistent quality standards than when sourcing domestically" (p. 395). A sourcing agent provides assistance in maintaining consistent quality and timing when producing items off shore to a U.S. operations manager. According to Esper et al. (2010), research on demand and supply integration indicates, "cross-functional integration and collaboration are hindered by ineffective generation, dissemination, interpretation and application of market information and business intelligence" (p. 12). While Esper et. al. reflect on integrating demand and supply processes from a macro sense, it is essential to consider *how* this integration can be improved, and the answer for global apparel firms could be sourcing agents.

CONTRIBUTION TO INDUSTRY AND FUTURE RESEARCH

Sourcing agents are an understudied and illusive link in global apparel supply chains. While this study does not expose the full realm of the sourcing agent's impact on the apparel industry, it does add to an exploration of the importance and legitimacy of sourcing agents. There is a great deal of information to be learned about how U.S. firms are linked with factories in various regions of the world in the production of goods. As more information is revealed about the role of sourcing agents, industry professionals will be better equipped to coordinate efficient supply chains.

Further research needs to be compiled on the alternatives to sourcing agents. All of the operations managers in this study use sourcing agents, but not all apparel firms in the U.S. use sourcing agents. An understanding of how supply chains and communication systems differ among firms that do not use a sourcing agent is warranted.

TABLES

Table 1: Summary of Respondents

Respondent	Operations Manger/Sourcing Agent	Country	Position
1	Operations Manager	United States	Sr. Sourcing/Operations Manager
2	Operations Manager	United States	Sourcing/Operations Manager
3	Operations Manager	United States	Sourcing/Operations Manager
4	Operations Manager	United States	Sourcing/Operations Manager
5	Sourcing Agent	Korea	Owner- Retired
6	Sourcing Agent	Pakistan	Owner/Manager
7	Sourcing Agent	Korea	Manager
8	Sourcing Agent	Korea	Manager
9	Sourcing Agent	Taiwan	Manager
10	Sourcing Agent	China and Korea	Owner/Manager

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INFLUENCE OF DEPARTMENT STORE IMAGE ON PRIVATE LABEL BRAND PREFERENCE AMONG CONSUMERS WITH DIFFERENT LEVEL OF KNOWLEDGE AND FAMILIARITY

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INTRODUCTION

This study examined the influence of department store environmental cues and consumers' level of knowledge about and familiarity with PLBs on their PLB preferences. With the rising competition in recent retail markets, retailers found that increasing the variety of products with private label brand (PLB) is one of the ways to satisfy consumers' various needs and wants, and thus build customer loyalty and create differentiation from the competition. Moreover, as the PLBs lead to increased profits for retailers compared to national brands, they began stocking their shelves and aisles with exclusive, high quality private labels to satisfy their customers and enlarge their clientele (Provigo, Inc. 2007). According to the Private Label Manufacturers Association (2009), one in every five products sold in U.S. supermarkets, drug stores, and mass merchandisers in 2008 were private label brands. Private Label Manufacturers Association also states that 60 percent of consumers report buying private label brands on a regular basis, which brought retailers \$80 billion in 2008, up 22 percent from 2007.

Recognizing that branding is crucial in the highly competitive retail market to capture a wider market share and maintaining a harmonious relationship with its customers (Dennis, Murphy, Marsland, Cockett and Patel 2007), department stores such as Macy's Inc, Belk, Inc, and JC Penney have placed great emphasis on their private label brands. Beginning with a single PLB, most department stores have launched multiple private label brands (PLBs), varying in style, quality, price, and target market (Information Resources, Inc. 2006), which enables consumers to have a greater freedom in product choices among PLBs offered by the store. Given the growing importance and popularity of PLBs at department stores, it is crucial for department store retailers to understand consumers' attitudes towards PLBs and influencing factors. While an immense amount of research has been conducted on the benefits and effects of grocery chain PLBs, however, little research focused on PLBs in the apparel industry, especially department stores which sell both national brands and their own private labels (Vahie and Paswan 2006). Thus, this study focuses on department stores' PLBs that sell apparel items.

As private label brands are considered a differentiator of the store from others, consumers' attitude toward PLBs may directly be affected by the department store image. Earlier studies suggested the significant effect of retail store image on PLBs perceptions and preferences (Collins-Dodd and Lindley 2003; Lee and Hyman 2008; Semeijn, Riel and Ambrosini 2004), often serving as a leverage for the brand. According to Keller (1993), consumer makes assumptions about a PLB based on what he or she already experiences from a particular retailer. Considering its impact on PLB perceptions and preferences, it is vital for retailers to develop a strong, positive store image with various department store environmental cues. Further, consumers gain a great deal of information about PLBs through various channels such as advertising and promotion efforts made by retailers, as well as repeat purchase experiences. The level of knowledge about and familiarity with a brand is often used as a guideline in purchase decision, influencing preference for purchasing private label brands. Given the growing importance and popularity of PLBs at department stores, the present research illustrates how department store environmental cues influence PLB preference among consumers with different level of knowledge about and familiarity with PLBs.

METHODOLOGY

A structured questionnaire was developed to collect the data and distributed to a convenience sample of 300 female consumers aged between 35 and 54, living in a Southeastern state of the United States. In order to collect data, the researcher contacted local department store managers to get permission to conduct the survey at their stores. Times were arranged to visit the department stores for the purpose of administering the surveys, and the researcher stood by several entrances of three major midscale department stores distributing the surveys to any customer who possibly meet the profile. Participation was voluntary and no incentives were offered for participation. The stores were visited during various days and time ranges, including weekdays and weekends during both morning, mid-day, and evening hours. Of the 300 surveys distributed and returned, 257 responses were used for data analysis after discarding the responses that did not meet the sample criteria: the age group outside of the 35 to 54 year old range.

The questionnaire began by asking the participants demographic questions, such as age, gender, income and education level. The questionnaire then asked participants a series of questions with regard to their experience and opinions of their favorite department store, which they selected in the beginning of the questionnaire. The participants also were asked how many

times they frequented department stores for clothing items in the past 12 months. This will validate that the consumers are frequent department store shoppers and their opinions about department store image and private label brands are significant. The remainder of the questionnaire provided participants with a statement and asked them to rank the statement on a five point Likert scale (1=Strongly Disagree; 5=Strongly Agree).

In order to measure store image with various retail store environmental cues, twenty measures were adapted from Vahie and Paswan's (2006) study of the relationship between private label brand and its relationship with store image and national brands. Participants were asked to rank, on a five point Likert Scale, how they agree or disagree with statements such as "The employees are very friendly," "I can easily go into the store", "The prices at the store are fair", and "I can count on the clothes I buy at this store being excellent". Another variable was consumer preferences for private label brands. To measure consumer preferences for private label brands, participants were given three statements created by the researcher such as "I shop at my favorite department store because I like the private label brands it carries" and "I prefer to purchase private label brands of my favorite department store rather than national brands." Adapted from Flavian, Guinaliu, and Gurrea's (2006) study, knowledge and familiarity of private label brands in department stores was measured by asking questions about the consumers' amount of perceived knowledge and familiarity with the PLBs of their favorite department store. Five statements were used to measure this variable. Statements including "I know a lot about the private label brands of my favorite department store" and "I can tell a difference between private label brands and national brands offered by my favorite department store" measure the knowledge the consumer believes to have of the department store's private label brands. Other statements including "In comparison with the typical purchaser, I believe I am quite familiar with the private label brands offered by the store" measure the perceived familiarity of the consumer with the department store's private label brands.

RESULTS AND DISCUSSION

A principle component of factor analysis with varimax rotation was conducted to identify the dimensions of department store image constructs. To set the criteria for the factor analysis, factors with eigenvalues greater than 1.0 and items with rotated factor loadings of 0.50 or greater were retained because factor loadings of 0.50 or greater are considered statistically and practically significant (Hair et al. 1998). To ensure that each factor would have only one dimension, any items loading on more than one factor with a loading score equal to or greater than 0.40 on each factor were eliminated from the analysis. In addition, because communality of a variable represents the amount of variance in the factor solution explained by that variable (Hair et al. 1998), variables with communalities less than 0.40 were deleted for reasons of insufficient contribution to explaining the variance. Variables that did not meet the above criteria were excluded from the analysis. Of the total 20 items, 16 items of department store image cues were retained for the factor analysis and four constructs were identified: *Service*, *Atmosphere*, *Price* and *Convenience*. A total of 71.20% variance was explained by these four store image factors in the study.

In order to assess the influence of store image on consumers' preference on PLBs according to their level of knowledge about and familiarity with PLBs, hierarchical multiple regression analysis using the enter method was conducted. In this analysis, four department store image constructs and knowledge/familiarity with PLBs were independent variables and consumers' preference on PLBs was a dependent variable. Four department store image constructs were first entered into the regression equation as a group of independent variables and then knowledge/familiarity with PLBs was entered into the equation as another independent variable. In this way, the correlations between store image factors and knowledge/familiarity were partialled out of the regression analyses, allowing the researcher to determine the incremental effects of the level of knowledge/familiarity with PLBs over store image dimensions in predicting preferences on PLBs. The overall regression model was significant, with $F(5, 256) = 26.25$ and $p < 0.001$, indicating that 34.5% of the variance in PLBs preference at department stores was explained by the four store image constructs and knowledge/familiarity variables. The test of the relative contributions of independent variables to explain consumers' preferences on PLBs of department stores showed that *Price* ($\beta = .70$, $p < .01$) was the strongest and one of the most significant indicators of PLB preferences, followed by *Service* ($\beta = .61$, $p < .01$) and *Knowledge/Familiarity* ($\beta = .42$, $p < .001$).

CONCLUSIONS AND IMPLICATIONS FOR THEORY AND PRACTICE

The results of this study provide important implications to department store executives and managers. The results of this research demonstrate that consumers' preference for department store PLBs are determined by both store image and their knowledge and familiarity with the PLBs. Among the four store image constructs, price and customer service factors show significant and positive influences on the preference consumers have for PLBs. This result suggests that the department store executives should pay close attention to the price factor of their PLBs and keep in mind that if consumers feel that they are able to get the best deals from PLBs, they would prefer PLBs over other brands. Moreover, offering a wide range of price

points based on the quality of PLB products is a way to diversify their brands and products, granting their customers options to choose from. In addition, the result indicates that customer service is another important factor that lures customers' preference on PLBs. The more the customer feels the service is good, the more likely they want to purchase the store's PLBs, which is possibly because they may perceive the brand in a more favorable manner by attaching it with the store. Department store executives should set specific standards for service and store managers should encourage their sales associates to practice. The result also shows that the more consumers know about PLBs and familiar with it, the more they are likely to shop PLBs at the department stores. Since greater knowledge and familiarity increase the favorability toward PLBs, they should make extra efforts to create awareness and build consumer knowledge and familiarity with PLBs. Advertising through various media and in-store promotions are means in which consumers can be exposed to the PLBs as well as learn more about the brand.

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Wednesday, 20 July
Time: 10:30 AM

Session Number: **2.7: Luxury and Arts**

Session Chair: Spielmann, Nathalie, *Reims Management School*

**The Impact of Brand Familiarity, Branding and Distribution Strategy on
Luxury Brand Dilution**

Magnoni, Fanny, *IAE - Grenoble*

Roux, Elyette, *IAE - Grenoble*

**Arts in Italy: Development through Experiential Marketing, Some Empirical
Evidence**

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THE IMPACT OF BRAND FAMILIARITY, BRANDING AND DISTRIBUTION STRATEGY ON LUXURY BRAND DILUTION

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INTRODUCTION

From the consumer point of view, step-down line extension is the launch of a new product, which is perceived as lower quality than the other products a brand currently sells, in the category of the pre-existing brand (Magnoni and Roux, 2008). Although step-down line extension is not a new business practice, it has greatly increased in recent years to meet new market trends. Today, the purchasing power crisis and the democratization of the luxury sector attract more price-sensitive customers with lower-end products (Lipovetsky and Roux, 2003; Kapferer and Bastien, 2008). Analysts have even invented a new category called *Masstige*, which stresses that the prestige brand targets a mass market (Silverstein and Fiske, 2003; Danziger, 2005). Accordingly, more and more fashion designers are launching lines, between 30 and 50% cheaper than the original lines, under their brand names. Ralph Lauren's downward stretch from the exclusive "Purple Label" to the casual "Polo line" is a good example of this phenomenon. Likewise, Armani has six different lines that range from his couture collection, "Giorgio Armani-Privé", to the everyday sportswear line, "Armani jeans" and even "Armani Exchange" in some foreign markets. If Saint Laurent was a pioneer with Saint Laurent Rive Gauche, then today fashion designers are increasingly stretching their brands down (e.g., Galliano by John Galliano, Paul & Joe Sister, Marc by Marc Jacobs, See by Chloé). Although step-down line extensions can use brand equity to increase the brand's sales, it may also be a dangerous strategy (Aaker, 1997) that dilutes brand equity, especially for luxury brands (Kim and Lavack, 1996; Kirmani, Sood and Bridges, 1999; Kim, Lavack and Smith, 2001). In comparison to brand extension, step-down line extension is a new research area where studies are relatively limited (Randall, Ulrich and Reibstein 1998; Tafani Michel and Rosa 2009; Hamilton and Chernev, 2010; Jevons and Pontes, 2010). Little is known about the feedback effects of this strategy on core brand equity from a consumer's perspective. This article aims to evaluate the impact of a luxury brand's step-down line extension on consumer attitudes toward the core brand, taking into account brand familiarity, branding and distribution strategy as explanatory variables for the possible dilution effects.

THEORETICAL FRAMEWORK AND RESEARCH HYPOTHESES

Impact of a luxury brand's step-down line extension on attitudes to the core brand

We refer to categorization theory (Rosch and Mervis, 1975) and the models of schema change (Weber and Crocker, 1983) to explain the impact of the step-down line extension of a luxury brand on attitudes toward the core brand. According to this framework, a brand is a schema (a cognitive category) that gathers the individual's knowledge of the brand. Categorization and schema theories can explain the core brand dilution that brand extensions cause (Loken and Roedder-John, 1993; Milberg, Park and McCarthy, 1997; Gürhan-Canli and Maheswaran, 1998). Brand dilution refers to the negative feedback-effects on the core brand beliefs and attitudes. Both theories agree that the perceived consistency between the extension and the core brand influences attitude changes in response to brand extensions and that these changes follow a process of assimilation and accommodation (Park McCarthy and Milberg, 1993). Assimilation occurs when the brand extension is relatively consistent with the core brand and, therefore, does not affect it. On the other hand, accommodation occurs when the brand extension is not consistent with the core brand and, therefore, modifies attitudes towards it. Two models, which have received support in brand extension research, can explain this modification of the existing schema: the sub-typing model and the bookkeeping model (Weber and Crocker, 1983). The sub-typing model suggests that an inconsistent extension is stored in a different schema, which explains why an inconsistent extension does not affect the core brand and its original products. In contrast, the bookkeeping model proposes that an inconsistent extension is integrated into the existing schema (i.e., the core brand) and alters it. The consumer analyzes all information about the extension, and the more inconsistent the extension is with the core brand, the more the core brand is modified.

Luxury brands exhibit an international awareness that incorporates, at the supply level, expertise in applied art and human involvement in the creative process and that is characterized, at the demand level, by products or services that surpass function to meet aesthetic needs. Luxury brands are located at the top of the price pyramid with prices that exceed those of products and brands with comparable practical functions (McKinsey, 1990). The differential dimensions of luxury brands include traditional or creative heritage, exclusivity or selectivity, excellent quality, high prices, hedonistic functions, and conspicuous consumption (Garfein, 1989; Roux, 1991; Dubois, Laurent and Czellar, 2001; Lipovetsky and Roux, 2003; Wiedmann, Hennings and Siebels, 2009). The step-down line extension of a luxury brand, which associates it with lower

quality and more affordable prices, can therefore damage the core brand (Keller, 1993). According to the bookkeeping model, the decreased quality of the step-down line extension appears as inconsistent information and leads the consumer to revalue the core brand at a lower level (Milberg, Park and McCarthy, 1997). In line with Kirmani, Sood and Bridges (1999), we suggest that the step-down line extension of a luxury brand will damage core brand evaluation (i.e., the affective component of the brand attitude) and propose the following hypothesis:

H1: The step-down line extension of a luxury brand has a negative influence on core brand evaluation.

Moreover, consumers perceive the original products as lower quality when a step-down line extension is launched (Wernerfelt, 1988). Flawed quality in a product from the brand line can negatively affect sales of the brand (Sullivan, 1990). In addition, Kim, Lavack and Smith (2001) showed that core brand evaluation (especially measured by purchase intention) decreases after step-down line extension. Thus, we expect that the step-down line extension of a luxury brand will damage consumer purchasing intentions toward brand products (i.e., the conative component of the brand attitude). Hypothesis H2 is as follows:

H2: The step-down line extension of a luxury brand has a negative influence on core brand purchasing intention.

The determinants of the impact of a luxury brand's step-down line extension on core brand attitude

The branding strategy of a step-down line extension (i.e., the brand name of the extension) and its distribution channel are two strategic factors that can minimize dilution effects (Kirmani, Sood and Bridges, 1999; Olavarrieta et al., 2009). Brand extension studies refer to the sub-typing model to understand how the brand name of an extension influences dilution effects (Milberg, Park and McCarthy, 1997). In contrast to an extension that uses only the existing core brand name, a sub-brand strategy (e.g., Armani Exchange and Courtyard by Marriott) helps the consumer to dissociate the extension from the core brand. Consequently, the consumer considers the extension a sub-type, which will be stored in a distinct schema. Therefore, this separation limits dilution effects. In line with the sub-typing model, we propose that the deterioration of core brand attitude will be stronger when the step-down line extension adopts the existing brand name rather than a sub-brand name. Although, to our knowledge, the influence of distribution channels has not been tested, we can use the sub-typing model to propose that stronger dilution effects appear when the step-down line extension is sold in the existing distribution channel rather than a separate channel. Thus, we propose hypotheses H3a, H3b, H4a and H4b:

H3: When the step-down line extension uses the existing brand name, there is a stronger decrease in (H3a) core brand evaluation and (H3b) core brand purchasing intention than when the step-down line extension uses a sub-brand name.

H4: When the step-down line extension is sold through the existing distribution channel, there is a stronger decrease in (H4a) core brand evaluation and (H4b) core brand purchasing intention than when the step-down line extension is not sold in the existing distribution channel.

One individual variable is also relevant to our study: brand familiarity. Brand familiarity corresponds to the number of brand-related experiences. The influence of brand familiarity has been investigated in brand extension research (Sheinin, 2000; Martinez and de Chernatony, 2004; Thorbjørnsen, 2005). Both of the schema change models can predict the role of brand familiarity in dilution effects (Thorbjørnsen, 2005). When brand familiarity is low, the information about brand extension is stored in a different schema that does not affect the core brand (i.e., a sub-typing model). However, when brand familiarity is high, the consumer carefully analyzes the information about brand extension. When this information is integrated into the existing schema, it changes the schema (i.e., the bookkeeping model). A consumer's objective familiarity with the brand (i.e., the fact of being a customer or not) also affects the dilution effects. Kirmani, Sood and Bridges (1999) found that, after a step-down line extension, the brand owners' attitudes decreased more than the non-owners' attitudes. Finally, we propose hypotheses H5a and H5b:

H5: When the consumer is a customer of the brand, a step-down line extension causes a stronger decrease in (H5a) core brand evaluation and (H5b) core brand purchasing intention than when the consumer is not a brand customer.

METHODOLOGY

Product categories, selected brand and step-down line extension

We selected the Armani brand after a pre-test with 30 respondents to verify its prestige orientation. We rated the prestige orientation of the brand on a seven-point Likert scale that investigated the importance of the characteristics *luxury* and *status* to the consumer when he purchases the brand (Park, McCarthy and Milberg, 1993). As expected, we found that the mean of prestige orientation for the Armani brand was high (5.73). Armani also presents the advantage of studying a real step-down line extension that has been distributed abroad, but not in France: the Armani Exchange line. This line is the most affordable Armani line and is about 50% cheaper than the Armani Jeans line. We used four products (dress, top, jean and shirt) and created ads from real advertising visuals and Armani Exchange slogans to expose the respondents to stimuli that are close to

market conditions. The perceived quality of a product depends on both its perceived price and the consumer's information about its attributes (Chang and Wildt, 1994; Monroe, 1990; Zeithaml, 1988). Therefore, we mentioned both the real prices of the products, to indicate quality, and information on their physical attributes (e.g., wool, silk, hand-washing or washing machine). To manipulate both modalities of the extension branding strategy (i.e., existing brand name *vs.* sub-brand), we clearly mentioned that the products were sold either under the existing brand name *Giorgio Armani* or under the sub-brand *Armani Exchange*. To manipulate the two modalities of the extension distribution channel, we presented the products as distributed either in *Armani stores and luxury fashion brand stores* (i.e., the existing channel) or in *specialized stores Armani Exchange* (i.e., a distinct channel). We verified manipulation success with a qualitative study with 25 respondents, as advised by Perdue and Summers (1986).

Sample and data collection

We differentiated customers from non-customers to study the influence of objective familiarity with the brand. We selected customer respondents just after their visits to the stores that distribute the brand and through a “snowball” sampling process. The non-customers were university students who agreed to participate in the study outside their classes. It should be noted that students are a potential target for the Armani Exchange line in the countries where it is sold. We used two filter questions to select only respondents who perceived a decrease in terms of quality and did not know the line Armani Exchange. The final sample was composed of 200 respondents who were equally distributed between both modalities of the two factors; branding strategy and distribution channel. The sample was mixed (52.5% men and 47.5% women) and relatively young (83% were under the age of 35). We used the before-and-after pseudo-experimental method to observe individual changes. We created a questionnaire in two parts, and, to avoid a test effect, we administered it with a one-week gap between the first and the second parts. Each respondent had only one treatment, an ad announcing the launch of the step-down extension, which we presented at the beginning of the second part.

Measurement of variables

We measured one item that is related to a general opinion of the brand on a seven-point differential semantic scale to operationalize core brand evaluation (i.e., the affective component of attitude). We chose an item that evaluates the opportunity of purchasing the brand on a seven-point Likert scale to measure the purchasing intention of the brand. These two items were measured *before* and *after* the respondents were exposed to the step-down line extension ad. We used the difference between these *before* and *after* scores to operationalize the evolution of the two components of brand attitude. Two “yes/no” items measure a respondent's objective familiarity with the brand. According to Alba and Hutchinson's (1987) definition, the first item targets the ownership of brand products, and the second targets the purchasing of brand products.

RESULTS

Impact of a luxury brand's step-down line extension on core brand attitude

We computed a Multivariate Analysis of Variance (MANOVA) for repeated measures to evaluate the impact of the step-down line extension on the two components of core brand attitude. We introduced two between-subjects factors into the analysis, treatment (i.e., a nominal variable with four modalities) and objective familiarity with the brand (i.e., customer *vs.* non-customer), to check the stability of the results. The results indicate that the effect of step-down line extension is significant ($F = 72,108$; $p = 0.000$), regardless of the statistic that is used. Step-down line extension did not have a significant interaction with the treatment ($F < 2.63$; $p > 0.05$), but it did have a significant interaction with familiarity ($F = 11.943$; $p = 0.000$), which indicates that familiarity influences the effect of step-down line extension.

As we expected, step-down line extension damages the affective component of core brand attitude. It had a significant negative impact on core brand evaluation ($BEV_{\text{before}} = 5.40$; $BEV_{\text{after}} = 4.38$; $F = 121.588$; $p = 0.000$) and explained 38.8% of the variance of evaluation. **This result supports H1.**

On the other hand, step-down line extension does not weaken the conative component of core brand attitude. It had no significant effect on the purchasing intention of the core brand ($BPI_{\text{before}} = 3.92$; $BPI_{\text{after}} = 4.09$; $F = 1.778$; $p > 0.05$). On the contrary, purchasing intention tended to increase after the extension. **Hypothesis H2 is therefore not supported.** To better understand this result, we studied the estimated marginal means of the purchasing intention *before* and *after* the extension according to objective familiarity and conducted paired sample *t*-tests. Purchasing intention significantly decreased for customers ($PI_{\text{before}} = 4.49$; $PI_{\text{after}} = 4.18$, $t = 2.002$; $p < 0.05$), but it significantly increased for non-customers ($PI_{\text{before}} = 3.35$; $PI_{\text{after}} = 4.00$; $t = -3.199$; $p < 0.05$). Therefore, our results did not support hypothesis H2 because of a “cancellation” effect, which might be attributable to the use of a student population in the study. As we noted above, the Armani Exchange line

targets students as potential customers. If students know that Armani is launching a cheaper line, they might be more inclined to buy the brand's clothes, which have become more affordable for them. These conclusions support Huvé-Nabec and Fontaine's (2003) findings on the distribution channel extension of a selective brand.

Determinants of the impact of a luxury brand's step-down line extension on core brand attitude

We examined hypotheses H3a-H5b with a 2x2x2 MANOVA (between-subjects) with two dependant variables (evolution of evaluation and evolution of purchasing intention). The between-subjects factors were branding strategy (i.e., existing brand name *vs.* sub-brand), distribution channel (i.e., existing channel *vs.* distinct channel) and objective familiarity with the brand (i.e., customer *vs.* non-customer).

The branding strategy of step-down line extension had no significant effect on the core brand evaluation ($F = 0.037$; $p > 0.05$) and the core brand purchasing intention ($F = 0.221$; $p > 0.05$). Contrary to the findings of several brand extension studies, our results did not find the "isolating" effect of sub-brand strategy. These findings do not support **Hypotheses H3a and H3b**. However, our results did confirm our expectations for core brand evaluation; it decreases slightly when the extension is launched under the existing brand name ($\Delta_{\text{existing brand name}} = -1.034$; $\Delta_{\text{sub-brand}} = -0.999$).

Likewise, there was no significant influence for the distribution channel of the step-down line extension (core brand evaluation: $F = 2.008$; $p > 0.05$; core brand purchasing intention: $F = 0.055$; $p > 0.05$). In other words, the impact of the extension on core brand attitude does not vary with the distribution channel of the step-down extension. **Hypotheses H4a and H4b are therefore not supported**. Although these two strategic factors (branding strategy and distribution channel) had no direct influence, we nevertheless noticed significant interaction effects in the two components of core brand attitude.

Finally, a consumer's objective familiarity with the brand (customer *vs.* non-customer) had a negative influence on the two components of attitude: core brand evaluation ($F = 16.935$; $p = 0.000$) and core brand purchasing intention ($F = 14.173$; $p = 0.000$). The estimated marginal means showed a stronger deterioration with customers than with non-customers for both components: core brand evaluation ($\Delta_{\text{clients}} = -1.396$; $\Delta_{\text{non-clients}} = -0.637$) and core brand purchasing intention ($\Delta_{\text{clients}} = -0.310$; $\Delta_{\text{non-clients}} = 0.650$). These findings **support hypotheses H5a and H5b**.

DISCUSSION AND CONCLUSION

This research provides a better understanding of the feedback effects of the step-down line extension of a luxury brand on core brand attitudes. These findings suggest that the affective component of attitude (brand evaluation) deteriorates regardless of the consumer's level of brand familiarity but that the conative component (brand purchasing intention) decreases for customers and increases for non-customers. Our research also assessed the influence of the branding strategy that the step-down line extension adopts, but we did not find the isolating effect of a sub-branding strategy. This result is important because managers often use sub-brands to stretch down their brands. Nevertheless, our study identifies the interaction effects between two strategic factors, branding strategy and distribution channel. A core brand attitude is most damaged when a step-down line extension is launched under the existing brand name and sold in the brand's existing distribution channel. Finally, our research proposes new insights on the role of brand familiarity. Like Kirmani, Sood and Bridges (1999), our research shows that core brand dilution depends on the level of a consumer's objective familiarity with the brand.

However, our research is subject to some limitations. We created ads from actual information elements to expose the respondents to stimuli that approximated market conditions. Although we carefully checked the external variables related to the ad, we cannot ignore the possibility that these documents might have influenced answers. Moreover, clothes are products whose use is "public". Thus, it would be useful to investigate the feedback effects of step-down line extension when the products of luxury brands are used in "private" situations (e.g., underwear, body care and skin care products) or in the service sector (e.g., luxury hotels, restaurants and credit cards such as American Express). A brand's vertical range (i.e., the different quality levels it covers) and the number of product categories it occupies could also affect the effects of dilution. Therefore, future studies could compare the feedback effects for brands that have never launched step-down line extensions (e.g., Gucci) with brands that are vertically extended (e.g., Armani). Finally, other explanatory variables need to be investigated. For example, Buil, De Chernatony and Hem (2009) show that feedback effects of brand extensions on core brand equity differ across countries. Thus, it would be interesting to analyze the influence of culture in vertical line extension research.

Full references available upon request

ARTS IN ITALY: DEVELOPMENT THROUGH EXPERIENTIAL MARKETING. SOME EMPIRICAL EVIDENCES.

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ABSTRACT

Growing competitive pressure, increasingly demanding clients and financial instability are forcing cultural organizations to look for innovative management tools to remain successful in the market. The experiential approach and/or experiential marketing seem to offer an answer to the new challenges.

This paper explores how experiential marketing is used by cultural organizations to retain and develop their audience base. Experiential methods and tools used by these organizations are studied through observation of the internet sites of 20 organizations in the cultural domain. The paper offers a picture of the experiential positioning of cultural organizations in the analyzed sectors. Comparisons within each sector and intra-sectors provide evolutionary cues.

INTRODUCTION

The report "Arts, cultural tourism and turnover", presented at Confindustria Federturismo in February 2009¹, gives evidence of the wealth of Italy's artistic and cultural heritage when compared to its main European competitors, as well as of the opportunities arising from the arts as a source of value for the creative industry, for cultural tourism, and for the Italian economy as a whole. The relevance of the Arts domain is also proven by the data on the use of cultural tourism², produced by Federculture, according to which cultural consumption in Italy has withstood the recession. It also evidences that this 'primary heritage' has not yet allowed Italy to reach the levels of GDP, of employment and of other economic indicators attained by other, less 'gifted' countries (UK, France, Spain)³.

Cultural organizations face a double challenge: on the one hand, they are responsible for preserving, protecting, promoting and enhancing the heritage of an immensely precious past, a 'legacy' from which to learn and which the largest number of people must be allowed to enjoy, according to the 'heritage' concept; on the other, cultural organizations must turn this industry into an economic asset to all intents and purposes, integrated in territorial marketing logics.

The Arts industry in Italy is increasingly aware of the opportunity of using marketing as a strategic and operational tool of managerial organization (Addis, 2002; Trimarchi, 2004; Sciarelli, 2002; Sicca, Zeller, 2000; Iasevoli, Massi, 2008; Severino, Minnella, 2008), although its use is not very widespread. Contributions by Italian scholars in the Arts are to be found in national and international research contexts (AIMAC, Marketing Trends, SIMktg). For instance, at the 10th International conference on arts and cultural management (AIMAC), Dallas, June 2009, several contributions were made on diverse topics such as consumer behavior (Salvemini, Morganti, Nuccio, 2009), customer satisfaction, control and measurement of results (Sciarelli, Caniparoli, Guardiola, 2009), economic implications (Salvemini, Morganti, Nuccio, 2009), museums and their specificities (Lazzaro, Greco, 2009) and alliances.

Therefore, cultural organizations are stimulated by many different subjects/entities:

- their increasingly demanding customers, whom they must seek to retain in order to ensure that they spend their free time with such organizations, rather than engaging in other leisure activities;

¹ "L'Arte è industria. Il valore della cultura e il turismo culturale, ricerca commissionata da Confcultura". [Arts as industry. The value of culture and cultural tourism, research commissioned by Confcultura] <http://www.confcultura.it>, last consulted on 09/09/2009.

² Jacomella J., Cultural tourism resists to the recession "But investments are needed," Corriere della Sera, 24/02/2009 p.21. +1.7% in the number of shows (when compared to +2.9% in 2006), +1.2% in ticket sales, +2% in sales versus a 1.85% fall in 2006 and, confirming the recession, a 4.7% drop in 2008.

³ Giacomo Neri, partner in charge of Financial Advisory Services Practice of PricewaterhouseCoopers, in a commentary on the research report "L'Arte è industria.", <http://www.confcultura.it> last consulted on 09/09/2009.

- the State that, over time, has abandoned its protection role (Law Nasi Rosadi, 1902-09)⁴, first turning into a financing body (Law 163, April 30, 1985, the so-called Parent Law) and then into a promoter and coordinator of the private sector, also in the light of increasingly scant financial resources. In this case, the State encourages the establishment of management arrangements oriented to the partnership between public and private sectors (Code of Cultural and Landscape Heritage, Leg. Decree 42/2004). We are hereby referring also to local State agencies that link cultural promotion to events enhancing the value of their places;
- private individuals, companies or foundations that view investments in culture as a mean to promote their business or image, other than meeting their institutional goals. The methods used are different, from sponsoring specific events to defining partnerships.

Bearing in mind their mission, cultural organizations have the opportunity to adopt an integrated marketing approach, opening up to all their audiences and stakeholders, both inside and outside the organization (Colbert, 2003), and creating innovative fruition pathways activating experiential dimensions coherent with their own essential policies (Arnould, Thompson, 2005). In this developing process, increasing importance is attached to the participation of consumers in the implementation of consumer experiences, to be 'lived' also in the cultural world (von Lehn, 2006; Stumpo, 2006; Conway, Leighton, 2009). Social networks (Facebook, Twitter, etc.) or other forms of on-line aggregation (Myspace, Linkedin, etc.), either promoted directly by Internet surfers or supported by organizations (clubs connected to brands or value products like Dove, Mini, Harley), are a clear example of the consumers' willingness to participate (Fabris, 2003; Fabris, 2008), in different ways, in the stimuli offered or sought directly thereby.

EXPERIENCE IN THE ARTS

The urgent need to face the challenges of the evolving environment and audience has given marketing, from the 90s up to today, a strong impulse to innovation. Among the most established results, we recall the increasing application of marketing to the services industry (among the most recent manuals, see Lovelock, Wirtz, 2007), that led to the classical (by now) approach of relationship marketing (Gummerson, 1999) and to the recent developments on the concepts of 'service logic' (Gronroos, 2008) and Service Dominant Logic (Lush, Vargo, 2006; Carù, 2007).

In the most recent years, however, it is the word 'experience' that has been constantly associated to marketing and it is the theme of experience that has prevailed in management literature, seen as a strong element capable of supporting the innovation required to face the evolution of the entrepreneurial environment (Hirshmann, Holbrook, 1982; Pine, Gilmore, 2000; Schmitt, 1999). The relationship between service marketing and culture has been oddly used as an example to allow for efficient applications in other fields (Grove, Fisk, 83; Grove, Fisk, Jhon, 2000); yet, it has been scarcely applied in a systematic way to cultural organizations, where a systematic manual on the cultural sector was first published only in the 1990s (Kotler, Kotler, 1999). Failing an established marketing culture, experiential applications have multiplied, though with different quality standards.

In the field of culture, there coexist advanced marketing initiatives that find a winning element in the experiential dimension, alongside experiential activities that represent impromptu and isolated attempts to experiment with innovation. The results are clearly very different: limited interventions can have a significant public impact which yet exhausts itself in the short term; when initiatives lack a strategic vision, they can become misaligned with the educational mission of the organization; the apparent success of spectacular interventions runs the risk of establishing the idea of an incompatible relationship between 'public appeal' and educational results. These limited-range activities are nonetheless a good combination of culture and marketing, since the organizations, already being in contact with their targets, acquire sensitivity and interest in pursuing their development process. In these cases, it becomes important to understand and exploit the potential to improve the relationship with the market. It thus becomes important to look at successful experiences that are capable of showing how problems can be overcome, as well as of showing the results, even partial ones, which can be achieved over time through an experiential approach.

We will now discuss the guiding dimensions of experiential marketing in culture, the logics with which cultural organizations will have to deal with.

1) To foster experience does not mean to increase sensationalism with the aim of creating amazement for its own sake. As said above, the adoption of an experiential logic in culture, albeit common for its apparent simplicity, is reductive if it is

⁴ Royal Decree in 1904 1902, Minister Nasi Law No 185; in 1909, Law June 20, No 364 (the so-called "Rosadi-Rava") put an end to the application of the 1902 Law.

meant to foster the organization of extraordinary consumption experiences (Arnould, Price, Zinkan, 2002). This perspective endorses a conception of the visitor as a person other than as a customer, taking into account his 'maturity': for cultural management, the alternative to propose - and to choose from - is that between a self-referred cultural message and a cultural message designed to be understood and taken in by the visitor, and not between a cultural message and fun for the sake of it.

2) The use of an experiential approach when targeting the customer should be considered as a process to be developed over time, encouraging the customer's development and allowing the organization to acquire increasing skills and develop more and more complex approaches.

To take one's time in a non-casual process is a necessary approach. The choice between an experiential approach that leaves the customer passive, flooded by proposals that are pre-set by the organization, and an experiential approach that allows the customer to take active part in coproducing the cultural offer, does not seem correct. These two views, clearly present and well identified (Carù, Cova, 2003), may no longer be considered antithetical; rather, they become two 'in progress' ways to be pursued and two options between which to move to find the correct one according to the objectives and type of customer. Learning from experience, we may even imagine satisfying a customer who grows and becomes able to use his feelings and emotional involvement in order to be active and even co-create the service, in a logic of development by phases (Pralhad, 2004).

3) To keep the scheme of use by phases in order to separate, analyze and manage the customer's activities and the organization's actions also for experiential dimensions.

Starting from the initial moment of the process, the phase of use, the experiential approach has long deemed it important to deal both with the pre- and post-use phases (Arnould, Price, Zinkhan, 2002).

4) To consider the role of virtual dimensions throughout the process, working in an integrated and complementary way with concrete initiatives.

The objective of introducing experiential elements of interest to customers during the pre-and post-use stages finds very interesting opportunities in the virtual dimension. The Web offers opportunities for integration also in the use stage, allowing customers to have remote access to cultural services or ancillary services, such as educational games.

5) To work on the internal marketing dimension.

Attention to staff, which is crucial in the service logic, becomes essential for the implementation and success of the experiential approach.

6) To work by relying on specific and systematic research.

The search for and acquisition of information is always crucial, and needs to be adjusted in its models and methodologies so as to support experience-based decisions (Addis, 2005; Covà, 2008). Once again, it is appropriate to proceed step-by-step, including the recognition of experiential dimensions to supplement, rather than revolutionize, the set of data available. It may well be useful to resort to the qualitative approach in a flexible manner, sometimes to prepare for a subsequent quantitative approach and sometimes to grasp more accurately and to examine closely the data resulting from ad hoc examinations.

RESEARCH OBJECTIVE AND METHODOLOGY

The aim of this paper is to examine how Arts organizations use experiential marketing to manage and develop their audiences (visitors, spectators, supporters, etc.). While the dissemination of culture to new targets and the growth of cultural consumption in the target already served by such organizations are two aspects that are closely interrelated and fundamental to the pursuit of the mission of such organizations, the experiential approach will enable them to attract, keep, retain their target, acting (whether concretely or virtually) (Gilmore, Pine, 2002) throughout the process of cultural service use, in the pre-use, use and post-use stages (Gronroos, 2002).

To achieve the proposed goal, we carried out a research project by observing the methods of experiential marketing adopted by some cultural organizations (Leighton, 2007). The observation was made on-line, by considering the Websites of 20 cultural organizations. The study was conducted from October 2008 to July 2010.

The analysis was carried out by observing and studying the Websites, evaluating the offer proposed (the core business, the target audience, any incremental services, the graphics used, etc.), determining the elements allowing for an interaction between the user and the organization, and evaluating the tools that fostered the target's participation and involvement. The elements, tools and the Website itself are part of the same environment in which the user is subject to experiential dimensions

related to his senses, colors, music, photos, which make him taste (pre-use) or live again (post-use) 'the magic of a museum' or of an evening. They represent, at the same time, the mechanisms that allow the Internet surfer to come into contact, interact and participate, whether or not actively, in the creation of a process. Only his eventual satisfaction will induce the Internet surfer to move towards more and more engaging, even emotionally, choices.

The method of analysis we used refers to the diagnostic model proposed by Conway and Leighton (Conway, Leighton, 2009) which views the development of experience in the Arts 'in a continuum'. At one extreme lies the traditional method of communicating Art by focusing on 'products', on their technical, artistic and educational components. The experience communicated is that referred to the intrinsic experience of the Art product. At the other extreme stands experience as a commercial attraction, sensationalism to attract visitors, the spectacular event made up of partial experiences or purely commercial communications. Proceeding further, there is an integrated experiential approach used by cultural organizations which, 'listening' to their visitors, give rise to experiential processes that encompass, in a unitary logic, (physical and virtual) environments with their art content, people with their experiences and the wider community.

Therefore, the observed elements refer to:

- 1) the contents and methods of information and communication used by the different organizations surveyed, including the corresponding virtual environment that illustrates their core product (e.g. the plot of the show, the history of theatre) and their extended product (e.g. the trailer, backstage, the translation into Braille);
- 2) the elements of interaction with the environment and of participation of the different targets, in the manner deemed most appropriate by the organizations (active/passive participation), such as the creation of one's own listening/visiting experience or the interaction with the structure or other users.

RESULTS AND DISCUSSION

Empirical Evidences

The 20 cultural organizations we looked at are festivals (of film and music) and innovative theatres. In each of these sectors we selected organizations operating in Italy and abroad in comparable environments. Our analysis and the considerations emerging from it pertain to observation of experiential elements present in the organizations' internet sites, and so cannot be considered an exhaustive representation of the enterprises' and organizations' way of working in general, as the event or live experience itself is missing from the picture. This information was then organized in terms of the process of consumption, divided into the phases of pre-use, use and post-use.

The principal features of the sectors and enterprises analyzed are described below.

Festivals of national or international importance contribute to the renewal, dissemination and promotion of the performing arts in all their expressions, making them accessible to more citizens and to the public in Europe and all over the world. They are eligible for FUS⁵ funding (in compliance with certain established criteria) in that they promote: understanding of cultural and linguistic diversity and intercultural dialogue, education in imagery for the young (cinema), promotion of cultural tourism (music festivals), integration of theatre with historic and archeological sites (prose drama). The film festivals awarded FUS funding are: Venice, Cannes, Berlin, Locarno, Montreal and the Sundance film festival.

Film festivals are a medium for the promotion of film productions. The number of festivals has exploded recently both in Italy and internationally. We looked at primary Italian and international festivals. The Italian festivals were sponsored or funded by Mibac, while the international festivals were identified by Mibac as festivals for awarding of FUS contributions. The festivals we looked at were: the Venice Film Festival, the Turin Film Festival and the International Film Festival of Rome in Italy, as well as the Cannes Festival, the Berlin Festival (Berlinale) and the Toronto Film Festival.

The music festival is a festive and cultural event often hosted by a local community and normally focusing on a specific theme. It is held at periodic intervals and may be concentrated in a single town or spread over a wider area. Most Italian festivals respond to the need to balance artistic and financial requirements with involvement of local public and private institutions in a broader integrated system than the local place, for which the festival represents a formidable marketing tool.

⁵ The Fund for the Performing Arts (FUS) is the mechanism used by the Italian government to adjust government intervention in the areas of the performing arts.

All the music festivals we looked at are primary events oriented toward promotion and development of the art of music and have strong links with the place that hosts them. CocaColaLive@MTV is the only commercial music festival intended to promote a product that we looked at. The Italian music festivals we analyzed were, in addition to CocaColaLive@MTV, the Italia Wave Love Festival (organized by the Arezzo Wave Foundation) and the Ravenna Festival (organized by Ravenna Manifestazioni). The international festivals considered were the International Benicassim Festival (in Spain) and the Lowlands Festival (in the Netherlands).

Innovative theater represents a niche in the theater primarily concerned with production of performances for young people and education of people working in theater (actors, choreographers, directors, etc.), offering innovative performances, educational performances, workshops, seminars and partnerships with local organizations, organizations for the promotion of tourism and cultural associations. The national theaters we looked at are the top four permanent innovative theaters in order of FUS funding assigned in 2008: the C.R.T. (Centro Ricerca per il Teatro) in Milan, Teatro delle Briciole in Parma, Fondazione Pontedera Teatro in the province of Pisa and C.S.C. (Centro Servizi e Spettacolo) in Udine. The international theaters we looked at were the Théâtre de la Bastille in Paris and New World Stages in New York.

Our principal findings in each sector are noted below.

Film Festivals

A film festival must increasingly present itself as a unique, unrepeatable “experience” in order to attract the attention of the national and international press, making use of the red carpet and the cult of the diva, its memorability and the emotions it can call up. The Venice, Cannes and Toronto film festivals are high society events intended primarily for people working in film. The Venice film festival gets the public involved only to a limited extent, while both Cannes and Toronto offer interesting opportunities for the public, both live and virtual. The Turin Film Festival is a small, highly specialized festival intended for a niche audience which comes back every year. The international film festival in Rome offers a strong local identity and targets the general public, like the Berlinale.

Later on we shall comment on the aspects of the festival offered over the internet, as we look at the process of use. At the pre-use stage, Rome and Cannes, consistently with their image as glamorous society events, publish photographs and videos of previous festivals, and information for film professionals, in order to get the public involved in advance of the event. The Turin festival provides little information (it evidently communicates offline in the local area) while Venice publishes information aimed at its target (people working in film). Both Berlin and Toronto make use of advanced communication processes: Berlin offers information customized by target group, preview screenings and e-commerce, while Toronto presents plenty of opportunities for interaction and participation even prior to purchase, ranging from trailers, videos and comments on previous festivals to sneak previews, competitions and opportunities to attend screenings in person.

In the use phase Turin offers on-site meetings with artists and a selection of photographs published on the web. Venice offers services via web (extended product concept) for people in the industry, while Rome presents opportunities to interact with its target group (Fabbrica Progetti and Business Street) and information on the extended product (conventions in the local area). Cannes publicizes and offers information on its extended product range: film lessons, events paying homage to actors and directors. Berlin and Toronto not only present the many activities included in their extended product range, but get the public involved in this phase: in Berlin there is an online community for the Berlinale Talent Campus, while Toronto updates its blog in real time with program changes.

Festivals take different positions in the post-use phase: Venice and Turin remain static and fail to interact with their target, and Turin even charges for its newsletter. The other festivals are more oriented toward participation and interaction with their target, and specifically: Rome has a blog for young people entitled “Alice nella città” and offers prizes and surveys after the festival, Cannes has an interactive area with quizzes for prizes, newsletters, photos and videos to get the general public emotionally involved, and Berlin ensures that the online community created by the Berlinale Talent Campus stays alive with video streaming, trailers, on-TV and a photo boulevard; Toronto not only continues its blogs with comments on films but provides year-round activities for its target group.

The festivals described here are represented in [Figure 1](#), where the horizontal axis represents the experiential focus, from the (intrinsic) experience of the Art Product/Service to the experience/spectacular event and the integrated experience. The vertical axis represents the purchase process in the pre-use, use and post-use phases. It is apparent that festivals which pay a lot of attention to considerations of an artistic nature and issues of quality, such as Berlin and Cannes, provide a more

complete experience, drawing on substantial elements which are already inherent in their concept to retain their audience. They broaden their target and get the local community involved, which may directly or indirectly support and promote continuity for the initiative. For example, though the Cannes festival is primarily intended for film industry professionals, and allows the public to attend only under compromised conditions (screenings on the beach), it recently introduced elements encouraging emotional involvement in the post-use phase to obtain the support of the general public. More commercial festivals established recently (such as Rome) use their internet site to consolidate their ties with the local place and get people to come back.

It is worth noting in the post-use phase a failure to capitalize on some strong experiential connotations. Venice, which, while it has some interesting strong points, has not yet managed to create a way of getting the city itself involved (citizens and stakeholders). While Turin, despite the fact that the keyword for the target is “retention”, in its website has no interaction with the public at all, and the website has no emotional aspects. The Berlinale could be a useful benchmark for Turin.

Music Festivals

The organizers of the analyzed music festivals are very different from one another. The Ravenna Festival is traditional in terms of both audience and type of music. Its website offers a wealth of audio and video content and images, with simple, complete information in two areas: the festival, and tickets. The Coca Cola Live@MTV site offers concise promotional content focusing on the event and the product, but fails to get users actively involved. The Italian Wave Love festival, the Lowlands festival and the Benicassim festival all have everything they need to get their target group involved and immerse it in the different experiences they offer. With graphic elements permitting active use and participation (with the Wave band and Elettrowave challenge competitions) or passive use, depending on the festival’s target, right from the pre-use phase.

In the use phase, the Ravenna Festival has an online ticket service and a dedicated press section. CocaColaLive@MTV simply provides logistics information on the festival location, while the presence of poorly organized images and videos fails to encourage participation and experience. The other three festivals each offer virtual participation in the event in different ways, up to the point of actively involving the user through interactive tools such as competitions and other forms of encouragement for active use. They also offer numerous extended service components.

Finally, in the post-use phase, Ravenna simply uses a generic newsletter to maintain relations with its customers. CocaColaLive@MTV does not seem interested in actively involving its target group, with no interactive or participatory services or tools. The other three festival operators are definitely active: the Italian Wave Love festival promotes interaction and participation with a number of different communities, forums and tools for dialogue and direct interaction with the organization, while the Lowlands festival uses forums, newsletters and virtual platforms to ensure participation and interaction with its customers and offers an e-commerce section to keep the memory alive with its products. And Benicassim uses a special e-commerce section to strengthen its brand and ensure customer retention, as well as forums and newsletters. Music festivals are represented in [Figure 2](#) on the basis of their experiential positioning.

Coca Cola Live@MTV, a commercial promotional festival, fails to obtain users’ involvement and interaction. It fails to attract the attention of potential customers either with specific interactive and participatory tools or, above all, with its graphic presentation, which contains none of the dynamic images one might imagine to be appropriate for its avant-garde target group.

The Ravenna festival, while sufficiently rich in the pre-use stage and capable of attracting users’ attention and emotional involvement, does not have interactive and participatory tools useful at later stages, particularly for maintaining customers. In this case action aimed at ensuring continuity could ensure greater local integration, while participatory tools would permit better dialogue with a younger target. The Italian Wave Love festival, like the international Lowland and Benicassim festival, allows its different target groups to passively enjoy or participate directly in the experience at all stages in the process.

Innovative Theater

In innovative theater, the product/service component is the most important, and the focus on the customer should be equally important in view of the fact that the educational and innovative element is the reason for the existence of this form of theater.

The selected organizations present different approaches to the market. C.R.T., emboldened by its brand and by one of the richest festival archives available, offers online users an archive of productions, thereby already offering users an experience online. Browsing users can then find detailed information on current performances and festival history as well as various opportunities for contact with the organization (by email). Briciole offers a very attractive showcase on the internet presenting multimedia content with clear, detailed information. Pontedera also has an experiential showcase website: attractive graphics and clear, easy access to information, photographic archives to stimulate users, public involvement in the foundation's activities through publication of news. Bastille stands out for its effective, continually updated newsletter. CSS and NewWorld pay special attention to getting the public involved pre-use: CSS attracts customers' interest in its activities and choices with detailed content, while NewWorld gets the public involved in a variety of ways using special initiatives dedicated to different targets, newsletters and forums.

During the use phase, with the exception of CRT, theaters provide information on how to get to the site and where to pick up tickets. They rarely provide information on additional services such as coat checks, parking, art galleries or disabled access, all of which are provided by the NewWorld festival.

In the post-use phase the C.R.T., Briciole and Pontedera theaters offer no interactive or participatory activities for users, while Bastille allows them to meet with artists to ask questions about the performances. CSS and NewWorld have a different approach, focusing attention on the customer: CSS permits direct interaction via its theatre community on Facebook, while NewWorld uses a chat room to measure customer satisfaction. [Figure 3](#) represents the experiential focus of the innovative theater companies.

It is interesting to note that the intrinsic experience linked with the cultural product, which is partly used in the pre-use phase of providing information and, in some cases (Pontedera), gets the customer involved in theater activities, is more present than in the sectors we have looked at so far. It is also worth noting that C.R.T., while characterized by a high level of innovation and originality in its products, like Pontedera and Bastille, lags behind these two festivals in the process of experiential evolution and focuses on traditional concepts of product and service without exploiting their full potential.

In the purchase process and the important post-use stage, these intrinsic experiences are forgotten, failing to take advantage of the opportunities they offer. CSS stands out among Italian festivals for its particular focus on understanding customers' needs.

CONCLUSIONS AND IMPLICATIONS FOR THEORY AND PRACTICE

The study confirms that experiential marketing or the experiential approach has an important role to play in cultural institutions.

The evidence also reveals that reasoning in terms of experience applies to all the sectors of culture examined. In many cases the tools used clearly lack systematic application and an integrated vision (and long-term view), but they do reveal a liveliness and interest worth cultivating. Excellence is achieved step by step, with integrated action using different tools which, when implemented one after the other, lead to achievement of goals.

Our virtual analysis confirms that the sectors we looked at mature in different ways, clearly linked with the needs and expectations of their target groups. The music sector is the most advanced in terms of use of the internet experience in Italy and internationally.

In all the sectors we analyzed, experiential tools are used primarily prior to purchase, for preparation for the visit, typically making the most of the experience intrinsic in the product. Photographs, films and video content now represent a significant part of culture.

There are also cases of partial involvement and proposals for participation which the organizations then fail to respond to adequately. At the same time, there are cultural organizations in Italy which have implemented advanced processes for maintaining contact with their audience through more complex approaches combining experiential activities with involvement of the customer even at a distance, after the visit is over.

All these cases taken together reveal a highly varied scene, suggesting that study should be continued to obtain confirmation of our findings and more in-depth information.

FIGURES

Figure 1 – Experiential positioning of Film Festivals

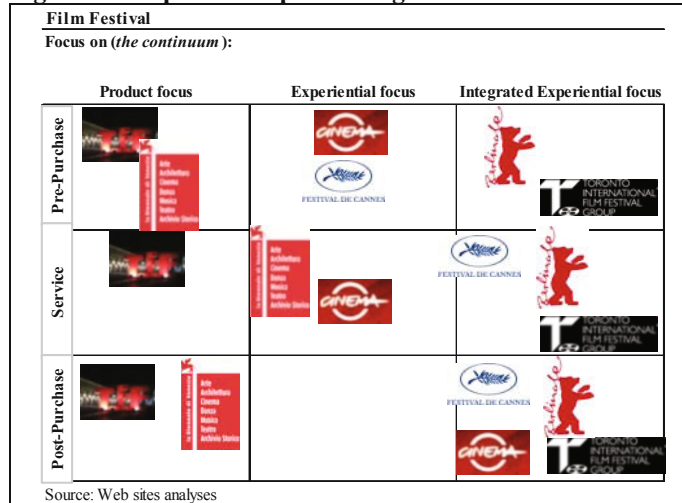


Figure 2 – Experiential positioning of Music Festivals

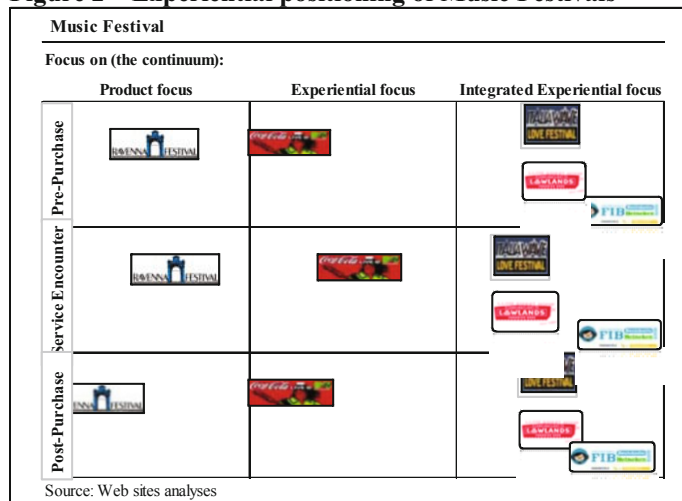
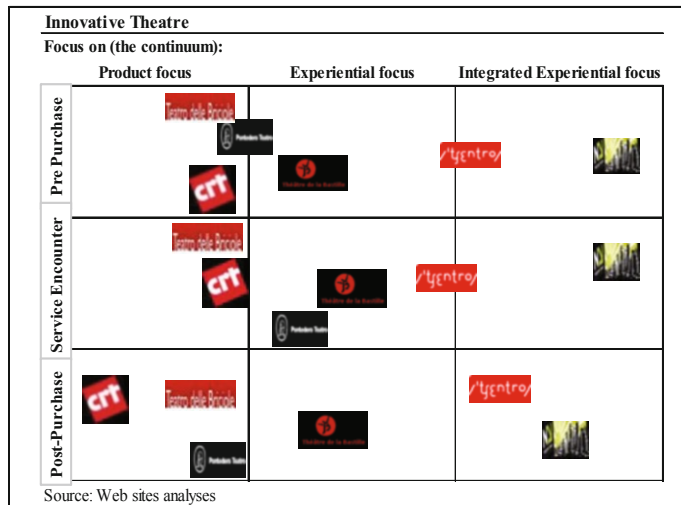


Figure 3 – Experiential positioning of Innovative Theater



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Wednesday, 20 July
Time: 10:30 AM

Session Number: **2.8: Marketing and the Law**

Session Chair: Schellhase, Ralf, *Darmstadt Technical University*

Trademarking Color: The Role of Survey Evidence

Bednall, David, *Deakin University*

Ashwin, Marie, *Ecole de Management de Normandie*

Hirst, Alan, *London Southbank University*

TRADEMARKING COLOR: THE ROLE OF SURVEY EVIDENCE

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INTRODUCTION

Survey evidence is often adduced in trademark proceedings (Corbin & Gill, 2008) to test for passing off (Hoek & Gendall, 2003; Swann, 2008) and to see whether a name or symbol is generic. This paper focuses on a third area, whether a word, symbol or color acts as a badge of origin for a brand (Jones, 1988 -1989), thus allowing their registration as a trade-mark. Past papers have reviewed faults with previous studies and given guidelines for the future (Gough, 2008; Hoek & Gendall, 2003; Morgan, 1990; Swann, 2008). However, they often lack crucial implementation details, fail to show how the various elements of the survey interact, do not always specify how the research task or topic is framed for interviewees and suffer from a limitation of testing secondary meaning through measuring various kinds of association, not identification. A specific survey design is proposed that addresses these four issues. It does so in the context of color and champagne, that is, whether a particular color, namely "orange", acts as a trademark for the Veuve Clicquot (VC) brand (Veuve_Clicquot, 2009). This color is registered in Europe (Dickerson, 2006) and Australia (Forno, 1999), though no survey evidence was adduced.

HYPOTHETICAL METHOD TO TEST DISTINCTIVENESS

The paper proposes a detailed survey design to test whether the color "orange" is distinctive of Veuve Clicquot (VC) for US consumers where the color is not a registered trademark. For the purpose of describing a specific design, it is assumed hypothetically that VC applied for registration in 2001. The first design issue is the target population. In the US, imported sparkling wine comprises less than 2% of the total wine consumption (Wine Institute, 2010). In screening for those who buy or drink sparkling wine, a list of wine types previously purchased or consumed would be used to disguise the principal category of interest. Interviewees under 21 in 2001 (thus under 31 in 2011) should be excluded.

The need to show the color directly, under controlled conditions, means that survey interviewers are required, using intercept interviews in shopping malls. Gender, age, climate, race, income, and occupation are also likely to affect the buying and use of wine (Kerr, Greenfield, Bond, Ye, & Rehm, 2004). Climate can be accounted for by choosing several US States, but each center would have age (presumably at least 3 groups) and gender quotas, with some overall survey quotas for ethnicity. Finally, there may be a pattern of times when particular groups buy wine (e.g. on the way home after work). Interview times should be spread through the interviewing period to increase heterogeneity. Interviewers would be positioned where they are not adjacent to any particular liquor outlet. In the US, there are an estimated 1097 liquor outlets for VC (Superpages, 2010). Interviews would be conducted in two groups of shopping malls, one where there are two or more alcohol outlets, at least one of which sells VC, and the other a demographically matched control group of places without a VC outlet. Twelve centers could be used (3 regions * 2 types of center * main vs. provincial city).

A crucial issue is how the topic should be framed to them when they are asked to participate. The legal nature of the proceedings and the particular interest in color should not be mentioned either to interviewees or interviewers. In terms of seeing whether the color takes the consumer to the brand, various ways of presenting color are possible -a swatch of color on its own or color on the label of a wine bottle. A color without a context may lead consumers down alternative semantic pathways that are irrelevant to the issue. As consumers only see trademarks in context, placing the color on a wine bottle label is appropriate. Two types of wine bottle could be used, a normal white wine bottle and a champagne-style bottle (but not a VC one with its other indicia). In this way, the effect of the bottle type could be assessed. Since screening needs to assess various types of wine buying and consumption, it is suggested that they be told the survey is about wine.

Essentially, what the survey needs to test is whether consumers, when they experience the VC "orange" color, use it to identify that particular brand. One possibility is that interviewees are merely guessing a well-known or well-publicized brand. In order to assess this tendency, a control stimulus (Swann, 2008) that is identical, except for color, needs to be shown. Swann (2008, p. 327) notes the difficulties in choosing an appropriate stimulus, but calls it a "case-by-case conundrum". The control color chosen has to meet two requirements that are possibly contradictory. First, the color needs to be one not in common use in the category, for example, a pale blue. Second, the color needs to be plausible, that is, consumers would

regard it as a possible color used in the category. However, if the color were implausible, consumers might react to the color and judge that no product in the category would use it. This could be considered an incoherent combination (Kayande, Roberts, Lilien, & Fong, 2007). A pale blue solid color is plausible given the colors used by champagne (Libation, 2010), but is not associated with any particular brand. Another color in common use, for example green, could also be used. In addition, champagne bottles usually include a neck label (a registered trademark for Veuve Clicquot in some jurisdictions) and a colored foil wrapping over the neck of the bottle and wire-restrained cork. For the sake of the exercise, it is probably sufficient to have empty bottles with neither foil nor a neck label.

Consideration should also be given to the shape and size of the label. Given that rectangular labels are common to the category, a rectangular label but in a different size to that used by Veuve Clicquot could be used. VC labels are solid color, with only some text written in black and red. While the trademark application is for the color alone, the color itself always appears in the context of other marks, signs or symbols. A relevant question, therefore, is whether the color needs to be tested singly or in combination. In the case of VC, labels with and without text could be tested. Although the trademark application is for the single color, stronger evidence may exist if packs that use the predominant color with a minor use of other colors also produce the identification response.

Essentially, the guiding design is a double-blind medical trial with neither interviewers nor interviewees briefed as to the purpose of the research or which treatment contains the active ingredient. A full factorial design with just 2 bottle types, 2 colors, bottles with and without text and two predominances of color (total and majority) could be used. Given these $2 \times 2 \times 2 \times 2$ treatment groups and 3 age and 2 gender categories, multiples of 96 interviews are needed in each center. Ideally, at least 2 interviews in each category would be conducted giving 192 interviews in each center, or 2304 interviews overall. Given the difficulties of recruiting a narrow category of consumers, costs would be very high. However, such a design ensures at least 150 people per treatment condition. While a conjoint design (Hoek & Gendall, 2006) could be used to reduce the number of combinations to be tested, courts are also likely to be interested in the interactions between main color, bottle shape and predominance of orange. Within centers, interviewees within quota groups should be randomly assigned to treatment groups. Each interviewee should only see one stimulus, to avoid order effects. The stimuli should be numbered in a random manner, e.g., 997, 625 etc., so that the number is not correlated with any feature, meaning interviewers are given no cues.

Swann (2008) asserts that wherever possible, open-ended questions should be used to avoid leading questions that suggest responses either to interviewers or interviewees. While he details two standard formats for trademark questions, the "Eveready" and "Squirt" tests, neither are suitable as they deal with possible confusion, not with the badge of origin question. One formulation in secondary meaning cases was suggested by (Jones, 1988 -1989). He proposed that the indicia (such as a color) be "printed on a display board ... removing all other indicia of source from the packaging" (p.484) and then asking a question such as, "Do you associate [brand name product] with the [generic product name] of one, or more than one, company?" or "Does [brand name product] connote one, or more than one, source of [generic product name]?" (p. 484). These questions would translate as follows, "Do you associate *Veuve Clicquot* with the champagne of one, or more than one, company?" or "Does *Veuve Clicquot* connote one, or more than one, source of champagne?"

These proposed questions raise several issues. The first is about mentioning the brand *Veuve Clicquot*, which is the very outcome to be assessed. Presumably, Jones actually intended the question to be more like, "Do you associate *what is on this card* with the champagne of one, or more than one, company?" This has the virtue of taking the interviewee from the indicia to the source (brand or company). This direction is critical. It is not enough to say that *Veuve Clicquot* leads to nominating its orange color. Rather, to serve as a badge of origin, the color has to lead to its origin. Another key issue is the use of the word "associate". Just because a particular indicium is strongly associated with brand does not mean that it serves to identify the source. For example, red is strongly associated with Ferrari sports cars but seeing a red sports car is not enough to identify it as a Ferrari. In principle then a word such as "identify" is necessary. This assumes that consumers would understand the word "identify" in the sense intended. It is clearly a more common word than "connote" which Jones suggested. However, should there be any doubt, pre-testing using cognitive interviewing principles (Willis, 2005) would help establish the validity of this question. Thus, a question such as, "Here is a bottle of wine. Does this bottle identify any particular companies, products or brands to you? Any others?" would be suitable. It places no emphasis on color and does not suggest that any single answer is expected. For those saying "Yes", the follow-up question is, "Which companies, products or brands?" For each one listed, a further follow-up, "Why do you say that?" allows a more direct assessment of the reasons for the response. Open-ended questions then require a coding frame that is carefully developed without instruction from the survey designer and coding by at least two independent coders.

The final issue is whether any VC identification uncovered in the survey applies to the 2001 application date at which VC hypothetically asserted that the color already acted as a trademark. Questions can be asked about the length of time the consumer has held the identification, but these are subject to errors of estimation including backwards and forwards telescoping (Auriat, 1993). While it may be possible to see whether landmark events (Gaskell, Wright, & O'Muircheartaigh, 2000), such as a wedding or special birthday, could be linked to the identification, this approach relies on those events being of high incidence and memorable. Preferably, the survey should instead be conducted at or near the filing date.

In terms of analysis, the key issue is whether at least a majority of consumers or buyers of champagne use the color orange to identify VC. A second test may be expressed as a high signal-to-noise ratio. That is, the ratio of people identifying VC in response to orange should be far higher than for any other brand. Finally, these results need to be projected back to 2001.

CONCLUSIONS AND IMPLICATIONS FOR THEORY AND PRACTICE

This paper has demonstrated that a detailed, specific design to test whether a particular brand symbol has acquired secondary meaning necessarily involves the resolution of key legal, design and cost issues. Necessarily these interact. Three key issues - framing the survey purpose, measuring identification rather than association and projecting outcomes back in time are shown to be critical. The paper thus gives specific guidance to future trademark studies.

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Wednesday, 20 July
Time: 10:30 AM

Session Number: **2.9: Pricing Strategies in Retailing and Services**

Session Chair: Mottner, Sandra, *Western Washington University*

Don't Waste Your Emotions: The Impact of Price and Advertising Appeals in Services

Burman, Bidisha, *Appalachian State University*

Albinsson, Pia A, *Appalachian State University*

The Impact of Price-related Incidents on Store Loyalty

Zielke, Stephan, *Rouen Business School*

To Collude or Not to Collude: An Exploratory Study of Retail Store Performance and Strategic Choices in Bangkok Clothing Clusters

Chotekorakul, Warin, *Assumption University*

Nelson, James, *Thammasat University*

**DON'T WASTE YOUR EMOTIONS:
THE IMPACT OF PRICE AND ADVERTISING APPEALS IN SERVICES**

Bidisha Burman, Appalachian State University, USA
Pia A. Albinsson, Appalachian State University, USA

ABSTRACT

Promoting services through advertising is different and more challenging compared to product advertising, as services possess intangible qualities (Stafford and Day 1995). Research has recognized that services require different advertising strategies than those of products (Cutler and Javalgi 1993). Assuring customers of service quality before the service experience make tangible cues important in services marketing. Even though tangible cues have been shown to be particularly important for services advertising as it can help the pre-purchase assessment of the service through the psychical representation of the attributes in the servicescape (Legg and Baker 1987; Reimer and Kuehn 2005), researchers have found that emotional appeals may result in more positive reactions from advertisements (Goldberg and Gorn 1987). Emotional appeals are thought to be more important in services compared to goods advertising since the consumption experience cannot be easily evaluated pre-purchase (Zeithaml et al. 1985). Therefore, services advertising often rely on the intangible cues found in emotional appeals.

Due to limited extant experimental research on advertising appeal effectiveness and price cues in services, we conducted two experiments in the context of hotel advertising. While past research has found support for the effectiveness of both appeals in services marketing, our first experiment showed that price level of the service may determine the effectiveness of emotional versus rational appeal. Results from the first experiment (that used four versions of a print ad), showed that rational appeal results in higher effectiveness than emotional appeal for a low priced hotel but for a higher price hotel advertisement, rational and emotional appeal did not show significant difference in influencing consumer evaluations of the offering. In order to further understand the interaction effects of rational appeals in the presence of price cues, we decided to conduct a second experiment with multiple levels of rational appeals. In this experiment, we categorized rational appeals into different levels based on the specificity of the information presented. We also examined whether the proposed effects would vary across individuals with high versus low need for cognition. In order to create a realistic experience of making hotel reservations, we developed an online stimuli consisting of different treatment versions of a hotel's webpage featuring price and the list of amenities with varying levels of specificity (for example, complimentary and surcharge information). Using appropriate scenarios, we also measured post-purchase consumer evaluations of the hotel offering.

This research contributes to the literature by extending the limited knowledge of the effect of price and advertising appeals (in both print and Internet advertising) in a services context. Examining the interaction effect of these two variables is important to hotel managers and hospitality marketers since there is a wide range of prices of hotels for consumers to choose from in most markets.

References Available Upon Request

THE IMPACT OF PRICE-RELATED INCIDENTS ON STORE LOYALTY

Stephan Zielke, Rouen Business School, France

INTRODUCTION

Customer satisfaction and loyalty are in the focus of many retail companies. Customers, however, often focus on price (Zielke 2010). Accordingly, previous research has analyzed relations between price perception, overall satisfaction and loyalty (e. g. Varki and Colgate 2001; Voss et al. 1998). Other studies identified price-related incidents, which cause satisfaction or dissatisfaction with a retailer or a shopping situation (Bell et al. 1997; Hare et al. 2001; Kelley et al. 1993; Sundaram et al. 1998). Examples for negative incidents are price increases, situations where customers received low value for money, where prices were higher than expected, where the price was reduced after the purchase or where an individual item price did not coincide with the price charged at the cash register. Examples for positive incidents are unexpectedly low prices or substantially reduced prices through sales, discounts, and coupons.

However, it is still unclear how and under which conditions such incidents influence customer loyalty. Therefore, the present study aims to shed light on the psychological processes that explain the impact of satisfying or dissatisfying price-related incidents on different aspects of loyalty (attitude change, word-of-mouth communication and retention). Two separate structural equation models are tested for positive and negative incidents.

CONCEPTUAL FRAMEWORK

The conceptual framework builds on attribution theory and cognitive theories of emotions (e. g. Roseman et al. 1990; Weiner 1985, 1986). The framework assumes that the inferred causes or appraisals of a price-related incident trigger specific emotions, which can have an impact on customer loyalty. The framework is not limited to price-related incidents and applicable to a broad range of incident types.

Attributions are inferred causes of observed actions or events. Cognitive theories of emotions suggest different dimensions of attributions, such as agency or locus and the stability of the inferred cause (e. g. Roseman et al. 1990; Weiner 1985, 1986). Based on these theories, the conceptual framework of the present study concentrates on three attribution types. The retailer attribution indicates whether the retailer caused the situation and whether the customer perceives him as responsible for the event; the customer attribution indicates whether the customer caused the situation and whether he perceives himself as responsible for the event; the stability attribution indicates whether the cause of the incident is stable or not.

According to Weiner's attributional theory emotions evolve in a sequential process of increasing complexity. In a first step, the outcome of an event causes a general positive or negative reaction, such as enjoyment or distress. In the subsequent steps, more specific attribution-dependent emotions emerge, determined by the perceived causes of the outcome (Weiner 1985, 1986). Examples for attribution dependent emotions, resulting from price-related incidents are anger, shame, guilt, gratitude, pride or surprise. These emotions were also analyzed in prior price-related studies (e. g. O'Neill and Lambert 2001; Schindler 1998; Zielke 2009, 2011).

Finally, the framework assumes that attributions and emotions influence customer loyalty. Many conceptualizations of loyalty are based on the belief that true loyalty requires both a favorable attitude towards the store and repeat purchase patterns (e. g. Dick and Basu 1994; Oliver 1999). In addition to attitudinal and behavioral loyalty, several studies investigate word-of-mouth communication as a separate consequence of satisfaction (e. g. Bridson et al. 2008; Carpenter 2008). Hence, the framework distinguishes between three types of consequences related to loyalty, namely the attitude change, word-of-mouth communication and customer retention or revisiting behavior.

Based on this general framework, two separate models for negative and positive price-related incidents are developed and tested.

The model for negative incidents assumes that attributions (retailer attribution, customer attribution, stability attribution) and distress as a general negative reaction influence the attribution-dependent emotions anger, shame, guilt and surprise. Furthermore, these attributions and emotions have an impact on the negative attitude change, negative word-of-mouth communication and retention. Finally, the loyalty before the incident is introduced as a control variable.

The model for positive incidents assumes that attributions (retailer attribution, customer attribution, stability attribution) and enjoyment influence the attribution-dependent emotions gratitude, pride and surprise. Furthermore, the model includes also guilt, as previous research found that positive price perceptions can cause this emotion when customers have strong price-quality inferences (Zielke 2009). Similar to the framework for negative incidents, the attributions and emotions influence the different aspects of loyalty and the loyalty before the incident is introduced as a control variable.

METHODOLOGY

A two-part questionnaire was developed to test the hypotheses. The respondents were asked to recount a situation where they were extremely satisfied or dissatisfied with a store's prices. After reporting the incident, the respondents then answered standardized questions on the attributions of the event, resulting emotions and loyalty consequences. The items were developed based on previous research, pre-tested and extensively discussed with the pre-test respondents. The questionnaires were distributed to respondents of different age, gender, household size and income. In total, 542 questionnaires were completed. The mean age of the respondents was 36, 55.8 percent of the respondents were female and the median net household income ranged between 1,500 and 2,000 euros.

The hypotheses are tested with separate covariance structure analyses for positive and negative incidents. The analyses are conducted in Mplus using the MLR estimator (Muthén and Muthén 2007). Before testing the hypotheses, convergent and discriminant validity are checked based on alpha coefficients and Fornell and Larcker's criterion.

RESULTS

The fit indexes of the models testing the hypotheses for negative and positive incidents are all satisfying (negative incidents model: CFI: .958; TLI: .953; SRMR: .049; χ^2/df : 1063/733; positive incidents model: CFI: .946; TLI: .939; SRMR: .054; χ^2/df : 1190/773).

The results show that negative incidents differ in terms of their impact on attitude change, word-of-mouth communication and retention, depending on attributions and resulting emotions. For the attitude change, the retailer attribution has the strongest total impact (.44), followed by anger (.33), shame (.27) and distress (.25). Word-of-mouth communication is mostly influenced by anger (.31), the negative attitude change (.25), surprise (.18) and the retailer attribution (.16). Retention, however, depends mostly on the loyalty before the incident (.63), followed by the negative attitude change (-.21) and a number of smaller effects from the other variables.

The results show also for positive incidents that a number of variables in the model have significant effects on the attitude change, word-of-mouth communication or retention. Based on the total effects, the attitude change is most strongly influenced by the stability attribution (.38) and gratitude (.31), while enjoyment (.18), pride (.16) and guilt (-.10) have smaller effects. Enjoyment has by far the strongest total effect on positive word-of-mouth communication (.42), followed by the attitude change (.24) and the stability attribution (.10). Similar to negative incidents, retention depends mostly on the loyalty before the incident (.46), followed by the attitude change (.12) and a number of smaller effects from the other variables.

CONCLUSION AND IMPLICATIONS FOR THEORY AND PRACTICE

The results yield many interesting insights. They show that cognitive theories of emotions help to understand the impact of critical incidents, and that discrete emotions influence different aspects of loyalty very specifically. For negative incidents the retailer attribution and anger seem to be especially important, but also shame, distress and surprise. For positive incidents the stability attribution and gratitude, but also enjoyment and pride, are relevant.

Especially interesting is a comparison of the total effects for the attribution dimensions. While the retailer attribution plays a central role in the consequences of dissatisfying incidents, the stability attribution is central to the consequences of satisfying incidents. Therefore, in a negative situation, customers seek a culprit, while in positive situations it is more important that the incident might reoccur at the retailer. Hence, it seems that, for example, empirical results about the impact of attributions to price increases do not automatically hold for price reductions.

The results show also that the consequences of price-related incidents might be overestimated. Attributions and emotions resulting from a price-related incident may change the customers' attitude and result in word-of-mouth communication, while the effects on retention are marginal. The strong relation between the loyalty before the incident and the retention afterwards

indicates that long term relationships or other causes can be barriers to switching (e. g. after a price increase). These results underline that controlling for the initial loyalty is essential.

The most important management implication is that retailers should try to influence these attributions and resulting emotions by communicating the causes of price-related incidents. For negative incidents, they should try to decrease the retailer attribution (e. g. when the customer complains about a price reduction after the purchase, the retailer can reduce the retailer attribution by arguing that he did not know that the headquarter planned to offer a price promotion for this product, that the supplier unexpectedly reduced prices that he now passes to the customer or that unexpected environmental circumstances made the price reduction necessary). For positive incidents, retailers should increase the stability attribution (e. g. by arguing that the customer can expect a good rebate also for his next purchase).

Finally, some limitations and directions for future research should be mentioned. Firstly, the model focused on three selected consequences of loyalty. Future research might analyze the impact on and the relationships between cognitive, affective and conative components of loyalty more systematically. Furthermore, future studies might integrate additional variables related to loyalty, such as commitment and trust in the retailer. Secondly, the study focused on a limited number of discrete emotions. Future studies might more thoroughly analyze the nature of emotions caused by price-related incidents. Thirdly, it was not possible to present the separate hypotheses, graphical illustrations of the framework and details about the item scales because of space restrictions. These are available from the author upon request.

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TO COLLUDE OR NOT TO COLLUDE: AN EXPLORATORY STUDY OF RETAIL STORE PERFORMANCE AND STRATEGIC CHOICES IN BANGKOK CLOTHING CLUSTERS

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INTRODUCTION

We study retailers of women's clothing competing in Bangkok clothing clusters. Each cluster contains a large number of stores selling primarily blouses, dresses, skirts, and trousers. Store owners are present daily and familiar with rivals' strategies and practices. While owners compete intensely in this setting, they also cooperate, knowing that successes of their stores depend partly on successes of others. We focus on two forms of cooperation, explicit and tacit price collusion, and six other strategic choices: innovation, differentiation, fashion trend forecasting, space allocation, fashion leadership, and merchandise assortment. Our purpose is to identify higher and lower performing groups of stores in this retail environment and to describe these groups in terms of the eight strategic choices. In particular, our purpose is to explore price collusion behaviors in higher and lower performing stores against their use of other strategic choices. This purpose is important because of the paucity of marketing studies dealing with collusion.

Firms competing in a dense, agglomerative cluster often cooperate (Porter 1990), with an extreme form occurring as price collusion. Explicit pricing agreements—where two or more competitors agree to charge the same or a minimum price—are seldom made public. Tacit agreements are even less well known, occurring as the result of coordination among firms that may not focus on prices at all. Consistent with this absence of awareness, studies of price-fixing strategies and practices in marketing literature are rare. One exception is a modeling study of consumer reward programs (Kim et al. 2001), finding that firms achieve tacit collusion as a result of managed switching costs associated with customer reward programs. The study shows conceptually how tacit collusion among firms arises from strategies and practices distant from explicit pricing agreements. Another exception is an empirical study of advertising's effects on tacit collusion among retailers (Kim and Parker 1999). Results show that advertising—instead of narrowing retail price differentials between national and private brands to marginal cost levels—leads retailers to market both types of brands at higher prices and enjoy a degree of market power. Apart from these two studies, we find no research efforts in marketing on the topic of collusion.

METHODOLOGY

We began data collection with in-depth interviews with 15 store owners at two clothing clusters (not in the final sample), each interview lasting about 90 minutes. Owners described cooperative behaviors, informal communications with other stores, and monitoring of competitors' strategies and practices. Interviewer observations noted a high level of competitive intensity: stores offered similar merchandise assortments to a near-homogenous target segment who could easily shop at rival stores located only a short distance away. Stores were of similar sizes and layouts, with expansion impossible.

A self-report questionnaire was written in English, translated into Thai by a bilingual, native Thai speaker, and back-translated by two University lecturers. A cover page on University letterhead described: study purpose (to understand store performance), confidentiality of responses, estimated completion time, and a telephone number to call for information. The questionnaire was pretested with 16 store owners at two clusters (also not in the final sample) with pretest results leading to refinements in item content. Final measurement items comprised 36 Likert statements and two fill-in questions.

A clothing cluster was defined as a spatially concentrated group of retailers whose major product line is women's clothing. A clothing store was defined as a store targeting females between ages 18 and 35. A first-stage frame of 22 clusters was assembled from advertisements, interviews with target customers, and interviews with cluster property managers. The largest cluster contained upwards of 370 clothing stores and the smallest 43. Simple random sampling was used to select 10 clusters from the first-stage frame. Second-stage frames consisted of cluster maps and systematic sampling was used to choose about 25 stores in each cluster.

Most contacted owners cooperated (two percent refusal rate). If an owner refused, the closest similar store was selected as a replacement. Owners were told the study's general purpose, given instructions about how to complete the questionnaire, and asked to provide accurate responses. A small gift and an offer to receive a summary of results were used as incentives. Owners were visited the next day by an interviewer who scanned completed questionnaires for missing and extreme responses. Owners were asked to complete unanswered questions, explain extreme responses for their estimates of daily foot

traffic, and adjust these responses to more realistic values. This procedure resulted in 285 completed questionnaires of the 300 distributed.

We used three measures of retailer financial performance to divide retailers into quartile groups. Two fill-in questions measured return on investment (ROI) and probability of survival (POS):

- Last 12 months my shop had a ROI (Return on Investment) of about ____%. (For example, if you invested about 100,000 baht in your stocks, displays, signage, and decorations to begin your shop and last year you made a profit of 14,000 baht, your ROI would be 14,000/100,000 or 14%.
- The probability of survival for my shop over the next three years is about ____%.

A third measure summed five beliefs about store profits, gross sales, sales growth, ROI, and overall success. We are interested in quartile group differences in store strategic choices, hypothesizing that strategic choices are related positively with performance. We show *H1* below as typical:

H1: Retailer financial performance is positively related to explicit price collusion behaviors.

All hypotheses are tested using quartile groupings for the three measures of financial performance. As support for *H1* (explicit price collusion) and *H2* (tacit price collusion), economic theory holds that collusion among firms leads to prices above a market equilibrium where long-run prices equal long-run average costs.

RESULTS AND DISCUSSION

Descriptive analyses identified six outliers based on values for ROI (more than three standard deviations from mean ROI). These cases were removed and all further analyses were based on responses from 279 owners. Single-factor confirmatory factor analyses (Amos 17) for the multi-item strategic choice variables resulted in deletion of seven items based on standardized residuals and factor loadings. Values of coefficient alpha for the strategic choice scales ranged from 0.70 to 0.77, while that for subjective performance was 0.96.

Four comments about validity of the single-item measures of explicit and tacit price collusion are warranted (item content below):

- My store makes agreements with other clothing stores at ____ not to lower prices below certain levels for similar items. (explicit collusion)
- My store sets similar prices for similar items as other clothing stores at _____. (tacit collusion)

First, several owners in the in-depth interviews noted that price collusion was a common practice in their cluster, without hesitation or prompting. Second, the pretest sample of 16 store owners expressed no concerns about the two items. Third, responses to the collusion items had ranges, means, standard deviations, and measures of skewness and kurtosis that differed little from statistics for the other strategic choice items. Fourth, the two items correlated positively and significantly with these items:

- Prices of my products are very similar to prices at my main competitors.
- Clothing stores at _____ should not price products too far above or below the normal price range in this clothing cluster.

Some comments about validity of the single-item measures of performance also are warranted. Given detailed explanatory wording on the questionnaire for our ROI measure, we limit comments here to POS. From a predictive validity viewpoint, POS is an “easily and uniformly imagined” construct in terms of object (“my store”) and attribute (“probability of survival”). Thus, our POS measure should produce associations with other variables equivalent to multiple-item measures (Bergkvist and Rossiter 2007). To investigate predictive validity, Clusters 1, 3, 7, and 9 were revisited one year after initial data collection to estimate store survival rate. Eighty-six of the 107 stores in the original data set still were operating. Predictive validity correlations of our POS measure with actual survival rate are 0.54 (Pearson) and 0.51 (Spearman). The POS measure also should correlate positively with our measures of ROI and subjective performance. We find values of 0.34 and 0.30, respectively (Pearson), and 0.38 and 0.25 (Spearman).

Main data analyses were based on a oneway ANCOVA model. The model posited that strategic choice differences would be found across quartile groups defined by store performance, controlling for store size and foot traffic (a surrogate for store location). A check of distributions for the eight strategic choice variables showed only slight departures from normality, with skewness and kurtosis values ranging from -1.2 to 0.0 and -1.2 to 1.5, respectively. Performance across the quartile groups differed greatly.

Three oneway MANCOVA models were analyzed. Each model contained the eight strategic choice measures as dependent variables, the first model using groups defined by ROI quartiles, the second using groups defined by POS quartiles, and the third using groups defined by subjective performance quartiles. Each model also contained store area and foot traffic as covariates. Results were encouraging for POS and subjective performance with significant multivariate effects noted for quartile groups and covariates. Of the 24 ANCOVA results, 17 were significant at $p < .05$, with two others near significant. Average values for partial eta were 0.20, 0.23, and 0.37 for the ROI, POS, and subjective performance quartile groups, respectively. However, these values include effects of the two covariates as well as those of the quartile groups. Examining between-subjects results for individual strategic choice variables for ROI quartile groups finds no significant effects except for merchandise assortment ($F = 3.18$; $p < 0.02$; partial eta = 0.18). Between-subjects results for POS finds significant effects for innovation, differentiation, space allocation, fashion leadership, and merchandise assortment ($3.02 < F < 6.70$; $0.00 < p < 0.03$; $0.18 < \text{partial eta} < 0.26$). Between-subjects results for subjective performance are significant for all strategic choice variables ($5.34 < F < 27.52$; $0.00 < p < 0.04$; $0.18 < \text{partial eta} < 0.49$) but tacit collusion. *A priori* contrasts find 17 significant differences between Q1 and Q4 means, 12 between Q2 and Q4 means, and four between Q3 and Q4 means. Levene's test of equality of population variances finds significant results in eight of the 24 between-subjects tests, suggesting the use of Kruskal-Wallis non-parametric tests. However, results here were similar to those for between-subjects analyses.

As discussion, higher and lower performing stores are not significantly different in explicit price collusion behaviors, with the possible exception of subjective performance quartiles. Higher and lower performing stores are different in their tacit price collusion behaviors but *directions are opposite to expectations* for ROI and POS quartiles: lower performing stores tend to collude tacitly while higher performing stores tend not to do so. Directions of mean differences across subjective performance groups conform to expectations. Thus, owners seem to believe that tacit collusion is positively associated with store performance—but this belief is not supported by relationships for the more objective ROI and POS measures.

Higher performing stores tend to be more innovative and differentiated, regardless of whether groups are defined by ROI, POS, or subjective performance. Higher performing stores are fashion leaders, a result that holds while controlling for store area and foot traffic, and implying that leaders emerge despite disadvantages in size and location. Fashion leadership likely depends on owners' abilities to assemble superior assortments and to use space effectively—these two strategic activities are associated with higher performing stores more so than with lower performing stores. While quartile group means for fashion trend forecasting conform to expectations, they are significant only for subjective performance.

A last point concerns the general absence of significant differences in strategic choice variables across quartile groups defined by ROI. A possible explanation is that ROI measures aspects of performance different from POS and subjective performance. Of our three performance measures, ROI is the narrowest in content, focusing only on financial return. POS reflects a willingness to persevere in the face of a below average or negative financial return. This willingness depends partly on switching costs, profitability hurdle rates, and capital reserves, as these characteristics differ among owners (Gimeno et al. 1997). Our subjective performance variable is even broader as the sum of owner evaluations of profits, revenues, growth, ROI, and overall performance.

CONCLUSIONS AND IMPLICATIONS FOR THEORY AND PRACTICE

Our research setting limits our ability to generalize results. Results extend most easily to similar clusters of small retailers found in Southeast Asia, East Asia, Latin and South America, South Asia, the Middle East, and Eastern Europe. From a share of wallet perspective, results for innovation, differentiation, space allocation, and merchandise assortment might extend to many small retailers such as those located in shopping or strip malls where target markets are similar but product categories diverse. Results for fashion trend forecasting and fashion leadership might extend to small retailers in clustered settings where technology, product features, and consumer tastes change quickly. Single-item measures of explicit and tacit collusion are a second limitation. While we believe the measures are valid, we recognize that multiple-item measures might possess higher reliability. Our cross-sectional design limits our ability to describe relationships between store performance and strategic choices as causal. Finally, our measures of store performance and strategic choices share common method variance. However, this limitation is unlikely to explain such large relationships as those reported for most POS and subjective performance quartiles.

Based on our findings and these limitations, we call for corroborative research on a broader set of collusive behaviors found in clustered retail settings using different methodologies. Qualitative methods, randomized response technique, and case studies might provide valuable insight into what is quite likely a pervasive activity. Perhaps equally important is a call for causal studies to investigate relationships between store performance and strategic choices. These relationships are likely

reciprocal—when a particular strategy meets with success, a retailer will be more likely to intensify or emphasize additional efforts consistent with that strategy. The last of our calls is to study causes and consequences of a retailer's achieving a fashion leadership position. Given substantial relationships between store performance and fashion leadership reported here, more research is needed to identify personal and organizational characteristics that produce retail fashion leaders.

From an applied perspective, owners and managers of small stores might find our results useful. Owners and managers might question the wisdom of explicit and tacit price collusion activities because of the limited association these variables have with store performance. Owners and managers might devote greater effort to innovate and differentiate their stores, strive to attain a product category leadership position, and pay careful attention to assembling desirable merchandise assortments, as these strategic choices are linked with higher store performance.

In sum, we find great differences in store performance in our studied population, differences that are associated in no advantageous way with explicit and tacit price collusion. Instead, differences in store performance are associated with strategic choices and practices that characterize skilled, master merchandisers. Acquiring these skills would benefit not just owners but customers—as they pay competitive and not collusive prices for merchandise and services that better satisfy their needs and wants.

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Wednesday, 20 July
Time: 2:00 PM

Session Number: **3.3: Social Aspects of Advertising**

Session Chair: Babin, Laurie, *University of Louisiana at Monroe*

Online Adgames: A new tool for Marketing Communication

Steffen, Celina, *University of Siegen*

Schramm-Klein, Hanna, *University of Siegen*

Steinmann, Sascha, *University of Siegen*

Mau, Gunnar, *University of Siegen*

Influences of Culture and Language: Intentional or Unintentional Switch of Thinking Pattern?

Wang, Weisha, *The University of Manchester*

Cui, Charles C, *The University of Manchester*

Online Shoppers' Social Media Usage and Shopping Behavior

Chung, Christina, *Ramapo College of New Jersey*

Muk, Alexander, *Texas State University-San Marcos*

ONLINE ADGAMES: A NEW TOOL FOR MARKETING COMMUNICATION

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ABSTRACT

As a specific form of below the line communication, online adgames have emerged as one recent method of branded entertainment. In contrast to in-game advertising, adgames are developed or adapted by the company itself and further serve as a means to publish the advertising message. The potential of advertising with computer games becomes apparent from the growth rates of this industry. Furthermore, there is an increasing number of companies that are using games to support their brands, e.g. by placing adgames on their homepage or by providing adgames for mobile web applications.

The aim of our study is to investigate how playing an adgame is able to influence consumers' evaluations and attitudes towards a brand, brand loyalty, and buying behavior, especially, the seldom-researched topic of flow within adgames, which refers to a state in which the player is completely absorbed by the adgame, as well as its influence on the outcome of adgames are investigated by this study. Flow is defined as an intrinsic motivation or enjoyment in an activity. It is specifically computer games that are regarded as means with a high propensity to evoke a status of flow. Based on both the ELM and excitation transfer theory we assume that flow experiences positively influence both the evaluation of the adgame as well as the evaluation of the advertised brand. Previous studies have shown that brands placed within a game are perceived more positively than brands which are not included in the game. Based on the dual mediation hypothesis we therefore assume that there is a positive influence of the evaluation of the adgame on brand evaluation. Beyond positive evaluations of the adgame, classical conditioning mechanisms trigger positive brand attitudes by the game player. Furthermore, findings of previous studies have shown a positive influence of brand evaluation on brand attitude. Positive attitudes influence loyalty and also - indirectly - have a positive impact on buying behavior. Beyond that, there is a direct impact of attitude on buying behavior.

Flow experience was conceptualized as a two-dimensional construct. We chose a reflective measurement approach for both dimensions of intrinsic enjoyment and escapism. We conceptualized brand attitude and loyalty as reflective constructs based on previous studies, as the use of established scales is advisable. Since the evaluation of game and brand reflect a composite of particular indicators across different, unique attributes, it is expedient to operationalise them effectively in a formative rather than reflective way. To test our model, an online game placed on the homepage of a large European brewery during the Christmas season was used as object for our research. Using a standardized questionnaire, we conducted an online survey among consumers who played this game. A total of 5,522 usable questionnaires remained for the investigation. To test our hypotheses, we conducted PLS regression. The results show that flow has a significant and high positive impact on the evaluation of the adgame and a significant but lower effect on the evaluation of the brand. Our results show a significant and high positive effect of evaluation of the adgame on brand evaluation, but only a small positive effect of evaluation of the adgame on brand attitude. The positive influence of evaluation of the brand on attitude toward the brand is confirmed based on the empirical analysis. Thus, brand attitude is indirectly affected by the evaluation of the adgame through the evaluation of the brand. The effect of game evaluation on brand evaluation is relatively strong, which has a high impact on the attitude toward the brand in return. Furthermore, our results show a significant and high positive effect of brand attitude on loyalty. Moreover, the influence of both loyalty and brand attitude on buying behaviour is highly significant.

Our study points to high relevance of online adgames as an instrument for an effective advertising strategy by showing that playing an adgame has a positive impact on brand attitude, loyalty, and buying behaviour. The relatively low effect of game evaluation on brand attitude might be explained by the high profile of the brand by the participants. We were able to show that enjoyment and interactivity are important attributes of an adgame because this results in a positive evaluation of the game. Flow experience increases players' enjoyment of the adgame which causes in an enhanced processing of the peripheral advertising message. The experience of flow that the player is experiencing when playing has the effect that the game player's awareness of the commercial character of the adgame is fading into the background. Therefore, we assume that in contrast to classical advertising, adgames are able to convey the advertising message subconsciously which increase the effect of them. These findings imply consequences for managerial practice as well as for future research.

References available upon request

INFLUENCES OF CULTURE AND LANGUAGE: THE THINKING PATTERN SWITCH AMONG BICULTURAL CONSUMERS

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Charles, C.Cui, Manchester Business School, United Kingdom

INTRODUCTION

Consumers in different cultures with distinctive language systems may hold different decision making rules because individuals' conceptual development has been found to be influenced by language (Waxman and Kosowski 1990). Differences in language systems are constitutive of differences in patterns of thought (Waxman and Kosowski 1990; Slobin 1996; and Gentner and Imai 1997). The majority of studies on bicultural individuals have focused on the thinking pattern of single-group memberships. However, how multiple thinking patterns are integrated within an individual is not well understood. This paper seeks to examine the determinants, processes, and effects of dual thinking pattern integration of bicultural individuals. Focusing on Chinese-English biculturals, this paper examines (a) the way people access culturally associated thinking patterns, (b) how individuals manage their culturally associated thinking patterns and their impacts on individuals' behavior. Specifically, this paper aims to show how individuals switch between their dual culturally associated thinking patterns and how such a behavior affects the way they respond to advertising cues.

Culture has a fundamental impact on individual's thinking (Taylor 1956). Two cultures may guide how a bicultural think and behave (Hong et al. 2000; LaFromboise 1993). Bicultural individuals are able to speak, understand, read, and write in two different languages (Luna and Peracchio 2005). This research examines the impacts of cultural cues in general on thinking pattern, but emphasizing the influence of language as an important cue on the switching of culture-specific thinking patterns among biculturals. The main focus is on language rather than culture, but takes culture as a broad research context and source of issues.

METHODOLOGY

This paper reports a set of research propositions resulting from a review of some relevant literature. The method of critical analysis and argument development as applied in social sciences is used for identifying research issues and developing propositions. The main source of information is searched from publications in the fields of marketing, psychology and linguistic studies.

RESULTS

Cultural Cues

Priming Chinese-American biculturals with images from Chinese culture would spread activation through Chinese cultural network (Hong et al. 2000). For biculturals, one way of incorporating more than one thinking pattern is to switch between their dual thinking patterns. Individuals shift between them in different cultures in response to cues that are distinct by cultural norms and are embedded in the social environment (LaFromboise et al. 1993). Therefore, it can be asserted that cultural cues tend to lead to a switch of biculturals' thinking patterns.

Proposition (1): Chinese-English biculturals will access the culturally associated thinking pattern when the particular cultural cues are present.

Language Cues

Aside from cultural cues, language could also be an effective stimuli which activates a cultural thinking pattern (Hong et al. 2000). Past research demonstrates that differences in languages are constitutive of differences in patterns of thought (Waxman and Kosowski 1990; Slobin 1996; Gentner and Imai 1997). A compelling explanation for these findings is that for bilingual individuals, the two languages are often associated with two different cultural systems. Language is influenced and shaped by culture (Jiang 2000) and has some impacts on one's thinking process. For example, Chinese-American bilinguals tend to respond in more Western ways when they fill in an English questionnaire than when they respond to a Chinese translation of it (Bond 1983).

Bilinguals may be capable of using two thinking patterns that are associated with two languages. They will learn the second language's habitual thinking pattern. Obtaining a second language is not only about learning the language itself (e.g. syntax, semantics, vocabulary and phonology) but also about understanding the underlying logic system of that particular language (Kaplan 1966). Second language learners may find themselves capable of understanding the syntax rules, semantics and phonology of a particular language. However, they may still face problems of creating misunderstandings since most of second language learners tend to employ rhetoric and logical thinking pattern of their first language. Every language is a subjective orientation to the world of human experiences, and "this orientation affects the ways in which we think while we are speaking" (Kaplan 1966). To succeed in interaction with the second-language culture, bilinguals may seek to utilize the second language's habitual thinking pattern.

Proposition (2): Chinese-English biculturals will access the culturally associated Chinese or English thinking pattern when the particular language cues are present.

The Types of Switching between Thinking Patterns

Past research has shown that biculturals have different foreign culture experiences, and have various attitudes toward mainstream and their ethnic cultures. Consumer researchers have identified biculturals into two groups: integrator and alternator (Lau-Gesk 2003). This conceptualization treats the two groups of biculturals as mutually exclusive and collectively exhaustive. Integrators share and balance both cultural meaning system; they are expected to have frequent access to both cultural disposition (LaFromboise et al. 1993). Biculturals who alternate between cultures have been distinguished from those who integrate two cultures (LaFromboise et al. 1993). Alternators change their behaviour and cultural perspective to fit a particular social context (Ogbu and Matute-Bianchi 1986). According to Rameriz (1984), alternators tend to use different problem-solving and communication styles according to environmental cues. They are likely to access only one cultural disposition as a way to avoid potential contradiction of two cultures (Lau-Gesk 2003).

Different bicultural groups are expected to experience different types of switching of thinking pattern (e.g. intentional vs. unintentional). Integrators tend to have good knowledge about two cultures, speak two languages fluently, fuse their two cultures (e.g. East Asian and Western) into their daily life, and tend to embrace the cultural differences. It is believed that they switch their thinking pattern according to cultural and language cues without any awareness. In contrast, bicultural alternators tend to compartmentalize and separate the two cultures. Biculturals in this group are likely to have a relatively low second language proficiency level. They are linguistically unbalanced, with better command of one language than the other; experience a different type of thinking pattern switch (i.e. intentional). Therefore, it is reasonable to believe that a bicultural alternator is likely to make conscious effort in thinking pattern switch (Lau-Gesk 2003).

Proposition (3): A bicultural integrator will switch dual thinking patterns unintentionally when language cues are present.

Proposition (4): A bicultural alternator will switch dual thinking patterns intentionally (e.g. strategically) when language cues are present.

CONCLUSION AND IMPLICATIONS FOR THEORY AND PRACTICE

Consumer research literature indicates that differences in thinking patterns may have different effects on consumers' evaluation of advertising messages. Marketers interested in the bicultural market should be aware that advertising interpretations can differ, depending on the language of the advertising and the types of thinking pattern switching in perceivers. In general, marketers should benefit from matching the use of language in advertising to perceivers' ways of thinking. This study focuses on how bicultural bilingual consumers' thinking pattern is influenced by culture or language cues. In the context of our study, it is argued that the effects of biculturalism on consumers' evaluation of advertising information is an important phenomenon, which consumer product firms and retailers should take on board when planning and implementing marketing strategies and operation programs. In this sense, we argue that customer centric is still strategically important for firms to understand the changing behavior of their consumers in both smooth and turbulent economic times. However, academic researchers and firms may face a challenge of making use of "right" language and communication strategies that fit with bicultural consumers' ways of thinking.

Reference Available Upon Request

ONLINE SHOPPERS' SOCIAL MEDIA USAGE AND SHOPPING BEHAVIOR

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ABSTRACT

Social media includes various contact methods such as social networking, user-sponsored blogs, multimedia sites, company-sponsored websites, collaborative websites, podcasts, etc. Most online shoppers indicate that they visit e-retail websites on a social networking site and that website visiting affects consumer purchase intention. The purpose of this study is to examine how attitudes toward product messages on social media sites affect impulsive shopping behavior and hedonic shopping value.

Uses and Gratifications theory is utilized as the theoretical basis for investigating consumer social media needs that include entertainment, interaction, and information needs. Based on previous research, the following hypotheses have been developed in order to measure the relationships between social media needs, attitudes toward product messages on social media, impulsive shopping behavior and hedonic shopping value:

H1: Entertainment, information, and interaction needs have a positive relationship with attitudes toward product messages on social media.

H2: There is a positive relationship between attitudes toward product messages on social media and hedonic shopping value.

H3: There is a positive relationship between hedonic shopping value and impulsive shopping behavior.

Data were collected via a web-survey method among college students. A total of 146 participants responded to the survey. Exploratory Factor Analysis (EFA) is used to assess the dimensionality of the variables. Then, Confirmatory Factor Analysis (CFA) is used to test the overall validity of the measurement theory. CFA results of the overall model analyses indicate that the χ^2 for the measurement model is 295.667 ($p = .000$) with 215 degrees of freedom. The fit indexes are Comparative Fit Index (CFI) = .96, Normed Fit Index (NFI) = .86, Root Mean Squared Error (RMSEA) = .051, and Tucker-Lewis Index (TLI) = .95.

A structural model is used to analyze and test the hypotheses. The structural model is adequate with $\chi^2 = 309.031$ ($p = .000$) with 222 degrees of freedom. The fit indexes are Comparative Fit Index (CFI) = .96, Normed Fit Index (NFI) = .86, Root mean Squared Error (RMSEA) = .052, and Tucker-Lewis Index (TLI) = .95. All hypotheses are tested and the SEM structural path results indicate that all relationships are significant except the one between entertainment and attitude toward product messages. Thus, H2 and H3 are supported. H1 is partially supported. Findings suggest that interaction and information needs affect attitude toward product messages on social media. Further, attitude influenced hedonic shopping value and impulsive shopping behavior.

The results of this study imply that attitude toward product messages on social media are strongly related to social media needs such as interaction and information, but not entertainment need. Active interaction and useful information on social media create positive perceptions toward product messages on social media. Also, the positive relationship between attitude toward social media marketing messages and online shoppers' impulsive shopping behavior increases consumers' hedonic shopping values. As a managerial implication, marketers should understand how consumers want to interact and what kind of information they want to obtain from social media sites. Providing instant feedback is a key to make social media a viable communication channel.

In conclusion, this is an exploratory study that attempts to examine online shopping values within the relationships between social media needs and marketing messages. The conceptual model is supported theoretically with measurement validity and reliability. For future research, social media usage in marketing practices needs more research in terms of consumer behavior, perspective, lifestyle, and new technology adoption. Consumer trust levels should be examined in connection with social media sites, messages, sources, and brand familiarity.

"References Available Upon Request"

Wednesday, 20 July
Time: 2:00 PM

Session Number: **3.4: Global Branding and Consumption**

Session Chair: Thalmann, Julia Kristin,

The Effect of Culture, Product Self-Image Congruence, and Brand Attitudes on the Propensity to Be Brand Loyal

Payan, Janice, *University of Northern Colorado*

Reardon, James, *University of Northern Colorado*

Building Global Brand Communities: Consumer Practices and Creolization

Alden, Dana L, *University of Hawaii*

Chen, Qimei, *University of Hawaii*

Zhao, Xin, *University of Hawaii*

THE EFFECT OF CULTURE, PRODUCT SELF-IMAGE CONGRUENCE, AND BRAND ATTITUDES ON THE PROPENSITY TO BE BRAND LOYAL

Janice M. Payan, University of Northern Colorado, USA
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ABSTRACT

There is evidence that consumers from dissimilar cultures understand and interact with brands differently. This study is unique in that it tests a model of brand loyalty proneness across a large cross-section of 22 countries reflective of both developed and emerging economies. In addition, it is rare in its focus on a gestalt phenomenon of interest (i.e., brand loyalty proneness) rather than on brand behaviors associated with specific brands. This study also measures specific aspects of culture (collectivism and uncertainty avoidance), in contrast to the predominant approach in cross-national research that typically notes national differences and assumes it is caused by culture. Finally, the tested conceptual model is unique in that it includes three key factors: culture, product self-image congruency, and brand attitudes; rarely, if ever, have these factors been included in a solitary empirical work on branding. The results show that culture is an important determinant of product self-image congruency, which in turn positively affects brand attitudes. Finally, brand attitudes positively affect the propensity to be brand loyal.

References available upon request.

BUILDING GLOBAL BRAND COMMUNITIES: CONSUMER PRACTICES AND CREOLIZATION

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Xin Zhao, University of Hawai‘I at Manoa, USA

INTRODUCTION

Traditional brand management perspectives are changing rapidly as evidence grows that consumers build stronger brand connections when they are able to infuse their own meanings and uses into the brands they encounter (O'Guinn and Muniz 2009). This emerging "bottom up" perspective is found in research on self-generated attitudes versus externally-modified attitudes (Tesser 1979); consumer 'co-creation' (Vargo, Maglio and Akaka 2008); brand and self-integration (Ahuvia, Batra and Bagozzi 2009); integration of iconic brands in life stories (Diamond, Sherry, Muniz, McGrath, Kozinets and Borghini 2009); brand community practices such as customization (Schau, Muniz and Arnould 2009); the growth of "open source" software and hardware (Pitt, Watson, Berthon, Wynn and Zinkhan 2006); the study of creolized forms of indigenized music, fashion, food, film and literature (Cohen 2007; Cowen 2002; Kajeldgaard and Ostegaard 2006); and most recently, customer engagement (Verhoef, Reinartz and Krafft 2010).

Despite such trends, to date, research on global brands has focused on "top-down" hybridization (adaptation) of the marketing mix in order to optimize trade-offs between standardized economies of scale and local relevance (Alden, Steenkamp and Batra 2006). Research remains limited on "bottom up" global brand community development and practices such as "brand customization" (Schau et al 2009) or "brand creolization" in a cross-cultural context (i.e., the consumer-driven process of integrating imported symbols with local cultural meanings; Ger and Belk 1996). "Brand creolization" is considered a contextual subset of creolization, which occurs when a local culture takes external cultural material (e.g., global brands) and modifies associated "imported" meanings in ways that are compatible with the local culture (e.g., gift giving to male bosses by female employees in Japan on Valentine's Day; Hung, Li and Belk 2007). In this research, we explore the early stages of global brand community development and emerging community practices such as brand creolization for established global brands in China.

METHOD

We use the extended case method (ECM; Burawoy 1998; Kates 2006; Cayla and Eckhardt 2008) to address our research questions. The ECM method enables researchers to deeply engage the context in which the targeted phenomena occur (Allen 2002; Arnould and Mohr 2005; Holt 2002; Cayla and Eckhardt 2008). We base our ECM analysis on several steps. The initial step involves analytically reducing the empirical data into a set of themed materials. The second step emphasizes study of the phenomenon based on existing theory and macro context. To this end, bi-lingual Chinese/English speakers on our team investigated ten global brands with large market shares in China using multiple sources of information (news reports, blogs, social media, online ad clips, company and/or brand websites, etc.) These data were analyzed using existing theoretical frameworks, such as global marketing strategy theory (GMS; Zou and Cavusgil, 2002), which emphasizes the notion of "fit," the degree to which company's marketing strategy matches its external environment and internal organizational resources.

The final step requires deep analysis of anomalous data (Van Velsen 1967) and revision of existing theories based on these anomalies (Cayla and Eckhardt 2008). To facilitate this step, we undertook a series of interviews with the managers of the 10 global brands using semi-structured depth interviews to investigate brand community development in China and related practices such as creolization. Theoretical guidance for the interviews was provided by the etic brand community framework identified in the US by Schau et al. (2009) along with GMS. A central objective of the interviews was identifying the extent to which global firms in China encouraged bottom-up brand community practices such as brand creolization as opposed to firm-driven hybridization driven by managerial insight and marketing research.

Interviews lasted between one and two hours, starting with general questions relating to the global brand managers' experiences working in the industry, followed by more detailed discussion of hybridization strategies the MNCs employ and

finishing with their observations on brand community practices for their global brands. To date, five of the ten interviews have been completed and the preliminary results, in conjunction with other ECM analyses noted earlier, are encouraging. Given space limitations, we confine ourselves to discussion one case example in the following section.

RESULTS AND DISCUSSION

As predicted by GMS (see also Wu 2009), initial results of the ECM analysis and managerial interviews reveal that top-down hybridization is very common for MNCs in marketing their global brands in China. For instance, Pizza Hut is positioned as a western brand that offers connections to foreign places (e.g. Spanish pizza week). Yet, its pizza toppings and dough are adapted to local market tastes ("about 80% of the physical product is different"). The brand manager acknowledged the growth of consumer engagement, in particular co-creation. Indeed, consumers are able to make suggestions online for new products, respond to company ideas for new products and direct anonymous complaints to management. But, the company does not provide a platform for communication between brand community members. In addition, the manager noted that management's present focus was on complaint resolution rather than co-creation based on new product suggestions. The manager also noted that Pizza Hut in China had recently established a brand community platform in the "SNS Social Network" (similar to Facebook). However, even on this site, the company's emphasis was not on building an interactive brand community to further "engage" customers.

Despite limited brand community development by the firm, further discussion with the manager revealed that Pizza Hut consumers in China have initiated global brand creolization on their own. For example, Pizza Hut's Chinese brand name includes the Chinese character “胜,” meaning "win" and consumers have established a family ritual by going there for a meal before school entrance exams to increase chances of success. Similarly, consumers have made Pizza Hut a "third-place" (Rosenbaum et al. 2007) for performing tasks that need good luck or a special blessing, such as dating, business meetings etc.

The other four managerial interviews (Johnson & Johnson, Disney, Abbott, Unilever), coupled with ECM analyses, revealed consistent evidence of early stage brand community development dominated by top-down hybridization, promotional push strategies and relatively limited encouragement by the firm of consumer engagement beyond providing a forum for C2B "complaining behavior" (Bijmolt et al. 2010).

Thus, even without clear firm encouragement, multiple examples of global brand creolization were discovered. These results suggest that Chinese consumers are likely to engage in brand community building and practice on their own. Five additional global brand EMC analyses and managerial interviews are currently underway. A cross-sectional survey of adult Chinese consumers and in-depth interviews of a subsample of respondents who are highly "engaged" with one or more of the global brands of interest will triangulate data collection and enable a more complete evaluation of the current state of global brand community activity and in particular, the practice of global brand creolization, in China in time for presentation at the AMS WMC 2011 if accepted.

CONCLUSIONS AND IMPLICATIONS FOR THEORY AND PRACTICE

While scholarly and managerial interest in brand communities (Schau et al 2009) and brand creolization is evident (Ger and Belk 1996), research has not clearly demonstrated that global firms have moved beyond an emphasis on top down hybridization to active management of bottom-up brand community building and creolization. Thus, there is an apparent disconnect between predictions consistent with evolving marketing theory in the US (i.e., brand community development, consumer engagement, etc.) and current international marketing theory (glocalization, hybridization, etc.). Seeking to shed light on these relationships, this study explores hybridization and brand community building for established global brands in China. Preliminary results identify the predominance of hybridization practice and along with budding creolization phenomena which, managerially, help inform MNCs in establishing global brand strategies and, theoretically, help chart potential direction for future global branding theory.

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Wednesday, 20 July
Time: 2:00 PM

Session Number: **3.5: Entrepreneurship I**

Session Chair: Kropp, Frederic, *Fisher Graduate School of International Business/Monterey Institute of Int'l Studies*

Higher Commitment Entry Modes in International New Ventures: The Influence of Strategic Orientations

Monferrer, Diego, *Universitat Jaume I*

Blesa, Andreu, *Universitat Jaume I*

Ripollés, María, *Universitat Jaume I*

Testing an Integrative Model of Export Performance in Turkish SMEs

Anil, Nihat, *Kirklareli University*

Shoham, Aviv, *University of Haifa*

A Multi-Level Study on Franchisee- and System-Level Antecedents of Opportunism and Satisfaction

Evanschitzky, Heiner, *Aston Business School*

Caemmerer, Barbara, *ESSCA*

Brock, Christian, *Zeppelin University*

The Effects of Marketing-R&D Interface and R&D Strength on Business Growth and Customer Equity: A Corporate Entrepreneurship Study

Matsuno, Ken, *Babson College*

Zhu, Zhen, *Suffolk University*

Rice, Mark, *Worcester Polytechnic Institute*

HIGHER COMMITMENT ENTRY MODES IN INTERNATIONAL NEW VENTURES: THE INFLUENCE OF STRATEGICAL ORIENTATIONS

Diego Monferrer Tirado, Universitat Jaume I, Spain
Andreu Blesa Pérez, Universitat Jaume I, Spain
María Ripollés Meliá, Universitat Jaume I, Spain

ABSTRACT

The choice of entry mode in foreign markets is an important strategic decision with major consequences for the success in international new ventures (INVs). It is generally accepted that these firms choose relatively low-commitment entry modes to operate in foreign markets. Nevertheless, this study extends previous international entrepreneurship research, including insights on antecedents of international new ventures' choice of higher commitment entry modes in foreign markets. The paper also goes further than previous international entrepreneurship research, by addressing the strategic consequences of rapid entry into foreign markets. Additionally, the results of this work encourage international entrepreneurs to look beyond the explicit value of experiential market knowledge to realize the potential value of international market orientation as an antecedent to higher commitment entry modes. The model proposes a positive effect of entrepreneurial orientation and early international entry on international market orientation which, in turn, is positively related to higher commitment entry modes. The hypotheses were tested on country-level data from Spain, using a structural equation model to analyze relationships between the latent variables.

INTRODUCTION

It has traditionally been argued that firms need time to obtain the necessary resources to deal with the problems and challenges of internationalization (Johanson and Vahlne 1977, 1990). But in 1994, Oviatt and McDougall identified a new type of firm that moves into foreign markets soon after creation. These firms have been referred to as international new ventures (INVs) and defined as "business organizations that, from inception, seek to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries" (Oviatt and McDougall 1994: 470). Since Oviatt and McDougall's seminal article, the study of the factors that could encourage early international behavior in new firms has attracted the attention of many researchers in the fields of entrepreneurship, internationalization and marketing (see Aspelund et al. 2007; Etemad and Wright 2003; Rialp et al. 2005 or Zahra and George 2002 for a review). All these studies have significantly contributed to our understanding of the reasons that drive early internationalization in these firms. However, rapid international expansion alone is not a sufficient strategy for new ventures; it must be supported by entry mode strategies (McDougall and Oviatt 1996). Choice of entry mode is an important strategic decision for INVs as it involves a given level of resource commitments in different target markets with different levels of risk, control and profit return (Hill et al. 1990; Kim and Hwang 1992). For that reason we find particularly striking the paucity of studies analyzing the factors that may influence the governance structure these firms use to expand internationally (Autio 2005; Zahra 2005), especially with regard to entry modes involving greater commitment of resources in foreign markets (Aspelund et al. 2007) since INVs are subject to the liabilities of newness and youth (Burgel and Murray 2000; Jones and Young 2009).

Effectively, the study of how these less traditional firms develop foreign direct investment activities and other forms of resource commitment in multiple countries has been neglected in favor of the assumption that small new ventures will choose lower commitment entry modes in order to overcome resource constraints and handle foreign risk (Aspelund et al. 2007; Burgel and Murray 2000; Coviello and Munro 1997; McDougall et al. 1994). Nevertheless, some authors have recently shown that not only do INVs use entry modes involving higher commitment in foreign markets right from the start (Aspelund et al. 2007) but that it also seems to be a competitive strategy for them (Zahra et al. 2000). Indeed, INVs can gain economic benefits by exploiting various assets across a large number of international markets through different modes of foreign commitment (Kuivalainen et al. 2007).

Then, traditional perspective has traditionally shown only a part of the entire picture focusing on firm size and age as the main factors affecting entry mode choice. The studies by Brouthers (2002) and Brouthers and Nakos (2004) suggest that the choice of entry mode is influenced by a wide variety of internal and external strategic factors. Furthermore, the size, age or experience of the company cannot be considered as the main factors determining entry mode. In this regard, the traditional or gradualist view of internationalization may be considered conceptually weak to explain how INVs choose higher resource commitment entry modes and consequently there is a need for new models of internationalization (McDougall et al. 1994; Westhead et al. 2001), without necessarily completely rejecting the contributions from these traditional approaches.

Following Weerawardena et al. (2007: 296) we consider that “the key theoretical propositions of the Uppsala model are an appropriate starting point for conceptualizing the patterns of born global internationalization”.

In line with gradualist tradition, we consider that a company’s knowledge of its foreign markets is key to understanding the choice of entry mode; the greater the knowledge the more likelihood of the INV deciding to use methods involving a high resource commitment (Erramili and Rao 1993; Johanson and Vahlne 1977, 1990). Following De Clercq et al. (2005) two main arguments may be given for such positive relation: first, when INVs get more comfortable with the particular situations encountered in foreign markets, the uncertainty related to further increasing the intensity of international activities may diminish; and second, the more market knowledge a INV has gained, the more willing it will be to utilize and explicate this knowledge through subsequent international activity. Therefore, the processes by which foreign market knowledge is acquired, developed and used in INVs’ strategic decisions are key to understanding how INVs increase their commitment of resources in foreign markets (De Clercq et al. 2005; Oviatt and McDougall 2005; Prashantham 2005; Sapienza et al. 2005; Weerawardena et al. 2007). In this sense, marketing literature highlights the role of international market orientation in the process of foreign market knowledge acquisition, development and learning in small and medium-sized firms (Armario et al. 2008).

So adopting a marketing perspective and focusing on organizational issues, in this study we center our attention on international market orientation as an important factor that can encourage INVs to choose higher commitment entry modes. In developing our conceptual model, we also explore the organizational factors that can contribute to increase an international market orientation in INVs (Laanti et al. 2007; Sharma and Blomstermo 2003; Zahra and George 2002). Regarding this, two organizational factors are particularly significant: early international entry and entrepreneurial orientation. Entrepreneurial orientation reflects how a firm operates rather than what it does (Lumpkin and Dess 1996) and it can be considered like a type of organizational knowledge. As an organizational knowledge it can influence the way in which INVs manage and lead their processes towards identifying and developing new opportunities in international markets (Jantunen et al. 2005; Wiklund and Shepherd 2003). Fast entry in foreign markets and therefore the rapid commitment of the company to international activities may leave a “mark” on the INV which is capable of influencing its future functioning (Milanov and Fernhaber 2009). It will give the company an international orientation which will pervade all the processes developed in the INV guiding them towards its international markets (Sapienza et al. 2005).

In summary, this paper develops a simple conceptual model that links early international entry, entrepreneurial orientation and international market orientation with higher commitment entry modes in Spanish INVs. The remainder of the article is organized as follows. The next section develops the hypotheses proposed regarding the relationships between entrepreneurial orientation, early entry and international market orientation and between international market orientation and higher commitment entry modes. We then provide an explanation of the methodology used in the empirical study, followed by an analysis of the study results. The article concludes with a discussion of the major findings of the study, its limitations, and suggestions for future research arising from it.

HYPOTHESES DEVELOPMENT

Entrepreneurial Orientation and International Market Orientation

The conceptualization of entrepreneurial orientation has been the focus of systematic inquiry in the literature (e.g. Covin et al. 2006; Lumpkin and Dess 1996; Lyon et al. 2000), and different key dimensions of the construct have emerged. Miller (1983), the most accepted author in this conceptualization, suggests that a firm’s degree of entrepreneurial orientation is the extent to which it innovates, acts proactively, and takes risks. This conceptualization has been extensively used in the literature (Covin et al. 2006; Covin and Slevin 1989; Wiklund and Shepherd 2003, 2005; Zahra et al. 1999). Taking into account these dimensions the relationship between entrepreneurial orientation and international market orientation can be defended considering the components of entrepreneurial orientation. Firstly, the development of an innovative orientation can lead INVs to organizational processes designed to search for and analyze information on the environment, customers and suppliers in order to identify new business opportunities in their international markets (Matsuno et al. 2002; Menon and Varadarajan 1992; O’Cass and Viet 2007). Secondly, the external culture embedded in a proactive orientation not only facilitates external information acquisition, but may also foster information utilization, entailing the design and implementation of marketing actions that influence external constituencies (Keh et al. 2007). In INVs, a proactive attitude can highlight the search for and capitalization of new business opportunities in their international markets ahead of their competitors, which therefore requires INVs to develop an efficient international information system that not only provides information on these opportunities, but also on the firm’s capacity to benefit from them (Covin and Miles 1999; Matsuno et

al. 2002). Finally, the implicit assumption of risk in an entrepreneurial orientation does not mean behaving recklessly in order to take advantage of opportunities but the capacity of not renouncing opportunities because of a certain amount of risk is involved. So companies need to establish systems which will allow them to assess the risk they are assuming when it comes to exploiting a business opportunity (Matsuno et al. 2002). In this effort, they develop activities to generate and disseminate market information that facilitate the generation of actions in response to market opportunities and threats.

Moreover, adopting a general view of the construct the relationship between entrepreneurial orientation and international market orientation can be found by following the arguments of several authors. INVs with high levels of entrepreneurial orientation will tend to constantly scan and monitor their operating international environment in order to find new opportunities and strengthen their competitive positions in their international markets (Covin and Miles 1999). De Clercq et al. (2005) consider that entrepreneurially-oriented INVs may experiment more freely and therefore be more willing to adopt an international market orientation. Jantunen et al. (2005) take the same line when they suggest that entrepreneurial orientation should be instrumental in INVs' development and enactment of key organizational routines to search and integrate foreign market knowledge into the firm's knowledge base. Additionally, Keh et al. (2007) have indicated that information acquisition and utilization activities are mainly developed in firms with high levels of entrepreneurial orientation. The assertion that entrepreneurial orientation precedes international market orientation also matches Dess et al.'s (1997) and Knight's (2000) suggestion that the pursuit of a marketing orientation receives support when management adopts an entrepreneurial orientation. Consequently it is hypothesized that:

H₁: Entrepreneurial orientation positively influences the development of an international market orientation in INVs.

Early International Entry and International Market Orientation

Several gradualist models of internationalization emphasize the importance of the firm's national and foreign experience (see Blomstermo et al. 2004 for a review). However, learning theory suggests that prolonged focusing of attention on a limited domain creates competency traps that are difficult to overcome (Cohen and Levinthal 1990). For well-established firms, it can be argued that international activity is an extension of their domestic activities (Bilkey and Tesar 1977; Cavusgil 1980; Johanson and Vahlne 1977, 1990). These firms have normally developed and built up resources and capabilities at home that spread into international markets (Johanson and Vahlne 1990). Entry into new markets requires the firm to develop new organizational routines and processes related to the need to acquire new market information and integrate this information into its existing knowledge base. Thus, well-established firms must unlearn routines rooted in domestic operations before new internationally oriented routines can be learned (Knight and Cavusgil 2004). Unlearning embedded routines becomes more difficult as firms get older because new knowledge that leads to new routines tends to come into conflict with both existing operations and management's embedded mental models (Autio et al. 2000). As Wagner (2004) and De Clercq (2005) point out, the cognitive, political and relational impediments associated with older firms are obstacles that could limit the firm's ability to identify, assimilate and respond to new foreign market information and to diminish the attention to future foreign chances.

However McDougall et al. (1994) argued that international entrepreneurs formed INVs rather than domestic ventures due to a fear that domestic resource development would inhibit the organization's ability to create effective international managerial systems at a later stage. Early international entry may leave a "mark" which will influence the processes developed in the firm (Milanov and Fernhaber 2009) and contribute to the creation of an international identity that encourages the firm's international "attention" and facilitates the process of acquiring knowledge from international markets (Autio et al. 2000; Ocasio 1997) and respond according to that information. Autio et al. (2000) argue that INVs see foreign markets as less "foreign". Early international entry reduces the fear of expending effort in learning about foreign markets and these firms are less constrained by existing domestic relationships, and more likely to develop knowledge through relationships that have been built internationally (Sapienza et al. 2005). Therefore, early international entry may help INVs to focus their efforts on foreign markets thereby facilitating the development of an international market orientation. For INVs, that are willing to take advantage early of the opportunities in foreign markets, this orientation is, in fact, a way of acquiring required knowledge from international markets and making up their lack of international experience. So we suggest that:

H₂: Early international entry positively influences the development of an international market orientation in INVs.

International Market Orientation and Higher Commitment Entry Modes

Traditional models (Johanson and Vahlne 1997, 1990) consider commitment to internationalization to be a function of

experiential knowledge of foreign markets. Accordingly, the choice between direct exporting and the use of more complex and proactive entry modes in foreign markets thus would depend on firm experience and foreign market knowledge, but this is not the case for INVs. Then INVs should opt for lower commitment entry modes in order to reduce the risk associated to internationalization (Zaheer 1995).

However INVs' behavior seems to reflect a different way of thinking (Blomstermo et al. 2004). The use of entry modes involving lower commitment in foreign markets has an undesirable counterpart for INVs who have developed an international market orientation. The capacity to acquire market information, develop and integrate it into the firm's knowledge base help the company to generate key knowledge-based competences, such as marketing capabilities (Luo 2001; Madhok 1998). These competences are based on tacit knowledge (Teece et al. 1997), firm-specific (Nonaka 1994), valuable to customers and not easily codified or articulated (Nelson and Winter 1982; Peteraf and Bergen 2003; Teece et al. 1997), so they are not easily transferable. In this case, the entry choice will be associated with higher direct investment, because the use of cooperation-based modes could erode the INVs' advantages from their knowledge-based competencies.

Moreover, given the scarcity of resources characteristic of the INVs business community, it may seem that higher commitment entry modes are not appropriate for this type of firm. However, INVs can use their social networks to obtain the resources they need to rapidly increase their commitment in international markets (Oviatt and McDougall 1994). International market orientation in INVs contributes to their integration into a social network as a channel for sharing market information and other resources (Elg 2002, 2007; Ghauri et al. 2008; Trulsson 2002).

In short, the development of an international market orientation contributes to speeding up the internationalization process in INVs (Knight and Cavusgil 2004), by their use of entry modes involving a higher commitment shortly after their creation. Then, we propose that:

H₃: International market orientation positively influences high-commitment entry modes in INVs.

Figure 1 presents the theoretical model to be analyzed.

METHODOLOGY

Sample

To test these hypotheses, data were collected from a sample of INVs from Spain operating in several industries. Firms were selected from the Dun & Bradstreet database, which contains references on 850.000 Spanish firms in terms of turnover. Three criteria were used to select the sample of firms. Firstly, the firms had to be new ventures. Although Oviatt and McDougall's definition suggests an INV needs to be international "at inception" (Oviatt and McDougall 1994), in general the length of time considered to define an INV varies from three years (Madsen and Servais 1997) until up to eight years (McDougall and Oviatt 1996) after the firm's creation. Since the aim of this research is to study how early international entry, entrepreneurial orientation and international market orientation can influence the way INVs use higher resource commitment entry modes in foreign markets, we required our sample firms to have been operating for a maximum of 7 years in order to give them time enough to have implemented their strategies. Secondly, firms had to be engaged in international activities in a consolidated way; we considered a level of 25% of annual income coming from foreign markets as a threshold for consolidated international presence. Thirdly, firms could not be subsidiaries or affiliates.

The field research was carried out during the last quarter of 2005. After applying the above mentioned selection criteria the total research population was 537 Spanish INVs. A total of 135 Spanish firms (25.14 %) completed the questionnaire. Table 1 summarizes the main characteristics of the sample.

Measuring Instruments

All items in the questionnaire were adapted from published works that were relevant to our study. Concretely, we use one indicator to measure early international entry: the time between the creation of the firm and its internationalization. It was reverted so that higher values meant shorter internationalization time.

We consider the extended version of Miller's (1983) scale from the specialized literature (Covin and Slevin 1989) that considers entrepreneurial orientation as the interrelation of three basic characteristics: innovative attitude, willingness to take

controlled risks, and proactiveness; we use the. This measure has been used in a wide variety of research settings and has exhibited high levels of reliability and validity (Barringer and Bluedorn 1999; Becherer and Maurer 1997; Dickson and Weaver 1997; Kreiser et al. 2002; Wiklund and Sepherd 2005). Specifically, this 5-point Likert type scale has three dimensions: innovation (3 items), proactiveness (4 items) and risk assumption (3 items).

Regarding international market orientation measurement we use the eclectic scale proposed by Blesa and Bigné (2005). The dimensions of this scale were based on the MARKOR (Kohli et al. 1993) and MKTOR (Narver and Slater 1990) scales, and also includes items from other scales referring to additional aspects such as price policies, discussion of market tendencies (Deshpandé et al. 1993), identification of emerging segments, appearance of new products, information exchange stimulations, environment-directed strategies, and information flow to consumers. Concretely, the 5-point Likert type scale was made up of a total of 16 items divided into 5 general dimensions: interfunctional coordination (2 items), information search (3 items), information dissemination (5 items), response design (2 items) and response implementation (4 items).

In order to measure entry modes, the criteria used in several recent works allow us to develop a measurement index for entry modes (Kalantaridis 2004; Nakos and Brouthers 2002; Pan and Tse 2000; Wei et al. 2005). Specifically, respondents were asked to specify the entry mode that they used in their most recent foreign entry (Nakos and Brouthers 2002). The possible response options (export, brand licensing, commercialization, franchising and production agreements, joint-venture, acquisition of a sufficiently high capital share to control a business that was operating in the new market, acquisition of 100% of the capital of an existing business and creation of a new business or a subsidiary) were arranged hierarchically according to the resources committed to each of them (Kalantaridis 2004; Wei et al. 2005).

Validity and Reliability of the Scales

Confirmatory factor analysis was performed to purify the reflective scales (entrepreneurial and international market orientations). This methodology allows the researcher to contrast theoretical models in which the representative latent variables of a certain theoretical concept and the indicators designed to measure them are present.

The model was progressively improved by the sequential elimination of the least suitable indicators. Thus, indicators whose standardized coefficients (λ) were below 0.4 (Hildebrandt 1987) and whose student t-test statistic was lower than 2.58 were removed. Following these criteria, we eliminated items Proact1, Proact4 and Risk3 from the entrepreneurial orientation scale and items Dissem5 and Imple4 from the international market orientation scale. One diagnostic tool to evaluate internal consistency is the coefficient of reliability that evaluates the consistency of the entire scale, and in which Cronbach's alpha (Nunnally 1979) is the most extensively used measurement. Additionally, other complementary reliability tests were carried out: composite reliability of the construct and extracted variance analysis. A confidence interval test was performed to examine discriminate validity. This test consists of verifying that the value '1' does not appear in the estimated confidence intervals for the correlations between each pair of dimensions (Table 2).

RESULTS

Structural equation models (SEM) have proven to be particularly useful when the research aim is to establish the direct causal contribution of one variable to another in a non-experimental situation (Jöreskog and Sörbom 1993). The sample size required by SEM analysis increases in proportion to the complexity of the model. Then, in order to simplify the model entrepreneurial and international market orientations measurement scales were narrowed down to three and five indicators respectively, which corresponded to its dimensions. To do this, the items making up each dimension were averaged.

Table 3 shows the results of the estimation of the relationship model with SEM using statistical software LISREL 8.8. The results confirm all the hypotheses proposed in the theoretical model. Thus, entrepreneurial orientation and early entry show a positive and significant relationship with the development of an international market orientation in INVs ($\gamma = 0.63$; $t = 11.86$ and $\gamma = 0.14$; $t = 3.35$ respectively), confirming hypotheses H_1 and H_2 . Moreover, the development of international market oriented behaviors has a positive effect on the use of high entry modes by INVs ($\gamma = 0.18$; $t = 2.61$), confirming hypothesis H_3 .

DISCUSSION

The motivation for this study arose from a growing body of literature in international entrepreneurship that increasingly recognizes the importance of INVs for the economic and social progress of ever more globalized economies (see Hessels and

Van Stel 2007; Oviatt and McDougall 2005; Rialp et al. 2005; Zahra and George 2002). Despite the major contributions from these studies prior literature has not uncovered the factors determining higher commitment entry modes in INVs. To pursue this line of inquiry, we examined whether the development of an international market orientation in INVs might influence them to choose entry modes involving higher commitment of resources in foreign markets. We also developed theoretical arguments to explain the relationship between entrepreneurial orientation, early international entry, and international market orientation.

Studied independently, it may appear a priori that these results do not coincide with the arguments developed by much of the international entrepreneurship literature, since due to their entrepreneurial character it is argued that INVs might prefer to use cooperation agreements with distributors and international trade agents. The variable costs borne by INVs through using external agents will always be lower than the total administrative, marketing and organizational costs associated with capital intensive entry modes (Zheng and Kavul 2005). However, despite these arguments, the real situation appears to suggest that INVs can use higher commitment entry modes in their foreign markets (Aspelund et al. 2007; Oviatt and McDougall 1994). This study confirms the fact that the lack of tangible resources does not condition the choice of entry mode used by INVs; their choice appears to be motivated by the possession of a set of intangible resources (Gleason and Wiggenshorn 2007), such as the development of an international market orientation. In this vein, the present study may complement that of Hashai and Almor (2004) and Hessels and Terjesen (2010), by pointing to the importance of international market orientation as a key variable in INVs' choice of entry mode. Hashai and Almor (2004) conclude that in important markets, wholly owned subsidiaries are the preferred foreign market-servicing mode. Hessels and Terjesen (2010) concluded that SMEs are more likely to export using direct mode if they are located in home markets with favorably perceived production costs and access to knowledge and technology.

Based on the recommendations of Sharma and Blomstermo (2003) or Laanti et al. (2007) this study also analyzed whether the characteristics that define INVs might encourage these firms to develop an international market orientation. It can be confirmed that early international entry and entrepreneurial orientation are contributing factors in the development of an international market orientation in INVs. Regarding entrepreneurial orientation, the results from this study uphold the thesis of those who consider entrepreneurial orientation to be an antecedent of market orientation in firms (Matsuno et al. 2002; Slater and Narver 1995; Weerawardena and O'Cass 2004) to the detriment of those claiming precisely the opposite relationship (Armario et al. 2008; Atuahene-Gima and Ko 2001; Liu et al. 2003). Our findings therefore contribute to clarify the controversy surrounding the complex relationship between the two orientations in the specific case of INVs. We have demonstrated that in INVs, entrepreneurial orientation generates an international market orientation that enables new firms to identify and proactively develop new business opportunities in international markets.

On the other hand, the establishment of early international entry as a factor that can influence INVs' capability to acquire new knowledge of international markets contrasts with one of the hypotheses raised by the traditional models of internationalization. In their hypotheses, the firm's experience and its physical presence in international markets are assigned a fundamental role when it comes to explaining how firms acquire knowledge of the foreign market and how firms increase their commitment in international markets (Bilkey and Tesar 1977; Cavusgil 1980; Johanson and Valhne 1977, 1990). Our results enrich the conceptual framework developed by Autio et al. (2000) and Kuivalainen et al. (2007) by showing that the speed of international market entry contributes to the development of an international market orientation. It confirms that early international entry influences the capability of INVs to acquire data and knowledge from the foreign market and to process that information and generate actions according to it, since it can be considered an antecedent of an international market orientation in these firms.

Taken together, our results support the thesis put forward by Sapienza et al. (2005), since we show that both early international entry and entrepreneurial orientation of a firm lead it to direct its efforts towards learning processes development based on their international markets.

In sum, this study therefore extends past international entrepreneurship research as it explains how firms experiencing the liabilities of newness, smallness and foreignness can deviate from the conventional internationalization model, based on the experiential knowledge (Bell et al. 2004; Chetty and Campbell-Hunt 2004; Laanti et al. 2007).

CONCLUSIONS, LIMITATIONS AND FUTURE RESEARCH

Our conclusions highlight the idea that an international market orientation can be considered a key aspect in INVs' choice of entry modes involving higher commitment of resources. Moreover, we have demonstrated that an entrepreneurial orientation

and early international entry act as antecedents to the development of an international market orientation in INVs. At managerial level, this implies that the entrepreneur will be capable of generating the necessary relevant information that support and justify the choice of higher commitment entry modes to expand into foreign markets. To achieve this, he or she must adopt international market intelligence systems that guarantee the generation of information on the firm's different markets and environments, which must then be distributed across all levels of the INV, enabling opportunities to be identified in the most effective way and thus fostering the definition of a coordinated response that allows INVs to choose foreign entry modes involving a greater level of commitment. In addition, the entrepreneur should possess, and at the same time infuse throughout his or her firm, a culture that embraces the development of innovative and proactive actions and behaviors addressed towards the new market from its base, that will facilitate the development of an international market orientation. Moreover, entrepreneurs should be aware of the importance of early internationalization for their firms. In this paper, we argue that early foreign entry contributes to the development of an international market orientation which, in turn, is conducive to INVs choosing entry modes involving high levels of resource commitment in these markets.

Certain limitations should be taken into account when considering the conclusions drawn in this study. First, the use of cross-sectional data to make causal inferences could be seen as a limitation. However, as the main explanatory variables of the proposed model are path-dependent and time-consuming activities embedded in organizational routines and processes (Jantunen et al. 2005), it might be reasonable to assume a causal explanation structure such as we have done. Anyway taking into account the above limitations future research should study the proposed relationships using longitudinal data and combining positivist and interpretivist methods, such as ethnographic or phenomenological methods (Coviello and Jones 2004).

Moreover, our empirical study was based on common method bias. This procedure raises the question of whether one respondent alone can adequately report for the entire firm. On this issue, as our study is based on new ventures, entrepreneurs can be considered as the appropriate respondents to provide information about the strategic orientations and results in new ventures (Davidsson 2004) because they possess the most comprehensive knowledge of the characteristics of the organization, its strategy and performance (Hambrick 1981).

While we believe that our findings are exciting in that they emphasize the value of studying the relationships between international market orientation, entrepreneurial orientation and early international entry to explain higher commitment entry modes in INVs, a multitude of other strategic factors -industry, firm and transaction related factors- (Brouthers and Nakos 2004; Ekeledo and Sivakumar 2004; Pehrsson 2007) and other institutional factors (Hessels and Terjesen 2010) can condition that choice. Moreover, these strategic and institutional factors are important to our understanding of the appropriateness of different entry modes (Brouthers 2002; Brouthers and Nakos 2004). Therefore, we suggest future research analyze the effect of other factors on INV entry mode choice.

The specialized literature has also noted the importance of firm networks in INVs creation. Basically researchers have indicated that INVs uses its relations to access new knowledge, sharing its own knowledge with trusted firms (Coviello and Munro 1995; Loane and Bell 2006; Oviatt and McDougall 1994). However there is a lack of studies that analyze how entrepreneurial network characteristics influence the rate at which INVs increase their international commitment and enter new markets (Coviello 2006; Oviatt and McDougall 2005). In addition, just as competition is said to take place between value networks or chains rather than between firms, international market orientation also occurs on an entrepreneurial network level, which explains how some networks can become more competitive and effective than others in the same market. It therefore seems opportune to extend the scope of INV research to include the networks in which they participate; this would also lead to explorations of the relationship between entrepreneurial orientation and international market orientation in the whole network as fundamental elements to our understanding of internationalization in these firms.

TABLES

Table 1: Characteristics of the Sample

Economic Sector	Age	Management Team	Turnover (x 1000 €)	Employees	International Income
Industrial = 55.6%	1 - 4 = 47.4%	1 - 3 = 75.6%	Below 800 = 47.3%	3 - 15 = 60%	25% - 50% = 43.2%
Commercial = 17.8 %	5 = 24.4%	4 - 6 = 20%	800 - 5,000 = 33.3%	16 - 55 = 25.4%	51% - 75% = 35.6%
Others = 26.6%	6 - 7 = 28.1%	7 - 10 = 4.4%	Over 5,000 = 19.4%	58 - 165 = 14.6%	75% - 100% = 21.2%

Table 2: Measurement Model Reliability Analysis Results

Table 27. Measurement Model Fit Summary (Pathways)								
Scale		Parameters		α		CR	EV	
Entrepreneurial Orientation		0.46-0.97		0.77		0.89	0.55	
International Market Orientation		0.43-0.89		0.83		0.83	0.50	
Quality of Fit Measures								
χ^2/df	RMSEA	NFI	CFI	IFI	RFI	RMSR	GFI	AGFI
1.82	0.078	0.94	0.99	0.99	0.91	0.072	0.96	0.94

Table 3: Results of the Estimation of the Standardized Parameters of the Model

Relationship					γ Value	t Value	Hypot.	Result
Entrepreneurial Orientation - International Market Orientation					0.63	11.98 (p<0.001)	H ₁	Accepted
Early Entry - International Market Orientation					0.14	3.48 (p<0.001)	H ₂	Accepted
International Market Orientation – Higher Commitment Entry Modes					0.26	2.41 (p<0.05)	H ₃	Accepted
Quality of Fit Measures								
χ^2/df	RMSEA	NFI	CFI	IFI	RFI	RMSR	GFI	AGFI
20.84 / 29 (P=0.87)	0.000	0.96	1.00	1.00	0.93	0.062	0.98	0.96

FIGURES

Figure 1: Model of Effects of Entrepreneurial Orientation, Early International Entry and International Market Orientation on Entry Mode Choice in INVs



ACKNOWLEDGEMENTS

The authors acknowledge the support provided by Bancaixa via the Project “La importancia de la primera cita. Relevancia de la “huella” del primer acuerdo empresarial en el crecimiento internacional de las nuevas empresas” (P11B2009-44).

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TESTING AN INTEGRATIVE MODEL OF EXPORT PERFORMANCE IN TURKISH SMEs

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ABSTRACT

Many studies have sought to identify the key variables related with export performance (e.g., Madsen 1987; Aaby and Slater 1989; Shoham 1991, 1996, 1998; Chetty and Hamilton 1993; Zou and Stan 1998). More recently Katsikeas, Leonidou, and Morgan (2000), Leonidou, Katsikeas, and Samiee (2002), Sousa, Martínez-López, and Coelho (2008), and Leonidou, Katsikeas, and Coudounaris (2010) presented summaries and reviewed the export performance literature. Unfortunately, there has been little agreement on export performance conceptualization and operationalization (Aaby and Slater 1989; Cavusgil and Zou 1994; Shoham 1998; Styles 1998). Therefore, this paper develops and tests an integrative model of export performance. Specifically, we test the impact of internal and external barriers to exporting, motives for exporting, and exporters' advantages on export performance of Turkish SMEs. We test the model based on data from 135 Turkish exporters. The data provide support for most of the study's hypotheses. Each of the four antecedents has significant relationships with at least one dimension of export performance. Research and managerial implications accounting for these findings are discussed.

References available upon request

A MULTI-LEVEL STUDY ON FRANCHISEE- AND SYSTEM-LEVEL ANTECEDENTS OF OPPORTUNISM AND SATISFACTION

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ABSTRACT

Franchising as a business model has gained increased economic importance and research attention over the last three decades. While prominent in many industries, franchising is now particularly common in sectors where production and consumption has to take place simultaneously, and which need to operate through diffused distribution networks with outlets that are located close to customers and managed by individuals with local knowledge. It is for this reason that the success of such operations strongly depends on the proper selection of franchisees, as well as the implementation of practices to manage the relationship with franchisees. Therefore, the majority of authors in this field of research have based their studies on transaction cost economics (TCE) reasoning, which recognizes the importance of safeguarding against adverse selection and opportunistic behavior (moral hazard) in economic partnerships.

While a lot of research has focused on the investigation of contractual arrangements in order to protect franchisors from franchisee opportunism, less attention has been paid to the problem of adverse selection. In particular, the relationship between franchisee characteristics, franchise system characteristics and practices, and franchisee opportunism and satisfaction have not been considered sufficiently. Therefore, to contribute to the extant literature, we apply the Theory of Planned Behavior (TPB) to the franchising context. Departing from the assumption of TCE that individuals are rational actors who will always behave opportunistically, we investigate across different franchise systems how franchisee attitudes towards business are linked to opportunism and satisfaction, as well as how these links are moderated by characteristics and practices constituting the franchise system.

While opportunism is a well-established concept in the franchise literature, franchisee satisfaction with their business decision has received less attention as a desired outcome variable for franchisors. However, there is reason to suggest that franchisee satisfaction is important for the success of the franchise system for two reasons: 1) There is evidence that dissatisfaction of channel members is related to their exit intentions, which means that transaction specific assets (TSA) may be lost. 2) Dissatisfaction is also related to negative word-of-mouth, which can lead to a negative reputation, which in turn is associated with higher transaction costs when trying to enter new contracts.

In light of the above and based on prior empirical research on franchisee selection, we focus our investigation on five franchisee attitudes towards business (ATB) which are commonly discussed in the literature. These are: 1) perceived innovativeness, 2) business risk-taking; 3) seek work-related challenges, 4) desire for personal development, and 5) commitment to the business. While there is some evidence that entrepreneurial personalities are prone to these attitudes, less is known about how these attitudes are linked to levels of opportunism and satisfaction in the context of a franchise system.

The few studies that have explored the link between franchisee attitudes on franchisor outcomes have considered these relationships in isolation. However, TPB research suggests that the link between attitudes and behavior is moderated by a person's beliefs as to whether it is easy or difficult to perform an act. These perceptions of control depend on past experiences as well as current obstacles to, or opportunities for, the performance of a behavior. Applied to the franchise context, we argue that franchise system characteristics and practices moderate the link between ATB, opportunism and satisfaction. We use type of contracting and franchisors' investment of TSA into franchisees' outlets as examples of system characteristics and practices to test our hypotheses.

The results of hierarchical linear models (HLM) give an indication on what attitudinal bases potential franchisees may be selected prior to signing a long-term franchise contract to avoid adverse selection and opportunism. Particularly, it seems that seeking challenges and risk taking are associated with high levels of opportunism, whereas seeking personal development and commitment reduce opportunism. Interestingly, franchisee satisfaction seems to be primarily driven by the same two variables that increase opportunism. Further, the findings reveal how type of contracting and franchisors' TSA investment impact on franchisee behavior and attitudes ex-post.

References Available on Request.

THE EFFECTS OF MARKETING-R&D INTEGRATION AND R&D STRENGTH ON BUSINESS GROWTH AND CUSTOMER EQUITY: A CORPORATE ENTREPRENEURSHIP STUDY

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INTRODUCTION

Growth represents one of the most important performance criteria, and, for this study, we examine the impact of firm's entrepreneurial posture on organizational capability and resource position and its growth implications. Our study addresses two major research questions: 1) what is the impact of a firm's entrepreneurial posture on its capability in managing the marketing-R&D integration and R&D resource position? and 2) how do marketing-R&D integration and R&D strength collectively influence the firm's business growth and customer equity?

In our conceptual model we posit that an organization's entrepreneurial orientation regarding market uncertainties (entrepreneurial proclivity: ENTRE) influences the firm's competitive resource position (R&D strength: R&D) and its competence in organizing its new product development and innovation (marketing-R&D integration: M&R). In turn, R&D and M&R individually and interactively ($R\&D * M\&R$) contribute to greater customer equity (CUST). Furthermore, we propose that business growth (GROWTH) is a direct and indirect outcome of entrepreneurial proclivity, where a resource (R&D) mediates for GROWTH.

HYPOTHESES

Entrepreneurial firms thrive on their willingness and capability to identify and exploit market opportunities that are not served by the competition. New product development and innovation, therefore, are at the cornerstone of their strategy formulation and execution, and doing well in these arenas is critical for their viability and survival. One critical administrative mechanism in successful new product development and innovation is the marketing-R&D integration. It is the process through which market and technological knowledge are cross-transferred and integrated (Griffin and Hauser 1996). For the firms that thrive on new products and innovations, the marketing-R&D integration is a critical competency, and entrepreneurial firms, by necessity, must have greater competence in managing the marketing-R&D integration than those that are less entrepreneurial.

H1: Entrepreneurial proclivity is positively associated with: a) the level of marketing-R&D integration; and b) R&D strength.

Entrepreneurship pertains to identifying and capturing emerging but uncertain market and product opportunities. We believe that entrepreneurial firms are more likely to both expand their markets and retain customer equity—thereby enhancing their viability, sustainability and continued growth. First, risk-taking, proactive firms anticipate and act on future growth needs by “seeking new opportunities which may or may not be related to the present line of operations, introducing new products and brands ahead of competition, or strategically eliminating operations which are in the mature or declining stages of life cycle” (Venkatraman 1989, p.949). Second, being innovative provides an organization with the means to preemptively defend itself from competitive attacks and deepen the loyalty of its customer base.

H2: Entrepreneurial proclivity is positively associated with: a) business growth; and b) customer equity.

Regarding R&D strength, we posit that the effect of R&D strength on business growth and customer equity is direct and tangible. Product management literature generally supports the significance of R&D strength on product advantage, because firms with greater technology development resources have a better chance to create products with more innovative features (Cooper 1983) and product advantages (Li and Calantone 1998). The new features and advantages provide firms with the means to proactively serve new customer needs and improve customer loyalty.

H3: R&D strength is positively associated with: a) business growth; and b) customer equity.

For highly entrepreneurial firms, a higher level of the integration should ensure that the technology and market knowledge are shared and well integrated for proactively innovating and leading the market with new offerings. A well executed integration should also help even the less entrepreneurial firms, because an effective integration may: 1) help reduce the

market-related risks through effective generation of knowledge by the parties; and 2) keep the two departments mutually informed of the product development progress. Furthermore, we expect the integration's positive impact on business growth is indirect in nature and through customer equity. We posit that the business growth is a consequence of sustained customer equity, because an important source and foundation of the future growth lies in the current customers and their satisfaction and the companies' ability to retain those customers.

H4: The level of marketing-R&D integration is positively associated with customer equity.

We argue that the level of the integration may positively moderate how a resource, specifically the R&D strength, is utilized. Because the management of the marketing-R&D integration is supposed to serve the product development and innovation as a knowledge and resource exploitation process (March 1991), it should enhance the impact of R&D strength on the innovation outcomes. Effective marketing-R&D integration, therefore, is a critical enabler for the R&D strength to transform into market competitiveness. In other words, we believe that the relationship between R&D strength and management of the marketing-R&D integration is complementary in nature in achieving new product innovation success.

H5: The effect of R&D strength on customer equity is positively moderated by the marketing-R&D integration.

Business growth and customer equity are distinct but complementary in nature – one primarily built on new and new customers and products and the other primarily built on current customers and products. In our model, we consider business growth as a consequence of sustained customer equity based on the theoretical causality. The relationship between the two is theoretically causal because the future growth lies in the current customers and their satisfaction and loyalty and the companies' ability to retain existing customers and acquire new customers.

H6: Customer equity is positively associated with business growth.

METHOD

We obtained a list of the largest 1,000 Japanese manufacturing companies from a Tokyo-based market research company. The research company contacted each company and identified a pair of marketing and R&D executives (both at vice president or director level) within the same SBU of the company. Two-wave mailings and follow-up phone calls, produced responses from 207 pairs of respondents from the same SBU, resulting in the pair-wise response rate of 20.7%. A MANOVA test on five business performance variables based on the response timing indicated no significant difference in the performance measures. Therefore, non-response bias does not appear to be a significant problem for the analysis.

We formed new items for all the variables by averaging the responses from both marketing and R&D executives in each participating SBU, given the high level of inter-rater reliability of the data. For each endogenous variable, the intra-class correlation coefficient ranged from .69 to .84, with F values all significant at $p < .001$ (James et al. 1984). All the measures we used were adapted from prior studies. The final list of measures after item purification with factor loadings is available from the authors upon request. We assessed reliability and validity through a confirmatory factor analysis (CFA) measurement model in partial least squares (PLS), with results supporting the validity of the measurement model.

Hypothesis Testing Procedure

Prior to testing the hypotheses, we assessed the possibility of multicollinearity by regressing each predictor variable on the other predictor variables to detect linear relationships among them. None of the R-squares among the predictor variables exceeded the R-square of the overall model, and the maximum variance inflation factor (VIF) score was 1.54, much lower than the suggested cutoff value of 5 recommended by O'Brien (2007). Therefore, we concluded the possibility of multicollinearity is low.

The relationships proposed in the hypotheses were examined using PLS, a recommended method to test a path analysis model with both reflective and formative measures using a small to medium size sample (Chin 1998). In addition, because our path model included a moderating effect, we adopted the two-stage testing approach recommended for PLS (Chin et al. 2003). For model testing, we included four control variables (self-reported) in the analysis: SBU size (employees), industry type (business-to-business or business-to-consumer manufacturing), background of SBU's CEO (marketing background, technological background, or other functional background).

RESULTS

The means, standard deviations, and correlations among the variables are available from the authors upon request. We proposed in H₁ that entrepreneurial proclivity is positively associated with the degree of marketing-R&D integration and R&D strength. The result shows the standardized coefficients are both significant ($\beta = .29$ on M&R and $\beta = .26$ on R&D, $p < .05$), providing a support for H₁. In H₂ we posited that entrepreneurial proclivity positively affects customer equity and business growth. We found ENTRE has a positive significant effect on CUST ($\beta = .46$, $p < .01$), but an insignificant effect on GROWTH ($\beta = -.07$, $p > .05$). Thus, H_{2b} is supported, but H_{2a} is rejected. According to H₃, R&D strength is positively related to business growth (H_{3a}) and customer equity (H_{3b}). Our results show that R&D is positively related to GROWTH ($\beta = .25$, $p < .01$) and CUST ($\beta = .28$, $p < .01$); hence, H₃ is supported. In H₄, marketing-R&D integration was proposed to positively affect customer equity. Our findings revealed that M&R's impact on CUST is not significant ($\beta = -.02$, $p > .05$), rejecting H₄. We predicted in H₅ that greater effectiveness in managing the marketing and R&D integration amplifies the impact of R&D strength on customer equity. We found a significant moderating effect of M&R ($\beta = .21$, $p < .05$), supporting H₅. We expected in H₆ that customer equity contributes to business growth. The coefficient for this relationship was positive and significant ($\beta = .64$, $p < .01$), providing evidence for H₆.

None of the control variables reveal significant effects on any of the endogenous variables at significance level of .05. We also assessed the extent of the common method variance problem. The results indicate that the common factor account for only a small portion of total variance (10.66%), lower than the general 15%-30% range. The average trait variance (44.68%) also falls in the general range of Widaman's (1985) study. Meanwhile, the model structures remain the same after controlling for method variance. Collectively, the antecedents accounted for 54% and 41% of the variance in GROWTH and CUST, respectively, indicating the model's robust explanatory power.

DISCUSSION

Our empirical results show that ENTRE has a positive impact on both M&R and R&D, rendering a support for our proposition that a firm with a high level of propensity to innovativeness, risk-taking, and proactiveness tends to achieve a superior R&D position and marketing-R&D integration. On the other hand, although we predicted that ENTRE has a positive impact on both GROWTH and CUST, its direct performance impact is found only on CUST. ENTRE's effect on GROWTH is indirect, through R&D and CUST.

The literature is generally supportive of the positive impact of effective marketing-R&D integration on new product and innovation success, which, by inference, should help improve firms' business growth and customer equity. However, the effect of marketing-R&D integration seems to be more subtle than generally believed to be. We find that its interaction term with R&D strength produces a positive and significant effect on customer equity, but it is not directly related to either performance measures. In other words, effective management of the marketing-R&D integration seems to work as an important amplifier of the positive impact of R&D strength on customer equity. When accompanied by firm's superior position in R&D, effective management of the marketing-R&D integration has a significant impact on customer equity, which in turn positively affects business growth.

Our findings suggest that a strategic posture alone does not result in a tangible performance benefit. Effective organizational processes and actions are necessary for entrepreneurial firms to fully utilize the R&D strength and customer equity and achieve business growth. While it is important to increase the level of entrepreneurial orientation, managers are advised to constantly enhance the marketing-R&D integration capability and R&D investment. The marketing-R&D integration enables a firm to take a full advantage of its R&D strength for the new product development and innovation, resulting in the customer equity and business growth. Overall, with both direct and indirect positive association with business growth, R&D strength seems to be the most important node in the model.

Although our study sheds some light on the theoretical model, it has several limitations. First, although using subjective performance measures is often the only feasible approach for studies at the SBU level, and prior research has demonstrated close association between subjective and objective measures, we still recommend that future research explore alternative, objective measures for customer equity and growth outcomes at the SBU level. Second, we used a cross-sectional, single country sample, which makes it impossible to eliminate alternative path predictions in the structural model. In addition, although we did not have an *a priori* reason that the proposed theoretical relationships among the constructs would be

different in different regions/countries and industries, the generalizability of the findings can only be established by future studies.

References available upon request

Wednesday, 20 July
Time: 2:00 PM

Session Number: **3.6: Global Marketing I**

Session Chair: Rojas-Méndez, José I., *Sprott School of Business/Carleton University*

Can Country Image Protect Firms Facing a PR Crisis?

Veale, Roberta, *University of Adelaide*

Quester, Pascale, *University of Adelaide*

The Impacts of Marketing Orientation and Entrepreneurial Orientation on Profitability: Examination of Environment and Resource Moderators

Boso, Nathaniel, *Loughborough University*

Cadogan, John, *Loughborough University*

Story, Vicky, *University of Nottingham*

The Role of Involvement and Expectations in Olympic Games Attitudes: A Cross-national Study

Armenakyan, Anahit, *Carleton University*

Heslop, Louise A., *Carleton University*

Nadeau, John, *Nipissing University*

O'Reilly, Norm, *University of Ottawa*

CAN COUNTRY IMAGE PROTECT FIRMS FACING A PR CRISIS?

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Pascale Quester, The University of Adelaide, Australia
Vinh Nhat Lu, Australian National University, Australia

INTRODUCTION

The world is now an international marketplace, with organisations trading in diverse geographical locations. However, the links between organisations and their home countries often remain strong in the minds of consumers (Phau and Prendergast 2000). Indeed, international managers often work to strengthen and gain leverage from these associations, for example Alfa Romeo with Italy or Dior with France. Alternatively others will seek to diminish them when country of origin (COO) associations are likely to be negative (Chao 1989; Chao 2001).

The degree to which a firm's Country Image (CI) influence consumer attribution of blame for an organizational crisis, their subsequent level of trust in the organization and its products, and ultimately their future purchase intentions, remains unclear. The lack of research in this area of international public relations management is surprising, given the body of work validating the ability of COO to influence consumer opinions regarding brands and product/service choices (Al-Sulaiti and Baker 1998; Hamzaoui and Merunka 2006). The literature conclusively shows that consumers, from both developed and underdeveloped countries, prefer products and services from developed countries. There are many reasons for this, including perceptions of enhanced personal status and greater trust due to their advanced levels of industrialisation and superior technical expertise (Parameswaran and Pisharodi 1994; Chao 2001). Conversely, products and services from less developed countries are generally considered to be lower quality and less trustworthy (Chao 1989 a; Hamzaoui and Merunka 2006). Given that an ever-growing proportion of everyday consumer goods, including those manufactured by global brands, now originate from developing and emerging economies, there is considerable value in understanding any COO effects in a crisis management context.

It is surprising then, that the potential influences (both positive and negative) of an organisation's COO in an organisational crisis context is significantly under researched given that organisational crises are becoming increasingly more common, often threatening organisational viability. Therefore, managers need to understand the nature and orientation of any country-of-origin consumer biases to develop and implement the most effective Crisis Management (CM) strategies to exploit or diminish their effects. This research attempts to take initial steps in addressing this gap in our current understanding via an empirical study aimed to reveal the extent to which country image may protect, buffer or shield a firm from the impact of negative PR following a crisis. This was done by testing the ability of an organisation's home CI to influence attribution of blame for the crisis and trust in the organisation and its products, both antecedents of consumer future purchase intentions, post an organisational crisis.

METHODOLOGY

This research was conducted in two stages. A first qualitative stage comprising of two focus groups was undertaken to confirm the specific crisis type scenario and suitable countries for testing in the empirical quantitative phase. These insights were combined with scenarios and measures sourced from the literature, in order to develop internet-based questionnaires. The focus group findings indicated that a firm's CI was indeed likely to significantly influence levels of attribution (blame) for an organisational crisis, their subsequent levels of trust in that organisation and its products and, ultimately, their future purchase intentions. Furthermore, respondents indicated that a crisis involving children poisoned via lead paint on toys was both credible and serious. Hence, a scenario adapted from that used by Arpan and Sun (2006) was employed in the experimental stage of the study. Moreover the crisis types of victim, accident and intentional (with a 'no comment', neutral, response held constant) were also endorsed for testing, as they elicited appropriate variations in attribution levels from participants. Lastly, the use of China (as the less developed) and England (as the highly developed) countries were endorsed.

The quantitative study involved a three (crisis type) x two (home country) experimental design. A series of six crisis scenarios was compiled, where wording was altered in each case to reflect each of the three crisis types, whilst the neutral organizational response of 'no comment' remained constant. The names of the hypothetical organizations were chosen to reinforce any stereotypical CI and product associations. Therefore, for England the organization was named 'Blue Bobby Toys' and the Chinese organization 'Smiling Dragon Toys'. To avoid respondent fatigue, each respondent completed a questionnaire specific to only one country and one crisis treatment. The questionnaire commenced with the 14 items

comprising the country image scale (Martin and Eroglu 1993). The next section illustrated one of the six crisis scenarios, presented to look like a newspaper type 'clipping'. Participants were instructed to read the 'article' and to proceed to the next section of the questionnaire, where the scale measures adapted from Lee (2005) for attribution (two items), trust (eight items), and purchase intentions (one item) were answered. Following sections collected information respective to respondent experience with the country in question or its products. They were asked whether or not they had ever visited the country named in their questionnaire or regularly purchased products made there. Respondent nationality was also collected as part of their demographic details. This data would be used to conduct manipulation checks prior to hypothesis testing.

Employing a snow-ball sampling technique a total of 375 usable questionnaires were completed by respondents in the general population of a major Australian city. The internet based research software used in the study allowed the monitoring sample demographics such as gender and age as respondents accepted the email invitation to participate. This permitted 'screening' of respondents as they attempted to complete the survey in order to achieve as close a balance as possible to the general Australian population. The final sample was reasonably representative given the non-probability method employed.

RESULTS AND DISCUSSION

As expected, a comparison of means showed the CI score for England ($M=7.48$) to be significantly ($p=.000$) higher than China ($M=3.87$). In order to test the hypothesised relationships between country image, attribution, trust, and purchase intentions, structural equation modelling was used, relying on AMOS. The proposed model met the requirements of all goodness-of-fit criteria ($GFI = 0.000$, $AGFI = 0.996$, $CFI = 1.000$, $NFI = 0.999$, $TLI = 1.008$, $RMSEA = 0.000$, and $SRMR = 0.006$). Further, the χ^2 value was non-significant ($p = 0.764$); relationships are illustrated in figure 1 ($p < .001$). CI was found to have a significant influence on attribution with the coefficient of -0.28 ($t = -4.96$, $p < 0.001$), suggesting that a better country image will result in a lower level of attribution on the company in times of crisis. In turn, attribution was found to have a significant influence on trust with a negative and significant relationship revealed between these two variables with analysis showing a high coefficient value of -0.64 ($t = -13.32$, $p < 0.001$). Findings also demonstrated CI, as expected, significantly influenced trust. The coefficient value for this path is 0.22 ($t = 5.03$, $p < 0.001$). Finally, trust was found to have a positive and significant influence on purchase intentions, with a high coefficient value of 0.80 ($t = 23.31$, $p < 0.001$). Overall, the model explained approximately 63% of the variance in purchase intentions and 54% of the variance in trust. Notably, CI only explains 8% of the variance in attribution on the organization in times of crisis, indicating the potential influence of other significant predictors suggested in the literature such as the pre-existing perceptions of consumers about the organization and/or its past 'track record' in relation to such events or product safety (Siu and Wong 2002; Coombs 2004), or even the reputation of the firm/brand and any pre-crisis relationship between the consumers and the organization. However, these findings clearly demonstrate the potential buffer that a positive CI for an associated brand post an organisational crisis may provide. Additionally, The organisation originating from the country with the more favourable CI (England) was held significantly less accountable than the organisation with a significantly less favourable CI (China) for two of the three crisis types tested, enjoying higher levels of trust and purchase intentions. The English company was found equally accountable as the Chinese company for the preventable crisis type; however, attribution was still lower for them with trust and purchase intentions higher. These results reveal the potential benefits for organisations with positive CI, and the increased risks for organisations from countries with negative CI associations.

CONCLUSIONS AND IMPLICATIONS FOR THEORY AND PRACTICE

The study provides valuable insights to previously untested aspects of the both the CM and COO domains via empirical evidence that an organization's home CI has the potential to significantly influence consumer attribution of blame for a crisis event; with this influence representing the greatest risk for those with a negative CI. This negative bias may lead consumers to 'assume the worst' post a crisis, where they do not apportion significantly different levels of blame for an intentional versus an accident crisis type. Subsequently, that business will suffer lower levels of trust and diminished purchase intentions. Although, when the crisis is clearly intentional and attribution levels are likely less affected, results still indicate that trust and purchase intentions show a clear, strong and consistent influence of CI on consumer opinions. Indeed, levels of trust and future purchase intentions were substantially and significantly different, for all crisis types tested, between the English and the Chinese manufacturer with the organization from the developed country strongly favoured each time. Therefore, the significant influence of CI was evident in all aspects of hypothesis testing, leading to a number of managerial implications.

Hence, post an organisational crisis managers of companies from developed nations will have the opportunity to reinforce home country linkages in order to leverage all possible resulting goodwill. These communications strategies may include

reinforcing expertise, technical abilities and brand/product reliability. Strategies could also highlight positive stereotypical beliefs regarding home country norms or cultural strengths, such as open legal systems and comprehensive consumer protection laws. Alternatively, for those managers from organizations from a less developed country or one likely to suffer a negative CI bias, the work is likely to be much more challenging. If the organization cannot 'distance' itself from its home country of origin, then crisis response strategies may include reinforcing links in the local community, such as sponsorship of local events/organizations and as an employer of local workers, hence demonstrating contributions to the community. Some businesses may also be able to assume 'global' citizenship by championing international locations and ownership. Hence, our findings provide valuable information for managers to develop effective strategies, should their organization be involved in such an event.

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**COMPLEMENTARY EFFECT OF ENTREPRENEURIAL AND MARKET ORIENTATIONS ON EXPORT NEW
PRODUCT SUCCESS UNDER DIFFERING LEVELS OF COMPETITIVE INTENSITY AND FINANCIAL
CAPITAL**

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ABSTRACT

The literature implies that entrepreneurial and market orientations are market-based resources that are essential for securing business success, but the performance impacts are unclear. In the specific field of export research, there is limited information on the interactive effect of these two market-based resources on export new product performance. Accordingly, the current study investigates the joint impacts of these two resources on export new product performance under differing levels of competitive intensity and financial capital. Using a survey of 212 British exporters, the study shows that seeking complementarity between entrepreneurial-oriented and market-oriented behaviors is a useful strategy for export new product success, especially when there is a suitably high level of competitive intensity in the export market environment, and when the export unit has greater access to financial capital. Theoretical and managerial implications of the results are discussed.

References available upon request

THE ROLE OF INVOLVEMENT AND EXPECTATIONS IN OLYMPIC GAMES ATTITUDES: A CROSS-NATIONAL STUDY

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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 involvement levels 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 the OG. Hypothesis testing indicated the role of expectations and involvement in relation to beliefs about, evaluations of and behavioral intentions towards the Games. In the research process we introduced and applied a Mega-Event Involvement Inventory. The results provide input to how what people take into the mega-event can impact successful mega-event attitude outcomes.

INTRODUCTION

Mega-events (e.g., world fairs, major political events, major sports events, etc.) are an elite category of events that are characterized by the extraordinarily large presence, reach and audience of the event (Florek, Breitbarth and Conejo 2008). The Olympic Games (hereafter, OG) are characterized by “an extraordinary impact on the host area in terms of ... tourist volumes; visitor expenditures; publicity leading to a heightened awareness and a more positive image; related infrastructural and organizational developments which substantially increase the destination’s capacity and attractiveness” (p. 242, Getz in Fayos-Sola 1998). Potential host countries spend enormous amounts of money vying for the privilege and then investing in executing the event with a hope to enhance national image and to attract tourist/attendees. Success of the OG brand is also important for corporate sponsors who hope to enhance their own brands by associating with the Games. According to the IOC report, the Olympic movement revenues generated from six major programs (i.e., broadcast, the Olympic Programme, worldwide and domestic sponsorship, ticketing, and licensing) are steadily increasing and totaled US\$5.45 billion in 2005-2008 (IOC, 2008).

However, the OG can be a success or a failure on many dimensions and success can depend on who is assessing -- those who live in the host country or those who live in other countries, including attendees, sponsors, and fans. Both insiders and outsiders can vary widely in their interest in the OG and their involvement with and expectations of their home team’s success. As a consequence, how they evaluate the success of the OG and the host country may vary with their expectations and involvement with the OG and their own country’s Olympic athletes. The objective of this study is to explore the impact of expectations for the OG on attitudes and evaluations of the OG as a sport mega-event and as a destination from the perspective of both domestic (Canadian) and foreign (American) residents in the context of the XXI Winter Olympic Games (Vancouver, Canada).

Heightened patriotic sentiments and pride are inherent in the whole notion of hosting an international sports mega-event. However, the majority of studies on the OG perceptions have focused on attitudes of the residents of the mega-event host cities only, largely ignoring nation-wide effects of the OG hosting. Given the fact, that the focal subject of the study were the Vancouver Olympic Games, hosted by a country that had never won a gold medals on its own soil, the issue of involvement and expectations becomes even stronger, especially from the host-nation perspective.

As a major international event, the OG has not only domestic effects on host countries, but also international impacts. The Games attract a large number of visitors, generate intensive international media-coverage, and provide a venue for displays of national excellence. Mega-events of such a scale are characterized by high anticipation that contributes to the development of strong emotional experiences and expectations about what will happen, which in turn can affect attitudes, i.e., beliefs, evaluations, and behavioral intentions, regarding the mega-event (Waitt 2003). Olson, Roese, and Zanna (1996) suggest that the expectations people hold for an object, including an event, are influenced by individual identification with that object. In relation to the OG, however, the issue of identification and involvement becomes more complicated as an individual might

have strong identification not only with the Games, but also with one's national Olympic team, and therefore, both of these may influence expectations and in turn, attitudes towards the Games.

RESEARCH BACKGROUND AND FRAMEWORK

One of the most widely used theories in consumer research is Fishbein's attitude theory that underlies research concerning consumer decision making and behavior. The basic premise of attitude theory is that attitude formation involves a continuous learning process, and that attitudes guide and predict behaviors. According to Fishbein and Ajzen (1975), attitude is comprised of three components: cognitions (i.e., knowledge, beliefs, and thoughts about the object), affect (i.e., feelings toward and evaluations of the object), and conations (i.e., behavioral intentions towards the object). Tesser and Martin (1996) note that people generate evaluations of the object of interest based on their past, i.e., previously stored beliefs and experiences. Transposing the same notion to the OG, it is expected that the evaluations of a mega-event, such as the OG both as an event and as a destination, will be formed on the basis of previously formed beliefs about that mega-event: Beliefs → Evaluations.

H1: OG related beliefs will be positively related to evaluations of the OG as an event and as a destination.

Evaluations, the derivatives of the cognitive components of the attitudes, in their turn, have a direct effect on the conations or behavioral intentions, which represent the action-related components of attitudes. 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) behavior-based decisions (Akhter and Hamada 2003). In other words: Evaluations → Behavioral Intentions.

H2: Evaluations of the OG will be positively related to behavioral intentions towards the OG as an event and as a destination.

However, all three components of the attitude theory are intertwined with expectations. In the basis of human behavior lies a concept of expectancy, a set of "beliefs about the future state of affairs" (p. 211, Olson *et al.* 1996). These beliefs come from three main sources: personal experience, communication with others, and causal inferences from other events. The significance of expectancy phenomenon cannot be overstated, since it affects all aspects of decision-making process through attitude components. Evaluations are made on the basis of these expectation-based beliefs about past outcomes and probabilities for future outcomes. In their study of customer satisfaction with dining services, Oliver and Burke (1999) found a direct effect between expectations and evaluation of performance. The researchers explained this phenomenon as an assimilation effect whereby 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 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 *et al.* (1996), people not only evaluate the objects of their interests in accordance to their expectancies, but also they "behave consistently with their expectancies" (p. 221). Therefore, expectation beliefs have both an indirect through evaluations (their impact on BI is noted above) and a direct effect on behavioral intentions: Expectations → Evaluations, and Expectations → Behavioral Intentions.

H3: Expectations for the OG will be positively related to OG event and destination evaluations.

H4: Expectations for performance outcomes of the national team will be positively related to the behavioral intentions towards the OG as an event and as a destination.

At the same time, according to social identity theory (Tajfel 1978), beliefs and expectations for the objects of interest are affected by the level of personal involvement with these objects. The level of involvement is manifested through individual identification with the objects of interest and is defined as "a person's perceived relevance of the object based on inherent needs, values, and interests" (p. 342, Zaichkowsky 1985). In line with Zaichkowsky's definition of involvement, it is believed that the OG constitute an event that triggers several aspects of individual and social needs, values, and interests. More specifically, the OG, as a mega-event, activates two different types of involvement: (a) involvement with the OG as a mega-event and (b) involvement with the OG as an international competition where national team affiliation is relevant. Hence, it is proposed that the involvement with the OG and involvement with one's national team will directly influence the beliefs about the OG as an event and as a destination, as well as the expectations for the event as a sport event. In other words: Involvement → Beliefs, and Involvement → Expectations.

H5: Level of involvement will be positively related to the OG event and destination beliefs.

H6: Level of involvement will be positively related to the OG event and destination expectations.

This theoretical and research background is reflected in the research framework presented in Figure 1.

METHODOLOGY

In order to test the hypotheses concerning attitude component formation and the role of expectations and involvement, an online survey involving respondents in Canada and the United States before the mega-event of interest (i.e., XXI Winter Vancouver OG) was held. The data from the survey was analyzed using exploratory factor analysis to investigate the scale-like properties of the measures, and hypothesis testing employing sequential mediated regression analysis procedures to test the form of the model relationships.

Data Collection and Sample

The sample was solicited at random from the members of a commercial online panel representative of online consumers in each focal country (i.e., Canada and the U.S.) so as to be nationally representative on gender, age, geographic region, income, and education level. Panelists were asked to participate in the research study and complete a self-administered questionnaire at more than one time. van Ryzin (2008) has noted issues related to validity of sampling based on online surveys but from his study found the differences between traditional survey methods and on-line panel methods are small.

Data were collected two months prior the Vancouver OG to account for a range of inherent interests and involvement. Careful attention was given to the choice of data collection timing. With major mega-event approaching increasing media-coverage of the long-expected event of such a caliber could influence perceptions and expectations as well as the involvement level. Two months prior to the Olympic Games the media-coverage was fairly limited, and, hence, the pre-Games perceptions and expectations as well as involvement levels would be relatively undistorted by the immediacy of the event and the related intense effects the actual staging of the event would evoke. The final useable sample sizes were 1,396 Canadians and 1,331 Americans.

Instrument and Measures

The questionnaire contained measures of all elements in the research framework. Previous research indicates that each of the constructs of interest is multi-dimensional in nature and hence, several questions to validly and reliably capture each of these dimensions were required. The following measures (see Table 1) were developed from the indicated sources:

- OG as an event (i.e., an exciting international event with strong reputation and high emotional atmosphere) – 19 items drawn from Ritchie and Lyons (1990); Neirotti, Bosetti, and Teed (2001); Heslop, Papadopoulos, Dowdles, Wall, and Compeau (2004); and Trail, Anderson, and Fink (2005);
- OG as a destination (i.e., a travel destination with facilities and programs to ensure memorability of experience) – 17 items drawn from Baloglu and McCleary (1999); Echtner and Ritchie (1993); Heslop *et al.* (2004); Parameswaran and Pisharodi (1994); and Nadeau, Heslop, O'Reilly, and Luk (2008);
- Mega-Event Involvement Inventory (MEII) – 17 items adopted from Zaichkowsky (1985);
- National team performance expectations – measured by one 7-point scale item (1-poor, 7-excellent), i.e., “I expect my national team's performance to be” (hereafter, referred to as scale measure of team performance TPE1) and three measures of expectations for total number of medals, number of gold medals to be won by the national team, and expected ranking of the national team (hereafter, referred to as numeric measure of team performance TPE2).

All attitude measures were made on a 7-point scales with end points suitably adjusted for the wording of the items (1-low/poor/unknown/disagree, 7-high/good/well known/agree). Additionally, respondents were asked to provide information on gender, age, and level of education.

DATA ANALYSIS AND RESULTS

Data analysis involved four steps. First, demographic characteristics of the sample were inspected by examination of means and frequencies to determine sample representativeness was achieved. Second, given the large number of scale items, exploratory factor analysis (EFA) employing Principal Axis Factoring (PAF) – the most recommended factor analysis approach for behavioural research (Garson 2006) - with promax rotation was used to determine underlying factors. Summary variables were developed based on loadings using mean computations. Third, individual items and the summary variables were analyzed in separate multivariate analyses of variance (MANOVA) to examine international differences. Fourth, regression analyses were used to test model hypotheses using the summary variables.

Demographic Profile of Respondents

Both Canadian and American samples were comparable in almost all demographic variables. The American sample was gender balanced, whereas in the Canadian sample males slightly over-presented (56%). Both samples had very similar age groupings of respondents with about 15% falling into under 30 years of age, 40% representing 31-50 age range, 28% (Canadians) and 29% (Americans) representing 51-65 age range, and about 16% of being over 65 years of age. Education levels were fairly comparable as well, especially considering proportions with and without university education. The profile comparison of the samples with the corresponding national profiles from the Labor Force Population Surveys (Statistics Canada 2009, The US Census Bureau 2009) revealed some over-representation of those in 31-65 age range, but given this is the core adult population, the discrepancy was deemed an advantage. Respondents with university degrees were slightly overrepresented reflective of the greater literacy and use of online services of this demographic group. However, this more highly educated group is the target market of sponsors and tourism marketers who are co-branding with the OG.

Summary Dimensions – Event and Destination

Analysis of measure dimensions was undertaken for combined Canadian and American national samples, based on supporting evidence of similarity of loading patterns across the two samples and the desirability of common dimension composition. Several interpretable factors, shown in Table 1, emerged for each measure set. The dimensions formed from the OG as a destination items were: OG-Destination Excitement Beliefs (DEB) with nine items; OG-Destination Performance Beliefs (DPB) with five items; OG-Destination Evaluation (DE) with two items; and OG-Destination Behavioral Intentions (DBI) with four items. The resulting dimensions formed from OG as a sport mega-event were: OG-Event Beliefs (EB) with nine items; OG-Event Evaluation (EE) with two items, and OG-Event Behavioral Intentions (EBI) with four items. Cronbach's alphas were high ranging from .881 to .958 and supported combining the items through equal-weighted averaging to allow for a more parsimonious analysis of differences. Three additional items concerned expectations for the OG as an event (EExp) – Canada's hosting of the Games, the quality of the Vancouver Games overall, and the comparative quality of the Vancouver Games. These all loaded on one factor resulting in an OG/Hosting Expectations dimension ($\alpha=.924$).

Olympic Beliefs and Evaluations

Multivariate analysis was used to examine the effects on OG beliefs on evaluations of the OG as an event and the OG as a destination (H1). MANOVA confirmed significant main effects of belief summary constructs on corresponding OG evaluations, i.e., event evaluations (EE) ($F = 39.45, p < .001$) and destination evaluations (DE) ($F = 38.45, p < .001$). It is also hypothesized that in addition to beliefs, evaluations are also directly influenced by expectations (H3). MANOVA indicated significant main effects of the scale item measure of expectations for national team's overall performance (TPE1) and event expectations (EExp), but almost no significance of the numeric measures of expectations for national team performance, i.e., medals to be won and ranking expectations, on the OG as a destination and as an event (Table 2).

The regression analysis with event evaluations (EE) as a dependent variable ($R^2 = .796$; $F [5, 2726] = 2122.64, p < .005$) confirmed that event beliefs (EB), OG destination excitement beliefs (DEB) and event expectations (EExp) were highly significant ($p < .005$) predictors of event evaluation (EE), while OG destination performance beliefs (DPB) was approaching significance ($p < .1$), and team performance (TPE1) showed no significance (1).

$$EE = .789 \times EB^{**} + .094 \times DEB^{**} - .024 \times DPB^{\dagger} + .061 \times EExp^{**} - .001 \times TPE1 \quad (1)$$

The regression analysis with dependent variable OG destination evaluation ($R^2 = .801$; $F [5, 2726] = 2184.83, p < .005$) confirmed the high significance ($p < .005$) of all belief constructs, but most importantly, the destination-related belief constructs (i.e., DEB and DPB), but no significance of event expectations (EExp) and team (TPE1) expectations (2).

$$DE = .494 \times EB^{**} + .296 \times DEB^{**} + .148 \times DPB^{**} + .018 \times EExp + .000 \times TPE1 \quad (2)$$

These results provide further confirmation of hypothesis H1, i.e., beliefs about the OG as an event and as a destination do have a substantive influence on evaluations of the Games. However, they do not confirm, hypothesis H3, since event expectations (EExp) and team performance related expectations (TPE1) were not found to have significant influence on destination evaluations. Therefore, the results indicate that the OG destination evaluations are significantly influenced by

event beliefs and destination excitement beliefs, whereas the OG evaluations are impacted by excitement beliefs but not the performance and/or expectations. At the same time, team performance expectation (TPE1) was not a significant predictor of the evaluations of the mega-event as a sporting event and as a destination. These results suggest more of a hedonic approach to the evaluation of the Games as an event and as a destination. This conclusion is also confirmed by high values of standardized betas for event and destination excitement beliefs for both, event and destination evaluations, whereas the coefficients of expectations and team performance show low or close to zero influence.

Behavioral Intentions

Our next steps were to examine the right hand-side of Figure 1 related to the behavioral intentions towards the OG as an event and as a destination. MANOVA was again used to examine predictive effects of the OG evaluations on behavioral intention towards the Olympics (H2), i.e., OG event behavioral intentions ($F=18.48, p<.001$) and OG destination behavioral intentions ($F=37.56, p<.001$). It was also hypothesized that the OG event and destination behavioral intentions would be directly influenced by the expectations for national team performance and the quality of the Olympic Games (H4). Multivariate analysis (Table 2) confirmed positive main effects of expectations, i.e., EExp and TPE1, but only partial significant effects of expectations for medals to be won and ranking on behavioral intentions. Total number of medals expected to be won by the national teams was significant ($p<.05$) for OG as an event behavioral intentions, but team ranking was significant ($p<.05$) for OG as a destination behavioral intentions.

Following on in the chain of relationships, the regression analysis with the OG event behavioral intention (EBI) as a dependent variable ($R^2=.501$; $F[4, 2726] = 683.50, p<.001$) confirmed the significant main effects ($p<.005$) of event evaluations (EE), destination evaluations (DE), and team performance evaluations (TPE1) on event-related behavioral intentions, while event expectations (EExp) was not a significant predictor ($p>.1$) (3).

$$EBI = .259 \times EE^{**} + .454 \times DE^{**} - .013 \times EExp + .070 \times TPE1^{**} \quad (3)$$

The regression analysis with DBI as dependent variable ($R^2=.669$; $F[4, 2726] = 1372.42, p<.001$) confirmed the high significance of all evaluation constructs and event expectations construct EExp ($p<.005$) and significance of the team expectations TPE1 ($p<.05$) (4).

$$DBI = .396 \times EE^{**} + .479 \times DE^{**} - .050 \times EExp^{**} + .031 \times TPE1^{*} \quad (4)$$

Hence, both hypotheses H2 and H4 were confirmed indicating that, as predicted by general attitude theory, behavioral intentions were directly influenced by the evaluations. These results also suggest that while expectations were not significant predictors of evaluations, they, nevertheless, are significant predictors of the behavioral intentions. However, low values of the coefficients in equations (3) and (4) imply that while the effect is significant, the actual influence of team performance and/or event expectations in absolute terms is lower than the influence of the OG evaluations as an event and destination.

To summarize the findings, this study confirms that level of self-association manifested through individual involvement with the national team and the OG affect beliefs held about the Games, both as an event and as a destination. These beliefs then form the foundation for evaluations of the Games as an event and as a destination. The study also supports the applicability of the involvement construct and of the adaptability of product involvement measurement approaches to mega-event involvement and its assessment. Further, this research found evidence of the applicability of attitude theory in the context of mega-events, and confirmed the multi-dimensional nature of mega-event beliefs. In addition, the research revealed the role of different belief constructs in influencing evaluations of mega-events both as events and as destinations. These evaluations, along with event expectations impact behavioral intentions towards the mega-event; hence, there is a need to measure both aspects of events. The research also revealed differences between nations in terms of expectations, attitudes, and intentions towards mega-events where national competitions and rivalries are involved.

Aspects of Involvement – National Team, Country of Residence, and Olympics

Examination of individual involvement and national identification measures involved three different approaches to assessing involvement. First, the individual involvement with the national team (NTI) was derived from six items (e.g., “Being a fan of my national Olympic team is very important to me”, “I feel proud when my team plays well”). Cronbach’s alpha for these items of NTI was .946. Second, country of residence (COR) of the respondents was used as a second measure of involvement. Residents of the host-country can be expected to have greater association with the Games than those in other

counties due to greater exposure to media about the OG, as well as discussions about their value and costs, construction and quality of facilities, and impacts on national visibility. Third, to determine the individual level of involvement with the OG, Zaichkowsky's twenty-item Product Involvement Inventory (PII) scale (1985) was adopted with minor adjustments for redundancy and applicability to the subject matter of the study. Three items – wanted/ unwanted, relevant/irrelevant, and interested/un-interested – were not included in the questionnaire. The items loaded on one factor ($\alpha = .981$), supporting the viability of this individual involvement measure for such an event as the OG, which can also be seen as a high level experience good. The adapted scale was labeled as Mega-Event Involvement Inventory (MEII).

The approach used by Zaichkowsky's PII (1985), to classify respondents into low, medium, or high involvement was applied. Low scorers (359 Canadians, 335 Americans) were defined as those who fell in the first quartile of the distributions with scores below 68 in the Canadian and below 78 in the American samples. High scorers (336 Canadians, 322 Americans) were defined as those in the top quartile of the distributions with scores above 101 for Canadians and 106 for Americans. Medium scorers (701 Canadians, 674 Americans) were those in the middle 50% of the distribution. The involvement-level groupings were used for comparison analysis of all attitude components.

Pearson correlation analysis of the medal and national team ranking expectations statements and MEII scores revealed highly significant ($p < .005$) positive correlations between the level of involvement and the expectations of both total number of medals ($r_{Can} = .105$, $r_{USA} = .120$) and gold medals to be won ($r_{Can} = .076$, $r_{USA} = .112$) by the national Olympic teams. An expected negative significant ($p < .005$) correlation (i.e., the lower the ranking, the higher the standing of the national team) with regards of ranking expectations was found in the Canadian sample ($r_{Can} = -.117$), but not in the American one (Table 3). Analysis of variance revealed a significant main effect of MEII on each national team expectation measure and a significant main effect of COR on all but team ranking expectations. Post hoc tests on all measures (i.e., Tukey HSD and Duncan) also revealed the significant differences across all three MEII levels of involvement. Table 3 presents means and standard deviations of national team performance expectations measures in terms of total and gold medals to be won, as well as ranking expectations for each national sample by MEII level.

Multivariate analysis for main effects of COR, NTI, and MEII on OG expectations (i.e., overall expectations for the quality of the Vancouver Games and quality of the OG hosting) revealed highly significant ($p < .005$) main effects of all three variables (see Table 4). Detailed analysis of each of the event expectation items (EExp) and national team performance expectation (TPE1) led to the confirmation of hypothesis H6 that individual level of involvement is positively related to the OG event and destination expectations.

MANOVA was used to test hypothesis concerning the influence of involvement level on OG beliefs dimensions (H5). The results confirmed significant main effects of NTI and MEII on OG beliefs (Table 4). Both MEII and NTI had highly significant main effects on the OG event and destination beliefs. COR had significant ($p < .05$) main effect on the OG event-related beliefs and no significant effect on destination related beliefs. This led to the confirmation of hypothesis H5.

Confirmation of H5 and H6 supports the conclusion that involvement with national team and the OG influence beliefs about the Games, the expectations for national team performance and for the overall assessment of the quality of the Games.

DISCUSSION AND CONCLUSIONS

The goal of this paper is to enrich the understanding of the impact of expectations for and involvement in the OG on attitudes and evaluations of the OG in two contexts, as a sport mega-event and as a destination from two perspectives, domestic and international. The OG is a multi-activity event centering on sports but also involving cultural expressions and entertainment components, all on a grand scale. This event is anxiously anticipated by people all around the world. Mega-events like the OG are aimed at producing not only a big international impact (e.g., increased international presence), but also a big domestic impact (e.g., boosting national collective enthusiasm, a sense of community and in-tourism) (Ritchie 1984; Waitt 2003). This study's findings indicate the value of attitude theory application in the context of mega-event, where beliefs and evaluations about the event itself and about its destination profile are both equally important in understanding behavioral intention. The findings informed research on mega-events in broadening the belief sets of relevance. Additionally, the study confirmed the importance of expectations in understanding evaluations and behavioral intentions towards the OG. It also confirmed that the level of involvement with the OG and also level of involvement with the national Olympic team influence perceptions and intentions towards the OG. At the same time, the study supported the viability of an adjusted Zaichkowsky's measure of the involvement for use in the context of mega-event such as the Olympic Games. The adjusted scale was introduced in this study under a label of a Mega-Event Involvement Inventory (MEII).

This research also 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. The findings also confirm the existence of cross-cultural differences not only in beliefs regarding the OG as a sports mega-event and a destination, but also in forming expectations for national team and the event itself. Most importantly, this study has a strong potential of serving as a starting point for further studies of the Vancouver Olympic Games as it explores the foundational expectations and attitudes towards the Games. Exploring the changes in expectations, beliefs, and attitudes towards the Games at different points of time, e.g., closer to the beginning, during, and after the Games, could prove to be a fertile soil for future studies. Future studies should approach both resident and non-resident samples to examine the effects of involvement levels on attitudes and behavioral intentions. Additional research in the context of other mega-events and in other countries using a variety of data collection approaches is recommended.

TABLES

Table 1: Summary Dimensions

<i>Dimensions</i>	<i>Factor Labels</i>	<i>Factor Measures</i>	<i>Loadings</i>	<i>Cronbach's α</i>
OG as a Destination	Destination Excitement Beliefs (DEB)	Quality of service	.554	.959
		Attractive facilities	.808	
		Variety of activities	.880	
		Originality of experience	.957	
		Culturally interesting	.846	
		Memorability of experience	.957	
		Entertainment	.850	
		For the whole family	.625	
		Ease of finding something of interest	.566	
	Destination Performance Beliefs (DPB)	Value for money	.645	.881
		Ease of getting around	.601	
		Peaceful	.910	
		Safety	.702	
		Ease of attending	.844	
	Destination Evaluation (DE)	Proud to visit	.603	.911
		Overall satisfaction	.511	
	Destination Behavioral intentions (DBI)	Willingness to travel	.739	.907
		Willingness to watch	.793	
		Willingness to read	.902	
		Willingness to recommend	.855	
OG as an Event	Event Beliefs (EB)	Likeability	.738	.958
		Attractive	.949	
		Worthy	.913	
		Hosting enhances country's world recognition	.797	
		Hosting enhances country's reputation and image	.713	
		International party atmosphere	.813	
		Games help nations understand each other	.855	
		Educational experience	.662	
	Event Evaluations (EE)	Overall rating	.737	.945
		Rating compared to other events	.745	
	Event Behavioral intentions (EBI)	Planning to watch OG event with my national team's participation	.769	.885
		Likely to purchase my national team's merchandise	.645	
		Planning to spend time keeping up with information about the OG	.876	
		Planning to spend time following media coverage of the OG	.859	

Table 2: OG Evaluations and Behavioral Intentions: Multivariate Test of Expectations Effects

	Model (<i>F</i>)	Total medals (<i>F</i>)	Gold medals (<i>F</i>)	Ranking (<i>F</i>)	TPE1 (<i>F</i>)	EExp (<i>F</i>)
<i>Evaluations</i>						
OG event evaluations (EE)	7.74**	<i>NS</i>	<i>NS</i>	1.27 [†]	10.99**	37.08**
OG destination evaluations (DE)	7.16**	<i>NS</i>	<i>NS</i>	1.26 [†]	10.38**	34.09**
Wilk's Lambda for Evaluations Model		<i>NS</i>	<i>NS</i>	1.39**	6.36**	20.12**
<i>Intentions</i>						
OG event behavioral intentions (EBI)	4.45**	1.26 [*]	<i>NS</i>	<i>NS</i>	7.52**	13.87**
OG destination behavioral intentions (DBI)	4.93**	<i>NS</i>	<i>NS</i>	1.36 [*]	6.06**	18.62**
Wilk's Lambda for Intentions Model		1.17 [†]	<i>NS</i>	1.25 [*]	4.14**	9.80**

** Highly significant ($p < .005$); * Significant ($p < .05$); [†] Approaching significance ($p < .1$); *NS* - not significant

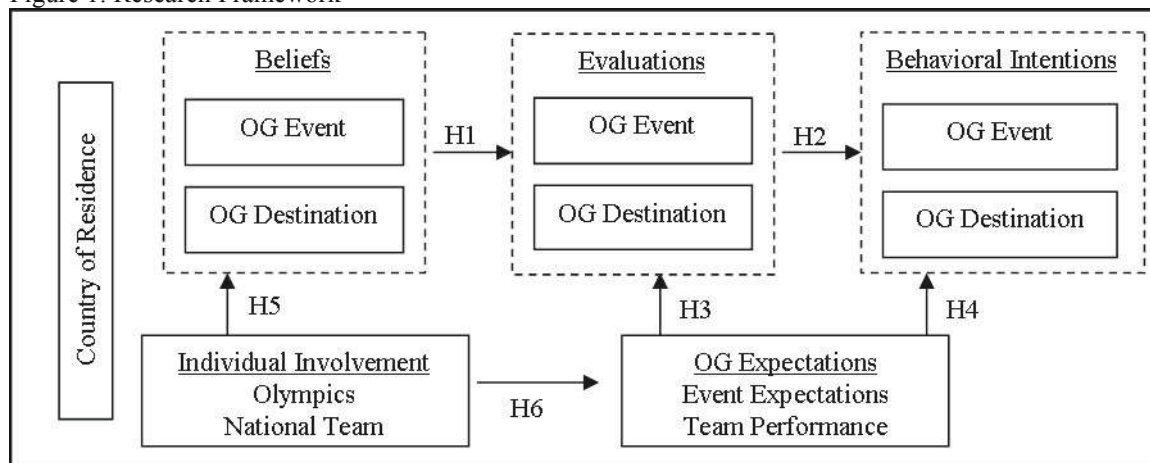
Table 3: National Team Performance Expectations (TPE2) by COR and MEII (Means (*M*) and Standard Deviations (*SD*))

<i>I expect my national Olympic team</i>	<i>F</i>	Canada			USA		
		Low	Med.	High	Low	Med.	High
		<i>M (SD)</i>	<i>M (SD)</i>	<i>M (SD)</i>	<i>M (SD)</i>	<i>M (SD)</i>	<i>M (SD)</i>
to win... total medals	127.86**	26.93 (21.79)	33.60 (21.79)	31.81 (20.92)	50.90 (34.75)	57.06 (32.11)	62.21 (32.40)
to win... gold medals	115.76**	8.71 (10.59)	10.96 (11.30)	10.51 (9.23)	22.89 (24.99)	27.09 (23.80)	30.80 (25.94)
to rank ... among all teams	4.41**	10.67 (14.80)	7.84 (9.56)	7.05 (10.88)	9.44 (20.19)	6.75 (17.00)	8.55 (21.08)

** Significant ($p < .005$)

FIGURES

Figure 1: Research Framework



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Wednesday, 20 July
Time: 2:00 PM

Session Number: **3.7: Market Learning and Competitive Advantage**

Session Chair: Auh, Seigyoung, *Thunderbird School of Global Management*

Dynamic Marketing Capabilities: An Integrative Framework Proposal to Absorb and Manage Market Knowledge

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Stakeholder-Focused Organizational Learning, Responsiveness and Innovation / Imitation

A Mena, Jeannette, *University of Mississippi*

Hult, G Tomas M, *Michigan State University*

The Framing of Interorganizational Imitation

Nikolaeva, Ralitza, *ISCTE-LUI*

The Moderating Effect of Key Customer Focus on Market-based Organizational Learning

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DYNAMIC MARKETING CAPABILITIES: AN INTEGRATIVE FRAMEWORK PROPOSAL TO ABSORB AND MANAGE MARKET KNOWLEDGE

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ABSTRACT

Uncertainty and dynamism in competitive environments require organizations to renew their resources and capabilities regularly (Teece 2007; Wang and Ahmed 2007). The dynamic capabilities focus is an extension of the resource-based theory (Barney 1986, 1991; Wernerfelt 1984). Nowadays, this focus is considered to be one of the most fascinating aspects of the strategy agenda (Barreto 2010; Easterby-Smith et al. 2009). It aims to explain which processes are used by organizations to achieve good adaptation.

This focus is regarded as an emergent theory, and many theoretical papers propose concepts, definitions, models and new challenges for its empirical development. One of the latest proposals is the study of the role of the marketing area in creating dynamic capabilities (e.g., Bruni and Verona 2009; Easterby-Smith et al. 2009; Fang and Zou 2009; Maklan and Knox 2009). This business function is uniquely positioned to know the needs of customers, distribution channels, competing products, etc. Consequently, the market knowledge that it generates should act as a driving force to achieving a high degree of company adaptation to markets as they evolve (Bruni and Verona, 2009). In accordance with its potentialities to improve the performance of marketing decisions, recent contributions (Bruni and Verona 2009; Cavusgil et al. 2007; Dacko et al. 2008; Fang and Zou 2009) have introduced the term dynamic marketing capabilities (DMCs), and have identified different marketing mechanisms for the renewal of organizational resources and capabilities.

The aim of this paper is to discuss the contributions to this novel research line and propose an integrative model as a starting point for future empirical papers. This main purpose is justified by the wide range of marketing resources and processes identified as DMCs in the literature, but it is difficult to delimit a common framework to connect and integrate them. Furthermore, the way DMCs work has not been properly tackled, and has even been ignored up to now. So we basically suggest taking the essential concepts intrinsically related to DMCs as the main supporting pillars on which to build a comprehensive theoretical framework.

The most significant contribution of this paper is the approach to DMCs through broadly accepted components in the dynamic capabilities focus (i.e. absorptive capacity and knowledge management). By analyzing both components, the way DMCs operate can be analyzed more accurately. In this regard, we attempt to open the “black box” of understanding dynamic capabilities and dynamic marketing capabilities. We also describe and discuss the specific marketing mechanisms that aid the development of these components. Finally, our theoretical model allows us to clarify how DMCs are integrated into the rest of the organization.

This paper starts by describing the main theoretical aspects related to the DMCs focus. Once the theoretical background is set, we propose a model that explains how DMCs work, integrating the main assumptions that have been discussed in the literature. Finally, the main conclusions are drawn.

References Available Upon Request

STAKEHOLDER-FOCUSED ORGANIZATIONAL LEARNING, RESPONSIVENESS AND INNOVATION / IMITATION

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ABSTRACT

Success in the global marketplace is increasingly determined by the information and know-how organizations possess. While valuable research contributions have been made concerning how organizations learn about their customers, much remains unknown about how organizations learn about multiple stakeholders. This is unfortunate given the increasing importance organizations place on meeting their stakeholders' demands. In addition, previous research has failed to account for the alternative mechanisms organizations use to acquire information about the market. To address these gaps in the literature, this study examines whether stakeholder-focused organizational learning influences the organization's propensity to take action in response to its stakeholders' needs. It also investigates if the knowledge acquisition mechanisms the organization relies on to acquire stakeholder-related knowledge determine how innovative or imitative its stakeholder practices are. The empirical analysis based on the responses of 349 marketing and supply chain management executives to an online survey reveal that the four organizational learning processes (i.e., knowledge acquisition, information distribution, information interpretation, and organizational memory) have a direct effect on stakeholder-focused responsiveness. The results also indicate that while experiential knowledge acquisition is related to innovative stakeholder practices, vicarious knowledge acquisition is related to imitative ones.

References available upon request

THE FRAMING OF INTERORGANIZATIONAL IMITATION

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ABSTRACT

The cognitive ability to learn from others through imitation is one of the most important ones for human evolution. Because of its adaptive properties, imitation is a widespread heuristic at all societal levels. However, the diverse streams on organizational copy behavior have developed almost entirely disregarding the cognitive aspect of imitation. The current essay brings back cognition to the study of interorganizational imitation. It provides a unified framework of different models on mimetic behavior by putting a cognitive lens on the imitation decision. The realistic model of organizational learning describes the interaction of the interpretation of others' experience and the organization's own evaluation and framing of an innovation. Its major claim is that the interaction of threat and opportunity categorizations ultimately shapes the organization's adoption decision. In this aspect, the speed of the diffusion process depends on the dynamics of the interactions of organizations' cognitive framings of the novelty and the imitation decision. Because the interactions can result in various types of responses, generalizations about the adoption motivation based on its timing are bound to be unrealistic. Thus, the study adds a fourth source of organizational learning – the interpretation of the experience of others.

References available upon request

THE MODERATING EFFECT OF KEY CUSTOMER FOCUS ON MARKET-BASED ORGANIZATIONAL LEARNING

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ABSTRACT

Much of the extensive market orientation literature is concerned with how companies develop their knowledge about customers and competitors. It has been argued that firms can obtain a competitive advantage by catering to specific customer needs by applying this market knowledge (Slater et al. 1994). However, recently scholars have recognized that market orientation (i.e. the gathering and internal dissemination of market information) alone might not lead to a sustainable competitive advantage (Slater et al. 1995). Instead, the importance of the organization's ability to correctly interpret market data is increasingly being recognized (Ali et al. 2010). Organizational research scholars suggest that higher-order learning is required, such that complex market information can be effectively harnessed (Morgan et al. 2003). Accordingly, the interplay of market and learning orientation, also referred to as market-based organizational learning, has received increasing research attention (Jiménez- Jiménez et al. 2007, Santos-Vijande et al. 2005).

A second trend in the marketing field is that scholars frequently propose that companies should focus on their most valuable customers (Zablah et al. 2004, Algesheimer et al. 2006). Particularly in the context of customer relationship management (CRM) research it is argued that based on extensive customer databases and lifetime value computations firms should focus their company resources on high value customers. This judicious resource allocation is expected to lead to superior company performance (Homburg et al. 2008, Yim et al. 2004). However, little is known about the consequences of a key customer focus on market-based organizational learning. Some researchers indicate that focusing on key customers (segments) might benefit these processes (Pelham 1997). Others, however, point out that companies should not rely on too narrow a market definition. Slater et al. (1995) e.g. critically note that focusing on specific market segments or customers "could lead to learning only within boundaries" and Hamel et al. (1991) criticize that firms might suffer from the "tyranny of the served market".

Drawing on the resource-based view the present research study addresses two areas. First, it furthers the understanding of the performance consequences of market-based organizational learning. In this regard it is assumed that in addition to the direct performance consequences of market orientation, there is also an indirect effect as learning orientation mediates the link between market orientation and company performance. Market orientation is seen as the principal foundation on which learning occurs. Market orientation thus impacts the scope of the information processing activity, whereas learning orientation influences the higher order examination of this activity (Day 1994, Sinkula 1994). Second, this research investigates the moderating effect of a key customer focus on market-based organizational learning. Focusing on key customers implies that companies build particularly close relationships with their best customers, but run the risk of not establishing close contacts with less important ones (Reinartz et al. 2004). Since close relationships are a key condition for information exchange (Bagozzi 1975, Ritter 1999), it can be reasoned that key customers drive the information gathering process and therefore exert a great influence on the selling firm's information gathering (Blosch 2000). If these target customers do not recognize a change in the market firms might forego important opportunities (Christensen 1997). This might be particularly true in dynamic market environments.

To conduct the research a cross-sectional online survey was conducted. The sample was obtained from the German Chamber of Industry and Commerce and covered companies in 12 different industries. In spring 2010, 290 qualified responses from managing directors or heads of marketing were received. Partial least squares, a broadly accepted variance-based structural equation modeling technique, was used to evaluate the proposed theoretical model (Wold 1985). It has already been used in studies similar to this one (O'Cass et al. 2007, Voola et al. 2010).

No direct relationship between market orientation and company performance could be found. However, market orientation positively impacts learning orientation, which in turn is positively correlated with company performance, and thus an indirect effect could be identified. Hence, it can be concluded that market orientation only becomes effective when a strong learning orientation is present. In addition, key customer focus negatively moderates the path from market orientation to learning orientation, as well as the path from learning orientation to company performance. Hence, it can be inferred that although such a customer strategy is associated with positive company performance, it might hinder organizational learning processes. References available upon request.

Wednesday, 20 July
Time: 2:00 PM

Session Number: **3.8: Branding Issues Related to Performance, Trust and Quality**

Session Chair: Walton, Bryn, *University of Kent*

Can Trust and Loyalty to the Brand Be Transferred in the Case of a Brand Change?

Pauwels-Delassus, Véronique, *IESEG School of Management*

Mogos-Descotes, Raluca, *ESSCA School of Management*

Factors Impacting the Success of New Product Development in the UK Grocery Retail Industry: An Empirical Examination of Product Innovation Performance

Walton, Bryn, *University of Kent*

Petrovici, Dan, *University of Kent*

Fearne, Andrew, *University of Kent*

CAN TRUST AND LOYALTY BE TRANSFERRED IN THE CASE OF A BRAND CHANGE?

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Raluca Mogos Descotes, ESSCA, France

ABSTRACT

Brand name substitutions have become a frequent phenomenon, and companies confronted with rebranding are often mentioned in the business press (Muzellec and Lambkin 2006). Several well known examples of brand name substitutions are Treets-M&M's, Chambourcy-Nestlé and recently Thomson-Technicolor. Brand name substitution consists of changing the name of a product or service which is marketed by a company (Cegarra 1994). If the brand name substitutions are a strategic and current question for the managers, little academic research was carried out on this subject. In general, companies substitute "small" or "local" brands with stronger and frequently international brands. This decision is motivated in most of the cases by the increase of the profitability of brand portfolio. However, changing the brand name is a very risky decision, potentially nullifying many years of sustained investment in a brand name and can seriously damage or even destroy the brand equity (Muzellec and Lambkin 2006). Brand substitutions disturb the fundamental functional role of the brand, which relates to the recognition of the product on the shelf by the consumer, facilitating his choice of purchase (Kapferer 2004). When brand name substitutions occur, consumers might not recognise their usual product or doubt its quality, and thus stop buying it. Therefore, the most frequent negative consequence of brand change is brand loyalty loss, as a consequence of consumers' failure to recognise the product; this results in a decrease in market share.

Only two studies have addressed brand name substitution. Delassus (2005) studies the transfer of associations linked to the canned vegetable brand Marie Thumas which became Bonduelle in Belgium. Collange (2008) observes the evolution of French consumers' purchase intention across product categories (laundry detergent, shower gel, yoghurt and chocolate bars) focusing on four brand name substitutions. Both studies address the transfer of associations and purchase intentions, but they do not analyse how the brand relationship with the consumer is affected. The trust towards a brand can be seen as a stepping stone in the relationship the consumer builds with a brand, and it is also a strong predictor of the consumers' loyalty (Chaudhuri and Holbrook 2001; Delgado-Ballester and Manuera-Aleman 2005). For this reason, it seems to us of critical importance to identify the key influence factors of the transfer of brand trust and loyalty in the case of brand substitution. More specifically, in our study we focus on a brand change in the biscuit market. When Kraft bought the biscuits division LU of Danone in 2007, it lost all rights over the brand name Tallefine; Danone still uses the brand Tallefine for its milk-related products in France. Therefore, Kraft replaced the brand Tallefine with Belvita.

This research proposes and tests a model that aims to identify key determinants which could alleviate the loss of brand associations, trust and loyalty caused by brand name substitution on a convenience sample of 300 consumers. The empirical results related to the substitution of the biscuit brand Tallefine with Belvita reveal, that in order to effectively transfer loyalty, it is crucial that managers make sure they are able to transfer brand trust. Furthermore, trust transfer can be sustained if the most important associations of the brand are transferred. And finally, in order to transfer effectively the core associations of the substituted brand (1) consumers should have a high degree of acceptance of the replacement of the initial brand, (2) they should perceive the old and the new brand as similar, (3) they should not be too emotionally bound to the old brand and (4) the new brand should benefit from the presence of an umbrella brand. This research therefore has several managerial, theoretical and methodological implications.

References Available on Request.

FACTORS IMPACTING THE SUCCESS OF NEW PRODUCT DEVELOPMENT IN THE UK GROCERY RETAIL INDUSTRY: AN EMPIRICAL EXAMINATION OF PRODUCT INNOVATION PERFORMANCE

Bryn Walton, University of Kent, United Kingdom
Dan Petrovici, University of Kent, United Kingdom
Andrew Fearne, University of Kent, United Kingdom

INTRODUCTION

In mature markets, successful new product introductions are becoming increasingly important for sustaining profitability and business growth (Cravens 2002), but evermore difficult to achieve due to factors such as increased levels of competition, rapidly changing market environments, higher rates of technical obsolescence and shorter product lifecycles (Griffin 1997).

There is no lack of academic literature with respect to New Product Development (NPD) as a whole – why it is important, how it is used and the key success factors therein – yet failure rates and the cost of developing new products remain prohibitively high.

New Product Development is a key driver of firm growth in the Fast moving Consumer Goods (FMCG) industry. As a result, the number of new products launched each year is high, and firms reliance on income generated by NPD is significant. For example, In the UK grocery Retail industry, the number of new products launched each year within this industry is very high and as a result, so are failure rates. In a keynote speech at the 2007 dunnhumby state of the nation conference, Clive Humby of market research company dunnhumby, pointed out that over an 18 month period (ending November 2007), Tesco's launched over 6,600 new supplier products in the UK. Of these products, over 1,800 were de-listed within one year and only 6% (400) reached peak weekly sales of £60,000 or more (Humby 2007)

A detailed study of the extant literature reveals key drivers of success in new product launches such as the use of market research and market knowledge to inform product development, launch strategies and marketing activities (Li and Calantone 1998, Di Benedetto 1999, Joshi and Sharma 2004) and the use of cross-functional new product development teams to integrate knowledge across different functional departments working on NPD activity within a firm (Griffin 1997, De Luca and Atuahene-Gima 2007, Barczak and Griffin 2009)

Working within the context of the UK Grocery Retail industry this paper explores how product innovation is affected by Market Knowledge Dimensions, and Cross-Functional Integration within firms and across the supply chain. Based on the De Luca and Atuahene-Gima (2007) study this research is supplemented by an exploration of the link between Market Information Gathering Activities and the creation of Market Knowledge. This study also discusses the theorized mediating/moderating impact that Knowledge Integration Mechanisms has on Product Innovation Performance. However, this construct is removed from the conceptual model during factor analysis.

METHODOLOGY

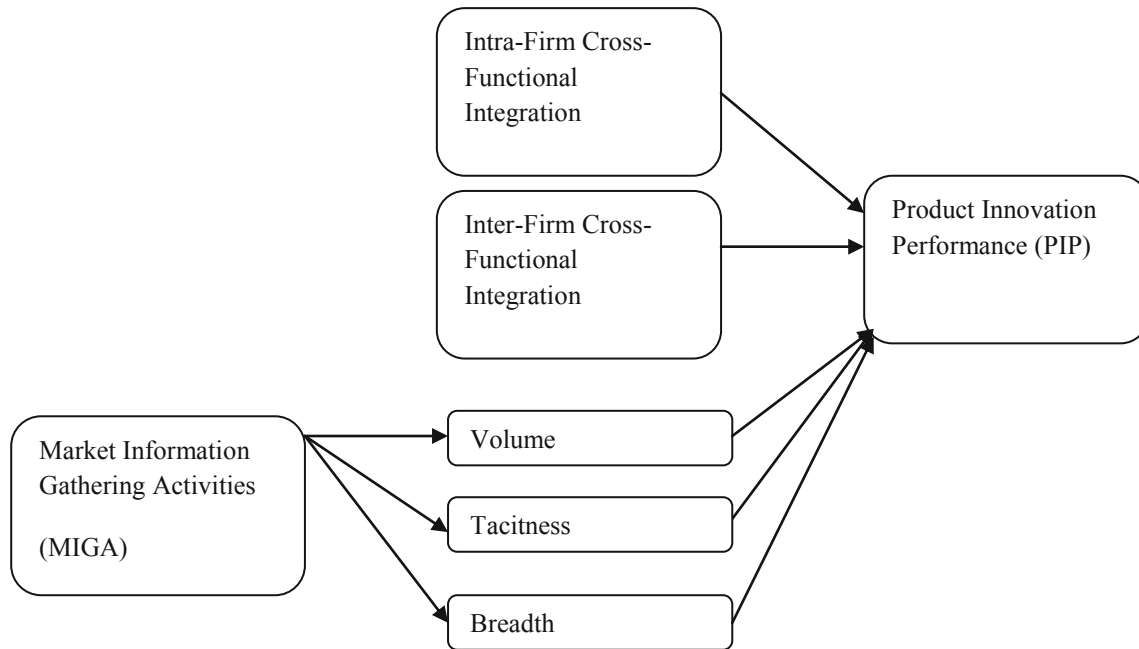
The study is informed by a survey of employees from the UK grocery sector. Respondents were marketing managers or individuals responsible for the NPD within the company. The questionnaire was distributed online and the fieldwork took place from May 2009 to February 2010.

The development of valid constructs in this model required putting items in place that could measure these constructs fairly. This research used the widely accepted paradigm for scale development as proposed by Churchill (1979). The final model was tested on a sample of 193 responses from the UK grocery retailing industry using Exploratory Factor Analysis (EFA) Confirmatory Factor Analysis (CFA) and Structural Equation Modelling (SEM) (Hair 1995).

RESULTS AND DISCUSSION

In order to test the role of market research, market knowledge and cross-functional integration on new product performance, a conceptual model was developed showing routes to new product success (Figure 1).

Figure 1. Conceptual model of Product Innovation Performance



Source: adapted from Luca and Atuahene-Gima (2007); Li and Calantone (1998)

All six latent constructs displayed a satisfactory reliability and convergent validity with Composite reliabilities exceeding the recommended thresholds of 0.70 and the Average Variance Extracted in excess of 0.50.

The relationships between the constructs in the model were estimated using the maximum likelihood method in Lisrel (Table 1).

Table 1. Full structural model – determinants of Product Innovation Performance

	Path Coefficient
IntraCFI > PIP	-0.09
InterCFI > PIP	0.11
MIGA > Volume	0.35***
MIGA > Tacitness	0.06
MIGA > Specificity	0.14
Volume > PIP	0.43***
Tacitness > PIP	0.14*
Specificity > PIP	0.30***

Chi-square = 393.04; df=288; CFI=0.96; RMSEA = 0.052

The goodness of fit indicators point out all necessary indices exceed the recommended threshold of 0.90 and badness of fit measure below .08. The path coefficients indicate that the model predicts these constructs well, particularly PIP which has a squared correlation coefficient of 0.33.

This table suggests positive significant relationships between MIGA and Volume, Volume and PIP and Spec and PIP all other specified relationships are insignificant. When tested under specific moderating environments, the relationships change so that we can say that the relationship between Intra-Firm Cross-Functional Integration and Product Innovation Performance is negative and significant in companies with high levels of R&D strength, whereas the relationship between Inter-Firm Cross-Functional Integration and Product Innovation Performance is positive and significant in companies with high levels of R&D strength. The results also reveal that tacit knowledge become a positive and significant driver of new product success in highly uncertain market environments.

CONCLUSION AND IMPLICATIONS FOR THEORY AND PRACTICE

This study makes the following contributions to the extant academic literature;

1. It adopts measures of Market Information Gathering Activities, Market Knowledge Dimensions, Inter-Firm Cross-Functional Collaboration, Intra-Firm Cross Functional Collaboration and Product Innovation Performance in the context of the grocery retail industry.
2. It argues that market knowledge breadth and depth are measurements of the wider market knowledge volume that a firm can generate.
3. It identifies the importance of specific and tacit knowledge in different controlled environments.
4. It identifies the importance of the R&D strength of a firm in turning collaboration across the supply chain into a usable competitive advantage

These contributions to the extant literature also have serious implications for industry practice in terms of allocation of resources. This research can inform managers about the need for hiring experienced employees in highly uncertain markets versus the need for cheaper employees with less tacit knowledge, but with the ability to process large volumes of data when the market environment is not uncertain. Furthermore, it informs industry practice by showing that the formation of cross-functional NPD teams has less importance than previously theorised and it states the need for increased R&D spend when collaborating across the supply chain in order to make greater use of all the contributions by external partners.

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Wednesday, 20 July
Time: 14:00 – 15:30

Session Number: 3.9: European Wine Marketing
Bordeaux Grand Crus: a Lexicographic Analysis of Their Corporate Communication

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Mora, Pierre, *BEM Management School, Bordeaux*

DOES STORYTELLING ADD VALUE? THE CASE OF BORDEAUX FINE WINES

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INTRODUCTION

Wine is a product for which producers tell many stories: story of their own family, story of their wine estate, story of their winemaking... as much communication signs. The wine drinker also refers to different stories to make his choice: his own history, his memories, his beliefs, his experience with wine are often requested to buy the 'right' wine in the wine shop. Even wine experts, wine journalists, wine bloggers are charged to tell their story, among other as a justification of their skills or expertise. And wine tasting is often the starting point of many stories. Indeed, wine tasting is a sensorial and highly subjective aesthetic experience. Translating this organoleptic experience in comprehensible and shareable terms implies the abundant use of figurative language (Caballero, 2009): aromas and other characteristics of the wine are evoked by consumers as well as by wine experts, sometimes in a very poetic way, thanks to many metaphors. Indeed, as noted by Lehrer and Lehrer (2008, p. 114), "wines are described as masculine or feminine, muscular or sinewy, for example, in addition to being described as heavy or light, delicate or harsh". Story – or at least wine talk (Bach, 2008) – itself can be part of the pleasure, when the experience is relived by periodically retelling the story of wine tasting or visit in a winery, when wine talk provides show off and admiration, but also allows learning, understanding, teaching and explaining. In such a context, one can ask what happens in markets driven by evoked images more than objective criteria.

Storytelling is defined as "sharing of knowledge and experiences through narrative and anecdotes in order to communicate lessons, complex ideas, concepts, and causal connections" (Sole and Gray-Wilson, 1999, p. 6). The firm being more and more considered as a knowledge management system, the complexity of the narratives and their content analysis make part of the immaterial aspect needed to understand the current economic actors. In this sense, Barthes (1985) claims that "the narrative is a tool to understand better the world". Concretely, narratives can possibly be integrated to a database in order to carry out the knowledge they supply and to codify the stories *a posteriori*. Several contributions can be listed and split in three main categories : 1- aims, action plan, results / 2- constraints, adversity / 3- cognitive ability, behavior of the "heroes" involved in the story.

As a qualitative approach, the spontaneity of a written text is one of the methodological criteria of the storytelling. Indeed, for Bourion (2006), when comparing a series of narratives whose aim is the same such as "describing a strategy" or "explaining a decision process", a concentration of the verbatim can be observed on a short list of topics. This author claims that some elements *a priori* out of the limits of the management area, are in fact constantly present and give a meaning to the logic of the narrative. Among these, several elements related to the intimate or privacy can be pointed out: family, education, culture, personal values, ethnography.

As a consequence of this formatting of the narratives, some authors are debating on the legitimacy of the storytelling. Salmon (2007) is wondering how narratives, which represented previously a method to understand and interpret the world, obtained a kind of leadership in the advertising and managerial system. For him, advertising is a sort of machine whose aim is to produce standardized expressions and to format minds. Indeed, we know that content analysis of the advertising stories have been developed since a long time. Greimas (1983) and Floch (2002) propose the following structure : staging a story fighting against a strong constraint, promising a better way of life thanks to different steps : economics, wealth, image, self esteem, social recognition. The storytelling allows the recipient to integrate the history. Also, in front of the producers' aim to differentiate their products from their competitors, in a context of plethoric supply, the semiotic approach shows how, thanks to common values, the actors of a same competitive area, are going to position themselves in order to strengthen their identity.

According to Gabriel (2000), stories have different functions for an organization; it can entertain, stimulate imagination, offer support, provide moral education, and justify and explain. Jensen (1999) claims that stories are a tool available for a company to inform customers as well as prospective customers what the company is about and what can be expected to find. Storytelling is also one factor that allows brands to become icons (Holt, 2003 ; Woodside et al., 2008). Nevertheless, the challenge for companies is to develop the "right" story for the brand (Rosen, 2006). For Herskovitz and Crystal (2010), every story requires a clearly understood central character with which people can identify and create a long-lasting emotional bond. Do these stories influence wine prices? With experience goods like wine, the price can be totally disconnected from the production cost. Images, reputations and communication tools, signs or stimuli are also concerned.

The main determinants of wine prices have been elucidated by researchers, especially since Landon and Smith (1997), on the first hand, who show a positive relationship between quality ratings and wine prices, and Combris et al. (1997), on the second hand, that discuss the relationship between price, sensitive characteristics and objective characteristics. More recently, Roberts and Reagan (2007) highlight that price-quality relationships will be more intense for producers with more critical exposure. Reputation, either individual (associated with the firm) or collective (associated with the vintage or the region of origin), is also a classical determinant of wine prices (Landon and Smith, 1998; Schamel, 2009, among others). Ramirez (2010) focus on tasting notes, i.e. the brief testimony that describes the sensory characteristics of wines. His results indicate a positive influence of the length of the note on the price. He also reveals that the value of the tasting note does not come from the "analytical" words, i.e. words that appear in wine glossaries that standardize the meanings of sensory words contained in the note (in this sense, analytical words are grounded in the underlying chemical characteristics of the wine). Prices seem rather to depend on the more subjective component of the tasting note, i.e. on personal opinions given by the writer. Ramirez (2010) claims that a tasting note with more subjective components can be more informative than a tasting note with plenty of analytical words, especially for a layperson unfamiliar with standard wine vocabulary.

The aim of this paper is twofold. First, it is to set up, through the corporate communication broadcasted by the Bordeaux Chateaux, a typology which describes the various dimensions of the Grands Crus (i.e. fine or premium wines) image, thanks to innovative or conservative topics. Secondly, we investigate a possible link between communication signs and level of 2009 future prices.

METHODOLOGY

The sample has been restricted to a particular category of fine wines produced in bordeaux, members of the *Union des Grands Crus*. This association aims at improving the reputation of the 132 wine estates members. On the first hand, the guidebook yearly published by this association present the different members. Every wine estate appears on a specific page, with one or several pictures. A series of objective data is systematically provided: name of the owner, appellation of origin (location in the vineyard), official ranking or classification, area under vine, amount of production, type of soil, grape varieties, specificities or kind of ageing, and brands provided by the estate (i.e. name of the *chateau*). The label of the main brand is also presented. Lastly, a text expresses the corporate communication. These texts are mainly structured with 13 kinds of topics : family, history, appellation, grape assemblage, winemaking technics, financial partners, geography and geology, description of wines, wine ageing, art and culture, organic certification, customers, and technical investments. Providing the reader with the elements of the complexity of their development with rational or causal elements, we can say that these texts are really storytelling as defined by Sole and Gray-Wilson (1999). They are very similar for what concerns their length: from 150 to 300 words, which is concise enough to think that each counts. On the other hand, prices for these chateaux are provided by the www.wine-searcher.com website which broadcast most of the related future price for the 2009 vintage.

This original database has been analyzed in the following way. First, all the texts from the 132 *chateaux* have been read in order to carry out a thematic list representing the main signification of the corpus. 13 themes have been noticed (see above). Then, each text has been read a second time by the same researcher in order to calibrate the appreciation. The objective was to measure the intensity of the presence of the 13 themes on a specific scale, from 1 (no presence of the theme) to 4 (high intensity of the theme).

A lexicographic analysis conducted with a dedicated software allowing principal component analysis, correspondent factorial analysis describes the corpus and structures it according to various classifications. A specific treatment allows a correlation analysis of the main argumentative dimensions. Then, a multiple regression analysis highlights the link with the price level. The multivariate analysis, is conducted regressing the price against a vector of objective data and a set of themes given in the texts, thanks to the OLS estimator. This kind of analysis has been proposed in a similar way by Chossat and Gergaud (2003) in the case of gastronomy. These authors try to explain the reputation of great chefs, measured by expert opinion, thanks to objective data and comments written in guidebooks. In the case of Bordeaux Grands Crus, we estimate the following equation:

$$P_i = OBJ_i\beta + TEXT_i\gamma + X_i\delta + U_i \quad i = 1, \dots, n$$

with P_i the price of wine i , OBJ_i a vector representing the objective variables and $TEXT_i$ a series of variables extrapolated from the texts. X_i is a vector of exogenous variables and U_i an i.i.d. error term.

The wine price equation is estimated, based on four classes of items (vector $TEXT_i$, with $i=1, \dots, n$, in the previous equation): tradition (family, history, art), *terroir* (appellation, geography), business (investors, technical investments, consumers) and

wine culture (winemaking process, ageing, wine description, varieties and organic certification). The vector OBJ_i , with $i=1,\dots,n$, incorporates objective variables like the appellation of the wine, its official ranking or classification, the grape varieties used in the blending and the type of soil. The wine rating variable is usually included in the explanatory variables set as an indicator of quality but it generates classical complex endogenous issues. Indeed, in the case of wine, a non-negative relationship between price and enjoyment can occur, especially when people are experts (Goldstein et al., 2008). To avoid such problems, we use the potential of ageing of the bottled wine as an indicator of its quality (Coutier, 2007).

RESULTS AND DISCUSSION

A precise ranking of the 13 argumentative dimensions shows that five of them are quite frequent: history, family, geography, wine ageing and appellation. At the bottom of this list, expressions linked to consumer, organic certification and business partners (investors) are far less present. Different correlations appear: patrimony (family and history), technical (wine ageing and winemaking process), nature (geography, variety, wine description). It is also possible to locate the different appellation according to the previous typology, in order to know if the geographic provenance of the concerned chateau has an influence on its communication.

The description of the texts highlights that the most frequent themes are associated with family and history of the wine estate or of the area where the wine estate is located. A PCA analysis reveals that some appellations are associated with some specific themes. As a result, four main communication styles are identified:

- The Sauternes appellation refers to the product with a description of the wines, to the grape varieties, to the appellation and to geography. This communication is based on *terroir*.
- Most of the Médoc appellations (Saint-Julien, Margaux, Pauillac, Haut-Médoc), as well as Graves, tell their history, the story of their family, but also refer to investments and certifications. This communication is based on tradition, sometimes complementary with modernity.
- Pessac-Léognan and Listrac provides technical elements with references to the winemaking process and to wine ageing.
- Moulis and Saint-Estèphe focus on their customers and on art and culture, but generally speaking these topic are not frequent.

The OLS estimation of our price equation ($n=127$ and $R^2=0.45$) exhibits some classical results like a significant and positive influence of the official ranking as well as of the location on the right bank of the vineyard. Researchers associate these results with a reputation effect (see Landon and Smith, 1998, for instance). Few of the 13 themes found in the texts are significant to explain price differences. The coefficient of "winemaking" is positive, while the coefficient of geography is negative. Therefore, a technical information seems valued by consumers when it is presented in the context of a story. This is not the case when this information is given in a more objective way.

CONCLUSIONS AND IMPLICATIONS FOR THEORY AND PRACTICE

This paper aims at studying storytelling and its potential effect on price in the case of fine wines. Many styles of communication may be defined from the combinations of 13 different topics identified in the texts. We comment here only four of them from the cross with the criteria that have the greatest impact on price: grapes blendings, geography and geology, financial partners and winemaking technics. Schematically, we can consider two axis : the first one opposes the "man as investor" in this text referring to financial partners, and the "man as creator" feature of texts focusing on winemaking. The second axis opposes "places" and natural environment claiming an exclusive and unique identity, and the "plant" represented by the assemblages of grapes as expression of an added value.

Suffice it to communicate the nature, quality or number of investors together in a round of funding to raise the price of a Grand Cru? Is it possible to find in the specific grape varieties used in their blending a the justification for a high price? Should it rather avoid speaking territory, soil type, orientation of plots and winemaking techniques? We do not conclude at this stage so strictly. Including the fact that these four criteria are not - far from it - the most present in the lexicon.

More specifically, another question remains to managerial implications: are these forms of communication specific to institutional Grands Crus (i.e. fine or premium wines), or are they usable in other contexts? One thinks especially of the Medoc Cru Bourgeois positioned in the wake of the Grands Crus and any operating positioning in premium between 10 and 30 euros in less elitist appellations such as Côtes de Bordeaux. This work will be undertaken in order to confirm, on a much

larger population, the differentiating power of communication while erasing the influence of prestigious appellations and classification of 1855.

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Wednesday, 20 July
Time: 3:30 PM

Session Number: **4.10: Mindful Consumers**

Session Chair: Poncin, Ingrid, *SKEMA School of Management*

Creating Memories and Bonding through Competitive Shopping: Evidence of Co-Creating Experiential Retail Value

Nichols, Bridget, *Northern Kentucky University*

Flint, Daniel, *University of Tennessee*

Self-Image Congruity and its Impact on Wine Tourism

Pratt, Marlene, *Griffith University*

Consumers' Propensity to Resist: The Volitive Dimension of Consumer Resistant Behaviors

Banikema, Annie Stéphanie, *IRG- University Paris-Est*

Bhatli, Dhruv, *IRG- University Paris-Est*

CREATING MEMORIES AND BONDING THROUGH COMPETITIVE SHOPPING: EVIDENCE OF CO-CREATING EXPERIENTIAL RETAIL VALUE

Bridget Satinover Nichols, Northern Kentucky University, USA
Daniel J. Flint, University of Tennessee, USA

ABSTRACT

While researchers have identified personality traits and situational circumstances as drivers of general competitive consumer behaviors (e.g., Mowen 2000), competitive shopping itself has not garnered significant attention. As such, the purpose of this research was to better understand the motives, nature, and nuances of competitive shopping. Drawing from a sample of twenty-three informants who were engaged in a competitive shopping event, we sought to enrich our understanding of the phenomenon. The Grounded Theory (Glaser & Straus 1967) method was employed for data collection and analysis. Our findings indicate that although the primary phenomenon incorporates aspects of competing, participants were predominantly engaged in a process of *creating memories*. At the heart of *creating memories* was interpersonal bonding manifested through competitive shopping. Creating memories through bonding and competing highlights how consumers can take part in creating experiential value during a retail shopping experience.

It is well established that, in exchange relationships, people derive utility not solely from the products and services they receive, but also from interpersonal relationships that develop during the exchange process (Wathne et al. 2001; Frenzen & Davis 1990). The present research suggests that within some exchange circumstances, utility can be derived from the interpersonal relationships and primary-group bonds fostered by the exchange context. Furthermore, along with studies from the leisure and services domain, this study contributes by exposing how and why customers bond with one another, and the significance that bonding opportunities may hold. The *creating memories* process provides specific psychological, social, and behavioral patterns experienced by our set of informants.

Despite numerous studies regarding experience-seeking consumers and experiential market offerings (e.g., Babin et al. 1994), there is little research that examines how and why these experiences become meaningful and memorable. These issues are important because consumer memories can have longstanding effects on outcomes like brand loyalty, awareness and recall, and positive word of mouth. Understanding these phenomena can also assist the retailer in learning how to build meaningful relationships with customers and become integrated into consumers' memory. Although there are advocates from the experiential view for the consideration of consumer experiences to include aspects of fantasy, play, and emotional responses (Holbrook & Hirschman 1982; Thompson et al. 1989), there is little empirical or theoretical literature of substance in the marketing, consumer, or retail domain that specifically inspects the significance of memorable consumer experiences (and events) in peoples' lives. This is surprising given the vast array of experiential consumption opportunities in the marketplace. The findings in this article suggest that memorable customer experiences may closely mirror social processes that are reflections of peoples' everyday lives and relationships.

References available upon request

SELF-IMAGE CONGRUITY AND ITS IMPACT ON WINE TOURISM

Marlene A. Pratt, Griffith University, Australia

INTRODUCTION

Consumer decisions involve not only rational and utilitarian attributes, but also value and symbolic attributes of a product or service. Self-image congruity models are based on the notion of the cognitive matching between value expressive attributes of a given product or brand and the consumers' self-image (Sirgy and Johar 1985). This research investigates the impact of self-image congruity on wine tourism behaviour, specifically winery/cellar door visitation, with the inclusion of functional and affective destination image constructs of wine regions, and attitude toward wine tourism. There is a lack of evidence within the tourism literature of the effect of self-congruity on the intentions or motivations to visit a destination (Chon 1992; Litvin and Goh 2002; Sirgy and Su 2000). In addition the researcher is interested in the potential differences of consumers who are considered high involved wine consumers vs those who are low involved wine consumers, and the impact on the self-image congruity model. Involvement as a construct is well established in wine purchasing behaviour (Lockshin, Jarvis, d'Hauteville and Perrouy 2006; Lockshin, Quester and Spawton 2001; Lockshin, Spawton and Macintosh 1997; Lockshin and Spawton 2001; Quester and Smart 1996; Rasmussen and Lockshin 1999; Zaichkowsky 1985). The link between wine involvement and wine tourism activity however, has only recently been explored by Brown, Havitz and Getz (2006), who developed a wine involvement scale (WIS). Similarly limited research has been conducted evaluating the effect of involvement with self-congruity. One study found the effect of involvement moderated the effect of congruity where the greater the involvement with travelling, the more important self-congruity is (Beerli et al., 2007).

METHODOLOGY

A sample of 5000 wine consumers was purchased from a mailing house. Three thousand wine consumers were sent a survey via email broadcast, and 2,000 were sent a survey via direct mail. The final sample size of 696 provides a margin of error of approximately $\pm 3.7\%$, and a response rate of 13.9%. An incentive package was developed that involved a prize draw of a bottle of Penfolds Grange 1991, second prize a bottle of Wolf Blass Platinum 2004 and three runners up received a Tenterfield saddler picnic blanket.

The dependent variable within this research study is consumers' intention to visit a wine region. Three items were used to measure intent, adapted from Dabholkar and Bagozzi (2002), Sparks (2007b) and Getz and Brown (2006), on the basis of work of Ajzen and Driver (1992). Self-congruity was measured using the direct score approach focusing on the image of users/or in this research study visitors to wine regions. Using the direct score approach requires a numeric scale to measure the level of congruence and this is facilitated by a scenario type directive and statements (Ekinci & Riley, 2003). The final construct comprised four items encompassing actual self-image, ideal self-image and social self-image. These items were based on measures used by Sirgy et al. (2000) Goh and Litvin (2000). Functional destination image attributes was gathered from destination image researchers (Leisen, 2001), and in particular wine destination research (Getz & Brown, 2006; Williams, 2001b). Affective destination image comprised items from Russell's (1980) scale which was felt to be relevant to wine tourism, as well as other affective items used by Jang and Cai (2002), Baloglu (1999), and Beerli and Martin (2004). Attitudes toward wine tourism measure is a standard unidimensional measure of attitude used by Ajzen (1987). The involvement scale used was based on a Wine involvement scale developed by Brown, Havitz and Getz (2006) together with items by Lockshin et al (2001).

Structural equation modelling was used to test the model, using Lisrel 8.72 to test the measurement and structural part of the model. Finally the effect of wine involvement as a moderating influence on respondents' intentions to visit a wine region was tested using multigroup analysis.

RESULTS AND DISCUSSION

The sample consisted of respondents from across Australia, fairly evenly split between genders. The average age of the respondents is 46 years old, with the life stage of the respondents varying. Household income also varied, with 45.3% earning between \$100,001-180,000. The vast majority of respondents have previously visited a wine region (94%), with an average visitation is 8.7 within Australia. The majority of respondents are considered regular wine consumers, where 43.2% of respondents consume wine most days or every day, and 37.3% of respondents consume wine weekly.

The measurement stage of the analysis was conducted using SPSS 16.0 and Lisrel for the confirmatory factor analysis. The final step in the analysis process is investigating the relationships among the latent variables through the structural model. The structural model contains 3 exogenous latent variables; self-image congruity, functional destination image, and destination affect, with 2 endogenous latent variables: attitude toward wine tourism, and intentions to visit wine regions. The proposed model was fitted to the data through MLE using Lisrel 8.72. The overall fit of the structural model to the data resulted in acceptable statistics as follows: $\chi^2 = 271.29$ ($df = 126$, $p < .000$), CMIN = 2.2, CFI = 0.99, RMSEA = 0.04 (.034, .047) and SRMR = 0.03. The minimum fit function $\chi^2 = 264.24$. The chi-square is significant, however this is generally expected due to sample size (Anderson and Gerbing 1988; Hair, Anderson, Tatham and Black 1995).

Self-image congruity had a significant positive on intentions to visit a wine region, through the mediating variable attitude to wine tourism ($\gamma = 0.14$). Self-image congruity however, was found not to have a direct significant effect on intentions to visit ($\gamma = 0.04$). Functional destination image and affective destination image, both were also mediated through attitude toward wine tourism ($\gamma = 0.25$ and $\gamma = 0.32$ respectively). Affective destination image provides a stronger significant relationship with attitude toward wine tourism, than self-image congruity or functional destination image. Neither functional destination image nor affective destination image had a significant direct effect on intentions to visit a wine region. As expected there is a strong positive relationship between respondents attitudes toward wine tourism ($\gamma = 0.59$) and their intentions to visit a wine region. Attitude toward wine tourism was found to be the mediating variable for each of the exogenous variables, on respondents intentions to visit a wine region.

When researchers are interested in employing involvement as a mediator of relationships among other consumer behaviour variables, then it is necessary only to use a measure of overall involvement (Mittal 1995), which was tested using multigroup analysis. The first stage in multigroup analysis is the determination of groups. Two factors were found for involvement, 'Interest' and 'Enjoyment' explaining 60% of variance. 'Interest' was chosen as a high/low involvement differentiator as it explained the greatest amount of variance (48.52%) of the involvement construct. A median split approach was used, similar to that used by Flynn and Goldsmith (1993). Multigroup analysis was conducted to establish measurement invariance across groups before conducting substantive cross-group comparisons. All the fit indices provide support that the same model form holds for both groups. With the high wine involvement group, both self-image congruity and affective destination image had a significant positive relationship to attitude toward wine tourism. The path between affective destination image had a stronger relationship with attitude toward wine tourism ($\gamma_{13}^{(1)} = 0.47$) than self-image congruity ($\gamma_{11}^{(1)} = 0.15$). High wine involvement respondents have a non significant path between the functional destination image and their attitude toward wine tourism. This differed with low wine involvement respondents, where their self-image congruity was not significant to their attitude toward wine tourism ($\gamma_{11}^{(2)} = 0.12$), whilst functional destination image ($\gamma_{13}^{(2)} = 0.28$) and affective destination image ($\gamma_{13}^{(2)} = 0.29$), both were approximately equal in their effect on attitudes toward wine tourism. The relationship between attitude to wine tourism and its impact on intentions to visit a winery were positively significant for both high ($\beta_{12}^{(1)} = 0.47$) and low ($\beta_{12}^{(2)} = 0.53$) involvement groups.

The analysis of the model found that self-image congruity did not have a significant direct effect on purchase intentions as initially expected. This result however is not unique as it was also found in other research where self-image congruity did not directly impact intent (Coward, Fox and Wilson 2008), but was significant with other consumer behaviours such as attitude, satisfaction and loyalty (Back 2005; Chon and Olsen 1991; Ekinci and Riley 2003; Ibrahim and Najjar 2008; Jamal and Goode 2001; Kressmann et al. 2006; Sirgy et al. 1997). Attitude toward wine tourism was found to be the mediating variable for each of the exogenous variables, on respondents' intentions to visit a wine region, demonstrating the strength of attitudes in consumer behaviour.

The involvement construct has been invaluable in providing greater understanding of the relationships within the model. The level of involvement with the product, that is wine, was found to have a strong moderating influence on behavioural intentions. Overall, respondents who were high wine involved consumers had high levels of self-congruity with a typical wine tourist, whilst low wine involved consumers did not. Both functional destination image and affective destination image had varying effects on attitudes toward wine tourism based on the level of wine involvement of the respondents. With the high wine involvement group, the affective destination image had a positive relationship to attitude toward wine tourism. The results suggest that the enjoyment and emotions attached to visiting a wine region overrides the other functional aspects. The functional construct was found not to be a predictor of wine tourism attitudes, which may be a result of the familiarity because of the number of times a high involvement wine consumer has previously visited wine regions. This would also lead to a greater understanding of the functional elements across wine regions and do not feel that the functional attributes is important. Although the functional construct was not significant in the model for high wine involved consumers,

interestingly, one of the main factors of the functional image construct is the wine experience. Conversely, the main reason for visiting a wine region for high wine involved respondents was for wine specific reasons. The relationships within the model were different for low wine involved respondents. Both the functional destination image attributes and affective destination image attributes were approximately equal in their effect on attitudes toward wine tourism.

CONCLUSIONS AND IMPLICATIONS FOR THEORY AND PRACTICE

There are several theoretical implications which have arisen from this research study, including: the use of structural equation modelling (SEM) within self-congruity and tourism research; further development of the self-congruity construct, further development of the wine involvement construct; and image attributes attached to wine tourism and typical wine tourists.

This research is the only research within tourism literature to date which has measured self-congruity concurrently with both the functional destination image and affective destination image constructs in determining intentions to visit a destination. The measurement of the self-image congruity construct within this current study is also unique, in that a unidimensional construct was obtained through EFA and CFA analysis. This current study used the direct measure providing strong support for the predictive affect of self image congruity on consumer behaviour, together with the further development of the involvement construct.

Practical implications of the research include providing wineries and wine producers an understanding of the impact of self-image in decision making. Furthermore, providing a working knowledge of market segments where self-congruity vs. functional and affective destination image attributes impact wine tourist's behaviour. The level of involvement also impact behavioural choices, which need to be recognised. The affective attributes or feelings attached to a wine region were the most powerful predictor of attitudes toward wine tourism and behavioural intentions for high wine involved consumers. These include affective elements such as: relaxed, a sense of escapism, pleasant, fun and a sense of discovery. Holiday tourism has a hedonic activity is particularly prone to emotional influence. Conversely, the functional destination image attributes of the destination were not found to be predictive in their decision to visit a wine region in the future. Another issue to consider is that the majority of wine tourists/visitors live locally, so they may not consider themselves to be tourists as such, and would view visiting a wine region as a leisure activity. As a result the functional destination image attributes (for example, quality wine, good restaurants' or the reputation of the region) did not impact their intentions as strongly as affect or feelings toward visiting a wine region. This supports the notion that wine tourists are interested in the experience and how they feel whilst visiting a wine region. Through the understanding of visitor image and destination image attached to wine tourism, wineries would be able to maintain or change their image to appeal to particular target markets, which is vital to ensure future growth of the wine tourism industry.

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CONSUMERS' PROPENSITY TO RESIST: THE VOLITIVE DIMENSION OF CONSUMER RESISTANT BEHAVIORS

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Dhruv Bhatli, Université Paris Est, France

ABSTRACT

Earlier researches on the topic of consumer resistance permit better understanding of the causes, manifestations and consequences of the phenomenon, mainly focusing on the situational contexts of consumers' resistant action. This paper examines consumer resistance in an individual perspective, analyzing the propensity to resist as an individual variable antecedent to these behaviors. Our aim is to explore an individual disposition, consumers' propensity to resist (CPR), which in appropriate situations would explain why some consumers and not others tend to offer resistance. Thus, we model actual resistance behaviors as a function of personal (or psychological) and situational factors.

The research field on consumer resistance has steadily developed since its conceptualization by Peñaloza and Price (1993). Consumer resistance is approached as a socio-cultural phenomenon as it occurs in the marketplace and is related to marketplace ideologies and practices (Kozinets and Handelman 2004). Consumer resistance is also a contingent reaction (Roux 2007); it represents a specific type of response that occurs at the intersection of individual and their interpretation of a situation. This paper is an effort to understand consumer resistance in an individual difference perspective and lays emphasis on the conception of the psychological reasons why some people are more likely to resist than others under the same situational context. Several individual traits have been however linked to consumer resistance: consumer self-confidence (Bearden et al. 2001), consumers' skepticism (Dobscha 1998; Fournier 1998); and suspicion (Kramer 1998; Darke 2004). All these studies used assessment instruments that have been designed for other purposes and that are only indirectly related to a consumer's disposition to resist marketers' influences. Thus, in the present study, we try to formulate a conception of consumers' propensity to resist marketers' influences. Our work is in the vein of some works on resistance to change (Oreg 2003) and resistance to persuasion (Knowles and Linn 2004; Briñol and al. 2004), which define resistance as a quality of a person; these authors dealt with the study of individual differences in resistance that are expected to be constant across topic, sources and situations. This work does not suggest that consumer resistance is solely a personality trait; indeed, it occurs in the marketplace and is related to marketplace ideologies and practices. However, as it is admitted and recognized that some consumers may be more susceptible to interpersonal influence than some others (Bearden, Netemeyer and Teel 1989), this work assumes that some consumers may be less susceptible to marketers' influence than other. We thus suggest that these may have a higher propensity to resist marketers influence.

Given that the aim was to cast light on a tendency to oppose perceived influences in market interactions, a qualitative exploratory methodology was adopted to thoroughly analyze the speech of consumers (Goulding 2000). We explored three themes in particular (a) our respondents' consumption practices; (b) their perceptions or the absence of these, of influence attempts in market contexts, the nature of these influences and the type of reactions they provoked; and (c) their more general attitudes toward companies' practices and the functioning of the market. The final sample comprised of 13 men and 9 women, between 22 to 60 years old (average age 33), covering the spectrum of diverse backgrounds and professional situations. The results allow us to qualify consumers' propensity to resist as a volitional construct organized around two dimensions, self-regulation and self-control and are linked to approach-avoidance strategies. In detail, the analysis process identifies three main themes: (1) the will and determination to resist, (2) the motivation to resist and (3) the tactics of resistance. From these categories, the findings draw out the central concept that permits to better understand CPR, its dimensionality and its connection with the individual factors of resistance. In the same vein the findings posit that the behavior of resistance is related more to the will and determination of the consumer than to the perception of influence attempts or to the ability to resist. This central idea of will and decision of CPR is a concept well understood in psychological research by the concept of volition, a concept which remains underexplored in marketing (Bagozzi 1993). We thus suggest that CPR through its volitional nature would be an excellent predictor of consumers' oppositional behaviors. The main contribution of this research is to propose consumers' propensity to resist as an individual personality feature that explains resistant behaviors and delineate and define consumers' propensity to resist through self-regulation and self-control of their consumption decisions.

References available upon request

Wednesday, 20 July

Time: 4:00 PM

Session Number: 4.11: Psychology and Sport. Exploring Attitude and Relationships Between Consumer Groups

Session Chair: Slater, Stephanie, *Cardiff Business School*

Predicting Sport Team Loyalty: High and Low Scenarios

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Relationship Building in Football: Focus on the Family

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The Influence of Regular Sports Participation on Consumer Psychology

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PREDICTING SPORT TEAM LOYALTY: HIGH AND LOW SCENARIOS

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ABSTRACT

Given its importance in sport team brand management, the present study primarily concerns the prediction of sport team loyalty. The study investigates the role of sport consumers' involvement, self-expression, trust and attachment and the personality of a sport team in predicting various levels of team loyalty. The data of the study was collected from 289 consumers in a South East European country. Classification with discriminant analysis shows that the independent variables "involvement with the team", "team self-expression", "team trust", "team attachment" and "team personality" not only significantly discriminate between high and low team loyalty, but they also predict group membership. The findings of the study provide several theoretical and practical implications which are discussed along with future research recommendations.

INTRODUCTION

Nowadays, marketing managers of sport teams are facing several challenges in their effort to better understand and respond to the needs of their fans. In order to capitalize on the strong emotional responses generated from their fans, sport teams are positioned as brands in the current sport marketing literature (Couveraere & Richelieu 2005). Developing and maintaining long-term relationships with their fans independently from their team performance, is a main concern of sport team marketers. Because loyalty constitutes a primary ingredient for any longitudinal relationship, it should be positioned at the center of contemporary sport brand management.

Therefore, the purpose of this research is twofold. First, the study aims to contribute to the sport marketing literature by identifying key predictors and discriminators of sport team loyalty levels. Second, several of the proposed variables have not been used before in the sport marketing literature as predictors of sport team loyalty (e.g. sport team self-expression, sport team trust, and sport team personality). Thus, this investigation examines the role of these variables in conjunction with other important concepts such as "team trust", "team attachment", "team involvement" in the prediction of sport team loyalty levels.

THEORETICAL FRAMEWORK

The Role of Loyalty

Loyalty has been defined as "a deeply held commitment to re-buy or re-patronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts have the potential to cause switching behavior" (Oliver 1999, p. 34). In sports, the literature on loyalty focuses mainly on its antecedents and scale development issues. A stream of research concentrates on the social/external factors affecting the relationship between sport consumers and sport teams. Factors such as the success of the team, its location and peer group support of the team (Wann et al. 1996), the importance of family, friends, attending games, and tailgating (Kolbe and James 2000) and the role of social groups such as friend, parents and media (James 2001) have been examined as antecedents of team preference and loyalty. A second stream of studies focuses on consumers' internal psychological factors (Funk and James 2001; 2006). Motivational antecedents of attitudinal loyalty such as team interest, vicarious achievement, excitement and player interest have been reported in the literature (Neale and Funk 2005). Attitudes toward a sport team (Funk and James 2006) and affective experiences at the stadium (Sumino and Harada 2004) have also been found to affect the development of loyal sport fans.

The predictors of team loyalty: Involvement, attachment, self-expression, personality and trust

Involvement is considered a significant predictor of consumer behavior and has been distinguished into two categories: product involvement and brand-decision involvement (Zaichkowsky 1985). In sports, Funk, Ridinger and Moorman (2004) defined involvement with a sport team as "as a psychological state of motivation, arousal, or interest in an athletic team and related activities that is evoked by individual characteristics and situational factors that possess drive properties" (p.52). It has been proposed that involvement has both a psychological and a behavioral element. The psychological dimension relates to an individual's affective and cognitive attitudes towards the leisure object in question. On the other hand, the behavioral dimension relates to issues, such as the time spent in a leisure activity, frequency and duration of using a service. Empirical data supports that consumer involvement is an antecedent of attachment (Kyle et al. 2004) and commitment with leisure services (Gahwiler & Havitz 1998). It is therefore proposed that:

H1. Team involvement will predict and discriminate fans with high and low team loyalty.

Attachment to a brand has been defined as “the strength of the cognitive and affective bond connecting the brand with the self” (Park et al. 2006, p. 4) in a symbolic manner (Wallendorf & Arnould 1988). In sports, Funk and James (2001) linked attachment with team loyalty and empirically demonstrated that sport consumer loyalty is “the outcome of a process by which individuals develop stronger emotional reactions to, more functional knowledge about, and greater symbolic value for benefits and attributes associated with a sport team” (Funk & James 2006, p. 189). More recently, Kwon et al. (2005) showed that attachment to a team determines behavioral loyalty and attendance behavior in spectator sports. Therefore, it is expected that:

H2. Team attachment will predict and discriminate fans with high and low team loyalty.

According to Carroll and Ahuvia (2006) brand self-expression refers to “the consumer’s perception of the degree to which the specific brand enhances one’s social self and/or reflects one’s inner self” (p.82). Consumers choose specific brands not only for their functional benefits but also for their symbolic properties (Piacentini & Mailer 1999; Wattanasuwan 2005). Thus, the symbolic meaning of the brand is used as an expression of a consumer’s self-concept in relation to her / his status in society. In this line, consumers choose sport brands that help them to create, foster and develop their identity (Elliot & Wattanasuwan, 1998; Yoo et al. 2006). Furthermore, consumers can use the symbolic content of a chosen brand to reflect their affiliation or connection to a particular social group (e.g. sport team fans) (Piacentini & Mailer 1999). Thus, when sport brands gratify, enrich and enable consumers’ self then, consumers will develop strong emotional bonds with them and therefore, build consumer-brand relations (Park et al. 2006). Following the above discussion, it is hypothesized that:

H3. Team self-expression will predict and discriminate fans with high and low team loyalty.

Recently, brand personality has attracted the interests of academics and practitioners in sport marketing. Brand personality refers to a tendency consumers have to ascribe human personality characteristics to brands (Aaker 1997; Keller 2003). Brand personality enables consumers to express their own self or specific aspects of their self as well as their ideal self (Belk 1988). Furthermore, brand personality has been linked to brand loyalty. Consumers often choose or remain loyal to brands that encompass personality traits which are relevant and consistent with their own self-concept (Aaker 1997; Keller 2003). In the sports marketing literature, several studies have measured the personalities of sport brands such as sport organizations, teams, and events (Musante et al. 1999 or focused on the creation of sport brand personalities scales (Kim et al. 2008; Tsiotsou 2012 in press). However, to the author’s knowledge no study has examined the relation between sport team personality and team loyalty. Therefore, based on the branding literature it is expected that:

H4. Team personality will predict and discriminate fans with high and low team loyalty.

In the literature, brand trust has been linked to consumers’ positive and favorable attitudes and brand commitment (Ballester & Aleman 2001). Brand trust refers to ‘the willingness of the average consumer to rely on the ability of the brand to perform its stated functions’ (Chaudhuri & Holbrook 2001, p. 82). Based on the commitment-trust theory, Morgan and Hunt (1994) consider trust as a key variable in creating and sustaining enduring and highly valued brand relationships. Research reports that brand trust is directly associated with purchase and attitudinal loyalty with the brand (Chaudhuri & Holbrook 2001). In this vein, when consumers trust a sport team, they will commit to a relationship with the team and be willing to maintain a long-term relationship with it. In the sport marketing literature, the construct of trust has not attracted the interests of researchers. Only Couverlaire and Richelieu (2005) mention team trust as a necessary element along with loyalty in building sport team equity. However, to the author’s knowledge no study in sports has linked trust to loyalty before, and therefore, based on the branding literature, it is hypothesized that:

H5. Team trust will predict and discriminate fans with high and low team loyalty.

METHOD

The target population for this research is professional soccer sport teams. Nowadays, sports teams are consistently turned into brand management strategies in order to instill fan trust and foster loyalty. Sport team managers are recognizing the benefits of branding and capitalize on the emotional attachment of their fans, (Desbordes 2007) to develop loyal sport fans. Data were collected from a questionnaire distributed to sport fans of various soccer teams in the north region of a Southeast European country. A total of 289 completed questionnaires were collected.

Construct operationalization and measures

Sport Team Involvement: A revised version of the Personal Involvement Inventory (PII) (Zaichkowsky 1994), consisting of 10 items (7-point bipolar scale), was used to measure involvement with the team. The scale encompasses two dimensions of involvement, importance and pleasure. The mean score of the two dimensions were used for the analysis.

Sport Team Self-Expression: To measure the self-expressive value of the team, the instrument developed by Carroll and Ahuvia (2006) was employed. Their scale consists of two dimensions: inner self (4 items) and social self (5 items) and uses a seven point Likert scale anchored by Strongly Disagree (1) to Strongly Agree (7). The mean score of the two dimensions were used for the analysis.

Sport Team Attachment: Eight items were initially used to measure team attachment. The items were initially proposed and tested in a sport context by James and Ross (2002). Four items measure the degree to which an individual has a felt commitment to their team and four additional items assess the extent to which an individual has internalized the team within his/her self-concept. Respondents responded to the items using a seven point Likert scale anchored by Strongly Disagree (1) to Strongly Agree (7).

Sport Team Trust: Four items using a 7-point likert-type scale anchored by Strongly Disagree (1) to Strongly Agree (7) were initially used to measure team trust. These items have been borrowed from the marketing literature (Chaudhuri & Holbrook 2001).

Sport Team Personality: Sport team personality was measured with one item using a 7-point likert-type scale anchored by Strongly Disagree (1) to Strongly Agree (7) and asking respondents whether they believe that their favorite team has a personality.

Sport Team Loyalty: Brand loyalty was measured with nine items used in the marketing literature (Zeithaml et al. 1996). The first four items measure team loyalty, and the remaining 5 measure loyalty intentions using a seven point Likert scale anchored by Strongly Disagree (1) to Strongly Agree (7).

RESULTS

Classification with Discriminant Analysis

To identify sport consumers with different levels of sport team loyalty, cluster analysis (K-Means) was used on the nine items of the loyalty scale. To compare sport fans with high and low team loyalty and identify differences, classification with discriminant analysis was used. The total sample was randomly split by the SPSS statistical program into a development sample of 147 subjects and a cross validation sample of 142 subjects to assess the classification accuracy of the discriminant variates. The classification function was computed first on the development sample and then checked its hit rate on the cross validation sample. The independent variables of the study were the two involvement dimensions: importance and pleasure; the two self-expression dimensions: inner and social self; sport team attachment, sport team trust and sport team personality. In a preliminary analysis of the data, a case analysis was conducted to identify possible outliers and violations of the assumptions of independence, multivariate normality and the homogeneity of variance/covariance matrices. No serious violations of the assumptions were identified. The homogeneity of variance/covariance test (Box's M) indicated that the data did not violate the assumption (fail to reject at the .001 level; $F=1.50$, $p=.14$). The overall multivariate relationship (MANOVA) was statistically significant at the .05 (chi square=113.39; Wilk's $\Lambda=0.45$; $p<0.000$) indicating that the two groups are statistically significant different. Thus, the discriminant function extracted was significant and overall the variables used in the study were able to discriminate between high and low team loyalty groups. The analysis continued by evaluating the contribution of each independent variable to the discrimination of the two groups. All univariate F-tests were significant, as shown on [Table 1](#).

The next step of the analysis was the classification of the subjects and the evaluation of the classification procedure. The classification was based on the Bayesian probability of group membership, assuming group priors equal to the relative group sizes. The prior probabilities of group membership were .53 for high and .47 for low team loyalty. To accomplish this classification the Fisher's Linear Discriminant Functions were used. The analysis continued with the evaluation of the performance of the classification procedure which is set up to maximize the number of correct classifications. To assess the accuracy of the number of correct classifications, the random cross validation sample was used. According to Stevens (1992), the use of a random cross validation sample provides a "good check on the external validity of the classification function" (p. 293). [Table 2](#) shows the "hit rate" for both the development and the cross validation sample. The results for the development sample indicated a 80.3% correct classification rate which was increased to 83.1% on the cross validation sample. The precision of correct classification is very satisfactory and for this reason the use of the procedure for classification of future subjects is recommended.

DISCUSSION OF FINDINGS

This present study responds to recent calls for more research on sport team loyalty (Funk and James 2006; James 2001) and provides significant theoretical and practical implications. This research examined the role of key relational constructs in predicting and discriminating sport consumers with different degrees of loyalty towards their favoured sport team. Specifically, it tested the degree to which team involvement, team attachment, team trust, team personality, and team self-expression can discriminate fans with different team loyalty levels. As previously noted, the constructs of self-expression, team trust, and team personality have received limited research attention in the fan behavior literature. Moreover, previous predictors of sport fan loyalty were confined either to social factors such as team winning record, team location, peer group support (Wann et al. 1996), the role of family, friends, attending games, and tailgating (Kolbe and James 2000) and the role of social groups (James 2001)) or to individual factors such as team interest, vicarious achievement, excitement, player interest (Neale and Funk 2005), attitudes toward a sport team (Funk and James 2006) and affective experiences at the stadium (Sumino and Harada 2004). However, the current study examines the role of psychographic variables in predicting team loyalty that have not been utilized before and provide new insights in predicting sport team loyalty. Furthermore, the variables used in this endeavor not only predict team loyalty but they are able to discriminate sport fans with low and high team loyalty.

This study has certain limitations that qualify its findings and provide directions for further research. First, the findings and implications (theoretical and practical) of this study should be read in the context of the specific sample. As previously discussed, the results of the study are in line with the theoretical expectations. However, as in any research, further investigation is needed to replicate and extend these findings. Because the data of the study comes from a single sport (professional soccer) and a single country (a South East European country) the present findings should be validated in other sports (e.g. hockey, basketball, golf, etc) and other countries.

Table 1: Univariate F-tests for the Independent Variables

Variable	Wilks's Λ	F	Significance
Importance Involvement	.76	45.05	.000
Pleasure Involvement	.73	53.27	.000
Inner Self Expressive	.68	67.16	.000
Social Self Expressive	.73	53.61	.000
Team Attachment	.48	156.13	.000
Team Trust	.72	55.81	.000
Team Personality	.87	21.44	.000

Table 2: Classification Accuracy

Results for the development sample (N=147):

Actual group	No of cases	Classification	
		Low	High
Low	69	54 (78.3%)	15 (21.7%)
High	78	14 (17.9%)	64 (82.1%)
Total correct classification = 80.3%			

Results for the validation sample (N=142):

Actual group	No of cases	Classification	
		Low	High
Low	60	48 (80%)	12 (20%)
High	82	12 (14.6%)	70 (85.4%)
Total correct classification = 83.1%			

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RELATIONSHIP BUILDING IN FOOTBALL: FOCUS ON THE FAMILY

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INTRODUCTION

Football (or soccer) has more spectators, participants, revenues and media interest than at any time in its history (thefa.com, 2010). English Premier League clubs' revenue reached a record £1,981m in 2008/09 and will have exceeded £2 billion in the 2009/10 season, according to the latest Annual Review of Football Finance from the (Deloitte 2010). However, many lower league clubs face severe financial difficulties and are almost entirely reliant on revenue generation from match days. Current marketing strategies in football such as sponsorship may not generate the required revenue this study, therefore, considers relationship building with families through a critical case of a League Two football club in the UK.

SPORT MARKETING

Sport marketing can be seen as a process where contests with an uncertain outcome are staged to create opportunities for the simultaneous fulfilment of direct and indirect objectives amongst sport customers, businesses, other individuals and organisations (Beech and Chadwick 2007). When the 'sport customers' are a family with young children, contemplating football match attendance, the 'uncertain outcome' may relate not just to the team's performance and the result of the match, but the 'experience' of match attendance for the family.). For some, but not all, customers, deep emotional ties between customers and service firms exist. Some of these customers are amenable to firm efforts and thus develop links and respond favourably to firm initiatives to form, develop, and maintain relational links (Harris and Ogbonna, 2008). Indeed, five groups of match day attendees have been identified, whose loyalty to the club varies significantly from fanatics to carefree casuals (Tapp, 2004). Although these segments portray diversity in attitudinal and behavioural dimensions, the phenomenon of the family as participants in the relationship with the club has been largely unacknowledged.

Relationships

Bridgewater's (2007) proposal that sport marketing be viewed in terms of relationships rather than transactional approaches is entirely consistent with a football club aiming to encourage supporters up a loyalty ladder (Payne, 1994). The football club is represented by a number of different experiences, comprising community and family initiatives as well as match days themselves. Football clubs' community schemes have a variety of objectives but an imperative is to increase match day attendance and hence revenue. The RM ladder illustrates six possible stages where the emphasis changed from customers catching to customer keeping (Payne, 1994). Extensive research into RM has included the concept of relational benefits (RB) (Gwinner et al. 1998) offering a means of progressing customers up the ladder.

Relational benefits

Relational benefits focus on the receipt of utilitarian-oriented benefits (Hennig-Thurau et al. 2002) namely confidence, social and special treatment (Gwinner et al. 1998). Social benefits emerge from prior research as significant, often represented by the interpersonal element that exists between service personnel and consumers (Kaczynski and Havitz, 2001; Kim et al. 2010; Macintosh 2007). Research has noted that special treatment benefits (Gwinner et al. 1998; Hennig-Thurau et al. 2002) such as better prices and higher priority have not always been strongly supported where results for confidence and social benefits have been found to be more robust. These three benefits have formed the theoretical framework for a number of studies (for example, Macintosh, 2007; Kim et al. 2010) but the focus of the studies has been directed towards the individual consumer rather than building a relationship with a family group. The proposition for this research is that this football club case has been able to 'catch and keep' families through the provision of relational benefits, albeit appropriate to family groups. To explore this proposition, primary and secondary data were generated as described in the next section.

CASE STUDY

In March 2008 Wycombe Wanderers FC (WWFC), a League Two football club in the UK received a number of awards indicating high levels of community work and service quality. The club interacts with 150,000 5-16 year olds via community initiatives such as talks in schools and after-school coaching. From a marketing perspective, the club's activities mark them out from other clubs in terms of their levels of engagement with the community and commitment to promoting match attendance amongst families (37% match day attendees come with their children compared with

24% League 2 mean). Data for the study were generated through eight family interviews with match day attendees of Wycombe Wanderers and through evaluation of secondary data.

The criteria for family selection were as follows: families with children aged 5-16 years, no long-term family connection to the area/club, participation in a community activity and attendance at a first team match. The interviews lasted on average 90 minutes, were recorded and transcribed verbatim. Anonymized information about the informant families is provided in Table 1 with each family group being ascribed a code letter.

Table 1 Informant detail

Parent	Code	Child(ren)	Activities with the club
Mother (single parent)	A	Son (11), Son (8)	Coaching courses, half-time penalties
Mother	B	Son (9), Son (14)	Coaching courses, mascots
Mother		Son (10), Son (7)	Coaching courses, mascot, half-time penalties
Mother	C	Son (8)	Coaching course
Father	D	Son (9), son (17)	Coaching courses
Father, mother	E	Son (10), daughter (12)	Half-time penalties, coaching courses, mascots
Father, mother	F	Son (10)	Coaching courses, mascot
Father	G	Son (9), step-daughter (13), daughter (14)	Coaching courses

An interview guide included open-ended questions on the following areas: engagement with club and its activities, contact with players and club, particular benefits sought and gained through contact with club and/or its activities and knowledge and experience with football. It was also constructed to ensure that the opinions of the child(ren) were sought in advance of those of the parents. The interviews were audio-transcribed in full and analysed independently by each author. In addition to the interview data, secondary information about the performance of the club was gleaned from secondary data sources such as thefa.com and the club website.

Initially, each case (i.e. family group) was studied, teasing out inductive categories (Spiggle, 1994) such as child care. After each case had been studied, across case analysis followed, abstracting the initial categories (23) into higher order classes (familiarity), checking back to key themes in the literature, such as social rewards (Bee and Kahle, 2006).

FINDINGS AND DISCUSSION

From the analysis, the following emerged as underlying themes in leading families to match-day attendance: price/quality, familiarity and rewards. The *price/quality* theme was identified through the favourable comparisons that parents made between WWFC holiday clubs and after-school activities and alternatives. A father noted that the professional sporting coaching would be good for their children. These views may serve as a proxy for trust or confidence in the relationship. Therefore, additional benefits such as value for money or some other benefit such as expert coaching may prompt a decision to initiate and maintain the relationship. *Familiarity* with players is initiated through the community schemes and then maintained through media communication and visits to the ground and thus mirrors social rewards (Bee and Kahle 2006). The final theme of *awards* is illustrated through the club policy of prize giving at the end of each day of a coaching course and gifts of club merchandise are given to all at the end of courses.

CONCLUSION AND IMPLICATIONS

The aim of this study has been to examine how a smaller league football club has been able to engage families in match day attendance through the offering of relational-style benefits. Analysis of informant interviews suggests three themes that have fostered this growing level of relationship between club and family: price/quality, familiarity and rewards. The findings of this study extend understanding into relationships in sport marketing in three areas. Firstly, research into relational benefits has been into the relationship between firm and individual customer rather than customer groups, this study suggests that the provision of three benefits- price/quality, familiarity and rewards can lead to commitment,

here defined as regular match day attendance for the family group. There is some evidence in the findings to show that price/quality is a proxy for confidence or trust. Secondly, awards emerge as being central not only to the direct beneficiaries, that is, the children but also to the parents in costs savings and in the possible glow of parental pride. If rewards are seen to relate to special benefits, this finding suggests that in this context, family and sport, that special benefits are more important than they are in other contexts (Hennig-Thurau et al. 2002). Thirdly, familiarity provides social rewards not only to the children but also to the parents. Although the family group is quite distinct from 'die hard fans' (for example Tapp, 2004) nonetheless it displays an increasing level of commitment to the club as measured by regular match day attendance. Further research needs to chart how the relationships evolve as the children grow up and address such questions as:

- How will football clubs respond to a change in the family dynamic?
- How can they ensure that the child maintains the relationship in the face of other commitments such as exams or part-time work?

An understanding of how participation in community initiatives is converted to match attendance by the family or what encourages them to deepen the relationship has implications that extend well beyond the marketing strategy of football clubs, but commercial spectator sport in general. Tennis, for example, is a popular holiday activity where there may be potential for engaging families in county, representative or professional tournaments. The added advantage for tennis is that it may also encourage children to progress their playing at club level. Cricket may prove to be a particularly fertile area for investigation.

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THE INFLUENCE OF REGULAR SPORTS PARTICIPATION ON CONSUMER PSYCHOLOGY

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INTRODUCTION

The present study builds on abundant research extolling the unique psychological benefits of sports participation, in the context of consumer psychology. Two primary psychological benefits from sports participation that we were interested in included “positive self outlook” and “leadership and social influence”. Although sports participation takes up a relatively small percentage of daily life, it offers adolescents in particular a rare opportunity to combine intrinsic motivation with deep attention and concentration. Of particular interest to researchers (Larson, 2000) is the rare opportunity an activity like sport offers a young person in 21st Century America to develop initiative and self-esteem by working through challenges, learning to set short-term and long-term goals, and learning time management and problem solving skills (Hansen, Larson and Dworkin, 2003) in real time with real perceived consequences. First the study demonstrates evidence of these benefits in a national sample of adults, and secondly the study presents evidence of how these psychological benefits might impact consumer behavior in different ways depending on the type of sport the individual participates in regularly.

The premise of this research is that any activity that one participates in on a regular basis will meaningfully impact their psychological profile. The present research sought to extend previous research on the psychological benefits of regular sport participation by showing evidence of these benefits in a national sample of adult subjects, and by demonstrating the implications of these psychological benefits on consumer behavior based on the type of sport the person plays regularly. Given that individual and team sports present different kinds of challenges, we hypothesized that the benefits from regular sports participation would manifest themselves in unique ways. For example, individual sport athletes such as tennis and golf players must make decisions and face the consequences of those decisions alone, and often without any kind of coaching or real-time guidance. On the other hand, team sport athletes must play a part in a larger organization, one which typically requires leadership not only from the coach but also from players on the field.

METHODOLOGY

The data for this project came from a national mail survey conducted by Universal McCann in 2005, called *Media in Mind*. The survey is conducted annually and focuses on lifestyles, media consumption, and other consumption related attitudes and opinions. Participants aged 18 or over residing within the contiguous USA were chosen for the survey by the stratified quota sampling procedure. Participants, contacted by mail with reminder telephone calls, were provided with various cash incentives. The sampling frame included 19,908 participants and the survey was completed by 5,508 adults, yielding 28% response rate. Over 50% of the respondents were over the age of 50.

The present study examined a subset of this data based on either regular or sporadic sports participation in either individual sports (golf, tennis) or team sports (baseball, volleyball, softball). Sports for both the individual and team categories were similar in nature to the extent that they were non-continuous action sports that involve quick, explosive, and short bursts of energy followed by longer periods of relative inactivity. Participation frequency was rated on a 4-point scale (0-3) where 0 meant “never played” and 3 meant “play as often as I can”. In total there were 917 subjects in the study: 222 high individual sport players, 112 high team sport players, 155 low individual sport players, 228 low team sport players, and 200 control subjects. Control subjects were selected from those that answered “never played” to every sport in the entire checklist, not just the sports of interest in this study. The 200 control subjects were selected at random from a group of 783 potential candidates.

Measures

The study used four dependent variables to examine the influence of sport participation on consumer psychology. “Positive self outlook” was measured in two different ways. One scale measured optimism for the future, self-confidence at work, career satisfaction, career choice satisfaction, and general confidence in potential for success. Another 10-item scale represented “internal success” measures which we examined as a deeper measure of self-satisfaction. The items included ‘being in good physical condition’, ‘having a good family life’, ‘being in control of your life’, ‘being satisfied with your life’, ‘having successful children’, ‘having a happy family’, ‘being able to balance what’s important’, and ‘being happy with who you are’.

In addition, “leadership and social influence” was measured with two 3-item subscales. One subscale measured the construct in the context of “peer influence”. The items addressed the individual’s self perception as a trendsetter, as someone good at convincing others to try new things, and as a role model whom others desire to copy. The other 3-item scale examined “influence” from a purely commercial sense, i.e. product endorsement. The items measured preference for endorsed products in general, and a greater propensity to notice celebrity endorsers or product mascots. Overall these subscales addressed susceptibility to “social influence” from both the standpoint as an influencer and as one who is influenced by established and credible sources.

RESULTS AND DISCUSSION

Consistent with previous research, analyses showed that in all cases high participation in sports resulted in both increased “positive self outlook” and increased perception of “leadership and social influence” relative to controls. What is new about these specific results is that few if any studies in the past have demonstrated these effects using a national sample of adults. Therefore it is reasonable to conclude that sport participation affects a person’s psychology in meaningful and positive ways throughout life, not just at a young age. Furthermore, as expected the patterns of influence differed depending on whether the subjects played individual sports vs. team sports.

Subjects who were high in individual sport participation (“high individual sport”) rated their self outlook as significantly higher than control subjects ($p=.01$). Furthermore, “low individual sport” subjects rated themselves marginally higher than controls ($p=.07$). For the ‘internal success’ subscale, “high individual sport” subjects rated themselves higher than both “high team sport” subjects ($p=.025$) and controls ($p=.06$).

In contrast, the “high team sport” subjects rated themselves as more influential over their peers than either “high individual sport” subjects ($p=.06$) or controls ($p<.01$). For the ‘endorser influence’ subscale, the “high team sport” subjects rated themselves much more likely to prefer endorsed products than both the “high individual sport” ($p<.01$) and the “low individual sport” subjects ($p<.01$).

CONCLUSIONS AND IMPLICATIONS FOR THEORY AND PRACTICE

Overall this study extended abundant evidence from past research with young people suggesting that regular participation in sports confers meaningful psychological benefits on the participants. Furthermore, for people who play individual or team sports regularly this study did show that the psychological benefits from sport participation were not universal; different benefits manifested themselves depending on which type of sport the individual played. Recall that people who play individual sports more regularly must make decisions and solve problems themselves without any other input. They neither lead nor follow in the course of their play, and they shoulder 100% of the accountability for both success and failure. As Jim Loer (2009) noted these people tend to deflect failure toward external circumstances, and they tend to direct success directly to themselves. As such, these types of athletes were expected to have a greater sense of internal success and self-esteem. Results confirmed that people who play individual sports had a greater positive outlook along several dimensions: self success, family success, and career success. Consumer behavior implications might suggest that these types of consumers would prefer to be marketed to directly, not through any kind of influencer, and not necessarily through word of mouth communications. Furthermore these people associate strongly with success, in all areas of their life: self, career, and family. Success and the positive affirmations that come from it therefore is an important theme to consider when marketing to individual sport athletes.

Furthermore, people who play team sports regularly have greater opportunities for leadership, collaboration, and shared accountability in the context of solving problems while striving together for a common goal (Larson, 2000). Overall, the results of the ‘social influence’ scale reflected these qualities as expected. Team players were higher in both peer influence tendencies and tendencies to trust the influence of noted endorsers compared to individual sports players or controls. Consumer behavior implications from these results are that team athletes should be marketed through via celebrity endorsers, but they should also be communicated to as being people who are expected to influence others.

Finally, the other unique aspect of this study was the sample; a national sample where approximately half of the subjects were older adults. As noted previously, practically all research dealing with the psychological benefits of sport participation has been done on children of all ages through college. These results suggest that the psychological benefits of sport do not just manifest for kids; rather, they are long-lasting and far reaching as kids grow up to be adults who work, have families, and of course consume products.

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Wednesday, 20 July

Time: 4:00 PM

Session Number: **4.2: Getting Quality Responses in Market Surveys**

Session Chair: Babin, Barry J., *Louisiana Tech University*

Special Session

Exploring Data Quality and Measurement in Mixed Mode Data Collection

Attaway, Jill, *Illinois State University*

Griffin, Mitch, *Bradley University*

Williams, Michael, *Oklahoma City University*

EXPLORING DATA QUALITY AND MEASUREMENT IN MIXED MODE DATA COLLECTION

Jill S. Attaway, Illinois State University, USA
Mitch Griffin, Bradley University, USA
Michael R. Williams, Oklahoma City University, USA

ABSTRACT

The research explores issues related to data quality and measurement in mixed mode data collection by examining the benefits posed by offering both web-based surveys and telephone surveys in business-to-business research contexts. The results of three unique business-to-business studies are analyzed to examine issues related to data quality. Discussion and implications are provided to guide researchers in their choice of data collection methods.

Wednesday, 20 July
Time: 4:00 PM

Session Number: **4.3: Affect of Effect in Advertising**

Session Chair: Babin, Laurie, *University of Louisiana at Monroe*

The Role of Affect and Gender in the Evaluation of New Products in Advertising Signaling Processes

Koetz, Clara Isabel, *Universidade Federal do Rio Grande do Sul*

dos Santos, Cristiane Pizzutti, *Universidade Federal do Rio Grande do Sul*

Cliquet, Gérard, *Université de Rennes*

New typology on sex appeal advertisements

Boutsikaki, Kallirroy, *Cass Business School, City University*

Balabanis, George, *Cass Business School, City University*

Resolving Contradictions In Endorser Effectiveness: An Empirical Test for A New Framework

Kubota, Kazuki, *Keio University*

To Adapt or to Standardize, A new Challenge for Copywriting

Spielmann, Nathalie, *Reims Management School*

Delvert, Mathilde, *Reims Management School*

THE ROLE OF AFFECT AND GENDER IN THE EVALUATION OF NEW PRODUCTS IN ADVERTISING SIGNALING PROCESSES

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Cristiane Pizzutti dos Santos, Federal University of Rio Grande do Sul, Brazil
G rard Cliquet, University of Rennes 1, France

INTRODUCTION

The launching of a new product is a context of information asymmetry, in which the company has full information about the specificities and the quality of the product, but the consumer, on the other hand, has not. In this situation, companies may signal the high quality of their products through the advertising budget. For this to happen, some factors are fundamental, such as it must be a repetitive purchasing product and its quality must not be noticeable to the consumer at the time of purchase (Nelson 1974).

The logic of signaling is based on the assumption of a rational consumer, who expects that the company honors the commitment implicit in the signals, because the contrary would be disadvantageous to it (Kirmani and Rao 2000). According to this logic, consumers are expected to perform an objective and deliberative evaluation of the signaling actions, calculating the amount of investments, the possibility of returning or not of these investments, as well as the company's risk of losses, in order to identify the quality signal. Thus, signaling theory is based on the consumer's rational aspects, considering the cognitive processing of the information sent through the signal and neglecting any influence of affect in this process.

However, based on bounded rationality (Simon 1947), some inefficiencies related to rationality may be pointed out. Specifically, the author proposes that cognitive limitations, limited computational skills and selective memory are some of human beings' inherent features that may affect the quality of their decision makings. Later on, Simon (1983) emphasizes the question of emotions, claiming that an analysis of the explanatory theory of human rationality should also consider the role of emotions in choice behavior. More recently, studies in different areas such as economics (Elster 1998), psychology (Forgas 1995) and consumer behavior (Pham 1998) have questioned this essentially rational emphasis.

The gender differences in the information processing may also influence the perceived quality of the products in advertising signaling processes. In this respect, the Selectivity Model (Meyers-Levy 1989) suggests that women tend to perform a more detailed, elaborative and all-inclusive processing of information than do men. Moreover, women are more likely to try to assimilate all available information, whereas men tend to consider a single cue or inference that is highly available during the information processing (Meyers-Levy 1989; Meyers-Levy and Maheswaran 1991).

The aim of this paper is to examine the role of consumer's affect and gender in new products evaluations in advertising signaling processes. The affect will be approached in two different ways: the consumers' mood when they perceive the quality signals and their personal emotional traits. For that, the Affect Infusion Model (Forgas 1995) and the Openness to Feelings Scale (Costa and McCrae 1985) will be applied, respectively. Besides, the gender differences in the information processing in these situations will be analyzed through the Selectivity Model (Meyers-Levy 1989).

METHODOLOGY

Overview, Subjects and Design

The study was applied to a sample of 144 undergraduate students from three higher education institutions in Brazil. The research design comprises three factors: the valence of the consumer's affective state, which was managed at two levels (positive and negative) in a between-subject design; the level of Openness to Feelings (OF), which was not manipulated, but measured by the application of a questionnaire and considered at two levels (low and high); and the gender of the respondent (male and female).

Considering other studies that have addressed the signaling quality through advertising (Kirmani, 1990; 1997), which identified that the amount of the money invested in advertising (low, medium or high) could cause significant differences in the consumer's perception of the quality of the product, this variable was isolated in this study. Thus, the signal quality was

applied in three different versions, each one corresponding to a different advertising budget: below, on the average and above the market's advertising investments in the launching of new products.

In order to define the design and measures that would best reach the objectives of the study, three pre-tests were conducted (the first in 79 undergraduate students, the second in 26 high school students and the third in 26 undergraduate students). Throughout these pre-tests, some adjustments were made in the mood manipulation check measures, as well as in the research procedures. No problems were detected in the instrument for measuring the quality of the product and in the Openness to Feelings Scale. The procedures and measures applied in the main study are detailed in the following section.

Procedures

Participants were randomly assigned into two different groups and simulated to feel either happy or sad through a mood-induction task. After completing this task, they were asked to answer the mood-induction check questionnaire, which consisted of a 6-item, 9-point semantic differential scale. The items used were sad/happy, bad-humored/well-humored, angry/calm, discouraged/encouraged, unhappy/happy, negative/positive.

In the third task, participants were given information about a new running shoes of the brand "Wind" that was developed by a German sport company and would be launched in Brazil. Then, they were given a sheet with a detailed budget of the advertising campaign for the launching of the running shoes. Three versions of the budget were randomly distributed among the students: on the average, below and above the market's usual investments. This sheet also contained information about the amount invested by the main competitors in similar campaigns. The amount invested in the campaign and the differences between the three versions used in the research were defined based on a conversation with a media professional, who is responsible for the advertising investments of one of the top Brazilian running shoe brand, as well as on Barone, Taylor and Urbany (2005). Participants were asked to read carefully the information about the campaign, and after answer to the questionnaire.

In the first question, they were asked to evaluate the differences in budget between the company and the other competitors. The question was "do you consider the amount invested in advertising in the launching of the Wind running shoes in Brazil, compared to other brands ...", which was evaluated using a 9-point scale whose ends were "low" and "high". The following three items assessed the respondents' perception about the quality of the running shoes, through a 9-point scale, considering the impact reduction system (1 = low quality, high-quality = 9), durability (1 = low quality, high quality = 9) and overall quality of the product (1 = low, high = 9).

After that, the Openness to Feelings Scale (Costa and McCrae, 1985) was administered to participants. This scale was an 8-item, 5-point scale with the ends "1 = strongly disagree" and "5 = strongly agree". After participants completed this task, they were thanked for their participation and debriefed.

RESULTS AND DISCUSSION

After the preliminary treatment of the data, 134 cases remained in the database: 67 in the group of positive affect and 66 in the group of negative affect. Negative questions were reversed in the Openness to Feelings Scale (OF2, OF4 and OF6) and a new variable was created, the "openness to feelings general", which was a general media of this scale. Then, this variable was recoded into two different groups, high-OF and low-OF, based on a median split (median = 4.00) and a new variable was defined, "openness to feelings recoded". The items that measured the respondent's perception about the quality of the running shoes were also recoded in a new variable, "quality perception", which was a general media of the three questions.

Manipulation Checks

Primarily, the manipulation check of the participants' mood was conducted. The comparison of means showed that the subjects led to a state of positive affect (PA) felt significantly more joyful ($M_{PA} = 5.35$; $M_{NA} = 3.97$, $t = 5.8$, $\text{sig.} = 0.00$), better humored ($M_{PA} = 5.47$; $M_{NA} = 4.66$, $t = 3.3$, $\text{sig.} = 0.001$), more excited ($M_{PA} = 4.70$; $M_{NA} = 3.94$, $t = 2.6$, $\text{sig.} = 0.008$), happier ($M_{PA} = 5.55$; $M_{NA} = 4.87$, $t = 3.0$, $\text{sig.} = 0.003$) and more positive ($M_{PA} = 5.67$; $M_{NA} = 4.90$, $t = 3.1$, $\text{sig.} = 0.002$) than subjects led to a state of negative affect (NA). Only one variable did not show significant difference between the two groups: "angry / calm" ($t = 0.5$, $\text{sig.} = 0.60$). These results demonstrated that the mood-induction technique was effective.

Then, the manipulation check of the participants' perception of the different advertising budgets (average, below and above the market's usual investments) was conducted, through a One-Way ANOVA in the question "amount invested in advertising". The results showed that the media differences in the three manipulated conditions (investments on average ($M = 6.44$), low investments ($M = 3.68$) and high investments ($M = 7.76$)) were significant ($F(2,131) = 58.789$, $sig. = 0.000$). The Post-hoc tests, which compare the responses pair to pair of all groups, showed that the differences in means between the groups were significant in all three conditions.

Product Evaluation

The ANOVA model was defined with the dependent variable "quality perception" and the independent variables "affect" (positive, negative), "OF recoded" (1 = low OF, 2 = high OF), and "sex" (1 = male, 2 = female). Confirming hypothesis 1, a significant interactive effect between the respondent's mood and OF ($F(1, 125) = 3,908$, $sig. = 0.050$) was identified. Thus, individuals with low levels of OF evaluated better the product when in a negative mood ($M = 6.2051$) than in a positive mood ($M = 5.8267$). Conversely, individuals with high levels of OF evaluated better the product when in a positive mood ($M = 5.7250$) than in a negative mood ($M = 5.3333$).

The main effects results showed that the influence of the respondents' gender was significant in the quality perception ($F(1, 125) = 11.436$, $sig. = 0.001$), confirming the hypothesis 2. Thus, women evaluated significantly better the running shoes ($M = 6.1768$) than men ($M = 5.4279$).

Subsequently, it was verified whether the advertising budget influences the perception of the quality of the product. To this end, it was run a separate One Way ANOVA with the dependent variable "amount invested in advertising" and the factor "version", which defined the three budgets considered in the study. The results showed that the means differences were not significant ($F(2,131) = 0.384$, $sig. = 0.682$).

Discussion

The results suggest that the mood does not influence the consumers' judgment of new products when they are exposed to advertising signaling actions. The explanation for this is that the judgmental strategy that occurs in these cases is the motivational access, which does not stimulate the occurrence of affect infusion. Thus, considering a consumption situation in which the individual is seeking information about a product, which is not clearly exposed, but it is transmitted indirectly through the advertising budget, it is expected that this individual is more focused in the task (and motivated to do so) than in his mood at that moment. That is, in accordance with the theoretical support of signaling theory, the consumer would be performing a mainly rational analysis of the investments made by the company in order to evaluate the quality of the new product.

However, the consumer's personality and, more specifically, how he/she is opened to his/her feelings, may influence this judgment. Supporting the first hypothesis of the study, the results showed the occurrence of an interactive effect between the level of OF and the individual's mood. Thus, subjects with high level of OF evaluated better the product when they were experiencing a positive mood, whereas subjects with low level of OF evaluated better the product when they were experiencing a negative mood.

Supporting the second hypothesis of the study, the results also suggest that women evaluate better the product than men in advertising signaling processes, which may be explained on the basis of the differences of information processing between the genders. That is, due to the type of information that concerns the advertising signaling actions, and the gender specificities in information processing, women may be considered more likely to engage in advertising signaling processes, as well as more susceptible to the quality signals sent through advertising, than men.

One possible explanation for the fact that the three different levels of investment considered in the study (below, on the average and above the market) did not show any significant change in the subjects' perceived quality of the product is that the differences between the three levels were not large enough. This situation does not invalidate the results, since the literature does not indicate specific investments in advertising in order to a company establishes the signaling effect, only recommending that these values must be based on the market investments.

CONCLUSIONS AND IMPLICATIONS FOR THEORY AND PRACTICE

These results lead to important theoretical and managerial implications. Regarding the former, the influence of affect may be considered in other signaling actions, established through guarantees, branding and price, for example. As in the advertising signaling, these models are based on a purely rational decision-making process, which may be enriched with the inclusion of the individual's mood and personality. Considering the gender differences in the advertising signaling processes, the results can expand the researches that have been done so far, whose emphasis is on the differences of gender in the processing and perception of the information related to advertising content, including also the information related to the advertising investments.

In relation to the managerial implications, these results may help good quality companies to launch new products, considering the rational and affective characteristics, as well as the consumers' gender, in the emission of the signals through the advertising budget. The finding that the consumers' personal traits, as the level of openness to feelings and the gender, can influence their perception about the quality of the product, allows that these characteristics may be considered in strategies for launching new products. Regarding specifically the consumer's gender, the results are particularly interesting for companies that offer repetitive purchasing products, whose quality is not noticeable at the time of purchasing and that are focused in the female market, as cosmetic and beauty products, for example.

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A NEW TYPOLOGY ON SEX APPEAL ADVERTISEMENTS

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INTRODUCTION

The use of different types of sex appeal is effective tool in advertising (Reichert *et al.* 2003, Belch *et al.* 1990, Reichert 2003) with positive effects on attention, attitudes and emotional arousal (Morrison & Sherman, 1972, Alexander & Judd, 1978, Wilson & Moor, 1979). Similar evidence comes from practitioners. The advertising agency Gallup & Robinson (2010, p.1) claimed that “in more than 50 years of testing advertising effectiveness, has found the use of the erotic to be a significantly above-average technique in communicating with the marketplace”... “When used well, it is a powerful technique that attracts, is remembered, communicates, and persuades”. However, they warned that it is one of the more dangerous techniques. In their words (p.2), “Weighted down with taboos and volatile attitudes, sex is a Code Red advertising technique” and needs to be handled with care...” Care needs to be applied as certain types of sex appeals can distract attention away from the brand message, encourage peripheral information processing but can also generate negative attitudes by embarrassing or even offending a category of viewers who may see it as obscene (Steadman 1969, Sanbonmatsu *et al.* 1998, Reid *et al.* 1981, Lachance *et al.* 1977, Baker *et al.* 1977, Alexander *et al.* 1978). From the above, it appears that advertisers will try to tap sex appeal’s high potential and avoid the risk involved. They will need to know not only what types of ads exist, as this is a technique with high potential, but also to identify which types of ads can be used and matched to their target audiences. The typology of ads with erotic content can become a valuable tool for them and the factor that will determine success from failure. Existing typologies in erotic messages rely on a simple grading of ads according to their explicitness and nudity. Reichert and Lambiase (2003) introduced one of the broadest frameworks, which categorise erotic ads in terms of nudity, sexual behaviour, physical attractiveness, sexual referents, and sexual embeds. However, this is not sufficient given that sexuality from a marketing point of view can have biological, emotional, physical or spiritual implications for the audiences. Additionally, this framework, like the others used in other studies research, is not based on any empirical or systematic taxonomic research. Categories need to cover different aspects of the erotic stimuli and to be relevant to the advertising practice. Language can be a starting point as contains a vast range of words to explain erotic objects. The well-known Sapir-Whorf hypothesis of linguistic relativity holds that the language we speak both affects and reflects our view of the world (Sapir, 1929 and Whorf, 1956). Specifically, Sapir (1929, p. 210) explained that “The fact of the matter is that the ‘real world’ is to a large extent unconsciously built up on the language habits... we see and hear and otherwise experience very largely as we do because the language habits of our community predispose certain choices of interpretation”. Based on the above and using the principles of typological and taxonomic research set by McKinney (1966), Bailey (1994) and Law *et al.* (1998), this paper tries to develop a new typology of sex appeals used in advertising. The intended contribution is to help advertisers through the perilous trails of erotic advertising and help theory develop in that field by providing a systematic and comprehensive typology of erotic content in ads.

METHODOLOGY

The first step was the identification of ads with erotic content from all over the world. The authors used two databases - “Coloribus” and “Visit4info” – to identify ads with erotic content or with implicit or explicit sexual connotations. The total 267 ads identified were originating from 12 countries (Britain, France, Germany, Greece, Italy, Netherlands, Austria, Ireland, Russia, USA, Brazil and Philippines).

Lexical Analysis and Rating of the Advertisements

An exhaustive dictionary and thesaurus search identified all words and synonyms that are used to describe or characterise erotic content. In total 85 words were identified and their definitions were noted to guide the rating process. Three raters (academics from the faculty) were used to classify the list of words according to the similarity of their meaning. Based on absolute interrater agreement, words were initially classified. For words that there was no agreement, a second and a third rating round was used until agreement was reached. The outcome of this process were 10 categories named after the most representative adjective as *Sensual, Lustful, Offensive, Ecstatic, Amorous, Elegant, Subtle, Entertaining, Pretentious and Arousing* (see table 1). Three adjectives (the name of the category plus another two) were selected from each category (the ones that consensus from the first round) to be used by the raters to classify the 267 ads identified in the first part. Each of the 267 ads was rated based on the 30 adjectives selected to represent the 10 lexical categories.

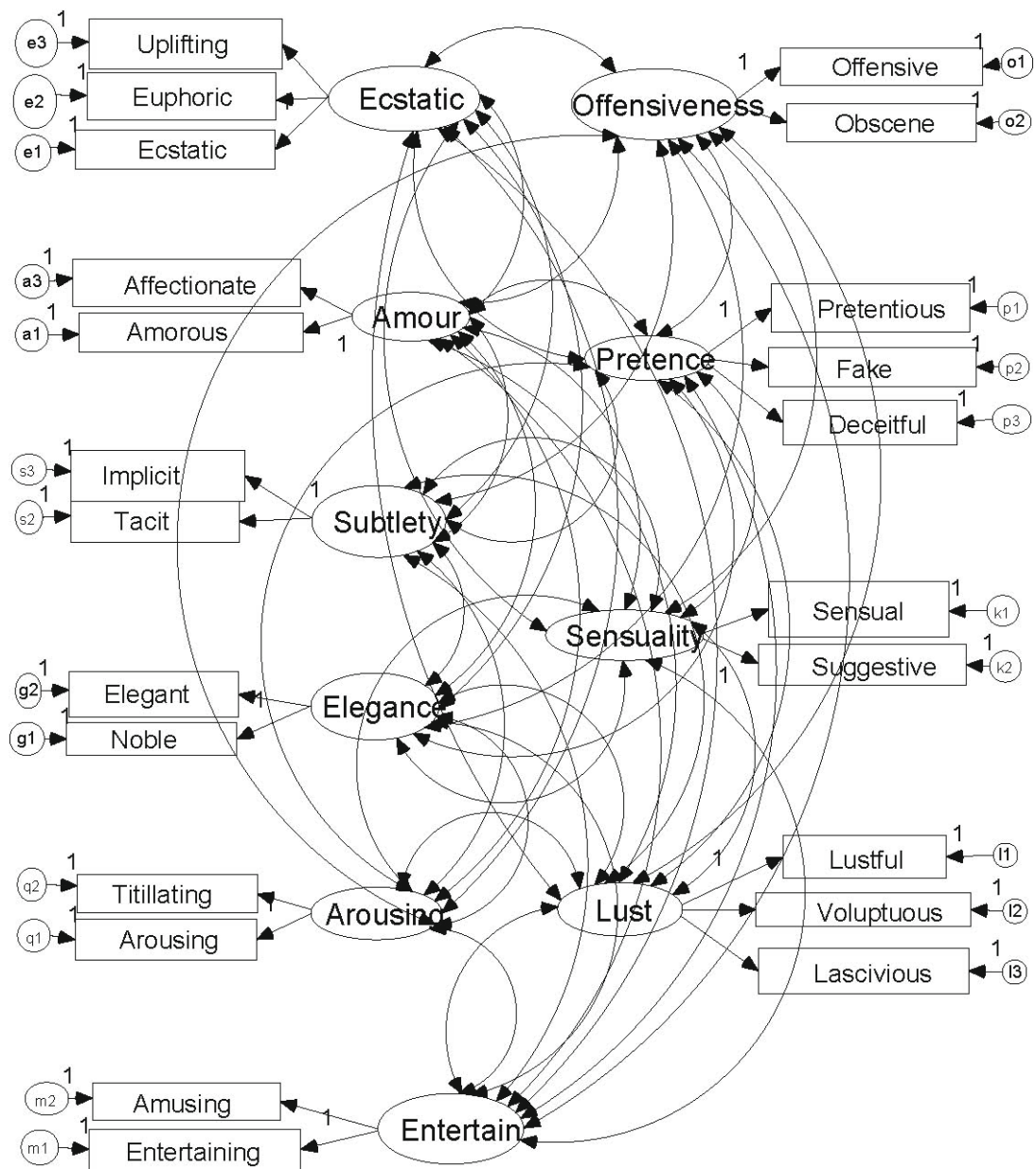
RESULTS AND DISCUSSION

A six point rating scale based on the adjectives (i.e. extremely sensual to no sensual at all) was used. Six raters assessed every ad. As the number of ads was excessive, different raters were used to assess different ads. The allocation was random. A number of techniques were used to assess rater agreement as recommended by Uebersax (2010). Specifically, 1) rater vs. group as well as rater vs. rater correlation analysis and factor analysis to examine raters scores intercorrelations, 2) ANOVA to test rater bias using two-way and 3) intraclass correlation to estimate the level of agreement. The outcome of this process was the measurement of agreement amongst the six raters. The correlation coefficients were above .489 and intraclass correlation for the average measures was .869. The raters' average score in each adjective was used to describe each ad and to confirm the structure of the proposed typology.

Confirmation of the Typology

To confirm that the typology has the adjective structure proposed through lexical and rater analyses, Confirmatory factor analysis (CFA) was used. CFA checked whether the proposed typology of 10 categories fit the data. The CFA model as was suggested by modification indices needed some modifications to achieve good fit (items passionate, impressive, vulgar, subtle, desirable, provocative and gratifying were eliminated from the respective categories). The model fit was $\chi^2(185)=368.4 < .001$, GFI=.907, NFI=.903 and RMSEA=0.061 (see modified model below, [figure 1](#)). The next stage involved the classification of the actual ads into categories. A two-step cluster analysis was employed. First hierarchical cluster using the Ward's method was used to identify the number of clusters and seeds for K-means cluster analysis. Results indicated 10 clusters coinciding with the identified categories and ads were classified accordingly. Cluster solutions were verified with discriminant analysis and ANOVA. A series of cross tabulation of the prior schemes identified by Reichert and Lambiase (2003) and the new categorisation of erotic ads was performed. Results and respective chi-square tests did not reveal any significant associations between them.

Figure 1 Modified model on the categorisation of sex appeal in print advertising



CONCLUSIONS AND IMPLICATIONS FOR THEORY AND PRACTICE

The study established empirically a taxonomy of sex appeal in advertising through a number of analyses, which involved content and lexical analysis, rating of judges, confirmatory factor analysis and two-step cluster analysis. A ten-category scheme emerged, that is different to the existing ones, closer to the perceptions of raters and closer to the language structure. The next step is to check differences in advertising response measure and effectiveness of across the ten categories and in comparison to the old typologies. A large-scale experimental study, which is in progress, examines that. The present findings give an alternative empirically based perspective to the classification of erotic ads that can help future theory development and may guide the creative efforts of advertisers in the risky world of erotic ads. In terms of theory, this is the first attempt of classifying sex appeal combining both classification approaches typology and taxonomy. The typology was based on content and lexical analysis, whereas, the taxonomy was derived through CFA and cluster analysis. The new scheme may address the common complain of advertisers about blurred boundaries across erotic ads and provide an informed selection of experimental artifacts by academics which will form the basis of more elaborate theories on consumer perceptions and responses to erotic ads.

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RESOLVING CONTRADICTIONS IN ENDORSER EFFECTIVENESS: AN EMPIRICAL TEST FOR A NEW FRAMEWORK

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ABSTRACT

Identifying the most effective type of advertising endorsers has been one of the main research topics on advertising research. For example, Friedman and Friedman (1979) found that celebrity endorsers are more effective than expert or typical-consumer endorsers in sustaining recall of both advertisement and brand name. This finding leads us to conclude that celebrity endorsers are superior to non-celebrity endorsers.

However, several researchers have provided empirical evidence suggesting that celebrity endorsers are less effective. Tom et al. (1992) found that created spokespersons are more effective than celebrity endorsers and claimed “originally created material, . . ., is more effective in creating memorability than the adoption of popular material” (p. 50). Recently, Pashupati (2009) claimed “brands using spokescharacters perform better than average in recall” (p. 373).

The objective of this research, therefore, is to resolve this apparent contradiction. In order to do so, a new framework for classifying advertising endorsers was introduced. The framework consists of two dichotomies, i.e., “original/non-original” and “fictional/non-fictional”. The “original/non-original” dichotomy implies whether the advertising endorser originally achieves his/her public recognition through the advertising in question. The “fictional/non-fictional” dichotomy, on the other hand, implies whether personalities of the advertising endorser are fictionally created through the advertising.

Based on the framework, the features of advertising endorsers derived from previous research were examined and classified. Following hypotheses were proposed: (1) Non-original endorsers are more effective than original endorsers. (2) Fictional endorsers are more effective than non-fictional endorsers.

Those hypotheses were empirically tested with a consumer dataset. The results supported the hypotheses and thus, indicated that the contradictory findings in previous research could be resolved using the new framework proposed in this research.

References available upon request.

**TO ADAPT OR TO STANDARDIZE, A NEW CHALLENGE FOR COPYWRITING :
COULD GLOBISH BE THE (RIGHT) ANSWER ?**

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ABSTRACT

For several years now, we have witnessed the increasing hegemony of English as the new *Lingua Franca*. However, English is shown in research to be too complicated to be correctly used by non-native speakers, suggesting that if English is to be the standard, it needs to be a simpler standard. Moreover, in today's world, advertisers and global brands are facing a new dilemma: using English, the international language, or translating their ads into a local language.

This study attempts to show that using Globish, a simplified form of non-cultural English, could be the right language for copywriting when crossing local borders. Results of an experiment conducted in France confirm that Globish is more powerful than a local language to incite consumer to invest in a brand. On the other hand, it partially confirms that attitude towards a local brand ad was higher towards the Globish ad than towards the ad written in English.

References Available Upon Request.

Wednesday, 20 July

Time: 4:00 PM

Session Number: **4.4: Co-Creation and Cooperation.**

Session Chair: Zhuang, Weiling, *Eastern Kentucky University*

A Multilevel Investigation of the Effect of Employee's Satisfaction On Customer Outcomes In A Financial Services Context

Boukis, Achilleas, *Athens University of Economics & Business*

Gounaris, Spiros, *Athens University of Economics & Business*

Kostopoulos, Giannis, *Athens University of Business & Economics*

The Structure and Formation of Customer Value In B-to-B Services

Järvi, Pentti, *Jyväskylä University School of Business and Economics*

Munnukka, Juha, *Jyväskylä University School of Business and Economics*

Uusitalo, Outi, *Jyväskylä University School of Business and Economics*

What's Made the Consumer Learn and Adopt A Format Innovation for Grocery? An Approach By the Cognitive Script and the Organizational Socialization of the Customer

Henriquez, Tatiana, *Groupe ESC Troyes*

A MULTILEVEL INVESTIGATION OF THE EFFECT OF EMPLOYEE'S SATISFACTION ON CUSTOMER OUTCOMES IN A FINANCIAL SERVICES CONTEXT

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ABSTRACT

In this study existing streams of literature in services marketing and organizational behavior are integrated to derive a multilevel model that highlights the effect of employee job satisfaction on customer attitudes in a financial services context. This study of 183 bank employees and 604 customers demonstrated a significant effect of employee satisfaction on perceived service quality, customer satisfaction and relational switching costs. A key contribution of this paper is the effect of employee satisfaction and service quality on different types of switching costs in a multilevel customer retention model.

INTRODUCTION

Given the growing competition in the global market, it is becoming increasingly important for companies to retain their existing customers (Roos and Gustafsson 2007). As a result, service providers focus on service quality and customer loyalty as a means of avoiding customer switching (Voss et al 2004). Not surprisingly, increasing research attention has been attracted to antecedents enhancing customer retention (Cronin, Brady and Hult 2000). Customer retention becomes critical under such circumstances, since the negative effects of customer switching such as market share, impaired profitability, and increased costs have a significant impact on business performance (Rust and Zahorik 1993). Within this context, the service encounter becomes an important antecedent of service performance, since employees strongly influence customer's overall experience with the service providing organization (Hartline and Ferrell 1996).

In fact, the crucial role of service employees in affecting the customer's overall experience is well established in the service literature (Ryan et al 1996). Despite the acknowledged importance of customer contact employees in services, one issue needing further investigation is their role in the customer retention process (Dabholkar and Abston 2008). Previous work on the employee-customer linkage has mainly focused considerable effort on investigating the relationship between employee job satisfaction and customer satisfaction from either the customer or the employee level of analysis (Homburg and Stock 2004), whereas customer attitudes have received comparably less research scrutiny (Jones et al 2007). Despite the consistent calls for studies that incorporate both employee and customer variables, there are few studies that do so (Zeithaml 2000). However, after reviewing previous research two interesting findings emerge. The first one pertains to the importance of employee satisfaction as an antecedent of customer attitudes in service contexts (Dean 2004). However, scholar enquiry has not provided the empirical evidence that would allow associating specific employee behaviors which influence customer encounter satisfaction (Dolen et al 2004). Second, most of the prior research linking job satisfaction to customer attitudes has used organization-level data. There are very few studies of the employee-customer linkage using dyadic data (Snipes et al 2005, Wangenheim et al 2007).

This void deserves close attention, so we seek to fill in this gap in the literature by developing a multilevel framework in order to investigate the effect of employee satisfaction in customer perceived service quality, customer satisfaction, procedural and relational switching costs. The grounds for this study lay on the Attraction-Selection-Attrition theory (Schneider and Goldstein 1995), while Balance theory (Brehm and Cohen 1962), the service profit chain perspective (Heskett et al 1997) and the Emotional Contagion theory (Hatfield et al 1994) are also taken into consideration in order to derive a conceptual framework that will allow empirically substantiating the relationships between employee job satisfaction and consequent customer attitudes.

The present study seeks to make a contribution in the following ways. First, by accommodating in a single research design data obtained from both customers and employees, which allows for a more accurate assessment of variable effects (Wech and Heck 2004). Second, to the best of our knowledge, no previous study empirically addresses the relationship between employee job satisfaction and consequent customer attitudes such as switching cost types. The third major contribution of this study is the investigation of the impact of employee satisfaction within a customer switching model. Despite the fact that various authors have been informing practitioners of the significance of the human capital in leveraging market success (Magi 2003), without having considered the direct effect of employee satisfaction on such important parameters as switching costs, this

information cannot be persuasive enough. Hence, the key contribution of this study for practitioners is to explore the significance of sustaining and cultivating employee satisfaction as an antecedent to customer switching.

The rest of the article is structured as follows. First of all, we describe the theoretical background that underlies the employee-customer linkage. Next, we briefly review the existing studies in the field. After dealing with the conceptual issues, we discuss the methodology as well as the results of this empirical study. In conclusion, we address the theoretical and managerial implications of our findings.

LITERATURE REVIEW

The theoretical background suggested to underlie this model is based on four theories. First, the ASA model illustrates how people from a single organization eventually become homogenous in their attitudes because they share the same experiences since they are subject to the same situational factors (Ryan et al 1996). Within this context, companies seek to cultivate a service climate in order to drive employees to become more sensitive in achieving organizational and customer related goals (Schneider and Bowen 1995). Considering the service profit chain perspective, service quality is driven, primarily, by employee satisfaction and value. Actually, Heskett et al (1997) reports that employees who are satisfied with their company's working conditions and climate, become more productive and provide higher levels of service quality.

The Emotional Contagion theory has been invoked to explain correspondence between employee behavior and customer response (Hatfield et al 1994). Rooted in the field of social psychology, this theory suggests that during the service encounter employee's displayed emotional state affects the emotional state of the customer. At the heart of this theory, employee satisfaction influences customer satisfaction via the employee's positive emotions which result from the employee's satisfaction and in turn influence customers' affective state. Finally, Balance theory argues that customers adapt their attitudes to the attitudes of the customer contact employees since the employee has more knowledge about the services offered and attaches greater relevance to his job (Krosnick and Petty 1995).

Although research has suggested that contact employee performance is critical to create customer satisfaction (Wiley 1991), few attempts have been made to embody employee attitudes that influence the desirable customer outcomes (Liao and Chuang 2004). Some studies indicate that satisfied employees are more likely to engage in behaviors that assist customers (Locke and Latham 1990) and establish a significant positive relationship between employee and customer satisfaction (Payne and Webber 2006) in different service settings such as salespeople (Homburg and Stock 2004), software industry (Tornow and Wiley 1991) and financial service industry (Brown and Mitchell 1993). Schneider and Bowen (1985) argued that employees had to feel that their needs had been met by management before they, in turn, could fully focus on satisfying external customers, while Berry (1981) suggests that employee satisfaction enhances their performance which consequently improves the ability of the organisation to deliver high quality services. However, the accumulated research includes findings of negative (Silvestro and Cross 2000) and non-significant relationships as well (Loveman 1998). This study aims to provide a better insight into the employee job satisfaction-customer satisfaction link in a retail services context and thus we hypothesize that *the greater the employee's job satisfaction, the greater customer satisfaction (H1)*.

Relatively few studies have examined the link between employee's attitude and service quality (Hartline and Ferrell 1996). Yoon and Suh (2003) argued that satisfied employees are more likely to work harder and provide better services. In the same vein, researchers have suggested that loyal employees are more capable of delivering a higher level of service quality (Loveman 1998) and that service quality is influenced by employee's satisfaction (Bowen and Schneider 1985), whereas others such as Brown and Peterson (1993) provide evidence for a weak relationship between employee's satisfaction and performance. Few attempts have been made to explicate the employee satisfaction-service quality; therefore, and thus we intend to bridge this literature gap by examining the following hypothesis: *the greater the employee's job satisfaction, the higher the level of customer's perceived service quality (H2)*.

Customer switching costs have emerged as one of the fundamental drivers of customer retention (Polo and Sese 2009), since they explain why dissatisfied customers stay with the same provider (Colgate and Lang 2001). Despite their potential importance in the retention process, service switching has only recently been explored in the marketing literature (Bansal and Taylor 1999). Burnham et al (2003) define switching costs as "the onetime costs that customers associate with the process of switching of one provider to another". Building on the basic premises of Jones's et al work (2002), this framework distinguishes between two types of switching costs: procedural and relational. Procedural costs refer to the time help and hassle that the customer anticipates would be involved with switching (Guiltinan 1989).

On the other hand, relational costs refer to the psychological or emotional discomfort due to the loss of identity or breaking the bonds with the service provider (Jones et al 2007) and they represent the strength of personal bonds between customer and the service employee (Berry and Parasuraman 1991). Previous studies highlight that personal relationships bond customers with retailers (Price and Arnould 1999) and that once established they could a formidable barrier to exiting from a relationship. Yet, no empirical study incorporates the aforementioned types of switching costs in a multilevel customer retention model. Responding to suggestions by Jones et al (2007) that research should explore employee behaviours that increase customer's perceptions of switching costs, we propose that *the greater the employee's job satisfaction, the higher the level of relational switching costs (H3)* and that *the greater the employee's job satisfaction, the higher the level of procedural switching costs (H4)*.

Service quality is defined as the delivery of superior service relative to customer expectations and is considered as a main antecedent of customer satisfaction (Kelley and Davis 1994). The conceptual foundation of this view lies in the assumption that service quality is an attitude-like construct that drives customer's behavioral intentions. As previous research has not reported yet a direct link between service quality and switching costs, we advance the hypothesis that *a higher level of service quality is positively associated with higher perceptions of relational switching costs (H5)*, and that *a higher level of service quality is positively associated with higher perceptions of procedural switching costs (H6)*.

Locke (1976) defines employee satisfaction as "a pleasurable or positive emotional state resulting from the appraisal job or job experiences". The investigation of the relationship between employee job satisfaction and customer satisfaction originates mainly from the field of sales management (Wiley 1991), as a means to identify ways to improve customer's satisfaction from the encounters with sales personnel (Schlesinger, and Zornitsky 1991). In the services context, there is strong empirical evidence that customer satisfaction judgments are immediate antecedents to switching intentions (Anderson and Sullivan 1993; Cronin and Taylor 1992). These results strongly suggest that dissatisfaction leads to a greater likelihood that a customer will switch. The higher the level of customer's satisfaction with the service, the larger the costs the customer expects to incur in changing providers. Thus, building on previous work, we hypothesize that *higher levels of overall customer satisfaction yield higher perceptions of relational switching costs (H7)* and that *a higher level of service quality is positively associated with higher perceptions of procedural switching costs (H8)*.

METHODOLOGY

In our study, we chose bank firms as our sampling frame and measured store employee's grades. We contacted a major Greek retail bank in order to receive approval to conduct research. Fifteen branches agreed to participate in the study. A pre-notification through telephone with each store manager followed, explaining the research objectives. Research assistants addressed to a random sample of 13 front line employees from each store to collect data. They also distributed survey packages to bank's customers a few days after the employees surveys were completed. Customers were informed that the survey asked about their perceptions of the store they use. To ensure the anonymity of employee responses, we set up a central collection box in each store where customers could drop off their envelopes. In total, research assistants conducted 183 personal interviews from financial service employees and collected 604 questionnaires from bank customers. Employee satisfaction was measured on the basis of data collected from branch employees, whereas customer satisfaction, service quality and switching costs were measured based on customer responses.

All employees' responses were aggregated at the store level to form a composite. Employee satisfaction was aggregated to the store level for two reasons. First, in most service encounters customers interact with multiple store employees, thus their evaluations are influenced by the overall level of employee satisfaction, not the satisfaction of a particular employee. Second, based on the attraction-selection model employees' attitudes in a store tend to become homogenous, therefore, customer's evaluations will be affected by employee's satisfaction due to the homogeneity of the organizational store climate (Liao and Chuang 2004).

MEASURES AND RELIABILITY

In order to remain consistent with previous research, all the measures employed in this study are adapted from previous studies in the field. Construct measures were based on extensive review of the literature on services marketing, bank marketing, and consumer behaviour. All constructs used a 7-point scale, with anchors of strongly disagree (1) and strongly agree (7), whereas for employee satisfaction a 5-point scale was employed. A total of 61 items were generated. Eight items for employee job satisfaction were derived from Hartline and Ferrell (1996). Perceived service quality was measured with Gounaris' et al (2003) 25-item scale, which is an adaptation of the Servqual scale. Furthermore, customers' satisfaction was measured with a 3-item

scale adopted from Fornell (1992). Relational switching costs were measured with a scale of 7 items adapted from Burnham, Frels and Mahajan (2003), while procedural switching costs were operationalized with an 18 item scale adapted from Burnham, Frels and Mahajan (2003). Additionally, we examined the internal reliability of the measurement model by calculating composite reliability and average variance extracted. All coefficients Cronbach A are above 0.7 (table 1), as indicated by Nunally (1978). Furthermore, for each construct, average variance extracted (AVE) exceeds the 0.5 level as Fornell and Larcker (1981) suggest. CFI, GFI and TLI indexes exceed 0.90 while RMSEA values are above below 0.08. On the basis of these measures it can be concluded that the data fit the model adequately. Intraclass correlations were all above 0.3, indicating that the multilevel approach is indeed appropriate.

DATA ANALYSIS AND RESULTS

Hierarchical linear modelling was used to examine the relationships between level-2 predictor (employee satisfaction) and customer data (Raudenbush and Bryk 2002). In the present study, customer data were nested within bank stores. Thus, our hierarchical model consists of two levels, the customer and the store level. The model to be tested was hierarchical with the dependent variables being customer-level constructs, and the predicting variables spanning the store (level 2) and customer level (level 1). Table 2 presents the descriptive statistics and correlations for the study variables.

Four HLM analyses were performed, with customer satisfaction, service quality, procedural and relational switching costs as dependent variables. First, we estimated a null model that had no predictors at either level-1 or level-2 to partition the repurchase intention variance into within and between-stores components for each dependent variable. The results reveal significant between store variance for customer satisfaction ($x^2 = 285.18/ p < 0.01$), service quality ($x^2 = 320.62/ p < 0.01$), relational switching costs ($x^2 = 190.11/ p < 0.01$) and procedural switching costs ($x^2 = 49.85/ p < 0.01$). All the aforementioned Chi-square tests show that between group variance for all three criteria is significantly different from zero, indicating that the intercept term varies across groups, a necessary condition to be met in HLM models. Moreover, using information estimated in the null model, an intraclass correlation coefficient (ICC) can be computed that represents the amount of variance that could potentially be explained by the level-2 predictor (Bryk and Raudenbush 1992), employee satisfaction and was assessed: 32.1 percent for customer satisfaction, 35.3 percent for service quality, 16.9 percent for procedural costs and 23.4 percent for relational costs.

Concerning cross-level effects, employee satisfaction was found to be significantly related to service quality ($\gamma = 0.36/SE = 0.16/p < 0.05$) and customer satisfaction ($\gamma = 0.51/SE = 0.17/p < 0.05$), thus hypotheses 1 and 2 were supported. Hypothesis 3 was also supported, since employee satisfaction predicted significantly relational switching costs ($\gamma = 0.38/SE = 0.15/p < 0.05$). However, employee satisfaction did not predicted significantly procedural switching costs ($\gamma = 0.20/p > 0.05$), so hypothesis 4 was rejected.

At the customer level, hypothesis 6 was supported since service quality was significantly related to procedural switching costs ($\gamma = 0.38/SE = 0.8/p < 0.01$) and relational switching costs ($\gamma = 0.68/SE = 0.07/p < 0.001$), so hypothesis 5 was verified by the analysis. Concerning hypothesis 7 and 8 that customer satisfaction is positively associated with the two types of switching costs and in both cases, satisfaction emerged as a significant predictor, both for procedural costs ($\gamma = 0.24/SE = 0.11/p < 0.05$) and for relational costs ($\gamma = 0.42/SE = 0.07/p < 0.001$).

DISCUSSION

This research represents an extension of the service switching literature by stressing the importance of customer contact employees' behaviour in the customer switching process and contributes to this area in the following ways. First, by synthesizing existing theories such as the service profit chain and emotional contagion theory, with regard to the identification of employees' satisfaction as an antecedent of customer's relational switching costs in a financial services context. The results lend strong support for the assertion that employee satisfaction enhances the personal bonds between customers and front-line employees.

Second, the results strengthen the argument that financial service companies should enhance specific employee behaviours (i.e. employee job satisfaction) since these behaviours are positively related to customer's overall satisfaction from the firm and their evaluations of delivered service quality. Finally, our study lays the ground for additional research into the complex issue

between employees' satisfaction and customer switching. To the best of our knowledge, our study is the first to address the issue that perceived service quality has a positive impact on relational and procedural switching costs. It seems that customer's evaluations of the overall level of service quality influence not only the effort anticipated with switching but also the strength of personal bonds between customer and the service employee.

Several managerial implications emerge from this study as well. First, it becomes imperative to establish internal marketing practices in order to enhance employee job satisfaction. The results also propose that store managers would be advised to take actions that aim at increasing employee job satisfaction, since the customer's overall satisfaction and evaluations of service quality will be positively affected. This research also offers potential for significant managerial implications by identifying actions that must be taken by the service provider to reduce switching. In other words, the results indicate that management can enhance switching costs associated with personal relationships loss by staffing customers' contact positions with persons that are willing and able to maintain strong customer relationships.

LIMITATIONS AND FUTURE RESEARCH

However our study is tempered by several limitations. First, this study draws data from a single retail bank in Greece. With only one organization within one type of service provider, a concern is raised about the generalizability of these findings in another service context. Additionally, the reported study should be replicated in different service settings so as to enhance generalizability of the findings. The third limitation lies in the sample which is drawn from high contact services. For different service contexts the effects of employee satisfaction on customer outcomes may be quite different. Our study represents a relatively early attempt to assess the role of the different types of switching costs in the customer retention process. Additionally, future research should identify and other employee behaviours that have an impact on different types of switching costs. It is also crucial that future research draws data across different service settings so as to enhance generalizability of the findings. Finally, both attitudinal and behavioural loyalty must be considered as switching costs outcomes, as the marketing literature lacks empirical results that support the distinct influence of switching cost on attitudinal and behavioural loyalty (Jones et al 2007).

TABLES

Table 1: Reliability measures

Variables	CFI	TLI	RMSEA	Cronbach a	AVE	Intraclass correlations
Employee satisfaction	0.998	0.997	0.018	0.86	0.83	
Customer satisfaction	-	-	-	0.87	0.87	0.407
Service quality	0.954	0.945	0.074	0.92	0.81	0.316
Relational switching costs	0.983	0.971	0.060	0.82	0.79	0.378
Procedural switching costs	0.926	0.903	0.063	0.83	0.72	0.329

Table 2: Means, Standard Deviations and Correlations of the study variables

Variable	Mean	SD	1	2	3	4	5
1.Employee satisfaction	3.11	0.65	1.00				
2.Service quality	4.04	0.82	-	1.00			
3.Customer satisfaction	4.05	1.18	-	0.756*	1.00		
4.Procedural costs	4.11	0.76	-	0.679*	0.473*	1.00	
5.Relational costs	3.80	1.05	-	0.649*	0.542*	0.623*	1.00

N for level 1 variables is 604, and n for level 2 variable is 183 *p<0,05, **p<0.01

Table 3: HLM results for cross level effects

Models	Coefficients		Variance component	
	G_{00}	G_{01}	σ^2	T_{00}
Model 1 employee satisfaction- service quality				
L1: Quality = $B_0 + R$ L2: $B_0 = G_{00} + G_{01}*(ESAT) + U_0$	3,99**	0,36*	0,53	0,22**
Model 2 employee satisfaction- customer satisfaction				
L1: CS = $B_0 + R$ L2: $B_0 = G_{00} + G_{01}*(ESAT) + U_0$	4,04**	0,51*	0,97	0,33**
Model 3 employee satisfaction- Relational switching costs				
L1: Relational = $B_0 + B_1 (CS) + B_2 (QUALITY) + R$ L2: $B_0 = G_{00} + G_{01}*(ESAT) + U_0$	3,80**	0,38*	0,85	0,18**
Model 3 employee satisfaction- Procedural switching costs				
L1: Procedural = $B_0 + B_1 (CS) + B_2 (QUALITY) + R$ L2: $B_0 = G_{00} + G_{01}*(ESAT) + U_0$	4,11**	0,20	0,44	0,13**

Note: L1=level 1, L2=level 2, Quality= perceived service quality, Relational= relational switching costs, CS= customer satisfaction, Procedural= procedural switching costs, ESAT= employee satisfaction, G_{00} = intercept of level 2 regression predicting B1, G_{01} = slope of level 2 regression predicting B1, σ^2 = variance in level 1 residual, T_{00} = variance in level 2 residual predicting B1, * $p < 0,05$, ** $p < 0,01$

Table 4: HLM Results - Random Coefficient Regression Model

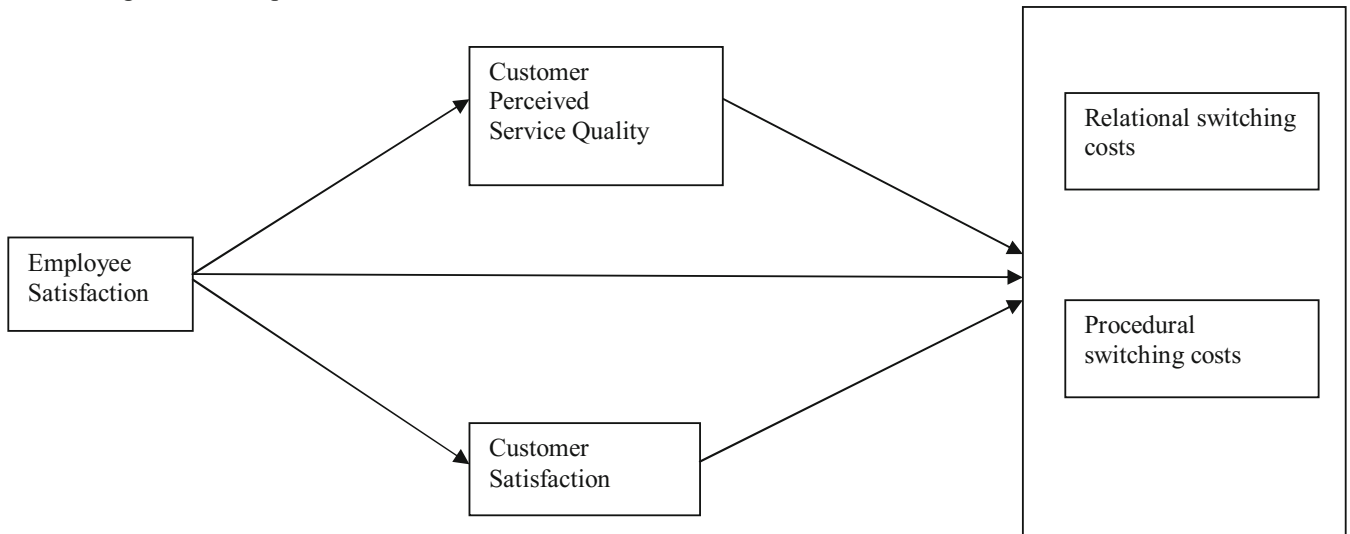
	Coefficients			Variance component		
	γ_{00}	γ_{10}	R^2	σ^2	T_{00}	T_{11}
Service quality- procedural switching costs						
L1:Procedural= $B_0 + B_1 * (Quality) + R$ L2: $B_0 = G_{00} + U_0$ $B_1 = G_{10} + U_1$	4,08**	0,38**	0,43	0,25	0,04**	0,12**
Service quality- relational switching costs						
L1:Relational= $B_0 + B_1 * (Quality) + R$ L2: $B_0 = G_{00} + U_0$ $B_1 = G_{10} + U_1$	3,79**	0,68**	0,37	0,53	0,10**	0,04**
Customer satisfaction-procedural switching costs						
L1:Procedural = $B_0 + B_1 * (CS) + R$ L2: $B_0 = G_{00} + U_0$ $B_1 = G_{10} + U_1$	4,11**	0,24*	0,25	0,33	0,08**	0,05**
Customer satisfaction-relational switching costs						
L1:Relational = $B_0 + B_1 * (CS) + R$						

L2:B0 = G00 + U0	3,79**	0,42**	0,24	0,64	0,12**	0,03**
B1 = G10 + U1						

Note: L1=level 1, L2=level 2, Quality= perceived service quality, Relational= relational switching costs, CS= customer satisfaction, ESAT= employee satisfaction, G_{00} = intercept of level 2 regression predicting B1, G_{01} = slope of level 2 regression predicting B1, σ^2 = variance in level 1 residual, T_{00} = variance in level 2 residual predicting B1, * $p < 0,05$, ** $p < 0,01$

FIGURES

Figure 1: Conceptual Framework



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THE STRUCTURE AND FORMATION OF CUSTOMER VALUE IN B-TO-B SERVICES

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ABSTRACT

This study investigates the hierarchical construct and the formation of customer value of b-to-b services. In-depth understanding of the construction of customer value and the effects of service quality on customer value are the key to effective development of b-to-b services. This quantitative study was conducted through the structured interview method among Finnish business organizations in early 2009. The data consisted of 90 qualified questionnaires. The customer value of b-to-b services was found to be composed of attribute and consequence levels. The dimensions of service quality influenced to differing degrees the formation of the attribute and consequence levels of the customer value. The results of this study suggest that the customer value of b-to-b services is hierarchically constructed, and the dimensions of service quality affect differently the two levels of customer value.

INTRODUCTION

Customer value is the key determinant of marketing decisions. In business-to-business context measuring the value of products and services has been a focal task, and both suppliers and customers are expected to be able to determine the economic value with a relatively high accuracy (e.g. Monroe 2005). The ever-increasing availability of customer-information stresses the need to develop both theories and practical models for transforming customer value-information more efficiently to the needs of business organizations (Ingenbleek 2007). In the context of services, prior studies have mostly concentrated on analysing the structure of service quality and the effects of services quality dimensions on customer value (e.g. Parasuraman et al. 1991). However, in the present theories these dimensions of service quality are generally regarded to deliver homogenous customer value. Instead, in the present study we argue that the customer value of services should be perceived as hierarchically constructed, containing attribute, consequence, and purpose level value (cf. Woodruff 1997). Therefore, depending on the characteristics of the service, the specific dimensions of service quality – i.e. tangibles, reliability, responsiveness, assurance, and empathy (Parasuraman et al. 1991) - are expected to contribute with differing magnitudes to the three levels of service value.

Therefore, the objective of the present study is to investigate whether the customer value of b-to-b services is constructed from attribute, consequence, and purpose/goal elements of customer value; and how the dimensions of service quality contribute to these three elements of customer value. Thus, this study does not intend to examine the interrelationship of the three hierarchical elements of customer value, but to validate the existence of the three value constructs, and to investigate the formation of these constructs through the dimensions of service quality. The present study contributes to the present research of customer value of services by identifying the dimensional structure of customer value, and illustrating a detailed way to study the relationship between service quality and customer value. While it is commonly agreed that service quality affects customer value, it is not sufficiently understood what the mechanism behind the relationship is. This paper suggests a more accurate method of measuring how the dimensions of service quality affect different customer value elements. The results of this study can help managers of b-to-b services to design more accurate value creation strategies.

VALUE AND CUSTOMER VALUE PERCEPTIONS

Woodruff (1997) defines customer value as "... a customer's perceived preference for and evaluation of those product attributes, attribute performances, and consequences arising from use that facilitate (or block) achieving the customer's goals and purposes in use situations". He states that the use situation of a product plays a critical role in evaluation and desires, so that when the situation changes, the evaluation of the attributes, consequences, goals, and purposes related to the product or service change as well (Woodruff 1997). This definition of customer-perceived value accords well with the purposes of the present study. Parasuraman (1997) stated that Woodruff's definition of customer value is comprehensive in that it includes different contexts, cognitive tasks, and levels of abstraction. The conceptual richness and the broader definition of the customer value model also offer new ideas for research.

In Woodruff's (1997) model the customer value hierarchy is divided into two parts: 1) desired customer value (product attributes and attribute performance, consequences in the use situation, and goals and purposes) and 2) received customer

value (attribute-based satisfaction, consequence-based satisfaction, and goal-based satisfaction). The means-end based 'customer value hierarchy model' consists of three levels all of which positively contribute to perceived customer value. The first of these is a goal or purpose-level, which consists of value perceptions related to achieving latent subjective goals such as ease of mind, increase in self-esteem, enjoyable and problem-free use, and overall effectiveness. The second is a consequence or benefit level, which concerns more concrete and more articulate benefits that customers strive to attain with the product, such as no hassle, reliability, ease of use, time saving, desired visual view, independence of time, availability, high cost-quality ratio, etc. The third is an attribute level or attribute performance level; this is the most concrete and basic level of value construct dealing with the direct functions and characteristics of the product, such as layout of instruments, size, smooth shift, design, frequency of repair, low price, product quality, display, keyboard, etc. Among others, Mentzer et al. (1997) and Laukkanen (2007) have studied the customer-value hierarchy model and found support for it. Also in the literature of service quality and satisfaction, hierarchical models have been presented showing that service quality dimensions could also be hierarchical, consisting of primary dimensions and sub-dimensions (Brady & Cronin 2001; cf. Woodruff 1997).

Parasuraman, Zeithaml, and Berry (1985) initially found ten determinants of service quality that characterize customers' perceptions of a service. They later reduced the ten determinants to the following five dimensions: tangibles, reliability, responsiveness, assurance, and empathy (Parasuraman et al. 1991). Parasuraman (1997) states that concepts such as utility, worth and benefits are used as synonyms for customer value. The problem with these concepts is that they are not sufficiently defined and thus are too ambiguous. He also argues that Woodruff's model is a "noteworthy contribution", and "offers an insightful synthesis of the literature on the subject". In the present study, Woodruff's model also aptly describes and explains the formation of customers' value perceptions of products and services. Although the Woodruff's and Parasuraman's models have been separately created, and also commonly separately studied, in the present study, the service quality model is seen to complement the customer value hierarchy model, as perceived quality precedes perceived value (cf. Monroe 2005). In the customer value and service quality literature, integrating two or more models has been sporadic and partial. Based on the integrated model of Woodruff (1997) and Parasuraman et al. (1991) the following hypotheses were constructed: H1a-e: Reliability, responsiveness, assurance, empathy, and tangibles positively influence the goal level value of b-to-b services; H2a-e: Reliability, responsiveness, assurance, empathy, and tangibles positively influence the consequence level value of b-to-b services; H3a-e: Reliability, responsiveness, assurance, empathy, and tangibles positively influence the attribute level value of b-to-b services.

RESEARCH METHODOLOGY

The empirical data were collected by a structured interview among Finnish business organizations during the beginning of 2009. The total number of interviews was 90, one interview per company. The non-probability convenience sampling technique was applied (Malhotra and Birks 2003, 363-364). The sample organisations were delimited to those that had recently been involved in significant service purchases. The individuals selected for interview were those who had the best knowledge of the purchased service. The organizations represented several lines of business: private services (24.4%, n22), manufacturing (16.7%, n15), wholesale and retail trade (11.1%, n10), public services (17.8%, n16), and other industries (30%, n27). In organizational size, there was a bias towards smaller organizations: personnel 50 or less accounted for 58%; 51-500, 23.3%; and over 500, 18.9%. The structured questionnaire consisted of questions and statements measured on 5-point Likert scale. The hierarchical structure of customer value was studied by applying Woodruff's customer value hierarchy model with modified multiple-item scales proposed by Mentzer et al. (1997) and Laukkanen (2007). The model and multiple-items scales proposed by Parasuraman et al. (1991) studied the five dimensions of services quality: reliability, responsiveness, assurance, empathy, and tangibles.

EMPIRICAL FINDINGS

The customer value hierarchy proposed by Woodruff (1997) and four factors measuring the dimensions of service quality proposed by Parasuraman et al. (1991) were identified through explorative factor analysis. Factors achieving an eigen value of 1 or more were accepted for the further analyses. Internal consistency of the constructs was measured with Cronbach's alpha with cut-off value 0.6 (Nunally 1978). Table 1 presents the loadings and Cronbach values for the identified factors. Variables with factor loadings over 0.32 were selected as candidates for factors (cf. Norusis 1988). The factor analysis with Varimax rotation was first run for the variables measuring the three levels of the customer value hierarchy model. Three factors were identified measuring two hierarchy levels of the customer value: conseq1, conseq2, and attrib. Goal-level customer value was not detected in the present data. The factor constructs explained 53.28 per cent of the variances in aggregate. A similar factor analysis was run for the variables measuring the five dimensions of service quality. The factor analysis produced five factors measuring four dimensions of service value: reliability, resp&assu empathy, and tangibles. The

responsiveness and assurance dimensions were combined. The fifth factor, tangibles2, was excluded from the further analyses as it consisted of one variable. The remaining factors explained 55 per cent of the variance with Cronbach's alpha values over 0.80 in all constructs. The loadings of the individual variables were set between 0.43 and 0.78.

Hypotheses 2_{a-e} and 3_{a-e} were tested with a linear multiple regression analysis. Hypotheses 1_{a-e} could not be tested as value dimension for goal-level was not detected in the constructed factor model. A summary of the results is provided in [table 2](#). Service quality had a relatively strong influence on the two dimensions of customer value. However, the service quality construct was found to be inadequate in explaining the conseq2 dimension of customer value, although tangibles showed a significant association, with a β -coefficient of -0.237. The negative relationship proposes that the higher the quality of the physical service attributes, the lesser the degree of time- and place-independence of the service. The conseq1 dimension, on the contrary, was discovered to be strongly influenced by the service quality dimensions (F 20.90, R^2 0.47). Reliability (β 0.388), resp&assu (β 0.499), and tangibles (β 0.188) proved to have a significant and positive influence on the conseq1 construct. The reliability and resp&assu factors in particular showed strong positive associations. Although the consequence dimension was divided into two constructs, the analyses provided evidence in support hypotheses H2a and e and in partial support hypotheses H2_{bandc}, when the responsiveness and assurance factors were merged.

The analyses also provided evidence of a positive association between the service quality dimensions and the attribute level of the customer value hierarchy (F 14.97, R^2 0.39). The result suggests that the empathy (β 0.534) and resp&assu (β 0.240) dimensions of service quality have a significant and positive influence on the attribute level of customer value. The reliability and tangibles dimensions were observed to have no significant influence on the attribute level of customer value. Therefore, the hypothesis testing provided support for hypothesis H3_d, and partial support for hypotheses H3_{b and c}.

DISCUSSION

The objective of the present study was to examine whether the customer value of b-to-b services were constructed from attribute, consequence, and purpose/goal elements of customer value; and how the dimensions of service quality contribute to these three elements. The customer value model suggested by Woodruff (1997) and the five-dimension model of service quality suggested by Parasuraman et al. (1991) were applied to construct the hypotheses H1a-e, H2a-e, and H3a-e. The results of the study suggest that the customer value of b-to-b services is constructed of two hierarchical elements: attribute and consequence (cf. Woodruff 1997). Contrary to our expectations and the hypotheses based on the prior studies of Woodruff (1997), Mentzer et al. (1997), and Laukkanen (2007), the goal-level value was not detected. One explanation could be that business customers do not consider the goal-level aspects of services in purchase situations; instead, they concentrate on the more explicit aspects of service value. In addition, the absence of goal-level value could indicate that many such purchases are not strategic in nature and, thus the goal-level aspects of value are not considered. The construct of consequence-level customer value was identified as two constructs: conseq1, representing direct benefits obtained from the service, and conseq2, representing value provided through time and space independence. The separation of consequence level value into two constructs underlines the importance of time- and space-independence of services, and that these two constructs operate differently in the present data (which was also proven in the hypothesis testing).

The analyses confirmed that the service quality dimensions differ in the extent to which they contribute to the different hierarchical levels of the customer value structure. Reliability, responsiveness & assurance, and tangibles were the key dimensions of service quality that contributed to consequence-level value. Of these, the responsiveness & assurance dimension had the strongest influence on the formation of consequence-level value. Thus, the service provider's ability to provide customer-centric and prompt service experiences has a considerable influence on how b-to-b customers perceive the benefits of the service. Reliability, the service provider's ability to provide a service experience meeting the customer's expectations and the provider's promises, had nearly equal weight in the formation of the consequence-level of value. Tangibles, that is, the physical aspects of the service experience (e.g. physical facilities, equipment, personnel, and communication materials) also had a significant effect on the consequence-level customer value. However, the influence was weaker than that of the two previously mentioned dimensions. The value provided through time and space independence was not found to be affected by the perceived service quality dimensions. The attribute-level customer value was found to be strongly influenced by the service quality dimensions. The responsiveness & assurance dimension was again a strong contributor to customer value on the attribute-level. The service provider's customer orientation and the ability to provide a reliable and professional service experience had thus a significant influence on the perceptions of how the service is performed through the concrete service elements. However, the influence of the empathy dimension was the strongest, suggesting that, in b-to-b services, the experience of service provision as individualized and caring is of especial importance as this has a direct effect on how customers value the service elements.

Customer value-oriented marketing of services can be successful only if value and quality can be conceptualized and measured in an unambiguous way. The difficulty in defining useful measures for value lies in the subjective and idiosyncratic nature of value. The model proposed in this study makes an explicit distinction between attributes and higher-level abstractions. In order to build better measures of value it is necessary to understand which of the many potential meanings lie directly behind customers' perceptions of value (Zeithaml 1988). Integrating the model of service quality dimensions (Parasuraman et al. 1991) to the hierarchical model of customer value (Woodruff 1997) revealed that the dimensions of quality influence perceived value on multiple levels and in multiple ways. Thus, the relationship between service quality and customer value could be described in a more detailed way.

Limitations and future research

The dataset of the study consists of only 90 interviews from 90 Finnish companies, which limits the generalizability of the results. Differences between different types of firms and between industries were not examined. As a limitation must also be considered that customer value measures applied in this study have been constructed and tested mainly in the product context; and the service quality measures have origins in consumer marketing. While this study conducted an exploratory factor analysis, future studies should use CFA to examine more thoroughly the validity of the constructs, and SEM to test the structural model. Further research is also needed on how 'the share of service' in the overall purchase influences the formation of customer value in the context of b-to-b services.

TABLES

Table 1: Exploratory factor analysis on the value hierarchy model and service quality dimensions.

<i>Factors and components (component loading): The value hierarchy model</i>
<i>Consequence, benefit level 1 (% of variance 21.47; α 0.84)</i>
i) pleasant buying process, 0.69; ii) trouble-free buying process, 0.79; iii) easy to use, 0.53; iv) reliability, 0.52; v) smooth and problem-free to use, 0.68; vi) pleasant personnel and service experience, 0.45; vii) minimal number of problems, 0.54
<i>Consequence, benefit level 2 (% of variance 9.00; α 0.78)</i>
i) time-independence, 0.79; ii) location-independence, 0.77
<i>Attribute performance level (% of variance 22.80; α 0.89)</i>
i) successful buying process, 0.66; ii) high price-quality ratio, 0.86; iii) good economical choice, 0.75; iv) successful sizing, 0.47; v) low price, 0.55; vi) high reliability, 0.55; vii) high quality, 0.59
<i>Factors and components (component loading): Service quality dimensions</i>
<i>Reliability (% of variance 16.06; α 0.90)</i>
i) met promises, 0.60; ii) accurate and fast problem-solving, 0.66; iii) accurate delivery of service, 0.70; iv) timely and relevant communication, 0.78; v) timely and accurate communication of changes, 0.68; vi) direct and open communication, 0.64; vii) good quality image, 0.48
<i>Responsiveness & Assurance (% of Variance 16.25; α 0.92)</i>
i) personnel always ready to respond to enquires, 0.62; ii) personnel always ready to help to solve problems, 0.60; iii) personnel is friendly and approachable, 0.71; iv) personnel is ready to react to emerging problems, 0.64; v) personnel is always reachable, 0.54; vi) personnel is professional in problem-solving situations, 0.43; vii) personnel served in timely manner, 0.61; viii) service provider served always our interest, 0.45; ix) problems were taken care of professionally, 0.51; x) personnel was polite and service-minded, 0.66
<i>Empathy (% of Variance 13.14; α 0.85)</i>
i) professional personnel and capable of responding questions, 0.47; ii) our service needs were taken into consideration, 0.76; iii) personnel knew the services inside out, 0.51; iv) our service needs were thoroughly determined, 0.62; v) services were tailored to our needs, 0.78
<i>Tangibles (% of Variance 9.58; α 0.81)</i>
i) credible and safe service environment, 0.57; ii) confidentiality of customers and customer information, 0.50; iii) service provider's premises were comfortable, 0.72; iv) personnel's dressing signaled of professionalism, 0.61; v) facilities and equipments were functional and up to date, 0.43; vi) brochures were professionally prepared, 0.63

TABLE 2: The influence of service quality on the customer value hierarchy model.

Relationship	F	Adj. R ²
service quality → conseq1	20.90*** reliability (β 0.388, t 4.99***), resp & assu (β 0.499, t 6.37***), empathy (β 0.088, t 1.13), tangibles (β 0.188, t 2.42*)	.47
service quality → conseq2	2.04 reliability (β -0.096, t -0.92), resp & assu (β 0.026, t 0.25), empathy (β 0.155, t 1.49), tangibles (β -0.237, t -2.28*)	.04
service quality → attrib	14.97*** reliability (β 0.153, t 1.83), resp & assu (β 0.240, t 2.87**), empathy (β 0.534, t 6.41***), tangibles (β 0.114, t 1.37)	.39

Note: *** significant at the 0.001 level; ** significant at the 0.01 level; * significant at the 0.05 level.

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WHAT MAKES THE CONSUMER LEARN AND ADOPT A FORMAT INNOVATION FOR GROCERY? AN APPROACH BY THE COGNITIVE SCRIPT AND THE ORGANIZATIONAL SOCIALIZATION OF THE CUSTOMER

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ABSTRACT

This research identifies the stages of the process of learning and adopting an innovation of format in grocery retailing. It takes the client's point of view showing how the cognitive script and the Organizational Socialization of the Customer are articulated in order to build this process from the very first moments of the relationship between the customer and the retailer. The results also suggest which tools could be used by managers in order to facilitate this process.

INTRODUCTION

We are seeing many changes in the world of grocery: changes in brand retailer name, new concepts' development,... In particular, in this changing environment, retailers are trying to develop various distribution channels through the web as evidenced by the Xerfi study (November 2008, p. 43). In this regard, Berry and Dupuis (2005) distinguish four types of innovation in retailing: innovation of concept, innovation management approach flow, relational innovation and organizational innovation.

This research deals with the innovation of concept - also called "innovation of format" (Gallouj 2008) - as a new sales channel. And, more particularly, we focus on the grocery which represented 6 % of the innovations realized between 1998 and 2000, in France. As Berry and Dupuis (2005) and Gallouj (2008) underline, there are strong links between the innovations of format and the new forms of organizations as well as their ways of functioning. In the case of on-line business, the place of the exchange and thus the mode and the shape of the exchange between the retailer and the customer evolve. However, in grocery, the researches essentially concerned the various forms taken by the commercial innovation (Gallouj 2008; Berry and Dupuis 2005).

In this sense, this research sheds light on the process of learning and adoption by the client to a new format for food distribution. Within this perspective, our research identifies the stages that describe how customers react when doing their grocery while learning and adopting a format innovation. In doing so, we center the research on the very first moments of the relation between the retailer and his customers.

The theoretical framework mobilized is the Organizational Socialization of the Customer – COS - (Kelley and al. 1990, 1992; Goudarzi 2005; Goudarzi and Eiglier 2006). According to this concept, the customer can be considered as a "short-lived member of the organization since he plays the role of a partial employee" (Goudarzi and Eiglier 2006) : the COS is the "process of learning by which the customer learns and masters the role associated with the relation of service, becomes integrated into the social group of the company by understanding how to exchange with the staff and the other customers and is made an appreciation of the culture, the standards and the values of the organization [of services]. These learnings drive the customer to develop a feeling of membership and adequacy to the organization [of services]" (Goudarzi and Eiglier 2006, p. 80 and 81). Such a positioning is justified by the fact that the COS optimizes the service transaction management while facilitating the development of the relation between the customer and the organization of services. It is also important to underline that previous researches (Kelley and al. 1990, 1992; Goudarzi 2005; Goudarzi and Eiglier 2006) defined the COS without identifying its construction.

The research is based on the other hand on the cognitive script concept. The reason for such a perspective is that servuction involves loss of control by the enterprise of tasks performed by the customer. This therefore requires the cognitive and behavioral rules of the organization and adequacy of services to it through a cognitive script that will "guide the interaction with staff in contact and determines a portion of client expectations towards the service (Orsingher 2006, pp. 115). Indeed, within the framework of the services, the individuals possess cognitive scripts as "stereotypical knowledge of the action" sequence, the objects and the roles which characterize the experience of service" (Orsingher 2006, p. 115). Such a script guides individuals' perceptions, understandings and behaviors (Abelson 1981; Orsingher 1999, 2006; Hallegate and Nantel 2007).

Consequently, our purpose is to articulate the cognitive script concept with the Organizational Socialization of the Customer concept, when the customers are learning and adopting a format innovation for grocery. Thus, the research presents the way the COS is engaged in the very first moments of the relation between the retailer and their customers.

In terms of managerial implications, (1) the various stages of learning and adopting process of a format innovation for grocery are identified as well as (2) the ways the manager can facilitate each stage of this process for the customers.

Therefore, the research can be summarized with the following [figure 1](#) which represents the COS and the cognitive script as the two constructs mobilized in order to identify the stage of the customers' learning and adopting process of a format innovation for grocery (arrow 1). These two constructs are operationalized by the stage of construction of the cognitive script as well as the COS' four dimensions (arrow 2). Meanwhile, the process of customers' learning and adopting a format innovation for grocery is operationalized by the different segments of customers and non customers that have been interviewed. The hypothesis is that different segments of customers and non customers will be reaching different stages in the customer's learning and adopting process of a format innovation for grocery. These different stages will therefore illustrate the different levels where the process could be blocked (arrow 3). Thus they are the gap points that should be enhanced by the retailer.

THREE QUALITATIVE STUDIES CONCERNING THREE TYPES CUSTOMERS OF A NEW FORMAT GROCERY

To identify the stages by which go through the customer when learning and adopting a format innovation for grocery, an empirical research has been carried on a new concept. This new concept will be named « *Click & Carry* ». This new format for grocery combines a website for the purchases and « points of delivery » to take away the purchases. It implies a new task division between the customer and the retailer. Therefore the work process changes: the retailer manages tasks such as the picking; the customer no longer goes through the shelves to choose his products. They are purchased through the Internet. In this context, the « points of delivery » represents the servicial dimension of the concept.

The study consists on the comparison of three segments of customers and non customers' interviews. This overview will allow identifying by comparison the process experienced by the interviewees when learning and adopting a format innovation for grocery as well as their difficulties and their blocking points.

Within this study, three types of customers and non customers have been interviewed:

- Customer A (Leaver): this customer has entered his personal information in the retailer's database and has tested the "*Click and Carry*" without adopting it. At the time of the study, he hasn't come back for at least six weeks ;
- Customer B (Inactive): this customer has entered his personal information in the retailer's database but has never tested the "*Click and Carry*" at the time of the study ;
- Customer C (Active): this customer has entered his personal information in the retailer's database and has tested and adopted the "*Click and Carry*" using it on a regular basis at the time of the study ;

It is important to underline that all the customers have to enter their personal informations to be able to use the new concept proposed by the "*Click and Carry*". That explain how it has been possible to interview customers as well as non customers that have been interested enough by the concept to enter their personal informations (inactive customers).

The study consists on in-depth interviews conducted on the phone respectively on thirty one, eighteen and twenty six customers and non customers. They were based on the COS' four dimensions (Goudarzi and Eiglier 2006): organization's knowledge (D1); customer's knowledge of his role (D2); customer's mastering his role (D3); degree of social integration (D4). However it has never been explicitly mention of the COS. These interviews have a medium length of forty minutes and had been conducted on eighteen men and fifty six women which medium age was thirty seven year-old.

THE RESULTS

The results presented in this section are part of an exploratory approach that has given rise to sequences and stages in the process of adopting an innovation in large format food retailing.

We also wish to emphasize that the sequences related to cognitive script and the SOC as the importance of personal contact acted together to each other and each other in the process of learning and innovation adoption study.

These various steps involved in the formation of attitudes towards a new site online food shopping stressing the importance of the "degree of familiarity with the brand." Note that each of these steps can lead or relinquish the adoption process or not, the next step in this process.

The different stages followed by the customers that have emerged from the interviews are (see [figure 2](#)):

1 – Understanding and accepting or not the concept proposed by the retailer which includes the arbitration made by the customer previously to the adoption of the innovation;

2 – Construing or not the new cognitive script allowing the customer to behave efficiently in front of the new concept proposed by the retailer. With this purpose the customer will discover the format and satisfy his curiosity about the new concept with both word of mouth and web-site visits. That will allow him to begin to understand how an innovation works and will try to look for his regular products on the web-site. Depending on his experience, he will attempt his first purchase or not. In case of negative script developed (wrong script), he may stop his purchasing process and leave the website.

3 – Construing the COS which implicates the organization's knowledge (D1); the customer's knowledge of his role (D2); the customer's mastering his role (D3); the degree of social integration (D4) as well as the customer's familiarity degree of the retailer.

4 – Workers in contact with the customers are important since they explain the innovation to the customers. Therefore they help the customer to understand and learn how to behave during the service encounter. Consequently, these employees help the customers to build correctly their cognitive script and to develop the Customer's Organizational Socialization. This will drive to more efficiency for both the customer and the retailer.

DISCUSSION ABOUT WHAT MAKES THE CONSUMER LEARN AND ADOPT A FORMAT INNOVATION FOR GROCERY

Our research therefore, identifies the different stages of learning and adopting a website of groceries, like Click & Carry. Meanwhile, this study has highlighted the significance of cognitive script in shaping the habit of shopping and the importance of change to adopt a new race format (Abelson 1976, 1981, Schank and Abelson 1977; Orsingher 1999, 2006; Hallegate and Nantel 2007).

On the basis of the results presented above, here are five main axes followed by the discussion:

1 - The process described here reinforces the formation of an attitude towards the innovation for grocery.

2 - Such results thus, reaffirm the importance of the cognitive script of the customer as far as it "helps the customer to adopt a suitable behavior during the service" (Orsingher 2006, p. 115). In the mean time, it underlines the acculturation problem that customers have to deal with while discovering a concept innovation for grocery. (Ladwein 2000)

3 – As shown in this paper, the customer socializes with the retailer – as an organization. Therefore, by trying to limit the cognitive cost of his learnings, the customer may look for a long-term relationship with the retailer since a peculiar system of consumption implies that the customer can experience a "feeling of disorientation " if he does not know this system; while the one who " masters his role feels comfortable and effective " (Goudarzi and Eiglier 2006, p. 75).

5 – The results highlight the importance of the staff in contact with the customers. They help the development of COS participating not only to the understanding of the proposed system of servuction, but also by helping the customer to master his role as well as developing the customer's degree of social integration. This point seems all the more important that " the credibility of the [retailer] external image is thus widely dependent (...) on the daily behavior of the co-workers which on the ground, consolidate it or on the contrary destroys it by the facts " (Pontier 1988, p. 7).

CONCLUSION

To conclude, using a qualitative study of seventy two customers and non customers from eight catchment areas of a website grocery online, allowed us to identify the process of adopting an innovation of size in grocery retailing.

In this context, we highlighted the different stages of learning and adoption of groceries websites in the first moments of the relationship between customers and retailers. Specifically, we identified the relationship between cognitive script and CSS. In doing so, we emphasized the importance of supporting the construction of the client's cognitive script at the launch of a new format for online grocery shopping and the important role played by the staff in contact with customers. And, after confirming the adaptability of the SOC and Eiglier Goudarzi (2006) in food retailing, we proposed a fifth dimension to this concept which is the degree of familiarity with the brand. We suggested then the contribution of the SOC on customer loyalty in a more long-term perspective.

Managerial implications of our work lie in the fact that our work enables businesses of food retailing to have levers of actions to facilitate each step of the process of adopting the new format for distribution by the client.

Finally, we propose several research avenues. In particular, future research might focus on the number of experiments needed to develop the cognitive script on online food shopping.

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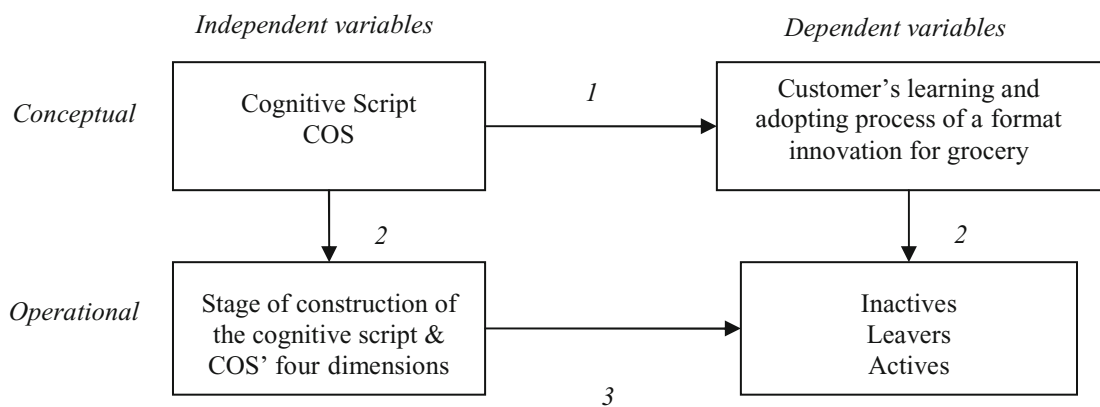
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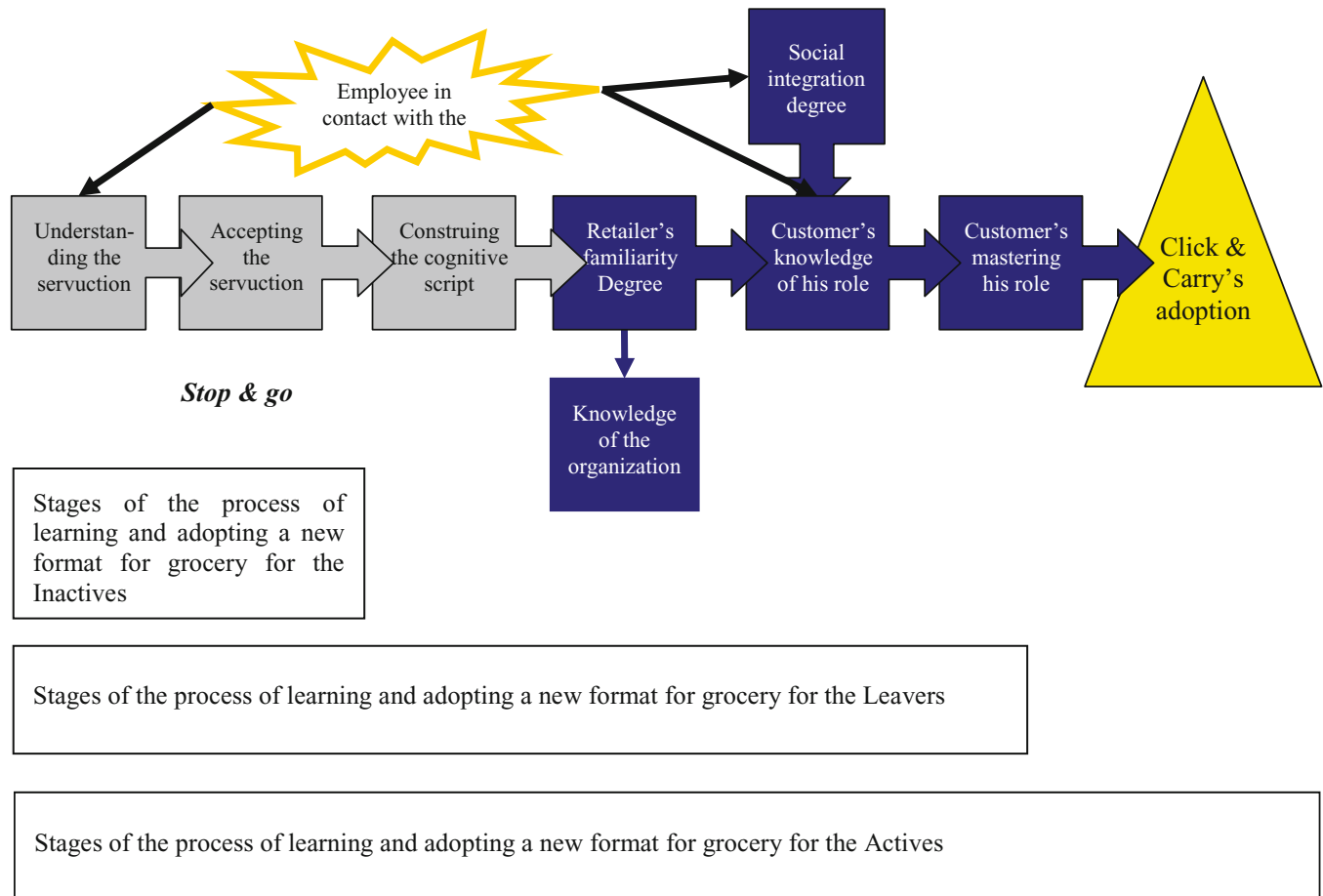
FIGURES

Figure 1 : Research summary



Source : Adapted from Libby et al. 2002

Figure 2: Stages of the process of learning and adopting a new format for grocery for the different types of customers interviewed



Wednesday, 20 July

Time: 4:00 PM

Session Number: **4.5: Dealing with negative emotions**

Session Chair: Pounders, Kate, *California State University - San Bernardino*

Consumer Responses to Swine Flu (H1N1) Threat and Fear Arousing Communications: The Case of Turkey

Dedeoglu, Ayla Ozhan, *Ege University*

Ventura, Ketii, *Ege University*

Overload Confusion, Stress and Coping in a Retail Setting

Brandstaetter, Marion, *Karl-Franzens-University Graz*

Foscht, Thomas, *Karl-Franzens-University Graz*

Negative Emotions Toward Luxury Goods: An International Comparison of Very Wealthy Consumers

Roux, Elyette, *Aix-Marseille Université*

de Barnier, Virginie, *Aix-Marseille Université*

Bacellar, Cristina, *École de Management de Normandie*

Mo, Tingting, *Aix-Marseille Université*

Why Do You Consume This Product Again? The Role of Consumption Guilt on Consumers' Behavior

Saintives, Camille, *Université de Reims*

CONSUMER RESPONSES TO SWINE FLU (H1N1) THREAT AND FEAR AROUSING COMMUNICATIONS: THE CASE OF TURKEY

Ayla Ozhan Dedeoglu, Ege University, Turkey
Keti Ventura, Ege University, Turkey

ABSTRACT

The present study aims to study the effect of consumers' perceptions of H1N1 threat and of succeeding fear emotions on their coping responses and intentions to be vaccinated in a naturalistic setting. The findings reveal that increasing levels of threat appraisal significantly increases fear emotions. Coping appraisal intervenes between fear emotions and coping responses. The results support the propositions of the Ordered Protection Motivation Model (OPMM). Information source, source credibility, rumors, public media news, reference groups' preferences and religious attitudes have moderating influences as well.

INTRODUCTION

World Health Organization has announced a high level of alertness for H1N1 pandemic in 2009 and 2010. Following that alert, the level of threat perceptions has escalated to a great extent. Discussions in the mass media, word-of-mouth communications and rumors about swine flu vaccine (SFV) have lead to immense fear and anxiety among Turkish people. Despite the campaign of Ministry of Health to vaccinate Turkish people for free, the success rate of the campaign was only around 50%. Previous studies have demonstrated that the level of consumers' fear emotions induced by external threats that might influence consumer health has profound impact on consumer attitudes and behavior (e.g. Stephenson and Witte 1998; Morman 2000; Witte and Allen 2000; Bredahl 2001; Eppright et al. 2002; Laros and Steenkamp 2004). Yet, in practice, the vaccination campaign did not accomplish its goal; several other factors, such as unsuccessful marketing communication activities and negative word-of mouth communications, initiated even by public authorities, and negative connotations of "swine" in a predominantly Muslim country, played role in its failure.

The present study reveals that success/failure in tracking word-of mouth communications and management of integrated marketing communications based on market knowledge can moderate the outcome of a social marketing campaign. Since unsuccessful campaign management triggered immense consumer fear and subsequent discussions and rumors, and even conspiracy theories among people at the end of 2009, the present study has also important implications for health and social marketing campaigns.

Moreover, since there is a negative connotation of swine in Turkey, a predominantly Muslim country, one can propose that a study about the level of perceived threat, consumers' fear emotions and their consumers' coping behaviors may reveal findings somewhat different from non-Muslim countries. Unlike the manipulative approach of laboratory experiments, the present study aims to study the effect of consumers' perceptions of H1N1 threat and of succeeding fear emotions on their coping responses and intentions to be vaccinated in a naturalistic setting, i.e. "in the sophisticated and overcrowded clutter of the real-world (Hastings et al. 2004)". Another aim is to validate a model of the effect of consumers' fear emotions, such as worry, fear, and nervousness, on coping responses and intentions and behavior. Additionally, the moderating influence of information source, source credibility, rumors, public media announcements, reference groups' preferences, and general attitudes are also analyzed.

DEFINING FEAR EMOTION AND FEAR APPEALS

Fear has been defined as a negatively valenced emotion, accompanied by a high level of arousal, and is frequently elicited by threat (Witte and Allen 2000; Gore and Bracken 2005). Fear emotion is a recognition of the sense of future danger posed and the consequent emotion of pain or nervousness caused (O'Neill and Nicholson-Cole 2009). It is an emotional response to the threat. In the process that a stimulus causes a response, cognitive appraisals, i.e. personal interpretations of characteristics of events that combine to cause particular emotions, also intervene. Appraised uncertainty, for instance, is one of the antecedent conditions causing fear. Different emotions with similar valences and levels of arousal can lead to different consumer behaviors (Watson and Spence 2007).

Fear is categorized as one of the basic emotions among others. Fear emotions, such as being afraid, panicky, scared, worried, nervous, tense can be grouped in this category (Shaver et. al 1987; Izard 1977; Watson and Spence 2007, Laros and Steenkamp 2004). These fear emotions may also overlap substantially when people are asked to name (Fehr and Russell

1984). Laros and Steenkamp (2004) noted that fear has been conceptualized as either as a simple state requiring only a single-item measure, as a uni-dimensional state but complex enough to require multiple indicator items, or as a multidimensional state that requires multiple-item indicators for each dimension.

Fear appeals are frequently employed by marketing practitioners, mostly in social marketing campaigns, to persuade consumers to cease undesired behaviors and/or adopt desired ones. Following Donovan and Henley (1997) and O'Neill and Nicholson-Cole's (2009) suggestions, the term fear appeal here is used to refer to threat appeals that evoke some level of cognitive and affective risk processing response, i.e. fear. Fear appeals include persuasive communication attempts to arouse fear among audience by disseminating various types of information to the general public, increasing the level of perceived severity of threat and perceived susceptibility to it, and consequently, to promote desired attitudes and behaviors and demote undesired ones (e.g. O'Neill and Nicholson-Cole 2009; Spence and Moinpour 1972). Studies about fear appeals have often addressed the health domain (e.g. Gore and Bracken 2005; Hastings, Stead and Webb 2004; Witte and Allen 2000); they are utilized for disease prevention/health promotion behaviors such as quitting smoking, avoidance of alcohol usage while driving and exercising.

ANTECEDENTS AND CONSEQUENCES OF CONSUMER FEAR EMOTIONS

Several models and theories that try to explain fear emotions, and its antecedents and cognitive and emotional affects on behavior have been proposed in the literature; some of them are fear-drive model, the inverted-U model, parallel-response model, extended parallel processing model (EPPM), expectancy value model, and protection motivation model (PMM) (for a review, see Hastings et al. 2004; Witte 1992; Witte and Allen 2000). The antecedents included in these models are threat severity and susceptibility, fear, response- and self-efficacy, attitudes, cues to action (word-of-mouth, advice from others, news etc.). Personal interpretations (cognitive appraisals) of characteristics of events and its antecedents cause specific emotions (Bagozzi et al. 1999; Watson and Spence 2007; Lazarus 1991). Threat appraisals and fear emotions result in maladaptive fear control and adaptive danger control actions and changes in attitudes and/or behaviors (e.g. Eppright et al. 2002; Leventhal 1970; Quinn et al. 1992; Rogers 1975; Vincent and Dubinsky 2005, Witte 1998).

Despite the great deal of interest in the field, evidence on the effectiveness of fear appeals in the literature appears inconclusive; the empirical findings are inconsistent, if not contradictory (e.g. O'Neill and Nicholson-Cole 2009; Rotfeld 1988; Hastings et al. 2004, Witte 1992). Contrary to evidences for a linear and positive association between fear arousal and attitude and/or behavior change (e.g. Prentice-Dunn et al. 2009; Rotfeld, 1988, Witte and Allen 2000), the curvilinear or inverted-U model (Quinn et al. 1992) hypothesizes that fear appeal can persuade up to a certain threshold of tolerance, beyond which it becomes counterproductive; a moderate amount of fear arousal produce the most attitude change. Yet, Witte and Allen (2000) asserted that none of the meta-analyses found support for a curvilinear association between fear appeal strength and message acceptance. They propose that it is threat severity, susceptibility, and perceived efficacy (the perceived ability to make the behavior change advocated in the message) that moderate the effect of fear on attitude and behavior change. Another explanation why fear appeals have both weaker effects and unintended reactions and why most threat or fear appeal theories fail in explaining the effects of fear on attitude and behavior change has come from Eppright et al. (2002); they posit the presence of maladaptive coping responses (MCRs), that remove fear emotions, yet fail to lessen or remove the actual threat. Moreover, in the context of a macro-environmental issue, fear may also be an ineffective tool for motivating genuine personal engagement (O'Neill and Nicholson-Cole 2009).

According to the EPPM, emotional and cognitive factors act independently to mediate behavior (Hastings et al. 2004, Witte and Allen 2000). Appraisals of threat (severity and susceptibility) and efficacy (response- and self-efficacy) produce parallel perceptions, which interact to produce either adaptive danger control actions, such as self-protective attitudes and behaviors, or maladaptive fear control actions, such as defensive avoidance, denial, and reactance (Witte 1992). Efficacy determines the nature of the response; high-efficacy perceptions result in adaptive danger control actions and low-efficacy perceptions result in maladaptive fear control actions. According to EPPM, threat appraisals do not only evoke fear emotions as suggested in PMM (Rogers 1983; Tanner et al. 1991). They evoke two competing emotional responses; motivation for defense mediated by fear emotions and motivation for protection. Protection motivation mediates the intent to perform the coping behavior (Rogers 1975); individuals with high protection motivation accept the message and try to control the danger via adaptive coping responses (ACRs). Individuals with high level of fear emotions develop defensive motivations, resist the message and try to control their fear via MCRs (Gore and Bracken 2005; Sternthal and Craig 1974; Tay et al. 2001; Witte and Allen 2000).

The PMM, originally developed by Rogers (1975) captured only the danger control process. It is subsequently expanded by Rogers (1983) and Tanner et al. (1991) to include efficacy and MCRs. It maintains two cognitive processes; threat appraisal

and coping appraisal. Threat appraisal refers to cognitive processing of severity of threat and probability of occurrence. The higher the severity of the threat and the higher the probability of occurrence, the greater the fear experienced. Coping appraisal involves individuals' assessment of response (the perceived ability of a coping behavior to remove the threat) and self efficacy (individual's perceived ability to perform the coping behavior). Fear affects the extent to which certain ACR or MCR are adopted, which in turn influences behavior (e.g. Prentice-Dunn et al. 2009; Tanner et al. 1991, Tay et al. 2001; Vincent and Dubinsky 2005). According to the ordered PMM (OPPM), threat appraisal occurs prior to coping appraisal. Unlike Rogers (1983), Tanner et al. (1991) focused on fear as mediator to coping appraisal.

While adaptive coping includes dealing with the fear cognitively and trying overcome the threat by utilizing rational problem solving in a high perceived threat/high perceived efficacy situation, maladaptive coping does not include directly managing the threat. To reduce anxiety (but not the threat itself) in a high perceived threat/low perceived efficacy situation, people consciously or unconsciously utilize defense mechanisms such as avoidance, fatalism, or religious faith reliance (RFR) (e.g. Eppright et al.2002; Rippetoe and Rogers 1987; Vincent and Dubinsky 2005; Tanner et al. 1991; Umeh 2004; Witte, 1992). Vincent and Dubinsky (2005) noted that fear does not influence the development of an ACR rather; it affects the likelihood of considering a MCR. While avoidance refers to the denial of the threat, fatalism is about the acceptance of a stressful event as unmanageable and doing nothing to avert the threat. Reliance on religious faith is related to having faith in God's rule and power to avert the threat (Eppright et al. 1991)

Source credibility and word-of-mouth communications have moderating influence on the persuasiveness of fear appeals (Rotfeld 1988; Witte and Allen 2000). When source credibility (trustworthiness or expertise) is high, it would be difficult for consumers to discredit the source, and thus, change their behavior and attitude would be in the direction of the persuasive message (Sternthal and Craig 1974). When there is more than one trustworthy source sending conflicting messages, consumers may suffer confusion. In a cluttered communication environment full of rumors and conflicting word-of-mouth communications, the influence of fear appeal may also weaken.

FIELD STUDY

Unlike the manipulative approach of laboratory experiments, the present study aims to study the effect of consumers' perceptions of H1N1 threat and of succeeding fear emotions on their coping responses and intentions to be vaccinated in a naturalistic setting, i.e. "in the sophisticated and overcrowded clutter of the real-world (Hastings et al. 2004)". Another aim is to validate a model of the effect of consumers' fear emotions, such as worry, fear, and nervousness, on coping responses and intentions and behavior.

Data is collected by means of a questionnaire that includes statements about threat perception, fear emotions, coping appraisals (response and self efficacy), ACRs and MCRs, moderator variables (information source, source credibility, rumors, public media announcements, reference groups' preferences, general attitudes), and behavioral and intentional outcomes. Participants were asked to answer the question "Are you vaccinated?" concerning their intention to be vaccinated, using the options "no", "undecided", "intent to get vaccinated", or "yes". Scales that aim to measure adaptive (rational problem-solving and adaptive behavior intentions) and maladaptive coping responses (avoidance, fatalism, and RFR) were adapted from Eppright et al. (2002) and Rippetoe and Rogers (1987). Laros and Steenkamp's (2004) 5-point unipolar scale of fear emotions (being scared, afraid, panicky, worried, nervous, tense) ranging from 'I feel this emotion not at all (1)' to 'I feel this emotion very strongly (5)' was utilized. Internal consistency reliability of each scale was found satisfactory.

Due to the budget limitations, the study was conducted only in Izmir, 3rd biggest metropolitan city of Turkey. The sample was structured so as to match Izmir's demographic profile provided by Turkish Statistical Institute with a level of statistically acceptable deviation. After a pilot test with 50 respondents, the questionnaire was revised so that inapplicable questions and ambiguous wording could be avoided. 531 usable questionnaires were collected. The demographic profiles of the respondents appear in [Table 1](#). Majority of the respondents did not intend to get vaccinated with SFV (83,2%) and did not believe that they belonged to higher risk groups for H1N1 pandemic (44%), while 27% of the respondents had no idea whether they are in the risk group or not.

Respondents' threat perceptions ($t_{529}=10,8$ $p<,05$), self-efficacy ($t_{530}=10,0$ $p<,05$) and response efficacy ($t_{528}=11,7$ $p<,05$) were at medium to high level, while susceptibility ($t_{425}=12,3$ $p<,05$) was low.

Findings related to fear emotions and coping responses

All the fear emotions were reported at medium or high levels. Among fear emotions, being afraid had the first highest rank, worry has the second and, nervousness had the lowest (Friedman $\chi^2_5=186$ $p<.05$). Respondents felt scared (Friedman $\chi^2_4=86$ $p<.05$), afraid (Friedman $\chi^2_4=63$ $p<.05$), worried (Friedman $\chi^2_4=93$ $p<.05$), and panicky (Friedman $\chi^2_4=48$ $p<.05$) mostly due to the side effects and ingredients of the vaccine. They felt nervous (Friedman $\chi^2_4=50$ $p<.05$) and tense (Friedman $\chi^2_4=61$ $p<.05$) mostly due to declarations of health authorities and media reports.

Bivariate correlations between each fear emotions ranged from 0.54 to 0.71 and were found significant at 99% confidence level. The internal consistency reliability coefficient Cronbach's alpha of the each of the fear emotions (scared, afraid, panicky, worried, nervous, and tense) scale ranged from 0.88 to 0.93.

Findings related to coping responses

The test for several related samples revealed that reported coping responses of respondents are mostly ACRs, followed by followed by MCRs (avoidance, fatalism and RFR respectively (Friedman $\chi^2_{12}=2185$ $p<.01$)). RFR was found to be the least adopted MCR. Other statistics (Table 2) also revealed that they try to avert the threat by utilizing rational problem solving. Yet, their ACRs mostly include rational problem solving options other than being vaccinated with SVF. Consumers tried to avert the H1N1 threat via a healthy diet, emphasis on personal hygiene. These were recommended by health authorities as rational solutions to lessen the threat as well. Therefore, ACRs are operationalized so as to include SFV and also other means as coping solutions.

The respondents who do not intend to be vaccinated significantly reveal avoidance behaviors that others, who are vaccinated, have intentions to get vaccinated or are not yet decided. They agree that if they checked the news on SFV regularly, they would think about the risks it may create on health more often ($F_{3/501}=14.01$ $p<.05$), and since they don't want to be vaccinated, they have not decided whether or not to examine the ingredients of SFV ($F_{3/501}=9.19$ $p<.05$) stronger than others.

Model Estimations

The effect of threat perceptions and consumers' fear emotions on coping behaviors and intentions to be vaccinated was estimated by structural equation modeling (SME). SME enabled testing various conceptual models in the current context. In an attempt to test the significance of associations between the variables path analysis was used. The hypotheses tested in the model (Figure 1) are developed so as to investigate both direct and indirect influences;

H1a/b/c/d/e: Higher levels of threat appraisal will lead to (a) higher levels of fear emotions, (b) higher levels of response efficacy, (c) higher levels of self-efficacy, (d) higher levels of MCR and (e) higher levels of ACR

H2a/b/c/d: Higher levels of fear emotions will lead to (a) higher levels of response efficacy, (b) higher levels of self-efficacy, (c) higher levels of MCR and (d) higher levels of ACR.

H3a/b: Higher levels of response efficacy will lead to (a) higher levels of MCR and (b) higher levels of ACR.

H3c/d: Higher levels of self- efficacy will lead to (c) lower levels of MCR and (d) higher levels of ACR.

H4a/b: (a) ACRs (b) MCRs influence intentions/behavior of consumers.

Due to the high collinearity, fear emotions are clustered to attain broader fear constructs; "afraid-scared", "panicky-worried" and "nervous-tense". High collinearity might support the hypothesis that fear emotions overlap substantially when people are asked to name (Fehr and Russell 1984).

The model (Figure 1) that best explains the associations supports the OPMM with minor deviations. The results (Table 3) revealed that the majority of the hypotheses are supported. Model fit was satisfactory ($\chi^2_4=6,765$ $p=.149$ CFI=.998 RFI=.965 RMSEA=.036). Increasing levels of threat appraisal strengthened the fear emotions (H1a supported, $p < .05$), response efficacy (H1b supported, $p < .05$), self-efficacy (H1c supported, $p < .05$), MCRs (H1d supported, $p < .05$) and ACRs (H1e supported, $p < .05$). Among fear emotions, "afraid-scared" was the dominant emotion felt against the H1N1 threat. Higher levels of fear emotions increased response efficacy (H2a supported, $p < .05$). Yet, although the effects of fear emotions on self efficacy are significant, the effects of feelings of afraid-scared and panicky-worried on self efficacy were found negative, while the effect of nervous-tense feelings was positive. The nervous-tense respondents felt that they are able to perform the recommended coping behavior, i.e. be vaccinated, while others did not. Yet, these affects are small and negligible when all fear emotions are considered aggregately (Table 3). Threat appraisals influenced coping appraisals directly; some respondents may be unwilling to reveal their fear, or without recognizing the nature or intensity of their emotional reaction, respondents may have appraised the severity of threat and response and self-efficacy. This finding may need further exploration.

Although, the data did not provide support for H2c and H2d and none of the fear emotions appeared to influence MCR and ACR directly, response efficacy had positive direct affects on MCRs (H3a supported, $p < .05$) and ACRs (H3b supported, $p < .05$). Higher levels of self efficacy lead higher levels of ACR (H3d supported $p < .05$), lower, but insignificant, levels of MCR (H3c not supported, $p > .05$). Thus, in case of H1N1 threat, coping appraisal intervenes between fear emotions and coping responses.

The data provided support for H4a and H4b; MCRs and ACRs directly influenced the individuals' intentions to be vaccinated. When consumers perform MCRs to avoid the threat and lessen their fear, their intentions to be vaccinated weaken. Yet, when they cope with the threat via ACR, they tend to be vaccinated.

The results of the present study support the general propositions of the Ordered Protection Motivation Model suggested by Tanner et al. (1991). High level of perceived threat severity increases fear emotions. Yet, different from the proposed model, high threat levels do not decrease ACRs, they increase ACRs in addition to MCRs. The reason of this deviation may rest in the fact that in the present study, ACRs are operationalized so as to include SFV and also other means as coping solutions, such as having a healthy diet, recommended by health authorities as rational solutions to lessen the threat. Thus, in the present case, the findings are not truly deviant. High threat levels increase ACR that also include solutions next to SFV.

Findings Related to Moderators

The more the respondents collected information from scientific sources, the less they felt afraid-scared ($r_{518} = -.1$ $p < .05$), the more they reveal ACRs ($r_{523} = .26$ $p < .05$), and the more they tend to get the SFV ($r_{511} = .15$ $p < .05$). The more the respondents collected information from public media, the more they felt afraid-scared ($r_{516} = .18$ $p < .05$) and panicky-worried ($r_{513} = .17$ $p < .05$), the more they reveal MCRs ($r_{503} = .15$ $p < .05$), and the less they tend to get the SFV ($r_{509} = -.16$ $p < .05$). Furthermore, the more the respondents collected information from peer groups, the more they felt afraid-scared ($r_{516} = .1$ $p < .05$), and the more they reveal MCRs ($r_{502} = .12$ $p < .05$).

The correlations between fear emotions and credibility of the information sources are usually not significant, with some exceptions. The more the respondents deemed the Ministry of Health as a reliable source, the less they felt afraid-scared ($r_{518} = -.133$ $p < .05$), and the more they tend to get the SFV ($r_{511} = .31$ $p < .05$). Furthermore, the more the respondents rely on their peers and public media as reliable sources, the more they reveal MCRs ($r_{505} = .29$ and $r_{505} = .25$ $p < .05$) respectively).

The moderating influence of rumors, public media news, reference groups' preferences were prominent; the more the respondents are negatively affected from rumors, the more they felt afraid-scared ($r_{515} = .29$ $p < .05$), panicky-worried ($r_{512} = .29$ $p < .05$), nervous-tense ($r_{520} = .17$ $p < .05$). Rumor can be assessed as a quasi-moderator (Sharma et. al.1981) between afraid-scared emotion ($r_{524} = .17$ $p < .05$) and self efficacy ($r_{524} = -.02$ $p < .05$). The interaction effect is significant, beta coefficient is 1,15 ($t = 2,79$ $p < .05$); rumors strengthened the relation. Furthermore, the more the respondents are negatively affected from public media news, the more they felt afraid-scared ($r_{514} = .27$ $p < .05$), panicky-worried ($r_{511} = .30$ $p < .05$), nervous-tense ($r_{519} = .20$ $p < .05$), and the less they tend to get the SFV ($r_{518} = -.10$ $p < .05$). The more the respondents are affected from reference groups' negative attitudes against SFV, the more they felt afraid-scared ($r_{516} = .28$ $p < .05$), panicky-worried ($r_{513} = .26$ $p < .05$), nervous-tense ($r_{521} = .18$ $p < .05$), and the less they tend to get the SFV ($r_{509} = -.10$ $p < .05$).

Moreover, the respondents' general attitudes also have significant effect on how they feel. For instance, the more the respondents find the SFV religiously impermissible, the more they felt afraid-scared ($r_{510} = .10$ $p < .05$) and nervous-tense ($r_{514} = .15$ $p < .05$) and the more they reveal MCRs ($r_{518} = .51$ $p < .05$). There were positive correlations between confusion felt due to the importation of the SFV and feeling afraid-scared ($r_{514} = .28$ $p < .05$), panicky-worried ($r_{511} = .25$ $p < .05$), nervous-tense ($r_{520} = .20$ $p < .05$). The more respondents felt confused due to the importation of the SFV, the less they intend to get vaccinated ($r_{507} = -.14$ $p < .05$). Some conspiracy theories, such as Turkey's being used as a test laboratory, made the respondents feel themselves afraid-scared ($r_{515} = .23$ $p < .05$), panicky-worried ($r_{512} = .17$ $p < .05$), nervous-tense ($r_{520} = .20$ $p < .05$), and the less they tend to get the SFV ($r_{508} = -.33$ $p < .05$). The more the respondents believed that vaccination has commercial purposes, the more they felt afraid-scared ($r_{515} = .19$ $p < .05$), panicky-worried ($r_{512} = .13$ $p < .05$), nervous-tense ($r_{520} = .12$ $p < .05$), and the less they tend to get the SFV ($r_{508} = -.29$ $p < .05$).

There is no significant relationship between socio-demographic characteristics, such as education level, of the respondents and threat perceptions, response efficacy, fear emotions, and intentions to be vaccinated.

CONCLUSION

The present study aims to study the effect of consumers' perceptions of H1N1 threat and of succeeding fear emotions on their coping responses and intentions to be vaccinated. Another aim is to validate a model of the effect of consumers' fear emotions, such as worry, fear, and nervousness, on coping responses and intentions and behavior. Findings revealed that respondents felt scared, afraid, worried, and panicky mostly due to the side effects of the vaccine and its ingredients, while they felt nervous-tense mostly due to conflicting declarations of health authorities and media reports. Considering these findings, one can suggest nervousness and tension mostly arose because failure in marketing communications, while other fear emotions arose due the more central aspects of the threat. It was found that respondents try to avert the threat by utilizing ACRs followed by MCRs (avoidance, fatalism and RFR respectively). Furthermore, the more the respondents found the SFV religiously impermissible, the more they felt afraid, scared, nervous and tense, and the more they revealed MCRs. Considering the findings, one can propose that religious attitudes may have an effect of the threat perceptions because of the negative religious connotations of swine in Turkey. Yet, future studies are still needed to further address those negative religious connotations and its influence on Turkish consumer's attitudes fully.

Consistent with the literature, increasing levels of threat appraisal increased the fear emotions, response efficacy, self-efficacy, MCRs and ACRs. Higher levels of fear emotions increased response efficacy. Yet, the effects of fear emotions on self efficacy varied; the respondents, who felt nervous and tense, felt, that they are able to perform the recommended coping behavior, i.e. be vaccinated, while others did not. However, it is also possible to suggest this affects are small and negligible when all fear emotions are considered aggregately. The findings also revealed that, in case of H1N1threat, coping appraisal intervenes between fear emotions and coping responses. Moreover, consumers who performed MCRs, their intentions to be vaccinated weaken. Yet, when they cope with the threat via ACRs, they are willing to be vaccinated. The results of the present study support the propositions of the OPMM (Tanner et al.1991). Yet, different from that model, high threat levels do not decrease ACRs, they increase ACRs in addition to MCRs. The reason of this deviation may rest in the fact that in the present study, ACRs are operationalized so as to include SFV and also other means, such as a healthier diet, recommended by health authorities as rational solutions as well. Thus, in the present case, the findings are not truly deviant. High threat levels increase ACR.

It was found that information source, source credibility, rumors, public media news, reference groups' preferences, and general attitudes have moderating influences. Collecting information from scientific sources weakened fear emotions, and improved rational responses, and intentions to be vaccinated. On the other hand, public media and peer groups acted as agents that strengthen consumers' fear emotions and their tendency to reveal MCRs. It is possible to suggest that when health authorities are seen as credible agents that provide scientific information, discourage fear inducing media communications, and track and eliminate rumors and conspiracy theories via integrated marketing communications, their practices can help to weaken consumers' fear emotions and strengthen their adaptive coping responses.

This study is not without limitations; the sample might not represent the general Turkish population. So as to validate the model and enhance the explanations, diverse cases and contexts can be researched; for instance, including research samples representing different cultures may enable comparisons. Moreover, the quantitative method of this study did not sufficiently allowed exploration how negative connotation of swine in Turkey, a predominantly Muslim country, influenced consumer perceptions and attitudes.

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TABLES

Table 1: Demographic Characteristics of the Respondents

Gender	N	Valid Percent	Marital Status	N	Valid Percent	Income	N	Valid Percent
Male	282	53,4	Married	249	49,5	Lower	206	39,1
Female	246	46,6	Single	254	50,5	Medium	272	51,6
Total	528	100	Total	503	100	Upper	49	9,3
						Total	527	100
Age			Occupation			Education		
15-21	80	15,2	Manager	12	2,3	Illiterate	3	0,6
22-28	161	30,7	Private sector employee	96	18,1	Literate	2	0,4
29-35	87	16,6	Public sector employee	62	11,7	Primary School	30	5,6
36-42	61	11,6	Professional	44	8,3	Secondary	39	7,3
43-49	75	14,3	Small-scale trader	48	9,1	School	134	25,2
50-56	49	9,3	Large-scale trader	10	1,9	High School	295	55,6
57-63	8	1,5	Student	135	25,5	Undergraduate	28	5,3
64-70	4	0,8	Retired	38	7,2	Graduate +	531	100
Total	525	100	Housewife	61	11,5	Total		
Mean=33,38			Unemployed	13	2,5			
Std.dev.=11,55			Other	11	2,1			
			Total	530	100			

Table 2. Statistics About Coping Responses

	Statements	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	t-value d.f.
	Maladaptive Coping Response Items	N (Valid Percent)					
Avoidance	If I checked the news on SFV regularly, I would think about the risks it may create on health more often.	24 (4,5)	79 (14,9)	104 (19,7)	222 (42,0)	100 (18,9)	11,72 528
	Since I don't want to be vaccinated, I have not decided whether or not to examine the ingredients of SFV.	76 (14,5)	137 (26,1)	89 (17,0)	134 (25,5)	89 (17,0)	,75 ⁺ 524
Fatalism	Examining ingredients of SVR won't do any good; it'll cause health problems anyway.	91 (17,3)	172 (32,8)	153 (29,1)	69 (13,1)	40 (7,6)	-7,83 524
	Only in time we will observe harms caused by swine flu vaccine, nothing can be done about it	53 (10,1)	127 (24,1)	109 (20,7)	136 (25,8)	102 (19,4)	3,64 526
	If you are destined to suffer from swine flu; there is nothing you can do about it	17 (3,2)	43 (8,1)	51 (9,6)	182 (34,4)	236 (44,6)	23,39 528
Religious Faith Reliance	In case I suffer from swine flu, I pray and turn to God for salvation.	29 (5,5)	51 (9,7)	76 (14,4)	149 (28,2)	223 (42,2)	17,61 527
	My faith in God helps me to cope with the swine flu threat.	31 (5,9)	63 (12,0)	72 (13,7)	159 (30,2)	202 (38,3)	15,57 526
	In my point of view, SFV is religiously not permissible	18 (3,4)	40 (7,6)	93 (17,6)	133 (25,2)	244 (46,2)	21,22 527
	Adaptive Coping Response (ACR) Items						
Rational Problem	I'd rather have diet that includes herbal tea, fruits and vegetables than being vaccinated.	185 (35,0)	206 (39,0)	76 (14,4)	40 (7,6)	21 (4,0)	-20,0 527
	I am motivated to learn more about the effects of SFV on health.	30 (5,7)	110 (20,8)	143 (27,1)	181 (34,3)	64 (12,1)	5,53 527
	Using anti-bacterial cleaning products makes me feel better against the swine flu threat.	105 (19,8)	244 (46,1)	72 (13,6)	82 (15,5)	26 (4,9)	-12,5 528
Intentions	I plan to have a healthy diet to fight against swine flu.	203 (38,4)	251 (47,5)	42 (8,0)	24 (4,5)	8 (1,5)	-30,9 527

	I plan to use personal hygiene products to fight against swine flu.	178 (33,8)	254 (48,2)	42 (8,0)	41 (7,8)	12 (2,3)	-24,6 526
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Notes: (1) Test value for one sample t-test was 3: Neither agree nor disagree. (2) ⁺ indicates insignificant results

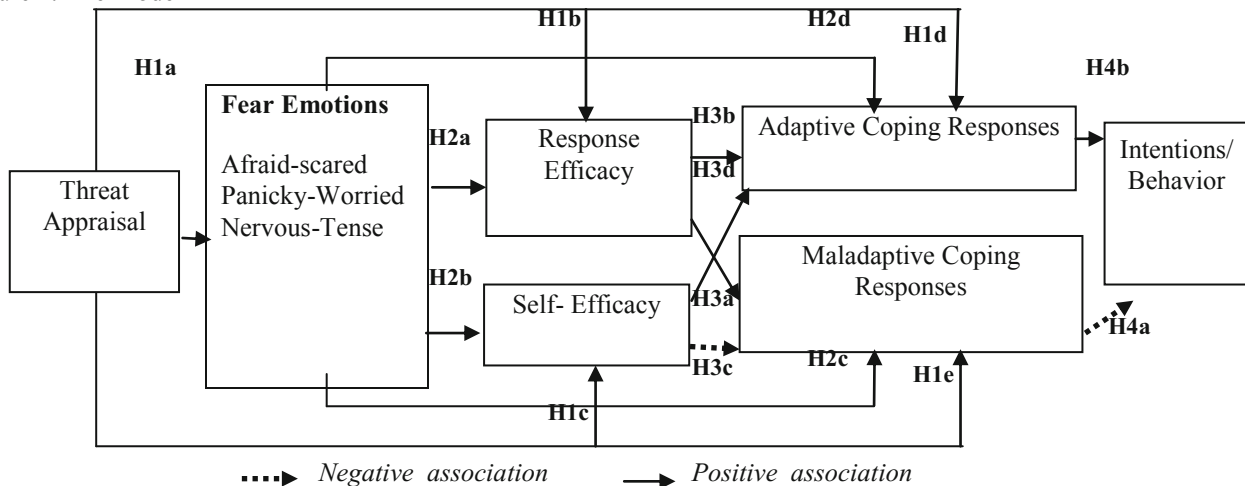
Table 3. Path Analysis Effects

		Independent Variables						
Dependent Variables		Threat appraisal	Response efficacy	Self-efficacy	Fear emotions			
					afraid-scared	panicky-worried	nervous-tense	MCR
								ACR
	Fear Emotions							
	afraid-scared	0,115 0,115 0,000	0	0	0	0	0	0
	panicky-worried	0,115 0,115 0,000	0	0	0	0	0	0
	nervous- tense	0,083 0,083 0,000	0	0	0	0	0	0
	Response efficacy	0,148 0,117 0,031	0	0	0,095 0,095 0,000	0,099 0,099 0,000	0,101 0,101 0,000	0
	Self efficacy	0,157 0,156 0,001	0	0	-0,027 -0,027 0,000	-0,007 -0,007 0,000	0,059 0,059 0,000	0
	MCR	0,234 0,208 0,026	0,136 0,136 0,000	-0,022 ⁺ -0,022 0,000	0,096 ⁺ 0,063 0,013	-0,033 ⁺ -0,046 0,014	0,076 ⁺ 0,000 0,076	0
	ACR	0,219 0,145 0,074	0,235 0,235 0,000	0,199 0,199 0,000	0,108 ⁺ 0,091 0,017	-0,060 ⁺ -0,082 0,022	0,122 ⁺ 0,086 0,036	0
	Behavior	-0,186 0,000 -0,186	0	0	0	0	0	-1,494 -1,494 0,000
								0,752 0,752 0,000

Notes: (1) The rows show total, direct, and indirect effects respectively. (2) ⁺ indicates insignificant results

FIGURES

Figure 1. The Model



OVERLOAD CONFUSION, STRESS AND COPING IN A RETAIL SETTING

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ABSTRACT

Today's consumers are often faced with an overchoice situation that can result in dysfunctional consequences for the consumer, e.g. (overload) confusion or stress. Although previous research has discussed negative emotions and potential confusion reduction strategies theoretically, the concept of overload confusion has not been linked to stress and coping theory. Therefore, this study investigates if overload confusion evokes feelings of stress in terms of threat and challenge emotions and which coping strategies consumers employ in the context of grocery shopping. The results show that threatened consumers use emotion-focused coping strategies more often, whereas challenged consumers predominantly engage in problem-focused coping.

References available upon request

**NEGATIVE EMOTIONS TOWARD LUXURY GOODS:
AN INTERNATIONAL COMPARISON OF VERY WEALTHY CONSUMERS**

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ABSTRACT

This paper explores the previously unstudied emotions, especially of a negative variety, that very wealthy customers experience when they consume luxury goods and services. We conducted an interpretative, qualitative study in China and Brazil that focused on very affluent consumer's group. We carried out 29 in-depth interviews with 14 wealthy Brazilian and 15 Chinese consumers. We compared the Brazilian and Chinese samples with a classification that distinguishes between the primary emotions of anger, fear, and sadness as well as secondary emotions such as guilt and shame, also considered as self-conscious emotions. Our results show that wealthy Brazilian and Chinese consumers experience negative emotions that are similar in many respects, but differ in others. "Gaining face" is a very important issue in Chinese culture and, therefore, stands out for Chinese wealthy people. In contrast, being born in an already rich family or "having a cradle" as expressed by Brazilians interviewees, is a source of pride for Brazilian consumers. Wealthy consumers in both cultures fear violence and being envied. However, the Chinese participants more specifically expressed a fear of being different in a collective culture and a fear of losing face. We only observed a concern for the devaluation of luxury products among the Chinese participants. The phenomenon of new rich consumers' improper behavior and consumption provoked two different reactions between the samples: the Brazilians reported anger, and the Chinese reported sadness. Finally, Brazilian informants tended to slightly express more guilt and no shame, whereas Chinese informants expressed more shame.

References available upon request

WHY DO YOU CONSUME THIS PRODUCT AGAIN? THE ROLE OF CONSUMPTION ON CONSUMER'S BEHAVIOR

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ABSTRACT

This article presents the results from a qualitative study of consumption guilt with regard to how it influences consumer's behavior. By analyzing the consequences of consumption guilt, this research helps to understand why consumers keep purchasing and consuming guilt-inducing products. The study shows that three main categories of outcomes are found to be associated with consumption guilt: coping strategies – more specifically positive reinterpretation, acceptance, seeking social support, planful problem solving and rumination – satisfaction/dissatisfaction and intention to repurchase. We conclude with implications, limitations and directions for future research.

INTRODUCTION

A great body of research has shown that emotions play a central role in determining consumer's behavior. Although a large number of emotional responses exist, all of them did not receive the same attention. To date, marketing research has surprisingly paid little attention to guilt in a consumption context (Dahl, Honea and Manchanda 2003), although many studies on psychology, sociology, psychiatry and philosophy found that guilt can be a factor influencing behavioral tendencies (Bozinoff and Ghingold 1983).

Feelings of guilt may arise in many aspects of the everyday consuming life, from both purchasing and consuming products. For example, individuals exhibit guilt because they have bought an unrecyclable product, smoked cigarettes, spent a lot of money in an unneeded product, eaten unhealthy foods or made impulsive purchases. People consume many products and services which make them feel guilty. When feeling guilt, they experience feelings of regret and remorse over the “bad thing done” (Tangney 1995), and feel really bad about what has happened. Feelings of guilt may therefore discourage individuals from consuming some products they associate with guilt. However and quite surprisingly, people keep buying and consuming guilt-related products.

Lately, foods companies have become aware that consumption guilt could have an effect on consumer's behavior. They now use claims such as “guilt-free snacks”, “guilt-free chocolate” or “hot dog without (too much) guilt” to keep people buying guilt-inducing products. The claims imply that consuming these products is a pleasant experience that will not make the consumer feel guilty.

In this light, a number of potential research questions arise: Why do consumers keep consuming guilt-inducing products, while this consumption put them in a negative and stressful emotional state? What are the consequences of consumption guilt on consumers' behavior?

In the next section, an overview of the literature on the concept of guilt in both psychology and marketing is first presented. This review highlights that guilt in marketing remains poorly understood, implying the need to get a better understanding of it and its effect on consumer behavior. Thus, the findings of a qualitative research to investigate the role of consumption guilt on consumer's behavior are reported. Finally, we discuss limitations, implications and directions for future research.

OVERVIEW

Many problems arise when it comes to define guilt. Indeed, people use and define the concept of guilt in imprecise, multiple and conflicting ways (Baumeister, Stillwell and Heatherton 1994). A second difficulty rests in the fact that guilt and shame are sometimes used interchangeably whereas some studies found that they refer to distinct experiences (Tangney 1995; Tangney and Fisher 1995).

Guilt: Psychological Definitions and Characteristics

Guilt has been shown to be a multidimensional construct, which possesses both affective and cognitive dimensions (Kubany and Watson 2003). Kugler and Jones (1992) defined guilt as “a dysphoric feeling associated with the recognition that one violated a personally relevant moral or social standard”. Guilt can be described as a negative and self-conscious emotion

caused by the violation or a potential violation of an internal moral, societal or ethical standard (Baumeister, Stillwell and Heatherton 1994; Lascu 1991). Individuals exhibit regret over the “bad thing done” (Tangney 1995), feeling of guilt being likely to be accompanied by a sense of wrongdoing. For instance, people feel guilty about not having done their work, forgetting a birthday, spending money on an unneeded stuff... Feelings of guilt were more likely when they have some control over the outcome (Burnett and Lunsford 1994). Moreover, guilt leads people to experience dissonant cognition. According to dissonance theory (Festinger 1957), a person will experience cognitive dissonance if he/she has violated personal norm or value and that he/she felt responsible for that behavior. The person will try to reduce these negative inconsistencies and avoid situation and behavior that will increase the dissonance. Since guilt can be defined as a violation of personal values or standards, the two definitions present strong similarities. When an individual experiences feelings of guilt, he/she is experiencing dissonant cognition. Thus, feeling of guilt leads consumer to a disturbing emotional state.

However, guilt can have positive aspects. When feeling guilt, individual not only assumes the responsibility for his action but also undertakes a variety of actions (Frijda 1986). In this way, guilt leads people to engage in reparative actions (Dahl, Honea and Manchanda 2005) and try to reduce, as much as possible, the level of this feeling (Ghingold 1981).

Guilt Research in Marketing

In a consumption context, Burnett and Lunsford (1994) defined guilt as “a negative emotion which results from a consumer decision that violates one’s values or norms”. These authors found that most of guilt-related experiences are related to finance, health, moral and social responsibility. From this perspective, people report feeling guilt about shopping expensive clothes, eating a high-fat cake, not recycling, smoking, etc.. Guilt can occur before (anticipatory guilt) and after (reactive guilt) the purchase decision. By considering consumption guilt, we only take reactive guilt into account.

Feeling of guilt in a consumption context has received little attention from marketing scholars. Many studies have analyzed the effects of guilt appeals on consumer’s behavior in advertising (e.g. Bozinoff and Ghingold 1983; Cotte, Coulter and Moore 2005), social marketing (Brennan and Binney 2010) and charitable giving (e.g., Basil, Ridgway and Basil 2008; Hibbert et al. 2007). These studies highlighted guilt appeals as a factor influencing people to adopt an intended behavior. Moreover, guilt was shown to play a great role in the effectiveness of sales promotions (Strahilevitz and Myers 1998), gift-with-purchase promotions (Lee-Wingate and Corfman 2009) and direct marketing (Dahl, Honea and Manchanda 2003).

Surprisingly, little research has focused on consumption guilt and its outcomes. Burnett and Lunsford (1994) identified four dimensions of consumer guilt - finance, health, moral and social responsibility - and their managerial implications. Dahl, Honea and Manchanda (2003) provided a typology of the types of consumer actions that elicit guilt. Thus, they defined three broad categories of guilt-inducing circumstances – guilt related to others, societal standards and oneself – and the consequences of guilt experiences. Three main reactions to these three guilt experiences emerged: amendment and commitment, acknowledgement and rationalization, and finally, denial and denigration.

However, an overview of major researches on guilt highlights a serious limitation: we ignore what are the concrete consequences of consumption guilt on consumer’s behavior in terms of satisfaction, coping strategies and intention to repurchase. Whereas these three notions play a vital role in consumer’s post-consumption behavior, no research to our knowledge has explored the influence of consumption guilt on consumer’s behavior. Thus, the article proposes to explore and discuss this issue.

METHODOLOGY

Data for the qualitative study were collected from 16 participants through semi-structured in-depth interviews (Table 1). According to the saturation criterion, we collected data until no new information is obtained from additional interviews. Each interview lasted on average 30–45 minutes. They were tape recorded, transcribed and finally analyzed. To prevent bias responses, participants were assured that their responses would be kept confidential and anonymous.

Participants were told that the purpose of the study was to understand how emotions influence behavior in a consumption context. They were free to recount and discuss the guilt-related consumption experience they wanted so that we could obtain a large range of guilt-related products. We used a detailed discussion guide that provided questions to explore with the respondents.

In the first part, participants were asked to recall, and describe in as much detail as possible, a recent situation where they exhibited guilt, in a general context first, in a consumption context next. For instance, we asked them: "Think of a consumption situation when you felt guilt. Try to recall as many details of the incident as you can". The second section was designed to discuss the consequences of consumption guilt on their behavior. "What were you feeling and thinking?", "What did you do after feeling guilty?", "How have you coped with this feeling?". Finally, to assess the consumption context in which the emotion occurred, we asked respondents to indicate who else, if anyone, was present during the situation they described, how important was that purchase or that consumption and if the product was for themselves or someone else.

OUTCOMES OF CONSUMPTION GUILT

The depth interviews provided a rich source of data in which to investigate the consequences of consumption guilt on consumer's behavior. Three main categories of outcomes were found to be associated with consumption guilt. First, some consumers who experience guilt use a coping strategy to cope with this emotional state. Second, consumption guilt results in satisfaction or dissatisfaction, depending on consumption value, consumer's implication and the presence of someone else. Finally, feelings of guilt influence consumer's intention to repurchase. We detail all these outcomes in the next section.

How Consumers Cope with Consumption Guilt

Lazarus and Folkman (1984) define coping as the efforts individuals make to manage internal and/or external demands that are appraised as stressful. They identify two major functions of coping: managing the problem and regulating stressful emotions. In order to counterbalance feeling of guilt, consumers use coping strategies such that they feel better.

When feeling guilty, people are aware of their responsibility in the event, therefore they blame themselves for what is happening. Consumers who experience guilt used acceptance and positive reinterpretation to cope with their emotional state. Both strategies are seen as important drivers of coping strategies when people are blaming themselves for having made the wrong choice (Yi and Baumgartner 2004). These two coping strategies lead consumers to adapt to the situation and to manage and control their emotion. With positive reinterpretation, consumers who felt guilty may try to focus on the positive aspects of the stressful problem and to make the best of the situation. By positively reinterpreting the situation, consumers may consider it as an opportunity to learn from the experience.

"In fact, I think you learn little by little. I know that I've already been taken in, like everybody else, I think, so now I'm more careful. Also, I know that sometimes I've felt guilty about buying something so now that I know that, I try not to make the same mistake. Again." (Respondent 3)

"Over time, you tend to have fewer guilt feelings. As you get more experience, you tell yourself ... you tend to put things more into perspective. You may feel guilty to begin, and then you learn from your mistakes." (Respondent 5)

Consumers who use acceptance acknowledge their own role in the problem. They recognize that there is nobody else to blame except themselves, so there are fully responsible for the problem.

"O Kay, this guilt feeling stayed with me for quite a while, every time I put them on at first. But then, after a while, you just resign yourself to it a little. You think that now that you've bought them and worn them several times, it's useless to feel guilty about buying them. You own them and there it is! So you make do with the guilt, because anyway, even if they were expensive, you could afford them." (Respondent 3)

"I really did feel guilty for some time. Then one day, to feel better, I put this dress on. In fact, I told myself, "I have to wear it. Now that I've bought it, I have to wear it." (Respondent 2)

Feelings of guilt may lead to attitude change, more specifically, to a variety of actions intended to reduce the level of guilt (Ghingold 1981). For instance, reparative actions are directly driven by guilt (Tangney et al. 1996). When consumers want to change the situation by adopting a proactive stance, they use planful problem and seeking social support. By engaging in planful problem solving, consumers think about the best way to deal with the problem. This coping strategy describes efforts to find potential solutions for the stressful situation and to make a plan of action. This strategy aims at following a plan to resolve the problem and to make things more satisfying. For example, they try to compensate what they have consumed by adopting in the future a more virtuous behavior such as eating low-fat foods.

"I have to say also that I'm still a little careful about what I eat. Sure, if I went to MacDonald's every day, then I'd feel guilty about it. But generally speaking, I try to have a balanced diet : if I eat let's say poorly at lunch or supper, I try to make up for it at the next meal, that way, everything balances out, and I feel better about it." (Respondent 1)

“I keep telling myself ... I always have a little excuse somewhere, to make me feel less guilty, just in case. For instance: “Well, tonight I’ll only have salad.” No, it’s true. I find excuses for myself, good reasons. In fact, if I eat a salad for supper, it’s just so I won’t feel so guilty. When I have salad, it’s to try to eliminate the effects of the product. I try to compensate.” (Respondent 4)

Consumers who cope with negative emotions through seeking social support seek help and reassurance from family, friends, professional, God, etc.. To face with the problem, people explain it to another person in order to obtain informational, emotional and tangible support (Folkman et al. 1986). With this strategy, individuals talk to someone about how they feel in order to feel better.

“To feel better, I need to talk to someone about my purchase and how I feel. Sometimes, they give me advice and I feel really better.” (Respondent 6)

Another strategy used by consumers to cope with feelings of guilt is rumination. With rumination as coping strategy, individuals only think about the negative and damaging features of the stressful event (Skinner et al. 2003). This strategy refers to intrusive thoughts and negative thinking people use to cope with the problem.

“To be frank, I don’t feel good. I’m not free afterwards. I can’t feel any pleasure; I can’t manage to feel free afterwards. Free in spirit, I mean. You may realise you feel good in your body. You feel free, you don’t think about it. If that’s not the case, you can’t get rid of it, you’re obsessed by it. In fact, I just keep going over it in my mind. I wonder what I should have done.” (Respondent 2)

Are Consumers Satisfied after Consuming a Guilt-Related Product?

If some studies have analyzed consumption emotions as antecedents and predictors of satisfaction (Mano and Oliver 1993; Westbrook and Oliver 1991), the linkage between guilt and satisfaction has been unexplored. As a negative emotion, participants reported that feeling of guilt can have negative consequences, for example dissatisfaction:

“It’s obvious that the feeling of guilt has something to do with disappointment, so when you’re disappointed, you aren’t necessarily satisfied with what you bought. You’re not satisfied. Like the suit I’m talking about, I wasn’t 100% satisfied with it. Even though it was beautiful and all, it wasn’t necessarily a good buy, pricewise, and all. I wasn’t necessarily satisfied with anything” (Respondent 7)
“You’re never satisfied when you feel guilty.” (Respondent 14)

Narratives highlighted that consumption guilt may lead them to dissatisfaction. Surprisingly, participants reported that this negative emotion can also result in positive outcomes, such as satisfaction.

“Sometimes I feel guilty when I’ve had something to eat or drink. But I still feel satisfied usually. Whether I’m buying food or something else, there’s still, what could I say, a sense of satisfaction.” (Respondent 7)
“When I shop, yes, I’m really happy. Yes, when I make a find, I’m usually happy with it. Even if I do feel some guilt, I’m still pleased. I’m not usually disappointed. If I bought it, it’s because it pleased me.” (Respondent 13)

After experiencing consumption guilt, our participants were both satisfied and dissatisfied. Our results contrast with Westbrook’s (1987) who found that consumption-based negative affect leads only to dissatisfaction.

The Moderating Effect of Consumption Values

Current models studying the role of emotions in satisfaction usually involved utilitarian products. These studies have shown that a positive emotion produces a positive outcome and a negative emotion produces a negative outcome (Vanhamme, 2002). But one may suppose that the relationship between emotions and satisfaction can be much more complex, especially when it deals with hedonic products. For example, Krishman and Olshavsky (1995) have shown that horror movies with negative emotions (fear) may lead to a high level of satisfaction if this emotion was desired. So, a negative emotion can result in a negative as well as in a positive outcome depending on the consumption value. Such consumption values seemed to moderate the effect of guilt on satisfaction. As the following statements shows, some interviewees were satisfied after consuming something that makes them feel guilty because this consumption meets hedonic motivations. In spite of their feeling of guilt, the more pleasant consumers find the product, the more likely they are to be satisfied.

“Why do I go back and buy the same product again? It has something to do with the pleasure I get out of it, whether or not I feel guilty about it..., yeah, that’s it: it brings me pleasure.” (Respondent 9)

This finding is particularly relevant for foods. Participants reported eating foods that they categorize in terms of the guilt-related emotions that they elicit. They keep eating such foods because it is an hedonic experience.

“In fact, whether or not I buy the product again will depend on the pleasure I get out of it. Because, for instance, a Kinder Country is really good, so I don’t see why I wouldn’t buy one if I want to.” (Respondent 4)

This relationship between consumption guilt and satisfaction seems to exist when consumers are driven by utilitarian shopping motivations. For example, a participant mentioned that she was satisfied after buying a lot of clothes (whereas she also reported feeling guilty each time she bought clothes) because she needed it:

“If you take clothes, for example, yes, I’m satisfied with the article I buy because I think I need it, when it comes down to it. It will be useful.” (Respondent 4)

Involvement as a Moderator of the Relationship between Consumption Guilt and Satisfaction

In the literature, many studies have highlighted the great role of involvement in consumer behavior. Research has often examined the role of involvement in the individual - product relationship (Laurent and Kapferer 1986). For participants, involvement is related to the importance they granted to what they consume. The relationship between consumption guilt and satisfaction seemed to be moderated by consumer’s involvement.

“How important the item I buy does have an impact on how guilty I feel and how I am satisfied, of course. If important means useful or necessary... What I consider important, what’s important for me is something useful, first of all. If the item is useful, I won’t feel as guilty as if it was superfluous or if I already had something that served the same purpose.” (Respondent 12)

Moreover, the intensity of consumption guilt seemed to be exacerbated by the level of involvement. Respondents who are highly involved with the product tended to experience less guilt feeling. In contrast, less involved consumers tend to elicit more feeling of guilt. Thus, involvement is also a predictor of consumption guilt and can more specifically be described as a quasi-moderator.

“When it comes down to it, the less important the item is, the guiltier I feel. Yes, that’s exactly it. Yes, where big expenses are concerned, I don’t feel guilty at all. If I feel it’s important, I really don’t have the slightest feeling of guilt.” (Respondent 11)

“How guilty I feel varies, yes, and it is all a question of importance, for sure. Time, repetitiveness, the world around you, how serious it is... How serious it is to you.” (Respondent 15)

The Effect of the Presence of Someone Else

When people consume or purchase a product, the presence of someone else may have an influence on their behavior. Indeed, a consumer doesn’t react in the same way if someone is with him or if he/she is alone. Many respondents reported that they feel less guilt when there is someone with them, especially if this individual is doing the same thing (for instance, spending money for clothes, eating high-fat foods...) or if he/she is doing something worse.

“The presence of someone else will have an effect on how guilty I feel. You don’t feel so bad if there is someone else there who is doing the same thing as you. Someone else doing it makes me feel less guilty.” (Respondent 4)

“It’s true that you can keep things in perspective better when there are other people around. You say to yourself: “He spent money, too, so I’m not the only one willing to throw money out the window.” (Respondent 11)

However, the presence of someone can have a double effect on consumer’s feeling of guilt, depending on what the person says. The presence of someone else can decrease but also increase the feeling of guilt elicit during the consumption experience. If the person argues in the same way than the interviewee, he/she feels a low level of guilt. But if the person disagrees with the interviewee’s consumption, his/her feeling of guilt will be exacerbated.

“I think that when I’m with someone, one of my friends or my companion, they might behave in one of two ways. Either they would talk me into doing something that I wouldn’t have done by myself, in which case I think I would feel a little less guilty – having their go ahead would make me feel more sure of myself. Or else they would tell me – this mostly concerns my companion – “You’ll never wear that.” And then I buy it anyway and afterwards I feel very guilty because I say to myself, “Okay, you knew it, besides which, he told you so,” So in fact that makes things even worse.” (Respondent 10)

Do Consumers Intent to Repurchase a Guilt-Inducing Product?

Many studies suggested that satisfaction is linked to repurchase intention and repurchase behavior (Bearden and Tell 1983; Oliver 1980). Thus, if guilt is likely to induce dissatisfaction, it also may be a reason for why people do not intend to repurchase the guilt-inducing product. Surprisingly, even if individuals experienced guilt, they reported satisfaction and pleasure about their consumption. In the following narratives, satisfaction and pleasure have both a positive impact on whether repurchase will occur.

“It’s really because I want to do it, I have an urge to do it, I love it, knowing that it’s going to make me happy. That’s why I love to go shopping, even if I know I may feel guilty.” (Respondent 13)

Intention to repurchase not only depends on satisfaction but also on the negative consequences the consumption will produce. Indeed, participants were more likely to repurchase a guilt-inducing product if they perceived their actions as not having a negative impact on other persons. This linkage is particularly relevant when consumers enjoyed a closed relationship with that person. If the negative consequences from guilt-inducing consumption weren’t detrimental to someone else, he/she will consume it again without hesitation.

“Whether or not you go back and buy something that you felt guilty about buying the first time, that depends on two things. It depends on how satisfied you were with it and also whether using the product has any influence on the people around you. If it has a negative effect on others, then I think I wouldn’t buy it again, even if I am very satisfied with it because other people are more important to me than my own pleasure, I think. If it only concerns me, yes, I will buy it again.” (Respondent 14)

The analysis of the narratives also revealed that individuals intended to consume a guilt-related product again because they aren’t able to resist temptation. In spite of consumption guilt, the consumption of the product is so attractive and pleasurable for the consumer that he/she can only give in to temptation. From this perspective, consumers fail to use self-control to avoid hedonic temptations (Baumeister 2002). Foods and shopping are often used as an example of that temptation.

“The problem is that every time, I go back out shopping. For clothes, it’s awful. For some reason, I can’t help buying clothes. And even if I feel guilty about it, I keep going on shopping sprees, because I love to shop and to buy clothes.” (Respondent 12)

CONCLUSION AND IMPLICATIONS

In this article, we addressed the issue of how consumers manage guilt in consumption-related situations. Indeed, consumers may feel guilt as a consequence of consuming or purchasing some products. Feelings of guilt lead consumers to experience regret about what they have consumed. However, people may repurchase the same product. By analyzing the consequences of consumption guilt, this research helps to understand why people keep consuming guilt-related products.

This article discusses three main outcomes of consumption guilt: coping strategies, satisfaction/dissatisfaction and intention to repurchase. When feeling guilty after consuming a product, consumers use coping strategy – more specifically positive reinterpretation, acceptance, seeking social support, planful problem solving and rumination – to reduce the level of guilt and then restore a pleasant emotional state. Consumption guilt also leads people to be satisfied or dissatisfied of their consumption; this relationship is moderated by consumption values, involvement, and the presence of someone. Finally, in spite of their guilt feeling, consumers intent to repurchase the guilt-related product because of satisfaction and/or temptation. However, they do not intent to repurchase the product if this consumption is detrimental to someone else.

Based on the results, several implications for research and practice are discussed along with directions for future research and limitations of the current study. Not only does this work contribute to a greater understanding of guilt in a consumer context but it highlights that guilt is an emotion which can have a significant impact on consumers’ behavior of consumers and may explain consumer purchase behavior. Further, how consumers cope with consumption guilt is an important issue for marketers because it influences their repurchase intention. Previous studies have shown that a negative emotion generally results in negative outcomes. With this research, we suggested that a negative emotion, more specifically guilt, may result in a positive outcome such as intention to repurchase.

From a managerial perspective, this study may help retailers understand how people cope with consumption guilt. By this way, retailers could be able to create mechanisms that offer compensatory options to consumers trying to reduce their consumption-related guilt feeling. For instance, retailers have recently included claims such as “guilt-free” to allow people to be free of guilt during and after their consumption.

Future research opportunities are motivated by the limitations inherent in our study. Although we did not assess individual differences in this research, it is possible that some individuals are more prone to feeling guilt. Future research could investigate the role of gender and guilt-proneness in influencing consumption guilt and its consequences. Moreover, we recognize that the coping strategies suggested in our research are not exhaustive, so other strategies such as denial may provide a full accounting of the coping tactics.

TABLE

Table 1: Respondents' Sociodemographic Profiles

	Gender	Age	Marital Status	Occupation
Respondent 1	F	26	Single, no child	Secretary
Respondent 2	F	24	Single, no child	Quality Controller
Respondent 3	F	60	Married, 2 children	Retired
Respondent 4	F	25	Married, 1 child	Sales Assistant
Respondent 5	M	35	Single, no child	Unemployed
Respondent 6	F	26	Married, 1 child	Office worker
Respondent 7	M	31	Single, no child	Financial Consultant
Respondent 8	M	27	Single, no child	Manager
Respondent 9	F	57	Single, 1 child	Retired
Respondent 10	F	45	Married, no child	Teacher
Respondent 11	F	37	Married, 3 children	Teacher
Respondent 12	F	42	Married, no child	Account Manager
Respondent 13	F	19	Single, no child	Student
Respondent 14	M	32	Single, no child	Lecturer
Respondent 15	M	31	Single, no child	Unemployed
Respondent 16	M	25	Single, no child	Financial Controller

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Wednesday, 20 July

Time: 4:00 PM

Session Number: **4.6: Health Marketing**

Session Chair: Pierrick, Gomez, *Reims Management School*

E-Health Information Search Intentions of Turkish Internet Users

Yasin, Bahar, *Istanbul University*

Ozen, Hilal, *Istanbul University*

Modelling Quality Orientation and Organisational Performance in Public Healthcare Organisations

Macedo, Isabel, *University of Minho*

Liao, Mei-Na, *University of Bradford*

Pinho, José Carlos, *University of Minho*

Implications from the Health Belief Model for Disease Prevention Behaviors in Australia

Manika, Danae, *University of Texas at Austin*

Golden, Linda, L, *University of Texas*

Brockett, Patrick L., *University of Texas*

E-HEALTH INFORMATION SEARCH INTENTIONS OF TURKISH INTERNET USERS

Bahar Yasin, Istanbul University, Turkey
Hilal Ozen, Istanbul University, Turkey

ABSTRACT

This study examines how perceived benefits, perceived quality and reliability of electronic health (e-health) information affect intention to repeat e-health information search behavior. Through announcing one of the well-known health website in Turkey, 376 out of 386 valid and complete responses were received via an online survey. Results of the study indicate that personal health issues component of perceived benefit has received the most consistent support as factor that influences future health information search intention on internet.

INTRODUCTION

The Internet is evolving and it has become a resource that challenges the role of the family physician as the main source for healthcare information (Bodkin and Miaoulis, 2007). The Internet has become the largest medical library and is likely to play a key role in future healthcare related communication (Dumitru *et al.*, 2007; Akerkar and Bichile, 2004; Hussain *et al.*, 2004).

In Turkey, the use of Internet increased dramatically from 13 percent users in 2004 to 41.6 percent in 2010 (TUIK, 2010). According to Turkish Statistical Institute's national survey, which was held in 2010, Turkish people use the Internet for different purposes. For instance, 72.8 percent used the Internet for e-mailing, 64.2 percent used it for chatting, 58.8 percent of the users read the news from the Internet and 55.7 percent of Turkish Internet users searched for goods and services that they want to get information.

This paper explores e-health information search intentions of online consumers in Turkey. What do they think about the benefits of e-health information? What are their overall quality and reliability perceptions about e-health information? Do benefits of e-health information, quality of e-health information and reliability of e-health information affect e-health information search intention in the future? The current study attempts to address all these questions.

CONCEPTUAL BACKGROUND

Rapid growth of the Internet and the improvement of information technology have changed lifestyles of people (Hsu, 2005). The Internet, as one of the biggest information search alternative, is likely to play a key role in future healthcare related communication (Dumitru *et al.*, 2007, Akerkar and Bichile, 2004; Hussain *et al.*, 2004). It has transformed the way many health seekers find health information and has completely changed consumers' decision-making process, particularly within the healthcare industry. Dumitru *et al.*, (2007) emphasize that the number of people using the Internet has exponentially increased in recent years and the Internet has become a favored source to find health information. Worldwide, about 4.5 % of all the Internet searches are for health related information (Morahan-Martin, 2004). In Turkey, 37.17% (TUIK, 2007) of the Internet users searched for health related information in 2007.

Many studies in the field of health information have focused on the quality of medical information that patients obtain from the Internet (Khechine *et al.*, 2008; Eysenbach and Diepgen; 1998, Risk and Petersen, 2002). Other research investigates patients' needs when they look for information on the Internet. Lueg *et al.*, (2003) try to understand how Internet users search for and benefit from the Internet health information. A relationship is observed between the frequency of Internet use and the short-term (communication) effects and long term (life benefits) effects on patients. Eysenbach and Diepgen (1999) analyze the motivations, expectations, and misconceptions of patients seeking teleadvice or medical information on the Internet. Shuyler and Knight (2003) examine the most frequent reasons visitors look for medical websites. Khechine *et al.*, (2004) address the question of information needs for French-speaking patients. Gruca and Wakefield (2004) evaluate the information given in web sites of 111 hospitals and find most of the web sites inadequate.

Dolan *et al.*, (2004) sought to evaluate patients' use of Internet information in a primary care setting. One of their results is that the use of online health related information makes most patients feel more prepared and able to participate in decision-making about treatments. Many other investigations attempts to assess the relationship between Internet use by patients and health outcomes. For instance, in the study of Dickerson *et al.*, (2004) almost half of the sampled patients reported that the information obtained online is unrelated to their clinical visits.

Benefits of E-Health Information

There are many benefits of using the internet, such as convenience of access and the potential for obtaining a variety of information about health and disease (Gagliardi and Jadad, 2002). Khechine *et al.*, (2008) notifies that by means of the Internet patients draw from the same knowledge base as physicians and as a result patients become more educated and are considered to be 'informed consumers'. It is possible to say that consumers are now more involved in making decisions about their health and preventing from disease (Anderson, *et al.*, 2003; Coile, 2000).

Nowadays, patients have only 10 minutes of face-to-face time on an average with their physician. Also, it can take up to a week to get a return phone call from a physician and up to almost a month to get a regular office appointment. However, through e-healthcare, patients have a chance to access to thousands of healthcare internet sites from where they can gain unlimited health information (Mukherjee and McGinnis, 2007). Therefore, the demand of patients for medical information on the Internet is increasing fast (Khechine *et al.*, 2008). In such a case, information providers strive to meet patients' demands and to create new needs so the offer of health related information is growing in a rapid manner (Bush *et al.*, 2000).

E-Health Information Quality

The rapid development of e-health information raises the issue of its quality (Impicciatore *et al.*, 1997). Benigeri and Pluye (2003), by citing many authors, notify that "while some authors consider that the quality of health information on the Internet is poor (Doupi and Van der Lei, 1999; Latthe *et al.*, 2000), others feel that it is of equal value to information provided by other media (Sandvik, 1999; Hellawell *et al.*, 2000)." According to Benigeri and Pluye (2003), these contradictory results are not surprising when considered the large number and variety of sources for health information on the Internet.

Once entering the domain of online healthcare information, the issue becomes determining the quality of the available information (Goetzinger *et al.*, 2007). Consumers, who have been exposed to many online information, create perceptions about the overall quality of the online information based on personal experience and the available tools provided by the web sites (Wilson and Risk, 2002).

Consumers main concerns in regards to quality of e-health information on web sites are related to the use of unreliable research, use of technical language, believability of information, providing information to an ill-informed public, and lack of documentation (Chandra *et al.*, 2004). In Williams *et al.*, 's (2003) study one of the participant states that "...information quality is obviously important especially in relation to health information; it could be potentially damaging physiologically and psychologically to receive incorrect information regarding specific conditions or symptoms".

According to relevant literature, healthcare information seekers use 12 criteria that include content (quality, reliability, accuracy, scope, etc); design and aesthetics (form, interactivity, use of media, etc.); disclosure of authors, sponsors, developers; currency of information; authority of source; ease of use; user support; attribution and documentation; accessibility and availability (fee for access, navigability, functionality, etc.); links; contact addresses; credibility of sources, and confidentiality policy and intended audience to evaluate the quality of e-health information on web sites, (Barnes *et al.*, 2003; Kim *et al.*, 1999; Winker *et al.*, 2000). Barnes *et al.*, (2003) argue that the most important criteria were information accuracy and source reliability (Barnes *et al.*, 2003). However, as Bodie and Dutta (2008) states, quality evaluation is a heterogeneous process that varies with the information needs of the consumer.

E-Health Information Reliability

Trustworthiness and reliability are fundamental issues in the healthcare industry. Patients rely on healthcare providers especially on providing accurate and appropriate information about their health conditions and possible treatments. But trust can be particularly difficult to achieve in the anonymous, virtual environment of the Internet where anyone who has access to a computer, an online connection, and modest technical skill is able to set up a website offering health information, products, or services, regardless of his or her qualifications (Mack, 2004).

Constantly maintaining high reliability is one of the major key to the success of e-health sites. Smith and Manna (2004) states that, reliability, in the medical field, can be perceived as the capability of a system's components, equipment, products, and personnel to perform their required functions for desired periods of time, with confidence, and without significant failure.

Consumers seeking health advice via the web should be questioning the reliability and accuracy of the information provided on the web if no peer-review process is in place (Smith and Manna, 2004). Recently, the safeguards of the traditional medical

setting do not necessarily carry over to e-medicine (Smith and Manna, 2004) and e-health seekers are more inclined to agree to legislative efforts to place regulations on health related medical web sites than are those who manage these sites. According to Smith and Manna (2004), to be successful in the highly competitive and technologically complex e-medical environment, it is essential for firms that both customers and service providers have confidence in the reliability of e-health information.

Ethics standards and guidelines for Internet health sites are being developed and promoted by several organizations and quasi government agencies throughout the world. The goals of these initiatives and organizations are to draft ethical guidelines for creating credible and trustworthy health information and services on the Internet (Mack, 2000). The standards set by those organizations have an important role for consumers deciding about the reliability of an e-health website. In Turkey, there is still a gap about standards of e-health websites.

BENEFITS, OVERALL QUALITY AND RELIABILITY OF E-HEALTH INFORMATION AND INTENTION TO REPEAT E-HEALTH INFORMATION SEARCH

Consumers who find e-health websites beneficial to gain information about health issues will be more likely to intend to search for e-health information again in the future. It is reported in the literature that consumers who use the Internet to search for health information are more knowledgeable about their area of concern and are more confident with their abilities to handle their situation, compared to consumers who do not use the Internet to find health information (Kalichman *et al.*, 2002). Considering this, it is possible to assume that consumers utilizing the Internet as a tool may continue to do this on a regular basis, as it provides a sense of accomplishment and confidence. Previous and current online information search literature suggests that the quality of the information has an impact on consumers' evaluations of the search process and resulting information (Goetzinger *et al.*, 2007). Perceived quality and reliability of information found on the web will impact seekers' evaluations of the information search process, which in turn could affect intention to repeat e-health information search (Figure 1). The proposed research model in Figure 1 illustrates the effect of benefits, quality and reliability of e-health information on consumers' intention to repeat e-health information search.

The independent variables of the research model are perceived benefits of e-health information, consumers' overall quality and reliability perceptions of e-health information, which were expected to influence consumers' future e-health information search intentions on Internet as dependent variable. This model depicts that e-health information search intention of consumers on Internet is affected from their evaluations in regards to perceived benefits, quality and reliability of e-health information.

Factors motivating consumers to search health information on Internet may be various. As Goetzinger *et al.* (2007) and Wilkins (1999) report, health-related information obtained by consumers brings value to them by helping them understand what to expect about symptoms, treatments, experiences and numerous other related circumstances. Perceiving value is important because it provides an indication of future trends. A higher perceived value translates into increased intention to repeat the valued behavior (Angelis *et al.*, 2005). So the gained benefits, as the value Internet brings the health information seekers, are assumed to have a positive relationship with consumers' intentions to continue searching e-health information.

H₁: The perceived benefits of e-health websites have a positive relationship with future e-health information search intention.

Future success of health-related web sites depends almost exclusively on a number of factors that are quality assurance based. There is a growing amount of evidence questioning the quality of health information on the internet. Because the internet is generally an unregulated open system where anyone can post or download any material (Mukherjee and McGinnis, 2007). Nevertheless, based on the available tools provided by the web sites (Wilson and Risk, 2002) and personal experience, consumers create perceptions about the overall quality of the online information they have been exposed to. Based on the reviewed literature, quality and reliability perceptions of health information seekers are assumed to affect intention to search e-health information in the future. Overall quality and reliability of e-health information are hypothesized to have a positive relationship with future e-health information search intention on internet.

H₂: Consumers' overall quality evaluations of e-health information have a positive relationship with future e-health information search intention.

H₃: Consumers' reliability evaluations of e-health health information have a positive relationship with future e-health information search intention.

METHODOLOGY

The data used in this study was collected via an online survey from an online health web site (onlinesaglik.com) in Turkey. Participants were solicited through announcement on the same site. The sample was made up of the Turkish people who have searched for health information online. Web site utilized in the data collection is a general health site that includes topics related to all areas of medical science. Links to other health sites, web sites of medicine firms, medical product firms, medical centers, hospitals, doctors and forums are also available in the site. There are four overarching variables in the proposed research, including;

- Perceived benefits of e-health information
- Perceived overall quality of e-health information
- Perceived reliability of e-health information
- Intention to repeat the e-health information search

Multiple items were used to measure the benefits of e-health information. A total of 15 items were utilized as five point Likert-type scaled questions with end points rating from (1) strongly agree to (5) strongly disagree. The items measuring the benefits of e-health information was adapted from Bodkin and Miaoulis (2007) and Andreassan *et al.* (2007). Overall quality and reliability was measured with one item each. Items were adapted from Akerkar *et al.*, (2005). The scale, consisting four items for future intention, was derived from Goetzinger *et al.*, (2007). The survey consisted mostly the items previously validated in the literature.

To ensure that the questionnaire is well understood face to face interview was applied to 30 people who have searched e-health information to detect the existence of misinterpretation as well as any spelling and grammatical errors. The suggestions were subsequently incorporated into the final questionnaire. Total of 376 valid and complete responses were included in the final analysis out of 386 responses received.

RESULTS

A demographic profile of the consumers searching e-health information on the web focused on gender, age and education. The sample comprises 218 (58%) women and 158 men (42%). The respondents' age ranged from 18 to over 50 years. Most of the respondents were between the age group of 26-33 (49.5%) followed by the age group of 18-25 (31.9%) and 34-41(15.4%). High School and lower grade respondents comprised the 37%, university and over grade respondents comprised the 63% of the sample.

The reliability of each construct scale was assessed by computing Cronbach's coefficient alpha. Scale reliabilities range from 0.88 to 0.92. An exploratory principal components factor analysis with Varimax rotation with Kaiser Normalization was used to test the dimensionality of the benefits of e-health information scale and future use intention scale. The items included in each factor, factor loadings and explained variance of the scales are reported in Table 1. Finally, to test the effects of benefits, quality and reliability of e-health information on consumers' future health information search intentions on internet, multiple regressions analysis was applied to data. For testing research hypotheses, a regression model including the benefits of e-health information, overall quality evaluation of e-health information and the reliability evaluation of e-health information as independent variables and future use intention as dependent variable was created.

In Table 2, Beta coefficients, the t statistics, R^2 , adjusted R^2 , F statistics and p values (significance levels) of the regression model are shown. In order to evaluate the effects of consumers' perceptions of benefits, quality and reliability of e-health information on future use intention of internet, an F test was used. As seen in Table 2, F statistics value of 112.904 is significant at 0.001 significance level. In other words, perceived benefits, quality and reliability of e-health information affect future use intention of internet. The adjusted R^2 value for the model is 0.544, indicating that the model can account for 54.4 % of the sample variance in future use intention.

Finally, Table 3, shows the hypotheses tested and whether the hypotheses are supported at $\alpha=0.01$ significance level. As demonstrated by the regression analysis above, the empirical study shows that the perceived benefits of e-health websites, overall e-health information quality and reliability of e-health information would determine the consumers' intention to repeat e-health information search.

CONCLUSION, LIMITATIONS AND IMPLICATIONS

This study focused on consumers' perceived benefits of e-health information, quality perception of e-health information, evaluations of e-health information reliability and their future e-health information search behavior. In order to determine the impacts of perceived benefit, quality and reliability on consumers' search behavior, a survey was administered to 386 respondents. From the data analyzed, it can be concluded that perceived benefits of e-health information, quality perception of e-health information and consumers' reliability evaluations of e-health information affect their intentions to repeat e-health information search behavior which means that all the proposed hypothesis of the study are supported. The results clearly indicated that the perceived benefits of e-health information on personal health issues explain most of the variance.

Further exploration of perceived benefit component of personal health issues show that preparing for an appointment and looking up information after an appointment are the most contributing items of the factor. This could be interpreted as meaning that consumers use internet as a supplement to the ordinary health services rather than as a replacement. By looking up internet to prepare for an appointment and after an appointment, consumers gain knowledge and become more informed, therefore spend less time talking to their doctors about more basic matters which in turn takes less of valuable time of doctors for explaining basic information to patients. However, even if the study shows the Internet is used as a supplement, results also show that the third contributing item of the personal health issues component is trying to treat a health problem. This does not necessarily indicate, however, that consumers are replacing healthcare providers with Internet information. Rather, it appears that health information seekers are arming themselves with information from multiple sources including both healthcare providers and the Internet. This could also be the result of the self confidence of the empowered consumer who gained knowledge by searching health information on the Internet.

Research results also showed that consumers' evaluations of e-health information reliability, perceived benefits of e-health information on health related services and consumers' quality perception of e-health information are the following significant terms in the model. Among the reliability issues, if consumers are able to access the original source of information for independent verification and prove that sources are of objective, non-corporate sponsored research, they are more likely to believe in the reliability of the information that e-health sites provide to the public. Accessibility to original materials also allows the consumer to access corporate sites to obtain necessary information, and it provides an additional service by allowing customers to directly link to additional sources for information. For some customers, this accessibility may be the reason they choose the e-health site for their present and future e-health information needs. Also, quality of information is intangible in nature but it may be the key to gain sustainable competitive advantage for e-health websites. It can be successfully argued that the future success of health-related web sites depends almost exclusively on a number of factors that are quality assurance based (Smith and Manna, 2004). Considering this, providing high quality information should be the ultimate goal of any e-health website.

In this study, nature of the data provides some reason for concern. Although online data collection fits well with the current study, there is some question about its representativeness. In this study, 386 respondents and only the users of one e-health website were surveyed. The method of sampling created a rather homogeneous pool of participants. In addition, prediction of the e-health information search intention may be limited to the effects of the factors used in this study. Future research extending the present study should recruit a larger, more diverse sample to overcome such limitations and broaden interpretation. Therefore, further research can verify whether these findings hold for other samples and factors.

This research demonstrates that benefits of e-health web sites, quality perception and reliability evaluation of e-health information affect consumers' future intention to repeat e-health information search behavior. Nevertheless, there are limitations resulting from employing intention to repeat rather than actual search behavior. Although there is extant evidence of relationship between intentions and actual behavior, examining effects of those factors on actual search behavior requires additional research.

Major practical implication of this study is for e-health website designers and healthcare professionals. Research findings show that Turkish internet users use health websites as a complementary tool rather than self-diagnosing. In Turkey in comparison to other OECD countries, the level of physicians per capita is low. Turkey is making significant progress in scaling up the health workforce to address the relatively low levels of physicians. However, it appears that it will take many more years of this increasing trend to reach OECD averages (Vujicic et al., 2009). So it is clearly seen that Turkish physicians' workload is considerably high. Considering this, healthcare professionals should force ministry of health to develop policies such as giving support to the development of self-diagnosing web applications to lessen their workload. Until the legal regulations are developed, website designers should concentrate on information needs of consumers especially on personal health issues for improving self-diagnosing. Besides, in order to improve quality perceptions of e-health information

seekers and repeat e-health information search, web site designers should focus on providing up to date information that consumers can use along with increasing their knowledge about the health topic in question.

Providing links to other health related websites and articles, books and brochures would also increase consumers' quality perceptions of online health web sites. In addition, one-way communication forms like message boards and frequently asked questions links would be useful for consumers who have problems in understanding the formal written language. Alternative way of enhancing quality perception would be adding synchronous communication tools like chat rooms and live video chats in e-health sites to provide an interaction opportunity for consumers with physicians.

Web site providers should also focus on increasing their safety standards. Failing in protection of personal information and privacy issues are the main reasons that lack trust to e-health websites in general. As trust is one of the key predictors of consumer intentions to interact with a web site (McKnight et al., 2002), lack of trust deters individuals from seeking e-health information and visiting e-health sites. To ensure consumers that they could confidently visit e-health sites, share personal information and search for health information for their own or others healthcare, websites should clearly name the source or authors of editorial content. In addition websites should identify funding or sponsorship of any specific content, distinguish advertising from editorial content, give users the opportunity to opt in or out of allowing their personal information to be tracked, and enhance privacy protection for health-related personal information.

Future studies may concentrate on understanding the role of perceived value, perceived risk and trust on consumers' e-health search behavior. It may also be beneficial to segment consumers based on their health information search interests and resulting satisfaction outcomes to guide healthcare industry in better positioning their offers and identifying communication strategies adapted to the different e-health information seeker profiles.

TABLES

Table I: Summary of the Scales

Construct	Measures	Factor Loadings	Explained Variance	α	Mean (SD)
Benefits of E-health Information Component 1: Health Related Services	Getting information about assisted living or nursing homes	.877	58.616	0.90	2.03 (0.91)
	Getting information about rehabilitation services	.804			1.85 (0.82)
	Getting information about home care/visiting nurses	.788			2.02 (0.90)
	Getting information about private health insurance	.712			1.90 (0.85)
	Getting information about social health insurance	.664			1.75 (0.79)
Benefits of E-health Information Component 2: Personal Health Issues	Getting information about a disability	.659			1.78 (0.77)
	Preparing for an appointment	.817		0.84	1.59 (0.74)
	Looking up information after an appointment	.782			1.63 (0.78)
	Trying to treat a health problem	.780			1.65 (0.76)
	Deciding whether to see a doctor	.655			1.98 (1.01)
	Seeking support from others	.612			1.77 (0.85)
Overall Quality	In general I obtained high quality e-health information from internet	-	-	-	1.79 (0.71)
Reliability	In general I obtained reliable e-health information from internet	-	-	-	1.85 (0.74)
Future Search Intention	The next time I have a similar health problem I am likely to choose the online health information	.897	78.057	0.90	1.46 (0.62)
	For other health information I may require I am likely to use the health information web sites	.890			1.55 (0.70)
	I am likely to get more information from the online health information web sites	.874			1.66 (0.80)
	I am likely to use the online health information for most of my needs	.871			1.65 (0.77)

Table II: Regression Results

Model	Dependent Variable	Independent Variables	Beta	T	R ²	Adjusted R ²	F
1	Future Use Intention	Benefit Component : Health Related Services Benefit Component: Personal Health Issues Quality Perception Reliability Perception	.166 .500 .134 .191	4.311* 12.441* 2.259* 3.353*	0.549	0.544	112.904*

*p<0.001

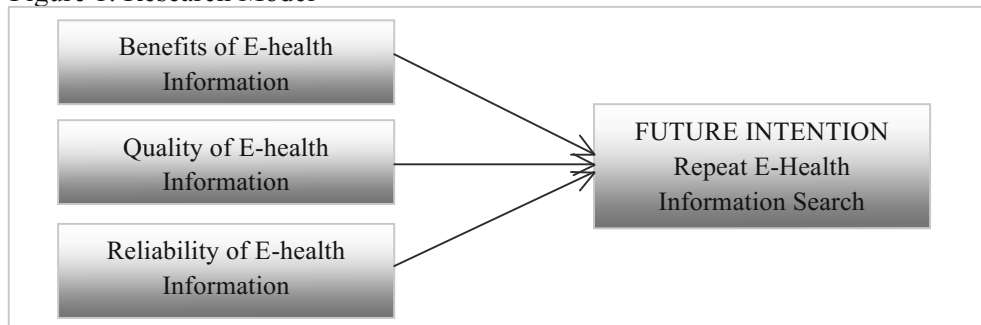
Table III: Summary of Hypotheses Testing

Independent Variable	Hypotheses	Results
Benefit Components: HRS and PHI	H ₁	Supported*
Quality Perception – QP	H ₂	Supported*
Reliability Perception – RP	H ₃	Supported*

*p<0.001

FIGURES

Figure 1: Research Model



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MODELING QUALITY ORIENTATION AND ORGANISATIONAL PERFORMANCE IN PUBLIC HEALTHCARE ORGANISATIONS

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ABSTRACT

Healthcare organisations in most developed countries are facing tremendous pressures to maximize efficiencies and to improve organisational performance while enhancing service quality. This paper aims at developing an integrative model to examine the mediating effect of market orientation and innovation on the quality-organisational performance relationship. Findings drawn from a sample of public health care organisations in Portugal demonstrate that the relationship between quality orientation and organisational performance is better understood if taken into account the influence of market orientation which acts as a mediator construct in the aforementioned relationship. The paper concludes with theoretical and practical implications.

INTRODUCTION

As a result of economic and financial constraints, in most developed countries, public health organizations have been under tremendous pressures to improve both efficiency and quality of service. Such goals have been pursued through the implementation of concepts and management frameworks mainly derived from the private sector, which comprise, to varying degrees, key aspects of Total Quality Management (TQM) (Ovretveit, 2000). However, some authors argue that the focus on reducing costs side by side with the introduction of quality programmes, mostly associated with private management approaches, may not *per se* be enough to enhance organisational performance in a long term (Gaster & Squires, 2003). This is in line with other authors who suggest that quality improvement programmes do not necessary lead to better organisational performance results (Naveh & Stern, 2005). While previous studies examining the link between quality and performance have largely focused on the direct relationship between the two constructs, the mediating effect of other relevant constructs, such as market orientation and innovation propensity have been somehow neglected. Although several studies have examined the implementation of TQM in the hospital setting (Kunst & Lemmink, 2000; Ovretveit, 2000), scarce research has been specifically directed to study the mediating role of key constructs such as market orientation and innovation in the relationship between quality and performance. As an attempt to fill this gap, this research aims to address the following research questions:

To what extent does quality orientation influences organizational performance?

To what extent does marketing orientation plays a mediating role in the quality orientation-organisational performance relationship?

To what extent does innovation plays a mediating role in the quality orientation-organisational performance relationship?

LITERATURE REVIEW AND HYPOTHESES

The adoption of a quality system in healthcare setting has been recognised as an integrated, and inter-functional process which adds value and subsequently contributes to improve performance (Li, 1997). Additionally, the implementation of quality orientation programmes have often been linked to reduction costs objectives, considered as a more direct way of influencing profitability (Raju & Lonial, 2002). In this context, “total quality orientation” has become popular among hospitals because of its promise to reconcile trade-offs between costs and quality” (Arndt and Bigelow, 1995:7). Considering the above, it is hypothesised that:

H₁: *The higher the Quality Orientation, the greater the Organisational Performance*

Both market and quality orientations share a number of common characteristics inasmuch as both seek to achieve a better organisational performance by meeting customer requirements as well as achieving a greater job (employee) satisfaction and commitment (Lai, 2003). Market and quality oriented organisations use market intelligence to anticipate customer’s needs and expectation thus delivering superior value to customers. This is in line with the three core dimensions of market orientation (Kholi and Jaworski, 1990). Furthermore, quality management orientation emphasises the use of team work structures for improvement, which is analogous to inter-functional coordination and dissemination of information important dimensions of

market orientation proposed respectively by Narver and Slater (1990) and Kholi and Jaworski (1990). Hence, the following hypothesis is offered:

H₂: *The higher the Quality Orientation, the greater the Market Orientation*

Over the last decade, there have been a vast number of studies examining the relationship between the degree of market orientation and organisational performance. Most of these studies assume that the implementation of a market orientation will lead almost inevitably to superior organisational performance. This relies on the fact that a market orientation posture creates a favourable environment to fulfil the customer's needs, thus contributing to deliver superior value to customers on an ongoing basis. Few studies, however, have examined this relationship in the specific context of healthcare organisations (Bhuiyan & Abdul-Gader, 1997). Thus, it is proposed that:

H₃: *The higher the Market Orientation, the greater the Organisational Performance*

Innovation is the second mediating construct included in the present study. The relevance of this construct can be justified through the often-cited passage of Drucker (1954) who maintained that any business organisation has two and only two core functions: marketing and innovation. Han et al. (1998) contented that, although innovation is mostly associated with new product-related breakthroughs, recent studies have underlined the relevance of organisational and administrative processes and leading edge technology which relate to business operations activities of an organisation (Narver et al., 2000). It is only logical to assume that facing increasing demand, under the financial constraints, would require public healthcare providers to seek innovative ways of practice and the help of new technology if it was to maintain/enhance their service quality. Taking all the above into account, it is hypothesised that:

H₄: *The higher the health care provider's Quality Orientation the greater the propensity to Innovate*

The relationship between innovation and organisational performance has been extensively examined in a number of studies in the organisational field (Damanpour & Evan, 1984). The main argument for organisation to improved performance derives from innovations that effectively respond to the challenges and dangers a organisation faces in its entrepreneurial environment (Han et al., 1998). Thus, it is hypothesised that:

H₅: *The higher the health care provider propensity to innovate the greater the Organisational Performance*

The relationship between marketing and innovation has been fraught with difficulties issuing from the potential friction between those who view the customers as the main actor in the decision-making process and those who see innovative product development as the key driver of economic growth (Berthon et al., 2004). However, bearing in mind the financial constraints of the sector, the ability on innovation may well determine the possibility of the organisation been market orientated (i.e. satisfy customers needs and wants and been competitive). Thus, it is hypothesised that:

H₆: *The higher the Market Orientation of health care providers, the greater the Innovation*

METHODOLOGY

The present study employs mainly a quantitative approach. Following this approach, the different constructs are measured precisely and the data are collected under standardised conditions. The questionnaire was pre-tested to six academics and four practitioners to ensure the content validity of the measurements and prevent any bias in the questions. Subsequently, a questionnaire was sent to the CEO of a national-wide population of 471 health care organisations yielding a valid sample of 83 questionnaires, which corresponds to a response rate 18 of per cent.

Measurement

Construct measure have been derived from existing literature. Most of these constructs have been shown to be psychometrically sound in different cross-cultural contexts. The items related to each construct were measured on a five-point scale (1=strongly disagree to 5= strongly agree).

Quality orientation was operationalised using the scale developed by Black and Porter (1996) and further adapted by Lai and Cheng (2005). This scale is based in 39 items aggregated in 10 dimensions.

The Market Orientation construct was operationalised using the scale developed by Jaworski and Kholi (1993) which is based in 20 items. Innovation was operationalised using the scale developed by McDonald, (2007), and is based on four items. Finally, Organisational Performance was measured using the scale proposed by Lai and Cheng (2005) which includes 15 items aggregated in four dimensions (Motivation performance, market performance, productivity performance and societal performance).

RESULTS

Partial Least Squares (PLS) technique was chosen to conduct data analysis (Tenenhaus, Vinzi, Chatelin & Lauro, 2005). Although the measurement and structural parameters are estimated together, a PLS model is analysed and interpreted in two stages: 1) the assessment of the reliability and validity of the measurement model (outer model); 2) the assessment of the structural (or inner model).

The Measurement (or outer) model: In order to ensure the homogeneity and internal consistency of the sub-scales those items which account for each dimension were correlated with their item to total correlation. Those items below a sudden drop-off ($r < 0.25$) were eliminated. Then, the remaining items were taken using composite scores by computing the arithmetic mean of the items. All composite reliability values and Cronbach's alpha coefficients exceed the 0.70, evidencing a fair level of internal consistency in the responses (Nunnally & Bernstein, 1994). For those constructs with reflective measures one examines the standardized loadings (or correlations) between the indicators and their respective constructs. The standardised loadings range from 0.65 to 0.89 for the quality orientation construct; from 0.83 to 0.89 for the market orientation construct; from 0.86 to 0.91 for the innovation construct; from 0.80 to 0.88 for the performance construct.

The structural (or inner) model: In order to test the proposed hypotheses the structural model was estimated. Goodness-of-fit in a PLS estimation is demonstrated, according to Chin (1998) by strong factor loadings (or correlations), significant path coefficients, t-values and high R^2 values. Resampling procedures such as bootstrapping and Jackknifing were used to analyse the stability of estimates. Among six potential relationships four were statistically significant. In order to assess the predictive validity of the parameter estimates, the cv-redundancy index (i.e. Stone-Geisser Q^2 test) evidenced predictive relevance.

Table 1: Bootstrap estimation of path coefficients

	Paths	Coefficients (Intervals)	t-Value	R^2	Hypotheses Decision
H1: γ_{21}	Quality Orientation (QO) → Org. Perform	0.127 [-0.171-0.329]	1.109	0.54	Rejected
H2: γ_{11}	Quality Orientation → Market Orientation	0.818 [0.744-0.891]	22.56*	0.81	Accepted
H3: β_{21}	Market Orientation (MO) → Org. Perform.	0.307[0.184-0.641]	2.821**	0.64	Accepted
H4: γ_{31}	Quality Orientation → Innovation (Innov)	-0.02 [-0.242-0.280]	-0.177	0.47	Rejected
H5: β_{23}	Innovation → Org. Perform.	0.350 [0.092-0.469]	3.851**	0.56	Accepted
H6: β_{31}	Market Orientation → Innovation	0.604 [0.293-0.806]	5.012*	0.58	Accepted

Notes: * $p < 0.01$; ** $p < 0.05$ (2-tailed);

CONCLUSION

The present study highlights the importance of market orientation in driving quality while fostering performance in the healthcare sector. Although the study did not validate the direct relationship between quality orientation and organisational performance; a relationship between these two constructs was found when mediated by market orientation. Additionally, a positive relationship is also found between innovation and performance. In fact, the market orientation construct has a particular relevance since it has a positive impact on both organisational performance and innovation. The results do not imply that quality orientation is unimportant, but emphasise that focusing on quality orientation along, particularly when associated with internal quality processes does not appear to have a direct impact on organisational performance. This also means that quality efforts need to be tied up with a focus on inter-functional coordination and dissemination of information as well as responsiveness, as part of a market orientation strategy. Consistent with other authors, aligning quality and marketing orientations lead organisations to achieve higher levels of organisational performance (Lai and Cheng, 2005). Furthermore, from a practical perspective, the findings may assist healthcare managers as well as public policy makers in the design of policies to achieve quality goals while improving organisational performance. This study was conducted in the healthcare context and may not be generalisable to other industries. Moreover, as the sample used for this study was drawn from Portugal, it would be relevant to further test the conceptual model in other organisational and cultural contexts.

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Acknowledgements

The authors wish to thank the Portuguese Ministry of Science, Technology and Higher Education – FCT - Fundação para a Ciência e a Tecnologia (PTDC/GES/76347/2006) for funding this research.

H1N1 PREVENTION BEHAVIORS IN AUSTRALIA: IMPLICATIONS FROM AN EXTENDED HEALTH BELIEF MODEL

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INTRODUCTION

As of May, 2009, a total of 43,700 cases of H1N1 flu have been confirmed in Australia (Australian Government 2010) and, even though the H1N1 pandemic has subsided (World Health Organization, 2010), disease prevention remains critical, as H1N1 is unlikely to be the last worldwide pandemic. Motivating disease prevention actions can be a challenge, which is why a goal of this paper is to provide insight into doing so. We focus here on Australia for H1N1 prevention perceptions and behaviors. However, the implications are applicable to many disease prevention situations worldwide.

Rosenstock's (1988) Health Belief Model (HBM) is used as a theoretical framework to guide hypothesis development (see Glanz, Rimer and Viswanath, 2008 for a review of the HBM). However, the model tested goes beyond the HBM constructs by explicitly measuring perceived knowledge quantity (how much individuals perceive themselves to know about a given topic) and stored knowledge (what individuals believe to be objectively true often measured as a knowledge test score). Therefore, the model tested includes perceived self-efficacy, perceived threat, perceived knowledge quantity, stored knowledge, information receptivity (a cue to action) and self-reported health prevention behaviors for the H1N1 pandemic.

METHODOLOGY

A self-administered Internet questionnaire was developed and pretested. Except for the objective knowledge test, which was updated and extended a prior study (Manika & Golden, in press), the scales were designed to parallel those used in Manika and Golden (in press) so as to investigate if the prior USA results extended to Australia. It is interesting to note that while the prior USA study scales were all reliable above .80 Cronbach's Alpha, not all scales were above .80 in the Australian sample. The data were collected during August, 2009, via Australian email addresses rented from an Internet panel firm. Data collection took place during the first wave of the pandemic period and the final sample consisted of 491 participants. The sample was geographically and demographically diverse (sex and age).

ANALYSIS AND DISCUSSION

Preliminary analyses were performed to ensure there was no violation of the assumptions of model linearity. The over-all linear OLS model was statistically significant at $p \leq .01$ with $R^2 = .415$. The results of this research suggest that an individual's perceived knowledge, perceived threat, perceived self-efficacy, and information receptivity have a strong impact on the likelihood of engaging in H1N1 prevention behaviors. More specifically, the higher an individual's perceived knowledge, perceived threat, perceived self-efficacy and information receptivity, the higher the likelihood he or she will engage in H1N1 prevention behaviors.

These findings are congruent with predictions from the HBM, suggesting the importance of perceived risks communicated by H1N1 messages and the message receiver's perceived efficacy related to the prevention behavior recommended by various H1N1 public messaging. The higher the perceived risks and perceived self-efficacy, the higher the likelihood of engaging in H1N1 prevention behaviors. Also, according to the HBM, "cues to action", such as information receptivity, signal individual's readiness to act, thus, it is more likely that the individual will take action via H1N1 prevention measures if he/she is more receptive to information. Finally, as an individual's perceived knowledge of the H1N1 flu increases, so does the likelihood of engaging in prevention behaviors. This result might be related to the other three significant factors: perceived threat, perceived self-efficacy and information receptivity. All these factors in turn contribute to the increased likelihood of engaging in H1N1 prevention behaviors.

CONCLUSIONS AND IMPLICATIONS FOR THEORY AND PRACTICE

The findings of this study are congruent with prior research around perceptions, attitudes, and behaviors toward the H1N1 virus conducted in the USA (Manika and Golden, in press). Although the Australian sample did not have the same reliability

scores for the scales developed, the impact of the independent variables on prevention was identical: All hypothesized HBM constructs were statistically significant except for the objectively scored knowledge test. This does not mean that the same messages would be effective in both cultures (e.g., a multi-cultural or global message may not be effective), as cultural styles of communication between societies and within a society may intervene. Future research is needed to investigate the similarities for other nations, cultures and sub-cultures.

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Wednesday, 20 July
Time: 4:00 PM

Session Number: **4.7: Consumer Interest in CSR and Business Ethics**

Session Chair: Fraedrich, John P., *SIU*

Postmodern Business Ethics: Is it Time to Change Our Mental Model?

Wymer, Walter, *University of Lethbridge*

Shedding Light on the Ethical Consumer Debate: Evidence from a Qualitative Investigation of Body Shop Consumers

Brunk, Katja H, *Universite Libre de Bruxelles*

Oeberseder, Magdalena, *WU Vienna*

“Why Don’t You Care About CSR?” – A Qualitative Study Exploring the Limited Role of CSR in Consumption Decisions

Öberseder, Magdalena, *WU Vienna*

Schlegelmilch, Bodo B, *WU Vienna*

Gruber, Verena, *WU Vienna*

Discussion Leader: Vasquez, Arturo, *The University of Texas-Pan American*

POSTMODERN BUSINESS ETHICS: IS IT TIME TO CHANGE OUR MENTAL MODEL?

Walter Wymer, University of Lethbridge, Canada

INTRODUCTION

The reason for existence of business is to increase ownership wealth. Hence, managers' primary responsibility is to ensure that activities and decisions are aimed at increasing ownership wealth. This responsibility is actualized by continuously working to: (1) increase revenues, (2) reduce costs, and (3) reduce or remove competition.

The principles that lead to the preceding statements are derived from laissez-faire capitalism and neoliberal economics (Landauer & Rowlands, 2001; Martinex & Garcia, 1996). In essence, the world is in a more desirable state if: (1) businesses are completely unregulated, (2) trade is completely unregulated, (3) as much of the world's resources are privately owned as possible, and (4) each economic actor is incentivized to pursue its self-interests. While some professors will argue that the preceding statements represent extreme positions, it would be difficult for them to argue that the core principles embedded in business curricula differ markedly from the principles listed above.

As a consequence, business school curricula place its emphasis on educating managers rather than citizens. Functional specialization is emphasized with a focus on working towards maximizing profits as previously discussed. Representing the business's interests is the manager's highest priority. A socially responsible manager, in this model, is one who considers the business's impact on society when making decisions. An enlighten manager is one who takes society's interests into account. However, the interests of the business are given the greater weight in decisions and almost always prevail.

The typical business ethics course, when offered to students, hopes that students will become managers who take society's interests into account when making decisions. However, it is generally assumed that the economic interests of the business are the highest priority of managers. Ethics is viewed as partially situational, culturally determined, and, therefore, flexible.

The proposition of this paper is that the way in which public institutions educate business students is not producing ethical managers.

SELF-INTERESTED AND ANTI-SOCIAL

The documentary, *The Corporation*, makes the point that although corporations are legal persons, they are highly anti-social actors in society (Archbar & Abbott, 2005). The documentary concludes its analysis by finding that the typical corporation is self-interested, inherently amoral, callous and deceitful; it breaches social and legal standards to get its way; and it does not suffer from guilt. These anti-social qualities of corporations result in harm to workers, human health, animals, and the environment.

While some business professors accept the virtue of corporate activity as self-evident and would immediately search for counterarguments in the preceding description, few would dispute the following objectives taught to business students.

First, continual growth is good. This refers to general economic growth, including growth in sales, markets, consumption, and production. This view is also reflected in most public policy. The typical government official proclaims that continual growth in the economy will produce continual increases in the living conditions of citizens. Most government officials believe society can grow its way out of most of its economic problems.

Second, managers are supposed to help their businesses maximize profits. This goal is accomplished by three objectives: (1) minimize internalized costs to the organization, (2) maximize the proportion of total costs that are externalized to society, and (3) reduce or remove competition.

Third, managers are supposed to protect the interests of their corporations. The means used to achieve this objective are multifaceted, but include attempting to shape public opinion and public policy on issues of concern. Corporations work to advance the political careers of candidates supporting their interests and work to thwart the success of candidates not supporting their interests.

Can the typical corporation and its managers be viewed as ethical members of society? What does it mean to be ethical? In order to be ethical, is one required to advance the interests of others? Is the modern corporation only required to look after its interests? Can a corporation be ethical if it harms people and the earth's life systems?

SUSTAINABILITY

Current corporate practices are unsustainable and harmful to humans in the long-term. Environmental degradation in some areas has reached tipping points. For example, most climate scientists calculate that the atmospheric carbon dioxide (CO₂) concentration should not exceed 350 parts per million (ppm) if widespread, negative climate changes are to be prevented (McKibben, 2007). Currently CO₂ levels are about 390 ppm. This level can be decreased if governments are willing to collaborate and make substantial changes (Daily Green, 2009). Although scientists have been warning government officials of global warming for decades, governments have largely continued with their existing emphasis on economic growth and the protection of industries that benefitted from the extraction and combustion of fossil fuels without making significant investments in green energy technologies. Many countries around the world continue to build coal fired power plants. Areas that would be ideal locations for solar, wind, or geothermal power generation remain undeveloped.

While global warming continues to receive the most media attention, our natural resources continued to be depleted. This includes forests, wildlife, wetlands, fresh water, soil, minerals, and oil (Anonymous, 2009). While industry continues to search for ways to increase profits in the short-term without regard for the impact on society, earth's life systems will experience greater stresses. For example, one-third of humans get their fresh water from the Himalayan glaciers, which are retreating (de Nazareth, 2009). The sea life in the world's ocean, upon which 1 billion people depend for their protein, continues to be threatened by pollution from human activity and by advanced fishing technologies (Marine Life Decline, 2009).

ETHICS OF UNSUSTAINABILITY

Apologists for laissez-faire capitalism only have one argument to support its ethicality: the ends justify the means or the benefits outweigh the costs. The benefits to humans from unregulated corporate production and marketing activities outweigh the costs to society. The major flaw in this argument is that industrialists take a binary, all or nothing, position to justify their quest for market power and profits.

For example, the oil industry claims that by allowing it to operate freely around the world, it supplies humanity with fossil fuels that provide many benefits to improve the quality of life for all. Obviously, fossil fuels have provided many benefits. However, is the choice really dichotomous? Can humanity only receive the benefits of industry by allowing it to do as it wishes? Obviously, society can choose to regulate industry in order to attenuate the costs while receiving an acceptable level of benefits. However, such regulation will have the effect on industry of lowering its profits, and will, therefore, be vigorously opposed by industry.

As discussed previously, to maximize profits, industry needs to: (1) minimize internalized costs to the organization, (2) maximize the proportion of total costs that are externalized to society, and (3) eliminate competition. When industry is allowed to achieve these three objectives, people are harmed or put at risk of harm. This is why the modern corporation can be viewed as anti-social and inherently unethical.

Business schools are preparing students to become managers in this corporate climate, in effect, preparing students to be unethical, a de facto requirement established by the culture of the modern corporation. Many business professors will disagree with this conclusion, stating that their students are in fact being trained to take potentially negative outcomes on people into consideration when making business decisions. Somehow, they argue, managers will balance the potential harm on society with the profit goals of the corporation. Given the enormous conflict of interest of the manager in this framework, is it realistic to expect a manager to sacrifice profits in order to do less damage to human welfare or the environment? There are powerful incentives acting on the manager to increase share value and powerful disincentives to avoid failing to meet financial analysts' expectations. Should not the role of balancing the benefits and the costs, then, be that of a representative government, looking out for the best interest of society, rather than industry looking out for its interests?

Some business professors argue that the free market rewards socially responsible companies. Therefore, the free market will help society arrive at a balance in which the benefits and costs of industry are automatically regulated by market forces. Is this the natural law that we witness in the corporate world? Let's say, for example, that a corporate chief executive chooses

to use a costly technology to reduce industrial pollution. Thus, the executive chooses to forgo some profits in order to reduce harm to society. Does the marketplace provide an incentive for this behavior or a disincentive? Will sufficient numbers of consumers buy the product from the green producer even if the price is higher? Will shareholders encourage more similar decisions by the chief executive? Or, will consumers and shareholders act in their narrow self-interests, buying the less expensive product or preferring a higher stock value?

It is more reasonable to predict that stockholders will replace an executive who makes decisions that fail to meet financial analysts' expectations with an executive who will meet their expectations.

The U.S. health care industry is an example of the operational ethics of modern corporations. The private sector's emphasis is not on providing health care, but on finding ways to increase profits each year. About 46 million Americans have no health insurance. About 45,000 Americans die each year due to a lack of health insurance (Heavey, 2009). These trends are increasing because health industry executives have powerful incentives to meeting financial analysts' expectations. If executives meet their expectations, they earn millions of dollars in bonuses and other incentives. If they fail to meet their expectations, they are replaced by executives who promise to make the necessary decisions to meet analysts' expectations. In order to continually increase annual profits, the industry regularly raises prices beyond the rate of inflation, it removes unprofitable consumers from its roles, and it continually finds ways to avoid paying for coverage of health care (Moyers, 2009; Potter, 2010). The decisions of managers are clearly tilted towards: (1) minimizing internalized costs to the organization, (2) maximizing the proportion of total costs that are externalized to society, and (3) eliminating competition--even when their decisions result in people's deaths (Loren, 2009).

POST-MODERN BUSINESS ETHICS

The central premise of this paper is that the modern corporation tends to be anti-social and, therefore, inherently unethical. Business schools are educating students to be managers that further the anti-social activities of the modern corporation. The planet, its life systems, and humanity cannot continue to absorb the accumulated costs of modern corporate practices. If the water, air, and soil upon which life depends are poisoned, what is the real value of a growing economy? (It is acknowledged that there are also major human rights issues that are not being included in this discussion due to space constraints and argument parsimony.)

Modern corporate practices are, therefore, unsustainable. They must be replaced with practices that are more sustainable—even if it requires less profits and more government regulation. The tenets of a typical business education, laissez-faire capitalism and neoliberal economics, can no longer be the embedded framework of a business curriculum. To prepare for the future, business students need to be educated with a different ethical framework. A post-modern ethical perspective is required by managers to succeed in a post-modern society in which corporate exploitation of people and resources is no longer acceptable.

A new post-modern business ethical paradigm is required. This is the central argument of this paper. This paper does not claim to have the definitive framework for the much needed post-modern ethical paradigm. It does make the claim, however, that the results of the current ethical system does not work for society's long-term benefit and can no longer be accepted.

The following ideas are intended to begin a discussion to help develop the new ethical paradigm needed in business curricula.

First, professors need to accept the reality that expecting exemplars to rise in industries and lead by example is unrealistic. The incentives work against this. This paper has argued that a prosocial orientation is at odds with a corporate profit maximization objective. Industries need government to create a context in which competing corporations have the same rules and boundaries restricting their negative impact on society.

Second, government should provide an incentive structure that moves production operations toward sustainability. In an unregulated industry, internalizing costs decreases profits and reduces competitiveness. Government, however, can provide a regulatory system that places the same requirements on all competitors. If a foreign company which doesn't operate under the same system becomes an unfair competitor, then government can install the appropriate import disincentives to create a proxy system for the foreign competitor.

Third, accept that the self-regulating characteristics of the market only really work in a free market, one characterized by atomistic competition. Atomistic competition, and therefore, truly free markets, are rare. Since instead of a free enterprise

system, the modern economy is more like a corporate enterprise system, regulatory policy should be based on market structures that actually exist.

Forth, understand that neoliberal trade policies have produced political corruption, human privation, rising wealth inequality, and power for a relatively small number of very large multinational corporations. Governments should look after the interests of their societies. Trade decisions should be based on what is best for the society. Poorer countries should not be coerced into accepting trade agreements that diminish the well-being of their societies.

Fifth, governments should use the Precautionary Principle when allowing new products into the marketplace. The burden would be on companies to ensure their products are safe for humans before being marketed (Precautionary Principle, 2009).

Sixth, corporations should not have the same rights as citizens. Corporations have demonstrated repeatedly the capacity to harm people to increase profits. Some corporate interests are oppositional to those of a democratic society. Citizens' rights must be given a higher priority. A barrier needs to separate corporations from their ability to influence public policy.

Finally, accept that corporations exist to serve humanity first and foremost. Earning profits should be a reward for prosocial activities. Incentives for anti-social activities should be removed.

REFERENCES

References are available upon request.

SHEDDING LIGHT ON THE ETHICAL CONSUMER DEBATE: EVIDENCE FROM A QUALITATIVE INVESTIGATION OF BODY SHOP CONSUMERS

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ABSTRACT

Grounded in the socio-historical debate on the negative impact of globalization and the subsequent rise of the ‘powerful and greedy’ corporation, issues of sustainability, business ethics, and Corporate Social Responsibility (CSR) have taken center stage in the media. While awareness and perceived importance of corporate morality have been growing, controversy still surrounds the reaction of the public to un/ethical or socially ir/responsible firm behavior, specifically the question to what degree ethical considerations play a role in real-life consumption practices and purchase decisions.

INTRODUCTION

Corporate scandals such as Gap and Nike (sweatshop and child labor at manufacturing firms in Asia), Nestlé (aggressive marketing of baby formula in Africa), and Shell Oil (Brent Spar and the Niger Delta controversy) led to growing attention towards the ethical and social responsibility performance of corporations and stakeholders exert increasing pressure on companies to conduct their business in an ethical and socially responsible manner.

Supported by the increasing media attention, discourses emerged that centered on the power and legitimization of the corporation, the morality of corporate behavior, and the overall societal impact of business. A growing number of books, documentaries, and movies (i.e., Naomi Klein’s (1999) *No Logo!*; Michael Moore’s documentaries; movies like *Erin Brockovich*) raised awareness of ethical issues, encouraged critical thinking, and taught consumers that, through each individual’s decision-making power, they can influence corporate behavior. Today a sizeable segment of consumers is able to make a link between what they purchase and the environment, social values, and the greater welfare of society. A result of this coming-of-age process is the rise of the ethical consumer, a person who freely and intentionally chooses to purchase a product which primarily aims at serving certain types of ethical issues, such as environmental and animal protection, human rights, or fair trade.

LITERATURE

The academic community concurs on the link between a company’s stance on CSR or corporate ethics and consumer responses. Many studies illustrate that consumers’ un/favorable perceptions of a company’s ethics or social responsibility efforts shape their beliefs, evaluations, and attitudes towards its products (Berens, Van Riel, and Van Bruggen 2005; De Pelsmacker, Driesen, and Rayp 2005; Lichtenstein, Drumwright, and Braig 2004; Mohr and Webb 2005; Sen and Bhattacharya 2001). While there is unanimous agreement that un/ethical corporate behavior impacts consumer attitudes towards a company or brand, the direct translation of these attitudes into consumers’ purchase behavior is still a subject under debate. Often based on the underlying assumption that behavior follows reasonably well from attitudes, the majority of research concludes that un/favorable information on a company’s ethics will likely steer purchase behavior (Berens et al. 2005; De Pelsmacker et al. 2005; Sen and Bhattacharya 2001). Some studies, however, have questioned the notion of the ethical consumer (Belk, Devinney, and Eckhardt 2005; Carrigan and Attalla 2001).

Divergence of Claimed Attitude and Actual Behavior – the Attitude-Behavior Gap

All market studies reviewed suggest that consumers who take their moral concerns to the supermarket account for a sizeable percentage of the population in developed countries like the US and the UK. To estimate the size of the ethical (or sustainable) segment, various consumer typologies and segmentations have been developed based on surveys measuring consumers’ self-report attitudes, purchase intentions, and claimed consumption. For example, French and Rogers (2008) from the Natural Marketing Institute report that a total of 41% of the US population make their purchase decisions with sustainability criteria in mind and that this “new era of ethical consumerism” only shows signs of acceleration. Surveys in the UK present a similar picture (for example, Kleanthous and Peck 2007).

In the year 2000, Cowe and Williams predicted that ethical products have the potential to command a 30% share of the marketplace. Ten years later, and despite increased consumer sophistication and higher awareness of ethical issues, market shares for ethical products remain marginal and entirely out of line with consumer attitudes and consumption claims. For example, fair trade products still account for less than 1% of global trade (Siegle 2009). The discrepancy between the share of consumers claiming to purchase ethically (40%-50% of the population) and the share of those who actually act in accordance with their stated beliefs (market shares around 2%) highlights the presence of a much-debated attitude behavior gap (ABG).

Previous literature offers various explanations for the divergence between consumer claims and actual choices at the point of sale. Conventional product attributes such as price, quality (e.g., taste), and convenience (availability) may still dominate consumers' decision-making processes (Belk et al. 2005; Cowe and Williams 2000; De Pelsmacker et al. 2005). Other potential reasons for the ABG include consumers' confusion and lack of trust as well as a lack of information (Carrigan and Attalla 2001; De Pelsmacker et al. 2005). However, several of these alleged barriers have (at least partly) lifted over the past 10 years. Choice, availability and convenience should no longer constitute severe limitations to ethical consumption. Many FMCG companies have extended their product portfolios to include fair trade and organic products. While these products were predominantly sold in specialty stores before, they have now entered all major retail channels. Access to information and overall knowledge about ethical products has also improved over the past decade. Many companies now offer detailed information about their products and CSR campaigns on their websites and in their annual reports. Furthermore, ethical product labeling initiatives, store displays, and educational brochures at the point of purchase all contributed to increasing the information available to consumers.

Despite the fact that some prominent barriers to ethical consumption have been lowered, the ABG is as large as before. Few attempts have been made to look for alternative explanations. A study by Vantomme et al. (2006) investigated the extent to which implicit attitudes may determine ethical consumption. However, the study failed to close the ABG by finding that the traditional explicit attitude measure predicted behavior better than the implicit attitude measure. The attitude-behavior inconsistency leaves the notion of the ethical consumer contested and therefore warrants further exploration. Why are shares still marginal in comparison to claimed attitudes and purchase intentions?

Identifying Methodological Challenges in Ethics-related Research

Previous studies are not free from methodological shortfalls. Prevalent limitations relate to either the choice of sample or the modus operandi of the empirical research conducted. Many studies are based on inquiries with students. However, student samples are problematic when assessing questions about corporate ethics (Murphy 2002). According to Kohlberg (1977), moral reasoning develops from childhood to adolescence. Hence, undergraduate students are likely to be in a different moral development stage than adults, impacting their sensitivity towards certain scenarios with ethical content.

Other challenges are rooted in the mode of inquiry, namely the predominant use of traditional survey methods and controlled experimental designs. Hypothetical scenarios designed to elicit consumer responses can distort responses in three ways: (1) consumers receive information which they might be unaware of and therefore not consider in everyday situations. (2) Consumers' attention is drawn to ethical issues, which might not be the case in a typical shopping environment (e.g., supermarket). (3) Consumer responses may suffer from social desirability effects, a prevalent challenge with survey research (Steenkamp et al. 2010). Because study conditions do not resemble the context and constraints under which consumers normally make decisions, reactions to these scenarios are likely to be poor indicators of actual consumer responses.

Moreover, because of the heightened salience of un/ethical behavior, some consumers may guess the study purpose. Even if the study objective remains undetected, the subsequent direct questioning of respondents about their attitudes towards a product/company linked to child labor almost certainly guarantees a negative response, while attitudes towards a company with a positive CSR track record generate favorable replies. Not necessarily because the respondent truly cares, but more likely because he/she is aware of what the 'correct' response should be, meaning the pressure of adhering to social norms set by the predominant discourses prevents consumers from revealing their actual attitude and causes them to edit their responses accordingly. Hence, direct questioning in an ethics-related context most likely leads to responses tainted by social desirability. Literature in social psychology has pointed out that (1) this dynamic is partly an 'incentive compatibility issue' (the structure of the survey instrument allows participants to refrain from revealing their true attitude), and (2) that situations which raise self-presentational concerns and generate a need to conform to social norms are particularly prone to social desirability effects (Auger and Devinney 2007; King and Brunner 2000; Schwarz 1999). This applies to sensitive issues like ethical consumption, where consumers find themselves questioned on their own moral dispositions and consequently revert to presenting an idealized self-image congruent with social norms. Various researchers have raised concerns about the issue

of social desirability when investigating ethics-related questions (Auger and Devinney 2007; De Pelsmacker et al. 2005; Vantomme et al. 2006). The identified issues with these modes of inquiry cast doubt on some of the conclusions drawn by previous studies and suggest that the significance of consumers' ethical concerns may be inflated. Hence, there is an apparent need for alternative approaches to assess ethics.

OBJECTIVE AND METHOD

The key objective of this study is to shed some light on the controversy surrounding the ethical consumer and by doing so hopes to offer new insights into the much-debated ABG. Are ethical product attributes truly important to consumers and play a role in real-life consumption practices and purchase decisions, meaning outside the realm of artificially created survey or experiment settings? Why are market shares of ethical products still marginal in comparison to claimed attitudes and purchase intentions? Moreover, are sales of ethical products actually driven by the ethical benefit?

Further to the identified methodological limitations of previous research and in line with the study's objective of exploring and conceptualizing (vs. quantifying and generalizing), this inquiry applies an alternative approach by means of phenomenological interviews and subsequent interpretive analysis, a method considered most conducive to investigating situations where claimed attitudes and actual behavior diverge (Belk et al 2005).

The Choice of Research Context

In order to gain insight into the phenomenon of the ethical consumer, the study investigates consumers who shop at The Body Shop. This specific research context was chosen for a variety of reasons. First and foremost, The Body Shop is universally associated with exceptionally high ethical values and is one of the very few global brands with true ethical brand DNA. This was confirmed by a conducted pre-test, in which consumers were asked to spontaneously name brands they considered ethical. The Body Shop was often the only, and overall by far the most frequently cited brand, implying high consumer awareness of The Body Shop's ethical values. Rather than the induced awareness of ethical issues created in experimental studies and surveys, researching Body Shop consumers guarantees a high level of natural awareness facilitated by exposure to the store environment and corporate communication. Furthermore, a recent study suggests that ethical attributes may play a lesser role in low-involvement habitual purchase activities such as daily grocery shopping (Tarkiainen and Sundqvist 2009). Conversely, the store environment at The Body Shop invites higher involvement by allowing consumers to try all the products, providing highly skilled service staff and offering plenty of product information.

Hence, the combination of naturally high ethical awareness and higher product involvement provides an ideal setting for researching the phenomenon of ethical consumption. Findings drawn from this research should be considered a 'best case scenario' when compared to FMCG purchases in the supermarket. Put differently, if the Body Shop's ethical stance does not emerge as a decisive purchase criterion for its shoppers, ethics may carry an even lesser weight with brands that are subject to more habitual shopping processes and that do not share the same degree of ethical brand DNA.

Data Collection

We conducted 14 phenomenological 'long interviews' (McCracken 1988) with Body Shop buyers, defined as consumers who have purchased at least one Body Shop product over the past six months. In line with the selected mode of inquiry, a theoretical sampling strategy was followed with the intention to explore diverse and contrasting consumer profiles and therefore generate a broad variety of answers. The resulting pool of informants offers diversity in terms of age, gender, marital status, education, employment status, and job profile. A full list of all interviewees' demographic profiles is available upon request.

Participants were recruited via intercept technique in a popular shopping area of a large European city. We deployed ourselves in the immediate vicinity of The Body Shop and approached consumers who exited the shop with a shopping bag, indicating that they had conducted a purchase. Interviews were conducted either immediately in a neighborhood café or, alternatively, at the convenience of the participant at a later point in time at their home. All interviews were semi-structured and employed open-ended, non-directive questions. The interview guide was pre-tested and continuously evolved in line with emerging patterns (McCracken 1988). Interviews were designed to elicit various types of data to include personal, attitudinal, and behavioral as well as contextual information.

We took several steps to minimize the limitations of previous studies on ethical consumption, namely artificial awareness of ethical issues and the associated social desirability effects. Firstly, rather than approaching candidates inside The Body Shop, which could have led to inferences about the study subject and a subsequent activation of the ethical schema, consumers were recruited on a typical shopping street. Secondly, consumers were advised that the focus of the study was to investigate their opinion and consumption of cosmetics and other fast-moving consumer goods. Hence the provided study purpose was very general without reference to either The Body Shop or any type of ethical product. Thirdly, the order of questions was geared towards circumventing artificial awareness of ethical considerations. All respondents covered the same topics, starting with more general grand-tour questions and then becoming increasingly specific. Discussion started off with the participant describing at least one of his/her previous cosmetic purchases, then moved on to discuss favorite brands and preferred retail outlets as well as general shopping habits and purchase criteria for various fast-moving consumer goods. After discussing these topics at length, attention was turned to The Body Shop, starting with questions about regularity and frequency of shopping there, reasons for purchasing as well as knowledge and perceptions about the brand and its values. The interview concluded with a general discussion on ethical values and a question on how important these are to participants. The introduction of the subject of ethics and social responsibility at the end of the interview was intended to either induce or raise the awareness of the issue. Hence, by nature this final question about consumers' claimed importance of ethics mirrors the conditions under which attitudes towards ethical products are commonly assessed in quantitative studies.

In line with standard qualitative procedures, interviewing continued until redundancy in the elicited interpretive categories was achieved, suggesting theoretical saturation. Interviews lasted up to two hours depending on the level of interaction and participation. With the permission of the study participants, all interviews were recorded and transcribed at full length. Furthermore, interview descriptions and observation notes were taken.

Data Analysis

Following procedures commonly accepted for this type of inquiry, data analysis was an ongoing and iterative process that gradually evolved throughout the data-collection phase. Preliminary analysis started upon completion of the first couple of interviews and continued at regular intervals. The interview guide as well as coding scheme was continuously refined as new patterns and dynamics were uncovered and interpretations developed. This constant comparison method allowed data collection and analysis to intermingle, a strategy particularly useful for exploratory research (McCracken 1988).

Analysis started with impressionistic reading of the transcripts and interview observation notes. To extract meaning, transcripts were re-read repeatedly in search of recurrent attitudinal and behavioral tendencies or patterns. Analysis progressed by employing operations of categorization (coding deductively and inductively), abstraction, comparison, dimensionalization, integration, iteration, and refutation, as recommended by Spiggle (1994).

Following the analytical procedures, we initiated member checks and peer reviews to increase credence and strengthen the validity of the interpretations. This confirmation process and subsequent refinement of interpretations concluded the analysis phase. Hence, interview transcripts, interview observation and description notes, member checking, and peer review feedback constitute the data from which the following findings are drawn.

FINDINGS

To investigate the phenomenon of ethical consumerism, we analyzed the practices of consumers shopping in an ethical environment: The Body Shop. In general, consumers have a high level of awareness of ethical issues, which reflects prevailing discourses and increased media attention. However, the way this knowledge and sophistication translates into attitudes and purchase behavior varies among consumers. Based on differences in consumers' claimed importance (response to prompted question on importance of ethical criterion) versus the true impact (reflected in narratives about consumption habits) of ethical considerations, we identify three types of Body Shop customers: *ethicals*, *pretenders*, and *apatheticals*.

To present our findings, each of the three segments is illustrated by one typical case drawn from our 14 informants. The chosen case study format enables us to showcase the context within which the case is situated and thus facilitates a holistic understanding of the consumer. The presentation of cases also helps to demonstrate the realities which consumers negotiate, specifically the sometimes-contradictory relationships between what participants claim to do, what they think they ought to do, and what they actually do.

Ethicals

Ethicals are consumers who claim to have high concerns for ethical issues, which is in line with their purchase behavior. One of them is Mary. She is a 23-year-old kindergarten teacher. For her job she moved from a rural region to a bigger city some years ago. She loves alternative music and dresses unconventionally. She is wearing a long flowered skirt; her shoes and her handbag are also patterned with flowers. Mary is concerned about the well being of others, which is reflected in her involvement with Global 2000 (NGO supporting environmental and social projects) and is also concerned about her own health. Her ethical concern is a main reason for shopping regularly (about once a month) at The Body Shop, where she has been a customer for about five years.

Ethics as a key purchase decision criterion. Mary is dedicated to doing good by buying fair trade products, organic products, and products that support the local economy. She also likes to shop at Third World Imports and Information Center.

Mary: Well, especially with things like eggs and milk I always make sure I'm taking organic products. [...] Yes, this is important to me too. Well, I think... I do also feel better doing this-whenver it's possible, that is. I think OK, I'm working, I have just enough money left over that I, that I can buy this for myself.

Mary's desire to do good and her overall positive attitude toward ethical issues is the key reason for shopping at The Body Shop. However, she also considers non-ethical criteria when shopping, such as the quality of products, the natural smell, and whether or not the products are good for her health and well being, as well as the value for money.

Mary: In general I like Body Shop so much because I know that you're also doing a bit of good when you buy something there and not somewhere else. And on top of that they do also have really good products. They smell really good – I like this fruitiness quite a lot. And my mom has always shopped there too. So somehow it was a, a kind of handing-down, I think. It feels good! It's not so...

Interviewer: What do you mean by doing good?

Mary: Well, Body Shop has a lot to do with fair trade and not exploiting people and in general it has, there aren't really any carcinogens or anything in their products. Well it's... What else is there to say? It's just... yeah, fair trade and so on. They support them, and that's positive. I think well, if I'm able to do it, why not? I really like doing it. And there [at The Body Shop] I can do it and like doing it.

Mary tries to help whenever she can and regrets not being able to support ethical causes at all times, which makes her feel conflicted. She admits that it is sometimes difficult to buy ethical products because they are not available in all product categories and because she has a limited budget.

Mary: What do I value? Just that the products, even though they do something good, are actually also good value for money. Well, they aren't actually as expensive as you'd expect. [...] That's why I buy... If they were overpriced I could say: Yeah, OK, I have my limits too, I can't spend endlessly. But it's actually OK. And they [the products] also really last.

Ethics as attitude towards life. Mary mentions multiple times that ethics are important to her, since her family passed on ethical values to her. At home they take into account the origin of products, the conditions under which they were produced and whether or not the products are healthy. As Mary illustrated in one of the above narratives, her mother acts as a role model for her. Mary describes her ethical attitude as a life experience, as something that has to be learned and as a process that develops over time.

Mary: Well, you learn it, I'd say. When you're a teenager, then out of somewhere comes... You don't really think about it at first, I think. I mean, I wasn't the only one who didn't immediately think, "whoa, if I shop there, then maybe it's better for some people somewhere else." So... I think this awareness always has to be learned first, you have to get it from somewhere and, sure, your life experience also contributes something. So [the awareness] certainly wasn't always there for me; it... develops a little as well. It did take some time.

Summary. Mary's case demonstrates that consumers with truly ethical intentions exist. But while an ethical product feature is a key driver of decision-making, other purchase criteria such as quality and value for money are equally important to this segment. Moreover, ethicals focus on selected causes that are of personal importance to them. Mary, for example, cares strongly about fair trade and the local community and economy, but is not concerned about other ethical issues such as animal testing. Ethicals show that the practice of ethical consumption is shaped by socialization processes and moreover presents a lifestyle choice. Often, ethical consumers were raised with these values, hold socially responsible jobs, and engage in other ethical activities such as contributing to organizations (i.e., NGOs) that support environmental or social causes.

Pretenders

Pretenders are consumers who claim to have high levels of concern for ethical issues, but their consumption behavior diverges from their claimed attitudes. One example is Susan. Dressed in plain jeans and a T-shirt, wearing no makeup, she meets one of us at a quiet Starbucks café. Susan is 33 years old and works as a hostel manager. She grew up in the countryside and thus has a very strong connection to nature. Her health is important to her, particularly in terms of nutrition and personal hygiene. She shops at The Body Shop every few months.

Ethics as a claimed side effect. Susan is extremely health-conscious and loves to shop at The Body Shop for several reasons: The products are of high quality and have a natural smell. She can try out the products in the store, the shop assistants consult with her if she has questions, and she likes how the products are presented. She takes special care of her body and finds Body Shop products to be ideal for her personal hygiene.

Susan: Yeah, um (pause), I think it's really a mixture of the scent and simply the quality. A relatively small amount of this shower gel really goes a long way and the scent is still pleasant after half a year, or after weeks, if I shower with it every day. It's really no problem! It's still pleasant. Um, it's also about the image, of course! I like the colors, I like the presentation, I like how it's nicely arranged, I like that I can smell it, that I can test everything they have there. Um. I like how for every scent there's a shower gel as well as this body butter and everything so that I don't need to have five different scents on my body... Um (pause) everything I might want is all in a small space. Whether I want a body glove with it or not or whatever – it's just all there.

Discrepancy between claimed and true importance of ethics. Throughout the discussions about her consumption practices and purchase criteria for cosmetics as well as other consumer goods, Susan does not mention ethical considerations. Only after being questioned about The Body Shop's values, of which she is aware, does she begin to state that ethics in general are of concern to her. She is not actively seeking information on corporate ethical behavior, despite the claim that it is a consideration in her consumption behavior.

Susan: Yeah, I mean, that definitely influences my purchasing behavior. [...] Um, yeah, well I don't inform myself, I don't look it up on the net before I buy something. But, when I do know something, then I of course do try to go the ethical way and not the other way.

Summary. Pretenders are aware of The Body Shop's ethical stance. For this segment traditional, more functional, criteria such as quality are decisive and ethical considerations do not naturally enter their minds. But like Susan, when awareness of the subject of ethics is induced, for instance after being questioned about the ethical positioning of The Body Shop, pretenders claim that ethical criteria are vital to them. Yet their actual buying behavior does not support the positive attitude claimed. This pattern evidently shows a contradiction between consumers' attitudes and behavior, characteristic of the ABG. The findings suggest that positive attitudes found in experiments and surveys may be driven by social desirability rather than by true positive dispositions and could therefore offer an explanation for researchers' previously failed attempts to close the ABG.

Apatheticals

Apatheticals are consumers who have low levels of concern for ethical issues, which is reflected in their purchase behavior. Take Laura, a journalism student. She lives with her parents in a big city and gives the impression of being naïve and not very self-confident. She has been buying products at The Body Shop for three years, mainly to give away as presents.

Consumption behavior is not related to ethical values. Laura explains and stresses several times that her primary purchase criterion is price. But she also considers the product range and, particularly with cosmetics, the odor. However, she makes many of her buying decisions on the basis of past experience and often buys the same products for her convenience. Laura shops at The Body Shop only when buying presents for her mother and friends because she thinks the products are too expensive for her daily use.

Interviewer: And why do you shop at The Body Shop?

Laura: Because I know my mother likes it. And because, I mean, it smells really great and it's all really super, but for me it's all too expensive, paying €10 for shower gel... Well, that's my criterion.

Laura is somewhat aware of the ethical positioning of The Body Shop and names animal testing and fair trade when questioned about its values. She appreciates the company's stance but admits that it is not really important to her. She is looking at the price.

Laura: Yeah. So what I think is good is that they... I don't know exactly, support something... fair trade? Something like that. I think that's good. Other retailers, for example, don't do that. Because you get that at every Body Shop, it's

always written in big letters, and on the bags too, AGAINST ANIMAL TESTING! Yeah, that's it, against animal testing. And I like that. That's cool.

And later:

Laura: It [ethical values] actually doesn't matter so much because, as I've said, actually I look at the price too. That's why it isn't such a big deal to me, I'd say.

Ethics as something to think about. Interestingly, Laura explains that she has never thought about the ethical position or behavior of companies before. She reflects upon her own future—for example, when she will graduate from university—rather than about general attitudes towards life. She thinks that this is selfish but says she cannot change how life is. Moreover, she feels that she cannot really make a difference.

Laura: To be perfectly honest I don't really think about it. I mean, when I'm, that's a stupid example, now when I am standing there at McDonald's and I get my change, those, I don't know, 10, 20 cents, I do always throw them in that box on the counter, for example. I don't much concern myself with it.

Interviewer: Why is that?

Laura: It's not that I'm not interested in it, but, well, other things are more important. I know that's really selfish. But I mean, I just have the feeling that on my own I can't have much of an effect anyway.

Summary. Apatheticals like Laura consider traditional criteria such as price or functionality when shopping, and disregard the ethical stance of a company or brand. Despite some awareness of ethical issues this segment is indifferent and unconcerned and disregards ethical product benefits. Hence, this consumer group may well buy ethical products but their purchases are unrelated to the company's ethical stance.

CONCLUSIONS AND IMPLICATIONS

The present study set out to shed some light on the controversy surrounding the ethical consumer and aimed to offer new insights into the much-debated ABG. Specifically, we explored whether ethical considerations are truly important to consumers. In other words, do ethical product/brand attributes play a role in real-life consumption practices and purchase decisions, meaning outside the realm of artificially created survey or experiment settings? Why are market shares of ethical products still marginal in comparison to claimed attitudes and purchase intentions? Are sales of ethical products actually driven by the ethical benefit?

To provide answers to the above questions, the study qualitatively investigates the buying behavior, attitudes and general consumption practices of consumers of one of the most ethical brands globally, The Body Shop. The methodological approach and setting enabled us to explore an environment in which consumers are naturally aware of ethical issues, circumventing the problem of inducing artificial awareness and as a consequence inviting social desirability.

Key conclusions of the study are (1) that the true importance of ethical criteria to consumers appears to have been largely overestimated in the past; and (2) that the proclaimed ABG is, at least partially, an artifact driven by social desirability fostered by previously mentioned limitations in study design. Consumers do not appear to value ethics as much as previous research and market surveys suggest. In line with low market shares of ethical products, ethical considerations appear to not play a role in most consumers' purchase decisions.

Importance of ethical product attributes

Three segments of Body Shop customers were identified. Surprisingly, even when investigating attitudes and behavior among brand buyers of one of the most prominently ethical global brands, we can identify only a small segment that takes note of the company's ethical stance and considers these values a reason to shop there. More significantly, even for this segment, the ethical benefit is not the all decisive factor. While these consumers truly take ethical considerations into account when shopping, they value products for their direct, functional benefits at the same time, meaning in terms of importance the ethical criterion is not superior to other benefits. Products must meet basic consumer expectations on key attributes such as quality, price, or convenience in addition to being sustainable.

The identification of the apatheticals segment illustrates that for this group of Body Shop customers, the ethical stance of the company is irrelevant. These consumers may well shop at The Body Shop, but their purchases are unrelated to ethical product attributes.

These findings suggest that a variety of ethical consumer goods may be sold largely for more functional (for example: green products are healthier, energy saving light bulbs last longer) rather than ideological or altruistic reasons. Hence, the prevailing and almost automatic assumption that ethical product sales are driven by the ethical benefit has to be called into question. Consequently, the share of products bought and valued primarily for their ethical properties is likely much lower than market shares imply.

ABG – an artifact?

The existence of the identified pretender segment suggests that the size of the ABG may be caused by social desirability fostered by the applied research designs and therefore, at least partially, may be a method-driven artifact. For consumers in the pretender segment, ethics-related attributes do not play a role in consumption practices nor do ethical considerations naturally enter their minds.

Yet after creating awareness of the subject, these consumers claim that ethical product attributes are important. Feeling indirectly questioned about their own morals, consumers appear to revert to presenting an idealized self-image that is congruent with societal expectations of 'being responsible'. In other words, the introduction of the topic generates positive attitudes that appear purely ideological, overstated and colored by social desirability, rooted in prevailing discourses and the resulting pressure to conform to social norms. Natural (non-induced) attitudes are in fact much weaker, reducing the ABG, which offers a potential explanation for researchers' previously failed attempts to resolve this inconsistency.

Implications for existing and future research

This research highlights that when studying ethics-related topics, great attention must be paid to the issue of creating artificial awareness and the social desirability effects this may cause. Results of existing quantitative studies which induced awareness of ethical benefits and/or directly question consumers about their attitudes or purchase intention towards ethical products have to be interpreted with utmost caution, as responses are likely to be highly overstated. Hence in the context of ethical consumption, researchers should look beyond experiments and surveys and embrace alternative methods. Other modes of inquiry may be better suited to address the sensitive topic and therefore may yield more realistic results.

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“WHY DON’T YOU CARE ABOUT CSR? – A QUALITATIVE STUDY EXPLORING THE LIMITED ROLE OF CSR IN CONSUMPTION DECISIONS

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ABSTRACT

There is an unresolved paradox in the role of corporate social responsibility (CSR) in consumer behavior. On the one hand, consumers demand more and more CSR information from corporations. On the other hand, research indicates a considerable gap between consumers’ apparent interest in CSR and the role of CSR in purchase behavior. This paper attempts to shed light on this paradox by drawing on qualitative data from in-depth interviews.

The findings show that the evaluation of CSR initiatives is a complex and hierarchically structured process. Consumers distinguish between core, central, and peripheral factors. This paper describes these factors in detail and depicts the complexity of CSR assessment by consumers. A model clarifying the relationship between core, central, and peripheral factors is used as a basis for discussing the implications of the research findings. To this end, the paper contributes to a better understanding of the role of CSR in consumption decisions.

References available upon request

Wednesday, 20 July

Time: 4:00 PM

Session Number: **4.8: Customer Experience**

Session Chair: Worthington, Steve, *Monash University*

Customer Experiences as Drivers of Customer Satisfaction

Dalla Pozza, Ilaria, *EMLV Paris*

Creating Strong Customer Relationships and Subsequent Outcomes

Ng, Sandy, *RMIT University*

David, Meredith, *Florida State University*

Dagger, Tracey, *Monash University*

The Effects of the Pre-enrollment Experience on Students' Relationship Intention

Palmer, Adrian, *Swansea University*

Koenig-Lewis, Nicole, *Swansea University*

Discussion Leader: Omneya, Yacout, *Alexandria University*

CUSTOMER EXPERIENCES AS DRIVERS OF CUSTOMER SATISFACTION

Ilaria Dalla Pozza, EMLV Paris, France

ABSTRACT

During the past two decades, customer satisfaction management has emerged as a strategic imperative for many organizations and has become a popular topic for managers, consultants and academics. Customer satisfaction measures the extent to which a product or service has reached expectations or how a product performed compared to an ideal (Johnson and Fornell 1991; Anderson, Fornell, & Lehmann 1994). Nowadays, the difficulty in correctly defining customer satisfaction is highlighted by previous publications, which provide several different definitions of the construct, without stating the superiority of one definition over another.

Traditionally, studies have investigated customer satisfaction with specific products and services focusing on utilitarian attributes and features, but ignoring customer experiential components (Schmitt 1999). So far, customer satisfaction has reflected the traditional view of marketing focused on functional features and benefits.

According to the above premise, scope of this research is to identify whether and to what extent customer experiences can be drivers of an overall concept of customer satisfaction. Building on from Schmitt (1999), we define five kinds of experiences (sense, feel, think, act and relate); customer experiences are triggered by various elements of the marketing mix of an offer in the three stages of the purchasing process (pre-purchase, purchase, post-purchase).

More precisely, we introduce the concept of the 'experiential unit' as a driver of customer satisfaction. Defined over the entire purchasing process (pre-purchase, purchase and post-purchase phase), the 'experiential unit' represents the ensemble of the customer experiences that are specifically triggered by the components of the marketing mix (such as product, store, website, salesperson, price, etc...) of a specific marketing offer.

This research wants to bring several contributions to the conceptualization of customer satisfaction, which has been thus far mainly product-oriented, by suggesting an approach that focuses more on customer experiences over the dynamics of the purchasing process. To the best of our knowledge, no research has, as yet, specifically concentrated on the relation between customer satisfaction and experiences.

Our exploratory research clearly shows that customer experiences (sensory, feeling, thought, action and relation to product) are all important driving factors of an overall level of customer satisfaction, thus introducing a more customer-centric approach in the comprehension of customer satisfaction. We present also the preliminary results of our experiments.

The paper is divided into the following sections: in the first part, we present a review of the main measures of customer satisfaction that have been used in literature, and pointing out the absence of an experience-based conceptualization of customer satisfaction. In the second part, we present our conceptual model that culminates in the definition of the 'experiential unit', able to capture the dynamics over the purchasing process and the ensemble of the different experiences triggered by the marketing mix. We then go on to describe our exploratory research conducted to verify whether or not the five experiences are present in the customer satisfaction formation process. Results of the preliminary experiments are introduced. Recommendations are provided in the conclusion.

References available upon request

EXAMINING CUSTOMER PERCEPTIONS OF RELATIONSHIP QUALITY OVER TIME

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ABSTRACT

Relationship quality is important as it is a strong indicator of long-term relationships (Bejou, Wray and Ingram 1996; Crosby, Evans and Cowles 1990), and an important driver for loyalty and profitability (Athanasopoulou 2009). Customer's perceptions of the quality of the relationship they have with their service providers are built over time. Yet, researches often examine customer's perceptions of relationship quality statically. This prevents the meaningful understanding of how customers form their perceptions of relationship quality and subsequent outcomes. Prior research has revealed little about the variation in the salience of service quality – technical and functional quality, relationship management and relational switching costs between novice and experienced customers in terms of contribution to relationship quality perceptions and subsequent loyalty. This study examines these issues using AMOS multi-group analyses across experiential services such as a travel agency, hairdressing salon, general banking and airline services. Results indicate that technical and functional quality and switching costs differs across novice and experienced customer groups. Specifically, the impact of technical quality on relationship quality perceptions was significantly more in the experienced group and the impact of functional quality and switching costs was found to be a significant driver of relationship quality for the experienced group only. The impact of relationship management on relationship quality and the effect of relationship quality on loyalty are both significant and were found to be relatively consistent across both groups. These findings have implications for managing relationship quality perceptions, improving service provider performance and enhancing customer relations.

References Available Upon Request

THE EFFECTS OF THE PRE-ENROLMENT EXPERIENCE ON STUDENTS' RELATIONSHIP INTENTION

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ABSTRACT

Higher education institutions are increasingly involved in measuring students' satisfaction and communicating messages to prospective, current and previous students. The literature review suggests that institutions have traditionally focused on cognitive rather than affective measures, and have done so in the media environment which could be dominated by the institution rather than peer to peer communication. This paper seeks to make a contribution by investigating the role of social network media in evoking emotions about attending university. This paper is specifically concerned with the pre-entry stage of students' association with a higher education institution, specifically the role of pre-entry emotions on attitudes to the institution, and the role of pre-entry communication between prospective students on their subsequent satisfaction with the university. The paper seeks to move away from the traditional approach of focusing on students' cognitive evaluations in an environment of top-down communication, and instead seeks to make a contribution by focusing on students' affective evaluations in an environment of extensive peer to peer communication.

The longitudinal quantitative study involving 519 prospective students at the higher education institution were asked about their cognition and emotions before and after enrolment. It was found that emotions were a better predictor of likelihood of recommendation than cognitive measures of satisfaction. Positive emotions evoked during the pre-registration phase led to positive emotions after starting at university. There was an association between prospective students' level of involvement with online communities prior to enrolment, and their level of evoked positive emotions. Practical implications for universities arising from this study could include a more emotionally focused communication effort before enrolment; and encouragement of students to talk about their expectations before enrolment with families, friends and peers face-to-face or via social networks or other engaging, fun-evoking technologies. A university could try to engage students early on as much as possible in the academic community as this will evoke positive emotions later.

The authors would like to acknowledge the financial support of the British Academy.

Wednesday, 20 July
Time: 4:00 PM

Session Number: 4.9: Providing Customer Solutions - Doing What is Best for the Customer

Session Chair: Haudebert, Sandrine Hollett, *Université Paris Est Créteil, Paris*

How Does Market Orientation Affect Sales and Marketing Collaboration and Business Performance?

Le Meunier-FitzHugh, Ken, *University of East Anglia*

Le Meunier-FitzHugh, Leslie Caroline, *University of East Anglia*

Frontline Employees as Innovators: Generating Innovative Ideas from Customer Contact Situations

Hanning, Debra, *TU Dortmund University*

Woisetschläger, David, *TU Braunschweig University*

Holzmüller, Hartmut, *TU Dortmund University*

The Road to Hell is Paved with Good Intentions: The Paradox of Unethical Sales Behaviour

Tarkiainen, Anssi, *Lappeenranta University of Technology*

Lee, Nick, *Aston Business School*

Cadogan, John, *Loughborough University Business School*

Sundqvist, Sanna, *Lappeenranta University of Technology*

HOW DOES MARKET ORIENTATION AFFECT SALES AND MARKETING COLLABORATION AND BUSINESS PERFORMANCE?

Kenneth Le Meunier-FitzHugh, University of East Anglia, UK
Leslie Le Meunier-FitzHugh, University of East Anglia, UK

ABSTRACT

Studies into the sales and marketing interface have neglected the relationship between market orientation and collaboration between sales and marketing. We found that market intelligence processes and management attitudes towards coordination have positive impacts on market orientation, which then has benefits for collaboration between sales and marketing, and business performance. The sales and marketing interface has attracted considerable attention from researchers, but the relationship between market orientation and the level of collaboration between sales and marketing has not yet been fully explored. This issue is important to help understand how to improve collaboration between sales and marketing. As organizations are competing in increasingly crowded markets with more demanding customers and who are struggling to differentiate their offer from their competitors, the effective operation of the customer-facing interface of sales and marketing is critical in helping to achieve success (e.g. Homburg and Jensen, 2007). The objectives of this study are to help understand the relationship between market orientation and collaboration between sales and marketing; to identify the role of senior management and market intelligence in creating market orientation, and to explore if these variables directly or indirectly impact on business performance. Further, the study aims to contribute to the debate on the sales and marketing interface by bridging gaps found in literature.

Evidence from recent studies indicate sales and marketing staff are frequently set individual targets that may pull them in different directions and that there is a less than optimum working relationship (Dewsnap and Jobber, 2000; Rouzies et al., 2005). Friction can be aggravated by differing perspectives, strong independent cultures and need to maintain independent functionality (Shaprio, 2002; Kotler, Rackham and Krishnaswamy 2006), but sales and marketing still need to coordinate their efforts to maximize the return on their activities and a marketing orientation should facilitate this. If an organization has a market orientation, logic suggests that the organization should be customer orientated and the objectives of sales and marketing departments should exhibit greater alignment and ensure that the response to the market is efficient. Senior management need to create an internal culture of cooperation and provide guidance to sales and marketing managers on aligning goals and improving communications. They also have a key role in building an environment that will facilitate the development of market orientation and an understanding of the part that sales and marketing play in achieving organizational objectives. Senior managers also provide sales and marketing with the guidance and tools to enable them to align their activities, share information more efficiently and appreciate each others' contribution to achieving objectives. Integrated market intelligence processes enable sales and marketing to understand market conditions more effectively and share information in a structured environment, thereby improving efficiency in responding to customers and competitors. This study explores this topic through a quantitative survey questionnaire sent to Managing Directors/CEOs of large, UK organizations who had separate sales and marketing departments.

The study finds an effective market intelligence system that collects and disseminates market information internally positively supports a market orientation, but does not directly impact business performance. A positive senior management attitude towards coordination impacts on marketing orientation, but not directly on business performance or collaboration between sales and marketing. Finally, market orientation does have a significant and positive impact on achieving collaboration between sales and marketing, and the findings confirm that this collaboration has a positive and direct impact on business performance. Organizations should not only work to create market orientation, but also need to develop an effective market intelligence system and engender a positive attitude to coordination in senior managers to improving inter-functional collaboration. For too long managers have allowed separate sales and marketing departments to maintain silos, developing their own specialist skills and routines without establishing sufficient links to share and expand joint competences. Collaboration between sales and marketing is a key element in achieving improvements in business performance.

References Available on Request

FRONTLINE EMPLOYEES AS INNOVATORS: GENERATING INNOVATIVE IDEAS FROM CUSTOMER CONTACT SITUATIONS

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ABSTRACT

The importance of frontline employees (FLEs) for the success and effectiveness of organizations is recognized by researchers and practitioners alike (Hartline and Ferrell 1996; Singh 2000). However, their importance for the innovativeness of companies is often underestimated and has received little attention in prior research. Their boundary spanning position has them uniquely placed to listen to the voice of the customer (Griffin and Hauser 1993) and to make this voice heard in their organization. Integrating customer information in innovation processes positively influences the success of new product and service development projects (Gruner and Homburg 2000; Matthing, Sandén and Edvardsson 2004). This appears to be particularly true for the early stages of the innovation process, the generation of ideas (Alam 2002). FLEs represent a unique and valuable source for this information (Grönroos 2007; Pelham and Lieb 2004) as they are the organizations closest link to their customers (Singh 2000).

At the heart of our research interest lies the question of how companies can profit from the potential for innovation arising from the interactions between their FLEs and their customers. We look at how FLEs gather ideas, suggestions and innovative impulses from their customer contacts and then make these available to their company. We refer to this process as idea fishing – the FLEs fish for ideas in their customer contacts and then reel the ideas in for their company. Our central research question focuses on the identification of individual factors, managerial and organizational factors that explain variations in idea fishing behaviors. We develop and test a theoretical model linking antecedents to the idea fishing behaviors of FLEs. We aim to provide companies with a better understanding on how to profit more effectively more from the potential of innovation arising in customer interfaces.

As the available literature on informational boundary spanning of FLEs is limited, we took an explorative approach to help build an understanding of FLE idea fishing behaviors and their antecedents. The explorative study comprises a total of 21 FLEs, which were selected using purposive sampling (Patton 2004). The results of the qualitative study were helpful in formulating our hypotheses, leading to the definition of the idea fishing concept as follows: Idea fishing refers to FLEs (1) gathering creative and innovative ideas and suggestions during interactions with customers and (2) disseminating these ideas in the company. Several antecedents of idea fishing behaviors were discovered that were conceptualized at the level of individual FLEs and the level of FLEs' organizations.

To test our conceptual model, we collected data from different firms through online surveys. A total of 237 FLEs from 31 different firms participated in this study. Sales managers of the participating companies provided additional information on the firm level in a second questionnaire. In order to estimate the parameters of our model, multilevel modeling was used.

Our findings show that idea gathering alone is not enough to stimulate innovation. If the ideas collected in customer contact situations are not disseminated, they are lost to the company. In line with previous research on discretionary work behaviors, we find that that job satisfaction and desire for upward mobility are key determinants of idea gathering. However, in our study idea dissemination was not significantly related to job satisfaction or desire for upward mobility. This is surprising, as both those factors are strong drivers of other forms of discretionary behavior. Idea dissemination is influenced by these factors only indirectly over the mediator idea gathering. In line with our theoretical assumptions, the quality of FLEs internal networks is positively related to both idea gathering and dissemination. Contrary to our hypotheses, we find that role conflict resulting from differences in available resources and demands is positively related to idea gathering. However, this type of role conflict also suppresses idea dissemination. Another result that contradicts our propositions is that intersender role conflict positively impacts idea dissemination. On an organizational level, giving FLEs feedback on how ideas fished from customer contacts are used in the organization improves the relationship between idea gathering and idea dissemination. FLEs in companies with a strong learning orientation also pass on more of the ideas gathered in customer contacts. Contrary to our predictions, market orientation and empowerment do not influence the idea gathering – idea dissemination relationship.

References Available on Request

THE ROAD TO HELL IS PAVED WITH GOOD INTENTIONS: THE PARADOX OF UNETHICAL SALES BEHAVIOUR

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INTRODUCTION

The objective of this study is to shed further light on the occurrence of unethical behaviour within the salesforce. While it is accepted effective marketing fosters relationship building and added-value to customers, problems with unethical selling behaviour still concern managers and academics. The antecedents of ethical judgments and behaviour have been studied for decades, and several antecedents for unethical behaviour have been recognized. Salesperson-specific antecedents are for example personal moral philosophies (e.g. Tansey et al. 1994) and role stress (e.g. Yetmar and Eastman, 2000), while managerial antecedents include sales managers' control behaviours (e.g. Robertson and Anderson, 1993) and sales managers' personal moral philosophies (e.g. Cadogan et al., 2009). However, these studies all rely in the analysis of single-source data, which does not allow study of the possible interactions between salesperson-specific and managerial antecedents of unethical behaviour. Further, managerial antecedents have to date only been conceptualized as direct influences on salesperson unethical behaviour, whereas it is highly likely that there are critical mediating factors at work in such situations.

In the current study, we develop and empirically test a contingency model, which describes how managerial predictors of unethical behaviour interact with salespersons' correlates of unethical behaviour. We assess the interactions of potentially conflicting personal moral philosophies between managers and salespeople. We also assess how the reduction of role ambiguity and role conflict by managerial activities can both hinder or enhance the occurrence of unethical behaviour among salespeople, depending on the presence of critical mediators. Traditionally sales manager characteristics and activities have been directly linked to salespeople's ethical attitudes or behaviours. For example, Cadogan et al. (2009) found that the manager's ethical relativism has a negative influence on sales team's ethical standards, while Robertson and Anderson (1993) found a direct negative effect of behavior-based control on salespersons' unethical behaviour. Sales manager's control behaviours have been also found to reduce role stress (e.g. Challagalla and Shervani, 1996). However, these studies have always been based on single-source data, making it impossible to study interactions between manager's and salesperson's characteristics (e.g. moral philosophies), or interactions between manager's intended behaviors and salesperson's job perceptions. Moreover, single-source data bears the problems of common method bias. Thus, in what follows we deduce cross-level hypotheses regarding these interactions, in order to increase our understanding regarding the antecedents of unethical behaviour, with a specific focus on sales manager's personal moral philosophies and control behaviors.

Moderators of the effect of idealism. Personal moral philosophies are not psychological states, but describe individuals approach to moral judgments. Idealists tend to adhere to moral absolutes when assessing morality and are less pragmatic when judging morals: if a behavior doesn't conform to some inherent moral standard, it should be condemned regardless of the harm/benefit caused by it (Schlenker and Forsyth, 1977). When there are no pressures to make moral judgments (i.e. the salesperson is not faced with a moral dilemma), the role of idealism is less important. However, when salesperson faces an ethical dilemma and must make a moral judgment, idealism plays an important role. Thus, we expect that the negative effect of salesperson idealism on unethical behavior is weaker, when the sales manager is an idealist, when sales manager uses behavior-based controls such as close supervision or promotes professional development of salespeople, or uses team-based rewarding. However, when sales manager is highly relativistic or puts a lot of emphasis on individual-based output evaluation (which results in pressure to perform), we assume that Idealism has an important role in curbing unethical behavior.

Moderators of the effect of relativism. Relativism refers to the drawing of ethical judgments that are dependent on the individuals and the situations involved. Consequently, when judging others, relativists "weigh the circumstances more than the ethical principle that was violated" (Forsyth 1992, p. 462). Actions are based on the circumstances, and if positive consequences can be achieved, relativists are capable of willingly using unethical behaviors. Thus if relativists under outcome based control (i.e. output evaluation and performance contingent pay, even with team-based performance pay) see that selling more with unethical sales tactics is beneficial, the probability of doing so is higher. If the manager focuses on professional development of salespeople, relativists might consider that high sales levels (even if obtained with unethical behaviors) are desirable in order to get positive feedback from managers. However, if the manager exerts close supervision

on salespeople, relativists are likely to think that it is more beneficial to 'look good', and consequently will not apply unethical behaviors. The sales manager's moral philosophies, in turn, are likely to increase the positive effect of salesperson's relativism on unethical behavior. Relativistic managers are willing to 'approve' unethical practices of their salespeople if it results in good results, and therefore relativistic salespeople could be more confident in applying such behaviors. But under supervision of highly idealistic manager, a relativist salesperson, who thinks that behaviors should be adapted to the prevailing circumstances rather than moral ideals, might see the manager's idealism as too naïve. Thus, a relativist salesperson under the management of an idealist, may experience information asymmetry, feeling that he/she knows better how to do the job. This might even exaggerate unethical behaviors, in order to show the manager 'what it's like in the field'. Moderators of the effect of role conflict. Role conflict has a different relationship with unethical behaviour. Role conflict refers to situations where salesperson feels that he/she is receiving conflicting role expectations from different role senders (e.g. customers and sales managers). The effect of role conflict is based on the idea that the salesperson chooses to comply with one party's (e.g. the manager) expectations, and applies unethical behaviours (e.g. lying to customer) in order to meet them. Thus, if a salesperson experiences role conflict, any actions or messages by the manager, which 'dictate' how selling should be done (i.e. sales manager's close supervision, focus on professional development of salespeople, evaluation of outputs, and team-based rewarding), may actually increase the pressure to comply with the manager's expectations and result in unethical behaviour. In this case, less of such activities leaves salespeople room to resolve role conflict in their own way, and lessen the influence of role conflict on unethical behaviour.

Moderators of the effect of role ambiguity. Role ambiguity refers to situations where the salesperson lacks information on what kind of behaviours are expected in their job. High role ambiguity is thus likely to have a positive effect on unethical sales behaviours, since a lack of understanding of role expectations may lead to inappropriate choices. Thus, it can be expected that increasing salesperson's understanding of these expectations, and consequently any form of adding this knowledge will reduce the negative effect of role ambiguity on unethical behaviour. We assume that sales manager's close supervision, focus on professional development of salespeople, evaluation of outputs, and team-based rewarding will all reduce role ambiguity since they clarify the manager's role expectations, and consequently will also reduce its effect on unethical behaviour. We also expect that higher levels of relativism and idealism of the sales manager's also decrease the ambiguity of role expectations. Highly relativistic managers are likely to emphasise targets, rather than the means by which they are achieved. Highly idealistic sales managers, conversely, are likely to state that they expect ethical sales behaviours, even if it means losing sales.

METHODOLOGY

316 sales managers were contacted and asked to distribute questionnaires to up to five field salespersons under their supervision. The questionnaires were coded to enable the matching of the supervisor-employee relationships. In total, 1,255 questionnaires for field salespersons were included in the packages. Completed responses were obtained from 154 sales managers (48%), and 257 field salespeople (20%). The minimum number of salespeople matched to each manager was 1 and the maximum was 5. Thus, a two level data set was created, consisting of a matched sample of 88 field sales managers, and 198 field salespeople. In order to test the hypotheses, a multi-level regression model was fitted using HLM 6.08, because the responses of the salespersons under supervision of same sales manager are non-independent and therefore the background assumptions of observation independence in the standard single-source methods is violated. Thus, lower level units (i.e. salespersons) are nested within higher level units (i.e. the sales manager's team). In multilevel regression the error variance is divided into between higher level unit, and within higher level unit, components, which relaxes the assumption of independence of observations.

RESULTS AND DISCUSSION

Similarly to past research results, we found that salesperson relativism is positively related to unethical behaviour, whereas salesperson idealism does not have an impact on unethical behaviour. Both role ambiguity and role conflict have significant positive effects on unethical behaviour. Regarding the interactions, we found that the influence of role ambiguity on unethical behaviour seems to be reduced by the use of performance contingent rewards that are tied to team performance. Also the sales manager's idealism and relativism both reduce the effect of role ambiguity on unethical behaviour. The positive influence of role conflict is reduced when the manager evaluates individual performance, whereas it is increased when the manager supervises closely. The negative influence of salesperson idealism on unethical behaviour is stronger when salesperson is working under supervision of a relativist manager, whereas salesperson idealism's impact on unethical behaviour is reduced when the salesperson is working under the supervision of idealist manager. The positive influence of a salesperson's relativism, in turn, is stronger when a salesperson is working under idealist manager, and when the manager

focuses on the professional development of their sales force. However, when the sales manager exerts close supervision on his/her salespeople, the effect of salesperson's relativism on unethical behaviour is reduced.

CONCLUSIONS AND IMPLICATIONS FOR THEORY AND PRACTICE

It has been accepted for decades that salespeople who can adapt their sales behaviours (i.e. use adaptive selling), are better performers than those that cannot (e.g. Giacobbe et al., 2006). However, we show that the same seems to apply for sales managers: those who can adapt their managerial behaviours are likely to be more effective in curbing unethical behaviours among their salespeople. For example our results suggest that close supervision can reduce the positive influence of salesperson's relativism on the probability to behave unethically in customer interactions. However, it can also increase the positive influence of salesperson's felt role conflict on the probability to behave unethically. Thus, it is crucial that sales managers recognize the individual characteristics and accuracy of the role perceptions of their salespeople, before they adapt their managerial behaviours when guiding them. Poorly chosen managerial activities might lead to unintended consequences, no matter how good the original intentions were.

It is also important to notice that the interpersonal differences in the ethical positions between managers and salespeople seem to have (in certain circumstances) potential to increase risk for unethical behaviours among salespeople. Contrary to the results obtained from single source-data (e.g. Cadogan et al., 2009), sales manager's relativism is not directly related to salespersons' probability of behaving unethically. However, it seems that the salesperson's level of idealism has a diminishing effect on probability to behave unethically only under a highly relativistic manager's supervision. This seems logical, but we expect some surprise at what may be seen as an unexpected influence of the sales manager's level of idealism. Indeed, as we hypothesized, highly relativistic salespeople appear to be more tempted to behave unethically under the supervision of highly idealistic sales manager. These salespeople probably feel that their manager is too 'naïve', and this therefore might even exaggerate their relativistic moral reasoning. Most will also be even more surprised that even highly idealistic salespeople appear to have increased probability to behave unethically, when their manager is also high in idealism. It may be that in B2B sales, the caveat emptor doctrine (see e.g. Ebejer and Morden, 1989) is commonly accepted. Thus, even idealist salespeople have learned to be lenient on 'stretching the truth', or perhaps justifying their own behavior as 'moral'. However, if the sales manager is highly idealistic, it may be that even idealist salespeople come to think that idealistic moral reasoning from a desk-bound manager is too 'naïve' and therefore incompatible with their sales jobs. As a consequence, highly idealistic salespeople might abandon what those outside of sales may consider moral reasoning - perhaps similar to what may happen in certain military roles.

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Thursday, 21 July
Time: 8:30 AM

Session Number: **5.11: Sponsorship and Sport**

Session Chair: Smith, Brent, *Saint Joseph's University*

**Community Sports Organisation Sponsorship as Corporate Social Responsibility
Strategy: A Qualitative Study**

Palmer, Karen, *University of Adelaide*

Quester, Pascale, *University of Adelaide*

Plewa, Carolin, *University of Adelaide*

**Exploring the Power of Sporting Celebrity Endorsements: a Comparison of
Contrasting Sports**

Davies, Fiona, *Cardiff University*

Slater, Stephanie, *Cardiff University*

**How Customer Equity Drivers Affect Behavioral Intentions and Behavior Over Time:
An Empirical Assessment**

Heiner Evanschitzky, *Aston University, UK*

Alexander Eiting, *TU Dortmund University, Germany*

David M. Woisetschläger, *TU Braunschweig University, Germany*

Verena Richelsen, *Bayer Business Services, Germany*

COMMUNITY SPORT ORGANIZATION SPONSORSHIP AS CORPORATE SOCIAL RESPONSIBILITY STRATEGY: A QUALITATIVE STUDY

Karen Palmer, University of Adelaide, Australia
Pascale Quester, University of Adelaide, Australia
Carolyn, Plewa, University of Adelaide, Australia

INTRODUCTION

Sponsorship has evolved significantly over the past 40 years, away from simple, short-term corporate donations to a highly commercialized and global industry (Walliser 2003). In particular, the sponsorship of sporting properties (i.e. professional teams, leagues, athletes and stadiums) is considered a highly strategic communication tool that commands a large audience and accounts for a majority of sponsorship spending and research (International Events Group 2010). Increasing consumerism in hedonic consumption industries, such as professional sport, have supported the popularity of sponsorship to a point where it is difficult today to find a pro-sport event, team, league or athlete that is devoid of it (Hirschman and Holbrook 1982). Lured by the number of consumers attending these sports events, more sponsors are encouraged to 'spray and pray', entering into sponsorship agreements to fund these events and to increase brand awareness without adequate measurement to verify the return on their investment. As a result, some sponsors are turning away from large professional sport properties to community sports organizations (CSO) and an engaged audience (Miloch and Lambrecht 2006).

The recent amalgamation of sport management and corporate social responsibility (CSR) literatures has led to an increase in publications identifying sports in general, and CSOs in particular, as unique vehicles through which firms can demonstrate CSR (Babiak and Wolfe 2006; Walters 2009). CSOs are argued to be "implicitly woven into society" and, as a result, have the ability to influence a number of stakeholder groups, making CSOs a desirable sponsorship property with powerful communication potential for CSR (Smith and Westerbeek 2007 p. 48). However, while CSO sponsorship has increased in recent times, academic research has paid little attention. To date, only one exploratory study has empirically examined CSO sponsorship as a potential CSR vehicle for sponsors (Pegoraro, O'Reilly, and Levallet 2009). Consequently, it remains unknown whether CSO sponsorship is indeed perceived as CSR-behavior

Existing research in CSR-related sponsorship of causes, charities and non-profit organizations has demonstrated its powerful ability to increase identification, purchase intent (Cornwell and Coote 2005), attitudes (Dean 2002) and image (d'Astous and Bitz 1995). However, minimal research has addressed whether sponsorship, as a communications vehicle, contributes to a firm's CSR-image. In addition, as the number of businesses employing CSR-related sponsorships as part of CSR strategy increases (Babiak and Wolfe 2006), existing research has failed to look beyond traditional CSR-related sponsorship properties to further our understanding in this area. In particular, little research has attempted to observe whether CSO sponsorship is viewed as a CSR activity by stakeholders such as CSO managers, sponsors, spectators, and the community (Pegoraro, et al. 2009). In this study, CSOs sponsors were deemed an appropriate point of origin to contribute to knowledge in this area by addressing the research question 'do sponsors perceive CSO sponsorship as a tool to demonstrate CSR'.

METHODOLOGY

To address the research question and gain an in-depth understanding of sponsor's perceptions of CSO sponsorship, a qualitative research design involving semi-structured in-depth interviews was chosen. As the type of firms sponsoring CSOs varies significantly, in-depth interviews were deemed appropriate as the information collected was expected to vary between subjects (Ticehurst and Veal 1999). In addition, qualitative approaches to sponsorship research have been highly successful in the past (Farrelly 2010; Farrelly and Quester 2005; Pegoraro, et al. 2009).

In our effort to understand sponsors' perceptions of CSO sponsorship, the research context focused on one CSO. In-depth interviews were conducted with a sample of the 55 sponsors of this CSO. Eleven interviews were conducted and recorded with the interviewees' consent, then transcribed to assist in data analysis. Anonymity was a necessary condition for interviewees to allow them to speak candidly about their opinions (Farrelly 2010).

Data analysis was carried out using Nvivo 8. Through data analysis, several topic codes were created to group responses together for the purpose of understanding the underlying themes present in the data (Miles and Huberman 1994). Following this, relational coding was conducted to examine how codes were connected, allowing for emergent themes to evolve.

RESULTS AND DISCUSSION

As a result of the diversity of firms interviewed and length of sponsorship relationships, opinions varied widely amongst informants. While all eleven sponsors regarded community involvement and CSR as vitally important for their continued presence in the community, eight considered CSO sponsorship to be a vehicle through which they were able to demonstrate CSR and as an important part of their CSR strategy. These sponsors viewed CSO sponsorship as an opportunity that allowed them to interact with and support the local community. This supports much conceptual discussion of sport sponsorship as a vehicle to achieve CSR (Smith and Westerbeek 2007). The results also outline the stated sponsorship objectives and expected outcomes, briefly described below.

Sponsors identified a range of ongoing objectives for CSO sponsorship, encompassing both CSR- and commercially-related outcomes such as sales at CSO venue, awareness and exposure to CSO audience, product use by athletes, improved image, word of mouth, community involvement and CSR image. This supports a defining characteristic of sponsorship of being able to achieve a number of objectives (Polonsky and Speed 2001). Interestingly, for sponsors with strong commercial objectives there was little mention of any CSR-related objectives within these discussions, often despite acknowledgement of CSO sponsorship's potential to demonstrate CSR and identification of CSR-motives for the sponsorship. This indicates that in this context, while CSO sponsors perceived the sponsorship to be able to achieve CSR, with the exception of two sponsors, this was not the primary reason for sponsorship.

Both internal and external outcomes were identified and were not limited to the CSO's stated sponsorship objectives. External outcomes were identified from multiple stakeholder groups; namely CSO members and the broader community. These included image improvement and positioning within the community, clearly established CSR-related sponsorship outcomes from the literature (d'Astous and Bitz 1995). However, it is interesting to note that despite not setting CSR objectives for their sponsorship, a majority of sponsors were aware of the CSR and community-related outcomes they received through participating in a community organization. Internal outcomes included employee benefits (human resource-related) and networking opportunities, attributed to the strong business connections in existence between CSO sponsors.

CONCLUSIONS AND IMPLICATIONS FOR THEORY AND PRACTICE

While knowledge on sponsorship research has grown considerably over the last 40 years, much is still unknown about sponsorship, particularly in comparison to other marketing tools (Walliser 2003). While sponsorship has been highlighted as a powerful vehicle for demonstrating CSR (Jahdi and Acikdilli 2009), little research has addressed this area, leaving it conceptually underdeveloped. This abstract aims to satisfy calls for further research in this area (Pegoraro, et al. 2009), in particular investigating sponsor's perceptions of CSO sponsorship as a tool to deliver CSR.

This research contributes to the sponsorship, sport marketing, management and CSR literatures. Sponsorship and CSR literatures will benefit from having a better understanding of how sponsorship fits with a firm's CSR strategy. As a vehicle for CSR, sponsorship may be a valuable contribution to firm CSR strategy as research investigating consumer's perception of sponsorship behavior contributes to our understanding of how sponsorship is perceived by other stakeholder groups. In particular, research relating to attribution theory and elaboration likelihood model may provide valuable insights into how consumers receiving sponsorship messages develop perceptions of CSR from this vehicle (Klein and Dawar 2004). Through a better understanding of the potential of CSO sponsorship, and the role it plays in sponsors CSR strategy, sport marketing and management literatures will be able to expand our knowledge on this under researched area. In addition, the results of this research provide justification for further research into CSO sponsorship and CSR.

It is ironic that community-based sports are those most in need of financial support, yet find it the most difficult to attract sponsors. Through an improved understanding of sponsor's perceptions of CSO sponsorship and expected benefits and target stakeholder groups, CSO managers will be able to assist those sponsors looking to employ CSO sponsorship as a CSR vehicle. CSO sponsors expect communications to reach not just the sponsors audience, but the broader community. As CSOs typically have strong links with the local community, they need to ensure they provide not just focused communications to their audience but look to communicate outside of this to ensure the expected sponsor benefits are delivered.

Despite the potential of CSO sponsorship for achieving CSR as recognised by the results presented here, to the authors' knowledge only two exploratory studies have examined sponsorship at this level (Miloch and Lambrecht 2006; Pegoraro, et al. 2009). In order to further validate these findings and further our knowledge in this area, future research should examine how other external CSO stakeholders (e.g. community members and the CSO audience) view sponsor behavior. Rigorous

field work should be undertaken to examine if consumers perceive CSO sponsorship as CSR behavior, and what outcomes sponsors can expect.

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EXPLORING THE POWER OF SPORTING CELEBRITY ENDORSEMENTS: A COMPARISON OF CONTRASTING SPORTS

Fiona Davies, Cardiff Business School, U.K.
Stephanie Slater, Cardiff Business School, U.K.

ABSTRACT

In sports marketing fans are regarded as critical influencers of product success. Celebrity sponsorships are used to strengthen fan patronage since they enhance the level of engagement that fans have with the product, building image and reputation. Schaefer and Keillor (1997), Bush, Martin and Bush (2004), Braunstein and Zhang (2005) and Tingchi Lui, Yu-Ying & Minghua (2007) confirm the advertising benefit that companies gain through the use of celebrity figures in marketing campaigns. Through celebrity marketing the brand acquires a positive and elevated meaning of the product portfolio line being endorsed (Madrigal, 2001). Brand community membership is developed in response to the social identity that individuals place on being affiliated to sporting events and the sense of community that is developed by fans when attending sport events such as Wimbledon in tennis.

This paper investigates sporting celebrity brand images and the effect of celebrity endorsement on brand choice. The perceived images of two contrasting sports stars within each of two sports (tennis and Formula One motor racing) are evaluated, and the effects of their potential endorsement explored for a range of products, in order to evaluate and compare the extent to which the benefits of celebrity endorsement can be stretched.

The research methodology involved collection of both primary and secondary data. The web archives of one UK broadsheet newspaper (The Guardian) and one UK tabloid newspaper (The Daily Mirror) were searched for articles, blogs and associated comments relating to the four sportsmen, either from the start of their professional career or as far back as available. The websites and archives of the celebrity magazines “*Now*” and “*Heat*” were also searched for any references to the sportsmen, and the sportsmen’s own web pages were perused. These enabled the researchers to build a picture of each sportsman’s brand image and how celebrity endorsement power might have changed over time. This information was used to develop the measurement instrument.

The questionnaire design was modelled around conceptual structures that support a variety of academic theoretical arguments. Primary research was carried out using an internet questionnaire developed using the software package Qualtrics. The design of the questions had two objectives; to explore respondents’ perceptions of the sportsmen, and to investigate the effect of links between sports, stars and brands. The questionnaire was administered through Facebook links and e-mails to friends, family and colleagues. Respondents were requested to complete the survey and then pass the link on to others. The survey was available for a total of 12 days. The final sample consisted of 102 respondents, 54 males and 48 females. 52% stated they were interested in tennis, 42% in motor racing, and 79% in sport in general.

The findings suggest that there is a high level of association between celebrity profile, product, and brand choice. Endorsement of a product relevant to the sportsperson’s own sport was effective, while endorsement of a product relating to the contrasting sport was not. However differences were observed in the endorsement evaluation effect between the two sports disciplines; F1 drivers were perceived more strongly than tennis players as celebrities, and appeared to have greater value as endorsers of a product unrelated to sport. Findings further confirm the positive associations generated in the mind of consumers when marketing companies use role models as tools for enhancing a consumer’s expectation of a product or service. This can lead to brand and product spillovers, given that consumers’ purchase of a non-sports related product such as a mobile phone appears to be influenced by sport celebrity endorsement. Consequently, purchasing intent is not restricted to the purchase of sports products, but is rather determined by the cool image that the celebrity endorsement gives to the product.

References available upon request

HOW CUSTOMER EQUITY DRIVERS AFFECT BEHAVIORAL INTENTIONS AND BEHAVIOR OVER TIME: AN EMPIRICAL ASSESSMENT

Heiner Evanschitzky, Aston University, UK
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Verena Richelsen, Bayer Business Services, Germany

ABSTRACT

There is a strongly held belief that if companies can direct their marketing activities to improve customer attitudes and intentions, it will impact on purchase behaviors. Departing from complementary yet sometimes conflicting findings of the current literature, we intend to contribute to the literature by answering two related questions. First, we investigate drivers of loyalty intention over time, and by so doing try to better understand loyalty formation. Second, once we understand loyalty formation, we assess the impact of loyalty on different aspects of purchase behavior, considering temporal effects. Therefore, we develop a consumption-system model which assumes that perceptions, intention, and the impact of perceptions and intention on behavior in one period serve as anchors for the same constructs in a subsequent period, implying a pattern of repeated consumption over time.

Using 3SLS regression analysis, results of a large-scale study using survey data from a sample of 2,478 customers from two points in time and purchase data gathered over a 30-month period suggest interesting findings on the two aforementioned questions:

Considering the first question, we find strong support for customer equity drivers directly influencing loyalty. Moreover, we see evidence for loyalty formation as a consumption-system as equity drivers and loyalty intention of one period are significant predictors of the same constructs in the next period.

Addressing the second research question is less straightforward. We find a significant impact of loyalty intention only for purchase frequency, but not for future sales and average receipt. This suggests that in a retailing context, the amount spent depends to a larger extent on actual needs and not on loyalty intention. Loyalty intention seems to be a more appropriate lead indicator for the frequency of store visits. For most categories, repurchase intention will not necessarily be related to higher sales. On the contrary, higher future sales are more likely to depend on the retailer's ability to cross- and up-sell to its customers. In all, we need to acknowledge that the strongest predictor of future behavior is, in fact, past behavior.

These results question some of the strongly held beliefs of relationship marketing and its impact on actual behavior. Effects might not be as simple as they appear at first, i.e., temporal interplay between constructs. Moreover, it seems that inertia is more important than some marketing research tends to acknowledge. We would therefore suggest a more detailed investigation of customers' initial choice behavior. If, in fact, inertia is the driving force behind purchase behavior, companies need to augment their emphasis on increasing initial customer contact and, accordingly, on initial product trial. This is somewhat counter-intuitive from a relationship marketing perspective, because that stream of research largely suggests the advantage of retaining customers rather than acquiring new ones. While we are not denying the importance of customer retention, it seems that companies are already fairly successful in doing so – the strong inertia effect confirms that. Hence, customer retention might not be the best strategy to differentiate in the market. Perhaps companies can better differentiate by excelling in customer acquisition. This, however, would have a significant impact on how marketing budgets should be spent by companies trying to reach sustained success. It might be time for re-balancing customer acquisition and customer retention.

References Available on Request.

Thursday, 21 July
Time: 8:30 AM

Session Number: **5.2: Methodological Issues Related to Internet Surveys**
Session Chair: Smith, Scott, *Brigham Young University*
Special Session

METHODOLOGICAL ISSUES RELATING TO INTERNET-BASED SURVEYS

Session Chair: Scott M. Smith, Brigham Young University, USA

ABSTRACT

Internet surveys are widely used in marketing research, and their use continues to grow, partly because they provide a number of technological features that are designed to reduce common sources of respondent error that can impact data quality. This session deals with selected methodological issues concerning Internet surveys.

Linda Golden (University of Texas at Austin, USA), Jeff Larson (Brigham Young University, USA) and Scott Smith (Brigham Young University, USA) in their presentation, "Data Quality and Sample Integrity in Internet Research: A Continuous Challenge of Hide and Seek," review recent literature on Internet surveys, identifying major issues researchers need to consider. In addition, they discuss two aspects of Internet research that converge on sample integrity and data quality. First, they focus on sample integrity by reviewing industry characteristics of acquiring Internet panel participants, as panels are often used for non-affinity group Internet surveys. Second, they review the results of an empirical study on data quality in Internet surveys via two national panels.. Some techniques provide solutions for reliability and validity issues, while others contribute reasons for a lack of confidence in Internet survey results.

There are four major theories of survey response behavior that seem to underlie survey design that uses all modes of data collection—exchange, cognitive dissonance, self-perception, and commitment/involvement. These theories are examined by James Wiley (Temple University, USA) in "A Framework for Classifying Volitional Response to Internet Surveys" This presentation is the first to examine the applicability of The Theory of Planned Behavior as a "mid-range" theory that links survey design options (pre-notification, follow-up, incentives, etc.) to broader theories of human motivation (such as Social Exchange Theory and Cognitive Dissonance Theory) to enhance the design of surveys using the Internet for data collection.

A widely, and increasingly, used technique in Internet surveys is "forced answering," (FA) which requires respondents to enter an "appropriate" response before they are allowed to proceed to the next survey question. Forced answering virtually eliminates sources of respondent error due to item omission. But, using FA might cause respondents to opt-out entirely or break-off early in the survey, which would increase non-response error Recent research in the United States has shown that forced answering does not lower completion rates, whether or not PNA is used. The topics in this research were not perceived to be sensitive or threatening to most respondents. In a more general sense, sensitivity of topic may possess a substantial threat to those involved and may be perceived as intrusive and could raise fears about potential repercussions/consequences of disclosing the information requested.

This presentation examines the effects of different levels of topic sensitivity on the effects of forced answering and the use of PNA on completion rates and item omissions. Using data from a pilot study in which respondents in multiple countries rated the sensitivity to them of 11 topics, this study examines the effects of forcing and PNA for three topics where sensitivity is high, medium, and low. Data are obtained in an experiment where the design was a 2 (FA, non FA) x 2 (PNA, no PNA) x 3 (topic sensitivity) factorial design. Each respondent received one of the 12 questionnaire versions. Respondents are from the general population in multiple countries; dependent variables are completion (response) and item omission rates.

"Effects of Use of Forced Answering and "Prefer Not to Answer" in Web-Based Surveys Where Topic Sensitivity is Varied" by Gerald Albaum (University of New Mexico, USA) and Catherine Roster (University of New Mexico, USA) examines the effects of different levels of topic sensitivity on the effects of forced answering and the use of PNA on completion rates and item omissions in Internet surveys.

The use of topic sensitivity in highly interesting questions and where they should be placed in a questionnaire are discussed by Jared M. Hansen (University of North Carolina, Charlotte, USA) and Scott M. Smith (Brigham Young University, USA) in "Effects of Sensitivity in Using Highly Interesting Questions on Data Quality and Survey Completion Rates." The insertion of a two-staged highly interesting question in an online, survey-based field experiment is shown to produce better survey results and better data quality than a typical highly interesting question placed at the beginning of a questionnaire. Measured effects include survey completion rates, response bias, and reported demographic and empowerment differences.

Thursday, 21 July
Time: 8:30 AM

Session Number: **5.4: Co-Creation and Involvement**

Session Chair: Zhuang, Weiling, *Eastern Kentucky University*

Customer Involvement in a Technical Product Development Process – Time to Implement a Service-Dominant Logic Perspective?

Bodin, Jan, *Umeå School of Business*

Isberg, Sofia, *Umeå School of Business*

Customer Co-creation As the Process of Collective Action: Marketing Role to Bridge the Heterogeneous Customer Involvement

Yamashita, Yuko, *Hitotsubashi University*

Resident co-creation: The case of the 2010 World Cup in South Africa

Berndt, Adele, *Monash University, South Africa*

Klopper, HB, *Monash University*

Niemann-Struweg, Ilse, *Monash University*

Meintjes, Corne, *Monash University*

CUSTOMER INVOLVEMENT IN A TECHNICAL PRODUCT DEVELOPMENT PROCESS – TIME TO IMPLEMENT A SERVICE-DOMINANT LOGIC PERSPECTIVE?

Jan Bodin, Umeå School of Business at Umeå University, Sweden
Sofia Isberg, Umeå School of Business at Umeå University, Sweden

ABSTRACT

In mainstream marketing the full potential of customer involvement is still largely over-looked. Value is mainly seen as created by the firm, built into products and delivered or marketed to customers. Many product development processes reflect this by emphasizing in-house centered processes possible to monitor and control by management. Today, customers are to a higher extent involved throughout the development process and companies are starting to explore the benefits of opening up the in-house process and involve customers in a more dynamic way. However, it could be argued that the customer is still seen as yet another resource that should be utilized in an optimal way.

In contrast to this in-house product development process is the service-dominant logic (S-D logic), which views customers as co-creators of value with the firm. This paper examines the mainstream logic of customer involvement in the product development process through the lens of S-D logic. A comparison between the two logics is made by highlighting the differences regarding: the role of the firm, opportunity instigator, drivers of development, knowledge & skills, role of customers, and role of management.

Via a case from the automotive industry focusing on innovation diffusion problems, issues relating to immaterial rights, what happens when the client under-value the partner's know-how, and therefore is incorrect in their assessment and decisions are highlighted. The paper concludes by discussing both benefits and problems with implementing S-D logic in the product development process.

Keywords: Product development process, Customer involvement, Service-Dominant (S-D) logic, Case study.

References available upon request.

CUSTOMER CO-CREATION AS A PROCESS OF COLLECTIVE ACTION: MARKETING'S ROLE IN BRIDGING HETEROGENEOUS CUSTOMER INVOLVEMENT

Yuko Yamashita, Hitotsubashi University, Japan

ABSTRACT

In this paper, the author proposes a research viewpoint which comprehends the customer co-creation process as collective action, by examining the case of Elephant Design, the developer of the Design-to-Order (DTO) business model. DTO is unique in that co-creation includes not only the idea-generation process but also the process of commercialization. A far-reaching scale of customer involvement is required to meet the production quota. The author applies the concept of collective consumption to the co-creation theory in order to analyze the role of heterogeneous voting clusters. In keeping with this year's conference theme, "The Customer is Not Always Right," the paper focuses on marketing's new role in bridging heterogeneous customer clusters, which otherwise remain disconnected.

INTRODUCTION: SHIFTING INVOLVEMENT REVISITED

This paper proposes a research viewpoint to grasp the customer co-creation process as collective action, through examining the case of Elephant Design, the inventor of the Design-to-Order (hereinafter "DTO") system. Elephant Design (hereinafter "ED") centers on a digital-mockup business based on 3D-rendering computer graphics technology. Utilizing its own technology, the company operates the website "CUUSOO Seikatsu" (Imaginary Living; hereinafter "CUUSOO"; <http://www.cuusoo.com/>) which manages a system of product development based on consumer participation. ED has expanded its business and initiated joint ventures with MUJI and Lego, acting as a third-party servicer operating platforms for customer-collaboration communities for its client firms.

Under the DTO system, end customers must agree to rather unfavorable purchase conditions. They are not guaranteed to be able to purchase desired goods at a desired time. They must wait for the finished product without being guaranteed that the desired goods can be commercialized. Whether or not the order will reach the lot number depends not only on a single customer's idea but also on the number of other potential customers who would agree to the idea.

In the mass-production system, as the arranger company "speculatively" decides to produce a good, a customer can make a "personal" decision to purchase the product, regardless of other customers' actions, unless the product is for limited production and sales. Since the company willingly takes the risk of purchasing the goods in advance, a customer can freely purchase the product unaffected by other customers' actions.

In the DTO system, a customer's decision-making is affected by other customers' actual or anticipated actions. In this sense, DTO's business risk emerges at the point where equilibrium is formed between the level of the arrangement cost and the level of customers' satisfaction with the finished product under the system. In other words, realization of the DTO system requires a reduction of the arrangement cost and establishment of a structure to maximize the level of customer demands. Why do consumers accept such inconvenience at all?

During the so-called "lost decades" of Japan's long recession, Japanese consumers have experienced dual disappointments. The first was with products sold in the Japanese market. The market teemed with products of a wide variety in kind and design, but was unable to produce "cool" products. Consumers were highly frustrated because, even after they exited they could not find alternatives, nor was their voice of protest heard by the market. The second disappointment concerned the Japanese Internet community. Lead Internet users in the 1990's felt impatient with the tardy growth of the Japanese Internet space, and awaited the establishment of open, public spaces.

Their sense of frustration—the voice of protest that could not find a place to be heard—encouraged consumers to make a significant shift in their preferences toward collective actions in the public sphere. The phrase, "the lost decades," was coined to describe the general sense of frustration about Japan's laggard performance in the midst of a political, economic, and social revolution. The voice of these doubly-disappointed consumers eventually found a home in various websites on the Internet.

In his book, *Exit, Voice, and Loyalty* (1972), Albert Hirschman examined an individual's motives for giving a warning to an organization in decline, in the form of either "exit" or "voice," so as to arrest its downward spiral. He finds that voice tends to

involve a public accusation and eventually forms into collective action in the public sphere. Later, in his *Shifting Involvements* (1982), Hirschman illustrated the process by which an individual engages in collective action following an experience of personal disappointment. From exit to accusation, and from personal interest to public action—such behavioral shifts succinctly express the trajectory of psychological experience among consumers in an age of accelerating IT innovation and globalization.

In the process of a collective action, consumers are to participate in the market in the dual dimensions. One as a private consumer and the other as a public actionist. As far as consumers are concerned about individual consumption, consumers could be always right, no matter how rational or irrational he or she would be. Marketing serving to consumers could also be always right. To listen to consumers' voices and achieve what they say would be theoretically always right. Once the consumers are involved in the consumption as the public action, they cannot be always right. They have to hear the other consumers' voices and have to judge reflectively to meet the micro and macro level goals. In so far as the outcome is dependent upon the other consumers' actions, the consumers cannot be always right. Marketing have to support the market process with these dual dimensions. To shed light on the marketing role through the co-creation perspective is the central question of this study.

THEORETICAL BACKGROUND

Although early research on customer involvement in new product development had been conducted by innovation researchers (e.g., von Hippel 1982, 1986), interest in the marketing field emerged in the late 1990s and flourished in the 2000s. Among the first authors to examine the role of customers in value co-creation, Prahalad and Ramaswamy (2000) focused on the overall change in business paradigms—from exploitation of customer knowledge to co-creation for customer value. While innovation perspectives have focused on the firm's view of how to utilize customer knowledge (von Hippel 1977, 1986, 2005), co-creation perspectives focus on customer involvement in the value-creation process. In the marketing literature, Sheth, Sisodia, and Sharma (2000) also positioned co-creation as an evolution from customer-centric marketing, and argue about the capabilities needed for the co-creation (antecedents), customer loyalty, and business cost (consequences). Vargo and Lusch (2004) examined the inherent logic of value creation in traditional processes and in co-creation. While the values are inherently contained in products and services in the market exchange process in the traditional marketing concept, the co-creation value is defined in the process of customer interactions.

The idea of co-creation is also reflected in the literature on communities of creation (e.g., Sawhney and Prandelli 2000a, 2000b). It focuses not only on firm-customer relationships but also on customer-customer relationships, and argues that the communities model is positioned in-between an open, market-based approach and a vertical, firm-based approach. While previous research clarifies the co-creation process between the customer and the firm, it did not necessarily pay attention to the interactions among heterogeneous customer groups. The main reason for this is that the co-creation literature sees co-creation as an idea source, not as a diffusion process. If we look at the market process of the co-created value, we must analyze the dynamics between customer groups. If various groups of customers are involved in the process and coordinate their ideas, the process would have a political tone.

Previous research has tended to focus on services (Sheth, Sisodia, and Sharma 2000; Vargo and Lusch 2000), and the unit of analysis is basically the individual. If the product/service requires a large-scale production capacity, the process becomes more complicated as a huge number of customers have to be involved. Our particular interest is to view co-creation as a process of interactions between heterogeneous consumer groups. In conventional industrial production, a manufacturer develops, produces, and sells a product based on its prior estimation of customer needs. The estimation of customer needs and projection of sales volume precede actual sales. As a result, the business tends to be speculative, bearing a risk of unsold inventory. In order to minimize such a risk, business has made efforts to accurately grasp market needs through marketing in advance and to develop a production system that shortens the time lag between production and the incidence of demand (ordering) as much as possible.

Application of the economic theory of the collective action model developed by Olson (1965) is proposed to explain the market process of co-creation. Olson argued that individuals with more resources will bear more burden than the poorer ones in the provision of public goods. Poor individuals would adopt a free rider strategy, leading to the underproduction of public goods.

Scholars of the collective consumption theory argue, however, that the heterogeneity itself is important to make the public goods possible (Oliver, Marwell, and Teixeira 1985). This theory is founded on various studies of voter behavior and

fundraising activities in elections, and explains that people take actions—voting or making contributions—when they perceive that their actions are influential upon a final result, but hesitate to take action when they feel their influence is insignificant. People take action only when they perceive the plausibility of success is high. Voting tends to increase when people feel that their voting can create a general trend, when the total voting number gets closer to the level of realization, or when voting splits into two contesting ideas. These conditions suggest that it is possible to some extent to control voting by manipulating the provision of feedback information on customer voting to other customers. This line of argument constitutes the collective consumption theory. This theory would be extended to the co-creation research.

DTO BUSINESS MODEL

ED was established by Kohei Nishiyama and Yosuke Masumoto in 1997. Nishiyama was a young entrepreneur with an art mindset, who had encountered web community businesses during his career at McKinsey. His friend Masumoto was a creator who had an extraordinary talent to express a product concept in computer graphics. ED created a Design-to-Order (DTO) business model, and launched the website “CUUSOO Kaden (Imaginary Home Appliance, in Japanese, later Cuusoo Seikatsu)” as a platform in product development based on consumer participation in 1999 (<http://www.cuusoo.com/>).

In conventional industrial production, a manufacturer develops, produces, and sells a product based on its prior estimation of customer needs. Here, the estimation of customer needs and projection of the sales volume precede actual sales. As a result, the business tends to be speculative, bearing a risk of unsold inventory. In order to minimize such a risk, business has made efforts to accurately grasp market needs through marketing in advance and to develop a production system that shortens the time lag between production and the occurrence of demand (ordering) as much as possible.

ED designed its CUUSOO system based on a DTO business model by integrating its own product-planning capacity and computer-graphics technology into the system. The commercialization process can be summarized as follows.

Step 1. Receiving suggestions: To receive suggestions from customers for a desirable product to be commercialized. The suggestions come from product designers who register at CUUSOO Seikatsu, from ordinary consumers who jot them down in the column “Suggestion Room” on the CUUSOO Seikatsu website, and/or from celebrities who make suggestions in special articles in magazines or other media. ED chooses candidates for commercialization out of these suggestions, defines clear product concepts, selects designer candidates suitable for the concepts, finalizes the negotiation process with the designer, and estimates a price and the quantity to be manufactured.

Step 2. Drawing a product design with computer graphics: To draw a computer-graphic design of the candidate concepts for commercialization, publicize the design on the CUUSOO Seikatsu website, and call for customers to vote for their favorite candidates. Note that voters do not have any obligation at this stage to purchase a final product.

Step 3. Working with manufacturers: Once a round sum of the customer votes have been collected, ED contacts and negotiates with a manufacturer, asking it for a rough estimate and a pilot product.

Step 4. Contracting with a sales company: Parallel to Step 3, ED selects a sales company. At this stage, ED makes an agreement with the sales broker and decides the specifications and price of the final product.

Step 5. Purchase order and production: When consumer votes have reached the estimated lot number, ED officially starts taking reservations from customers, then puts in an order to the manufacturer(s), and production begins.

Step 6. Product delivery /achieving commercialization: Products are delivered to buyers.

In the above process, ED acts as an agent to coordinate product planning and purchase orders. Therefore, consumers make a contract not with ED but with a sales company. While a customer does not assume any purchase obligation at the initial voting stage, he/she will be obliged to purchase once making a reservation. ED receives a commission fee from the sales company.

ED’S ORIGINAL COMMUNITY AND EXPANSION

From the time of establishment, ED was blessed with “high-quality” members in terms of consumer consciousness, expertise, and sensitivity. These members were attracted to ED because the company was the pioneer of the DTO idea, emphasized

product design in its product concept, and was willing to communicate openly with its members.

Particularly enthusiastic were the original subscribers to CUUSOO Kaden, which was launched in January 1999. They can be categorized into two groups, one consisting of designers and “creators” who were strongly dissatisfied with existing industrial design, and the other group strongly inspired by the idea of community-based product design, but all the members fundamentally shared both characteristics to varying degrees.

The original members of the CUUSOO Kaden made up the core group of the “community,” and made a significant contribution by actively providing suggestions and opinions on proposed ideas. Many of them were either designers or creators, endowed with professional skills to express their ideas effectively in concrete images. For example, one of the members, a creator in the music industry, produced a sample sound for incoming calls on the Insipid Phone (a stylish phone equipped only with an answering machine), and suggested it on the BBS.

Not only are these active members interested in the commercialization of a particular product, but they are also empathetic to ED’s ambitions and have high expectations of the company. Even while holding their own opinions about a DTO system, they always stand by ED’s side, wanting to support the company, and are committed to a collective goal of developing the far-from-perfect DTO system into something more sophisticated.

The dynamic environment of the DTO system, with its high-level group discussion and input by members with professional knowledge and sensitivity, attracted more new members who appreciated the high quality of the community, and also helped to raise interest and empathy among existing members, deepening their commitment to the system. Moreover, by keeping customers’ discussion “close to” ED, the transparency of communication was improved and the relationship of mutual trust between ED and its customer members consolidated.

Presumably, many subscribers to the initial CUUSOO were heavy professional users of PCs, were highly familiar with the Internet, and had an essential spirit of “user community” in the age of PC communication. Later on, as the Internet became more popular among ordinary people and the online population grew rapidly, the CUUSOO also rapidly consolidated its presence among ordinary consumers.

In May 2000, the CUUSOO Kaden was transformed into CUUSOO Seikatsu. One month later, ED introduced a stylish PC, the “Cigarro,” proposed and designed by Masamichi Katayama, a famous interior designer. Thanks to the relatively quick commercialization of the product, ED drew increasing media attention. In the meantime, social recognition of the DTO initiative increased in league with the increasing number of ED’s competitors, like Tanomi.com, who provided similar services on the Web. However, society never failed to recognize the significance of ED as the pioneer of the DTO system. TV, newspapers, magazines, and various other mass media outlets frequently reported on the company.

ED’s media exposure was relatively large from the start, mainly due to the interest of editors at the magazines that reported on the company. Many of these editors, who had been professional designers or who were fed up with conventional products and ideas, became ardent supporters of ED’s experiment. ED was fortunate to have such strong support from these professionals in the media industry. Because the company was so well publicized in the form of magazine articles, it did not need to buy ads at its own expense. Media coverage gave ED other advantages over mere advertising cost-savings, by providing neutral but high-impact publicity to consumers, thus drawing more potential customers/subscribers to its website.

CUSTOMER VOTING BEHAVIOR

The more media attention ED drew, the more subscribers it obtained. Among them, there emerged a new type of subscriber who was different from the original DTO supporters in being less active in giving suggestions for new products or posting comments/opinions on the bulletin boards. Instead, they casually vote for favorite designs proposed on the website as if they were purchasing goods on an Internet shopping site.

In evaluating the innovativeness of the voting behavior of subscribers who tend to vote for a design as soon as the concept is put on the website, we suggest that they may consider voting as a means of expressing their opinion, regardless of the general popularity of the item or the probability of its commercialization. In contrast, the new breed of subscribers mentioned above tend to vote only after a large body of votes have already been cast on the website and the chance of the product’s commercialization has increased. They may not be crucial opinion leaders, but we feel that they are also important for ED in increasing the final vote count.

At the same time, consumers who consider voting for “temporary reservation” as seriously as they consider “final reservation” tend not to cancel their final reservations. These loyal members contribute to a lower cancellation rate. Meanwhile, “light-hearted” voters who consider the process more like a popularity contest also contribute to realizing the commercialization of the designs because their additional votes help to meet the minimum order number.

In sum, the larger number of subscribers leads to the aggregation. Each member voter contributes to the formation of aggregation, by combining different voting patterns. Indeed, the composition of types of members is crucial for a DTO success. Even when the number of subscribers grows, the voting would become totally useless if these members did not vote at all or only voted for fun without an intention to buy. In this respect, the CUUSOO Seikatsu subscribers demonstrate patience and strong commitment to their reservations, even if temporary. Their loyalty presumably comes from their strong willingness to support the DTO system and the “community” environment of trust between ED and its members, which has been nurtured since the company’s inception.

ANALYSIS OF VOTING PATTERNS

Based on the voting data provided by ED, analysis was done to identify customers’ voting patterns. Customers’ votes do not appear at random but in several cohorts, which themselves form several waves (see [Figure 1](#)). Therefore, more votes can be obtained by creating these “cluster waves” ([Figure 2](#)).

The trajectory of communications was traced in [Figure 2](#), in order to identify the cause of vote waves. Hypothetically, the following are the significant causes:

- 1) Votes increase when spot information, such as computer graphic and mockup design, is given.
- 2) Votes increase when discussion on the BBS and opinions by webmasters are activated.

Voting patterns suggest the existence of different clusters of voters whose involvement with the co-creation process fundamentally differ. First cluster customers are innovators not only in idea-generation but also in participation in the public discussion. Second cluster customers are web visitors and basically follow the discussion of the innovators. If ideas become refined and realistic, they vote. Third cluster customers are generally infrequent visitors or even newcomers to the Web. They are exposed to the publicity and information in the mass media and become interested in the products. For them, voting is like clicking on shopping sites. Importantly, the co-existence of the three clusters is needed to commercialize the idea. Bridging the heterogeneous groups of voters, then, is important—this is where the theory of collective consumption fits in.

FACTORS THAT DELAY COMMERCIALIZATION

The time needed for product commercialization remains a major obstacle for CUUSOO Seikatsu; the following are the major factors that prolong the period.

(1) Time to Incorporate Customer Opinions, From the Proposal Stage to Finalizing Specifications: A bulletin board on the CUUSOO Seikatsu website allows a subscriber to jot down his/her opinion about each design item at the voting stage. This BBS functions as an arena for communication between ED and its customers and/or among the customers themselves. This system raises customer interest in a particular item and generates enthusiasm for voting. However, one drawback is that with the influx of various customer opinions, the product concept “fluctuates,” resulting in a longer time taken in adjusting the difference between the opinions and the concept.

(2) Time for Collecting Votes: Even if a design item attracts a certain number of extremely enthusiastic supporters, it will not be commercialized if it lacks enough votes for the minimum production run. In fact, there are many “idle” items that have garnered a certain number of votes while failing to reach the required minimum. In this respect, DTO needs to find a way to activate such dormant interest. While it is important to raise customer interest through the strenuous efforts of the webmaster, that alone would only result in an increase in the manpower cost of vote collection.

(3) Time for Finding and Negotiating with a Manufacturer: Shortening the time to find and negotiate with a manufacturer is a crucial factor in DTO success. Yet, manufacturers in general are used to taking orders from sales companies and are reluctant to conduct business with ED, which is not the direct buyer (orderer) in the DTO system. However, ED realized that the negotiation time could be substantially reduced by having more contact with manufacturers. Through the negotiation process,

ED can help them understand not only the specific product concept but also the fundamental concepts of the DTO system. Meanwhile, it is important not to narrow down potential subcontracting factories, which would limit the range of products that ED can plan, thus spoiling DTO's basic attraction.

(4) Time to Search for and Negotiate with a Sales Company: To nail down a sales company at an early stage leads to the reduction of time in negotiation with manufacturers. It can also help accelerate the commercialization process, since it imposes a certain constraint upon product concepts and hinders product developers from taking an unnecessarily long time. In fact, the ED products whose commercialization was comparatively quick had sales companies in advance. However, we must note that to retain a sales company in advance runs the risk of over-involving the sales company in product development.

Factors (3) and (4) turned out to be solved by establishing joint ventures with the companies which already have retail channels or which themselves are the retailers. If the company already has a certain communication medium with consumers, community factors (1) and (2) would also be facilitated. In collaboration with the clients such as MUJI, DTP model has been quite successful.

MARKETING CAPABILITIES REQUIRED FOR DTO

The above-mentioned obstacles in the process of commercialization are essentially common problems that any potential DTO business must cope with. Nevertheless, the stakes for ED were particularly high because the built-in characteristics of the company turned out to be constraints on the system. These characteristics include high product run requirements, in-house planning, open communication with members, and the necessity of outsourcing sales operations. However, the very process of the company's effort to overcome these obstacles provided ED an excellent learning opportunity and encouraged the company to accumulate business capabilities that are second to none. Such internally accumulated capabilities are:

(1) The Capability of Conceptualization and Planning: A customer's suggestion cannot be automatically conceptualized into a product. The suggestion would never be given life unless a company had the capability to select an idea with potential, mull it over, and conceptualize it. If a company passed the selected idea to a manufacturer before fully conceptualizing it, the manufacturer would tend to understand the idea within preexisting frameworks, which in turn would hinder innovation. In this respect, ED has been successful in accumulating the capability to plan a unique, high-quality product concept, owing much to its persistence at in-house product-planning. Moreover, ED's commitment to in-house planning enabled the transfer to the broader ED organization of knowledge that had been accumulated by the co-founders of the company, Mr. Nishiyama and Mr. Masumoto, who excel in design and planning.

(2) The Capability to Induce Demand: The fundamental nature of the DTO concept is to totally upset the existing speculative mass-production system and to eradicate the risk involved in producing unnecessary products. While such speculative risk is low, the DTO system, in which a company must sell what does not yet exist, faces a particular challenge: the tremendous pressure to whet a customer's appetite for a product that does not exist, or to complete product development within a given time limit based on the production and sales schedule. The risk is that the genuine desire of customers for a particular product and/or the company's ambition to develop it quickly would be left up in the air. In the meantime, the arranger company cannot do anything but wait. Time is the essential challenge for DTO. In order to shorten that time, it is crucial to establish a sophisticated system to effectively stimulate buyers' demand.

CONCLUSION: CUSTOMERS ARE RIGHT, BUT COULD BE "RIGHTER" WITH BRIGHTER MARKETING

At first glance, the DTO business model appears interesting, but it was in fact not so easy to realize. Scholars may attribute the difficulty to the system's structural problems, while businesses may lose patience with the system's slowness to deliver an immediate result. It is true that DTO seems to be taking baby steps, in contrast to the greatness of its concept. However, ED's attempt is still an ongoing venture. For a venture to succeed, it must have a clear vision to realize its initiative quickly while maintaining a grand and high ideal. If its grand vision is easily realizable, it is not yet a venture. It is crucial to manage the actual process effectively to realize an ambitious idea, and any entrepreneur should possess such management capability. However, it is beyond the capacity of one individual or company to achieve a grand project that will revolutionize the existing social structure.

Those who supported ED's baby steps from the beginning are industrial designers, manufacturers, retailers, journalists, and customers dissatisfied with the stagnant existing system and wishing for a breakthrough. Some of these supporters have

directly provided ED with excellent ideas. Some remonstrate with ED almost obstinately. Others cast trivial votes, commenting “What fun!” In short, the very best achievement of ED is that it can aggregate diverse opinions and commitments, and combine them into one huge movement.

The absolute purpose of DTO is to change the relationships between companies, between companies and consumers, and between consumers themselves. Such a fundamental transformation can hardly be achieved by one single company. The social cost involved in the DTO business can be reduced only when an increasing number of companies adopt DTO and when there is a change in the awareness and understanding of the role of new marketing in that system.

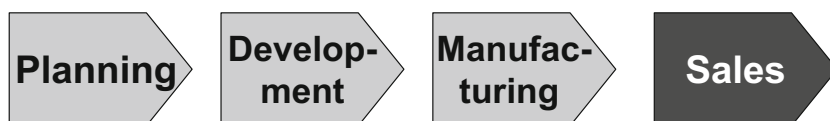
Hirschman concludes the chapter on “Disappointment” with the quote from Don Quixote’s friend:

God forgive you for the damage you have caused everyone in wishing to return to sanity this most amusing fool! Don’t you realize, Sir, that the benefit that might accrue from the sanity of Don Quixote will never come up to the pleasure he gives us through his follies?

— *Don Quixote*, Book 2, Chapter 65

Chart 1: What Design-To-Order is

1. Build To Stock / Mass Production System



2. Build To Order / DELL System



3. Design To Order / CUUSOO System



Figure 1: The Voting Clusters

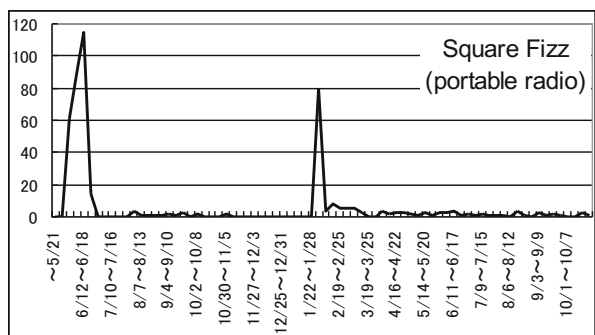
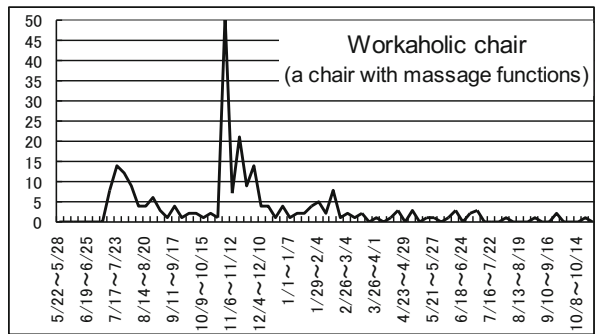
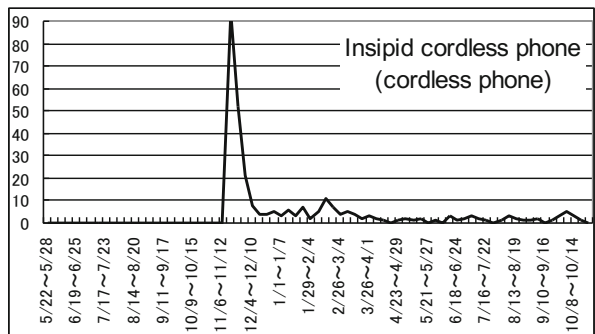
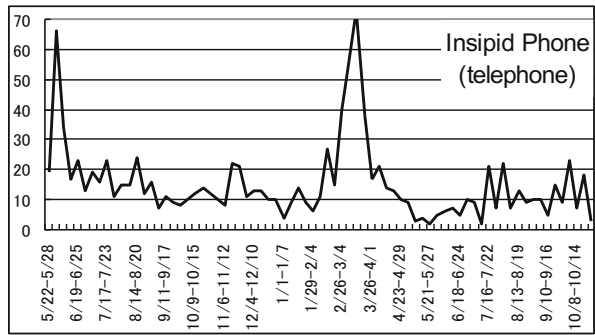
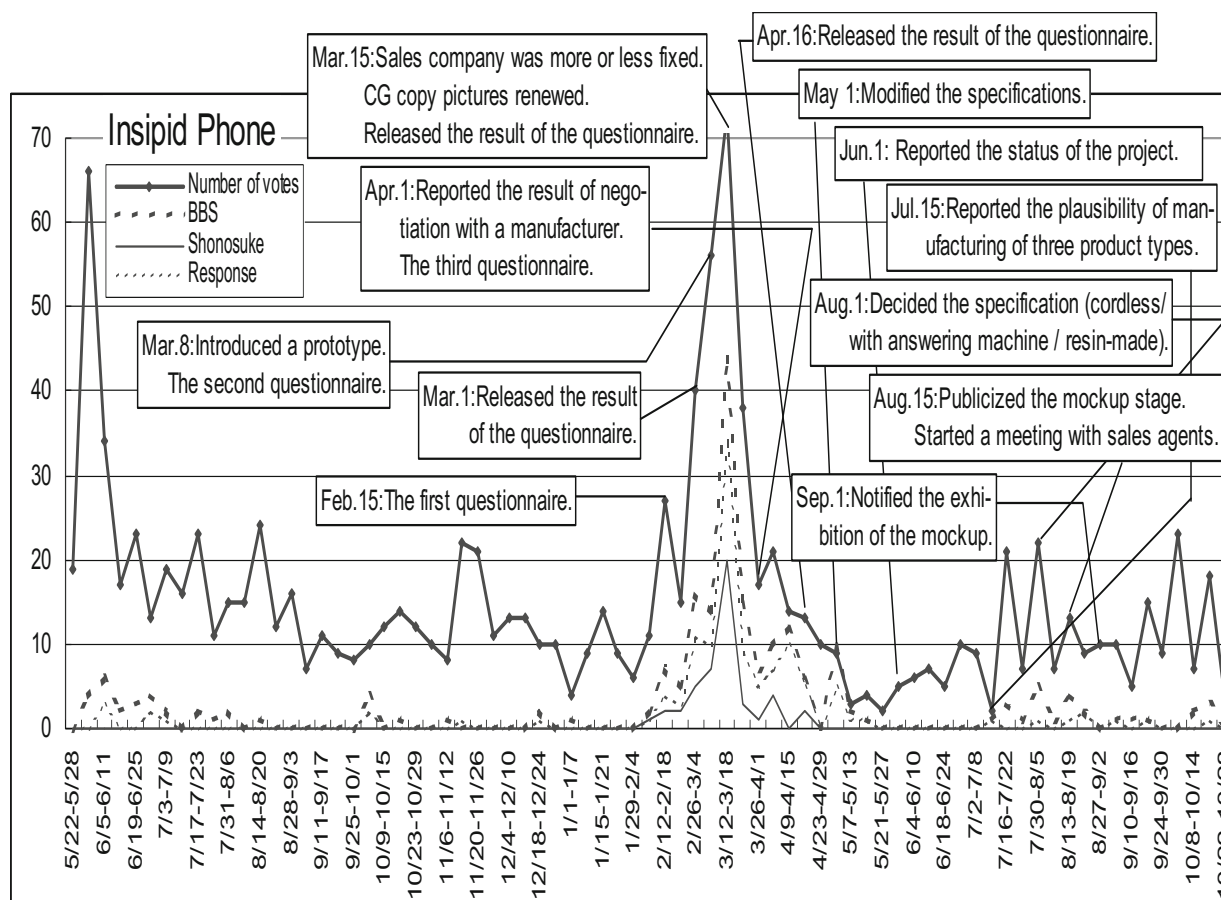


Figure 2: Shifts in Voting and Mode of Communication



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RESIDENT CO-CREATION: THE CASE OF THE 2010 WORLD CUP IN SOUTH AFRICA

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HB Klopper, Monash South Africa
Ilse Niemann-Struweg, Monash South Africa
Corne Meintjes, Monash South Africa

ABSTRACT

National sporting events rely on the involvement of the residents in the country for their success. Residents are expected to support the event, and event organisers develop strategies to facilitate this support, thus creating resident involvement. Co-creation in the case of such an event is regarded as the actions and involvement of residents in the success of the event. The purpose of the study was to investigate the involvement and actions of residents of South Africa prior to the commencement of the 2010 World Cup, which was held in South Africa during June and July 2010. The importance of the study can be found in the relative scarcity of the literature that investigates specifically the role of residents in co-creation as well as the uniqueness of the event in an African context.

There are many benefits that accrue to a country when holding international sports events such as the FIFA 2010 World Cup. These include the economic and tourism benefits as well as infrastructural improvements that must take place as part of the preparation for the event. The event is also used to market the country to potential tourists, investors and their own residents. Residents are an integral part of the event as they provide the support to the event. The World Cup event marked an opportunity for South African residents to showcase their country to these participants / tourists and to get more involved in building the South African brand. The 2010 Soccer World Cup in South Africa was regarded as a significant international sporting event requiring residents' co-creation activities as it was the first event of this magnitude that had been held on the African continent.

A quantitative study was conducted in the three largest metropolitan centres of South Africa, namely Gauteng, Kwa-Zulu Natal and the Western Cape. The population comprised all residents in South Africa. A purposive sample was taken in the three centres in South Africa in accordance with census statistics. Data was collected through field workers, who approached respondents with the self-completion questionnaire and was collected in the month prior to the start of the event. A total of 1198 usable responses were received and analysed.

The findings show that there is a spread of involvement and actions of residents, with certain demographic groups having a higher level of involvement (certain language groups, genders and nationalities) while action is likely to be affected by various demographic characteristics (gender and nationality). It is further necessary to investigate ways in which this involvement can manifest in associated actions and targeting of the event is also necessary.

References available upon request

Thursday, 21 July
Time: 8:30 AM

Session Number: **5.5: Entrepreneurship II**

Session Chair: Kropp, Frederic, *Fisher Graduate School of International Business/Monterey Institute of Int'l Studies*

Marketing-oriented Entrepreneurial Self Efficacy, Self-construal and Entrepreneurial Intention in a Collectivist Economy

Siu, Wai-sum, *Hong Kong Baptist University*

Lo, Eric, *Hong Kong Baptist University*

Lin, Tingling, *National Taipei University*

Fang, Wenchang, *National Taipei University*

The Effects of Informal Sales Management Controls on the Learning and Entrepreneurial Orientation Within Sales

Bieber, Susanne, *RWTH Aachen University*

Brettel, Malte, *RWTH Aachen University*

Power, Conflicts and their Consequences for Export Performance: Evidence from Slovenian SMES

Pfajfar, Gregor, *University of Ljubljana*

Brenčič, Maja Makovec, *University of Ljubljana*

Shoham, Aviv, *University of Haifa*

The Path of the Social Entrepreneur: A Narrative Analysis Approach

Kropp, Fredric, *Monterey Institute of International Studies*

Yitshaki, Ronit, *Bar-Ilan University*

Snyder, Clayton, *EcoMedia, A CBS Company*

MARKETING-ORIENTED ENTREPRENEURIAL SELF EFFICACY, SELF-CONSTRUAL AND ENTREPRENEURIAL INTENTION IN A COLLECTIVIST ECONOMY

Eric S. C. Lo, Hong Kong Baptist University, Hong Kong
Wai-sum Siu, Hong Kong Baptist University, Hong Kong
Tingling Lin, National Taipei University, Taiwan
Wenchang Fang, National Taipei University, Taiwan

ABSTRACT

Researchers have different views on the relationships between social norms, cultural context and entrepreneurial intention. Krueger and Kickul (2006) argued that the notion that social norms are supportive of entrepreneurial activity is culturally dependent. Liñán and Chen (2009) point out that cultural context, not social norms, should be reflected as a proxy in the entrepreneurial cognitive model. To advanced the body of knowledge on entrepreneurial cognitive model, researchers (Elfvig et al., 2009) advocate to extend the research samples to non-American populations. This study examines the impacts of individualism-collectivism orientation on the cognitive model of entrepreneurial intention in a collectivist environment (i.e., Taiwan). Using a sample of 249 MBA students from Taiwan, this study also investigates the moderating effect of self-construal on the relationships between perceptual factors, specifically marketing-oriented entrepreneurial self-efficacy, and entrepreneurial intention.

Entrepreneurial intention is significantly influenced not only by perceived social norms, but also three marketing-oriented entrepreneurial self-efficacy subfactors, namely developing new product & market opportunities, initiating investor relationship, and coping with unexpected challenges. This study sheds lights on the interplay of entrepreneurial self-efficacy. While Chinese people with strong entrepreneurial self-efficacy on developing new product and market opportunities are positively driven by independent self-construal of being unique and expressing the self, they are negatively driven by the interdependent self-construal of intertwining with family, in forming intention of creating their own venture. Also, Chinese people with entrepreneurial self-efficacy on initiating investor relationships are negatively driven by the interdependent self-construal of proper role and action. This study shows what and how interdependent and independent self-construals moderate the relationship between self perceptual factors and entrepreneurial intention in a Chinese context. Future research is suggested to incorporate other cultural orientations, for example uncertainty avoidance or long term orientation into the theoretical framework of the cognitive model.

References available upon request

THE EFFECTS OF INFORMAL SALES MANAGEMENT CONTROLS ON THE LEARNING AND ENTREPRENEURIAL ORIENTATION WITHIN SALES

Susanne Spillecke, RWTH Aachen University, Germany
Malte Brettel, RWTH Aachen University, Germany

ABSTRACT

Despite a large body of research on the importance of an organizational entrepreneurial orientation (EO) to firm performance (Rauch et al. 2009), little research has “open[ed] up the black box” of the organization (Monsen and Boss 2009, p. 71) and applied the concept of EO to specific functional units within a firm. This research gap is problematic because functional departments are like different “thought worlds” (Homburg and Jensen 2007) in regard to their orientations and competences. Furthermore, from a strategic management perspective the analysis of EO on the functional level is essential since, in order for entrepreneurship to be implemented as a “dominant logic”, it must be “translated into the objectives, strategies, reward systems, control systems, planning approaches [and] structures” within the firm (Kuratko and Audretsch 2009, p. 5), all of which typically differ significantly from department to department.

This study adopts the concept of EO at the departmental level and investigates the sales department’s entrepreneurial orientation (SEO) and learning orientation (SLO) and those orientations’ impact on sales performance. Because of the importance of cultural and motivational factors for fostering learning and entrepreneurship, the authors propose informal controls as the levers that foster SEO and SLO. The sales department is selected as unit of analysis since it provides great opportunities for entrepreneurship and is a function in which entrepreneurship is critical (Morris et al. 1990). As the interface with the customer, salespeople have to cope with uncertainties and challenges from both inside and outside the organization. The challenges of the new selling environment also require companies take more of an entrepreneurial perspective than before (Ingram et al. 2005). SLO is investigated as a second strategic orientation since learning has shown to be an important source of competitive advantage. Beyond that, this study proposes SLO as driver of SEO since organizations or functional units can adapt and innovate only as fast as they are capable and willing to learn (Mavondo et al. 2005).

To examine the proposed effects of informal controls on SLO and SEO and their resulting effects on sales performance, this study used Structural Equation Modeling (SEM) based on survey data from 268 SMEs. The results of the study show that SEO and SLO are important levers with which to increase sales performance, and that informal controls are appropriate means for fostering SEO and SLO. Sales executives can promote learning and entrepreneurial behavior in their departments by encouraging collaboration and communication among salespeople and by creating an atmosphere in which salespeople can identify themselves with the company and its values.

This study complements existing EO research on the organizational level and underscores the importance of research on the more fine-grained effects of EO by calling for further studies on the antecedents and effects of EO in functional units.

References available upon request

POWER, CONFLICTS, AND THEIR CONSEQUENCES FOR EXPORT PERFORMANCE: EVIDENCE FROM SLOVENIAN SMES

Gregor Pfajfar, University of Ljubljana, Slovenia
Maja Makovec Brenčič, University of Ljubljana, Slovenia
Aviv Shoham, University of Haifa, Israel

ABSTRACT

We aim to evaluate the relationship between six sources of power (French and Raven 1959) and different conflict types (positive and negative), as well as impact of conflicts on export performance of Slovenian SMEs. The relationships are assessed on both sides of the dyad, using surveys with structured questionnaires. Data from 105 Slovenian exporters and 101 of their foreign reps showed all power sources (except reward) as conflict drivers at the sellers' and buyers' sides. When looking at the impact of conflicts on performance, only task conflict did not play part in the sellers' sample, while in the buyers' case both negative perspectives of conflict did not show any significant results. When comparing SMEs to large companies, SMEs reported much less significant results and absolutely no connection between conflict and their performance. The value added of this research is evaluation of power sources and their impact on conflict on the individual basis, as well as implications for SME research.

THE PATH OF THE SOCIAL ENTREPRENEUR: A NARRATIVE ANALYSIS APPROACH

Fredric Kropp, Monterey Institute of International Studies, USA
Ronit Yitshaki, Bar-Ilan University, Israel
Clayton T. Snyder, EcoMedia – CBS, USA

ABSTRACT

Social bricoleurs are typically small-scale local social entrepreneurs who focus on unmet social needs for disadvantaged groups that have limited capacity to help themselves. Little is known about the motivations social entrepreneurs who are important change agents in solving social problems. The changing role of government in solving social problems and the subsequent expansive growth of social entrepreneurship creates the need for a better understanding of the characteristics and motivations of social entrepreneurs. A better understanding of the motivations and processes of social entrepreneurs can facilitate their effectiveness in solving social problems.

Using the life story method we examine 43 social bricoleurs from 9 countries. The life stories method is an inductive approach, reflective in nature, which examines motivations and gives meaning to actions and intentions. Our examination of their life stories identifies two general categories of motivations. The first category is *pull* factors including long-standing awareness of social injustice and formative life experiences that identified social inequalities. The second category is *push* factors, relating to a lack of meaning or job dissatisfaction. Preliminary analysis indicates that social bricoleurs motivations are similar in different cultures.

Social entrepreneurs also referred to personal evolution of their self-identity in the process of being social entrepreneurs. Motivations are often emotional and based on life events. Similar to commercial entrepreneurs, social entrepreneurs are able to identify opportunities rather than problems. Their social awareness enables social entrepreneurs to create and exploit social opportunities. In addition, when referring to the present conditions or future expectations, social bricoleurs often look to scalability of their efforts.

References available upon request

Thursday, 21 July
Time: 8:30 AM

Session Number: **5.6: Global Marketing II**

Session Chair: Rojas-Méndez, José I., *Sprott School of Business/Carleton University*

Globalization, Culture, Consumer Dispositions, and Consumption: The Case of Iran

Cleveland, Mark, *University of Western Ontario*

Laroche, Michel, *Concordia University*

Naghavi, Parastoo, *Concordia University*

Shafia, Mohammad Ali, *Iran University of Science and Technology*

Barriers to Export and Export Performance for Canadian Firms

Karakaya, Fahri, *University of Massachusetts Dartmouth*

Yannopoulos, Peter, *Brock University*

The Role of “Consumer Need for Uniqueness” and Product Typicality in Explaining Variation of Country of Origin Effects

Tseng, Ting-hsiang, *Feng-Chia University*

Balabanis, George, *City University London*

GLOBALIZATION, CULTURE, CONSUMER DISPOSITIONS, AND CONSUMPTION: THE CASE OF IRAN

Mark Cleveland, University of Western Ontario, Canada
Michel Laroche, Concordia University, Canada
Parastoo Naghavi, Concordia University, Canada
Mohammad Ali Shafia, Iran University of Science and Technology, Iran

ABSTRACT

Culture is recognized as the most fundamental shaper of consumer behavior. Global forces inexorably penetrate the economic, political, and social realms. It is critical to understand the impact of globalization on the cultural makeup and subsequent behaviors of consumers worldwide. In the wake of globalization, and to attract and serve customers around the world, marketers need to understand where and when cultures and consumers are homogenizing, and the contexts under which diversity is likely to persist or even intensify.

Identity is the locus of cultural effects; therefore, this research focuses on the critical roles of local culture ethnic identity (EID), alongside exposure to and acceptance of cultural forces that transcend borders (acculturation to global consumer culture: AGCC), in shaping the dispositions (consumer ethnocentrism, cosmopolitanism and materialism: CET, COS, MAT) and behaviors (spanning 7 product categories) of consumers living in Iran—a research context well-suited for examining the competing pulls of global and local cultural forces. Iran ranks among the largest 20 national economies in the world. Belying the country's economic clout, very little is known about the modern Iranian consumer; judging by the paucity of published marketing research on Iran (due mainly to the difficulty of conducting research in that country). The country's rich cultural heritage, the tumultuous social changes experienced by its people, its geopolitical status and middle-income consumer ranking together make Iran a fascinating and most worthy locale for the study of globalization, culture, consumer dispositions, and consumption.

Existing scale measures (Cleveland and Laroche, 2007; Richins, 2004; Cleveland and Chang, 2009; Shimp and Sharma, 1987) were translated from English into Farsi, and then backtranslated to assess equivalency. The survey also contained demographic measures, and 47 distinct consumer behaviors, corresponding to the consumption of the following broad product-market categories: local (Iranian) foods (10 items), global foods (9 items), global apparel (4 items), appliances and durables (5 items), consumer electronics and associated technological uses (6 and 7 items, respectively), as well as luxuries (6 items); all of which were subjected to translation/back-translation. The sample (n=298 usable surveys) consisted of current and former university students at a major urban university in Tehran. SPSS and AMOS were employed to analyze the data, which consisted of exploratory and confirmatory factor analyses, cluster and reliability analyses, bivariate and partial correlations, as well as structural equations modelling.

Four consumer clusters were delineated on the basis of adherence to local culture and absorption of global consumer culture: biculturals, locals, marginals, and locals. The inverse link between AGCC and EID is suggestive of both assimilation and cultural resistance. Both cultural constructs were positively related to the dispositions of COS and MAT, whereas only EID was significantly antecedent to CET. The low mean score of AGCC—relative to EID and COS, of which a strongly positively interrelationship existed—suggests that while exposure to foreign influences (e.g., media, marketing) remains subdued, Iranians nonetheless are open to different cultures and embrace divergent cultural encounters, while proudly promoting an Iranian identity. Thus, by and large, Iranians have a bicultural identity; one part incorporating an international outlook combined with another part strongly embedded in local traditions. The linkages between the cultural and dispositional constructs to consumer behavior, varied substantially across the 47 consumption cases, in terms of direction, magnitude, and explanatory power.

From a practical perspective, the findings identify which products and categories are possible candidates for standardized marketing strategies (e.g., global apparel), versus local strategies emphasizing ethnic traditions (e.g., some local foods, certain appliances), versus globalization strategies combining local and global elements (e.g., modern electronics, technology, and certain luxury products). Methodological contributions of this research includes the validation of construct measures in the Farsi language, and the application of consumer theory in Iran—an important emerging economy that has largely been overlooked in marketing research.

References available upon request.

BARRIERS TO EXPORT AND EXPORT PERFORMANCE FOR CANADIAN FIRMS

Fahri Karakaya, University of Massachusetts Dartmouth, U.S.A.
Peter Yannopoulos, Brock University, Canada

ABSTRACT

This paper examines barriers to export and export support by external organization for 137 firms in Canada. The authors discuss four constructs of export barriers and export support functions as they impact export performance. A structural equation model using the barriers and the export support functions as exogenous variables and export performance as endogenous variable show that the most important barrier to export as perceived by business executives is lack of firm competence followed by fear of not receiving payment from foreign customers, procedural barriers, and lack of government support. Analyses also show that firm size impacts the perception of barriers to export and export performance.

References available upon request from fkarakaya@Umassd.edu

THE ROLE OF “CONSUMER NEED FOR UNIQUENESS” AND PRODUCT TYPICALITY IN EXPLAINING VARIATION OF COUNTRY OF ORIGIN EFFECTS

Ting-Hsiang Tseng, Feng Chia University, Taiwan
George Balabanis, City University London, UK

INTRODUCTION

Certain product categories, such as cars, software, and even perfume, are strongly identified with certain countries (Kotler and Gertner 2002) (e.g., French perfume; German cars, etc), but not all the products of a country benefit the same from a strong COO image. However, despite the prolificacy of COO-related studies, the observed effects are subject to contextual variations that remain unexplained. As research evidence shows, one of main unexplained variations of COO effects is the variation across product categories (Balabanis and Diamantopoulos 2004; Han and Terpstra 1988; Kaynak and Cavusgil 1983; Roth and Romeo 1992).

This paper will focus on the variation observed in products coming from the same COO. It will try to answer the question why certain products from the same country are evaluated higher than others. Building on a previous research, the study will try to provide explanations by focusing on product typicality and consumer's need for uniqueness (CNFU). Typicality reflects how representative is a product of a category (in this case of the country). The need for uniqueness is a consumer characteristic that is expected to impact the variation of COO effects caused by typicality. The intended contribution of the study is to develop a more general theory that explains product variations in COO effects.

METHODOLOGY

This study applied a 2×2 between subjects factorial design experiment. Country typicality (typical product of a country vs. atypical product of a country) and consumer need for uniqueness (consumers with high CNFVs vs. consumers with low CNFVs) were the two factors interested. Japan was the country of origin used in this study. A set of hedonic products (console games and teapots) and set of utilitarian products (refrigerators and CD-RWs) were used as stimuli for the tests to control for such effects. The choice of country and product category stimuli was based on a pilot test. The purpose of the test was to identify appropriate typical and atypical products. The results showed Japan was good choice for Taiwanese consumers who are familiar with the products of this country. Subsequently, Japanese console games were found by respondent to be the best choice of a typical hedonic products while Japanese teapots of an atypical hedonic one. Also, Japanese refrigerators were used as a typical utilitarian product category and Japanese CD-RW as an atypical utilitarian product category.

Subjects were 416 undergraduate students at a college in Taiwan. Those subjects were required to rate their need for uniqueness on the CNFU scale (Tian and Mckenzie 2001) one month before the formal test. According to the scores, we classified subjects into two groups, high-CNFU and low-CNFU, on the basis of a median split (which was 4.36 in this case) and randomly assigned them to the conditions of typical or atypical products in a balance way. In the formal experiment, all subjects were asked to indicate purchase intention and product evaluation of the products which had been assigned to them one month ago. Manipulation checks were included in the experiment.

RESULTS AND DISCUSSION

ANOVA (analysis of variance) was used to analyze the data. The between-subjects effect was country typicality (typical versus atypical) and a median spit of consumer need for uniqueness (into high versus low CNFU) was used as a second fixed variable to assess interaction effects. The main effects of country typicality on purchase intention were significant ($F(1,412) = 290.35, p < 0.01$ for utilitarian products; $F(1,412) = 316.20, p < 0.01$ for hedonic products). As expected, typical products tend to be favored more than atypical products of the same country. Moreover, the interaction effects between country typicality and need for uniqueness on purchase intention was found to be statistically significant ($F(1,412) = 19.85, p < 0.01$ for both utilitarian products; $F(1,412) = 9.85, p < 0.01$ and hedonic products). Consumers with a high CNFU tend to show higher purchase intentions than those with a low CNFU for atypical products. For typical products, however, the difference of purchase intentions between high and low in CNFU subjects was significant but in the opposite direction. The results consist with the argument that consumers high in CNFU tend to avoid rehashing common arguments and instead use novel, less conventional rationale, which leads to less conventional choices (Simonson and Nowlis 2000).

This research also found that products with different levels of typicality are evaluated differently even when the products come from the same country. Typical products received more favorable evaluations than atypical ones. The significant main effects of product typicality ($F(1, 412) = 262.80, p < 0.01$ for utilitarian products; $F(1, 412) = 355.29, p < 0.01$ for hedonic products) on product evaluations show that Japanese console games and refrigerators are more favorably evaluated than Japanese teapots and CD-RW respectively.

CONCLUSIONS AND IMPLICATIONS FOR THEORY AND PRACTICE

The hypothesis that need for uniqueness together with product typicality affect COO effects was tested on a between subjects factorial experiment. As expected, participants show higher evaluation and purchase intentions for typical products compared to atypical ones. These results are consistent with other studies of typicality in different contexts (Barsalou 1983, 1985; Loken and Ward 1987; Nedungadi and Hutchinson 1985). The experiment extends the same argument to the COO context. As proposed, typical products of a COO received more favorable evaluations and purchase intentions than atypical products of the same COO. Only typical products of a country can enjoy the benefits of strong COO images. In other words, different level of 'country typicality' of a product could be the reason that causes the variation of COO effects.

This study also found that consumers' need for uniqueness plays a role in moderating the effects of typicality. For typical products, consumers with high CNFU show lower purchase intentions than those with low CNFU. For atypical products, however, the situation is reversed. Since typical products of a country are usually those that are common and popular in the market, the results reveal some consumers' tendencies to engage in consumer counter-conformity behaviours. This provides an opportunity for marketers who promote atypical products of a country to this segment of consumers. To compete with typical products of a country, those marketers can focus on the market segment of consumers with high CNFU and focus on the "atypical" for the country nature of the product.

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Thursday, 21 July
Time: 8:30 AM

Session Number: **5.7: Consumer Vulnerability and Protection**

Session Chair: Locander, William, *Loyola University New Orleans*

Pharmaceutical Industry Compliance with Industry Guidelines for Direct-to-Consumer Advertising

Arnold, Denis, *University of North Carolina at Charlotte*

Oakley, James, *University of North Carolina at Charlotte*

There Is Bad and There Is Worse: A Comparison of Consumer Reactions to Product-harm Crises and Brand Crises

Haas-Kotzegger, Ursula, *WU Vienna*

Schlegelmilch, Bodo B, *WU Vienna*

An Ethical Appraisal of Credit Card Marketing Strategy: Measure and Antecedent Explorations of Consumer Vulnerability to Credit-Card Debt

Awanis, Sandra, *University of Manchester*

PHARMACEUTICAL INDUSTRY COMPLIANCE WITH INDUSTRY GUIDING PRINCIPLES FOR DIRECT-TO-CONSUMER ADVERTISING

Denis G. Arnold, University of North Carolina at Charlotte, USA
James L. Oakley, University of North Carolina at Charlotte, USA

ABSTRACT

Since 1997 the U.S. Food and Drug Administration has permitted direct-to-consumer prescription pharmaceutical advertising via television commercials. The pharmaceutical industry has argued that direct-to-consumer advertising is an effective means to educate consumers about diseases and appropriate treatments. In contrast, direct-to-consumer television advertising has been criticized for the level of information provided and for undermining physician patient relationships.

In response to such criticism, the Pharmaceutical Research and Manufacturers of America (PhRMA) has utilized a set of industry guidelines for self-regulating these advertising messages directed to consumers since 2006. Since companies pledge to adhere to the PhRMA Guiding Principles, and since the Guiding Principles may be regarded as a substitute for new federal regulation of direct-to-consumer advertising, it is important to know whether or not individual pharmaceutical company practices are actually in compliance with the Guiding Principles.

This study assesses compliance with the PhRMA guidelines for pharmaceuticals intended for the treatment of erectile dysfunction. In order to assess company compliance with the original and revised Guiding Principles we selected principles for which publicly available information suitable for determining compliance could be acquired and undertook multi-dimensional data collection and analysis. Utilizing data from TNS Media and AC Nielsen, in addition to content analysis, readability analysis, and primary viewer surveys, compliance with eleven of the fifteen PhRMA guidelines is assessed over four years, from 2006-2009.

Our data illustrates that while total pharmaceutical industry spending on direct-to-consumer media has declined slightly since 2007, annual spending on direct-to-consumer erectile dysfunction media during the period in which the PhRMA guidelines have been in effect has increased to \$313.4 million in 2009 from \$200.3 million in 2006. Over the four-year period of our study, nearly 100,000 television advertisements aired for erectile dysfunction drugs, and our data indicates that viewers regard direct-to-consumer advertising for erectile dysfunction drugs as manipulative and coaxing rather than educational and instructive.

The findings from our study suggest that instead of facilitating a balancing of interests, the self-regulation efforts of the pharmaceutical industry through PhRMA and its associated guidelines are serving the interests of pharmaceutical companies at the expense of public health education and welfare.

References available upon request

THERE IS BAD AND THERE IS WORSE – A COMPARISON OF CONSUMER REACTIONS TO PRODUCT-HARM CRISES AND BRAND CRISES

Ursula Haas-Kotzegger, WU Vienna, Austria
Bodo B. Schlegelmilch, WU Vienna, Austria

ABSTRACT

Reports on industrial crises are increasing in frequency and becoming part of the everyday life of consumers and companies. The purpose of this paper is to draw a clear line between two common crisis types: product-harm crises and brand crises, and their impact on consumer behavior. In a product-harm crisis, the product is defective and/or dangerous, whereas a brand crisis results from claims that a key brand proposition is unsubstantiated or false. Using a real-life product-harm crisis and a brand crisis as stimuli in an experimental setting reveals that consumer responses differ between the crisis types. When consumers are faced with a brand crisis, they are more likely to accept the negative information than consumers confronted with a product-harm crisis. Buyers of a brand that faces a crisis are more influenced by the negative news and evaluate the brand worse than non-buyers or consumers confronted with a product-harm crisis. Moreover, consumers are more aware of brand crises than product-harm crises. This research contributes to a better understanding of consumer reactions to negative publicity about products and brands and provides a basis for future research in this area.

ETHICAL APPRAISAL OF CREDIT-CARD MARKETING STRATEGY: MEASURE AND ANTECEDENT EXPLORATION OF CONSUMER VULNERABILITY TO CREDIT-CARD DEBT

Sandra Awanis, University of Manchester, United Kingdom

ABSTRACT

Faced with market saturation and intense competition, the global credit-card industry has now focused their attention to the youth market as the final untapped market segment to sustain its profitability. However, such targeting approach has been subjected to ethical scrutiny, as the normal requirements for securing a credit-card are often waived in order to procure access into the youth market. Moreover, their vulnerability means that young people are more prone towards debt-accumulation and commence a possibly worrisome future. Although policy-makers have addressed the issue by introducing credit-counselling and educational programmes, there are minimal responses from the credit-card institutions to acknowledge the detrimental effect of credit-cards on vulnerable consumers. In light of the current literary trend in creating sustainable marketing environment, this study introduces the notion of “consumer vulnerability towards credit-card debt”, indicated by “consumer’s ideology of credit-card practise”, “awareness of credit-card consequences” and “susceptibility to credit-card promotions”. By identifying the vulnerability levels of credit-card marketers’ market segments, this study hopes to help them address any power imbalance that exists between producers and consumers by providing ethical service offerings. The study also hopes to enhance consumer vulnerability and youth market literature, and help youth to conduct self-assessment regarding their credit-card use.

INTRODUCTION

Despite earning a significantly profitable \$30 billion annually in income (Glater, 2008), the credit-card industry is facing several obstructions to its growth potential. Firstly, firms within the industry are faced by an extreme level of competition due to the deregulation of government control over credit lending, which contributed to the proliferation of demand and supply of credit-cards (Richards, Palmer and Bogdanova, 2007). Secondly, the industry’s traditional target market is facing saturation (Askim and Bateman, 2002), thereby emphasising the challenges of profitability and sustained existence in an ultra-competitive environment. One of the most favoured resolutions for these challenges is the targeting of the youth market. Here, the youth market is defined as potential credit card users aged between the 18 or any legally permitted age of credit-card ownership to 25 years old. However, such targeting strategy is subject to several ethical enquiries, which raises scepticisms and concern over the current and future welfare of young credit-card users. This paper aims to address this issue by understanding, firstly, the arguments for and against ethical youth targeting. This is followed by statements and justifications for the study’s research objectives. Subsequently, the literary arguments on consumer vulnerability are explored, and the proposed case-specific theory of consumer vulnerability towards credit-card debt is presented along with several research propositions. Lastly, the study draws a conclusion and presents its claims of originality as well as research contribution.

ETHICAL YOUTH TARGETING

Opponents of Ethical Youth Targeting

Inevitably, questions have arisen of whether there is a need for credit-card providers to adopt an ethical stance when targeting vulnerable consumers. Some arguments indeed exist from within the literature and the practical world that oppose to the idea that credit-card issuers should adopt additional measures to ensure ethical service offerings are being made. Firstly, there is an argument that the existing intervening measures introduced by credit-card providers and regulators are deemed sufficient to reduce youth consumer’s tendency to accumulate credit-card debt. For example, the spending limit on student credit-card is lower than in non-student cards, therefore it can be argued that students cannot acquire as much debt as non-students (Askim and Bateman, 2002). Some credit-card companies like MasterCard and Visa have also provided seminars in colleges to educate US students to use credit card responsibly (Manning, 2005). On top of that, regulators have also stepped in to help. For example, the Office of Fair Trading issued a threshold of maximum £12 for credit-card default charges to prevent credit-card companies from overcharging their consumers. Default charges are defined as the charges in standard credit-card contracts for a failure to pay a minimum payment on a due date, exceeding a credit limit or failure to honour a payment made (OFT, 2006). Furthermore, the government have also established counselling service like the CCCS (Consumer Credit Counselling Service) in the UK to aid consumers to manage their debt problems. So, credit-card companies may feel unobligated to be more ethical in their service offerings.

The second argument against ethical youth marketing is concerned with the impact that ethical restrictions may have on the financial well-being of individuals from poorer background. Specifically, preventing access into easy-credit may mean that people from poorer background might never get the chance to lead a better lifestyle, such as education and housing. As an example, a low-skilled worker may wish to fund his further education using overdraft and credit-card arrangement to improve future employability and expected wages. So proponents of this argument would argue that access to credit, even with high charges, is indeed better than no access at all.

Proponents of Ethical Youth Targeting

On the other hand, an argument was raised, as there is a major lack of proactive and preventive intervention strategies from the private sector to prevent young persons' debt problem. The extensive marketing and promotional strategies used to solicit young consumers are deemed too persuasive with little informative elements. For instance, in the US, credit-card marketers conduct their promotional campaigns within the college vicinity to recruit students during their induction process (Askim and Bateman, 2002). Similarly, in Singapore, credit-card issuers such as Citibank and OCBC are taking a more aggressive approach of recruiting student and young adults by offering a type of student credit-card with no minimum income requirement and just \$500 in credit, but with 28% interest rate on rollover balance (Strait Times, 2007). Furthermore, the targeting of young consumers often involves suspension of traditional criteria for credit-card application. This includes offering credit limit that is more than the consumers' monthly income, eliminating the need to have minimum credit rating, not indicating the consequences of making minimum payment, offering premiums, discounts and promotions to encourage use of credit-cards, and approving further credit limits without considering the current amount owed on credit cards (Committee of Banking, Finance and Urban Affairs, 1995 in Askim and Bateman, 2002 p.46). Such easy-access offerings have deemed youth credit card as a harmful product, as it promotes extensive reliance on credit cards and encourages debt accumulation rather than responsibility towards the usage of credit-cards. Moreover, study by Askim and Bateman (2002) reported that credit-card training programmes offered by some firms do not contribute to enhanced money-management skills among young credit-card users. Hence, this indicates that such training may not be an efficient allocation of firms' resources.

Secondly, the damaging impacts of credit-card solicitation of young consumers are heightened by the vulnerability status of the consumer group. Specifically, the young consumer group has been characterised as having greater tendency to accumulate extensive credit-card debt. A study by the National Union of Students in Scotland revealed that in the UK, students acquire in average £5,271 for each year of their study. In London, some undergraduate students claimed that they would have over £30,000 of debt by the time their finish their university degree (BBC, 2009). The same study found that 44% of university graduates, 38% of postgraduates and 31% of college students considered commercial loans their "biggest concern" and concluded that "borrowing from credit-cards and bank loans are the most worrying for students, and likely to be most damaging for their studies" (BBC, 2009).

Finally, ethical approach to credit-card marketing will enable firms to achieve strong market position and consumer satisfaction. Co-Operative Bank is an example of a financial institution which heavily promoted its stance for socially responsible banking activities. Not only that the bank has achieved brand differentiation and recognition, its credit-card is rated among the best providers in the UK, with 78% rate of consumer satisfaction compared to 68% average score for UK credit card consumer satisfaction (Which? Credit card Consumer Satisfaction Report, 2010).

RESEARCH OBJECTIVES

Despite the number of ethical enquiries postulated upon the current credit-card solicitation approach towards the young consumer group, previous research on credit-cards marketing has focused primarily on providing demographic descriptions of credit-card use (e.g. Hirschman, 1982; Kayak et al., 1994) and failed to identify practices that credit-card suppliers can employ to cope with consumer indebtedness. Moreover, these studies have ignored the fact that personal debt is a problem for both banks/lending institutions as well as individuals (Livingstone and Lunt, 1992). As reported by the International Monetary Fund, the lending to British consumers could cost the financial system more than £100 billion in bad debts before the recession is over (Dey, Smith and Bridge, 2009). Hence, pressure towards financial institutions to adopt lending practices that embody social responsibility and support for community development has intensified more than ever before (Salmones, Perez and Bosque, 2009). Therefore, there is a significant need to recognise the implications of unethical credit-card marketing and to identify ways in which credit-card marketing can be altered to ensure sustainable profitability while being socially responsible.

Based on the above arguments, this study submits that credit-card companies should consider the ethical dimension of their youth targeting strategy by firstly commit to understanding the vulnerability status of their customers. The mistake that credit-card companies have made in their current approaches is the lack of regard for the consumer's future financial and psychological well-being during their design and implementation of ethical marketing strategy. As a result, credit-card companies have produced intervention strategies that did not meet the customers' requirements, thereby representing an inefficient investment on their part. By understanding the consumers' level of vulnerability and its consequences on financial and psychological well-being, credit-card companies will be able to reassess their current marketing approach and redress any imbalance of power that may exist between the organisational and consumer interests (Askim and Bateman, 2002). Furthermore, the understanding of the causes of such vulnerability will shed some light for the truly ethical businesses or policy makers on how to reduce consumer vulnerability towards credit-card debt.

The current study focuses on the development of the concept *consumer vulnerability towards credit-card debt* as a determinant factor in achieving ethical credit-card marketing, particularly among young consumers. The concept is defined in this study as the cognitive characteristics of individual consumers, which expose them to the possibility of being financially or psychologically harmed by debt accumulated from intensive use of credit-cards. A specific emphasis is given on the cognitive aspects of consumer vulnerability, as previous studies often associated the term with demographic and situational factors such as low education level, low income levels, race and age of the consumers (Braunsberger et al., 2004; Norvilitis et al., 2006; Jones and Middleton, 2007; Smith and Cooper-Martin, 1997). Whilst the current study accepts the view that consumer vulnerability can be attributed to certain demographic profiles, it contends that sole focus on statistical indicators as measure of vulnerability implies that consumption is a rational practice that is only dictated by age, experience, knowledge and disposable income of the consumer. This is most certainly untrue, as consumer behaviour literature recognises the existence of cognitive accounts of behaviour that explains consumers' irrational consumptions and their prospect of vulnerability to product harm. For example, Lawson and Todd's (2003) study indicated that young credit-card users tend to be in favour of "easy credit" options and display pleasure-seeking, lack of thought for the future and instant gratification in their consumption behaviour. Similarly, Roberts and Jones (2001) showed that college students are inclined to be compulsive shoppers when using their credit-cards. Despite the noted vulnerable behaviour caused by consumer cognition, there is a significant knowledge gap in the literature regarding what constitutes the cognitive characteristics of vulnerability and how these characteristics influence consumption behaviours. The current study, therefore, aims to address the two research questions arising from the literature gap:

1. What cognitive characteristics embody consumer's vulnerability to credit-card debt?
2. What are the possible causes of consumer vulnerability towards debt?

LITERATURE REVIEW

Consumer Vulnerability

A vulnerable consumer is defined in this proposal as "those who are more susceptible to economic, physical or psychological harm in, or as a result of, economic transaction because of characteristics that limit their ability to maximise their utility and well-being (Smith and Cooper-Martin, 1997 p.4). These consumers are those, for various reasons, find themselves at a disadvantage relative to a global corporation in not being fully able to express claim, or defend their rights as consumers (Amine 1996 p.82). The literature indicates that consumer vulnerability is often associated with demographic factors such as low level of income or education, as well as other limiting characteristics such as low cognitive capacity, information asymmetry and restricted mobility, which deemed them incapable of making informed decisions at the time of purchase (Smith and Cooper-Martin, 1997).

The establishment of consumer vulnerability as an academic concept has challenged the far-reaching notion of target marketing, which represents one of the foundations of marketing studies. Specifically, target marketing has been criticised as unethical when it involves "harmful products" directed towards vulnerable customers (Smith and Cooper-Martin, 1997; Jones and Middleton, 2007). Harmful product is defined as any product offering that is known to be unsafe and/or unfit for its intended use (Smith and Cooper-Martin, 1997). The impact of such targeting approach includes consumer boycotts (e.g. consumers' refusal to buy cosmetic products that have undergone animal testing) and negative word of mouth (negative perception on tobacco companies that use celebrity endorsements in developing countries to attract younger consumers). Although credit-card may not be categorised as extremely harmful products, its potential for damaging impacts is especially heightened when it is targeted towards vulnerable consumer groups such as low and moderate income households, limited-income students and retirees (Jones and Middleton, 2007).

The importance of assessing consumer vulnerability to achieve ethical status and its long-term sustainability benefits has been put forward by numerous studies (e.g. Smith and Cooper-Martin, 1997; Braunsberger et al., 2004; Baker, Gentry and Rittenburg, 2005; Jones and Middleton, 2007). Such assessment is important to determine the appropriate level of consumer sovereignty that can be assigned to a particular target market. Consumer sovereignty has been defined as the power of consumers to determine, from among the offerings of producers of good and services, what goods and services are and will be offered (produced) and/or created in the economic sphere of society (Dixon, 1992). Indeed, it is an ethical obligation of marketing managers to assess the degree of consumer sovereignty before they assume that their target markets are competent enough to be sceptical of commercial information as well as recognising the usefulness of the product/service in their lives (Askim and Bateman, 2002; Smith and Cooper-Martin, 1997). Too often, credit-card companies have adopted high consumer sovereignty status and assign too much empowerment to their customers, assuming that all their target markets bear similar vulnerability status. In reality, the different segments of credit users display different motivation and hence, different credit-card vulnerability status. For instance, the traditional credit-card companies' target market, which has stable income and the maturity to make informed financial decisions, are less vulnerable to credit-card debt problem than the lower income, pleasure-seeker youth target market.

Despite the significance of consumer vulnerability assessment posed by the literature, there is a notable absence of measurement standards that companies can utilise to evaluate the vulnerability of their target markets. The marketing ethics continuum (Smith, 1995; Askim and Bateman, 2002) is an exception as it offers an assessment tool for managers to assess their ethicality by benchmarking their current marketing practices against other known practices. At one end of the continuum, a company may fall under a caveat emptor managerial principle, whereby producer interests are prioritised over consumer interests and the responsibility of ethical standards of behaviour is passed onto the law and the consumer. On the other end of the continuum is caveat venditor managerial principle, whereby consumer interests are prioritised over producer interests and the responsibility of ethical standards lies with the company. The paradigm essentially argues that managers should attempt to reach the middle ground by prioritising consumer sovereignty assessment, which is defines as the determination of the vulnerability of the consumer, their ability to assess information in the marketplace and the ability to make educated choices among alternatives in the marketplace. However, the assessment tool is deemed too simplistic as it implies that marketing is a zero-sum game and reject the possibility of a win-win situation (Smith, 1995; Cui and Choudhury, 2003). Similarly, Richards et al. (2008) looked into the establishment of a responsible lending index (RLI), which involves the need of credit-card companies to self-assess their ethicality based on the standards set by the stakeholders of the credit. However, the proposal was dropped due to the difficulties associated with aligning the priorities of credit industry's stakeholders and to standardise the practise across the industry. Furthermore, it is believed that the proposal would not necessarily address the need of certain vulnerable targets such as the youth market. Based on this gap in the literature, the study therefore aims to develop a comprehensible concept of consumer vulnerability in credit-card debt context. The next section of the literature review presents more in-depth information about the proposed concept.

THEORY DEVELOPMENT

Consumer Vulnerability to Credit-Card Debt

A context-specific concept is introduced in this study, termed "consumer's vulnerability towards credit-card debt", which is defined as the cognitive characteristics of individual consumers that expose them to the possibility of being economically or psychologically harmed by credit-card debt. Indeed, the youth population is deemed to be the most "vulnerable" to credit-card debt, with numerous studies registering the adverse effects of credit-card suppliers targeting the younger population, especially the college, undergraduate students and the recent graduates (e.g. Kara, Kaynak and Kucukemiroglu, 1994; Davies and Lea, 1995; Lea, Webley and Walker, 1995; Robert and Jones, 2001; Askim and Bateman, 2002; Norvilitis, Szablicki and Wilson, 2003; Norvilitis, Merwin, Osberg, Roehling, Young and Kamas, 2006). However, "vulnerability" has often been associated with demographic and situational factors only, and little is known concerning the cognitive aspects of consumer vulnerability. This study, therefore, proposes that consumer vulnerability to credit-card debt is indicated by three characteristics, which are detailed below. Different levels of vulnerability can be assessed based on these characteristics, as detailed below and summarised in [Table 1](#). The proposed conceptualisation is illustrated in [Figure 1](#).

(1) Consumer's Awareness of the Consequences of Credit-card Use

This concept is defined as the extent to which credit-card users consider the potential future outcomes of their credit-card use, and the extent to which they are influenced by these potential outcomes. This notion is regarded as an appropriate measure of consumer vulnerability to credit-card debt because instant gratification towards credit-card use have been linked as the cause

of credit-card debt among students (Roberts and Jones, 2001; Lawson and Todd, 2003). Furthermore, Joireman, Kees and Sprott (2010) submitted empirical evidence that consumers who tend to make over-impulsive purchases and have debt problem also tend to disregard the future outcome of their behaviour. Hence, it is reasonable to argue that individuals who have little consideration regarding the costs of credit-card use are more vulnerable to credit-card debt and vice versa. However, those who consider only the benefits of credit-card use (e.g. discounts) are also vulnerable to credit-card debt because they would be more inclined to use more of their credit-card than to save it for special occasions.

(2) Susceptibility to Credit-card Promotions

The second measurement of debt vulnerability is the susceptibility to credit-card promotions. Here, the concept is defined as the likelihood of consumers to be influenced or harmed by credit-card suppliers' promotions and advertisements, which have short-term advantage and long-term risk. Some promotional tactics offered by credit-card suppliers indeed bear such characteristics, including 0% promotional offer and cash rebates. Individuals who use credit-cards because of their attraction to such promotions are more susceptible to debt as they are encouraged to spend with their credit-card in order to make use of the promotions. For example, the cash rebates offer requires consumers to keep a balance and pay interest on the balance and on all purchases next month (Askim and Bateman, 2002). Hence, it is argued that the tendency to be tempted by credit-card promotions represents the sign of a consumer's vulnerability to accumulate credit-card debt.

(3) Ideology of Credit-card Practice

The concept of the ideology of credit-card consumption is inspired by Bernthal, Crockett and Rose's (2005) explorative study, which seek to understand the role of credit-card as lifestyle facilitator in postmodern consumers' consumption processes. Their findings indicate that credit-card users' tendency towards controlled or uncontrolled use of credit-card were shaped by their internalisation of the ideology of credit-card use, which is categorised into *frugal ideology* and *entitlement ideology*. However, due to the lack of definitions provided by the authors, formal definitions of the concepts are offered by the current researcher to clarify the boundaries between the two concepts. Hence, ideology of credit-card practice is defined here as the credit-card users' varying degree of beliefs regarding the general consumption purposes of their credit-cards. As adopted from Bernthal et al.'s (2005) conceptualisation, entitlement ideology is a belief that is based on a rationale for self gratification, and characterised by those who exhibit practises that reflect their use of credit-cards to construct lifestyles to which they feel entitled (or worth) with little regard for the implications of such practices for economic capital (p.142). On the other hand, frugality ideology can be defined as the belief that prioritises delayed gratification, and characterised by a practice in which credit-card is viewed as convenient and useful for emergencies but also potentially dangerous and imprudent. Hence, individuals with the ideological underpinnings of frugality tend to exercise more control and restraint in their use of credit-cards (p.143).

The ideology of credit-card usage is deemed as a suitable indicator of consumer vulnerability to credit-card debt. This is because the belief regarding credit-card's general purpose in consumption, either for frugal or entitlement purposes, can reflect upon an individual's control over the usage of credit-card (Bernthal et al., 2005) and therefore indicate the individual's tendency to encounter problematic debt. Hence, it is argued that not only such ideology is an indicator of vulnerability, but it also serves as the justification for credit-card users' level of awareness of credit consequences and susceptibility to credit promotions. As postulated by Bernthal et al. (2005), individuals who adopt entitlement ideology exhibit their beliefs through "the employment of commodity consumption directly in the service of attaining or maintaining status, as well as altering mood" (p.142). Such actions often result in a myopic short-term focus on need gratification or mood repair (Mick and DeMoss, 1990), thus signifying less awareness of the long-term consequences of credit-card use. Hence, it is proposed that entitlement ideology of credit-card practice justifies some consumers' lack of awareness of the costs and benefits of credit-card use, because their self gratification prioritisation obscures the prospect of considering the gains and losses of credit-card use. Entitlement ideology may also leads to higher susceptibility to credit-card promotions, especially when the promotional strategy offers status-enhancing products/services to the consumers. Hence, it is hypothesised that:

P1: Credit-card users who hold entitlement ideology of credit-card practice will be less aware of the consequential costs of using credit-cards.

P2: Credit-card users who hold entitlement ideology of credit-card practice will be less aware of the consequential benefits of using credit-cards.

P3: Credit-card users who hold entitlement ideology of credit-card practice will be more susceptible to credit-card promotions.

Further, it is postulated that frugal ideology of credit-card practise causes awareness of both benefits and potential harm of

credit-card use. Participants of Bernthal et al.'s (2005) study who displays frugal ideology described credit-card as "convenient" and "necessary", but also "addicting" and "tempting" (p.142). Hence, it can be argued that those who display frugal ideological underpinnings of credit-card use will tend to be aware of the potential costs and benefits of credit-card usage, which will be weighed against each other in order to make an informed decision. Indeed, Bernthal et al (2005) noted that the ideology of frugality was often associated with successful use of credit-cards, whereby individuals display little or no credit-card debt. Additionally, it is also believed that those who display frugal ideology of credit-card use will not be susceptible to credit-card promotions. This is because they would be more aware about the economical and essentiality aspect of credit-card use, for example, when the customer has no cash at the time and there is no ATM machines around, or when purchasing from an online merchant who do not take other forms of payments apart from credit-cards, rather than the hedonic aspect of credit-card promotions advertised by many credit-card marketers. Hence,

P4: Credit-card users who hold frugal ideology of credit-card practice will be more aware of the consequential costs of using credit-cards.

P5: Credit-card users who hold frugal ideology of credit-card practice will be more aware of the consequential benefits of using credit-cards.

P6: Credit-card users who hold frugal ideology of credit-card practice will be less susceptible to credit-card promotions.

Antecedents of Consumer's Vulnerability to Credit-card Debt

The literature on credit-card debt is scattered with studies that attempted to uncover the causes of debt accumulation (e.g. Livingstone and Lunt, 1992; Davies and Lea, 1995; Lea et al., 1995; Norvilitis et al., 2003; Norvilitis et al., 2006 and Joireman et al., 2010). However, their primary focus has been to develop intervention techniques that policy makers could use to better educate the credit-card users. Hence, the literature is scarce when it comes to understanding why consumers have different level of vulnerability to credit-card debt. Hence, the study proposes some antecedents of consumer vulnerability to credit-card debt that aims to enhance the current knowledge within the literature: (1) social acceptance towards credit, (2) money-meaning, and (3) financial knowledge.

Social Acceptance towards Credit

The notion of social acceptance towards credit is introduced by the current researcher, and is defined as a cultural phenomena whereby the majority of members within a cultural group tend to display approval and adopt frequent financial borrowing (in the form of credit-card, mortgage, or loans) to facilitate their day-to-day expenses. Lea, Webley and Levine (1993) first advanced the idea that there is a growth of a "culture of indebtedness", as they found that individuals' debt status was based on their awareness of others around them who are in debt, and how they thought these people would react if they knew the individuals were in debt. Hence, in societies where people commonly acquire credit and fall into debt, individuals would tend to think that it is normal and acceptable to use credit. This study predicts that social acceptance towards credit influences consumer's ideology of credit-card use. This argument is substantiated by Bernthal et al.'s (2005) conception of how social status attainment justifies individuals' reliance on credit-card as a lifestyle facilitator. Indeed, in the postmodern consumption culture, credit-card does not merely represent a tool to bolster purchasing power or simply a different form of money. Instead, its role is imbued with its ability to facilitate its users with "participation in contemporary consumer culture that is qualitatively different from what would be possible in their absence" (p. 2005). For example, credit-card enables people to afford certain lifestyle statuses that would not be otherwise feasible, such as obtaining higher education or expensive products and services that represent status hierarchy. Credit-card is also a symbolic representation of a lifestyle that individuals want to project onto others. For example, an American Express has been implied as the epitome of the high life, thus it would be a status symbol for those who use it. Hence, it is reasonable to posit that when individuals observe that others around them are relying heavily on credit-card to climb social hierarchy, the ideology of entitlement would be internalised by the individuals. On the other hand, when others around them tend not to use credit-card to attain social enhancement, a more frugal ideology would be internalised. Hence, it is hypothesised that:

P7: Social acceptance towards credit will have negative effect on an individual's frugal ideology of credit-card practice.

P8: Social acceptance towards credit will have positive effect on an individual's entitlement ideology of credit-card practice.

Money Meaning

Credit-card has been described as an extension of money in which payment can be deferred (Mitchell and Mickel, 1999; Phau and Woo, 2008). Hence, just like the meaning of credit-cards prescribed earlier in this proposal, the meaning that individuals attach towards money extends beyond its economic value (Krueger, 1991; Mitchell and Mickel, 1999). Lea and Webley (2006) effectively captured this multidimensionality in their proposition of the *tool* and *drug* theories of the biological desire

for money. Essentially, the tool theory propounds that money's incentive power is based on its ability to be exchanged for goods and services, while the drug theory of money asserts that money is desired because it mimics the neutral, behavioural or psychological action of other, more natural incentives such as hunger or thirst. Due to the lack of definition of money-meaning that illustrates the multidimensional attraction of money, this study proposes that money-meaning can be interpreted as the individuals' subjective perception regarding the expected benefits that money will bring to their lives. Past studies that advanced the measures of money attitudes have focused primarily on the symbolic aspect of money (Yamauchi and Templer, 1982; Furnham, 1984; Rose and Orr, 2007), highlighting the different status images that the possession of money portrays. Ultimately, these measures failed to account for the potential explanatory power of the utilitarian meaning of money, which has been advocated by economic studies. The utilitarian money-meaning can be described as an interpretation of money in which it is viewed as a useful or practical medium of exchange for goods and services, rather than attractive in its representation of the desired goods and services it can procure. Indeed, Krueger (1991) argued for the distinction of "money as symbol and as reality" (p.210), declaring that the value of money as medium of exchange can be distinguished from the perception of abstract money, which contains its emotional and symbolic attributions. Thus, it can be envisioned that some individuals who perceive money as a utilitarian object have a practical and rational approach in they way in which they handle their finances. This, in turn, would reflect on their attitudes towards credit-cards. Hence, it is proposed that individuals who hold a utilitarian meaning of money will tend to have a frugal ideology of credit-card practice. Hence,

P9: The view of utilitarian money-meaning will have positive effect on the frugal ideology of credit-card practice.

P10: The view of utilitarian money-meaning will have negative effect on the entitlement ideology of credit-card practice.

However, this study also recognises the importance of the symbolic interpretation of money, whereby individuals perceive the possession of money or the goods and services money can potentially buy as emotional objects that derive strong feelings towards the individual. Furthermore, because such form of money-meaning contains an irrational, rather than rational view of money, it is proposed that individuals who hold stronger symbolic interpretation of money will display emotional, self-gratification attitude towards credit-card. Therefore, they will tend to have entitlement ideology of credit-card practice and fewer tendencies to have frugal ideology of credit-card practice. Thus,

P11: The view of symbolic money-meaning will have positive effect on the entitlement ideology of credit-card practice.

P12: The view of symbolic money-meaning will have negative effect on the frugal ideology of credit-card practice.

Financial Knowledge

Despite the earlier discussion regarding the credit-card companies' lack of foresight prior to their introduction of credit use training programmes, some studies argued that formal education about financial matters has influence over individuals' tendency to accumulate debt. For example, Norvilitis et al. (2006) found that financial knowledge obtained from school education is one of the strongest predictors of debt among college student and is also one of the most amenable to change. This is due to the poor level of financial literacy among students, which contributed to their significant level of debt. However, their study also revealed strong willingness of students to try to learn to manage their money, which highlights the need for comprehensive financial education. Similarly, other studies have also linked financial literacy with responsible financial behaviour such as budgeting, saving and planning for the future (Perry and Morris, 2005; Perry, 2008). It is therefore argued that the level of financial knowledge contributes to an individual's awareness of the consequential costs and benefits of credit-card use. This is because an understanding of the financial/accounting aspects of credit use means that consumers will better understand the potential financial outcomes that will emerge when using a credit-card. Subsequently, it is proposed that better financial knowledge leads to less susceptibility to credit-card promotions, as consumers with financial background will be able to consider the monetary aspects of the promotions rather beyond the commercial values. Therefore,

P13: Financial knowledge will have positive effect on the awareness of consequential costs of credit-card use.

P14: Financial knowledge will have positive effect on the awareness of consequential benefits of credit-card use.

P15: Financial knowledge will have negative effect on the susceptibility of credit-card promotions.

CONCLUSION

The originality and contribution of this study is claimed based on several aspects. Firstly, its objective calls for the development of a business strategy to improve credit-card companies' solicitation of the youth market, based on the vulnerability assessment of this target market. Past studies that focused on the credit-card companies' targeting strategies have either focused on the development of user profiles to enhance the effectiveness of the targeting strategy (e.g. Hirschman, 1982; Kaya et al., 1994) or exploring the potential causes of credit-card debt to aid policy-makers to develop successful intervention techniques (e.g. Palmer et al., 2001; Norvilitis et al., 2003; Norvilitis et al., 2006; Joireman et al., 2010). Meanwhile, other researches have emphasised the need and willingness of financial institutions to adopt socially

responsible and ethical stance in order to secure future profitability and build consumer trust and loyalty (Salmones et al., 2009). Furthermore, studies that focused on improving credit-card companies' ethicality (e.g. Askim and Bateman, 2002; Richards et al., 2007) have failed to account for how firms can determine what marketing strategies they can adopt to cater for the potentially profitable youth market. Thus, it becomes the purpose of this study to guide credit-card marketers to achieve a more ethical stance in their marketing approaches through the understanding of the target markets' behaviour and vulnerability. The second claim of originality comes from the study's proposition regarding the way in which consumer vulnerability can be measured. Past studies have associated consumer vulnerability with under-privileged demographic and situational factors (Smith and Cooper-Martin, 1997). However there also exist psychological factors that contribute to enhancing one's level of vulnerability to credit-card debt, otherwise the level of personal debt would be as high as it is now. However, to the best knowledge of the researcher, there is no formal measurement of vulnerability found in the literature. Hence, by advancing the notion of *consumer vulnerability to credit-card debt* as the higher-level order, and *awareness of credit-card use consequences*, *susceptibility to credit-card promotions* and *ideology of credit-card practice* as its lower-level orders, it is predicted that these accounts will reflect upon the vulnerability level.

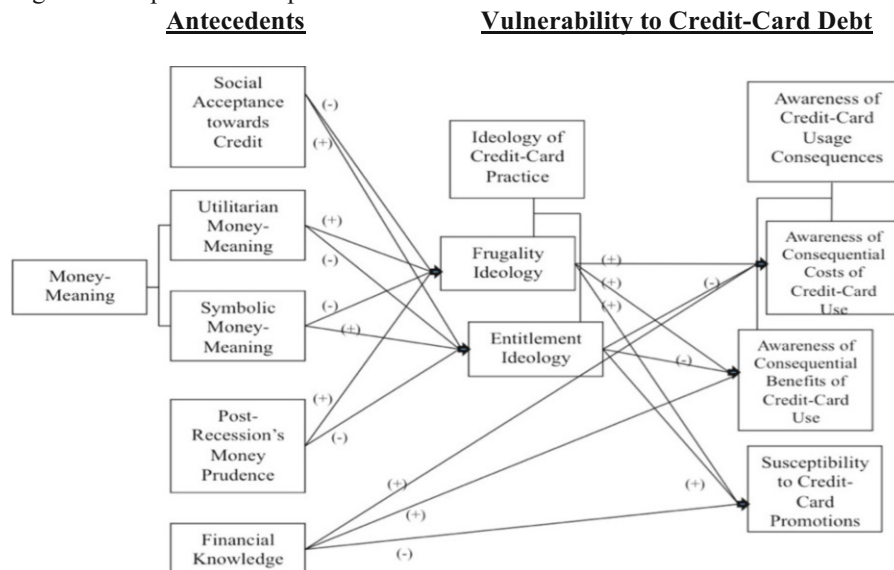
TABLES

Table 1: Levels of consumer vulnerability to credit-card debt

	High vulnerability to credit-card debt	Low vulnerability to credit-card debt
Awareness of consequential costs of credit-card use:	Low	High
Awareness of consequential benefits of credit-card use:	High	Low
Susceptibility to credit-card promotions:	High	Low
Ideology of credit-card practice:	Entitlement	Frugality

FIGURES

Figure 1: Proposed Conceptual Framework



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Thursday, 21 July
Time: 8:30 AM

Session Number: **5.8: Importance of Branding**

Session Chair: Luca Petruzzellis,, *University of Bari*

Place Branding: Sensing the Difference?

Petruzzellis, Luca, *University of Bari*

Do Consumers' Purchase Intentions Differ for Prototypical and Me-too Brands in the Banking Industry?

Quintal, Vanessa, *Curtin University of Technology*

Phau, Ian, *Curtin University of Technology*

Branding Universities: An Updated View of Factors Underlying College Choice

Joseph, Mathew, *St. Mary's University*

Spake, Deborah, *University of South Alabama*

Albrecht, Carmen-Maria, *University of Mannheim*

PLACE BRANDING: SENSING THE DIFFERENCE?

Luca Petruzzellis, University of Bari, Italy

INTRODUCTION

The increasing competition among places, which is occurring at various scales and dimensions (e.g. Ashworth and Voogd, 1995; Kotler Haider and Rein, 1993; Ward, 1998; Van den Berg and Braun, 1999; Ward and Gold, 1994), is forcing them to develop some forms of sustainable competitive advantage undertaking some types of marketing actions (Petruzzellis, 2002). Places are more than a congeries of individual men and of social conveniences, more than a mere constellation of institutions and administrative devices. They are, rather, a state of mind, a body of customs and traditions and of the organized attitudes and sentiments that inhere in these customs and are transmitted with this tradition (Park et al., 1967). Given the complexity of the territorial matter that strongly requires a marketing oriented approach, places are increasingly conceptualized as brands (Hankinson, 2004; Kavaratzis, 2005), since branding is to differentiate a particular offering from competitors.

Both academics and practitioners have widely analyzed and developed place marketing tools and strategies; however, they have only focused on image building (Warnaby et al., 2002).

This paper tries to understand the place brand components through the hedonic and utilitarian value dimensions. It aims to better understand the brand effect which, on the one hand, could mitigate the negative effects of location, and on the other boost the positive and sensorial effects.

METHODOLOGY

In order to understand the place brand components a questionnaire was developed to investigate the effect of utilitarian and hedonic factors as brand building. The questionnaire was divided into three sections: the first dealt with the respondent demographics. Apart from general information such as gender, age, place of origin, education and occupation, respondents were asked to specify their relation with the place and motivation to visit/live in the place. The second section deals with the perception of the place identity and its components, asking the interviewees to rank the associations of the various elements and assess the place experience with regards to the different dimensions. The third analyses the brand dimensions, measuring all the components that form the brand. The questionnaire was submitted to a sample of people randomly interviewed over a period of one month nearby the most important infrastructures (i.e., railway station, universities, shopping centers, monuments, etc.) of an Italian city, in order to collect data from the widest range of interviewees. The achieved sample is somewhat skewed in favor of younger people, probably due to the period of the survey and the places chosen, while the sample is balanced as regards the gender. The sample included 54.6% males and 45.4% females with an average age of 34 years.

RESULTS AND DISCUSSION

As branding aims at building emotional ties between consumer and product, the brand sense study has shown how important the senses are in establishing an emotional connection. Brands have social and emotional value to users, they have personality, enhance the perceived utility and desirability of a product. Participants provided descriptions of sensations (e.g., “touch and feel,” “appeal to different senses,” “smells nice and is visually warm”) and a wide range of feelings (e.g., “fun,” “refreshed,” “inspired,” “nostalgia”). The MANOVA highlighted that, as senses are the link to memory and can tap right into emotion, acting on the five senses works very well in emotionally connecting people to place rituals.

The difference between the attributes proves to be significant for all the five senses, except for the touch. Place names and brands are responsible for associations, acting as a multiplier for the perceived value of the offer. While the associations can be used to support and strengthen existing perceptions at a sub-conscious level, the identification with the brand can be used to trigger an established image (Grimes and Doole, 1998).

Besides, as regards the feelings associations, the analysis is not significant, probably due to the characteristics of the sample. Sight and taste are the main associations, due to the main strengths of the place, i.e. typical scenery and enogastronomy. Sensations linked to sight, taste and smell make tangible the intangible. Place associations help in identify the key elements on which to base the key constructs of the place brand. In particular, these results confirm that utilitarian elements are to be promoted with hedonic benefits to enhance their aesthetic aspects, so as to set their brands apart from other competitors.

Then, two factor analyses with a varimax rotation have been carried out in order to understand brand personality and brand image dimensions. Four components resulted, which correspond to four of the five highlighted by the previous models: (1) the vitality component refers to the personality traits that describes the dynamism of the place; this resembles the Aaker's excitement dimension; (2) the simplicity/genuinity that clearly identifies the mediterraneity of both the place and its

community; such peculiarities are similar to the sincerity dimension of the Aaker's scale; (3) the slowness that groups more negative features of the mediterraneity; such a feature resembles the Aaker's competence dimension but in a sort of opposite meaning; finally (4) the sobriety, that is similar to the Aaker's sophistication factor, groups the attribute that are characterized the halo of a place. Indeed, these perceptions of brand personality characterize hedonic and utilitarian attributes of the place. Personality traits vary according to how people perceive the place and its community.

As place image results from its geography, history, art and music famous citizens and other features, a second factor analysis has been carried out to understand the place image. Three components resulted from the analysis: (1) Sense of we-ness, that identifies the strong link within the community, that is at the basis of both the place identity and, consequently, of successful marketing actions; (2) Sense of open-ness, that refers to the non-residents image of the place, thus identifying a sort of friendliness of the territory which is a strong component of its attractiveness and appealingness; (3) Business creativity (Merrilees, Miller and Herington, 2009) that characterizes the commercial side of the place image.

Therefore, place image should be handled as a conscious and unconscious process shown in "a visual image of the environment that reflects special or unique qualities" (Greene, 1992: 180); it is "an interpretation of the self that uses place as a sign or locus of identity" (Hummon, 1986: 34). The community involvement is important to connect a larger range of stakeholders in order to foster the sense of "we-ness" (Cohen, 1998).

Finally, as consumption experiences (Brakus, Schmitt and Zarantonello, 2009) are multidimensional and include hedonic dimensions, such as feelings, fantasies, and fun (Holbrook and Hirschman 1982), a multilinear regression model has been carried out. The dependent variable is represented by the place equity, that refers to the emotional value resulting from consumers' association of a brand with a territory (Kotler and Gertner, 2002), and as independent the variables that result from the factor analyses, representing place brand personality and place image.

The results highlighted the contribution of both the brand personality and of the image. The variables that resulted significant (Simplicity/Genuinity and Sense of we-ness) highlight the strong link between the place and its community, which strongly affect place equity/experience. Unexpectedly the other variables resulted slightly significant probably due to the territory that has been investigated since place appraisal is a subjective perception. However, the regression shows that the branding effort focuses on delivering an exceptional experience of the place.

CONCLUSIONS AND IMPLICATIONS FOR THEORY AND PRACTICE

As the community role results as being strongly significant, branding plays also an important role in developing cross-cultural communication and relations. Therefore branding aims to generate trust and legitimacy in order to develop an enduring relation between all the place components and all the stakeholders. These two features are bound together in the way they create consensus from the local community, satisfying its expectations.

This study, though exploratory, has underlined the importance of brand in supporting and spreading place identity. Certainly, the analysis has some limitations, such as the sample, the area and the variables considered. The difference between residents and non-residents certainly acts as a moderator and needs a deeper investigation. In particular, as regards Italy, it could be interesting to replicate the study in different areas since the country presents regional differences and, thus, different regional brands, even though the area considered could be representative of a bigger concept such as mediterraneity. As the study provides an initial perspective into understanding place brand issues, future research should focus on the various elements that compose the place equity and the different level of brand notoriety (i.e., local, national, global).

References Available Upon Request

DO CONSUMERS' PURCHASE INTENTIONS DIFFER FOR PROTOTYPICAL AND ME-TOO BRANDS IN THE BANKING INDUSTRY?

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ABSTRACT

This paper aims to examine the antecedents of purchase intention for their differential impacts between prototypical and me-too brands in the banking industry. To achieve this, a pen and paper survey was administered to a random sample of the population in Western Australia. For the prototypical brands, extrinsic attributes and perceived risk played influential roles, with extrinsic attributes directly and positively and perceived risk directly and negatively impacting on purchase intention. This raises some concern for the prototypical brand as it suggests that it is highly dependent on its extrinsic attributes to appeal to consumers. For the me-too brands, perceived quality positively mediated the brand familiarity-purchase intention relationship. This is encouraging for the me-too brands as it suggests that in a marketplace where banks are viewed with suspicion, smaller, community me-too brands that are familiar to consumers, enjoy a reputation for service quality that impacts positively on purchase intention.

INTRODUCTION

Decision-making is fraught with risks (Quintal et al., 2010), particularly when taking out a loan from a bank. First, there is the financial risk of securing and servicing the money borrowed. Next, is the performance risk of whether the loan will function as required. Then, consumers must contend with the psychological risk of experiencing anxiety if the loan does not meet expectation. There is also the social risk of what significant others may think about the decision to take out the loan and finally, time risk involves opportunity costs in expending effort prior to the purchase. For consumers, such risks can be mitigated by the use of branding (van Knippenberg et al., 2000). Brands may display characteristics of prototypicality (Barsalou, 1985) or atypicality (Han, 1998).

Prototypicality (typicality) is a measure of how representative an object is of a category (Nedungadi and Hutchinson, 1985). A prototypical brand leader is a particular brand that most strongly represents a category (Veryzer and Hutchinson, 1998). On the other hand, atypicality does not serve as an exemplar for a category (Han, 1998). An atypical or me-too brand is an imitator of a prototype. Due to their larger advertising budgets, prototypical brands tend to have higher visibility and are often market leaders (Veryzer and Hutchinson, 1998). Generally, the elevated status of such market leaders (van Dijke and De Cremer, 2008) helps to allay the risks associated with purchasing these brands (Mieres et al., 2006). However, can branding alone determine a final purchase, or do other factors such as brand familiarity, extrinsic attributes, perceived quality and perceived risk impact on choice, specifically in the banking sector? In the aftermath of the subprime crisis, consumers have come to regard banks with pessimism and a lack of confidence (Bertaut and Pounder, 2009). This levels the playing field between prototypical and me-too banks since trust appears to be the critical factor in winning business back (Poolthong and Mandhachitara, 2009). Today, smaller, community banks that constitute the me-too brands have opportunity over prototypical brand leaders to offer personalized service that wins customer trust and loyalty.

The concept of prototypicality has a 50-year history that stems from psychology (Groenland, et al., 1996). However, with the exception of a few studies (e.g., Han, 1998; Kalamas et al., 2006), prototypicality has received limited attention in marketing. To date, the body of work has not examined prototypical and me-too brands for the specific risks they represent to consumers and their impacts on purchase intention. In fact, the concept of prototypicality versus me-too brands has been so ignored that no universally accepted definition of me-too brands currently exists (Sinapuelas and Robinson, 2009). A framework that integrates purchase intention and its antecedents in exploring consumers' brand choices may lend support to existing branding theory.

It is our aim to explore the differences between consumers' perceptions of prototypical and me-too brands for their impacts on purchase intention. In doing so, we selected a service from the finance category, namely, loans offered by banks. To achieve our aim, we examine antecedents such as brand familiarity, extrinsic attributes, perceived quality and perceived risk (Mieres et al., 2006) to evaluate their impacts on purchase intention and explain differences between the prototypical and me-too brands.

LITERATURE REVIEW

In marketing research, a prototype is usually defined as the central representation of a category or as possessing the average or modal value of the attributes of that category. Evidence suggests that people respond favorably to highly prototypical brands than to less prototypical ones (e.g., Barsolou, 1985; Loken and Ward, 1990). This is attributed to several reasons. First, being most representative of its category, a prototypical brand occupies elevated status in the category (van Dijke and De Cremer, 2008). This contributes to its second advantage of enjoying high recognition in the marketplace since it is readily identifiable in its category (Atkinson et al., 1985). Third, a prototypical brand leader receives greater endorsement from members in its category and amongst consumers (Hogg et al., 1998; Platow and van Knippenberg, 1999). Fourth, a prototypical brand carries greater clout when communicating with consumers as it is viewed as an opinion leader (van Knippenberg et al., 2000). For these reasons, prototypical brands also tend to become market-share leaders (Veryzer and Hutchinson, 1998).

Despite the 30 years that have elapsed since atypicality was first introduced to marketing research, no standard definition exists in the literature (Sinapuelas and Robinson, 2009). Some researchers have defined a me-too brand as an imitative brand (e.g., Gordon et al., 1991), whereas others, as a later entrant into a marketplace (e.g., Alpert et al., 1992). Yet others have utilized definitions that emphasize lower prices (e.g., Carpenter and Nakamoto, 1989), and finally, as possessing features that may be new to a brand but not new to a category, since these features have already been introduced by another brand (e.g., Sinapuelas and Robinson, 2009). In the current study, we conceptualize a me-too brand as an imitative brand that is a later market entrant, offering similar products as the prototypical brand but at lower prices, and occupying smaller market share.

Purchase intention is an indicator of behavioral intention, which shows whether consumers remain with or defect from a brand (Zeithaml et al., 1996). Purchase intentions are likely to be favorable (unfavorable) when consumers perceive the service quality provided by banks to be high (low) (Ravichandran et al., 2010). This reduces (increases) the risks (Park et al., 2005) consumers associate with bank transactions and strengthens (weakens) consumers' relationships with banks (Ravichandran et al., 2010). Each of the antecedents related to purchase intention is outlined in the following paragraphs.

THE RESEARCH MODEL

Mieres et al.'s (2006) study provided the theoretical underpinning for the current study. In the original study, the authors focused on national and store brands for their impacts on risk perception. As can be seen in [Figure 1](#), we focus on prototypical and me-too brands for their impacts on risk perception and extend the original model by examining purchase intention.

Prototypical brands are often preferred in the marketplace (Loken and Ward, 1990; Veryzer and Hutchinson, 1998) because consumers perceived such brands to have elevated status (van Dijke and De Cremer, 2008), valued attributes (Kalamas et al., 2006) and less risk (van Knippenberg et al., 2000). Five types of risk are identified. Financial risk refers to potential net financial loss, including the possibility the choice might need to be repaired, replaced or the purchase price refunded (Mieres et al., 1976). Performance risk is the likelihood a purchase will not perform as desired or as expected (Laroche et al., 2004). Psychological risk reflects the possible anxiety or regret expected from post behavioral purchases due to their inconsistency with the consumer's self-image (Laroche et al., 2004). Social risk refers to the likelihood a choice would affect other people's opinions of the consumer (Mieres et al., 1976). Time/convenience risk is the possibility a purchase would take too much time or be a waste of time (Mieres et al., 1976). Lower risk associated with a credible brand increased positive evaluation of the brand (Aaker, 1991; Erdem et al., 2006). Thus, it is expected that each dimension of perceived financial, performance, psychological, social and time risk will impact on purchase intention. Consequently:

H1: The perceived risk associated with a brand has an influence on intention to purchase the brand that is negative and direct.

Perceived quality is an attitude that results from a comparison of what consumer expect from a service and what they actually receive (Parasuraman et al., 1985). In the case of a prototypical brand, consumers perceived its market-share leader status (Aaker, 1991) and expected quality from its valued attributes (Loken and Ward, 1990; Veryzer and Hutchinson, 1998). Perceived quality associated with a credible brand increased evaluation of the brand (e.g., Aaker, 1991; Erdem et al., 2006) and purchase intention. On the other hand, me-too brands, having lower market-share status, were perceived by consumers to

have lower quality and higher risk (Hoch and Banerji, 1993), adversely impacting on their intention to purchase. Consequently:

H2: The perceived quality of prototypical as opposed to me-too brands has an influence on intention to purchase the brands that is:

(a) positive and direct.

(b) positive and indirect through the perceived risk associated with the brands.

An extrinsic cue is related to a service that can change without altering the characteristics of the service itself. Generally, consumers relied upon branding, physical appearance, purchase price (Dawar and Parker, 1994; Rao and Monroe, 1988) and country of origin (Fandos and Flavian, 2006; Kim, 2008) to determine service quality. The extent to which each of these extrinsic cues impacted upon perceived quality depended on the consumer segment and product category (Forsythe et al., 1999). Reliance on a brand's extrinsic attributes negatively impacted on the degree to which brand quality was perceived (Espejel et al., 2007; Kumar and Grisaffe, 2004). However, while extrinsic attributes directly affected purchase intention, perceived quality also mediated this relationship (Forsythe et al., 1999). Consequently:

H3: Reliance on the extrinsic attributes of a brand to evaluate its quality has an influence on intention to purchase the brands that is:

(a) negative and direct.

(b) negative and indirect through the perceived quality of prototypical as opposed to me-too brands.

Brand familiarity is the result of consumers' direct and indirect experience with a brand and reflects the 'share of mind' the brand occupies with consumers (Alba and Hutchinson, 1987; Kent and Allen, 1994). It is determined by strength of associations that the brand name evokes in consumer memory and in this way, captures brand attitude (Campbell and Keller, 2003). Consumers who were familiar with a prototypical brand within a category and considered the brand to be an exemplar of that category (Han, 1998) showed preference for the brand (Gordon and Holyoak, 1983; Kunst-Wilson and Zajonc, 1980) over the me-too brands. Familiarity with a brand increased perceptions of brand quality (Griffith and Gray, 2002; Low and Lamb, 2000) and purchase intention (Johnson and Fornell, 1991). However, while brand familiarity directly affected purchase intention, perceived quality also mediated this relationship (Shehryar and Hunt, 2005). Consequently:

H4: Familiarity with a brand has an influence on intention to purchase the brands that is:

(a) positive and direct.

(b) positive and indirect through the perceived quality of prototypical as opposed to me-too brands.

METHODOLOGY

The current study focuses on the banking sector for the loans these banks extend to consumers. This sector was selected since banks have come under intense public scrutiny for their pivotal role in the subprime crisis in the United States and the global financial crisis that ensued from 2007. Currently, banks are regarded with pessimism and a lack of confidence (Bertaut and Pounder, 2009) and are under considerable pressure to build trust in order to win consumers back (Poolthong and Mandhachitara, 2009). How consumers respond to reassurances from banks, be they prototypical or me-too brands, and the different risks consumers associate with selecting a prototypical or me-too bank can offer pertinent insights. In Australia, the "Big 4" banks, namely, Australia and New Zealand Bank (ANZ), Commonwealth Bank, National Bank of Australia and Westpac were chosen as the prototypical brands because of their market leadership in the financial service category (Murdoch, 2009), high recognition (Atkinson et al., 1985; Han, 1998) and familiarity to consumers (Han, 1998). On the other hand, Bendigo Bank and Bank of Queensland were chosen as the me-too brands because they are smaller community banks with limited market share that offer similar products in the financial service category.

A self-administered, pen and paper survey was used to collect the required data between February 2009 and May 2009. The sample was drawn randomly from every 20th person listed in the White Pages in Western Australia, to reflect the demographic characteristics of a general population. Once the random sample was identified, 1,000 surveys were mailed to the prospective respondents. A total of 326 completed surveys were collected, indicating a response rate of 33 percent.

The survey comprised four sections. The first two sections assessed respondents' perceived risk and intention to purchase the prototypical and me-too brands respectively. Section three asked respondents about their familiarity, extrinsic attributes and perceived quality of the prototypical as opposed to the me-too brands. Finally, respondents were asked to provide demographic information.

The survey's scale items were selected and adapted from Laroche et al. (2004) and Mieres et al. (2006) for their relevance and reliability in buying situations ($\alpha \geq 0.83$) and anchored by strongly disagree (1) to strongly agree (7). The five perceived risk dimensions were measured with 20 items such as "If I were to purchase a mortgage loan from a 'Big 4' bank / community or smaller bank within the next 12 months, I would be concerned that the financial investment I make would not be wise." Four items such as "I will definitely try obtaining a mortgage loan from a 'Big 4' bank / community or smaller bank" measured intention to purchase. Brand familiarity was measured with 13 items such as "I am familiar with the mortgage loans from banks other than the 'Big 4'." Seven items such as "The better-known the bank that offers mortgage loans, the better the quality" measured extrinsic attributes. Perceived quality was measured with four items such as "The 'Big 4' banks and a community or smaller banks are practically the same quality." In total, the constructs related to the prototypical and me-too brands were each measured with 48 items.

RESULTS

The scale items were tested with exploratory and confirmatory factor analyses with SPSS 18 and AMOS 18 respectively. Path analysis using AMOS 18 tested the hypothesized relationships in the research model. Since identification problems in a path analysis can occur when the endogenous variables exceed the number of exogenous variables (Hess, 2001), purchase intention for the prototypical and me-too brands was not tested in one model. Consequently, separate structural models were used to assess the impacts the antecedents and each perceived risk dimension (financial, performance, psychological, social and time risk) had on purchase intention. This process was conducted with the prototypical brand and then, repeated with the me-too brands.

First, the 48 items for purchase intentions of the "Big 4" banks (prototypical brand) were factor analyzed. The final analysis identified a seven-factor solution (psychological risk, brand familiarity, social risk, financial/performance risk, purchase intention, perceived quality and extrinsic attributes), explaining 69 percent of the variance. Then, the 48 items for purchase intentions of the me-too brands were factor analyzed. The final analysis identified a six-factor solution (psychological risk, brand familiarity, social risk, purchase intention, perceived quality and extrinsic attributes), explaining 66 percent of the variance.

Next, confirmatory factor analysis tested the seven constructs for the "Big 4" banks (prototypical brand) and the six constructs for the me-too brands. As a result, 12 items were deleted from the "Big 4" banks' measures, leaving 26 items, and 13 items were deleted from the me-too brands' measures, leaving 22 items. Composite reliabilities for the constructs ranged from 0.58 (extrinsic attributes) to 0.94 (psychological risk), suggesting some reliability (Hair et al., 2010).

Then, path analysis examined the model's hypotheses. As expected, perceived psychological (PP) ($b = -0.34$, $p \leq 0.001$), social (PS) ($b = -0.36$, $p \leq 0.001$) and financial/performance (PFP) ($b = -0.37$, $p \leq 0.001$) risks produced significant direct and negative effects on purchase intention (PI) for the "Big Four" banks (prototypical brand), supporting H1. However, the risk dimensions produced no significant direct effects on PI for the me-too brands. This suggested that the "Big Four" banks enjoyed a reputation that helped to allay respondents' concerns of the psychological, social and financial/performance risks involved with taking out a loan.

The perceived quality of prototypical as opposed to me-too brands (PQ) had a significant direct and positive effect on purchase intention (PI) for the me-too brands ($b = 0.24$, $p \leq 0.01$), supporting H2a. However, PQ produced no significant direct effect on PI for the "Big Four" banks (prototypical brand), although directionally, there was a positive effect. This suggested that respondents who perceived all banks to offer similar quality appeared more willing to purchase me-too brands in the marketplace.

As predicted, perceived psychological (PP), social (PS) and financial/performance (PFP) risks produced mediating effects between the perceived quality of prototypical as opposed to me-too brands (PQ) and purchase intention (PI) for the “Big Four” banks (prototypical brand), supporting H2b. However, the risk dimensions produced no mediating effects between PQ and PI for the me-too brands. This suggested respondents encountered more pressure in justifying the social consequences and financial costs of taking out a loan from the “Big Four” banks, particularly when it appeared that similar service quality was offered by all banks in the marketplace.

Extrinsic attributes (EA) produced a significant direct and positive effect on purchase intention (PI) ($b = 0.34$ to 0.44 , $p \leq 0.001$) for the “Big Four” banks (prototypical brand), supporting H3a. However, EA produced no significant direct effect on PI for the me-too brands. This suggested extrinsic cues such as brand name and status were important in influencing respondents’ choice of the “Big Four” banks for loans.

As expected, extrinsic attributes (EA) produced negative effects on the perceived quality of prototypical as opposed to me-too brands (PQ) for both the “Big Four” banks (prototypical brand) ($b = -0.47$ to -0.50 , $p \leq 0.001$) and the me-too brands ($b = -0.21$ to -0.23 , $p \leq 0.05$). In turn, PQ produced mediating effects between EA and purchase intentions (PI) for the me-too brands, supporting H3b. This suggested respondents relied more on external cues such as premium branding, packaging and pricing to evaluate quality when they were unsure of the service offered by banks in the marketplace. More importantly, once respondents used extrinsic attributes to evaluate their similar quality, they appeared prepared to choose the me-too brands.

Brand familiarity (BF) produced no significant direct and positive effect on purchase intention (PI) for the “Big Four” banks (prototypical brand) and the me-too brands, which did not support H4a. It may well that the BF and PI relationship was mediated by other variables as discussed in the next paragraph.

Finally, brand familiarity (BF) produced positive effects on the perceived quality of prototypical as opposed to me-too brands (PQ) for both the “Big Four” banks (prototypical brand) ($b = 0.39$, $p \leq 0.001$) and the me-too brands ($b = 0.36$ to 0.37 , $p \leq 0.001$). In turn, PQ produced mediating effects between BF and purchase intention (PI) for the me-too brands, supporting H4b. This suggested that when respondents were well versed with the good service provided by the me-too brands in the marketplace, they appeared prepared to choose these brands.

DISCUSSION, LIMITATIONS AND FUTURE DIRECTIONS

The current study examined differences in purchase intentions for prototypical and me-too brands. Initial descriptive statistics augured well for the “Big 4” banks, with purchase intention being significantly higher for the prototypical brand than the me-too brands ($p \leq 0.01$). However, further analysis provided significant insights. For the prototypical brand, extrinsic attributes and perceived risk played influential roles, with extrinsic attributes directly and positively, and perceived risk directly and negatively impacting on purchase intention. Additionally, perceived risk negatively mediated the perceived quality-purchase intention relationship. This raises some concern for the prototypical brand as it suggests that it is highly dependent on its extrinsic attributes to appeal to consumers. What is also perturbing is that consumers do not appear to perceive significant quality in the services offered by the “Big 4” banks that could help influence their purchase intention.

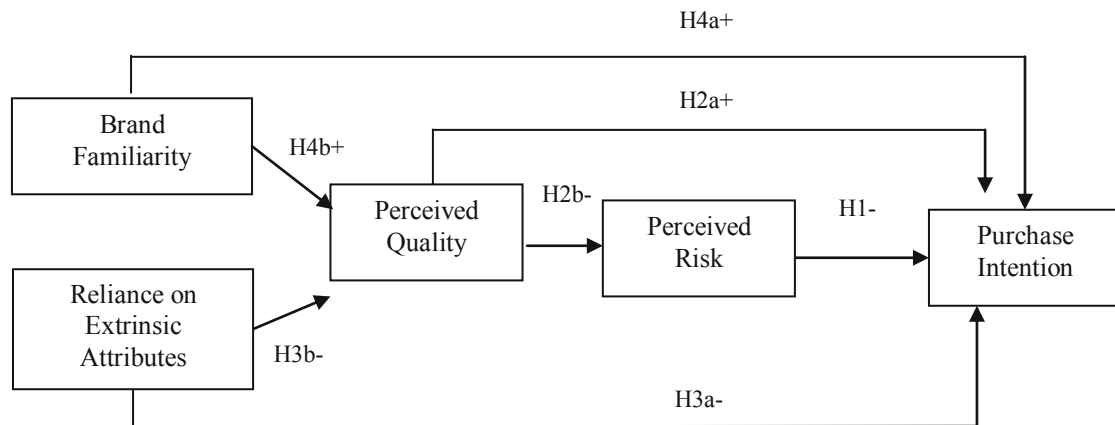
For the me-too brands, neither brand familiarity nor perceived risk played influential roles in directly impacting on purchase intention. However, perceived quality positively mediated the brand familiarity-purchase intention relationship. This is encouraging for the me-too brands. It suggests that in a marketplace where banks are viewed with suspicion (Bertaut and Pounder, 2009), smaller community me-too brands such as Bendigo Bank and Bank of Queensland that are familiar to consumers, can provide personalized service, build trust and influence purchase intention (Bertaut and Pounder, 2009).

The study’s key limitation was its random sample collected in Western Australia, which may have limited its findings to Australia. Rising interest rates coupled with rising property prices may have impacted acutely on consumers’ ability to secure loans to purchase their homes in Australia. Empirically testing the model in countries such as the UK or the USA which have virtually non-existent interest rates coupled with stagnant property prices would make an interesting comparative study.

The current research found some differences across the more traditional dimensions of psychological, social and financial/performance risks associated with buying behavior (Kaplan et al., 1974). In future studies, there is an opportunity to add risk dimensions such as security/privacy risk (Lee 2009) and business source risk (Lim 2003) that are current and

relevant to online transactions. Finally, other factors such as perceived value and staff behavior that can impact on perceived quality require some consideration in the model.

FIGURE 1: HYPOTHESIZED MODEL



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BRANDING UNIVERSITIES: AN UPDATED VIEW OF FACTORS UNDERLYING COLLEGE CHOICE

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INTRODUCTION

One consequence of the slowdown in the U.S. economy has been decreasing funding for state colleges and universities. As a result, higher education branding initiatives that result in increased enrollment are more important than ever. "With the increasing cost of university tuition, the competition for students and, in the case of state colleges and universities, decreasing state funding, colleges are continually looking for ways to attract students, fund their mission and stand out from the crowd" (Shampeny 2003, p. 1). University (or college-level) branding has historically been done to create awareness among prospective students and their parents; or target donors, professors, business leaders, alumni, and elected officials with branded messages. Many universities also brand themselves in order to improve their rankings in publications such as *US News & World Report* (Bunzel 2007). Whatever the motive, there appears to be many differentiation approaches to university branding with the most common being academic quality, high profile athletics, convenience, co-branding, and/or unique programs or majors (Kurz et al. 2008).

A well branded university attracts, "more and better students, more full and fuller-paying students, more students who will persist, better faculty and staff, more donated dollars, more media attention, more research dollars, and more strategic partners" (Sevier 2007). Such campaigns can be targeted to different university constituencies with varying images and have been shown to be effective; particularly since many universities are somewhat different from other organizations in that they tend to have two distinct identities – one academic and another athletic (Alessandri et al. 2006). There may also be differences between branding initiatives of public and private institutions with respect to university brand clarity (Judson et al. 2009), the desire for institutional growth as a branding objective, and the focus on branding in the organizational strategy (Winston 2002).

While evidence of university initiatives to brand or re-brand the institution abound, there is limited academic literature on the topic (c.f., Arpan et al. 2003; Kazoleas et al. 2001), particularly as it relates to student recruitment efforts. For decades there have been numerous studies that have sought to explain why students select a particular higher education institution (Bowers and Pugh 1973; Vaughn et al. 1978), but the link between attitudes, such as the desire to attend a particular institution, and action has long been shown to be tenuous (Wicker 1969). Furthermore, the criteria for institution selection for the prospective college student of the 1970s and 1980s may be different for their children in the 21st century.

Early research on factors underlying college choice suggested that financial, geographic, and academic factors were important to parents; while students tended to rely on social, cultural, and word-of-mouth influences in making college choices (Bowers and Pugh 1973). More recently, Aurand, Gorchels, and Judson (2006) found four main factors that assist a student in determining which college to attend: (1) image or reputation, (2) cost, (3) location, and (4) majors offered. Others suggest that additional factors may be important in the college selection process such as student experiences or other intangibles (Lockwood and Hadd 2007) or individual characteristics such as a student's ethnic background, religion, age, sex, academic ability, and duration of the institution search process (Dawes and Brown 2002). Though most studies suggest that academic reputation of an institution is an important criterion, further exploration into what comprises academic reputation reveals that the ability to get a good job following graduation, the perceived expertise of the faculty, and up-to-date technology are strongly associated with the academic reputation of an institution (Conard and Conard 2000).

METHODOLOGY

This study was conducted at both a private, religious-affiliated, urban university and a public, secular, urban university in the southern United States. The intention was to gather opinions from freshmen during the fall semester, as the college selection process was most recent for this cohort. Surveys were distributed in freshmen-level courses. No incentive was provided for participation.

RESULTS AND DISCUSSION

Respondents at both universities were asked to rate the importance of twenty-four criteria in the consideration of the colleges/universities to which they applied. Principal component analysis with varimax rotation was used to identify factors considered when applying to colleges/universities.

The results revealed that students who attend a public university differ in the criteria considered when applying to university as compared to students attending a private institution. While reputation, selectivity, personal interaction, facilities and cost were common to both groups; public university students also considered quality of the education, friendly environment and viewed facilities as separate from other campus life considerations (i.e., housing and athletics). This study further revealed that public and private university students in the U.S. consider a wide variety of criteria when deciding to which colleges/universities to apply. While some of the university selection criteria examined appears to remain consistently important over decades of research, amenities/facilities emerged as an important selection factor in this study and would seem to reflect a 21st century view of the university experience.

CONCLUSION AND IMPLICATIONS FOR THEORY AND PRACTICE

This study makes the following contributions to the extant academic literature:

1. It extends the work of Aurand et al. (2006) by identifying additional factors that influence students' decisions about which higher education institutions to apply.
2. It supports the assertion that student experiences or other intangibles influence the higher education selection process in addition to the tradition influences of cost, location, reputation and programs offered.
3. It provides a basis to develop a framework for gaining greater understanding of higher education institution selection and its implications for branding these institutions.
4. It establishes that branded university messages should be customized based on the type of institution and targeted student.

Though some within the academic community have raised sharp criticism of the lengths to which colleges and universities have gone in an effort to distinguish themselves from competitors by building elaborate recreation centers, student centers, and student housing (Twitchell 2004), our findings suggest that these amenities may be important selection criteria to the modern student when choosing among higher education alternatives.

It should also be noted that higher education institutions differ considerably by size, program offerings, (non-) religious affiliation, cost, amenities, and reputation. Not all students will be equally drawn to each type of institution. This study focused on the interests of those students who attended either a small, private, religious-affiliated institution or a large, public institution. The importance of these selection criteria might well have differed if the students surveyed had attended a different type of institution. It is hoped that this exploratory study will provide a framework for future researchers who wish to expand upon the findings using larger student samples and other geographic regions. This study could also be expanded by exploring different selection criteria, different student groups or institution types.

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Thursday, 21 July
Time: 8:30 AM

Session Number: **5.9: Customer Experience**

Session Chair: Golicic, Susan, *Colorado State University*

Effects of Service Trial Offers on Customers' Pre-trial Attitude Toward the Service Provider

Revest, Pauline, *IAE Aix-en-Provence*

How Other Customers Influence Client Satisfaction During the Service Delivery

Camelis, Christèle, *IAE Saint Denis - CEMOI*

Dano, Florence, *IAE Aix en Provence - CERGAM*

Hamon, Viviane, *CERGAM*

Llosa, Sylvie, *IAE Aix en Provence - CERGAM*

EFFECTS OF SERVICE TRIAL OFFERS ON CUSTOMERS' PRE-TRIAL ATTITUDE TOWARD THE SERVICE PROVIDER

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INTRODUCTION

Trials are a very common promotional technique used by plenty of products and services companies. However, if product trials have been largely explored by the literature (Goering 1985; Kempf and Smith 1998; Smith et Swinyard 1983), service trials are still ignored. A service trial offer can be defined as “*An offer to the consumer to experience, at no monetary cost, a service that 1) the consumer does not currently use or 2) is being offered by a service provider other than the one currently used.*” (Laochumnvanit and Bednall 2005).

The main reason why service trials are still ignored by research is that “triability” of the service is considered as problematic (Murray 1991; Laochumnvanit and Bednall 2005; Levitt 1981), and according to several authors this promotional technique may not work for services (Booms and Bitner 1981; Young 1981; Zeithaml 1981). Still, this technique used by millions of services providers across the world was already listed as a useful risk reliever for services by Mitchell and Grotorex in 1993. Then, it is a topic which is in need of theoretical and empirical studies (Garretson and Clow 1999) in order to understand the process of service trial and to answer the questions why, when, how and what services are trialed by customers, and also help service providers better use this technique.

This research represents the first step for this purpose, and takes place before the actual trial. Indeed its main objective is to understand the impact of a service trial offer on the customers' pre-trial evaluation of the service provider. It is in the line of the study of Raghubir and Corfman (1999) which examined the price promotions effects pre-trial, unlike previous studies. Numerous researches have shown that consumers made attribution about the intent of a company using promotional tools (Laochumnvanit and Bednall 2005), and that these attributions could explain how consumers evaluate brand quality when a sales promotion is involved (Dodson, Tybout and Sternthal 1978; Lichtenstein and Bearden 1986; Raghubir and Corfman 1999). They showed that consumers' evaluations of a brand offering a price promotion tended to be negative.

However, the higher perceived risk in services is not to be proven anymore (Guseman 1981; Levitt 1981; Mitchell and Grotorex 1993; Murray 1991; Murray and Schlacter 1990), and scholars showed that as total risk of the purchase situation increases, direct observation and experience (by free trial or not) became a preferred information source (Locander and Hermann 1979; Lutz et Reilly 1973; Murray 1991). Moreover, Raghubir and Corfman (1999) found that the attitudes towards the sellers were not unfavourable when the promotional offers were frequent in the product or service category.

That is why we propose that depending on the service category, the service trial offer may have no negative impact on the image of the service provider.

METHODOLOGY

For the purpose of this exploratory study and in order to give a greater impact to our results, we wanted to work on a service category for which service trial offer was a very common promotional technique. After asking a total of 86 persons what kind of service they had already trialed or were intend to trial, the service the most given was the gym club.

Given the exploratory nature of our research, we decided to use semi-structured interviews to gather our primary data. We also decided to work in a “real situation”. Indeed, we interviewed individuals who actually had the intention to purchase this type of service, because target customers evaluation is what managers are interested in.

We reached a total of 16 respondents, 9 women and 7 men, aged from 19 to 58. We conducted semi-structured interviews in which respondents had to express what they thought about a gym club offering them the possibility to trial their service. Then, we realized a content analysis of the verbatim, in order to form categories of the influence of the service trial offer on the image of the service provider and confirmed our results with Sphinx Lexica Software.

RESULTS AND DISCUSSION

The content analysis led to a total of the 8 following categories : 1) proof of quality, 2) proof of seriousness, 3) proof of flexibility, 4) proof of trustworthy, 5) gives a feeling of freedom, 6) reduces perceived risk, 7) is convenient (will help to know the service better and to take the decision), 8) favours Word Of Mouth even before the trial. These categories were confirmed when Sphinx Lexica was used.

The results showed that the influence of the trial offer was positive on the service's image, and we didn't find any negative category. This confirmed that the service trial offer in our case does not lead to unfavourable judgments about both service quality and also risk as it is the case in studies for other promotional tools (Dodson, Tybout and Sternthal 1978; Lichtenstein and Bearden 1986; Raghubir and Corfman 1999).

Also, unlike other price promotions, the gratuity of the trial offer was actually seen as a positive aspect and didn't have a negative influence on the image of the service provider. This can be explained by the fact that subscription can be seen as a loss of freedom (Auriacombe, Chalamon and Le Loarne 2005; Crié 2002), and our respondents considered the trial as a way reduce perceived risk, and to increase their freedom in choosing to purchase the service or not.

For the respondents, the trial offer was considered as a real effort from the service provider to "show what they are worth", and to provide more information about their service. This positive result confirms Forehand's proposition (1997), for who a promotion would have no negative impact if the customers evaluated it as a way to increase trial, and not as a way to increase sales.

CONCLUSIONS AND IMPLICATIONS FOR THEORY AND PRACTICE

The objective of this study was to give a better knowledge about service trial offers, and to offer new insights about their effects. In our case, it showed that service trial offers had only positive impacts on the image of the provider, unlike other types of promotional techniques. It is one of the first studies looking at service trials as an information source and the findings clearly indicate a need for additional research.

This research provides theoretical and managerial implications. It confirms the efficiency of service trial offers on the service's image and the "confidence" given by customers to the service provider. Knowing that confidence is precursory to service experience (Flanagan, Johnston and Talbot 2005), this implies that this promotional tool could be used more largely, and by other services.

Theoretically, it shows that in this particular case, gratuity has no negative impact, and more interest should be given to this result.

We are aware that this research has its limitations. The study should be replicate with a larger number of respondents. Also, we looked at the pre-trial evaluation in the specific case of the gym club, and the comparison with other studies in other types of services will be very useful to generalize these findings, and better understand how the service trial offers work.

As we said before, this is only the first step in understanding service trials and it opens the way to future research. It seems important to study the service trial itself and not only the service trial offer. Future research should look into what happens during the service trial process, including cognitive but also emotional responses of the customers. Focus should also be made on the consequences on service trials, and more precisely on purchase and customers retention.

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HOW OTHER CUSTOMERS INFLUENCE CUSTOMER SATISFACTION DURING THE SERVICE DELIVERY

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INTRODUCTION

Any service experience may be analysed in terms of a system (Langeard, *et al.*, 1981). In its widest sense, servuction – the process of delivering a service – is the result of a system of interaction between the customer, the physical environment, the contact staff, the internal organisation system and the other customers present at the place of service (Eiglier and Langeard, 1987; Lovelock, *et al.*, 2008; Eiglier, *et al.*, 2010). The satisfaction of a service experience depends on these elements, the way they interconnect and their sequence in time (Eiglier and Langeard, 1987).

In order to improve customer satisfaction, service companies have put a great deal of emphasis on managing processes, the physical environment and employees. When it comes to studying the social interaction that occurs during the service encounter most research has focused on the interaction between employees and customer and little attention has been given to the role played by other customers during the service delivery and to their impact on customer satisfaction. Indeed, it is easier for the organization to control social interaction when one part of the interaction is under the hierarchical power of the company. However, in some service settings, social interactions that occur during the service delivery are mainly driven by interactions between customers and it is the responsibility of the organization to guarantee positive customer interactions.

The objective of this paper is to identify the influence of other customers on global satisfaction towards a service by 1) showing the importance of other customers' influence on customer satisfaction, 2) identifying other customer roles and 3) studying mechanisms by which other customers influence customer satisfaction. This exploratory research is based on a mix of four qualitative methods (critical incidents, ethnographic observation, journey pad and focus group) in the context of rail transportation.

CONCEPTUAL FRAMEWORK

The necessary participation of the customer in service delivery supposes that, very often, he is physically present for the service experience and therefore exposed to social interactions with other customers. Indeed, few service companies have servuction systems where customers do not meet. Although the link between inter-customer social interactions and satisfaction is rarely dealt with in marketing literature, two current trends touch upon the subject.

The first is that of services marketing through the notion of participation and its consequences on the appreciation of the service in terms of satisfaction or loyalty. Interactions between customers are rarely dealt with, although they are implicit, but it is underlined that the stronger the customer participation the more positive the service appreciation. This link may be direct (Eiglier, *et al.*, 1979; Mills, *et al.*, 1983) or occur through the mediation of other concepts such as organisational socialisation (Kelley, *et al.*, 1990; Goudarzi and Eiglier, 2006) or the service script (Orsinger, 1997).

The second trend in research deals directly with the subject of social interaction between customers. It is very descriptive, and makes rarely the link with satisfaction. Research is essentially theoretical (Harris, *et al.*, 2000) or exploratory (McGrath and Otnes, 1995; Parker and Ward, 2000). Some research distinguishes itself by a quantitative approach (Martin, 1996; Capelli and Sabadie, 2006; Capelli and Sabadie, 2007; Wu, 2008). The interaction analysed in this research concerns both companions such as friends or family (Debenedetti, 2003) and strangers, and centres mainly on verbal interaction (Baron, *et al.*, 1996; Martin and Clark, 1996). Although this literature enables us strictly speaking to bring out neither the roles played by other customers in the level of satisfaction towards the service in an untroubled situation, nor the underlying mechanisms, it contributes nevertheless to the development of avenues to explore, and the consideration of other customers as:

- Generators of positives and negative interactions (Pranter and Martin, 1991) ;
- Social support (Adelman, *et al.*, 1987; Baron, *et al.*, 1996; Martin and Clark, 1996; Debenedetti, 2003; Capelli and Sabadie, 2006; Capelli and Sabadie, 2007) ;
- Suppliers of practical information about the service (Baron, *et al.*, 1996; Martin and Clark, 1996; Debenedetti, 2003; Capelli and Sabadie, 2006; Capelli and Sabadie, 2007) ;
- Helpers or people to be helped (McGrath and Otnes, 1995) ;

- Recreational support (Debenedetti, 2003).

METHODOLOGY AND FINDINGS

This exploratory research is based on a mix of four qualitative methods: critical incidents (117), ethnographic observation (15), journey pad (10) and focus group (2) in the context of rail transportation. The results of the research show the importance of other customers for global satisfaction, identify the roles of other customers who have an influence on satisfaction and enable a conceptualisation of the mechanisms by which other customers influence satisfaction.

The first important result mainly arises from the critical incidents method and demonstrates that relations between customers frequently contribute to satisfaction and/or dissatisfaction with the service delivered. Indeed, out of 117 incidents analysed, 95 respondents mentioned other customers spontaneously (absence of relations or relations) as a source of satisfaction (90 replies) or dissatisfaction (75 replies).

A thematic analysis of the contents carried out on the different literature allows us to propose a classification based on six main roles, divided into seventeen subgroups.

- Role 1: the other customer modifies expectations

The other customer changes the level of expectations by giving information, through his behaviour or verbally, about what will, or might happen during the journey. He may increase the level of expectation by giving “tips” about how to obtain the best possible service. He may also lower the level of expectation by giving information about what can go wrong with the service.

- Role 2: the other customer sets social rules

These include implicit rules for general behaviour and interaction in a public area and rules for behaviour specific to the service. The other customer personifies social rules. He is the model. Simply by his presence, attitude and appearance, he personifies standard behaviour. He implicitly incites the people who are with him to respect the same social rules. The other customer enforces the norm. He shows his disapproval or enforces the rules when they are not followed. The other customer shares the social norm, and creates complicity, a feeling of closeness or of pleasant agreement. By a sign, the other customer confirms that they share the same rules: knowing looks, smiles exchanged at the expense of other customers or the company, connivance.

- Role 3: The other customer is a standard for comparison

The other customer allows you to judge your own experience by comparison, he becomes a point of reference. The other customer allows you to keep a sense of proportion. The other customer gives moral support. His mere presence reduces tension and establishes a feeling of solidarity. The other customer shows the unfairness of treatment by the service company.

- Role 4: The other customer entertains

The other customer is part of the décor. There is no explicit interaction, but the other customer is part of the general atmosphere. As part of the décor, he is a source of distraction. The other customer is a source of small talk. Unlike the preceding interaction, here the interaction is explicit. It is superficial, such as, for example, a short conversation on general subjects, the loan of a magazine, etc. The other customer is the source of an intense exchange. This interaction with the other is explicit, long and intense, such as, for example, carrying out an activity together leading to a situation of trust, the beginning of a genuine relationship.

- Role 5: The other customer disturbs

The other customer disturbs although he is aware of the rules, or is just bad mannered. The other customer does not respect your peace and quiet, your “private space”. Directly and intrusively, the other customer speaks, touches or looks. More generally and indirectly, he is noisy or gives off a socially unacceptable smell. The other customer does not know how to participate, he is clumsy, inexperienced, he is a “fly in the ointment” for the smooth running of the service. The other customer frightens, he is a threat, a potential danger, a source of mistrust.

- Role 6: The other customer helps participation

The other customer helps the tasks assigned by the servuction to be carried out well. He shows how things are to be done. He teaches, explains, informs, by his actions or what he says. The other customer does things for you. He helps through his actions. The other customer is a rescuer; he solves problems in unforeseen situations. He helps you to get by when there are no staff present. The other customer makes up for the absence or failures of the company, or deficiencies in the service.

Concerning the mechanisms of this influence, other customers affect satisfaction more or less directly, at several levels, and with reference to various models or trends in current literature (Figure 1). The paradigm of disconfirmation of expectations underlies this (Oliver, 1980; Oliver, 1993). Other customers influence satisfaction by modifying criteria and the threshold of

expectation, both upwards and downwards (role 1). They play on the reference standard (Oliver, 1980) and on what the customer is liable to expect from the service. Similarly, other customers influence satisfaction by influencing the perceived service performance directly. By setting social rules within the group, by entertaining the customer and/or disturbing the smooth running of the process (roles 2, 4 and 5), other customers raise or lower the perceived level of performance and the quality of the service delivered. However, this model insufficient. The alternative, complementary trend: equity, or comparison with “the other” also comes into play (Oliver and Swan, 1989). Through what the other customer experiences during the service (he obtains less, he is more annoyed, he experiences the same thing, there are differences, things are unfair), he becomes the standard for comparison (role 3), a reference point for satisfaction or dissatisfaction. Finally the mediatory role of participation appears. By helping with participation (role 6), by demonstrating, explaining, doing things in your place, other customers enable you to be more efficient and perform better, and influence your performance within the process of service production. Hence, they have a direct influence on perceived service performance.

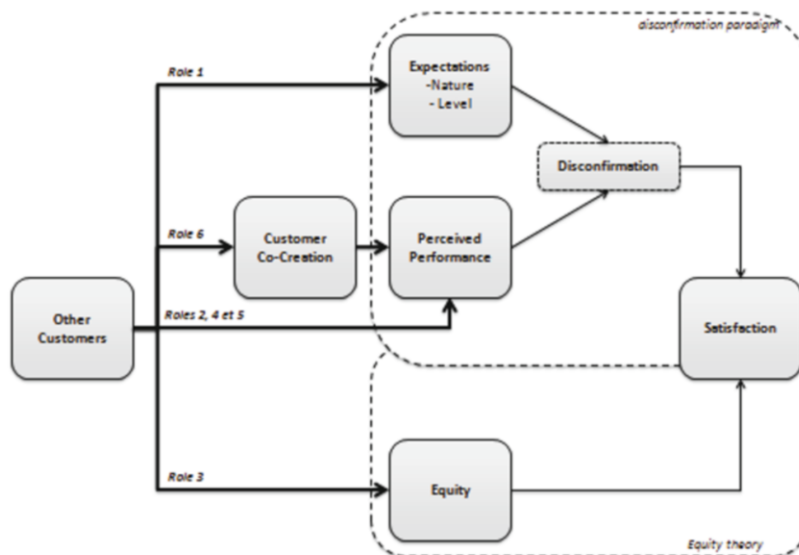


Figure 1. The mechanisms of the influence of other customers on satisfaction

IMPLICATIONS

The three main practical implications of the article are concerned with:

- Managing customer compatibility through a precise study of customer segmentation and then of action within the physical environment, towards contact staff or the service process,
- Socializing customers with respect to organization rules. The aim here is to define both the rules of participation and the implicit and explicit social rules for all customers by setting them out formally as a “good customer” guide.
- And finally empowering customers to manage other customers and the service atmosphere. The company could for example propose to expert customers who wish it, to obtain loyalty points in exchange for intervening with other customers during the experience to assist them, direct them, inform them about the service offer, encourage positive interactions and limit negative ones. Moreover, the service company can create an environment where the customers are encouraged to help each other.

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Thursday, 21 July
Time: 10:30 AM

Session Number: **6.10: Customer Reactions**

Session Chair: Chamberlain, Laura, *Aston Business School*

Delivering Linking Value through Events: Investigating Communal and Experiential Drivers of Loyalty

Drengner, Jan, *Chemnitz University of Technology*

Jahn, Steffen, *Chemnitz University of Technology*

Gaus, Hansjoerg, *Saarland University*

Cornwell, Bettina T, *University of Oregon*

The Effects of Control in the Store Environment: A Motivational Approach

Lunardo, Renaud, *Troyes Champagne School of Management*

Mbengue, Ababacar, *University of Reims, Reims Management School*

When Individual Consumer likes to Engage in Self-Design Task and Shows Positive Evaluation for the Self-Designed Product: the Effect of Regulatory Orientation

Gao, Huachao, *Nanjing University*

Dong, Yiren, *Nanjing University*

Wang, Yonggui, *University of International Business and Economics*

DELIVERING LINKING VALUE THROUGH EVENTS: INVESTIGATING COMMUNAL AND EXPERIENTIAL DRIVERS OF LOYALTY

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Steffen Jahn, Chemnitz University of Technology, Germany
Hansjoerg Gaus, Saarland University, Germany
T. Bettina Cornwell, University of Oregon, USA

ABSTRACT

Music, sport, art and food related events are interesting branded products on their own right. With their potential to bring consumers together surrounding a shared interest, they reveal latent consumption communities. Presented here is a study of a music festival, where a temporal sense of community was developed. Results of a survey of participants show that a positive socioemotional experience and a temporal sense of community while attending the event are strong predictors of repatronage and positive word of mouth and in some instances more explanatory than traditional measures such as overall satisfaction.

References available upon request

THE EFFECTS OF CONTROL IN THE STORE ENVIRONMENT: A MOTIVATIONAL APPROACH

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ABSTRACT

The objectives of this study are to examine whether perceived control in the store environment affect emotions, satisfaction and behavioral responses. More specifically, this research set out to explore the influence of perceived control according to shoppers' motivational orientation. Results from a field study show that motivational orientation does not moderate the relationship between perceived control and pleasure, but moderates its effect on stress. Additionally, our results indicate stress as a better mediator than pleasure for the relationship between perceived control and satisfaction, especially for task-oriented shoppers.

INTRODUCTION

Retail executives have recognized the ability to modify in-store behavior through the store environment and might spend millions of dollars in its improvement. As a result, store environments are designed in a way to make shoppers live a real experience (Holbrook and Hirschman 1982), becoming more and more arousing through the use of factors such as music, color, or ambient scent. As another result, numerous studies focused on arousal as the main emotion of the PAD paradigm (Mehrabian and Russell 1974) to explain the influence of store environments (Turley and Milliman 2000). Although convincing, the hypothesis of an effective influence of arousing store environments on shopping behavior has not received much support from academics. Research analyzing the influence of arousing retail environments on emotional responses and shopping behavior exhibits inconsistent results, providing no evidence of their effectiveness (Kaltcheva and Weitz 2006).

The mixed results of these studies have led some authors to call for research that examines the effects of store environments according to the shopping motivations. The study by Kaltcheva and Weitz (2006) found that shopping motivational orientation moderates the effect of arousal on pleasure. For recreational-oriented consumers, high arousal has a positive effect on pleasure and intentions to visit and make purchases, while this effect is negative for task-oriented consumers. These results are of extreme importance to explain the influence of store environments and why some retailers are successful in designing their environment in an arousing way (e.g., Gap, Virgin), while some retailers keep being successful with minimalist warehouse-style shopping environments (e.g., Wal-Mart, Staples, Office Depot).

In this study, we propose perceived control (PC) as a relevant concept to explain the inconsistent effects of store environments. We hypothesize that when in-store control is jeopardized, it induces changes in shopping responses. Specifically, we hypothesize from the psychological literature that the shopper's feeling of control in the store environment is able to explain changes in emotional responses, such as pleasure (Hui and Bateson 1991) or stress (Lazarus and Folkman 1984), and relational responses, such as satisfaction or return intent (Ward and Barnes 2001). More specifically, because control seems to be more important for consumers driven by task-oriented shopping motives than for consumers driven by recreational shopping motives, we examine the influence of store environment through the concept of PC by integrating the motivational orientation.

We organize this article as follows. In the first section, we propose a conceptual framework presenting the concepts of PC. Then we propose to discuss the linkage between PC, shopping motivation and shopper's behavior. This review highlights consistent findings about the importance of PC for goal-oriented consumers, suggesting the need to consider the perception of control as a key predictor of shopping behavior for task-oriented consumers. We then describe the methodology and report the results of our analysis before concluding with a discussion of contributions for retailing research, retailing management, limitations and areas for future research.

CONCEPTUAL OVERVIEW AND RESEARCH HYPOTHESES

The Perceived Control Concept: Theory and Findings

The issue of PC has been identified as a powerful construct for the understanding of behavior (Skinner 1996). In environmental psychology, Mehrabian and Russell (1974) defined control as the basic emotion of dominance, in addition to pleasure and stimulation. They assert that environmental stimuli affect such emotions, thereby influencing behavior. In their

model, dominance refers to an emotional response ranging from extreme feelings of lack of control upon one's surroundings to feelings of being influential and powerful, or in control. Furthermore, the concept of PC has been operationalized in three different ways: cognitive control, decisional control, and behavioral control (Averill 1973). Cognitive control refers to "the way in which an event is interpreted, appraised or incorporated into a cognitive plan". Decisional control is defined as "the opportunity to choose among various courses of action"; and may represent the range of choice or number of options open to an individual. Behavioral control refers to "the availability of a response which may directly influence or modify the objective characteristics of a threatening event". This particular type of control refers to the perceived ease or difficulty of performing the behavior and has been introduced in the Theory of Planned Behavior (TPB) (Ajzen 1991) as a third predictor of intention and behavior. The TPB offers a structured framework for explaining behavior from perceived behavioral control, in addition to attitudes towards the behavior and subjective norms.

Previous research has demonstrated that providing PC to the individual in the physical environment is necessary to well-being, including task performance, tolerance of pain and frustration, self-report of distress and stress, and physiological well-being (Averill 1973; Burger 1989). There is also evidence for the positive effects of PC on stress. A pervasive view is that when PC is lacking, feelings of stress will follow (Lazarus and Folkman 1984; Paterson and Neufeld 1995).

In the service context, control refers to the degree of influence on the service realization. The service provider may facilitate control through service architecture, including equipment and facilities (Van Raaij and Pruyn 1998). That is, a well-chosen interior with a congenial ambiance can facilitate PC. If not, a consumer can feel a loss of control in the service encounter, leading to a variety of negative responses (Navasimayan and Hinkin 2003). In service settings, one of the most studied elements of ambiance which has been related to perception of control is crowding (Langer and Saegart 1977; Baron and Rodin 1978; Hui and Bateson 1991; Van Rompay et al. 2008). Crowding effects are assumed to occur whenever high density leads to a loss of control regarding the selection of importantly valued actions (Machleit, Eroglu and Mantel 2000). In a study conducted by Hui and Bateson (1991), findings indicate that PC could counteract the negative influence of crowding on pleasure, leading to the conclusion that PC is a powerful concept in explaining the consumer's reactions to crowding in the service environment.

In the physical environment of retail context, consumers feeling in control have also been shown to be in a better mood and more involved (Ward and Barnes 2001). In the context of online buying, atmospheric cues enhancing perception of control are a major principle underlying consumers' responses to the environment. A navigational design of a web site enhancing user's control can lead to the flow experience, that is the state in which people are so intensely involved in an activity that "nothing else seems to matter" (Csikszentmihalyi 1990, p.4). Thus, control appears as a major concept for consumers to enjoy their experience.

The Motivational Orientation: Theory and Linkage with Perceived Control

A large body of literature has addressed the issue of shopping motives (for a review, see Westbrook and Black 1985). The widely cited study conducted by Tauber (1972) demonstrated that shoppers' motivations can be different from those strictly related to acquiring some products. These motives can be classified into two main dimensions: personal and social motives. Personal motives refer to the personal quest of gratification, role playing, learning about new trends, physical activity or sensory stimulation. On the contrary, social motives represent the need to live some social experiences, to communicate with others, to exist through status and authority and to experience the pleasure of bargaining. Hence, consumers engage in shopping experiences when their need for a particular good is judged as sufficient for allocating time and money to go to a store to shop, or when they need attention, to be with peers, to meet other people, to exercise, or simply when they have leisure time.

However, existing literature found that two fundamental motivational orientations underlie the different shopping motives. On the one hand, the "task-oriented motivational orientation" involves consumers engaging in shopping out of necessity to obtain needed products, services, or information with little or no inherent satisfaction derived from the shopping activity itself (Kaltcheva and Weitz 2006). At the opposite, the "recreational-oriented motivational orientation" refers to consumers engaging in shopping to derive inherent satisfaction from the shopping activity itself. In this case, the shopping activity is motivated by more experiential benefits provided by the experience itself, such as agreement or excitement. The experience is freely chosen, and there is no need to engage in it. Consequently, task-oriented consumers and recreational-consumers are likely to differ in terms of the level of control they desire to perceive during the shopping experience.

Research Hypotheses and Theoretical Framework

Bitner's (1992) model of Servicescapes suggests that the desired level of arousal depends on the consumer's purpose when being in a particular environment. This model posits that because goal-directed behaviors suppose high levels of control, high level of arousal may disturb the consumer's perception of control. The subsequent satisfaction might be dependant on the extent to which the environment matches the consumer's desired levels of goal-achievement and control. Most recently, Kaltcheva and Weitz's (2006) framework integrated motivational orientation to explain the effect of environmental characteristics on consumer shopping behaviors. They demonstrated that the environmental affects consumer arousal, which in turn affects pleasure and consumer shopping behaviors. Moreover, consumer motivational orientation moderates the relationship between arousal and pleasure.

Whereas Bitner (1992) and Kaltcheva and Weitz (2006) focused on arousal, we suggest in this research that consumers shopping behavior depends on (1) the level of control they perceive during the shopping experience in the store environment and (2) their motivational orientation. Because task-oriented consumer behavior has been described as task-related, products acquirement would usually be classified as a goal for task-oriented consumers. The focus of such task-oriented consumers is on being efficient in completing the shopping activity. In other words, control may be desired for task-oriented consumers who want to shop efficiently and deal easily with the store environment to attain their own goal. Their choice of the store to shop in is mainly based on the extent to which the environmental stimuli may facilitate their goal achievement (Batra and Ahtola 1990). Thus, the store environment may take the form of facilitating conditions; in this case, Ward and Barnes (2001) note that perceptions of control in the store environment are likely to enhance positive responses because they refer to the consumer's judgment of whether the environment will facilitate goal achievement. Otherwise, a lack of control that would impede such consumers from achieving their goals would reduce positive responses like pleasure or return intent.

On the contrary, it has been showed that recreational-oriented consumers appreciated to be under the influence of environmental stimuli during their shopping experience because they had no goal to achieve (Van Kenhove et al. 1999). Because recreational motivation induces more fun than task completion, no goal is at stake during the shopping experience, and recreational-oriented consumers mainly look for a pleasant retail environment. Thus, a loss of control would not disturb such recreational-oriented consumers.

On the basis of the preceding discussion, we propose the following:

H1: Motivational orientation moderates the effect of PC on pleasure: PC (a) increases pleasure for consumers with a task-oriented motivational orientation and (b) decreases pleasure for consumers with a recreational-oriented motivational orientation.

H2: Motivational orientation moderates the effect of PC on stress: PC (a) decreases stress for consumers with a task-oriented motivational orientation and (b) increases stress for consumers with a recreational-oriented motivational orientation.

Moreover, we assume that the hypothesized interaction between motivational orientation and PC impacts satisfaction through pleasure or stress. Thus, we propose the following:

H3: Pleasure and stress mediate the effect of the interaction between motivational orientation and PC on satisfaction.

Our theoretical framework is quite similar to Kaltcheva and Weitz's (2006) framework but it differs from it through the substitution of arousal by PC, and the introduction of stress as a mediator. It also differs from Lunardo and Mbengue's (2009) model since our framework proposes that environmental characteristics affect consumer's PC, which in turn affects directly pleasure and stress, and through them satisfaction and finally return intent. The degree of task-oriented motivational orientation moderates the relationship between PC and pleasure, stress or return intent. When consumers have a high level of task-oriented motivational orientation, PC has a positive effect on pleasure and return intent, and a negative effect on stress.

METHODOLOGY

Data Collection

Data came from a sample of real shoppers in a medium-sized city (about 200 000 people) in France. As the level of task-oriented motivational orientation was a core parameter in our design, a self-administered questionnaire was given to shoppers at the exit of a "supermarket". We used a one-month window to collect data during the month of April 2007 while. The

overall sample resulted in 205 usable questionnaires and is composed of 58% female and 42% male, primarily aged (46-60 = 38.5%), educated and mainly employed.

Measures

Regarding the measures, for each item of each scale, we used seven point rating scales. To assess PC, we retained the dominance scale of the PAD paradigm (Mehrabian and Russell 1974). This scale has often been chosen as a measure of PC (Hui and Bateson 1991; Ward and Barnes 2001). We assessed pleasure with five items based on Mehrabian and Russell's (1974) pleasure scale. Concerning shoppers' stress, we assessed it through the single-item scale "In this store, I felt stressed". In order to appraise motivational orientation, we decided to measure on a seven-point Likert scale recreational motivational orientation from a one-item scale based on the work of Dawson, Bloch and Ridgway (1990) ($\alpha=.72$). Shoppers had to tell to what extent they agreed with "I'm going in this store to spend some good time". We considered motivational orientation as recreational-oriented when shoppers' response was superior or equal to 4, and as task-oriented when it was strictly inferior to 4. Satisfaction was measured from a three-item scale based on the Oliver' SAT-scale (1980). Return intent was measured by a two-item scale.

For each multi-item scale, we assessed the psychometric properties of the measures with exploratory analysis. The cut-off value to ascribe items to a factor is (1) a minimum factor loading of .5 and (2) deleting the item does not imply an increase in the Cronbach's Alpha (Hair et al. 2005). For measures containing more than three items (i.e. PC and pleasantness), we improved the assessment of the psychometric properties with confirmatory factor analysis (Anderson and Gerbing 1988). Concerning the dominance scale, although the ratio of chi-square to its degree of freedom ($\chi^2/ddl = 10.65$, $p < .05$) and the root mean square error of approximation (RMSEA=.09) were lightly higher than recommended, the goodness-of-fit index (GFI=.98) and the comparative fit index (CFI=.95) were above the threshold of 0.90 for a satisfactory goodness of fit (Bentler, 1992). The pleasantness scale ($\chi^2/ddl = 4.27$, $p < .05$; RMSEA=.03; GFI=.99; CFI=.99) scale exhibits good psychometric properties too. The scale reliabilities are acceptable with alpha coefficients between .72 and .86.

We also used the method recommended by Hair et al. (2005) to assess discriminant validity. All six tests resulted in variance-extracted percentages greater than the squared correlation estimates, bringing support of the discriminant validity of the measures.

By applying these methods we ensured that the measures of the constructs are reliable and valid before attempting to draw conclusions about relations between constructs.

RESULTS

Motivational Orientation as a Moderator

The role of the level of task-oriented motivational orientation as a moderator of the relationship between PC and pleasure/stress was assessed with the use of multigroup structural models. Structural equation modeling (SEM) was chosen because it can support simultaneously latent variables with multiple indicators, mediating effects (pleasure and stress) and causality hypotheses. Moreover, as noted by Bagozzi and Yi (1989), multigroup analyses may be able to provide more powerful tests of mean differences, especially when the homogeneity assumption is violated.

Constrained and unconstrained models were estimated using a multi-group procedure. Following this procedure individual paths are separately examined across sub-samples and a chi-square difference is tested to examine whether the estimated path coefficients are equal. Therefore, to confirm the moderating role of the level of task-oriented motivational orientation, subgroup analysis was carried out. The sample was split in two subgroups on the basis of their task-oriented (Recr < 3) or recreational (Recr > 3) motivational orientation. Paths coefficients between variables were examined separately for consumers who had a low degree of recreational motivational orientation (range =1-3, $n = 151$) versus those who had a high degree of recreational motivational orientation (range = 4-7, $n = 154$). Evidence of moderation is found for a specific relationship when the coefficients are significant in one sub-sample and not in the other, or when those coefficients are both significantly different from zero and from each other. The relationships between the variables were estimated by maximum likelihood estimation. The fit indices for the model look pretty good (Figure 1).

[Insert Figure 1]

Evidence in support of a moderator role of the motivational orientation arises if the Chi-square is statistically significant in the constrained model but not in the unconstrained model. Results bring some evidence about the moderator role of the level of task-oriented motivation, with variations in the level of the Chi-square for each of the unconstrained ($\chi^2 = .508$; $df = 2$; $p = .776$) and constrained ($\chi^2 = 351.649$; $df = 20$; $p = .000$) models.

As shown in Figure 1, paths coefficients between PC and pleasure were not significant, for both of the recreational-oriented ($\gamma_{11} = -.14$; $t = -1.23$) and task-oriented ($\gamma_{12} = -.13$; $t = -.16$) groups. These results suggest that no moderator effect of the motivational orientation occurs on the relationship between PC and pleasure. Hence, H1 is not supported. Path coefficients between pleasure and satisfaction demonstrate that pleasure has a positive influence of satisfaction, either for the recreational-oriented group ($\gamma_{41} = .52$; $t = 4.99$) or the task-oriented group ($\gamma_{42} = .26$; $t = 2.46$). Results also exhibit no significant influence of pleasure on return intent for recreational-oriented consumers ($\gamma_{61} = .23$; $t = 1.64$) and significant positive influence for task-oriented consumers ($\gamma_{62} = .20$; $t = 2.25$).

Path coefficients between PC and stress bring some evidence about the moderator role of motivational orientation. The effect of PC on stress is not significant for recreational-oriented consumers ($\gamma_{21} = -.15$; $t = -1.81$) whereas it is significant for task-oriented consumers ($\gamma_{22} = -.33$; $t = -4.47$). Thus, H2 is supported. Path coefficients between stress and satisfaction demonstrate that stress has a negative influence of satisfaction, either for the recreational-oriented group ($\gamma_{51} = -.49$; $t = -3.43$) or the task-oriented group ($\gamma_{52} = -.57$; $t = -4.74$). Results exhibit no significant influence of stress on return intent, either for recreational-oriented consumers ($\gamma_{71} = -.23$; $t = -1.39$) or for task-oriented consumers ($\gamma_{72} = -.06$; $t = -.62$).

Somewhat surprising results are the ones related to the influence of PC on satisfaction. Results exhibit a negative influence, either for the recreational-oriented group ($\gamma_{31} = -.48$; $t = -5.25$) or the task-oriented group ($\gamma_{32} = -.25$; $t = -2.39$).

Pleasure and Stress as Mediators of the Interactive Effect of PC and Motivation

To test whether pleasure and stress mediate the interactive effect between dominance and motivation on satisfaction, we conducted the mediation analysis recommended by Baron and Kenny (1986). We coded the two levels of each independent variable (motivation, dominance) as 0 or 1. The satisfaction variable was the dependent variable. We first estimated the regression model (1) and then we introduced pleasure (2) and stress (3). Thus, we tested the following:

- (1) Satisfaction = $\beta_0 + \beta_1 \times \text{motivational orientation} + \beta_2 \times \text{PC} + \beta_3 \times \text{motivational orientation} \times \text{PC}$.
- (2) Satisfaction = $\beta_0 + \beta_1 \times \text{motivational orientation} + \beta_2 \times \text{PC} + \beta_3 \times \text{motivational orientation} \times \text{PC} + \beta_4 \times \text{pleasure}$.
- (3) Satisfaction = $\beta_0 + \beta_1 \times \text{motivational orientation} + \beta_2 \times \text{PC} + \beta_3 \times \text{motivational orientation} \times \text{PC} + \beta_4 \times \text{stress}$.

Evidence in support of pleasure or stress as mediators arises if β_3 is statistically significant in Model 1 but not statistically significant in Model 2 or Model 3. Results do not support the hypothesized mediating effects of pleasure and stress. The interaction between PC and motivation was neither significant in Model 1 ($\beta_3 = .035$, $t = .101$, $p = .920$) nor in Model 2 ($\beta_3 = .573$, $t = 1.204$, $p = .230$) nor in Model 3 ($\beta_3 = -.062$, $t = -0.114$, $p = .909$). Thus, H3 about the mediating effects of pleasure and stress on the relationship between PC and satisfaction was not supported.

GENERAL DISCUSSION

The objectives of this study were to examine whether PC in the store environment affect emotions and relational responses. More specifically, this research set out to explore the influence of PC according to shoppers' motivational orientation. Our results show that motivational orientation does not moderate the relationship between PC and pleasure. In other words, more PC may not lead to more pleasure, whatever the low or high level of utilitarian motivational orientation. This is quite surprising, considering previous research that emphasized the major role of PC on pleasure (Hui and Bateson 1991; Ward and Barnes 2001). An explanation for this finding is that when shopping motives are task-oriented, shopping is experienced as a work and pleasure is less likely to emerge from it. This lack of pleasure during the shopping experience for high task-oriented shoppers is frequently demonstrated in retailing research. For example, Fischer and Arnold (1990) found that Christmas gift shopping in contemporary North American celebrations is taken quite seriously as real and important work by women.

Since H2 is supported, it appears that motivational orientation moderates the effect of PC on stress. For task-oriented shoppers who want to shop efficiently, a perception of lack of control leads to increase in stress. This effect is not exhibited for recreational-oriented shoppers who just want to experience fun shopping. This moderator effect is consistent with Averill (1973) who suggests that the stress-reducing property of PC depends upon the meaning of the control response for the individual.

Additionally, our results indicate stress as a better mediator than pleasure for the relationship between PC and satisfaction, especially for task-oriented shoppers. When such shoppers expect control but environmental characteristics don't provide a sufficient level of control, lack of control leads to an increase of stress, resulting in lower satisfaction and return intent. This result is consistent with a very wide stream of research findings which has showed that maintaining a sense of PC helps to cope with stressors. This is also consistent with Lazarus and Folkman's transactional view (1984) which sees stress as a product of the transaction between the person and the environment according to its controllability. Thus, it appears that negative effects of arousal-inducing store environments are occurring for task-oriented consumers because such environments prevent them from controlling their shopping experience, generating an increasing feeling of stress.

Most surprisingly, results demonstrate a moderator role of motivational orientation on the effect of pleasure on return intent. Since the influence is greater for task-oriented shoppers, it could be argued that because task-oriented forecast not to feel pleasure while shopping, pleasure makes the shopping activity even more enjoyable, improving return intent.

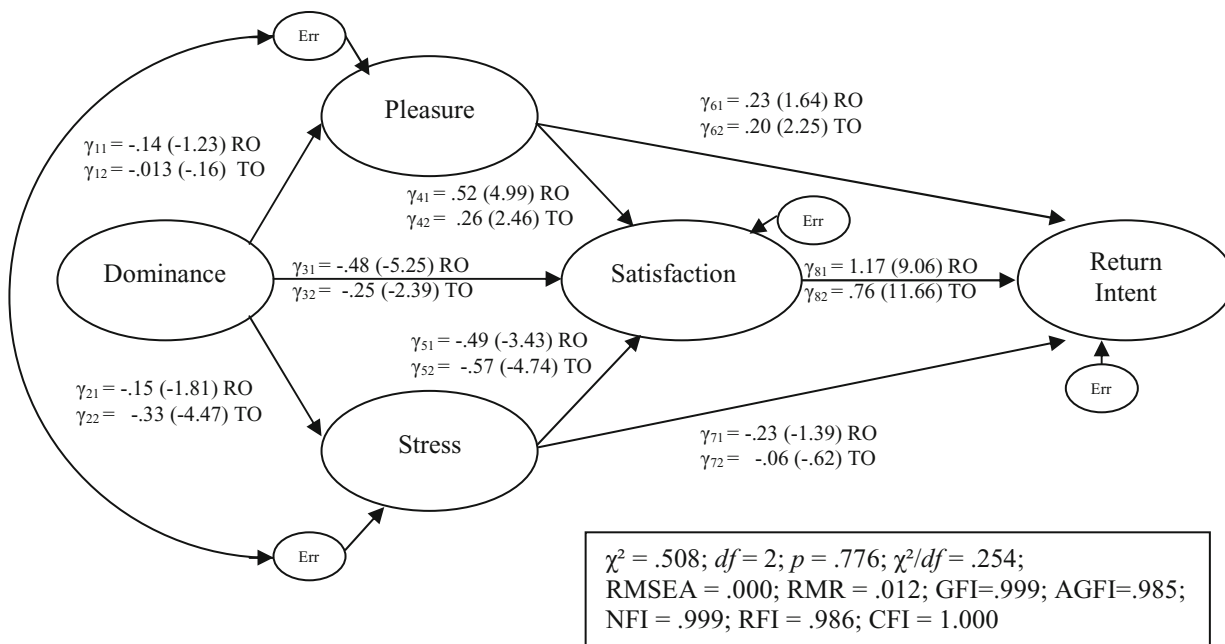
The results confirm that the level of utilitarian motivational orientation moderates the relationship between PC and stress. The findings also show that PC mostly influences return intent and stress, and not pleasure. These results are of particular interest for retail management. They reinforce the emerging thesis that successful store environments would truly be those that provide the right level of PC through their design. Thus, from a managerial point of view, our findings provide guidelines for the designing of retail environments. Interior designers may assume that by providing adjustment capabilities for specific features of the environment, they impact shoppers' PC. Consequently, even if it is usually written that retailers should use atmospherics as a key component of the store environment, they should be aware that the way consumers react to atmospherics depends on their shopping motivation and their PC. Task-oriented consumers do not expect to be disturbed when shopping, they just want to achieve their goal quickly, easily and efficiently. This implies that retailers should develop an atmosphere that provides enough PC, while the environment should be less control-inducing for recreational-oriented consumers. Although increase in control could not lead to more pleasure for shoppers with task-oriented motivational orientation, decrease could lead to negative responses, such as stress. For retail environments in which shoppers are task-oriented, such as supermarkets or grocery stores, design must be control-inducing, preventing from crowding and providing some freedom and choice. Thus, supermarkets managers should think more about the way they can facilitate the goal achievement of their customers instead of spending great amounts of money in atmospherics policies.

Perhaps the first and overriding limit of our research is the measurement of the PC concept. Since the multi-item dominance subscale is widely used in retailing research, we retained it as a measure of PC. However, the semantic domain of control requires study to develop multi-item scales of PC that discriminate it from its close relatives. Thus, greater exploration of the PC concept than what has been done so far is still needed, particularly in the retail context.

Moreover, it stemmed out of our study that there was no apparent connection between PC and pleasure, which is inconsistent with prior research (Hui and Bateson 1991; Ward and Barnes 2001). The fact that the shoppers we interviewed at the exit of the two supermarkets were predominantly task-oriented would explain some of our results. Moreover, considering the importance and the wide variety of hedonic shopping motives in retail research (Arnold and Reynolds 2003), we could have used a multi-item scale which provides a better measurement of this concept. Finally, retail research might want to consider further investigating the relationship between motivational orientations and PC in order to generalize our results to other retail contexts.

FIGURES

Figure 1: Multigroup Equations with Test Statistics



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WHEN CONSUMER LIKES TO ENGAGE IN SELF-DESIGN TASK AND SHOWS POSITIVE EVALUATION FOR THE SELF-DESIGN PRODUCT: THE EFFECT OF REGULATORY ORIENTATION

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ABSTRACT

This research focuses on individual consumer's response to self-design projects. Drawing on regulatory focus theory, this research investigates when consumer is more likely to engage in self-design projects and when consumer evaluates her self-designed product more positively. We propose that promotion-focused consumer is more likely to engage self-design projects than prevention-focused one. Furthermore, from the regulatory fit perspective, we also propose that promotion-focused consumer will evaluate her designed product more positively and will pay more for that product. Our preliminary findings from two experiments and a field study provide empirical evidence for our hypotheses.

INTRODUCTION

One major change in the market place today is that consumers are becoming the designers of their own products. From Nike shoes to Dell computers to Naked and Angry ties, more and more companies provide the necessary tools for self-design, encourage consumers to carry out their bold ideas, and sell the self-designed items to their own designer and producer. Although it is assumed that self design can benefit both manufacturers and consumers, only limited research has examined this issue in consumer literature (Moreau and Herd 2010).

From a motivational perspective, self-design involves a high motivation in gaining self-identity, self-improvement, and self-accomplish (Dahl and Moreau 2007, Franke and Scheier 2007; Franke et al. 2010). According to regulatory focus theory, some consumers may show greater willingness to attain this gaining goal, but not others (Higgins 1997, Friedman and Förster 2001). Particularly, in this article, I propose that promotion (vs. prevention)-focused consumers are more likely to design their own products. Furthermore, based on the regulatory fit theory (Avnet and Higgins 2006), I propose that promotion-focused consumer might evaluate her designed product more positively.

HYPOTHESIS DEVELOPMENT

Research on self-design behavior tries to find out why consumers tend to design products by their own. The results show that consumers prefer self-designed product partially because it can provide a feeling of self-improvement (Csikszentmihalyi 2000), accomplishment (Franke et al. 2010), uniqueness-seeking (Franke and Schreier 2007), enjoyment (Franke and Schreier 2010) and freedom to choose (Dahl and Moreau 2007). In sum, consumers engage in self-design for the purpose of gaining (accomplishment, self-esteem, self-identity, self-improvement, etc.). Then consumers who pursue these goals may more likely to accept self-design tasks.

The regulatory focus theory suggests that people can pursue a goal with either a promotion or prevention focus (Higgins 1997).

Promotion focus is oriented at approach, such as accomplish, self-improvement, and uniqueness. Whereas prevention focus is oriented at avoidance, such as security, safety, and risk averse. Particularly, Friedman and Förster (2001) argued that promotion (vs. prevention)-focused individuals are more likely to find a new solution for a given task. Thus, consumer with a promotion focus may more likely to engage in self-design because self-design is a creative behavior and can satisfy the gaining goals of this segment of consumers. And consumer with a prevention focus may less likely to engage in self-design because compared with expert-design, self-design needs more creative capabilities, is more risk seeking, and makes consumer to face the uncertain outcomes.

Regulatory fit is conceptualized as the increased motivational intensity that results when there is a match between the manner in which a person pursues a goal and his or her goal orientation (Aaker and Lee 2006). That is, when engage in activities that dominated by gain aspects, promotion focused people perceive more fit and experience what Avnet and Higgins (2006) called “it-just-fell-right”, while prevention focused people perceive less fit and may experience a bad feeling. Extent regulatory fit literature has demonstrated that a fit feeling can positively influence consumers’ judgment (Aaker and Lee 2006). Coming to the topic of self-design, promotion-focused consumers may feel more fit than those prevention-focus ones in a self-design task, since self-design can provide gain values and help sustain their regulatory orientation. Thus, promotion focused consumers will evaluate their self-designed product more positively.

Hence, we hypothesize that promotion (vs. prevention)-focused consumers are more likely to engage in self-design task and tend to evaluate their self-designed products more positively. In the following parts, we will examine our hypotheses through two experiments and a field study.

STUDY 1

The purpose of study 1 is to explore the relationship between regulatory focus and consumers’ tendency to engage in self-design task. In experiment 1a, we will measure participants’ chronic regulatory focus following Higgins et al.’s (2001) method and their willingness to engage in a self-design task. In experiment 1b, we will manipulate participants’ temporal regulatory orientation and observe their actual behavior.

Experiment 1a

Forty Chinese students participated in an experiment with a one-factor (regulatory focus: Promotion vs. prevention) within-subject design. Firstly, participants were informed to finish a questionnaire on their self concept as a consumer. Following Higgins et al.’s (2001) Regulatory Focus Questionnaire, which includes 11 items. Among those items, items 1, 3, 7, 9, 10, and 1 are promotion scale items, while items 2, 4, 5, 6, and 8 are prevention scale items. Then a participant’s predominant focus is computed by subtracting the mean of prevention scale items from the mean of promotion scale items. Thus, participants with a final positive value indicates promotion foci and those with a negative value indicates prevention foci. Next, participants were asked to image that they are buying a backpack in a famous online-store. Consumers can choose an already-finished-product or design their backpack by themselves. Then, participants were asked to rate their tendency to design their own backpacks on a 9-point scale (1=very unlikely, 9=very likely) and to rate how interesting/funny/enjoyable the process of self-design if they were asked to design the backpack ($\alpha=0.79$).

The influence of the regulatory focus on consumers' tendency to engage in self-design is significant ($F(1,38)=8.72$, $p<0.01$) with promotion-focused consumers more likely to engage in self-design ($M=6.85$ vs. $M=5.30$). Furthermore, when asked to complete a self-design task, promotion-focused consumers ($M=5.78$) are more enjoyable to the self-design process than prevention-focused ones ($M=4.67$, $F(1,38)=16.75$, $p<0.001$).

Experiment 1a shows initial evidence to our hypotheses. However, it only involves consumers' intention to engage, rather than actual behavior. In experiment 1b, we will use really self-design process to measure consumers' engagement tendency. Besides, experiment 1b will manipulate consumers' regulatory focus.

Experiment 1b

Thirty-two undergraduate participated in this experiment. They were asked to interview a famous cake house located in the CBD of the city with three to five students as a team. They were guided to a quiet room and sit down. The first part of the study was to prime participants regulatory focus using the similar task of Wan, Hong, and Sternthal (2009). This task has been proved to be an effective way to manipulate individual's regulatory orientation, especially for Asian participants. Participants were asked to write down their thoughts about an important course they were enrolled at the time. In particular, those in the promotion-focused condition were asked to write down a positive outcome they wish to achieve from the course and to describe the strategies they might use in detail. In contrast, those in the prevention-focused condition were asked to write down a negative outcome they want to avoid from the course and to describe the strategies they might use to avoid it in detail. Next, experimenter told them that they can have a cake for free as a present and they can choose a cake on the table or make a cake by themselves. After choosing or making the cake, they were thanked and allowed to leave.

A Crosstabs analysis shows that participants primed with promotion focus are more likely to engage in actual self-design behavior than their prevention-focused counterparts ($\chi^2=4.75$, $p=0.033$). Further analyze found that of promotion-focused consumers, 75% designed their own cakes, but of prevention-focused ones, only 37.5% designed their own cakes.

Experiment 1a and 1b support our hypothesis that promotion-focused consumers are more likely to engage in self-design tasks. Experiment 1a examine this hypothesis using backpack and imaging design process, while experiment 1b test it with cake and actual design process.

STUDY 2

The purpose of study 2 is two-fold. Firstly, it can test the conclusion of study 1 in a different research design and context. Secondly, it will test the regulatory fit theory of self-design product, that after complete a self-design task, promotion-focused consumers will show higher evaluation than prevention-focus ones.

Ninety-two students took part in our experiment for ¥5. It was an online experiment with a one-factor (regulatory focus: promotion vs. prevention) between subject design. We manipulate participants' regulatory focus following Higgins et al.' (1994) method. In this prime task, participants were asked to write a short essay about their hopes/aspirations or duties/obligations. Since hopes/aspirations are linked to promotion foci and duties/obligations are linked to prevention foci, those asked to report their hopes/aspirations are primed with promotion focus and those asked to report duties/obligations are

primed with prevention focus. Next, they were informed to complete a backpack choosing task, in which they can both choose an expert-design or design a backpack by themselves. In the self-design condition, participants were offered with the necessary toolkits and were told that they can design the backpack at their own will. Then, they were asked to evaluate the backpack they have chosen and report their WTP.

An initial test shows that 42 of the 47 students (89.36%) primed with promotion focus chose to design the backpack by themselves, while 30 of the 45 students (66.67%) primed with prevention focus chose to design by themselves ($\chi^2=6.96$, $p=0.008$). Concerning evaluation, promotion-focused participants ($M=5.71$) are significantly higher than prevention-focused ones ($M=4.12$, $F(1,70)=70.37$, $p=0.000$) among those who chose to design their own backpack. For those who only chose an expert-design product, promotion-focused and prevention focused participants show no difference in evaluation ($M=4.60$ vs. 4.68 , n.s.). Concerning WTP, we found an interaction effect between regulatory foci and self-design task ($F(3, 88)=4.89$, $p=0.003$). In-depth analysis found that for those who chose to design their own backpack, promotion-focused participants are willing to pay a premium price ($M=118.32$) than their prevention-focused counterparts ($M=99.73$; $F(1, 70)=6.96$, $p=0.010$).

Study 2 shows further support to the results of study 1 and our hypothesis about the effect of the fit between regulatory orientation and activity (or resolution strategy) on consumers' evaluation and WTP. Our results demonstrate that promotion-focused consumers tend to evaluate their designed products more positively and will pay for that product.

DISCUSSION

Based on regulatory focus, this research is among the initial efforts to investigate when consumer prefers to engage in self-design and shows more positive evaluation to her self-designed product. The results from two laboratory studies and one field study showed that promotion-focused consumers are more likely to engage in self-design tasks and evaluate their designed products more positively.

These findings contribute to the literature of self-design in two ways. First, unlike what the prior researches state that most consumers like to try self-design (e.g., Randall et al. 2007), we show that some consumers may more likely to engage in self-design than others. Second, since little attention has focused on consumers' evaluation of their self-designed products (Moreau and Herd 2010), our research contribute to this issue by showing that when the self-design tasks match regulatory orientation, evaluation will be more positive. In addition, the current research also contributes to the regulatory focus theory by synthesizing and examining the dual roles of regulatory focus in shaping consumers' judgment, behavioral intention, and actual behavior.

However, as a working paper, there are many works need to be done by further investigations. These works can help clear the theoretical background of our research and strengthen the robust of our empirical findings. First of all, more research about mass customization, self-design, and user-design should be included in our literature review. As a working paper, we only reviewed limited literature to save the space. A more extensive literature review will be done as we go further with our study. Secondly, the underlying mechanism of self-accomplish or uniqueness should be considered in our next study and rule out other alternative explanations such as mood. Thirdly, the manipulation checks for our prime tasks need to be considered in our subsequent research. Although we all chose the well-known prime tasks in the literature, the missing of manipulation checks is a drawback of this paper. Forth, the effect of information frame must be studied in our further research. Our basic hypothesis in

current research is that self-design task is more creative and risk-seeking than expert-design one. But this can be reversed as the information frame changes. So, if our hypotheses are right, consumers' preferences should alter as the direction of information frame.

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Thursday, 21 July
Time: 10:30 AM

Session Number: **6.2: Social Responsibility**

Session Chair: Balazs, Anne, *Eastern Michigan University*

Evidence of Consumer Abstraction Effects in CSR and Identification Evaluations

Wolter, Jeremy, *Florida State University*

Cronin, J Joseph, *Florida State University*

Smith, Jeff, *Florida State University*

Understanding the Risk Mitigation Decision: Homeowners and Environmental Risks

Martin, Ingrid, *California State University, Long Beach*

Martin, Wade, *California State University, Long Beach*

Customer Orientation, Merchandising Competencies, and Financial Performance of Small Fashion Retailers in Bangkok

Chotekorakul, Warin, *Assumption University*

Nelson, James, *Thammasat University*

EVIDENCE OF THE PRIMARY ROLE OF ENVIRONMENTAL IMAGE IN CONSUMER CSR EVALUATIONS

Jeremy Wolter, Florida State University, United States
J. Joseph Cronin, Florida State University, United States
Jeffery Smith, Florida State University, United States

INTRODUCTION

Companies are investing greater resources into corporate social responsibility (CSR) initiatives as a component of their marketing strategy. Corporate philanthropic giving, sustainability initiatives, and community involvement are all on the rise as companies attempt to establish, maintain, and/or enhance a reputation for social responsibility. For example, a Forbes listing of the seventy eight most generous companies noted that charitable giving rose from \$3.6 billion in 2006 to \$3.8 billion in 2007 (Kirdahy 2008). Similarly, many of the companies in Fortune's ranking of the 100 best companies to work for avoided laying off employees despite the recent global economic downturn (Fortune 2010). Additionally, General Electric is doubling the investment into Ecomagination, a green focused research and development program, between 2010 and 2015 (Lombardi 2010). Initiatives such as these are becoming more common for companies as they are blatant, tangible signals of a firm's CSR efforts. While being deemed socially responsible by analysts (e.g, CNN, Fortune, or KLD) requires a company to excel on all areas of CSR, a consumer's evaluation may not entail the same broad assessment.

This research outlines why a company's environmental image is the primary determinant of how a consumer evaluates that company as socially responsible. The rationale for the study is grounded in the inherent accessibility of information in a person's working memory. In essence, information can be stored on a continuum of abstractness (Johnson 1984). The lowest levels of abstractness represent single item facts while higher levels represent more global evaluations. Memories at higher levels of abstraction are easier to recall than memories at lower levels and therefore are more salient and more likely to influence choice (Chattopadhyay and Alba 1988). Currently held abstract evaluations are updated by new information where the ubiquitous information dominates the abstract evaluation and subsequently becomes perceived as reality (Hawkins and Hoch 1992). In addition, research suggests that consumers will infer evaluations of unknown attributes from known attributes (Dick, Chakravarti, and Biehal 1990). Thus, the information on company attributes that is more ubiquitous will come to dominate global evaluations of the company and be used to make inferences for any unknown attributes.

Though CSR is made up of multiple components, most of the components such as philanthropic giving, employee treatment, and community involvement are not heavily communicated. In contrast, information about a company's environmental image is becoming increasingly communicated in advertising, packaging, and in-store promotions (Urbach 2008). In fact, environmental posturing has gotten so prevalent that the term "greenwash" has been developed to describe the action (Swift 2008). Thus, the more ubiquitous environmental information should play a larger role in a consumer's determination of a company's CSR image as compared to other CSR dimensions (i.e., employee treatment, philanthropic giving, and community involvement). Since the environmental information is more prevalent, it is also likely that consumer evaluation of the CSR sub-dimensions is reliant on the environmental dimension which acts as an anchor for the unknown dimensions. Thus, the environmental image of a company should either be the strongest predictor of a consumer's CSR evaluation.

The importance of a company's environmental image is further revealed by modeling the chain of effects from the influence of perceived CSR on perceived similarity and then consumer-company identification (Bhattacharya and Sen 2003). Since previous research has shown that a CSR image plays a prominent role in determining a person's identification with a company (Hoeffler and Keller 2002; Sen and Bhattacharya and Korschun 2006), a company's green reputation is predicted to have a strong indirect influence on the degree to which a customer identifies with a company. Therefore, the goal of this research is twofold. The first goal is to empirically demonstrate that even though CSR is a broad concept, consumers evaluate the totality of social responsibility based primarily on a firm's perceived environmental reputation. The second goal is to empirically validate the importance of a consumer's reliance on a company's environmental image by examining its indirect effect on the perceived similarity and identification with the company.

METHODOLOGY

To test the posited relationships, data were collected through a cross sectional method. Respondents were recruited from a city in the southeastern United States by trained survey administrators to take an electronic version of the questionnaire. A sampling quota was utilized to ensure the sample matched the demographics of the area. To avoid self-selection bias, respondents were randomly assigned one of five companies (Wal-Mart, Target, Publix, Starbucks, and McDonald's). A pretest was used to ensure the companies were easily recognized, well known to the population, and were not universally

accepted as being leaders in corporate social responsibility. Since the purpose of the research was to understand consumer perceptions of CSR, companies were chosen so that the four CSR dimensions (charitable giving, environmentally friendly, community involvement, employee treatment) were able to be assessed. More specifically, companies were chosen so that professional rankings of the CSR dimensions were available.

A total of 181 respondents were recruited with each being asked a total of thirty questions aimed at assessing their perception of one of the five companies. Four items assessed how each respondent thought the company fared on each of the CSR dimensions (e.g. "This company supports charities and/or non-profits"). The respondents were then asked to indicate how well a set of characteristics described the company. Three characteristics were used to assess the respondent's general consideration of the company's CSR image (e.g. "To what extent is the company...socially responsible? ...responsible? ...ethical?") and corporate ability image (the corporation's capability for producing products as originally put forth by Brown & Dacin 1997; e.g. "To what extent is the company...high quality? ...innovative? ...efficient?"). The respondent was then asked how well each characteristic described themselves (e.g. "To what extent are you...?"). In addition, respondents rated the companies and themselves on personality measures taken from Slaughter Zickar, Highhouse, and Mohr (2004) so that the effect of the company personality could be controlled. The squared Euclidean distance was then calculated between the ratings of the company and the respondent in order to compute a similarity measure of the CSR image, performance image, and personality image. Lastly, each respondent was asked three general questions regarding how similar the company was to themselves (e.g. "I think that I am similar to this company") to get a more abstract measurement of similarity and two questions regarding their identification with the company (e.g. "My sense of self overlaps with this company"). Demographics were also collected. The social desirability of each participant was measured and the variance of the measure was extracted from consumer evaluations of their own characteristics.

RESULTS

The data was analyzed using a combination of mixed models and ridge regression. Mixed modeling was utilized to control for heterogeneity in the variance of the residuals due to the company based groupings of the respondents. An unconditional model with no predictors was first run on each dependent variable. The intercept was modeled as a random effect to assess the amount of variance within the company groups. An intraclass coefficient showed that five percent of the variation in the identification variable was due to the company grouping while the remainder (95%) was due to individual level variance. The same ratio of variance was found for all other dependent variables except for organizational CSR where fifteen percent of the variance was attributed to company level variance. The company based variance was extracted from all of the models and used as a covariate in the subsequent models.

Ridge regression was utilized to control for any potential collinearity among the independent variables. An initial assessment showed that a ridge coefficient of 0.2 adequately controlled the variance inflation factor for all models with minimal impact on estimated parameters. From there, a total of four different models were analyzed. The first model consisted of regressing the company's CSR image on each of the four CSR dimensions to see which dimension was the most significant predictor of the more abstract CSR evaluation. The company's perceived environmental friendliness had the largest effect ($\beta = 0.31$, $p < 0.01$) followed by community involvement ($\beta = 0.19$, $p < 0.01$), employee treatment ($\beta = 0.11$, $p < 0.05$), and philanthropic giving ($\beta = 0.01$, $p = .54$). This finding supports our hypothesis that perceived green orientation is the predominant information used by consumers when evaluating a company's CSR image. However, the significance of three of the CSR components suggests that the CSR image is a multi-criterion evaluation.

The second model consisted of regressing the respondent's general perception of similarity on the component similarity measures (CSR ability, corporate ability) while controlling for demographics and the perceived similarity on personality measures. The similarity of the CSR characteristics had the largest coefficient ($\beta = 0.17$, $p < 0.05$) followed by corporate ability characteristics ($\beta = 0.08$, $p = 0.23$). With an overall explained variance of (21%), the results suggest that the perceived similarity with a company's CSR image has the strongest influence on the more abstract similarity evaluation. The third model consisted of two parts. First consumer-company identification was regressed on the similarity components then the general similarity measure was added to the model. The addition of the general similarity measure doubled the amount of variance explained in the identification response while all of the component similarity measures became insignificant. This finding gives support to the generally supported idea that global evaluations predict other global evaluations. The fourth and final model consisted of regressing, consumer-company identification on identity similarity, identity distinctiveness, and identity prestige while controlling for the company level variance and individual demographics. Similarity was the strongest predictor ($\beta = 0.26$, $p < 0.01$) followed by distinctiveness ($\beta = 0.16$, $p < 0.05$), and prestige ($\beta = 0.14$, $p < 0.1$). This last model anchors the environmental image perception to positive consumer-based outcomes by revealing the influence a consumer's perceived similarity with a company has on their identification with that company.

CONCLUSIONS AND IMPLICATIONS FOR THEORY AND PRACTICE

The purpose of the current study was to provide evidence of how a company's environmental image could be the primary driver of the perceived CSR image and subsequently affect an individual's perceived similarity and identification with the company. As a result of the prevalence of environmental information and the nature by which this information dominates abstract evaluations, consumers tend to evaluate a company's CSR image primarily based on the company's environmental policies. While this finding could be influenced by the selected companies or an indication of temporal cultural trends, it suggests that companies currently concerned with consumer perceptions should focus their resources on green products and initiatives. A consumer's perception of similarity to the company was dominated by a company's CSR image. These findings taken together suggest that a company's green practices have the greatest influence on how consumers tend to evaluate their similarity with the company. As a result, engaging and promoting environmentally friendly practices seems to be the surest way for companies to take advantage of consumer-company identification outcomes. More specifically, the relatively small effect of philanthropic giving on the CSR image calls into question this particular resource allocation. If a company's purpose is to create a socially responsible reputation among consumers, the current research suggests that philanthropic giving may contribute nothing to this endeavor.

The finding that the abstract evaluations of similarity were better predictors of consumer-company identification than specific image measures has theoretical implications. Previous research has measured similarity on a characteristic-by-characteristic basis but it may be more appropriate to utilize a consumer's general similarity. The addition of the general similarity measure doubled the amount of variance that was explained in a consumer's identification when it was added to a model containing the similarity measures based on specific characteristics (CSR ability, corporate ability, etc). Thus, future research into identification effects may want to utilize general similarity measures.

It is interesting to note that a substantial amount of variance in the CSR image is attributable to the individual level as determined by the use of mixed models. The four CSR dimensions that were measured accounted for nearly all of the company level variance (78%) in the CSR evaluations. However, there was a large amount of variance (49%) that was unaccounted for that is subsequently composed of individual level variance (95%). This suggests that a large portion of companies' CSR image is dependent on individual characteristics and knowledge. Such a finding supports previous research which suggests that a company's image as perceived by an external stakeholder is not necessarily representative of the company's identity (Brown, Dacin, Pratt, and Whetten 2006). Such a state is particularly likely for a company's CSR image since consumers are often unaware of an organization's CSR initiatives. It also indicates a need for managers to publicize such efforts.

This research was supported by the Institute for Energy Systems, Economics and Sustainability (IESES) at The Florida State University.

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UNDERSTANDING THE RISK MITIGATION DECISION: HOMEOWNERS AND ENVIRONMENTAL RISKS

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INTRODUCTION

The relationship between what people know about various types of risks and to what degree they will act to mitigate any given risk has been the subject of much research across numerous disciplines (Lepesteur, et al. 2008; Lindell and Prater 2002; Mulilis and Duval 1995; Slovic, et al. 1987; Weinstein, et al. 1998). Understanding the factors that influence individuals' decision of whether or not to engage in risk reduction behaviors provides homeowners with important information that increases their likelihood to protect themselves and their property from the risk (Slovic et al. 1987). The objective of our research is to better understand the underlying process that motivates individuals to adopt private risk reduction strategies to protect themselves and their property from natural hazards, specifically wildfire. Understanding this process will aid policy makers in untangling the factors that directly influence the risk perceptions of various stakeholders, in developing effective communication strategies, and in influencing actual behavior on private property while designing incentives aimed at mitigating the risk to individuals and communities. This is based on the assumption that risk reduction behaviors are undertaken as part of a dynamic and adaptive process where consumers and social factors interact (MacGregor et al. 2008). The importance of an improved understanding of these relationships in the context of wildfire was highlighted with the devastating wildfire in Australia in early 2009 and in Greece in 2008 as well as the continuing threats in the U.S.

Achieving a balance between a consumer's perceived risk of damage from a hazard and their willingness to engage in a risk mitigation strategy is a trade-off faced by individuals, communities and public agencies. For example, the decision to keep shade trees close to a home involves the trade-off of the ignition/fire risk and the benefits derived from enjoying the shade and aesthetic beauty provided by the trees. We explore the impact of knowledge, experience, locus of responsibility, and self-efficacy beliefs on the risk mitigation trade-offs consumers continue to face in the 'wildland-urban interface' (WUI) due to the recurring threat of wildfire. An important element of this relationship is the potential mediating influence of an individual's risk perceptions on their ensuing risk reduction behaviors. We build on past research that focuses on the correlation between these variables by demonstrating the causal and mediational relationship between these variables and risk mitigation strategies (Martin, et al. 2009; Lindell & Perry 2000; McGee et al. 2009). We also evaluate the situational differences that exist between fulltime and seasonal residents in the four WUI communities that are the focus of this research. Both types of residents have experienced at least one catastrophic wildfire, and frequently, multiple wildfires in the vicinity of their home. Many of these residents have been evacuated numerous times due to this hazard, yet they seem to react in different ways after the fact. McGee et al. (2009) provide a qualitative analysis that highlights the diversity of reactions by homeowners following various wildfire experiences.

Specifically, our goal is to examine the process which influences risk perceptions and how these factors then affect risk reduction behaviors. In spite of many similarities in characteristics between wildfire and other natural hazards such as floods and earthquakes, wildfire has received much less attention in the natural hazard literature (MacGregor et al. 2008; McCaffrey 2004; Brenkert and Flores 2005; Martin et al. 2007). This is followed by a discussion of the model and the estimation methodology. We then present our empirical results followed by conclusions and a discussion of the policy implications of our findings.

METHOD

In this research, we present a framework that places risk perceptions, direct experiences with risk, responsibility beliefs, self-efficacy, subjective knowledge of a risk, and fulltime/ seasonal status as critical motivators to encourage risk reduction behaviors. The degree to which knowledge and the locus of responsibility influence risk mitigation is mediated by an individual's risk perception. A mail survey was administered in four communities located in the WUI in the western U.S. The communities are primarily developments that are home to retired and part-time residents who generally plan to retire there in the future, except for one community that is located near a major urban center. These are communities that are typically targeted by public agencies for risk mitigation efforts since they are well organized, have an easily identified contact person, their proximity to public lands, and a history of wildfire.

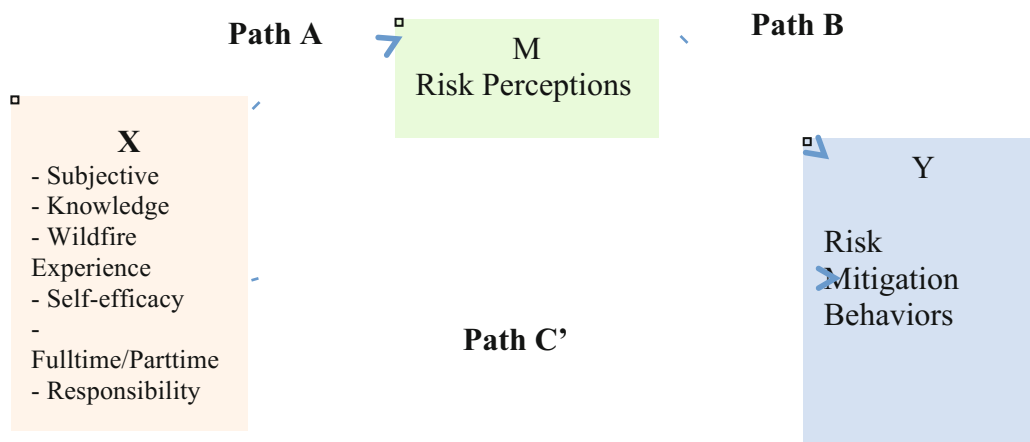
Respondents living in these communities were asked what type of actions they had undertaken, if any, to reduce the risk of wildfire. The set of possible actions is based on the most effective risk reduction behaviors identified by the Firesafe Council

of California. The survey was sent out with a cover letter explaining the project and a self-addressed, stamped envelope for residents to return the completed survey. A reminder postcard was sent out about three weeks after the first mailing with a second mailing including a new survey two weeks later. In total, we received 342 completed and usable surveys for a response rate of 49%, which is above the average response rate for mail surveys.

RESULTS AND DISCUSSION

The results of the mediated regression model are seen in the Mediate Effects Model below. The first test confirmed that all the independent variables (X) had a significant influence on consumers' risk perceptions with the exception of locus of responsibility and two of the three location dummy variables (Path A). The next regression confirmed that risk perceptions had a significant and direct influence on risk mitigation behaviors (Path B). Based on these results, a regression was run with risk perceptions and the other independent variables to test their impact on risk mitigation strategies (Path C'). The regression confirmed that all the independent variables with the exception of locus of responsibility had a significant indirect experience on risk mitigation behaviors. A series of Sobel tests were run to confirm that locus of responsibility did not have a direct or an indirect effect on risk mitigation strategies. We also verified that risk perceptions did not mediate the relationship between locus of responsibility and risk mitigation behaviors. Finally, we confirm that the partial mediation effect of risk perceptions is driven by fire experience, consumers' knowledge of what they believe they know about the risk (wildfires), and their feelings of self-efficacy when confronted with choices of what types of risk mitigative strategies to undertake.

FIGURE
MEDIATED EFFECTS MODEL



CONCLUSIONS AND IMPLICATIONS

Our findings indicate that the factors that influence risk mitigation decisions in the case of wildland fire threats are subjective knowledge, experience, self-efficacy and full-time residence as a proxy for attachment to place. All of these factors are positively related to the homeowner decision to mitigate the risk from wildland fire. Also, we found that these factors have both direct and indirect effects on the decision. The indirect effects are mitigated through the consumers' risk perceptions. We also found that the 3 rural communities were less likely to undertake risk mitigation behaviors than the community located closer to the urban center.

The implications of our findings are that policy makers should use the results to target their risk communication message in at least two ways. First, they should develop information campaigns that would improve the knowledge of homeowners living in high risk areas regarding the risk of wildfire. Improving homeowner's knowledge of the risk will assist in strengthening the mediated indirect effects of this variable. Second, realizing that full-time residents of the area are more likely to undertake risk mitigation behavior the policy maker should target messages toward part-time residents since they are less likely to take preventative actions. Also, it may be appropriate to subsidize part-time residents in their risk mitigation efforts due to the potential spillover effects from lack of action.

APPENDIX
Model Results

Path C: Beh = f(X)

Variable	Coefficient	Stand. Error	t-value	p-value
Subjective Knowledge	0.399	0.099	4.05	.000
Fire Experience	1.588	0.519	3.06	.002
Self-efficacy	0.165	0.079	2.07	.039
Responsibility	0.185	0.098	1.88	.061
FT/Seasonal	-1.444	0.243	-5.93	.000
Location 1	-1.544	0.303	-5.10	.000
Location 2	-1.025	0.278	-3.69	.000
Location 3	-0.964	0.280	-3.44	.001
$R^2 = 0.36$	n=342			

Path A: Risk Perceptions = f(X)

Variable	Coefficient	SE	t-value	p-value
Subjective Knowledge	0.255	0.064	3.99	.000
Fire Experience	0.742	0.337	2.20	.029
Self-efficacy	-0.134	0.052	-2.59	.010
Responsibility	0.055	0.064	0.86	.390
FT/Seasonal	-1.39	0.158	-8.76	.000
Location 1	0.945	0.197	4.81	.000
Location 2	0.148	0.180	0.82	.414
Location 3	0.242	0.182	1.33	.184
$R^2 = .42$	n=342			

Paths B & C' Beh = f(X, M)

Variable	Coefficient	SE	t-value	p-value	Sobel Test
Risk Perception	0.165	0.084	1.96	.05	
Fire Experience	1.466	0.521	2.81	.005	2.088 (p<.037)
Subjective Knowledge	0.357	0.100	3.55	.000	3.415 (p<.000)
Self-efficacy	0.187	0.080	2.33	.020	-2.413 (p<.016)
Responsibility	0.175	0.098	1.79	.074	0.853 (p<.394)
FT/Seasonal	-1.216	0.269	-4.52	.000	
Location 1	-1.700	0.312	-5.45	.000	
Location 2	-1.050	0.277	-3.79	.000	
Location 3	-1.004	0.280	-3.59	.000	
² R = .37	n=342				

References Available Upon Request

CUSTOMER ORIENTATION, MERCHANDISING COMPETENCIES, AND FINANCIAL PERFORMANCE OF SMALL FASHION RETAILERS IN BANGKOK

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INTRODUCTION

Does a retailer's customer orientation influence its financial performance? We examine this question in an understudied context of small retailers selling women's clothing in dense, clustered settings. Our purpose is to learn the effects of customer orientation and fashion merchandising competencies on retail financial performance. From a resource advantage theory perspective (Hunt and Morgan 1995), customer orientation and fashion merchandising competencies are internal organizational processes that create value for customer segments. The two processes are imperfectly mobile across rival retailers and are innovatively managed in attempts to give stores a long-term competitive advantage.

We define customer orientation as a set of beliefs that focuses on interests of customers to develop a long-term profitable enterprise, mindful of interests of owners, managers, and employees. We define merchandising competencies as a set of knowledge, beliefs, and skills relevant to decisions about fashion trends, merchandise assortments, fashions, and styles.

METHODOLOGY

We chose women's clothing stores in Bangkok clothing clusters as our population of interest, defining a cluster as a spatially concentrated group of retailers whose major product line is women's clothing. A clothing store is defined as a retailer that sells only (or primarily) women's clothing to end consumers. Our first-stage frame of 22 clusters was compiled from advertisements, interviews with target customers, and interviews with cluster managers. We used simple random sampling to select 10 clusters. Our second-stage frame consisted of maps of store locations; we used systematic random sampling to select approximately 30 stores in each cluster.

After reviewing relevant literature but before designing the survey form, we conducted 15 in-depth interviews (about 90 minutes each) with store owners at two clusters not among the 10 used for data collection. A formal guide provided consistency across interviews and indicated probing and follow-up questions to clarify responses. Interview transcripts described owners' efforts to differentiate themselves from rivals and to avoid price competition. Owners recognized the importance of mutual success among fellow competitors, believing that performance of any store depended partly on performance of other stores. Owners described strategies for merchandise selection, stocking, pricing, and customer service. Most described interactions and cooperative behaviors with other stores, high store mortality rates, and the existence of a list of potential competitors waiting for rental space to be vacated. Owners at the two clusters differed in their perceptions of competitive intensity, sense of community, and store success. The interviewer noted that stores targeted a relatively homogeneous segment of women between ages 18 and 35 and offered near-identical assortments and services. A few other nearby stores sold related merchandise such as handbags and shoes. Most owners operated their stores. Most stores had layouts similar to their rivals with no possibility to expand.

From interviews and measurement scales in the literature, a first draft of the questionnaire was written in English and translated into Thai by a bilingual, native Thai. Original and back-translated versions were examined for discrepancies and resolved during meetings with the translators. Items measuring our variables of interest appeared as 29 Likert scale statements (each set against seven-point response categories) and two questions measuring return on investment and probability of survival. A pretest was administered to 16 store owners in two clothing clusters (again, not among the 10 chosen for data collection). Based on this feedback and basic analyses (descriptive statistics, exploratory factor analysis, item-to-total correlations, coefficient alpha), many items were refined and eight eliminated.

All but two percent of contacted store owners at the 10 chosen clusters agreed to cooperate. If an owner refused, the closest similar store was substituted. A small gift and an offer to receive a summary of research results were used as incentives. Owners were told the academic purpose of the study, promised confidentiality of responses, and asked to give accurate responses. Questionnaires were left with owners with a request for completion by the following day. Stores were visited the next day and completed forms scanned for missing and extreme responses. Owners were asked to complete unanswered questions, explain extreme responses for their estimates of store daily foot traffic, and adjust extreme responses to more

realistic values. Stores were visited on ensuing days until the form was completed or the owner refused. This procedure resulted in 285 completed questionnaires of the 300 distributed.

Store financial performance was taken as responses of store owners in three forms: a five-item summed scale (measuring profits, sales revenues, sales growth, return on investment, and overall success relative to competing stores) a single item measuring return on investment for the preceding 12 months, and a single item asking for the estimated probability of store survival over the next three years. Responses are subjective evaluations made by store owners, reducing memory problems and disclosure concerns prominent when objective estimates of financial performance are gathered (Pelham and Wilson 1996).

Three independent variables comprise our merchandising competency variables. Fashion trend forecasting is the retailer's ability to predict identities, popularities, and timings of clothing styles. Merchandise assortment is the retailer's ability to maintain a mix of inventory in terms of qualities, usage purposes, styles, and prices. Fashion leadership is the retailer's ability to occupy a favored position among rivals based on merchandise styles, designs, and fabrics. Two other independent variables comprise our customer orientation variables. Customer service (CS) orientation is the retailer's ability to provide courteous and easy support to customers in terms of merchandise-related information, advice, and problem solving. Customer service is positively associated with retail sales performance (Moore and Fairhurst 2003) and ultimately leads to increases in store profits (Wiles 2007). Customer relationship management (CRM) orientation is the retailer's ability to establish and maintain long-term relationships with its customers, especially with its most valuable customers. CRM generally has a positive relationship with firm performance (e.g., Payne and Frow 2005; Ryals 2005).

All hypotheses are stated as expectations of positive relationships between our research variables. We present H1 for fashion trend forecasting as typical of our first five hypotheses:

H₁: Fashion trend forecasting skills are positively related with store financial performance.

Because we hold that customer service will be effective only if the retailer is a capable merchandiser, we test two additional hypotheses to examine the incremental effects of CS and CRM orientations beyond those of merchandising competencies. We present H6 for CS orientation below:

H₆: CS orientation has an incremental impact on store financial performance beyond that of merchandising competencies.

RESULTS AND DISCUSSION

After auditing 50 cases for data entry errors, we conducted exploratory and confirmatory factor analyses to develop our measurements. Analyses yielded expected results except for merchandise assortment where a two- rather than a one-factor solution resulted. We identified the two subscales as merchandise assortment quality and variety, each having two scale items. Inspection of communalities, factor loadings, and standardized residuals indicated that reliability of several scales could be improved by deleting six items. Summary statistics describe satisfactory measurement properties except for the assortment variety scale, where reliability is slightly below 0.70. Values for skewness and kurtosis for all scales show no substantial departures from normality. A check for out of range values found six outlier cases for return on investment and these stores were removed from further analysis. Four additional cases also were removed as a result of setwise regression analyses described below. Thus, all following analyses use responses from 275 store owners.

Scale correlation values support all hypotheses of bivariate relationships between independent variables and subjective performance. Values support all bivariate hypotheses between merchandising competency variables and return on investment but fail to support H_4 and H_6 for the CS and CRM orientation variables, respectively. Values support bivariate hypotheses H_1 , H_3 , H_4 , and H_5 for probability of survival. Presaging results for H_6 and H_7 , correlations between merchandising competencies and financial performance measures are generally larger than those for CS and CRM orientations. Also, modest correlations among the three performance measures indicate that these measures represent different aspects of financial performance.

We used setwise regression as our basic analysis method. Predictors in Model 1 contained the four fashion merchandising competency variables and the owners' estimate of daily foot traffic (a surrogate for store location). Model 2 then added the CS and CRM orientation variables to predictors in Model 1. Models 1 and 2 were fit separately for the three performance measures. Results indicated a significant regression relationship in all models, with R^2 values of 0.36, 0.09, and 0.16 for subjective performance, return on investment, and probability of survival. Standardized coefficients for the merchandising competency and control variables are almost identical in Models 1 and 2, showing foot traffic a significant predictor across all dependent variables and fashion leadership to have strong relationships with subjective performance and probability of

survival. Merchandise assortment quality has two significant relationships but substantially smaller standardized coefficients than those for fashion leadership. Fashion trend forecasting and merchandise assortment variety have no significant relationships. CS and CRM orientations in Model 2 have no significant relationships, given Model 1 predictors and the control variable are in the model.

From a concern for lack of independence of errors in setwise regression, a last analysis was performed with the full set of predictors using hierarchical linear models (HLMs). The need for HLM analysis is indicated by the intraclass correlation coefficient, with values calculated for subjective performance, return on investment, and probability of survival at 0.005, 0.18, and 0.11. The very small value for subjective performance implies that setwise regression results should describe relationships reasonably well. However, as a precaution, we performed HLM analyses for all three dependent variables. As expected, the intercept variance for subjective performance was not significant ($p > 0.96$) and setwise results are preferred. However, the intercept variance for return on investment was significant ($p < .03$), while that for probability of survival approached significance ($p < .08$). Inspection of HLM results for these two variables found no substantive differences from setwise regression coefficients and only one substantive difference in significance levels. A last set of HLM analyses again used the full set of predictors but allowed for all two-way interactions. Coefficient sizes and significance levels again were similar to setwise results, with only two of the 45 interaction terms significant. Given these small differences, we prefer setwise results.

CONCLUSIONS AND IMPLICATIONS FOR THEORY AND PRACTICE

Why did we find no substantive relationships for financial performance with our two customer orientation variables? We offer the following as answers. Fashion goods shoppers regularly seek variety and uniqueness, compare offerings across stores, and look for merchandise that matches their social and personal identities. If shoppers cannot find desired merchandise at one store, they often take pleasure in shopping around and they incur insignificant switching costs at times of purchase and use. In brief, such characteristics diminish the importance of customer orientation—customers find that customer service and CRM create lesser value than that provided by a retailer's merchandising competencies. The dense, agglomerative clusters under study also might explain our lack of substantive effects via information spillover. Dense agglomerative settings allow competitors to copy new ideas quickly and easily, producing what can be described as a "red queen" competition (Barnett and Hansen 1996). In such a competition, adaptive behaviors of rivals in their common environment fail to yield competitive advantage because of learning. Lastly, our operationalization of CRM taps only customer relationship maintenance (not initiation or termination) and ignores any information technology ideas.

We identify other limitations. Scales for merchandise assortment quality and variety contain only two items; additional items would better represent construct domains and improve scale reliability. Results reflect a survivorship bias because data represent beliefs only of existing retailers and exclude beliefs of failed retailers. A consequence of both limitations is a restriction in range condition that attenuates reported relationships. Because our design is cross-sectional, relationships may not represent causal effects. Further, relationships between independent variables and subjective performance to some degree represent common method variance. We estimate that the mean correlation between our six IVs and subjective performance (0.39) is upwards biased by about 0.09 (Podsakoff et al. 2003).

Findings suggest that fashion retailers should focus on merchandising competencies rather than on customer orientation to improve store financial performance. Retailers might develop merchandising competencies through self-learning and formal training, they might assess and adjust their assortments frequently to improve store positions in terms of fashion leadership and merchandise assortment. Retailers might use social media to provide specific information about merchandise, store promotions, and fashion trends to appeal to current customers. Retailers might bundle coordinated items to increase sales of dated merchandise and reduce markdowns and inventory levels. Retailers might act less as clothing sellers and more as personal wardrobe stylists for key customers, sharing their knowledge of fashions and trends and suggesting styles and merchandise to match customer personalities and social identities. All these implications should raise customer perceptions of retailers' fashion leadership status.

Numerous possibilities for future research in retailing follow from this study. For example, a conjoint-based study of consumer evaluations of retail customer service features, CRM activities, assortment quality, and assortment variety would describe the relative importance of several of our independent variables in consumer choice decisions. An ethnographic study of clothing shoppers in clustered and non-clustered settings might describe perceived benefits and costs of search, the importance of merchandise fashion on store choice, and nuances in customer service realized at patronized stores. A paired case study of clustered and stand alone retailers might use merchandising competency and customer orientation variables to

learn if customer orientation variables are related to financial performance only for retailers whose nearest competitor is located some distance away.

We conclude that fashion goods retailers should be capable merchandisers—aware of trends, capable of assembling attractive assortments, and striving to attain a leadership position among competitors. Given a sustainable leadership position, we conclude that efforts spent to develop long-term enduring customer relationships may be beneficial if efforts are deeply embedded and cost effective.

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Thursday, 21 July
Time: 10:30 AM

Session Number: **6.3: Advertising Execution**

Session Chair: Babin, Laurie, *University of Louisiana at Monroe*

What are the characteristics defining flyer-prone consumers? a theoretical and empirical analysis

Gázquez-Abad, Juan Carlos, *University of Almeria*

Martínez-López, Francisco J, *University of Granada and Open University of Catalonia*

Sánchez-Franco, Manuel J, *University of Seville*

Children's Ads: Do Cross-Cultural Differences Exist In Advertising Practices?

Bakir, Aysen, *Illinois State University*

Palan, Kay, *Western Michigan University*

Kolbe, Richard, *Northern Kentucky University*

Fresh Faces for Established Brands: The Role of Holistic Type and Sequence of Exposure in Consumers' Formation of Trait Inferences

Limon, Yonca, *Christian-Albrechts University*

Reimann, Martin, *University of Southern California*

Orth, Ulrich, *Christian-Albrechts University*

Bechara, Antoine, *University of Southern California*

WHAT ARE THE CHARACTERISTICS DEFINING FLYER-PRONE CONSUMERS? A THEORETICAL AND EMPIRICAL ANALYSIS

Juan Carlos Gázquez-Abad, University of Almería, Spain
Francisco J. Martínez-López, University of Granada and Open University of Catalonia, Spain
Manuel J. Sánchez-Franco, University of Seville, Spain

ABSTRACT

The investments on sales promotions in the USA and many European countries has considerably increased over the last years. In particular, the weekly advertising of price reductions in store flyers is a frequently used promotional tool in retail business. Stores typically use store flyers to promote new products, announce new stores, and communicate price specials. Other types of promotion (for example, coupons) can also be included, but this is not frequent. In most cases the offers are 'perishable' – i.e., their utility is limited to a particular period of time (such as a week or two).

The increasing use of store flyers is due, in part, to the fact that they provide a quicker response than traditional advertising media. Store flyers also allow retailers to include more product categories and brands, if compared with the case of traditional advertising media, as well as enabling distributors to emphasise their own brands. Moreover, advertising promotions in store flyers are a source of revenue for distributors from fees charged to manufacturers whose brands appear in them.

The main objective of this study is to characterise the 'flyer-proneness' of consumers by an analysis of the consumer-level characteristics. In particular, the study aimed at predicting the differences between consumers highly prone and less prone to store flyers in terms of their sensitivity to three types of variables: (i) economic variables; (ii) shopping-related variables, and (iii) demographic aspects. Both the popular business press and prior promotional literature suggest that these variables may be related to consumers' level of proneness toward store flyers.

Data for this study were obtained from a survey aimed to people who buy all or part of the package food and cleaning products for the home. The survey was carried out in several retail stores (hypermarkets, supermarkets and discounts) in the metropolitan area of a Spanish city.

The results of this paper confirm some of the previous results related to deal proneness in general. Nevertheless, there are some aspects that somehow differ from those results obtained in studies developed for other promotional tools in other contexts.

Thus, our results show that consumers highly prone to consult store flyers are not worried about the price they pay. Given the greater costs involved in the simultaneous use of store flyers and price deals, managers can thus reduce their promotional cost by including brands in flyers without an accompanying price reduction. In addition, flyer-prone consumers enjoy reading store flyers because it makes them feel like smart shoppers. It seems, therefore, that consumers perceive store flyers as a sign of potential savings, even if, as previously commented, there is no actual price reduction. Given the credibility that customers pay to information contained in store flyers, all those aspects related to the designing and structure of such flyers can be considered as a key element in the communication strategy of marketers.

Taken together, our findings support the 'domain specificity' of the deal-proneness construct shared by many authors. Because the same group of variables might influence consumer proneness in a different way depending on the promotional type under study, our results support the 'domain specificity' point of view. Hence, it is important to individually analyse the relationship between such variables and the promotion-type specific proneness of consumers.

References available upon request

CHILDREN'S ADS: DO CROSS-CULTURAL DIFFERENCES EXIST IN ADVERTISING PRACTICES?

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Kay M. Palan, Western Michigan University, U.S.A.
Rickard H. Kolbe, Northern Kentucky University, U.S.A.

INTRODUCTION

Marketers spend substantial advertising dollars to reach the children's market regardless of the national market. This emphasis on children is well warranted as children represent a significant portion of the population. Due to the growing importance of children's market, it is important for practitioners to understand the potential differences that might exist in the content and execution of children's advertising at the global level. While previous studies have examined such issues as global differences in children's advertising regulations (Bjurstorm, 1994) and attitudes toward children's advertising within a specific country (e.g., Chan and McNeal, 2002), there are no studies of which we are aware that examine differences in children's advertising content and execution among countries related to cultural and economic differences.

To address this gap in the literature, this study identifies cultural and economic differences which may influence advertising practices globally. Then, a preliminary content analysis is conducted to compare children's television advertising practices across three different countries with distinct cultural and economic differences, Mexico, Turkey, and the United States. The examination of this set of countries provides a rich foundation to illustrate the likelihood that cross-cultural differences in children's advertising practices exist.

Cultural Factors Impacting Children's Advertising Practices

Components of culture are central to how a society functions and are likely to be reflected in advertising practices. The customs, values, and norms of a culture are likely to impact children's advertising and may influence the meaning attached to advertised products (McCracken, 1986). For example, cultural values such as individualism/collectivism may be reflected in advertising content. Both Mexico and Turkey are collectivist cultures, based on Hofstede's cultural classification system (Hofstede, 2001). The extended family is a central component of both cultures (Library of Congress, 2008a; 2008b). In contrast to Mexico and Turkey, the U.S. is individualistic. Furthermore, the immediate nuclear family is considered to be more important than the extended family (Hofstede, 2001).

Another set of cultural values that may be reflected in advertising is masculinity/ femininity. The dimension of masculinity / femininity deals with the extent of the characteristics that are favored for males versus females. More specifically, this dimension focuses on the extent to which masculine traits, such as achievement, dominance, and aggression, are favored for males, and feminine traits, such as nurturance, affiliation, and helpfulness, are favored for females (McCarty and Hattwick, 1992). Gender roles in a culture may be further accentuated by the influence of religion. In Mexico, for example, 88 percent of the population is Roman Catholic (Library of Congress, Mexico 2008a), and the Catholic church epitomizes a male-dominated leadership structure; Mexico is considered to be a masculine culture (Hofstede, 2001). The Turkish population, however, is 99.8 percent Muslim (CIA World Factbook, 2010). Although officially men and women are considered equal (Library of Congress, Turkey 2008b), the Muslim religion favors a masculine society. But in recent decades, women in Turkey have gained more status and equality in the work force, and Turkey is classified as a feminine culture (Hofstede, 2001). The U.S. is predominately Christian (76.8 percent) but has the largest number of people who do not affiliate with any type of religion (16.1 percent) (CIA World Factbook, 2010) among these three countries. Despite a culture that espouses equality between men and women, the U.S. is predominantly a masculine culture (Hofstede, 2001).

Economic Factors Impacting Children's Advertising Practices

Another factor that may impact advertising content is a country's level of economic development (Abernathy and Franke, 1996). The level of economic development is reflected in the level of advertising expenditures. Total advertising spending in the U.S. was \$31.63 billion in 2007 (Marketing News, 2008), whereas total advertising spending in Turkey was only 2.25 billion (Nielsen Company, 2007) and \$3.96 billion in Mexico (Nacer, 2006).

The level of sophistication and variation in information content exhibited in advertising practices has also been attributed to economic development (Abernethy and Franke, 1996). In other words, the information content of the commercials can be expected to mirror the level of industrialization of the country. The GDP per capita income in the U.S. is \$47,400. On the other hand, Mexico's per capita GDP is \$13,800 and Turkey's is \$12,300 (CIA World Factbook, 2010). The difference among Mexico, Turkey and the U.S., in terms of economic and cultural situations, provides a case study to ascertain whether such differences are manifest in advertising practice.

METHODOLOGY

A content analysis was conducted to examine if differences in children's advertising practices in Turkey, Mexico, and the U.S. could be detected related to cultural and economic factors. The commercials obtained for the Turkish, Mexican, and U.S. samples were recorded after school hours (3:00 - 5:30 PM) on Wednesdays and Saturday mornings (8:00 AM - 12:00 PM), when the programming was principally intended for young audiences, for five weeks. The recording was conducted from three stations during the same time period in the three countries. The commercials were taped from affiliates from ABC, CBS, and NBC television networks in the U.S. The Turkish channels included TRT 1, Channel D, and ATV and the Mexican channels included TV Azteca, Televisa, and Univision. The stations in each country are representative of major broadcasting groups in the respective countries (AGB Group, 2001; First Research, 2008; Press Reference, 2007). Repeated commercials as well as commercials promoting television programming were not included in the final sample.

The first author developed a coding scheme that included categories related to advertising content. These variables were evaluated as being present (1) or absent (0) in the commercials. The six judges were presented with a written set of coding instructions, including the operational definitions. Two of the judges were Turkish, two were Mexican, and two were American. The Turkish and Mexican judges were fluent in English as well as their native language. Before starting to code, the judges received extensive training in how to interpret the ad content and utilize the coding form. Further discussions were conducted to make sure that the judges had a clear understanding of the operational definitions of the variables analyzed. Also, the judges practiced the coding scheme on non-study advertisements to clarify the application of the definitions to the television commercials. The reliability among the judges was tested using Rust and Cool's (1994) method. After establishing satisfactory initial reliability among the judges, each judge coded the sample of their respective country matching their native language. The intercoder reliability for the final pairs of coders was 98, 91, and 92 percent, respectively, for the Turkish, Mexican, and American pairs of coders.

RESULTS

The ads were first examined for the general type of ad, i.e., as being for a product/service, an institutional ad, or a public service announcement. Virtually all of the commercials across all three focal countries were advertising either a product or service. Mexico was the only country with a significant percentage of institutional ads. There were significant differences observed for the type of product/service ads found among three countries ($\chi^2 = 61.592$; $p < .001$). Products such as food, drinks, candy, and restaurants were found in the majority of the ads. Beyond this category, though, differences emerged. For example, products that might not be commonly advertised during children's programming in the U.S.—personal care, apparel, and shoes—were particularly prevalent in the Mexican and Turkish ads.

The sex of the intended audience was judged as being one of three categories: boys only, girls only, or both boys and girls. In Mexico, Turkey, and the U.S., there were significant differences observed ($\chi^2 = 21.130$; $p < .001$). Although the majority of ads target both boys and girls; U.S. ads were more likely than either of the other two countries to target only boys or only girls.

As has been historically the case in analyses of children's television advertisements (Browne, 1998; Hoek and Sheppard, 1990; Macklin and Kolbe, 1984), the prominent voiceover identified was male. In the Turkish ads, slightly more than 65 percent had male voiceovers, with the highest proportion of male voiceovers identified in the U.S. ads (71.8%). Female voiceovers were more frequent in the U.S. (13.7%) and Turkish ads (12.6%) relative to Mexican ads (6.1%), while Mexico had the largest proportion of ads with no voiceovers.

All three countries had advertisements offering premiums or prizes to children, but significant differences were not found; too few instances of sweepstakes or contests were identified to allow a chi-square analysis to be conducted. Similarly, there were very few ads that directed children to ask their parents for the advertised product. The pattern of aggression in ads suggests differences, although the incidence was again too low to support statistical differences. Nonetheless, any form of

aggressiveness was rarely observed in Mexican and Turkish ads. In contrast, some elements of aggression were more evident in the U.S. ads.

The sound and activity levels in each ad were also examined. Overall, the Mexican ads tended to have more noise and general loudness than did the Turkish and U.S. ads. Turkish ads, however, exhibited more character movement and speed of scene movement than did the Mexican and U.S. ads.

DISCUSSION AND CONCLUSIONS

The results of this preliminary study offer evidence that children's advertising practices are influenced by cultural and economic differences across countries. The sample of ads from Mexico, Turkey, and the U.S. identified several similarities in children's advertising practices. Similarities included several different aspects of the ads. The majority of the ads in all three countries advertised products of interest to children, such as food, children-oriented restaurants, toys, and games. Voiceovers were generally male. The use of promotions was comparable across countries. Almost no ads blatantly encouraged children to urge their parents to buy the advertised product.

The similarities, however, were punctuated by distinct differences. Differences that appear to be related to cultural values included the target market sex and the use of voiceovers. The U.S. ads were more likely to target only boys or only girls in contrast to Mexican and Turkish ads, which were more likely to target both boys and girls together. This may be a reflection of the individualism associated with American culture and the collectivism associated with both Turkey and Mexico. While the voiceovers were dominated by male voices throughout the three countries, more male voiceovers were present in the U.S. ads, perhaps a reflection of a predominantly masculine culture. Around a third of the Turkish ads had female or mixed chorus voices reflecting the feminine nature of the Turkish culture. Characterized by a masculine culture, Mexican commercials had almost no female or mixed-chorus voice-overs. Several differences related to movement and sound intensity were found that may reflect variations in cultural preferences. In general, the ads in Turkey and U.S. lacked sound intensity relative to the Mexican ads, whereas character movement was most intense in the Turkish ads.

Some of the differences in advertising practices may also be related to differences in economic development among the three countries. For example, the fact that U.S. ads separately target boys and girls may signal more sophisticated marketing segmentation seen in highly developed economies. In contrast, as developing economies, both Mexico and Turkey are less likely to be using refined marketing and advertising practices. Moreover, advertising expenditures in both countries is significantly less than that in the U.S.

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FRESH FACES FOR ESTABLISHED BRANDS: THE ROLE OF HOLISTIC TYPE AND SEQUENCE OF EXPOSURE IN CONSUMERS' FORMATION OF TRAIT INFERENCES

Yonca Limon, Christian-Albrechts-University Kiel, Germany
Martin Reimann, USC, U.S.A.
Ulrich R. Orth, Christian-Albrechts-University Kiel, Germany
Antoine Bechara, USC, U.S.A.

ABSTRACT

Firms frequently select endorsers on the basis of specific physical characteristics, such as the face, to better differentiate and position their brands. While some research exists that aids managers in selecting human faces, several gaps call for closing. Those gaps include existing insights into effects for only a few face types (e.g., 'baby face', 'classical beauty'), primarily new (rather than established) brands, celebrity endorsers (rather than typical consumers), simultaneous (rather than sequential) exposure of consumers to both faces and brands, and a focus on cognitive rather than emotional processes.

Five studies aim to close these gaps in prior research by investigating the roles of holistic types of endorser faces and mode of exposure (simultaneous vs. sequential presentation of face and brand) in the generation of brand personality impressions that guide consumer behavior. Studies 1 and 2 provide evidence that consumers develop brand personality impressions from trait inferences of endorsers' holistic face types rather than single anatomical features. Studies 3 and 4 show that the match or mismatch between face-based and brand-based trait inferences as well as the modes of exposure (simultaneous vs. sequential presentation of face and brand) affect brand impressions and behavioral intentions. Study 5 shows that matching endorser face and brand on salient personality traits as well as presenting them simultaneously create a unique emotional basis that leads to increased brand choice. Implications are discussed for advertising practice and research.

References available upon request

Thursday, 21 July
Time: 10:30 AM

Session Number: **6.4: Consumer is Not Always Right?**

Session Chair: Zhuang, Weiling, *Eastern Kentucky University*

Exploring the Boycott Phenomena From a Customer Value-Based Perspective: What Are the Reasons for Consumers Non-Consumption?

Wiedmann, Klaus-Peter, *Leibniz University of Hanover*

Seegebarth, Barbara, *Leibniz University of Hanover*

Hennigs, Nadine, *Leibniz University of Hanover*

Pankalla, Lars, *Leibniz University of Hanover*

Kassubek, Martin, *Leibniz University of Hanover*

EXPLORING THE BOYCOTT PHENOMENA FROM A CUSTOMER VALUE-BASED PERSPECTIVE: WHAT ARE THE REASONS FOR CONSUMERS NON-CONSUMPTION?

Klaus-Peter Wiedmann, Leibniz University of Hanover, Germany
Barbara Seegebarth, Leibniz University of Hanover, Germany
Nadine Hennigs, Leibniz University of Hanover, Germany
Lars Pankalla, Leibniz University of Hanover, Germany
Martin Kassubek, Leibniz University of Hanover, Germany

INTRODUCTION

During recent years, the topic of consumer boycotts has gained growing interest in both marketing research and practice. Understood as strategic tools or techniques of expressing consumers' disapproval of corporate products and behavior or with the change of corporate actions, anti-social company behaviour implies the risk of being targeted by consumers buying avoidance. Existing studies on motivations why consumers participate in different types of boycotts uncovered various reasons: social responsibility, safety, environmental protection, social dilemma, affirmative and political actions. Generally speaking, research shows consumers' beliefs, attitudes, and values play a crucial role in the context of consumer boycott activation.

Incorporating relevant theoretical and empirical findings, this study aims to expose additional antecedents by using the customer perceived value perspective to provide a better insight into the dimensionality of motivations underlying boycott participation. Based on a multidimensional concept encompassing financial, functional, individual, and social value components, we identify and explore the factor structure and related cluster segments based on these value dimensions' and the link to consumers' boycott intention and behavior.

METHODOLOGY

All measures used in the study were adapted from existing scales, especially from the study by Klein, Smith and John (2004) and draws new conclusions from exploratory interviews. Specifically, the qualitative section of the study included written definitions of customers' value preferences as well as their individual boycott intention and behaviour. Items were rated on five-point Likert scales because they are more commonly used in Germany than the seven-point scales. To investigate the research model, face-to-face interviews with private customers were conducted in Germany. A total amount of 481 valid questionnaires was received.

RESULTS AND DISCUSSION

Within the data analysis, we first uncovered the various dimensions underlying the consumers' value perception and boycott behaviour by a factor analysis using the principal component method with varimax rotation. Then, the factor scores for each respondent were saved and consequently used in stage two for clustering them into market segments. The results strongly suggested the presence of four clusters: Cluster 1 is referred to as the self-centred sceptics, members of Cluster 2 are referred to as the ambitious activists, Cluster 3 is referred to as the concerned waverer, and members of Cluster 4 are called the mindless follower.

CONCLUSIONS AND IMPLICATIONS FOR THEORY AND PRACTICE

The cluster analysis results revealing four types of consumers based upon their value perceptions linked to individual boycott participation might enable marketing researchers and managers to understand the multifaceted boycott phenomenon from a customer value-based perspective. Future research focusing on motives for consumer boycott participation, therefore, should consider different value types that influence consumers' purchase choices based on the nature of the financial, functional and individual utilities of the potentially boycotted product. From a managerial perspective, a better knowledge of the relevant value aspects that influence the decision to boycott may help explain why different groups of consumers do or do not buy the company's products or services. Due to the fact that a consumer boycott acts as a sign of perceived corporate irresponsibility, it may result in long-lasting negative corporate image and reduce brand value.

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Thursday, 21 July
Time: 10:30 AM

Session Number: **6.5: The Self and Emotion**

Session Chair: Malone, Sheila, *University of Nottingham*

“The Possibility of an Island”: The Insula and its Role in Consumers’ Emotion

Roulet, Bernard, *Universite de Bretagne Sud*

Droulers, Olivier, *Universite de Rennes 1*

Poncin, Ingrid, *SKEMA Business School*

Enjoy Now or Later: An Explanation of Elderly Recipients’ Preferences Regarding Luxury Gifts

Kazemina, Azedeh, *Luleå University of Technology*

Bäckström, Lars, *Luleå University of Technology*

Pitt, Leyland, *Simon Fraser University*

The Good, the Bad and the Unintended: Understanding the Role of Negative Self-Conscious Emotions in Marketing

Pounders, Kate, *California State University - San Bernardino*

Folse, Judith Anne Garretson, *Louisiana State University*

“THE POSSIBILITY OF AN ISLAND”: THE INSULA AND ITS ROLE IN CONSUMERS’ EMOTION*

Bernard Roullet, Université de Bretagne Sud, France
Olivier Droulers, Université de Rennes 1, France
Ingrid Poncin, SKEMA Business School, France

INTRODUCTION

Today, consumer cognitions and behaviors cannot be investigated without taking into account affective phenomena. Indeed, emotion has been obtaining credibility and legitimacy for about three decades in marketing academia (Cohen, Pham and Andrade 2008). Moreover, the recent advances in cognitive and affective neuroscience have highlighted that affect is deeply associated with and inherent to cognition. Since the 1990’s, neuroscientific scholars have demonstrated that efficient decision-making cannot occur without the recruitment and proper functioning of specific cortical or sub-cortical structures, initially conceived of as so-called “limbic” structures, now commonly referred to as the “reward” network. Prominent among these structures are the orbitofrontal cortex (OFC), the striatum, the anterior cingulate cortex (ACC), the amygdalar nuclei and the insular cortex or insula (island in Latin). Whereas a marketing scholar could not previously investigate consumer behaviors or attitudes without including affect-laden hypotheses, the same investigator could hardly propose today emotion-related hypotheses without marshalling neuroscience theories and constructs (Roullet and Droulers 2010). The main objective of this paper is to convince the reader of the above and to present succinctly as evidence a brief review of one of the previously mentioned structure. Actually, the insula – regularly described as an affectively active area in neuroscientific and neuromarketing publications – is particularly mobilized in situations eliciting moral or visceral disgust at different levels.

A CRITICAL STRUCTURE IN THE ELICITATION OF EMOTION

The insula – initially named island of Reil, from its first “describer”, J.-C. Reil (1759-1813) two centuries ago (Fusar-Poli, Howes and Borgwardt 2010) – is a cortical structure deeply “tucked” within the lateral sulcus, between the parietal, frontal and temporal cortices, in both hemispheres. Two main sub-structures have distinct competencies and account for different functions: the posterior and the anterior parts. The former is mainly responsible for the representation of somatic and bodily states, regarding all the information coming from the organism and converging to the central nervous system. It also deals with the awareness of bodily states (Craig 2009), hence its dense connections to areas in the primary and secondary sensory cortices. The academic journal *Brain Structure and Function* dedicated a special issue in June 2010 on the insula (vol. 214, 5).

For the neuromarketing field, the anterior insula (AI) is also of some interest. AI is associated with autonomic responses (arousal) generally consecutive to salient events (e.g. promotional price) or consciously perceived errors (Ullsperger et al. 2010). As recently stated, “*functional neuroimaging investigations [...] indicate that the AI cortex is consistently involved in empathy, compassion, and interpersonal phenomena such as fairness and cooperation*” (Lamm and Singer 2010). Indeed, AI is frequently involved in risky decision-making, moral cognition, attitude change, along with aesthetic judgment. We propose to illustrate its key role in affect with some cognitive functions recently examined which are quite relevant to consumer behavior: intuitive (heuristic) decision, moral cognition (or fairness judgment) and aesthetic judgment.

VARIOUS NEUROSCIENTIFIC INSIGHTS FOR CONSUMER BEHAVIOR RESEARCH

Intuitive Decision

In a seminal paper, Knutson et al. (2007) revealed that a consumer facing FMCG offers at a variable price (fair or unfair) and having to decide within seconds – which is often the case in ecological situations, e.g. a retail outlet – consistently relied on her “hunch” to render a fast decision. They showed that the outcome of a mental deliberation - the choice of taking a particular decision, to buy or not an attractive product which has a reasonable price or not – is based on a subtle balance between two cortical structures, one encoding the assessed value appetite (nucleus accumbens in ventral striatum) and the other encoding the aversive level of consequences of a possible wrong decision (insula). The higher activation of the one in comparison to the other predicts the subject’s final decision. The managerial and practical implications in marketing are obvious: the probability of a marketing product’s acceptability could be preventively assessed and therefore the marketing mix could be more finely tuned before actual product launching.

In the same vein, Sanfey et al. (2003) had previously showed that in the context of an Ultimatum Game, “*unfair offers elicited activity in brain areas related to both emotion (anterior insula) and cognition (dorsolateral prefrontal cortex)*”

[dlPFC]. The Ultimatum game refers to an interactive transactional game in which players accept or reject offers to split a defined sum of money. Considering the offer, the recipient has just to take it or leave it, in which latter case no one gets anything. Whereas classical theories predict the acceptance of any offer (some money is better than none), the biological world shows that unfair bids (e.g. 90% for player 1 and 10% only for player 2) are systematically rejected, thus depriving the recipient of any money but also punishing the unfair bidder. Naturally, this feeling of (un)fairness is also marshaled in moral judgments.

Moral Cognition

Moral cognition involves decisions or behavioral choices that are constrained by social norms. It relates to peer approval and the abiding or not by the rules and regulations. A marketing example could be: should I buy a coveted powerful gas-guzzling SUV in a context of ecological awakening? Respecting social norms usually means telling the truth. Neurostudies reveal that truthfulness is the brain's default mode (good news for pollsters) and that lying or deceiving demands additional effortful cognitive processing. Kozel, Paggett and George (2004) directly addressed the issue of dissimulation and showed that several regions are selectively activated in the case of deliberate dissimulation (OFC, ACC, AI and dlPFC). AI and ACC are the "watchdogs" which warn of the anomaly (deception), while the executive control (dlPFC) somehow forces a deactivation of the default mode. Berns et al. (2009) also demonstrated that a state of cognitive dissonance (i.e. a mismatch anxiety) in youngsters (realizing that their musical choices are incongruent with their peers' – therefore "trespassing" normality) could be detected in the specific activation of the AI. Naturally, the use of these techniques for these specific issues is ethically disputable, either in academia or in marketing practice.

Aesthetic Judgment and the Sense of Beauty

Any consumer constantly makes preference judgments to exercise his/her choice, either based on objective product's attributes or frequently, based on subjective aesthetic or "intuitive" judgments. Emotions play a significant role here. Insula's activity (along with other structures) has been repeatedly recorded in subjects experiencing the emotional viewing of art works. Di Dio et al. (2007) studied the effect of the "golden ratio" (or section) that poses a 1-to-1.618 proportion is considered more aesthetic¹. To assess the impact of this ratio on aesthetic judgment, the researchers used 15 famous sculptures of ancient Greece or Renaissance, by altering their proportions (longer torso and shorter legs or squat torso and slender legs, along with the normal view) and submitting these 3 versions to subjects in a brain-imaging scanner (fMRI). Both tasks of aesthetic judgment and proportion evaluation were also requested, in addition to the passive observation of images. The authors showed that the differences in brain activation between the vision of the original version of the work and an altered version were manifested mainly in the right AI, especially in the condition of passive observation. This work highlights the role of the insula in the elicitation of a self-conscious emotional state that recognizes the sense of beauty as related to the integration of sensory information. More importantly, Di Dio et al. distinguished between brain activations related to the passive observation of images (no judgment asked) and those produced during the task of aesthetic judgment (I like / I dislike this sculpture). Whereas the right AI is preferentially activated during the observation of original sculptures, the aesthetic judgment task elicits the activation of the right amygdala (a region known for assigning and retrieving emotional valences associated with particular stimuli).

Using fMRI stresses the difficulties of measuring certain concepts, here the sense of beauty, since facing the same stimulus, the observation (and subsequently the automatic and implicit evaluation of the stimulus by the brain) or the explicit retrieval of this evaluation involves distinct brain regions. In marketing, the aesthetic evaluation is an essential step in the process of developing a new product. The finding of activations in two distinct areas known to be involved in emotional processes (insular cortices and amygdalar nuclei), depending on the task at hand (observation vs. judgment), should stimulate further consumer neuroscience research in order to estimate whether the strongest activation of one of these areas would predict the success of a new product.

Stoll et al. (2008) seem to support these previous findings when assessment of an attractive packaging is concerned. They found that attractive packages activated subjects' reward circuit whereas unattractive packages entailed activations in regions known for the processing of "*response conflict, uncertainty, disgust and expected risk*". After these 'neuroaesthetic' studies, at least one question should be raised: to properly assess the sense of beauty felt, should we still interview the consumer or

¹ The "golden number" or "divine proportion" is $\Phi = 1.618\ 0339\ 887...$

rather register her brain? A review perusing latest neuroaesthetic studies indicated that they consistently identified “*an overt neural link between aesthetics and emotion, showing that, [...], aesthetic preference is mediated by core emotion centers, namely the insula and the amygdala*” (Di Dio and Gallese 2009). Corroborating traditional verbal data with more objective neuroimaging information would eventually become not only acceptable and recommended, but also unavoidable in our discipline.

CONCLUSIONS AND IMPLICATIONS FOR THEORY AND PRACTICE

The insula has been recognized to be an affectively-active area, when choice options have to be pondered during a decision-making process occurring in a consumer’s mind, which necessarily involves the intervention of some emotional “coloring” associated with risk and uncertainty to achieve or reach a final decision. Recent works go even beyond a somewhat simplistic or Manichean vision of the insula (i.e. activation equals disgust/avoidance and deactivation equals approach): it appears to be specifically activated by salient or risk-prone stimuli in a situation of uncertainty, regarding either an event or an individual’s intentions (Litt et al. 2010). Various roles of the insula would thus include the marking of salient events for further and deeper processing. This brief review of three limited topics applicable to consumer and emotion research, allows us to draw two conclusions: first, more objective marketing studies could be conceived of with fMRI technology and secondly, a wealth of new insights for marketing scholars related to affect and decision could be tapped within the extant neuroscientific literature. Therefore, the attentive perusing of seminal or outstanding articles in affective and cognitive neuroscience should hopefully be a stated goal of the marketing investigator and a part of his/her future agenda.

* The authors would like to thank warmly Professor Christian Derbaix for his insightful and constructive comments and suggestions.

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ENJOY NOW OR LATER: AN EXPLANATION OF ELDERLY RECIPIENTS' PREFERENCES REGARDING LUXURY GIFTS

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ABSTRACT

More than 100 billion dollars are spent annually on gifts in the U.S., which makes gift-giving behaviour an important area of study. Belk (1996) describes a perfect gift as a luxury good which is exclusively relevant to the recipient. By means of selecting and transferring gifts, the giver is aiming to convey an important symbolic message (e.g., love, admiration, appreciation, reciprocity), which needs to be perceived precisely by the receiver. Consideration for the recipient's perception of the luxury gift may address the need for the gift to be exclusively relevant to the recipient. Aging and demographic changing trends led to a growing number of elderly people who on average enjoy a higher level of wealth and are more capable of engaging in gift-exchange relationships. While the elderly as gift givers have received considerable attention, very little research has been done regarding the elderly as recipients, and many things are left to be said. Recent studies in the field of gerontology suggest that motivational changes in old age cause the elderly to give higher value to emotional well-being which might have some bearings on their behaviour. The current study will attempt to conceptually explain how the emotional state of the elderly affect the types of luxury brands they prefer to receive as gifts.

Berthon et al. (2009) argue that luxury is more than a characteristic or set of attributes and therefore should be thought of as a concept consisting of three value dimensions –the functional (the physical attributes the brand possesses), the symbolic (what the brand means to others), and the experiential (what the brand means to the individual). In an ontological classification, they distinguish two categories of luxury brands: enduring and transient. Enduring luxury brands were defined as expensive lasting possessions that bring prestige and social status to the owner. The pleasure of an enduring luxury item, either one that requires only money to be bought, such as a Gucci bag, or that which requires both money and expertise, such as an antique painting, is based on a sense of valuable enduring possession. However, transient luxury brands are a kind of experience that are not possessed, rather are consumed and bring the consumer evanescent enjoyment. This can include the superficial pleasure of having dinner in a luxury restaurant or the deep taste of the moment by tasting a rare black truffle; however, what is common in consuming such luxury brands is the sense of ephemeral pleasant experience.

According to Socio-emotional Selectivity Theory (SST), as soon as older adults perceive that the time left is limited, their goals shift from future-related goals to emotional ones such as goals related to emotional satisfaction, the feeling state, and drawing meaning from life, since these have more immediate payoffs. A focus on present-oriented goals makes them attend more to “experiences occurring in the moment” and gaining more positive feeling from life. Drawing on SST, it can be concluded that the age-related change in goals may shift the locus of luxury from symbolic and functional aspects to experiential one. Since older adults are more motivated by emotional goals and seek more emotional satisfaction by taking pleasure in each moment of their remaining life, they may place less value on the functional and symbolic aspects of the luxury brands. Instead, becoming more present oriented may lead them to prioritize the experiential aspect of luxury and assign higher value to the pleasure of experiencing a luxurious moment. Along with future-oriented goals that become less salient, gain of social prestige through possessing a luxury good becomes irrelevant. This statement might be witnessed through previous findings, which suggest that older adults are tending to give their cherished possession to their relatives. As a result, we believe it is reasonable to suggest that older people would prefer transient gifts over enduring ones. In other words, they prefer the gift that brings them a deep sense of pleasure in the moment and that improves their emotional well-being. As they perceive the time left to be too short to save the items to enjoy one day in the future, they may prefer to be invited for a dinner in a luxury restaurant and to have a pleasant time with their close relatives rather than receiving a Givenchy perfume or a Louis Vuitton bag. Thus, the research proposition for this study can be formulated as older adults prefer to receive a transient over an enduring gift.

References Available Upon Request.

THE GOOD, THE BAD AND THE UNINTENDED: NEGATIVE SELF-CONSCIOUS EMOTIONS IN MARKETING

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ABSTRACT

This study examines the negative self-conscious emotions of guilt, shame and embarrassment in consumption experiences. Recently, there has been a call from marketing scholars to examine specific emotions rather than general affective states. This work answers this call by identifying antecedents and consequences for each negative self-conscious emotion. Findings are based on literature grounded in social psychology as well as findings from ten in-depth interviews. Specifically, the authors uncovered three antecedent themes: norm violations, social judgment and social stigma. In addition, six coping themes emerged as ways consumers dealt with negative self-conscious emotions: avoidance, mental escape, physical escape, positive reinterpretation, planful problem solving and acceptance. This work offers rich contributions for theory and practice. Theoretically, this work contributes by identifying a unique set of antecedents and coping mechanisms for each negative self-conscious emotion. This work also offers managerial implications; by understanding how each negative self-conscious emotion functions within a consumption context marketing managers will be better able to tailor their offerings to meet consumer needs.

References available upon request.

Thursday, 21 July
Time: 10:30 AM

Session Number: **6.6: Creating Innovation**

Session Chair: Gillin, Murray, *The University of Adelaide*

The Good and Bad of Product Program Innovativeness: Evidence from Buyer and Seller Companies

Stock, Ruth, *Technische Universität Darmstadt*

Zacharias, Nicolas, *Technische Universität Darmstadt*

Idea Competitions in New Service Development: Co-creation with a Certain Consumer Group

C Schuhmacher, Monika, *University of Mannheim*

Kuester, Sabine, *University of Mannheim*

Flötotto, Dorothee, *University of Mannheim*

How Eco-oriented Firm Affects Innovators Intention to Purchase Biofuel

Sufiati Purwanegara, Mustika, *Bandung Institute of Technology*

Garnida, Nita, *Bandung Institute of Technology*

THE GOOD AND BAD OF PRODUCT PROGRAM INNOVATIVENESS: EVIDENCE FROM BUYER AND SELLER COMPANIES

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Nicolas Andy Zacharias, Technische Universität Darmstadt, Germany

ABSTRACT

Innovations appear to play a key role in the endeavor to keep business-to-business (B2B) customers attracted, as they offer several advantages to B2B customers and help customers improving their own products. Despite the critical role of new products in creating strong B2B ties, half of all new products introduced never succeed but fail in the marketplace (Lynn et al. 1999; Morris et al. 2003). A possible reason for such failures may be errors in companies' valuation of customer responses to innovations, on which the success of innovations ultimately hinges (Hauser et al. 2006). Companies might focus only on positive customer responses toward innovativeness, but ignore potential negative customer responses to new products, such as customers turning away from a particular supplier (Athanassopoulos et al. 2001). As a consequence, companies need to understand both positive and negative customer responses to innovativeness.

Empirical research into customer responses to innovative products offers mixed findings (e.g., Henard and Szymanski 2001). Many studies report positive effects of innovativeness on customer-related outcomes, such as customer acceptance (e.g., Langerak et al. 2004), but others convey that innovativeness has negative effects (e.g., Atuahene-Gima 1996). From a conceptual point of view, innovativeness features distinct dimensions—such as product newness and meaningfulness—which may generate different customer responses. While product newness may provoke negative associations for customers, such as increased uncertainty (Schmidt and Calantone 1998), product meaningfulness appears to be associated with positive customer outcomes, such as better fulfillment of customer needs (Gatignon and Xuereb 1997). These findings reveal that both dimensions of innovativeness generate customer responses, but in different manners. A comprehensive understanding of customer-related outcomes of innovativeness requires an investigation of different dimensions of innovativeness in parallel (e.g., Hauser et al. 2006; Szymanski et al. 2007), which has been largely neglected by extant research so far.

Since understanding different customer responses to newness and meaningfulness would be of great interest to both academics and managers, this study introduces a multidimensional conceptualization of innovativeness at the program level, consisting of newness and meaningfulness as two particularly important but distinct dimensions of innovativeness. Building on information economics (e.g., Philips 1988; Stigler 1961), we compare different customer responses toward the newness and meaningfulness dimensions of product program innovativeness in terms of customer loyalty. Our empirical results support the notion that the two dimensions of product program innovativeness are distinct and have varying effects. In addition, we also investigate contingencies that might alter the relationship between the different dimensions of product program innovativeness and customer loyalty.

Empirical support comes from a multi-industry sample with triadic data from 180 B2B companies and includes assessments from marketing and R&D managers as well as customers. While the managers assessed company-related variables, customers provided information regarding their loyalty. The results of the regression analysis indicate a negative effect of product program newness on customer loyalty and a positive effect of product program meaningfulness. Regarding contingencies, a brand's close association with innovativeness reduces the negative effect of product newness, and integrating customers into the value-creating process fosters the loyalty effect of product meaningfulness. Thus, product program innovativeness itself offers a good and a bad side: a positive and a negative effect on customer loyalty.

Our research has several important implications. This study offers a potential explanation for the ambiguity created by equivocal empirical results regarding customer responses to innovativeness. Therefore, much of existing research that relies on uni-dimensional conceptualizations of innovativeness should be questioned and scholars should turn to measures capable of assessing multiple facets of the complex phenomenon (Sullivan and Ford 2010). By drawing on information economics, we provide insights into how customers derive their expected utility from the relationship with a specific company and how they react in terms of loyalty. We ascertain that more is not always better in terms of innovativeness—offering more innovations does not necessarily make customers loyal. Instead, we advise managers to mitigate the negative effects of product program newness, e.g., by associating their brands with innovativeness, and to strictly focus on the meaningfulness of new products.

References available upon request

IDEA COMPETITIONS IN NEW SERVICE DEVELOPMENT: CO-CREATION WITH A CERTAIN CONSUMER GROUP

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INTRODUCTION

New service development (NSD) processes are often ineffective in bringing about successful services because companies miss what is fundamentally important to their consumers (Kumar and Whitney 2003). Therefore it has been advocated to better align key activities in development projects with the needs of actual and potential consumers (Jaworski and Kohli 1993) and to integrate consumers into the development process (von Hippel 1986). Thus, the integration of consumers for co-creating value has been stressed as critically important (e.g., Kristensson and Magnusson 2005). Idea competitions are one way to integrate consumers (Piller and Walcher 2006). For example, Volkswagen calls for ideas about possible applications regarding eco mobility, games and fun, networking and communication, productivity and travel utilities (www.app-my-ride.com). Even though there is a huge agreement that consumers are able to contribute useful ideas during the ideation phase, there is little examination of which consumers should be involved and how they should be targeted in ideation of NSD (e.g., Piller and Walcher 2006). Based on the notion of the lead user concept (von Hippel 1986) it can be proposed that consumers are different regarding their qualifications for NSD (Rogers 2003). In this context, a clear understanding of critical user characteristics enhances the effectiveness of the search for valuable consumers. Following Nambisan's (2002) classification of consumer roles in innovation development, a company integrates consumers via idea competitions to make use of them as a resource. Using consumers as resources for new service ideas provides companies with challenges such as the selection of consumer innovators, the establishment of ties with them and the creation of appropriate incentives to foster consumer motivation to contribute new service ideas (Nambisan 2002). These challenges are addressed with this study. This paper investigates the relationships between different consumer characteristics supplying ideas as well as their influence regarding ideas for new online services. In particular, this study examines whether consumers' ideas become of higher or lower quality for companies depending on specific characteristics.

In the paper we discuss innovation research with a focus on the ideation stage as well as on findings regarding important consumer characteristics in innovation development. Based on this thorough literature review the following characteristics and their impact on idea quality are examined: progressiveness, involvement, use experience, product knowledge, and dissatisfaction with existing offerings as well as intrinsic motivation. Also interrelationships between different characteristics are examined: the impact of progressiveness on dissatisfaction and the effect of involvement on dissatisfaction, use experience as well as product knowledge. In addition, due to the call for more research on incentives when integrating consumers in NPD or NSD (e.g., Jawecki 2010), the impact of goal-oriented rewards on some of the relationships is investigated. Following latest research, idea quality is measured formatively based on three dimensions: originality, referring to innovation degree; user-value, referring to solving problems from the user's point of view; producibility, ability and ease to produce the new service idea (Kristensson and Magnusson 2010). Overall, this paper contributes to the literature by addressing the novel and relevant question of how a company can proactively enable and motivate consumer participation in idea competitions, and which consumer groups should be targeted for such co-creation tools.

METHODOLOGY

In order to investigate the phenomenon of idea competitions an online experiment was conducted. This was in the form of an idea competition for online services of soccer clubs. To test the hypotheses, a 2-groups (cash prize: yes or no) between-subject design was chosen in the form of an idea competition. In the experimental group the participants were offered a cash prize for the best ideas (e.g., Kristensson and Magnusson 2005). This is in line with industry standards. For example, in the app-my-ride idea competition of Volkswagen, the best ideas are also rewarded with a cash prize. In total, 105 people participated in the main experiment (50% female, average age of 33 years; 22.6% students, 50.1% employed, and 13.9% self-employed). Of all participants 65.2% have a higher education. Thus, we assume that the group of higher-educated people is more activated by idea competitions as a method of consumer integration. In addition, more than 80% spent more than an hour a day online. Hence, these people are highly knowledgeable about online services. A link to the online experiment was posted on several forums and web pages related to soccer. After a short introduction without mentioning the research objective, subjects were asked to develop and think about one idea for new online services of soccer clubs. Following this,

the participants in the experimental condition were informed that the best ideas would win a cash prize. The participants were informed that the quality assessment of the ideas would be based on producibility, user-value and originality. The control group did not receive such information. Overall, 53 people were randomly put into the experimental group, and 52 participated in the control group.

Subsequent to the introduction, all participants were asked to provide their idea. Finally, the six exogenous constructs were assessed by using existing and validated multi-item seven-point Likert or semantic differential scales. The experiment closed with manipulation checks and socio-demographics. We provide measures, reliability as well as validity criteria for all latent constructs in the paper. In addition, we also assured for discriminant validity between the different constructs (Fornell and Larcker 1981). After two months the idea competition was closed and all ideas were collected and presented to two independent experts. One expert was a heavy user of soccer club homepages with a high product knowledge regarding online services. The other expert was a manager of a premier league soccer club who is responsible for the soccer club homepage. These two experts were asked to evaluate the ideas regarding the user value, the producibility and originality of each service idea (Kristensson and Magnusson 2010). In order to determine the intercoder reliability we assessed Cohen's Kappa coefficient (Cohen 1960) with very satisfying results (overall: 0.87). The measurement of producibility and originality takes the producer's perspective and the user-value takes the consumer's perspective. Together they formatively form the idea quality.

RESULTS AND DISCUSSION

We checked the perception of the possibility to receive an extrinsic reward by means of one item. Thereby, we found that the experimental group perceived a higher chance to win a cash prize for their idea ($M_{\text{prize}}=2.35$) than the control group ($M_{\text{noprize}}=6.0$) ($p<.01$). We analyzed all main and moderating effects with partial least squares (PLS) structural equation modeling (Ringle, Wende and Will 2005) as we investigate a formatively measured endogenous construct and are faced with a relative small sample size (Reinartz, Haenlein and Henseler 2009). PLS has been applied before in experimental research (Vanhamme and Snelders 2003).

Testing the model we found several significant relationships. We found a significant positive impact of intrinsic motivation ($\beta=.216$, $t=1.836$, $p<.05$), involvement ($\beta=.206$, $t=1.833$, $p<.05$), dissatisfaction ($\beta=.710$, $t=4.144$, $p<.01$) as well as use experience ($\beta=.255$, $t=2.021$, $p<.05$) on idea quality ($R^2=.570$). The empirical results show that there is - other than expected - a negative impact of progressiveness on idea quality ($\beta=-.264$, $t=1.692$, $p<.05$). Some researchers assume that being ahead-of-the-market makes consumers run the great risk that they do not follow the trends like the majority of consumers (Enkel, Kausch and Gassmann 2005) and that they wish for products that are not yet producible. However, the progressiveness influences positively the dissatisfaction characteristics ($\beta=.260$, $t=1.718$, $p<.05$) and thus shows a positive indirect effect on quality. Furthermore, involvement besides its positive direct effect on idea quality also indirectly increases the idea quality through dissatisfaction ($\beta=.404$, $t=5.105$, $p<.01$) and use experience ($\beta=.732$, $t=23.542$, $p<.01$). There is no indirect effect via product knowledge, because the effect of involvement on product knowledge ($\beta=-.197$, $t=1.495$, $p>.05$) as well as the impact of product knowledge on idea quality ($\beta=-.206$, $t=1.100$, $p>.05$) are not significant. It turns out that people who have a high knowledge about the service architecture, etc. are not able to build ideas that are of high user value, producible and original.

To analyze the proposed moderating effects we followed the PLS product indicator approach to measure interaction effects. In doing so, the extrinsic reward shows no direct impact on idea quality ($\beta=.188$, $t=1.049$, $p>.05$). We could show a significant positive influence of the interaction of intrinsic motivation and extrinsic reward on idea quality ($\beta=.320$, $t=1.696$, $p<.05$). Exploring the mean values, the results show that the positive relationship between intrinsic motivation and idea quality is stronger for the reward group. This is an interesting finding supporting the Expectancy Theory (Vroom 1964). Consumers involved in NPD with an intrinsic motivation to co-create enhance their effort and improve their output when an extrinsic reward is offered. Even more surprising are the findings regarding the interaction of progressiveness and extrinsic reward and its impact on idea quality. This effect turns out to be significantly positive ($\beta=.240$, $t=1.905$, $p<.05$). The mean values indicate that the effect of progressiveness on idea quality becomes positive when given an extrinsic reward. This shows the importance of both attributes of lead users for NSD: being ahead of the market and receiving a benefit from the development activity. This means that extrinsic rewards are necessary in order to be able to make full use of lead users. In addition, they also improve the output of intrinsically motivated people.

CONCLUSIONS AND IMPLICATIONS FOR THEORY AND PRACTICE

In this study the objective was to shed more light on how a company can proactively enable and motivate consumer participation in idea competitions, and whom to target for such co-creation tools. These questions are relevant for many companies operating in volatile markets where the success is very much dependent on managing NSD effectively and efficiently. Our research contributes to existing knowledge as we investigate consumer characteristics and their influence on idea quality and scrutinize differences based on extrinsic rewards offered. Using data of 105 ideas resulting from an idea competition for new online services of soccer clubs we see several interesting findings. Ideas referred to technical advances but also to design ideas and integration of fans into the webpage.

Overall, we could show that involved and dissatisfied heavy users, which show a high intrinsic motivation, should be targeted for idea competitions. First, the findings show that especially dissatisfied consumers are able to provide ideas of high quality. Therefore, managers should use complaint management tools in order to identify the consumers, who are dissatisfied. Second, besides its direct positive impact on idea quality, involvement also shows a significant positive effect through use experience and dissatisfaction. Thus, companies need to make use of their data bases in order to identify such highly involved consumers. In addition, companies should announce idea competitions on their webpage but also in topic-specific forums, which are often visited by highly involved people. Third, the results show that heavy users develop ideas of higher quality than low experienced participants. In order to identify such heavy users companies can make use of their CRM data bases, e.g. owners of season tickets for soccer or frequent flyers for airline services. Another idea is that companies promote their idea competition at the point of service. Fourth, the intrinsic motivation of the participants in the idea competition also increases the idea quality. In order to increase this intrinsic motivation, companies need to design an idea competition in ways that are attractive to the participants. The findings show that one design option could be goal-oriented rewards. The study provides empirical support that in order to make use of the characteristic 'progressiveness', the ahead-of-the-market component of the lead usersness (von Hippel 1986), companies might provide goal-oriented rewards to the participants. However, these conclusions need to be viewed with caution as we have a rather small sample size. Our results suggest that a more in-depth and rigorous study should be undertaken.

Even though our findings extend the existing literature on idea competition our study has some limitations. One such limitation is the use of a single product category of online-services for soccer clubs. Therefore, future research could enhance the generalizability of our results by investigating other product categories. Moreover, we only study goal-oriented rewards in the form of a cash prize. Other goal-oriented rewards like non-financial rewards or praise on a public medium should be investigated. In addition, participation-oriented rewards could be examined.

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HOW ECO-ORIENTED FIRM INFLUENCES INNOVATORS INTENTION TO PURCHASE BIOFUEL

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ABSTRACT

Consumer innovativeness is an important concept to new product success and can be measured through purchase intention for certain new product. The purpose of this study is, first, to investigate the relationship of opinion leadership and opinion seeking, represent a viable proxy for innovativeness, with purchase intention for biofuel, a new environmentally friendly fuel alternative in Indonesian market; second, to elaborate the role of eco-oriented firm reputation toward this relationship. This study found that reputation of eco-oriented firm as moderating factor could improve the relationship of consumer innovativeness and purchase intention. Thus, marketers may consider eco-oriented firm reputation as the persuasion cues to generate new interest in biofuel to their innovative consumers.

Keywords: eco-oriented firm reputation, consumer innovativeness, opinion leadership, opinion seeking, purchase intention, biofuel

INTRODUCTION

Nowadays “Go green” action becomes a major trend to proactively prevent environmental pollution. Public notice toward this trend has encouraged the firms to put their effort on recycling, energy conservation, and tough eco-oriented laws (Stone et al. 2004). In Indonesia, major of oil companies have started to develop biofuel - liquid transportation fuel from biomass as an alternative to replace fossil-based fuel. In fact, biofuel products have been introduced in the recent years to Indonesian market as new environmentally friendly fuel alternative.

The construct of consumer innovativeness is central to the theory of new product adoption. The degree of consumer innovativeness is likely to have a differential effect on purchase intention for new products (Lafferty and Goldsmith 2004). Since innovators tend to be more involved with new products, reputation of eco-oriented firm that produce biofuel might be one of the factors that influences innovators intention to use biofuel. This study is intended to investigate the role of eco-oriented firm toward intention of innovative consumer to purchase biofuel product. Then, we define our research questions:

1. *“To what extent consumer innovativeness influences intention to purchase biofuel products?”*
2. *“What is the role of eco-oriented firm toward intention of innovative consumers to purchase biofuel products?”*

LITERATURE REVIEW

Eco-oriented Firm

Fossil-based fuel industrial activity brought people a very comfortable lifestyle but, unfortunately, environmental disasters because it consumes large amounts of resources and utilizes huge energy consumption with consequent impacts on environmental damages. Image of oil companies associated with fossil-based fuel products may have negative impact on firm's ability to promote and sell biofuel products. To avoid public allegation about greenwashing – that is, claiming that their products are far more environmentally friendly than they actually are, firm could build its reputation by informing the public about their true environmental impact, as well as about their attempts to reduce that impact (Bonnini and Oppenheim 2008). In line with this, Stone et al. (2004) suggest that firm should overcome bad image by promoting eco-orientation as an organizational philosophy that emphasizes ecological responsibility as one of its core tenets. The firms that publicly practices environmentally responsible behavior to minimize the impacts may be able to reduce the latent fear that the public holds for fossil-based fuel industrial activity. In contrary, a firm that fails to maintain public expectations for environmental responsibility should deal with societal condemnation. Moreover, Stone et al. (2004) indicated that ecological positioning of the firm is not only as part of the social responsibility but also is a legitimate business orientation.

Consumer Innovativeness

Previous research has conceptualized consumer innovativeness in two primary ways. First, consumer innovators are identified based on their unobservable “innovative predisposition” across product classes (Midgley and Dowling 1993). Second, consumer innovativeness is defined as actualized or domain-specific by the virtue of identifiable characteristics and

actual acquisitions of new information, ideas, and products (Hirschman 1980). As particular interest of this study, we focus on domain-specific consumer innovativeness, which reflects the tendency to learn about and adopt innovations within a specific domain of interest (i.e. biofuel product). Domain-specific opinion leadership and opinion seeking are concept that represents a viable proxy for domain-specific innovativeness (Lassar et al. 2005). Previous researchers have identified the importance concept of opinion leaders in the diffusion process of specific products category such as computers (e.g. O'cass and Fenech 2003), electronic shopping (e.g. Eastlick 1993), and on line banking (e.g. Lassar et al. 2005).

Hypotheses

Previous researchers have found that domain-specific consumer innovativeness has positive relationship with purchase intention in various products category such as on-line shopping (Bigne-Alcaniz et al. 2008), and cell phone (Lafferty and Goldsmith 2004). Specifically, Lassar et al. (2005) found that innovativeness represented by opinion leadership and opinion seeking positively and negatively, respectively, related to online banking adoption. Thus, we hypothesize:

H1a: Opinion leadership in biofuel issues will positively influence purchase intention for biofuel products

H1b: Opinion seeking in biofuel issues will negatively influence purchase intention for biofuel products

Previous research found that the credibility of the company, a dimension of corporate reputation, directly influences consumer attitudes toward the brand and purchase intentions (Goldsmith et al. 2000). Thus, we hypothesize:

H2: Reputation of eco-oriented firm will positively influence purchase intention for biofuel products

Since innovators tend to be more involved with new products, it is likely that the credibility of the company, a dimension of corporate reputation, would influence their evaluation of purchase (Lafferty and Goldsmith 2004). Thus, we hypothesize:

H3a: Reputation of eco-oriented firm will moderate relationship between opinion leadership in biofuel issues and purchase intention for biofuel products

H3b: Reputation of eco-oriented firm will moderate relationship between consumer opinion seeking in biofuel issues and purchase intention for biofuel products

RESEARCH DESIGN AND METHODS

Population and Sample

Two hundred and seventy five (275) respondents are chosen based on a judgmental sampling. The criteria of respondents are university students who are in the executive class; have their own vehicle (car or motorcycle); and live in Bandung and Jakarta, Indonesia, where biofuel is available in the market. Our sample represented a cross-section of gender, age, and education. The male to female distribution was 49.8 and 50.2 percent, respectively. Respondents' age ranged from 18 to 54 years. Almost half (49.8 percent) of our respondents were 24 years of age or younger, 34.5 percent were between 24 and 34 years, and 15.6 percent were older than 34 years. In related to education, 15.3 percent of the respondents held post-graduate degree, 38.5 percent held undergraduate degrees, and 46.2 percent had some undergraduate education.

Measurement

This study is a quantitative survey research. Data is collected through questionnaire which is personally administered to respondents. Following are survey instrument for the questionnaire:

1) Eco-oriented Firm

Eco-oriented firm reputation are measured by the three items adapted from several items of formalized ecological program by Stone et al. (2004). The selected items from the original scale were chosen for the reason to capture firm' ecological program that maintain consumer expectation in related to environmental issues. Each item is rate on six point agreement scale on the statement "This action will lead to the reputation of the firm", anchored by strongly agree / disagree.

2) Consumer Innovativeness

To represent biofuel related domain specific consumer innovativeness, it is measured six items using six point scale anchored by strongly agree / disagree; that assess both opinion leadership (4 items) and opinion seeking behavior (2 items), adapted from domain-specific opinion leadership and opinion seeking scale by Lassar (2005).

3) Purchase Intention

To represent purchase intention for biofuel, it is measured four items using six point scale anchored by strongly agree / disagree. Referring to previous findings, the intention to purchase is adjusted to overcome some factors that avoid consumers to purchase green products, such as lack of availability of green products, consumer's reluctance to pay higher costs, and

their skepticism regarding the higher quality of green products (Bonnini and Oppenheim 2008).

RESULT AND DISCUSSION

Confirmatory Factor Analysis (CFA)

The validity and reliability of the measuring instrument were tested by using confirmatory factor analysis. Result of CFA showed that standardized loading factors generate strong correlations between latent variables: eco-oriented firm reputation, opinion leadership, opinion seeking, and purchase intention constructs, with their associated statements (observed variables). All loading values were above 0.3 (the limit for considering a correlation average or strong) and were statistically significant (t -values >1.96). All constructs generated acceptable construct reliability (>0.7) and variance extracted (>0.5).

Confirmatory factor analysis result of the measurement model showed that the normed fit index (NFI), non-normed fit index (NNFI), comparative fit index (CFI), incremental fit index (IFI), relative fit index (RFI), and goodness of fit index (GFI) exceeded the recommended value of 0.90; and the root mean square error of approximation (RMSEA) was less than the recommended value of 0.08. As the conclusion, measurement model of four latent variables with multiple indicators was acceptable to favor the unidimensional model. All constructs (latent variables) and their associated statement (observed variables), loading values, reliability values, and fit indices for the measurement model are presented in [Table 1](#).

Structural Equation Model (SEM)

Structural equation modeling (SEM) was used to test the hypothesized relationships between constructs of the study as well as overall fit of the structural model (see [Figure 1](#)). In the structural model, opinion leadership, opinion seeking, and eco-oriented firm reputation were modeled as exogenous variables; and purchase intention was modeled as endogenous variable. SEM analysis result showed that the normed fit index (NFI), non-normed fit index (NNFI), comparative fit index (CFI), incremental fit index (IFI), relative fit index (RFI), and goodness of fit index (GFI) exceeded the recommended value of 0.90; and the root mean square error of approximation (RMSEA) was equal to the recommended value of 0.08. As the conclusion, the hypothesized relationship among four latent variables was fit to the structural model. Path coefficient of latent variables and fit indices for the structural model were presented in [Table 2](#).

Result of SEM showed that opinion leadership negatively influenced purchase intention for biofuel products, therefore hypotheses H1a was not supported. As suggested in hypotheses H1b, opinion seeking negatively influenced purchase intention but this relationship was not significant, therefore hypotheses H1b was partially supported. Despite of strong support from previous research that opinion leadership and opinion seeking significantly (positively and negatively, respectively) related to new product or technology adoption (e.g. Lassar et al. 2005), the result showed that the relationship between this consumer innovativeness constructs and purchase intention for biofuel product was not significant. Marketing literature stressed out some factors that may avoid consumers to purchase green products, i.e. consumer cynicism about green products, green claims and the companies' intention as well as practices (Peattie and Crane, 2005). These may particularly true for biofuel products case, because biofuel is produced and marketed by oil company that is associated with fossil-based fuel products. Consumers who are opinion leaders would have negative opinion about biofuel that prevent their intention to purchase biofuel. As the consequences, consumers who love to seek information about biofuel would find negative information from the opinion leaders that may also prevent their purchase intention.

It is our hunch that reputation of eco-oriented firm may overcome consumer cynicism about biofuel. In support of hypotheses H2, we found that eco-oriented firm reputation positively and significantly influenced purchase intention for biofuel products. Eco-oriented firm reputation was also proven as a good moderator for opinion leadership. Opinion leadership moderated by eco-oriented firm strongly, positively, and significantly influenced purchase intention, therefore hypotheses H3a was supported. The result implies that consumers who are opinion leaders are more likely to purchase biofuel when their opinion about biofuel is supported by their knowledge about the reputation of eco-oriented firm. This findings are in line with previous research by Stone et al. (2004), which stated that a firm that publicly practices environmentally responsible behavior may be able to offset some of the latent fear that the public holds, e.g. material or processes that can be hazardous to people's health. Nevertheless, eco-oriented firm reputation was not a good moderator for opinion seeking because the relationship of opinion seeking moderated by eco-oriented firm reputation with purchase intention is weaker compare to opinion seeking alone, therefore hypotheses H3b was not supported. The findings indicated biofuel as a new environmentally product is likely still in the early stage of adoption.

CONCLUSION

In summary, our findings suggested that the reputation of eco-oriented firm is an important factor that positively and significantly influence the intention to purchase biofuel products. As far as domain-specific innovativeness in biofuel category is concerned, opinion leaders positively and significantly influence the intention to purchase biofuel products if it is moderated by the reputation of eco-oriented firm. The results suggest that marketers should emphasize the reputation of eco-oriented firm in promoting biofuel to their innovative consumers, i.e. consumers who are opinion leaders.

TABLES

Table 1: Summary of Confirmatory Factor Analysis Results (Measurement Model)

Eco-oriented firm reputation (EcoFirm)	Std Loading	t-values*)
1. The firm actively participates in community awareness campaigns on biofuel products.	0.61	9.97
2. The firm periodically donated money to local environmental causes.	0.85	13.88
3. A hot line communication is available for anonymously reporting of biofuel products impact.	0.72	11.77
Measurement model reliability:		
Construct Reliability (>0.7)	0.77	
Variance Extracted (>0.5)	0.54	
Domain-specific innovativeness - Opinion Leadership (OpLead)	Std Loading	t-values*)
1. I love to try biofuel products before anyone else.	0.63	11.14
2. I feel that I am generally regarded by my friends as a good source of advice and or information about the biofuel products.	0.78	14.84
3. My friends often ask my advice about the biofuel products.	0.90	18.72
4. I sometimes influence my friends to buy biofuel products	0.86	17.32
Measurement model reliability:		
Construct Reliability (>0.7)	0.87	
Variance Extracted (>0.5)	0.64	
Domain-specific innovativeness - Opinion Seeking (OpSeek)	Std Loading	t-values*)
1. I often seek out the advice of my friends regarding the biofuel products.	0.85	16.26
2. My friends usually give me good advice as far as the biofuel products is concerned.	0.87	16.84
Measurement model reliability:		
Construct Reliability (>0.7)	0.85	
Variance Extracted (>0.5)	0.74	
Purchase intention (PIntent)	Std Loading	t-values*)
1. If biofuel price equals to fossil based fuel, I intend to purchase biofuel products	0.73	13.24
2. If biofuel quality equals to fossil based fuel, I intent to purchase biofuel products	0.65	11.38
2. If biofuel is available at all gas station, I intend to purchase biofuel products	0.86	16.76
3. As my contribution to the environment, I intend to purchase biofuel products	0.83	15.88
Measurement model reliability:		
Construct Reliability (>0.7)	0.85	
Variance Extracted (>0.5)	0.60	
Fit Indices:		
Chi-square statistic (χ^2)	144.93	
Degree of freedom (df)	59	
RMSEA (good fit <0.08); marginal fit 0.08-0.1)	0.073	
Comparative fit index (CFI) (good fit >=0.9)	0.96	

*) t-values >1.96 is significant at p=0.05

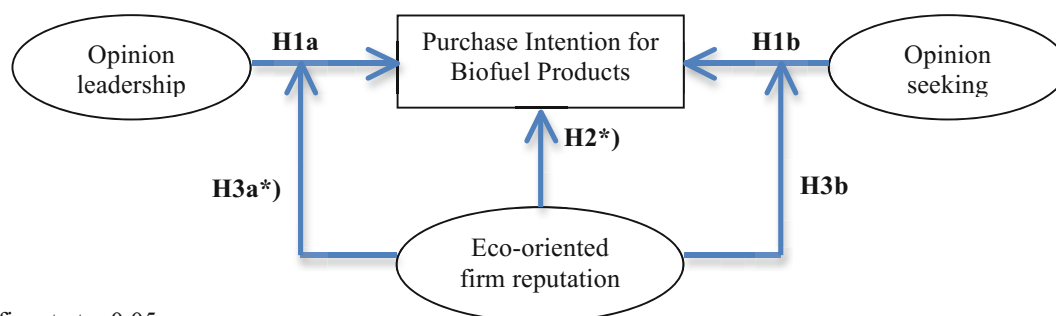
Table 2: Summary of Structural Equation Model (SEM) Result

Relationship	Hypothesis (Result)	Coefficient Correlation	t-values (>1.96)
Opinion leadership → Purchase intention	H1a (not supported)	-0.11	-1.50
Opinion seeking → Purchase intention	H1b (partially supported)	-0.10	-1.49
Eco-oriented firm reputation → Purchase intention	H2 (supported)	0.19	2.76
Mod. Opinion leadership → Purchase intention	H3a (supported)	0.33	2.74
Mod. Opinion seeking → Purchase intention	H3b (not supported)	-0.03	-0.26

Fit Indices:	
Chi-square statistic (χ^2)	227.46
Degree of freedom (df)	77
RMSEA (good fit <0.08); marginal fit 0.08-0.1)	0.08
Comparative fit index (CFI) (good fit >=0.9)	0.97

FIGURES

Figure 1: Structural Model



*) significant at p.0.05

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Thursday, 21 July
Time: 10:30 AM

Session Number: **6.7: Cultural Perspectives in Marketing Ethics**

Session Chair: Schlegelmilch, Bodo B., *Wirtschaftsuniversitaet Wien*

Does Management Education Produce Ethical Managers?

Wymer, Walter, *University of Lethbridge*

Rundle-Thiele, Sharyn, *Griffith University*

Cause - Related Marketing in Spain. A Consumer Behavior Perspective. Effects on Satisfaction and Loyalty

Galan-Ladero, Mercedes, *Universidad de Extremadura*

Galera-Casquet, Clementina, *Universidad de Extremadura*

Amaro, Victor Valero, *Universidad de Extremadura*

Disaggregating Corporate Philanthropy: The Impact of Individual Dimensions on Customer-Based Corporate Reputation

Schlegelmilch, Bodo, *WU Vienna*

Szöcs, Ilona, *WU Vienna*

Exploring Cross-Cultural Differences in Ethical Predispositions and Behavior in a Selling Context

Attaway, Jill, *Illinois State University*

Boulay, Jacques, *ESSCA School of Management*

Beggs, Jeri, *Illinois State University*

DOES MANAGEMENT EDUCATION PRODUCE ETHICAL MANAGERS?

Walter Wymer, University of Lethbridge, Canada
Sharyn R. Rundle-Thiele, Griffith University, Australia

INTRODUCTION

Society is scrutinizing business schools, perhaps believing they should be educating good citizens and not just good managers. Society believes there is a widespread failure of a business education system that is demonstrated in the continuation of corporate crimes and scandals (Holland, 2009). Critics of business schools believe they have encouraged students to go to practically any lengths to increase corporate profits and short-term shareholder return. Alsop (2006) argues that “universities have a critical role to play in preparing leaders to create an ethical and socially responsible climate in the world’s business enterprises” (p. 12).

A growing awareness of the corporate impact on the global environment has made corporate social responsibility (CSR) an increasingly important issue (Wilburn, 2008). The World Business Council for Sustainable Development defines CSR as the integration of social and environmental values within a company’s core business operations and engagement with stakeholders to improve the wellbeing of society (WBCSD, 2001). As a result of these pressures academic interest in corporate social responsibility has proliferated (Jamali & Keshishian, 2009; O’Riordan & Fairbass, 2008). The purpose of this study is to examine the extent to which business education has responded to these pressures. Are business schools including curricula content aimed at producing good people and not just good managers?

METHODOLOGY

The methodology we used was designed to collect data on ethics and social responsibility courses in Canadian undergraduate business programmes. Because the preponderance of prior research is based on U.S. MBA programmes (e.g., Crane, 2004), examining non-U.S. undergraduate business programmes complements prior knowledge substantially. More students receive undergraduate business degrees than graduate degrees. However, MBA programmes receive more attention.

We collected information on curricular content from university websites. This method to identify and collect data on relevant courses has been used in prior research (Buff & Yonkers, 2004; Navarro, 2008) and has the advantage of avoiding nonresponse and social desirability biases (Boote & Matthews, 1999; Harris, 2001). Matten and Moon (2004) conducted a survey study of CSR education in Europe in which, after a rigorous process and multiple attempts, reported a response rate of only 24.8 percent. The information we collected included course titles, descriptions, and whether the course was required or optional (an elective).

Business programmes offering a four year undergraduate degree were included in the analysis. There were 62 of these programmes in Canadian institutions of higher learning. We analyzed the course information and subsequently either excluded inappropriate courses or categorised them into one of the following content areas: (1) corporate social responsibility, (2) ethics, (3) sustainability, (4) nonprofit sector issues, and (5) globalization from a prosocial perspective. We do not intend this categorization to be a mutually exclusive typology, but an aid in our analysis of the primary content of relevant courses.

RESULTS

The different courses and their prevalence are presented in [Table 1](#). The 62 business curricula combined had 40 courses on CSR, 43 on ethics, 22 on sustainability, 22 on nonprofit sector issues, and 5 on globalization from a prosocial perspective. It is not surprising that CSR and ethics courses are most prevalent as they have a longer history in business and academic circles (Fisher, 2004). It should be noted, however, that CSR is a required course in only 25 percent of the cases and that ethics is a required course in only 40 percent of the cases. Overall, 36 percent of these courses were required and 64 percent were electives. It appears that many programmes do not require their business students to take any ethics or CSR courses.

The next step in the analysis involved determining the proportion of universities having coverage in the various areas of interest. Twenty-eight universities (45 percent) offered at least one course in CSR. Twenty-eight universities (45 percent) offered at least one course in ethics. Eighteen universities (29 percent) offered a course dealing with sustainability issues. Seventeen universities (27 percent) offered a course dealing with nonprofit sector issues. Four universities (6 percent)

offered a course on globalization from a prosocial perspective. Similar to the results in [Table 1](#), it is surprising that less than half of the undergraduate business programmes in Canada offer a course on ethics or CSR.

The next step in the analysis assessed the breadth of coverage. Nine universities (15 percent) offered none of these courses in their curricula. Twenty-one universities (34 percent) had courses in their curricula on only one topic category. Twenty-one universities (34 percent) had courses in their curricula on two topic categories. Seven universities (11 percent) had courses in three topic areas in their curricula. Three universities (5 percent) had courses in four topic areas in their curricula. There were no universities that offered courses in all five topic categories.

Several of the universities stood out as placing exceptional emphasis on ethics and social responsibility in their curricula. In regards to breadth of coverage, [Table 2](#) presents exceptional universities offering courses in three or four different categories.

In regards to the depth of coverage, [Table 3](#) presents exceptional universities offering a relatively larger number of these courses. Although the percentage of universities offering a depth and breadth of social responsibility courses is small, there are some exemplars. Other universities can use the experiences of these exemplars as benchmarks for their own curricular development.

DISCUSSION

In requiring their undergraduate business students to take a course on ethics or corporate social responsibility, Canadian universities appear to be similar to U.S. universities. Buff and Yonkers (2004) reported that undergraduate business programmes in the U.S. required an ethics or social responsibility course in 40.6 percent of their programmes. We report in this study that 23 undergraduate business programmes in Canada (37 percent) require their students to take a course in either ethics or corporate social responsibility (that is, categories one and two). Since the Buff and Yonkers study was limited to AACSB accredited programmes, this differential may be even less. Fifteen of the 62 programmes in this study are AACSB accredited. Six of the 15 Canadian universities that are AACSB accredited require students to take either an ethics or a CSR course (40%). When limited to AACSB accredited programmes, Canadian and U.S. business programmes are nearly the same with respect to requiring an ethics and a CSR course. Because U.S. programmes receive the greatest research attention, a comparison with U.S. programmes serves as a useful benchmark.

This study differs from similar studies by collecting information on courses dealing with the nonprofit sector (e.g., nonprofit marketing, nonprofit management, accounting for nonprofit organizations). According to Jamali and Keshishian (2009), nonprofit organizations have acquired increasing prominence on the socio-economic landscape. Because businesses are collaborating more with nonprofit organizations in their CSR efforts, it makes sense to train managers on the basics of managing nonprofit organizations. For example, employer support for employee voluntary activity is considered to be a form of CSR (MacPhail & Bowles, 2009). Knowledge of the nonprofit sector will aid managers in collaborating and supporting the nonprofit community, not to mention that some business graduates will choose careers in the nonprofit sector.

While corporate scandals, which are increasing in frequency and prominence, are increasing the pressure on business schools to make greater efforts to ensure they are educating ethical managers (Felton & Sims, 2005), the domain of socially responsible management is broadening. For example, social responsibility is becoming more concerned with the global environment (O’Riordan & Fairbass, 2008; Wilburn, 2008). There is a growing concern that business students are not being prepared to deal with the ecological problems created by industrialization (Waddock, 2007). An emphasis on sustainable management is growing. Sustainability refers not only to pollution reduction, but also on less reliance on non-renewable manufacturing inputs. More recycled inputs are used and less waste is created.

In this study, we reported that we identified 22 sustainability-related courses in the 62 Canadian programmes in our analysis. While only two are required courses, sustainable management concepts are relatively new and the field is still developing.

TABLES

TABLE 1
Course Descriptives

Category	Count	Req	Elect	N/A ¹
CSR	40	10	29	1
Ethics	43	17	23	3
Sustainability	22	2	19	1
Nonprofit sector issues	22	2	20	0
Globalization from a prosocial perspective	5	3	2	0
Totals	132	34	93	5

¹ N/A means that the information was not available to determine if the course was required or an elective.

TABLE 2
Exceptional Universities: Breadth of Coverage

Universities offering courses in three categories	Universities offering courses in four categories
Athabasca University (Alberta)	The King's University College (Alberta)
University of Lethbridge (Alberta)	University of Manitoba
Meritus University (New Brunswick)	York University (Ontario)
Mount St. Vincent University (Nova Scotia)	
St. Francis Xavier University (Nova Scotia)	
Trent University (Ontario)	
McGill University (Québec)	

TABLE 3
Exceptional Universities: Depth of Coverage

Universities offering 7 courses on these topics
Queen's University (Ontario)
York University (Ontario)
Universities offering 6 courses on these topics
University of Lethbridge (Alberta)
University of Manitoba
Universities offering 5 courses on these topics
Athabasca University (Alberta)
University of Calgary (Alberta)
University of Guelph (Ontario)
McGill University (Quebec)
Universities offering 4 courses on these topics
The King's University College (Alberta)
Meritus University (New Brunswick)
Trent University (Ontario)

CAUSE-RELATED MARKETING IN SPAIN. A CONSUMER BEHAVIOR PERSPECTIVE. EFFECTS ON SATISFACTION AND LOYALTY

M. Mercedes Galan - Ladero, University of Extremadura, Spain
Clementina Galera – Casquet, University of Extremadura, Spain
Victor Valero – Amaro, University of Extremadura, Spain

ABSTRACT

Consumer reaction to cause-related marketing (CRM) has been examined through several polls and studies in different countries, with similar results (a general consumer acceptance). Many surveys show that consumers are more inclined to purchase products from companies that are considered good corporate citizens, and they would prefer to buy products from a company that had an association with a cause. We have studied consumer attitude and response to CRM among Spanish consumers, paying special attention to effects on satisfaction and loyalty.

References available upon request

DISAGGREGATING CORPORATE PHILANTHROPY: THE IMPACT OF INDIVIDUAL DIMENSIONS ON CUSTOMER-BASED CORPORATE REPUTATION

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INTRODUCTION

Corporate philanthropy (CP) is gradually taking up a more prominent position in business strategy. For companies, it offers a way to demonstrate social responsiveness, which may eventually lead to enhanced reputation (Brammer and Millington 2005, Luo and Bhattacharya 2006). Consumers' growing expectations of the role of business in society have further intensified the importance of CP. Related marketing research indicates that socially responsible activities often have a positive effect on consumers (Sen and Bhattacharya 2001). In this context, Hillenbrand and Money (2009) stress the need for understanding consumer expectations in relation to corporate responsibility and the impact of CP on reputation. Both are important, since companies' "citizenship activities" account for some 13% of their overall reputation as rated by consumers (Global Reputation Pulse 2010).

While the *general* link between CP¹ and corporate reputation (CR) has been empirically verified and is taken for granted by managers, there is a dearth of knowledge on how exactly consumers perceive *particular dimensions* of CP (i.e. cause specificity, geographical scope, and activities in different country environments), and which of these dimensions contribute most to the strength of customer-based corporate reputation (CBR). CBR is defined as "the customer's overall evaluation of a firm based on his or her reactions to the firm's goods, services, communication activities, interactions with the firm and/or its representatives or constituencies (such as employees, management, or other customers) and/or known corporate activities" (Walsh & Beatty 2007:129). It is a unique concept that, unlike other CR measures, explicitly considers customers' personal experiences and perceptions about a firm².

Objective of the paper and research questions

The objective of the present study is a better understanding and measurement of the effects of CP on CBR. While CP activities have an influence on different stakeholder groups, this paper focuses exclusively on one key stakeholder group for companies, namely consumers. Specifically, we attempt to analyze consumers' perception of different dimensions of firms' philanthropic activities. The questions investigated in this study are the following:

How does CP influence CBR?

Which dimensions of CP contribute most to CBR?

Is the influence of these factors dependent on:

- a) the various causes supported by companies? (e.g. health, environment or education)
- b) the geographical scope of corporate philanthropic activities? (local/national vs. international)
- c) the institutional environment?

Ad a) Consumers have diverse preferences over firms' actions and their reputational assessments may depend on the congruence between the apparent behaviour of the firm and their expectations. On the basis of balance theory (Heider 1958), corporate support (e.g. arts, education or health) may thus play a role in customers' perception of the company. Sheikh and Beise-Zee (2011) state that customers who hold a negative cause affinity might turn away from the firm while a favorable cause can support customer-company identification. Academic research, however, draws attention to the lack of congruence between the prioritization of social issues by consumers and companies (e.g. Simon 1995). Firms are not meeting social goals or stakeholder expectations very effectively, and business leaders often show a lack of understanding about what consumers

¹ Corporate Philanthropy (CP) is not uniformly defined in the academic literature. For the purpose of this research, CP will be regarded as part of Corporate Social Responsibility (CSR), i.e. "a direct contribution by a corporation to a charity or cause, most often in the form of cash grants, donations and/ or in-kind services" (Kotler and Lee, 2005, p.144). Furthermore, following Porter & Kramer's (2002) rationale, Cause-Related Marketing will not be considered a type of CP.

² There is little agreement in the academic literature as to whether CR is a unidimensional or multidimensional construct. This paper follows the argument that an organization has multiple reputations (e.g. Walsh & Beatty 2007; Davies et al. 2003), i.e. reputations embody the contradictory interests of self-interested constituents (such as investors, employees or customers). Moreover, CBR has to be distinguished from brand associations as the paper focuses on consumers' overall evaluations of a company rather than a brand. CBR is thus a broader construct embracing also other factors besides products or services.

really expect from companies (McKinsey 2008). Sen and Bhattacharya (2001) argue that only those consumers most supportive of the social issues react positively on social-support information and will in turn evaluate the company favorably. Therefore, consumers' personal support of a philanthropic cause might be a key determinant of their sensitivity to a company's social efforts and thus influence their perception about the corporation.

Ad b) Companies donate their resources to local as well as international CP projects. However, with respect to self-categorization theory (Turner 1987), the salience of the local community group identity may become important when evaluating companies' philanthropic actions. As a result, supporting a local hospital may be viewed differently by customers than supporting a hospital in a far away country. Engagement in local CP can be regarded as a means of establishing good local relationships crucial for the firm to survive. International CP, on the other hand, might be an additional tool to enhance company reputation and to acquire more visibility from existing and potential customers. The geographic scope of corporate philanthropic activities is an area that has been under-researched so far and the few results on consumers' preferences in this regard are somewhat contradictory. Related academic literature shows on the one hand consumers' greater support for local/regional than national/international causes (Ross et al. 1990). On the other hand, local causes do not get more positive evaluations than national causes (e.g. Rampal & Bawa 2008). Varadarajan and Menon (1998) suggest that regional or local scope might lead to superior results by tying-in with causes that particularly appeal to regional or local target groups. Consequently, there is a need to investigate differences in consumers' perceptions when the designated beneficiary is a national or international cause.

Ad c) An additional complexity is caused by looking at the above-mentioned two dimensions of CP in different country environments. Since stakeholder identities and interests vary cross-nationally, institutional theory is particularly useful for understanding cross-national differences (Aguilera and Jackson 2003). Kostova (1997) suggests that institutional environments are comprised of three main types of institutions: regulatory (existing rules and laws), cognitive (cognitive structures and social knowledge), and normative (social norms, values, beliefs, and assumptions). These components may vary across countries and thus affect CBR depending on the established regulatory, cognitive and normative arrangements.

In sum, there are a number of potentially important dimensions of CP that may impinge of the formation of CBR in rather different fashions. However, they have hitherto been neglected in the literature and this paper aims to redress this research gap.

METHODOLOGY

A mixture of qualitative and quantitative studies is conducted to investigate the issues outlined above:

- 1) In-depth consumer and company interviews: This approach allows getting a deeper understanding about the underlying effects and variables that need to be considered. The first part of this study is interpretive in nature, aiming to acquire an in-depth understanding of consumers' perception of CP and comparing these with corporate perceptions. The analytical perspective chosen is phenomenological and hermeneutical.
- 2) Online experiment: To assess consumer evaluations regarding four corporate philanthropic activities (health-related, education-related, art-related, and environment-related) and their geographical deployment, an experimental design is carried out. Consumers are asked to rank-order eight scenarios of hypothetical companies from seven different industries (pharmaceutical, petroleum, finance, telecommunications, FMCG, consulting, and transportation)³. Thus, we are also testing whether the particular industry has any effect on the evaluation of the cause by consumers.
- 3) Online survey: The third and last part of the study is focusing on testing hypotheses. Therefore, a quantitative research method is conducted with the help of an online questionnaire. This form of data collection also permits to reach respondents in different countries and, consequently, enables international comparisons. The multidimensional CBR scale developed by Walsh & Beatty (2007) will be used in this survey.

Step one and two are carried out in Austria. Building on the results obtained, the research will then continue with the international online survey.

³ These industries represent six top level economic activities according to the International Standard Industrial Classification (ISIC) of All Economic Activities (UN, 2008).

RESULTS AND DISCUSSION

The research is ongoing, but initial qualitative interviews with 13 consumers and two companies have already been conducted. The results suggest that CP activities are appreciated by consumers and have a positive influence on their perception of the company. On the other hand, consumers also view these activities skeptically and discount them as means of corporate image-building. Furthermore, consumers would welcome to have a voice in corporate decision-making about which causes companies should support; especially in terms of corporate support in their local area. However, companies do not tend to align their activities with consumer expectations but more with their core competencies. Their philanthropic activities are rather strategic and in anticipation of a positive outcome for the company itself (e.g. in form of enhanced reputation).

Data for the online experiment was gathered January through March 2011. Respondents ($n = 305$)⁴ were Austrians with different demographical backgrounds. Results of the experiment were analyzed with a One-Sample Chi-Square Test. The distribution of frequencies for philanthropic profiles in all industries shows the highest consumer preferences for internationally deployed health-related causes (specifically health aid in Africa), and lowest preferences for internationally deployed art-related causes (specifically funding arts in Africa). Moreover, both health-related causes deployed locally (in Austria) and education-related causes deployed internationally (in Africa) rank high. In terms of the industry, consumers prioritize the pharmaceutical company that supports health-related causes, and the oil company that supports environment-related causes.

CONCLUSIONS AND IMPLICATIONS FOR THEORY AND PRACTICE

The paper's contribution to the academic literature is threefold: Firstly, it provides a deeper understanding of the phenomenon of CP from both consumer and company perspectives. Secondly, the research sheds light on consumer evaluations of different types of corporate philanthropic activities and also distinguishes between national and international giving and between different industries. Thirdly, the analysis will enable an international comparison of consumers' perceptions on how different types of CP are shaping CBR in different institutional contexts. From a managerial vantage point, the results could help corporations to understand the need to tailor their CP approaches in line with consumer expectations and thus exploit CP's reputational impacts.

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⁴ Total of usable responses out of 459 collected.

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EXPLORING CROSS-CULTURAL DIFFERENCES IN ETHICAL PREDISPOSITIONS AND BEHAVIOR IN A SELLING CONTEXT

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ABSTRACT

A cross-cultural study was implemented to compare future sales representatives from the US and France regarding their ethical predisposition as measured by idealism and relativism and identify whether cultural differences were present regarding evaluations of ethical behavior within a sales context. Six hypotheses were tested and results indicate that higher ethical standards are associated with higher levels of idealism and lower levels of relativism. No differences were observed between US and French on relativism but contrary to predictions, US individuals exhibited higher levels of idealism than their French counterparts. Individuals from the US also exhibited greater sensitivity to ethical contexts while French respondents were more likely to judge behaviors as more *ethical*. Implications for cross-national selection, training and development are offered as well as recommendations for future research.

INTRODUCTION

Members of the general public continue to perceive sales representatives as dishonest, unethical and non-customer-oriented (Bristow et al. 2006) and in some cases this is true. A cover story report in *Sales & Marketing Management* (Stewart 2003) reveals that desperate economic conditions have led some sales representatives to resort to unethical sales practices such as selling products or services that weren't needed, selling the most profitable items, and backstabbing team members by stealing leads or accounts. While the selling field celebrates positive changes which include a focus on customer needs, collaborative problem solving, relational selling, transparency, open communication and long-term relationships it seems the negative image and actions of the manipulative, slick-talking, money-hungry salesperson of yesteryear are hard to shake. Unethical sales practices lead to lower levels of job satisfaction, tarnish customer relationships, and negatively impact firm revenues and profitability (Roman and Manuera 2005).

The perpetuation of negative images and behaviors among sales professionals is a call to action for marketing academicians. Marketing educators across the globe must not only develop students' selling skills but also address professional standards for ethical behavior and enable students to improve their skills in identifying ethical dilemmas and making appropriate decisions. The purpose of this research is to examine ethical decision-making of future sales professionals in a cross-national context. The research seeks to identify the role of ethical predispositions in future sales representative's perceptions of several selling-related scenarios. The research seeks to address how culture can explain variations in the ethical predisposition of future sales representatives and in their level of ethical behavior. While research studies have compared US individuals with their counterparts within Asian, Anglo-Saxon or eastern European countries (Donelson et al. 2008, Singhapakdi et al., 2001, Jackson 2001, Davis et al. 1998, Clark and Aram 1997, Whipple and Swords 1992, Abratt et al. 1992), this study compares the ethical predispositions and ethical judgments of future sales professionals in the US and in France. France was selected as a focal country due to its significance as a major power within the European Union, increased globalization related to foreign direct investment inflows and outflows, a relative poor image of sales as a profession in France, and absence of research related to ethical predispositions (c.f. Forsyth, O'Boyle and McDaniel 2008; Stahl and Cerdin 2004; Tanner, Fournier, Wise, Hollet and Poujol 2008; UNCTAD 2010). Though American and French managers likely share core moral values, they may respond differently when faced with specific ethical dilemmas (Clarke and Aram, 1997; Becker and Fritzche, 1987).

THEORETICAL BACKGROUND

The Relationship between Ethical Predisposition and Ethical Judgment

Individuals' ethical predisposition can be identified by their attitudes with regard to two basic philosophical dimensions: idealism and relativism (Forsyth 1980; Forsyth 1985; Forsyth and Nye 1990; Forsyth, Nye and Kelley 1988; Forsyth and Pope 1984; Schlenker and Forsyth 1977). Idealistic individuals are concerned with the welfare of others and act in a way that will bring positive consequences and seek to avoid harming others. Individuals exhibiting high levels of relativism examine the situation, context, or individual rather than considering an absolute moral or ethical principal. On the other extreme,

individuals reporting lower levels of relativism believe in moral absolutes and that in order to act ethically, they must behave consistently with moral laws (Forsyth 1980). The application of ethical predispositions based on idealism and relativism has been widely adopted in ethics research especially in the field of sales and sales management (c.f. Boyle 2000; Kleiser, Sivadas, Kellaris, and Dahlstrom 2003; Ramsey, Marshall, Johnston and Deeter-Schmelz 2007; Sivadas, Kleiser, Kellaris and Dahlstrom 2002-3).

Variations in individuals' ethical judgments of similar issues – that is how they will consider a situation or behavior to be more or less ethical (or morally acceptable) – can be explained by differences in their ethical predispositions (Bass et al. 1998, Barnes et al. 1998, Reidenbach and Rubin 1990). An inverse relationship is hypothesized to exist with regard to the role of relativism and ethical judgment where individuals who have lower levels of relativism embrace universal moral laws which they believe should be utilized to guide their actions. They are expected to have less flexibility in their judgments leading to higher ethical standards. Alternatively, those who have higher levels of relativism do not believe that universal principles can be applied to every situation and consider contextual factors or the individuals involved as playing a critical role. “Strong relativism indicates a person places more emphasis on the situation and the moral principle to determine if it is good, while weak relativism indicates a belief that moral principles should be followed regardless of the circumstances” (Oumlil and Balloun 2009, p. 461). Those high in relativism are expected to exhibit lower ethical standards (Cadogan, Lee, Tarkiainen, and Sundqvist 2009). Therefore, we predict:

H1: Individuals who report higher levels of relativism will exhibit lower ethical standards.

A direct relationship is hypothesized to exist with regard to the role of idealism and ethical judgment such that those high in idealism believe that ethical actions always lead to desirable outcomes or results while unethical activity leads to harm. Those who are less idealistic may be willing to make a trade between achieving good while simultaneously obtaining some negative consequences. Therefore, we predict:

H2: Individuals who report higher levels of idealism will exhibit higher ethical standards.

The two dimensions of idealism and relativism can be combined to gain greater insight regarding the relationship between ethical predispositions and ethical behavior. Forsyth (1980) proposed four ethical ideologies or personal moral philosophies based on an individual's level of idealism and relativism. The four approaches to ethical judgments are termed situationists, absolutists, subjectivists, and exceptionists. Situationists exhibit high levels of both relativism and idealism and tend to reject moral rules advocating an individualistic approach to ethical judgments. Exceptionists exhibit low levels of both relativism and idealism and adhere to moral absolutes to guide judgments but are open to exceptions. Individuals who are high on idealism but low on relativism are termed absolutists who “assume that the best possible outcome can always be achieved by following universal moral rules” while subjectivists (low idealism; high relativism) base ethical decisions on personal values rather than universal moral principles (Forsyth 1980, p. 176). While some researchers have utilized median splits to classify individuals into these four types (c.f. Bass, Barnett and Brown 1998; Tansey et al. 1994) it has been argued that this approach may lead to inaccuracies in classification (Sivadas, Kleiser, Kellaris and Dahlstrom 2003). Therefore we will utilize a market segmentation technique employing cluster analysis to determine whether these four ideological groups can be obtained (Sivadas, Kleiser, Kellaris and Dahlstrom 2003). Thus, we propose that:

H3: Individuals can be classified into one of four segments based on Forsyth's typology of ethical ideology.

The Role of Culture

The extent to which cultural variations exist in morality and moral judgment have been the topic of research for many years and a recent meta-analysis employing Forsyth's (1980) typology confirmed that the dimensions of idealism and relativism can be utilized to account for cultural differences in predictable ways and that these variations are consistent with previous studies of cultural differences (Forsyth, O'Boyle, and McDaniel 2008). The meta-analysis identified over 80 studies that measured differences in idealism and relativism in various cultures, however, France was surprisingly absent.

Cross cultural research offers mixed findings both on how ethical predisposition can vary between cultures and about the direct effect of culture on ethical judgment (Davis et al. 1998). Hofstede's typology is typically utilized to predict differences between societies along four cultural dimensions: power distance, uncertainty avoidance, individualism and masculinity (Hofstede 1980; 2001) and to predict variations in idealism or relativism or the relationship between culture and business ethics (Donelson et al. 2008, Singhapakdi et al 2001, Davis et al. 1998, Jackson and Artola 1997, Clarke and Aram 1997, Armstrong 1996). US individuals are usually classified as more absolutist or situationist (high level of idealism) than their Asian or European counterparts. The very few studies that exist on French managers are quite dated now and often rely on a series of clichés that may have applied twenty years ago but have since then fallen into oblivion.

One study (c.f. Gopinath 1996) suggested that France allows its companies to treat bribes to foreign business officials as business expenses. These studies consider French managers as pragmatic when it comes to decision making (Becker and Frizsche 1987) and not hesitating to behave in a questionable manner “as long as the individual can get away with it” (Rawwas, 2001). Thus, French managers would more likely exhibit the exceptionist or subjectivist moral philosophy (low idealism).

Individuals in France and the US are expected to differ on a number of cultural dimensions including the processing of information and communication through the extent to which the communication is implicit or explicit, the degree of individualism, uncertainty avoidance, universalism, and masculinity (Hofstede 1980; Overby 2005). Implicit cultures are described as employing high context communication styles where processing is based on intuition, communication is more indirect, thinking is more diffuse or holistic, and relationships with others are important considerations. Explicit cultures on the other hand, are described as employing low context communication styles and individuals use inductive reasoning by analyzing specific points, facts or figures. The US has been described as an explicit culture while France is implicit (Overby 2005) and these differences are expected to relate to levels of relativism. When determining whether an action is ethical, individuals in a low context culture such as the US would analyze specific facts and dissect the situation in an attempt to identify some type of pattern of regularity. If a pattern can be identified, then a general rule could be applied to make a decision on how to behave. Alternatively individuals in a high context culture such as France would be more likely to consider the situation and circumstances rather than an ethical principle that was violated. Thus, based on the cultural dimension of implicit/explicit, individuals in France would be expected to exhibit higher levels of relativism.

The cultural dimensions of uncertainty avoidance and individualism are also expected to be linked to relativism. A negative relationship is predicted between uncertainty avoidance and relativism since cultures with high levels of uncertainty avoidance are threatened by ambiguity and have a high need for security. Thus, these cultures typically focus on strict laws and rules to guide behavior. France is judged higher than the US on uncertainty avoidance and is expected to exhibit lower levels of relativism. A negative relationship is also predicted between individualism and relativism where cultures exhibiting high levels of individualism such as the US and France would be characterized by lower levels of relativism (Forsyth, O’Boyle and McDaniel 2008).

Based on the cultural dimensions of implicit/explicit, uncertainty avoidance and individualism, differences between US and French individuals are expected. To summarize, the greater levels of uncertainty avoidance of French people predicts lower levels of relativism. However, since the French are more likely to employ an implicit communication style greater levels of relativism are expected. Similarly, since both US and French are high in individualism, lower levels of relativism is predicted. Thus, an exploratory or null hypothesis is stated:

H4: No differences in relativism are predicted between French and US individuals.

Two cultural dimensions are expected to be linked to levels of idealism: masculinity and universalism. An indirect relationship is hypothesized between masculinity and idealism such that cultures that are low in masculinity are expected to exhibit higher levels of idealism since they value family and relationships and exhibit greater caring and concern for others (Hofstede 1980; Forsyth, O’Boyle and McDaniel 2008; Oumlil and Balloun 2009). Alternatively, cultures that exhibit higher levels of masculinity value success, money and material possessions over their concern for others. Thus, individuals in France are expected to have higher levels of idealism while those in the US are more likely to have lower levels of idealism. Similarly, since individuals in France are more concerned with relationships and concern for others, they exhibit particularism or an exceptionist style where friendships and social relationships are more important than rules and regulations (Overby 2005) which is associated with higher levels of idealism. Alternatively, individuals in the US are characterized as being universalists where society’s rules and regulations guiding behavior come before relationships thus leading to the expectation that individuals in the US would have lower levels of idealism (Overby 2005). Therefore, we predict:

H5: Individuals in France are likely to exhibit higher levels of idealism than those from the US.

As for the relationship between culture and ethical judgment, it has been shown that US individuals are usually less keen to accept situations involving fraud or self-interest. They are more critical than other nations when it comes to confidentiality or research integrity, a result that can be attributed to cultural differences (Okleshen and Hoyt 1996, Whipple and Swords, 1992). We may then expect US respondents to evaluate ethical situations more harshly than French respondents when dealing with an ethical dilemma. Research has also demonstrated that the US is more progressive than France in adopting ethical codes of conduct (Langlois and Schlegelmilch 1990) where 75% of US firms have a formal code of ethics compared to only 30% of French firms. When results are examined for French-owned businesses, the percent of French companies with a

formal code of ethical conduct drops to 18% which indicates that internationalization or the influence of a non-local parent leads to a higher likelihood of the adoption of ethical codes. Therefore, we predict:

H6: Differences will exist between French and US individuals in their evaluation of ethical situations.

METHODOLOGY

Sample and Data Collection

A self-administered questionnaire was utilized to gather information from students at two business schools, one in the Midwest of the United States and a second in the western region of France. The questionnaire was developed in English and translated to French by a bilingual expert. A back-translation was performed by another bilingual expert to verify the original translation. Finally, the French survey was pilot tested using graduate students to check the ability to understand the wording, instructions, response patterns, and cultural appropriateness of the instrument. Based upon these procedures, the researchers established translational equivalence (Mullen 1995).

A judgment sampling technique was utilized to obtain a broad sample of students enrolled in the business program of study at both schools. In the United States, students were provided with a survey web address and invited to participate in an Internet-based survey. In France, data was collected by administering questionnaires in classes. A total of 661 surveys were usable with 369 from the United States (US) and 292 from France.

The French sample contains students in their third (66%) and fifth (34%) year while the US sample included students ranging from first year (12%) to fourth year (24%). The French and US samples contain consistent proportions of students in their third year of university but the US sample is proportionally younger given the inclusion of students in their first and second years of school. Overall, the combined sample contains a higher proportion of men (54%) than women (46%) but the French sample includes a larger contingent of women (55%) while the US sample has more men (61%).

Construct Measurement

The constructs of idealism and relativism were measured using the *Marketing Ethical Ideology* (MEI) seven-item scale (Kellaris et al. 1999; Kleiser et al. 2003). The scale is intended for use with marketing ethics research and “provides a more parsimonious measure of personal moral beliefs based on Forsyth’s (1980) taxonomy of ethical ideologies” (Kleiser et al. 2003, page 1). Ethical judgment was assessed by three scenarios from the Dabholkar and Kellaris (1992) personal selling ethics scale. The use of scenarios is a common approach in studying ethical decision-making. The five proposed scenarios are representative of different ethical dilemmas that sales representatives might face. The MEI measures were scaled using seven-point Likert scales where “1” represents “Strongly Disagree” and “7” represents “Strongly Agree”. Respondent ethical judgment of the scenarios were measured using a seven-point scale where “1” represents “Unethical” and “7” represents “Ethical”.

Construct Validity

Since the research involved translation of the survey instrument from English to French, established procedures were utilized to examine the equivalence of the measures (Meredith 1993; Mullen 1995; Singh 1995; Steenkamp and Baumgartner 1998). The degree of measurement invariance is important when researchers analyze data from cross-national samples (Griffin, Babin and Modianos 2000). Measurement invariance can be tested utilizing factor analysis to examine the structure and factor loadings of scale items and if a scale retains its psychometric properties in each sampling context it is considered to have full measurement invariance (Griffin, Babin and Modianos 2000).

Ethical Predisposition

Exploratory factor analysis was utilized to determine the degree of measurement invariance across the constructs of interest. With regard to the MEI scale, factor analysis on the French and US samples demonstrates a two-factor solution with appropriate loadings for the idealism and relativism sub-scales, however the reliability estimates were relatively low (approximately .60 for the French and US samples). Although the calculated reliability estimates for the sub-scales were relatively low, they are consistent with previous research who stated, “the high fit values provide compelling evidence of the scale’s validity, and making it tempting to discount the relatively low alpha values” (Kleiser et al. 2003, page 8). Moreover,

as Gerbing and Anderson (1988) point out, convergent and discriminant validity are more important criteria than reliability for construct validity.

RESULTS

Ethical Predisposition

As discussed previously, Forsyth (1980) proposed that individuals' ethical predisposition could be identified by their attitudes with regard to two philosophical dimensions of idealism and relativism and that these dimensions are related to ethical behavior. Hypothesis 1 predicted that higher levels of relativism would be associated with lower ethical standards or less sensitivity to ethical issues. Alternatively, Hypothesis 2 predicted that greater levels of idealism would be associated with higher levels of ethical behavior or greater sensitivity to ethical issues. A composite score of ethical judgment or behavior was calculated by summing individuals' evaluations of the three ethical scenarios which were measured using a 7-point scale where "1" indicated *unethical* and "7" indicated *ethical*. Multiple regression analysis was employed utilizing the composite measure of ethical response as the dependent variable while idealism and relativism were the independent variables. The model was significant ($F = 50.22$, $p = .000$) and explained 13.2% of the variance in ethical judgment. Both idealism and relativism were statistically significantly related to ethical judgment with idealism exhibiting an indirect relationship ($\text{Beta} = -.322$, $t = -8.784$, $p = .000$) and relativism exhibiting a direct relationship ($\text{Beta} = .155$, $t = 4.228$, $p = .000$). Individuals exhibiting higher levels of relativism were more likely to judge the scenarios as "ethical" thus demonstrating lower sensitivity to ethical issues and lower ethical standards in support of Hypothesis 1. The results also indicate that higher levels of idealism are associated with individuals judging the situations to be "unethical" or exhibiting higher ethical standards thus supporting Hypothesis 2.

To test Hypothesis 3 regarding whether individuals could be classified into four types based on Forsyth's (1980) scheme using idealism and relativism scores, a market segmentation approach was utilized. Rather than using median splits of respondent scores on the two sub-scales of the MEI measure, K-means cluster analysis was conducted specifying a four-cluster solution based upon the work of Sivadas et al. (2002 -3). To examine the mean differences across the four clusters based upon the idealism and relativism scales, ANOVA was utilized and revealed the groups differ significantly on the two factors (idealism: $F_{3,655} = 407.12$, $p = .000$; relativism: $F_{3,655} = 385.53$, $p = .000$). Table 1 provides a profile of the four clusters using the sample demographic characteristics and mean scores on the idealism and relativism measures.

As summarized in Table 1, two of the groups have approximately thirty-percent of the total sample in each segment with 192 members in the *Situationist* segment and 206 members in the *Subjectivist* segment. The *Absolutist* segment garners twenty-five percent of the sample with 163 members and the *Exceptionist* segment is the smallest with fourteen percent of the sample and 93 members.

A series of Chi-square tests were conducted to examine the associations among the demographic characteristics and ethical predisposition cluster segment and revealed statistically significant differences for cluster membership by gender, country and gender by country.

More men than expected were categorized in the *Exceptionist* and *Subjectivist* clusters while more women than expected were categorized in the *Absolutist* and *Situationist* clusters ($\chi^2 = 7.26$, $p = .06$). An examination of cluster membership by country reveals a larger proportion of French students in the *Exceptionist* and *Subjectivist* clusters and more US students than expected in the *Absolutist* and *Situationist* clusters ($\chi^2 = 81.63$, $p = .000$). The findings from the three-variable Chi-square test reveal more men and women in the US are members of the *Absolutist* and *Situationist* clusters while more women and men from France are members of the *Exceptionist* and *Subjectivist* clusters ($\chi^2 = 53.28$, $p = .000$).

A t-test of means was employed to examine Hypothesis 4 and Hypothesis 5. Hypothesis 4 employed the null hypothesis to test whether differences were observed between US and French individuals on relativism. No differences were observed as the mean relativism score for US individuals was 4.35 while the mean for French individuals was 4.33. Hypothesis 5 predicted that French individuals would exhibit higher levels of idealism than their counterparts in the US. Surprisingly, the opposite was found with a mean idealism score of 4.47 for French individuals compared to 5.48 for US ($p = .000$). Thus, Hypothesis 4 is supported while Hypothesis 5 is rejected.

Ethical Judgment

Analysis of variance (ANOVA) was utilized to examine Hypothesis 6 - whether future sales representatives in the US and France differ in their perceptions of the ethicalness of three sales-related scenarios. Results indicate statistically significant differences for all scenarios where French students perceive the action or behavior to be *more ethical* than their counterparts in the US. Table 2 provides a summary of the ANOVA results. The comparison of means indicates both US and French students perceive a salesperson posing as a buyer (Scenario 3) to be ethical however, French students are statistically significantly different than US students in their ethical perceptions of Scenario 3 – posing as a buyer ($F = 7.62, p = .006$). French and US students also differ significantly on the ethicalness of splitting a contest bonus with a customer (Scenario 1) with French students perceiving the behavior as more ethical than the US students ($F = 21.11, p = .000$) and the ethicalness of inflating their expense account ($F = 22.13, p = .000$).

The Relationship between Ethical Predisposition and Ethical Judgment

To examine whether the four cluster segments differed in their perceptions of the ethicalness of the scenarios, a multivariate analysis of variance (MANOVA) was conducted. The results are summarized in Table 3 and demonstrate that segments defined by ethical predispositions are significantly different across all three scenarios (Wilks's lambda = 0.888; $F_{15, 1775.4} = 5.213, p = .000$). Post-hoc tests indicate multiple statistically significant differences within each ethical scenario by ethical predisposition group.

Across the three scenarios, *Absolutists* exhibit the lowest scores demonstrating they perceive each of the scenarios as *more unethical* than the other three segments. According to the post-hoc analyses, *Absolutists* are statistically significantly different from *Exceptionists* and *Subjectivists* for all five scenarios. *Situationists* and *Subjectivists* are statistically significantly different from each other for all three scenarios with *Situationists* exhibiting lower scores than *Subjectivists* thus perceiving the actions as *more unethical*. The only instance where *Exceptionists* differ from *Situationists* is for Scenario 3 – posing as a buyer where *Exceptionists* view the action as more ethical than *Situationists*.

DISCUSSION AND IMPLICATIONS

The research fills a gap in the cross-cultural literature examining the role of ethical predispositions as no studies incorporating a population from France has been published (Forsyth, O'boyle and McDaniel 2008). Globalization and internationalization is high in France as they have large amounts of foreign direct investment in-flows and out-flows (UNCTAD 2010) and it's likely that many French university business students will find employment opportunities in multinational firms that are owned by a non-local (non-French) parent. Thus, if differences exist between the ethical predisposition of French individuals and their US counterparts, these differences could lead to potential ethical violations or discrepancies in ethical behavior. As previously discussed unethical behavior results in negative consequences for the firm and has been shown to exert a negative impact on customer relationships (Roman and Munuera 2005).

Six hypotheses were tested regarding Forsyth's theory of ethical predisposition (Forsyth 1980) and ethical behavior. Hypotheses related to the relationship between relativism/idealism and ethical behavior were supported wherein higher levels of ethical behavior were linked to higher levels of idealism and lower levels of relativism thus supporting Hypotheses 1 and 2. Cluster analysis was utilized to determine whether individuals could be classified into four categories based on Forsyth (1980) and results reveal the typology was supported and segments were differentiated as hypothesized thus confirming Hypothesis 3. Based on cultural differences (Hofstede 1980), it was hypothesized that no differences would exist between US and French on ethical relativism and this Hypothesis 4 was confirmed. However, contrary to the study's hypothesis (Hypothesis 5), US individuals exhibited higher levels of idealism than the French. Finally, Hypothesis 6 predicted that differences would exist between French and US individuals with regard to their evaluation of ethical situations and the research found that the French were less sensitive to ethical situations and judged *unethical* situations as *more ethical*.

The research substantiates the importance of the ethical context or cultural environment which exists within an organization (Ferrell, Fraedrich and Ferrell 2008) since differences between US and French business students can be attributed to cultural differences. Within the context of a multinational firm, these differences indicate the need to consider ethical predisposition when making hiring and selection decisions as well as the importance of ethical codes of conduct and the implementation of an ethics training program. Sales representatives play an important boundary-spanning role in their organizations and should be managed from an ethical standpoint through the implementation of a consultative, need-satisfaction selling paradigm which promotes long-term relationships, customer satisfaction and loyalty is central to success (Valentine 2009). However,

Valentine and Barnett (2007) caution that ethical codes of conduct are necessary but not sufficient and that sales representatives should be exposed to meaningful ethics training which focus on specific, “real-world” dilemmas.

With regard to ethical codes of conduct, caution is suggested for multinational corporations – especially US firms operating in the European Union as recent legal findings indicate that codes of conduct must conform to European Union standards particularly with regard to privacy concerns (Pagnattaro and Pierce 2007). Thus, US firms may not be able to impose their codes of conduct in other geographic areas where they operate without close examination of legal rules, regulations, and cultural differences. For example, in a study of corporate codes of conduct, French firms have emphasized belonging and achieving collective goals while US firms emphasized fairness and equity (Langlois and Schlegelmilch 1990).

LIMITATIONS AND SUGGESTIONS FOR FUTURE RESEARCH

The research employed convenience samples fielding respondents from only one university in both the US & France. As previously discussed, the sample from the US was slightly younger based on year in school and contained a greater proportion of men than women. Thus, the ability to generalize the results to the general populations of US and France is limited. Further, individuals may have exhibited some social desirability bias in answering questions leading them to potentially overstate their perception of an ethical dilemma being *unethical*. Therefore, it's difficult to know whether their actual behavior in such situations would be similar to how they rated the scenarios. Similarly, while the use of scenarios is common to the study of ethical behavior in a sales context, we only used three different scenarios and additional scenarios may have produced different results. Finally, the MEI instrument utilized to measure idealism and relativism produced marginal levels of reliability which adds further caution to the study's findings. Thus, the present research should be viewed as preliminary and subject to future research to validate the findings.

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Table 1 - Ethical Predisposition

	Exceptionist	Absolutist	Situationist	Subjectivist
	Low Idealism – Low Relativism	High Idealism – Low Relativism	High Idealism – High Relativism	Low Idealism – High Relativism
Group Size	n = 93	n = 163	n = 192	n = 206
Percent of Total	14%	25%	29%	31%
Moral Philosophy				
Idealism	3.82	5.87	5.87	4.15
Relativism	3.14	3.30	5.14	4.98
Gender				
Male	64%	48%	51%	56%
Female	36%	52%	49%	44%
Country				
United States	27%	69%	73%	42%
France	73%	31%	27%	58%

Table 2 - Ethical Judgment

	US	France	F-Ratio	Significance Level
Scenario 1: Split Contest Bonus	2.93	3.53	21.11	0.000
Scenario 2: Inflate Expense Account	2.69	3.21	22.13	0.000
Scenario 3: Pose as Buyer	4.35	4.71	7.62	0.006

Table 3 - Ethical Predispositions and Ethical Judgment

	Segment 1: Exceptionist	Segment 2: Absolutist	Segment 3: Situationist	Segment 4: Subjectivist	Post-Hoc Tests*
	Low Idealism – Low Relativism	High Idealism – Low Relativism	High Idealism – High Relativism	Low Idealism – High Relativism	
Scenario 1: Split Contest Bonus	3.32	2.71	3.01	3.65	1 > 2 2 < 4 3 < 4
ANOVA F= 10.779; df = 3; p = .000					
Scenario 2: Inflate Expense Account	3.00	2.50	2.77	3.32	1 > 2 2 < 4 3 < 4
ANOVA F= 11.497; df = 3; p = .000					
Scenario 3: Pose as Buyer	4.75	4.21	4.29	4.83	1 > 2 2 < 4 1 > 3 3 < 4
ANOVA F= 6.041; df = 3; p = .000					
MANOVA Wilks's lambda = .919; F = 6.178; df = 9, 1569.91; p = .000					
* Post-hoc tests are significant at < .05					

Thursday, 21 July
Time: 10:30 AM

Session Number: **6.8: Organizational Issues and Processes**

Session Chair: Gountas, Sandra, *Curtin University*

Inter-organizational Supply Chain Performance: How the Relationship Factors Influence the Australian Beef Industry?

Nasir Uddin, Mohammad, *Curtin University of Technology*

Quaddus, Mohammed, *Curtin University of Technology*

Islam, Nazrul, *Department of Agriculture and Food, WA*

A Typology of Relational Processes in Egyptian Companies : An Exploratory Study

Yacout, Omneya, *Alexandria University*

Understanding the New, Negotiated Phase of Relationship Marketing: A Proposed Research Agenda

Schultz, Don, *Northwestern University*

Malthouse, Edward, *Northwestern University*

Pick, Doreen, *Freie Universität Berlin*

Discussion Leader: Sanjaya, Gaur, *Auckland University of Technology*

INTER-ORGANIZATIONAL SUPPLY CHAIN PERFORMANCE: HOW THE RELATIONSHIP FACTORS INFLUENCE THE AUSTRALIAN BEEF INDUSTRY?

Mohammad Nasir Uddin, Curtin University of Technology, Australia
Mohammed Quaddus, Curtin University of Technology, Australia
Nazrul Islam, Department of Agriculture & Food WA and Curtin University of Technology, Australia

ABSTRACT

This study examines supply chain structures and inter-organizational relationship factors that influence the supply chain performance in the Australian beef industry. It investigated the extent to which aggregated relationship strength is a source of supply chain performance for the industry. The effect of antecedent factors such as vertical coordination, negotiation power and the use of IOS in the relationship strength were also investigated. Data were collected through a telephone survey in 315 firms including input suppliers, producers, processors and retailers in the beef industry of Western Australia and Queensland. The results support both the direction of theoretical underpinnings from RBV and TCE in the beef industry, that durable buyer-supplier relationships in the supply chain are developed from the level of commitment and trust, interdependence and mutual investment and can be a strategic economic resource to by-pass the cost of traditional market transactions. Results suggest the following key success factors for the beef industry in Australia: (a) the operational adoption of a lean supply chain between producer and processors or processors and retailers; (b) a transparent interdependent relationship with a strong consolidation/integration of business activities; and (c) synchronized information flows for greater compliance with carcass specifications in the supply chain.

INTRODUCTION

Supply chain management (SCM) in the Australian beef industry relates to all the linkages from the primary producers to the final consumers in the production and distribution of goods such as the management of producers, feed-lotters, slaughterers, processors, wholesalers and retailers in the beef industry. Supply chains in the Australian beef industry have been based on market arrangements with operations production pushed and often adversarial for which producers do not gain any insight to their customers as they are isolated from the rest of the food chain. Likewise, processors are lacking innovative initiatives to develop a product and the business with the producers while a low trust environment between the two often exists (O’Keeffe 1998; WY and Associates 2009). Studies found that these are the key issues affecting the performance, competitiveness and success of the industry, highlighting the need for improved information flow and relationship structure in the whole of supply chain participants (O’Keeffe 1998; Uddin, Quaddus, and Islam 2010).

Based on the above, three objectives were pursued in the research. First, we examine how supply chain structures and the use of inter-organizational systems influence inter-firm relationship strength and SC performance in the Australian beef industry. We use two constructs - ‘negotiation power’ and a higher order concept ‘vertical coordination’ to explore the current supply chain structures and their effects on the industry. Second, we examine the elements of relationship strength within the supply chain environments of the beef industry in two Australian states; Western Australian and Queensland. Using four elements of relationships in a higher order formative construct, we examine their individual contribution to forming relationship strength. Finally, we investigate the extent of strength of the aggregated relationship as a source of supply chain performance for the industry.

The next section presents the research background theories, and hypotheses. The research model and methodologies are discussed then, followed by a discussion of results. Finally, the paper concludes with a listing of implications from the results.

CONCEPTUAL BACKGROUND AND HYPOTHESES

Vertical Coordination in the Supply Chain Relationship

Transaction cost economics (TCE) is the most widely used theoretical lens for analyzing the development and impact of relationship structures and their governance in a food supply chain (Hobbs 2000; Williamson 1975, 1985). Based on the work of Williamson, studies have suggested that the methods of vertical coordination (VC) range from spot market, specification contracts, relation-based alliances and equity-based alliances to vertical integration. Often, it is argued that the time and costs involved for detecting a suitable buyer/seller, the quality and price of the saleable products are the reasons for more vertical coordination by circumventing the marketplace. Lawrence, Grimes, and Hayenga (1998) argued that quality of a product is

one of the major concerns, especially in the meat industry, and requires an integrated information flow given that open markets are only very limitedly able to pass on quality-related information in food chains. TCE also recognizes that imperfect, incomplete or asymmetrical information between supply chain partners may increase opportunistic behavior and transaction costs. Finally, as one of the key variables in TCE is the degree of asset specificity, many authors argue that if the specific investment increases the spectrum of vertical coordination, there may be a move towards a more formal type of relationship such as vertical integration in the supply chain (Hobbs 2000; Peterson and Wysocki 1997; Williamson 1975, 1985). The result may be use of strategic alliances or long-term contracts or full vertical integration depending on the asset specific investment made by one party, or both, in a mutually agreed case for serving special market segments. Therefore, we hypothesise that

H1: The level of 'vertical coordination' in a supply chain positively influences the level of 'relationship strength' of the Australian beef industry.

H2: The level of 'vertical coordination' in a supply chain positively influences the level of 'SC performance' of the Australian beef industry.

Negotiation Power in Supply Chain Relationships

Power is defined as the ability of one firm to influence the intentions and actions of another firm (Maloni and Benton 2000) while negotiation power is related to the capacity of one party to influence others due to its size or status. Researchers have applied different power bases in supply chain relationships and found direct implications of power circumstances in a supply chain that have a significant affect on inter-firm relationships, and consequently, on chain performance. Studies suggest that there are specific supply chain power circumstances based on commitment, dominance and interdependence for which different relationship management approaches emerge. The current study assumes that to play a consequential role in the formation and maintenance of supply chain relationships, a firm should have some degree of negotiation power that may come from its cooperative arrangements, larger market share and/or brand penetration. A positive pro-active supply chain relationship is only enforceable, or be likely to emerge, when there is consistent direction in dominance or interdependence among the chain participants (Revell and Liu 2007).

Based on the above discussion we develop the following hypothesis:

H3: 'Negotiation power' in a supply chain positively influences the inter-firm 'relationship strength' of the Australian beef industry.

IOS Use in Supply Chain Relationships

Researchers have agreed that the use of inter-organizational systems (IOS) such as electronic data interchange (EDI), web-based procurement system, electronic trading system or supplier relationship management system can enhance coordination of the supply chain members, enhance information transfer and sharing and can reduce inter-firm transaction costs (contract, control and monitoring costs). Many researchers have used the framework of RBV (Resource-based view) to assert the contribution of IOS as an infrastructure and strategic resource that can provide greater scope for organizations to exploit their individual capabilities (Barney 2002; Borman 2006) such as strengthening the inter-firm relationship. IOS influences relationship strength because it can be a determinant of the level of trust, commitment and interdependence of supply chain partners (Ali, Kurnia, and Johnston 2007). It provides a link among the sources of information at different relationship levels and creates wider breadth and depth of information flow (Alavi and Leidner 2001). Based on the above discussion following hypotheses are developed

H4: The level of 'IOS use' in a supply chain positively influences the level of 'relationship strength' of the Australian beef industry.

H5: The level of 'IOS use' in a supply chain positively influences the 'SC performance' of the Australian beef industry in the Australian agri-food industry.

Relationship Strength and Supply Chain Performance

A large part of SCM literature consists of managing competent inter-firm or inter-organizational relationships such as alliances or partnerships in a supply chain to gain competitive advantage and firm performance. It has been argued that high quality relationships can be based on willingness to invest and it may have greater trust, commitment or interdependence with

the notion of continuing it for a longer term for a greater cost saving in SC transactions. The lack of emphasis in supply chain relationships may decline competitiveness in the marketplace while cooperative planning and information sharing in the relationship may lead the entire chain to being a source of strategic competitive advantage (Clare, Reid, and Shadbolt 2005). In the agricultural industry chain, O'Keefe (1998) termed it as 'co-operating to compete', pointing to the shift of competition from firm versus firm to chain versus chain, wherein a firm can run more competitively if they work together within a supply chain in a cooperative environment. Thus, a coordinated supply chain relationship can reduce the risk and uncertainties in transactions and provide many returns such as lower product and/or service costs, enhanced quality and innovation, and a better firm performance (Golicic, Foggin, and Mentzer 2003). Based on the above discussion, it was hypothesized in the current study that perfect synergies of economic and behavioral factors such as reciprocal investment, interdependence, trust and commitment are related to the inter-firm relationship strength and will influence the performance of the beef industry, as follows:

H6: The 'strength of inter-firm relationships' in a supply chain positively influences the 'SC performance' of the Australian beef industry.

THE RESEARCH MODEL

The operational model is designed according to the hypotheses. It is developed and tested using the partial least square (PLS) based structural equation modeling (Chin, 1998). [Figure 1](#) presents the latent variables and the hypothesized structural relationships between predictor and predicting variables. The factors 'vertical coordination', 'negotiation power' and 'IOS use' were designed as exogenous variables that influence 'inter-firm relationship strength' and 'SC Performance', while the emanating path from 'relationship strength' was designed to investigate the extent to which it is a source of SC Performance.

At the construct level, there are three second order multidimensional latent constructs named as 'Vertical Coordination', 'Relationship Strength' and 'SC performance' modelled as being caused by their first order latent variables or sub-constructs. A second order construct was modelled as being at a higher level of abstraction and created using linear composites from the items used to measure each sub-constructs (Rai, Patnayakuni, and Seth 2006).

Survey Procedure and Sample

The current study used a combination of field study, expert reviews and pilot study methods for developing the questionnaire and pretesting the survey.. After making necessary adjustments to the questionnaire and the measures, final data are collected using a computer-aided telephone interviewing system (CATI). A seven point Likert scale ranging from 'strongly disagree' to 'strongly agree' or 'Never' to 'Always' is used without mentioning any mid-point. Sample respondents were categorized as beef-cattle producers, processors, retailer/exporters, wholesalers and input suppliers. A minimum of 30 and a maximum of 100 responses were targeted for each of the three main categories of producer, processor and retailer firms (one response per firm with the person holding the highest position) in each of the two Australian states: Western Australia (WA) and Queensland (QLD). Thus, 315 responses from the beef industries in WA and QLD in Australia were eventually obtained. The responses showed that majority (43.2 %) of the firms were producers, processors (28.9 %) and retailers (21.9%); the remaining firms were wholesaler and input suppliers.

DATA ANALYSIS AND RESULTS

Partial least squares (PLS), a confirmatory second-generation multivariate analysis tool, was used to test the hypotheses. The following two required steps for data analysis in PLS were conducted using PLS-Graph version 3.0.

Assessment of the Measurement Model

The individual item reliability was assessed by examining the loading or simple correlations of the measures with their respective constructs. The initial model was tested using 32 observed variables. The results of the initial model showed that four items had loadings below the acceptable standard (less than 0.6) which were removed from further analysis to improve the item reliability. Result also showed that all the latent variables have acceptable internal consistencies of above 0.7 and an AVE (Average Variance Extracted) over 0.5 (Barclay, Higgins, and Thompson 1995). We also checked the discriminant validity of the constructs and found that all the variables demonstrate acceptable performance on this basis. To measure the second-order formative constructs, linear composites of the items measuring each of the first-order constructs was used as a formative indicator. The result indicated that all the first-order constructs, except that the contractual arrangement, have a significant formative weight for their respective second-order construct.

Structural Model and Test of Hypothesis

The coefficient of each hypothesized path and its corresponding t-value obtained from the 100-sample bootstrap procedure in PLS are shown in Table 1. It reveals that all of the paths, except the effect of IOS use on SC performance, have a significant loading (standardized β s) and t-values and thus provides support for the hypotheses at $P < 0.000$ and $P < 0.001$ level. The results reveal that negotiation power is the strongest predictor of relationship strength, followed by vertical coordination and IOS use across the supply chain. As the PLS result establishes the relative importance of the antecedent constructs by calculating all the indirect and direct effects of the latent construct (Barclay, Higgins, and Thompson 1995), results show that the total effect (indirect + direct) of 'relationship strength' strongly and significantly influences the supply chain performance in the industry.

DISCUSSION AND IMPLICATIONS OF THE RESULTS

The factors relevant to developing competent inter-firm relationships and their effect on a supply chain performance have been the focus of the paper. Six hypotheses were tested and the data supported acceptance of five of them. The findings revealed that, given the affect of all the antecedents and lower-order constructs, inter-firm relationship strength has a strong positive influence on supply chain performance (H6). The findings have significant implications for the improvement and management of the beef industry in Australia; the supply chain needs to be focused and leveraged to create performance gains by more formalized vertical interactions between the producers, processors and retailers.

The two hypothesized relationships (H1 and H2) of vertical coordination and relationship strength and vertical coordination and supply chain performance were strongly supported; they showed important implications: the level of coordination such as the sales and distribution of products, information sharing and asset specific investment; and, that the level of formalized transactions such as short-term and long-term contracts rather than open market transactions are significantly important in organizing and governing a vertical relationship. The evidence also support that vertical coordination can integrate supply chain members and can improve the information flow given that to a very limited extent, open markets are able to pass on quality-related information in food chains. For example, based on current market trends, a beef producer may need advance information on feeding, animal health and biological attributes of the product to make necessary adjustments in farming methods that lead to carcass development within a targeted range of quality and cost. On the other hand, processors and retailers need to know the quality attributes and markets of the products with detailed information about where and how the product was produced. Vertical organization and information sharing can integrate such knowledge from many different individuals in the supply chain and can provide a basis for a better performance of the supply chain.

The support of the hypothesis H3 between negotiation power and relationship strength is consistent with the literature, that without a bargaining or market power it is difficult to develop a lean partnership of associated trust, commitment and interdependence, especially where large firms extract as much value as possible from the supply chain transactions. The result has implications because of the nature of the beef industry power structures in WA and QLD and, generally, overall in Australia. The retailing chain in the Australian domestic market is dominated by the top two supermarket retailers – Woolworths and Coles – both at the national and state levels. Together they maintain more than a 50 percent share of the market, which gives them the ability to dominate market prices (WAFarmers 2009). On the other hand, the vibrant export market for Australian beef has helped some processors, particularly in QLD, to dominate the processing sector and reduce some of the market power of supermarket retailers. Thus, overall, the Australian beef market has a high concentration of market power at the processor and retailer levels and is buyer dominant. At the same time, the relative power of farmers/producers typically depends upon supply scarcity. Unless they are in a long-term interdependent relationship, farmers tend to become price takers when there is sufficient supply. In this kind of buyer-dominated market, Cox and Chickland (2008) suggested that operational adoption of a lean supply chain is unlikely to be successful. Instead, it is feasible to develop lean partnerships between retailers and major processors or the processor and farmers where farmers and processors can get higher net returns by greater compliance with carcass specifications, alignment with market needs and by guaranteed supply.

The research model has provided strong support for the role of IOS in enhancing the level of relationship strength (H4) and have implication that IOS can be used to develop more cooperative and long-lasting relationships in the supply chain as it enhances access to the sources of knowledge, creates greater breadth and depth of information flows and develops other organizational competencies. But the data did not support the other hypothesized relationship (H5) between IOS and a supply chain, which is counterintuitive and contrary to what was expected according to the literature, although, this is not the only

study where the uses of IOS in performance and competitiveness have being questioned. Based on empirical evidence, some studies claimed that IOS, especially EDI (Electronic Data Interchange), does not create differential benefits to firms and that vertical information sharing may not always increase the benefits (Premkumar 2000). It is argued that IOS by themselves cannot produce sustained performance advantages unless pre-existing complementary human and business resources are exploited in an integrated way as indicated by RBV (Powell and Dent-Micallef 1997). The implication from the overall findings, therefore, suggest that IOS use can produce sustainable advantage in supply chains when used as a complementary business resource in the presence of strong inter-firm relationships and information sharing attitudes. For improved information accuracy and improved ordering, processing and distribution of goods in the supply chain, the level and adoptability of IOS should be matched with the existing intimacy of the relationships and in the context of the beef supply chain.

Finally the model provides strong evidence that inter-firm relationship strength can strongly influence supply chain performance in the Australian beef industry. The result is consistent with the literature that a strong inter-firm relationship is considered as a value-creating strategic/economic resource that can contribute to firm performance. Relationship strength, based on joint ventures, interdependence, commitment and trust, enhances business transactions, minimizes the cost structure and improves the productivity and profitability of firms. The outcome is consistent with the literature that a long-term relationship emerges when one partner depends on another in a unique way and exhibits strong trust. Ultimately, this reduces costs over time at a rate comparable to sales growth (Clare, Reid, and Shadbolt 2005; Maloni and Benton 2000). For example, a committed and trusted long-term relationship can avoid the costs of monitoring true quality of beef, can reduce lead-time in sourcing and can ensure greater consistency of meeting market specifications. Thus, the empirical evidence of the impact of relationship strength and a deeper understanding of the elements of relational exchanges from this study have practical implications for emphasising relationship factors and improving the performance of a supply chain in the Australian beef industry.

CONCLUSION

This study examines how supply chain structures and inter-organizational relationship factors influence SC performance in the Australian beef industry. Using four elements of inter-firm relationships in a higher order formative construct, we investigated the extent to which the aggregated relationship strength is a source of supply chain performance for the industry. Results support both the direction of theoretical underpinning from RBV and TCE in beef industry in that durable buyer-supplier relationships in the supply chain indeed develop from the levels of trust, commitment, interdependence and mutual investment; and that they can be a strategic weapon and economic resource to by-pass the cost of traditional market transactions. The operational adoption of a lean supply chain between producer and processors or processors and retailers, a transparent interdependent relationship with a strong consolidation/integration of business activities, and a synchronized information flow for greater compliance with carcass specifications in the supply chain are identified as key success factors for the beef industry in Australia.

TABLES

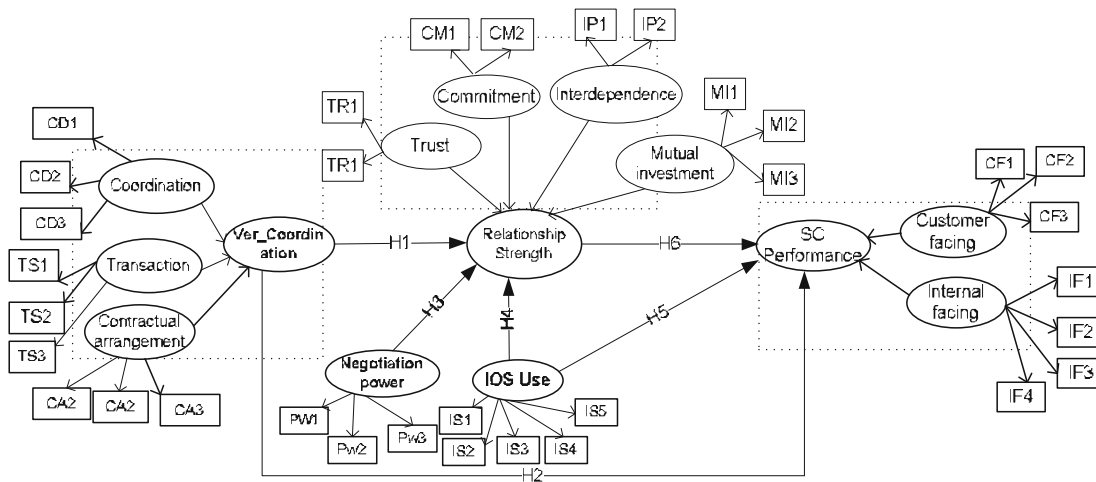
Table 1: Test of Hypotheses

Hypothesis	Path	β	t-value	Outcome
H1	Vert. coord. \rightarrow Rel. strength	0.196	3.505***	Supported
H2	Vert. coord. \rightarrow SC Perf.	0.224	3.854***	Supported
H3	Neg. power \rightarrow Rel. strength	0.370	6.627***	Supported
H4	IOS Use. \rightarrow Rel. Strength	0.198	4.266***	Supported
H5	IOS Use \rightarrow SC perf.	0.044	0.879	Not supported
H6	Rel. strength \rightarrow SC. Perf.	0.298	5.067***	Supported

*** p < 0.000 (two-tailed), R^2 for inter-firm relationship strength = 0.359, R^2 for supply chain performance = 0.214

FIGURES

Figure 1: Model of Theoretical Relationships & Measurement Items



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A TYPOLOGY OF RELATIONAL PROCESSES IN EGYPTIAN COMPANIES: AN EXPLORATORY INVESTIGATION

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ABSTRACT

This research aims to explore how Egyptian companies can be classified based on their degree of adoption of CRM relational processes, customer centric culture, customer centric management system and CRM technology use. It also aims to explore the differences among classes with respect to perception of external pressures and perceived company performance. Data was collected from a sample of 102 companies located in Cairo and Alexandria. Using the six stage model developed by Hair et al., (1998), four clusters were created. The four clusters varied with respect to variables in the cluster variate. The clusters were different with respect to perceived environmental dynamism, competitive intensity and perceived performance yet the differences were not significant. Academic and practical implications are discussed.

INTRODUCTION

Firms are looking for better ways to have stronger relationships with their most valuable customers to ensure dual development of value over the customer lifetime. The essence of CRM is that customers have different economic value to the company and hence companies should adapt their customer offerings and communications accordingly. As such, CRM initiatives represent a fundamental shift in emphasis from managing product portfolios to managing portfolios of customers (Chen and Popovich, 2003).

There is no clear evidence regarding either the characteristics of successful CRM approaches or the reasons why CRM may potentially fail (Reinartz, Kraft and Hoyer, 2004). Most of the research in this area has been based on case studies of companies implementing CRM and thus the findings are highly context specific. Furthermore, previous research does not provide any integrative perspective (Kim and Kim, 2009) for many reasons. First, significant ambivalence exists among marketers as to the nature of CRM (Zablah, Bellenger and Johnston 2004). Second, most of the research examining CRM programs ignores the complexity of the relationship between antecedents or key success factors of CRM, the CRM process and the consequences of CRM. The ignored variable is usually the CRM process (e.g., Croteau and Li, 2003; Day and Van den Bulte, 2002). Finally, CRM is a holistic program that encompasses a combination of strategy, capabilities, technology and organizational issues (Dasilva, and Rahimi, 2007) and thus necessitates changes to business process and people (Chen and Popovich, 2003 and Lassar, Lassar and Rauseo, 2008).

This research explores how Egyptian companies can be classified based on their degree of adoption of CRM relational processes, customer centric culture, customer centric management system and CRM technology use. It also explores the differences among classes with respect to perception of external pressures and perceived company performance. Most of the CRM research was conducted in the USA, Europe or Asia where the concept of customer relationship building and maintenance is well developed. CRM entails cultural and technological components which are expected to vary from one country to another. Therefore, examining CRM in a different environment with a different level of development of business practices would be worthwhile. Furthermore, most of the studies examining CRM were conducted on large organizations; very few studies were conducted on small to medium sized corporations (SMEs). Given the increasing importance of SMEs in modern economies, it would be important to examine their CRM practices in a developing country like Egypt where the majority of companies are small to medium sized. In order to achieve the research objectives, this article will be organized as follows. The first section of this paper will discuss the various conceptualizations of CRM. The second section will address the variables which have been highly correlated with CRM initiatives. These variables include external pressures, customer centric culture, customer centric management systems and perceived performance. The third section will address the research methodology used in this research. The fourth section will present the research findings, analysis, discussion and implications for future research.

CONCEPTUALIZING CRM

Generally, there is lack of consensus on the meaning of CRM and its dimensions (Bin Ismail, Talukder and Panni, 2007). This is due to the complexity of CRM leading different academics to view it from different perspectives (Zablah et al., 2004). Zablah et al., (2004) noted that five perspectives exist in the CRM literature. The first perspective views CRM as a strategy. Richards and Jones (2008) define it as a set of business activities supported by both technology and processes that is directed

by strategy and is designed to improve business performance. Boulding, Staelin, Ehret, and Johnston (2005) stressed the creation of value to the company and its different stakeholders. The essence of CRM as a strategy is managing portfolios of customers (Chen and Popovich, 2003), tailoring offers (Ramaseshan, Bejou, Jain, Mason, and Pancras, 2006), identifying and measuring profitable customer segments using customer lifetime value (Roberts, Liu, and Hazard, 2005).

The second perspective views CRM as a philosophy. CRM requires the creation of a customer centric culture to ensure its success (Osarenkhoe and Bennani, 2007). The customer is appreciated, accepted and there are incentives to drive the right behavior for impressing the customer (Zairi, 2004) and customization of marketing mix elements is highly emphasized (Sheth, Sisodia and Sharma, 2000).

The third perspective views CRM as a process. Reinartz et al., (2003) defined CRM process as a systematic process to manage customer relationship initiation, maintenance, and termination across all customer contact points to maximize the value of the relationship portfolio (p.294-295). The process perspective is important in that buyer-seller relationships evolve over time (Kim and Kim, 2009) and thus require different activities at each stage. When viewed as a process, CRM has been defined at two different levels of aggregation. More specifically, some have defined it as a higher level process that includes all activities that firms undertake in their quest to build durable, profitable, mutually beneficial customer relationships (e.g., Reinartz et al., 2003; Jayachandran, Sharma, Kaufman, and Raman, 2005). Others have construed it more narrowly and define it as a process that is concerned with managing customer interactions for the purpose of promoting the establishment and maintenance of long-term, profitable relationships (e.g., Day and Van den Bulte, 2002). While the former was identified as a macro process, the latter was described as micro process (Zablah et al., 2004).

The fourth perspective views CRM as a capability. According to Day and Van den Bulte (2002) customer relating capability has three interrelated components. The *configuration* component which incorporates the organizational structure, incentives and accountabilities. The *orientation* component, comprising the mindset, values, and organizational priorities toward customer relationships, sets the leaders apart from the rest. The *information* component, including databases and customer information systems which contributes little to the overall capability once a minimum level of competency has been attained. Coltman (2007) views CRM as programs that include a combination of human, technical and business-related activities which are likely to be more valuable and costly to imitate due to the presence of isolating mechanisms such as path dependence, causal ambiguity, social complexity and interdependent skills.

The fifth perspective views CRM as a technology. Defining CRM using this perspective means considering the processes and technologies associated with enabling better customer relationships (Bin Ismail et al., 2007). In this respect, CRM applications can be categorized into (1)operational CRM which involves automation of sales, marketing, and customer support with a view to making these functions more efficient and effective and (2)analytical CRM which refers to the technologies that aggregate customer information and provide analysis of the data to improve business decisions and actions (Raman, Wittmann, and Rauseo, 2006).The customer information system for CRM plays two major boundary spanning roles (Park and Kim, 2003), recording and distributing customer information to support decision making and supporting the firm's interaction with its customers. Firms' customer data is used to design longitudinal models of choice over the breadth of the firm's products to increase the revenues from customers over their lifecycle.This is what Kamakura et al.,(2005) called analytical CRM . He noted that behavioral CRM focuses on the psychological underpinnings of the service interaction, or the managerial structures that make CRM effective.

One of the leading problems in CRM implementation was that companies regarded it as technological projects instead of considering it as a long term strategy (Dasilva and Rahimi, 2007; Langerak and Verhoef, 2003). CRM technologies provide poor ROI unless customer data is turned into useful customer "knowledge" that effectively drives a strategy of "treating different customers differently" (Coltman, 2007). Technology based definitions of CRM were described as narrow (Zablah et al., 2004), yet, the association between technology and CRM cannot be ignored. In this respect, Jayachandran et al., (2005) noted that if relational information processes are delineated, CRM technology ensures that their implementation is rendered efficient by enabling a smoother reciprocal flow of information and by limiting information loss and overload by capturing, integrating, and providing information access to decision makers. They reported a moderating role of technology use on the relationship between CRM information processes and performance. The same finding was reported by Reinartz et al., (2003).Stefanou and Sarmaniotis (2003) noted that firms can be classified according to the use of technology in CRM initiatives. They developed a four-level conceptual model of the development stages of CRM .The first stage is non-IT-assisted CRM, which relies on manual systems. The second stage is IT-assisted CRM, in which data is collected manually but IT is used for analysis. The third stage is IT-automated CRM, which uses IT for customer interaction-what is often

characterized as operational CRM. The final stage is integrated-CRM (I-CRM), which involves fully integrated systems and analytical CRM.

Zablah et al., (2004) proposed that the macro process view provides the best conceptual foundation for the phenomenon. They re-conceptualized CRM as an ongoing process that involves the development and leveraging of market intelligence for the purpose of building and maintaining a profit-maximizing portfolio of customer relationships. They also noted that the strategic perspective provides the most conclusive evidence regarding the intended output of the CRM process which is building a portfolio of profitable customers. The philosophical and technological perspectives each identify fundamental resources that form part of the requisite inputs for such a process. Finally, the technological perspective identifies a physical resource that is designed to substantially enhance firms' ability to execute the CRM process. It can be argued that any classification of firms should be built on CRM process as the focal factor discriminating CRM adopters from non-adopters. Whether such process is IT enabled or not is another factor that discriminates among adopters and non-adopters given the empirically supported effect of the use of technology on performance.

CORRELATES OF CRM PROCESSES

A number of variables have been found to be related to CRM adoption. These variables include external pressures such as environmental dynamism and competitive intensity, customer centric culture, customer centric management systems and perceived performance.

External pressures: The environmental pressures to incorporate CRM will be characterized with a high degree of complexity, with frequent customer interactions/purchases and multiple products and services purchased by customers (Hansotia, 2002). Jayachandran et al., (2005) and Papastathopoulou, Avlonitis, and Panagopoulos (2007) reported no effect of environmental variables on adoption of CRM. External pressures may have no direct impact on CRM process; its impact is indirect through its impact on perceived CRM benefits. Firms in highly competitive, complex and dynamic environments may perceive more CRM benefits than those in simple, less competitive and stable environments.

Customer-centric culture: When an organization adopts CRM, the entire organization may need to be realigned to focus on the customer (Roberts et al., 2005). Besides perceiving the customer as a valuable source of knowledge, top management is also challenged to encourage an organizational culture in which employees are willing and motivated to share their own knowledge from and about customers with others and to make use of knowledge provided by others (Dous, Salomann, Kolbe and Brenner, 2005). It implies a continuous quest towards understanding and fulfilling customer need through day-to-day activities (Zablah et al., 2004), viewing customers as valuable assets to be retained, rather than anonymous transactional targets (Day and Van den Bulte, 2002) and determining whether to create an offering that customizes the product and/or some other element(s) of the marketing mix or to standardize the offering (Sheth et al., 2000).

Organizational culture has been cited by some researchers as the most crucial organizational resource of all (Zablah et al., 2004). The positive effect of customer centric culture has been empirically supported (Blery and Michalakopoulos, 2006; Ling and Yen, 2001). Jayachandran et al., (2005) reported positive associations for customer relationship orientation on relational information processes.

Customer-centric Management System: Customer centricity requires a corresponding change in structure, processes and metrics (Shah, Rust, Parasuraman, Staelin and Day, 2006). Customer centric management systems include several dimensions. The first dimension reflects the fact that organizational actions are driven by customer needs and not by the internal concerns of functional areas (Jayachandran et al., 2005). The second dimension includes employee evaluation schemes (Jayachandran et al., 2005; Zairi, 2004), incentives (Chen and Chen, 2004; Greve and Albers, 2006; Jayachandran et al., 2005; Reinartz et al, 2003), employee training (Bohling et al., 2006; Chen and Chen, 2004; Reinartz et al., 2003), employee retraining (Chen and Chen, 2004) and aligning employee objectives with CRM objectives (Bohling et al., 2006). The third dimension reflects breaking down functional barriers to customer-centered actions and ensuring adequate focus on customer interactions (Jayachandran et al., 2005). Jayachandran et al., (2005) reported positive associations for customer centric management systems on relational information processes.

Performance: CRM leads to better information about revenue and cost data for individual customers or customer segments leading to an effect on company performance (Ryals, 2005). A superior customer relating capability was found to have a strong relationship with relative sales, profitability and customer retention performance (Day and Van den Bulte, 2002), marketing effectiveness (e.g., sales/market share increases) and financial effectiveness (e.g., lowered costs) (Papastathopoulou et al., 2007). Kim and Kim (2009) noted that the effect of CRM process on financial performance is through its effect on

customer equity, value and satisfaction. Reinartz et al., (2003) reported that the implementation of CRM processes is associated with better company performance in the stages of relationship maintenance and relationship initiation but not in the stage of relationship termination. Jayachandran et al., (2005) found support for the mediating role of relational information processes on the association between the antecedents (i.e., customer relationship orientation and customer-centric management system) and customer relationship performance. Environmental dynamism and competitive intensity did not have any significant effects on customer relationship performance.

RESEARCH METHODOLOGY

Data Collection

Data was collected from a convenient sample of Egyptian companies located in Alexandria and Cairo, Egypt. Five hundred questionnaires were distributed in-person to the marketing/ or sales managers. Only 102 completed questionnaires were returned giving a response rate of 20.4%. Both adopters and non- adopters of CRM were included similar to the work of Jayachandran et al., (2005) and Rigby, Reichheld, and Schefter (2002). Respondents were presented with a brief about the research and were asked whether they apply CRM practices or not. Marketing and sales managers of SBUs were used as key informants for CRM processes and its antecedents and consequences.

The sample included 34 B2B companies, thirteen B2C companies and 53 companies selling to both business organizations and final consumers. Two companies did not report whether they sell to final consumers or to business customers. With respect to ownership, 11 companies in the sample were publicly owned, 69 were privately owned, 21 were multinationals and one company did not report the nature of its ownership. Finally, 8 companies had less than twenty five workers, 16 companies had between twenty six and one hundred workers, 26 companies had between one hundred and one and five hundred workers, 12 companies had between five hundred and one and one thousand workers, 25 companies had more than one thousand workers and 15 companies did not report the total number of workers.

Measurement of Research Variables

Environmental dynamism is defined as the extent of interfirm rivalry (Jayachandran et al., 2005). Competitive intensity is defined as the variability of customer needs, and technology (Jayachandran et al., 2005). Customer centric management systems refer to the structure and incentives that provide an organization with the ability to build and sustain customer relationships (Day 2000; Reinartz et al., 2004; Jayachandran et al., 2005). The scales developed by Jayachandran et al., (2005) were used to measure these variables. Customer centric culture was defined as the cultural propensity of the organization to undertake CRM (Day, 2000; Jayachandran et al., 2005). Scales developed by Jayachandran et al., (2005), Croteau and Li (2003) and Greve and Albers (2004) were utilized to measure customer centric culture.

The three relational processes were measured using information reciprocity, information capture and information use (Jayachandran et al., 2005). Information reciprocity is defined as the reciprocal communication between the firm and the customer (Bin Ismail et al., 2007). Information capture is related to the storage and preservation of the related customer information in the database of an organization (Bin Ismail et al., 2007). Information use refers to the usage of customer information in order to develop customer profiles, segments and target markets and to develop product portfolios which can eventually help a business firm retain its customers for a long term (Bin Ismail et al., 2007). To measure both perceived performance and technology use, the scales developed by Reinartz et al., (2003) were used.. Firm size was measured by number of employees (KO, Kim, Kim and Woo, 2008). Industries were classified as manufacturing or services. Customers served were classified as B2B, B2C or B2B and B2C.

The Use of Cluster Analysis

Cluster analysis (CA) is an exploratory data analysis tool for organizing observed data (e.g. people, things, events, brands, companies) into meaningful taxonomies, groups, or clusters, based on combinations of variables, which maximizes the similarity of cases within each cluster while maximizing the dissimilarity between groups that are initially unknown (Burns and Burns, 2008). The six-stage model –building approach recommended by Hair et al., (1998) was used. The first stage includes defining the research problem, the research objectives and the cluster variate. The cluster variate is the set of variables representing the characteristics used to compare objects in the cluster analysis. Given the two research objectives, the cluster variate used was the relational processes, CRM technology use, and customer centric culture and customer centric management systems. Factor analysis was performed for the research variables. Environmental dynamism, technology use

and perceived performance were found to be univariate variables with high factor loadings exceeding the .55 recommended by Hair et al., (1998) for a sample size of 100. Alpha coefficients for these variables were .808, .872 and .768 respectively. Competitive intensity was univariate and its Cronbach's alpha was .623 but when the third item was deleted, Cronbach's alpha reached .729. Customer centric management systems provided two factors with factor loadings exceeding .55. However, the two items that loaded on the second factor also loaded on the first factor and were deleted leaving one factor for customer centric management systems with a Cronbach's alpha coefficient of .905. The two deleted items were evaluating customer contact employees based on quality of customer relationships and functional areas coordinating their activities to enhance the quality of customer experience. Three factors were found for customer centric culture. One item loaded on one factor and the factor loading was less than .55 thus it was excluded from the analysis. Two items loaded on the second factor but they also loaded on the first factor, these two items were customer retention as top priority and customer relationship viewed by management as an asset. Both were excluded from the analysis leaving one factor with eight items and a Cronbach's alpha coefficient of .896. With respect to relational processes, two factors appeared; the second factor included two items related to collecting information from internal sources within the organization and providing customer information to cross-sell other products. These two items also loaded on the first factor, thus they were excluded from the analysis leaving one factor for relational processes and its Cronbach's alpha coefficient was .905.

The second stage in cluster analysis is research design. It includes decisions related to detection of outliers, determining whether data should be standardized and determining how similarity should be measured. Mahalanobis test of distance was used to detect outliers. The Mahalanobis D^2 evaluates the position of each observation compared with the center of all observations on a set of variables (Hair et al., 1998, p.67). The significance levels for D^2 were calculated and assorted ascendingly. Cases with significance levels less than .001 are considered outliers. Table (1) shows that only one observation is considered an outlier, it was excluded from the cluster analysis. The sample size in this case will be 101. The second and third decisions are related to whether variables should be standardized or not and to the similarity measure used. Given that all variables were measured using the same scale (7-point Likert scale), standardization will not be necessary. Distance measures of similarity represent similarity as the proximity of observations to one another across the variables in the cluster variate (Hair et al., 1998, p.484). The squared Euclidean distance will be used. The Euclidean distance is the length of the hypotenuse of a right triangle.

The third stage in the cluster analysis is to determine the assumptions of cluster analysis. These assumptions are identified by Hair et al., (1998) as sample representativeness and absence of multicollinearity. Given the small sample size and the exploratory nature of the data, the sample representativeness assumption was violated. To examine multicollinearity among variables included in the cluster variate, Myers, Gamst and Guarino (2006) recommended the use of variance Inflation factors (VIF). This measures the degree of linear association between a particular independent variable and the remaining independent variables in the analysis. As shown in table (2) all VIFs of the four variables included in the cluster variate were less than 10 indicating absence of multicollinearity (Norusis, 1990).

The fourth stage includes deriving clusters and assessing overall fit. In this stage the clustering algorithm is selected. The algorithm refers to the set of rules used in clustering (Hair et al., 1998). Given the small sample size, the hierarchical cluster analysis is recommended (Norusis, 1990). It starts with each case as a separate cluster, i.e. there are as many clusters as cases, and then combines the clusters sequentially, reducing the number of clusters at each step until only one cluster is left (Burns and Burns, 2008). Ward's method will be used since it measures the distance between two clusters as the sum of squares between the two clusters summed over all variables (Hair et al., 1998).

An important question here is to determine how many clusters should be formed. Hair et al., (1998) argue that it would be best to compute a number of different cluster solutions and then decide among the alternative solutions by using a priori criteria, practical judgment, common sense and theoretical foundations. Since there are four variables in the cluster variate, it seems appropriate to consider the various combinations that might result from these variables and to determine the number of clusters based on these combinations. A company can have all four elements or some of them or none of them. Companies can also vary with respect to these four variables. Based on these combinations, a four, five, six and seven cluster solutions were examined. A four cluster solution was selected since it was more manageable in terms of interpretation of findings. The four clusters were composed of 10, 23, 37 and 31 observations respectively. The absence of clusters formed of one or two observations means that there were no outliers.

Stage five is the interpretation of clusters. This entails labeling clusters and describing their profiles. To examine differences among the four clusters with respect to the seven research variables, descriptive statistics were used. Table (3) shows descriptive statistics for the research variables in the four clusters. Given the small sample size, cross-tabulation of

categorical variables was not deemed appropriate. Cluster 4 (n=31) represent true CRM adopters since their scores exceed the mean in all research variables. They have well-established customer centric culture, customer centric management systems, relational processes, and CRM information technology. They perceive their business environment to be highly dynamic and the competition to be intensive. Their perceived performance scores are higher than the sample mean.

Cluster 3 (n=37) represents the half-way CRM adopters. These firms' scores on environmental dynamism and competitive intensity are close to the sample mean although they are lower than firms in the fourth cluster. Their scores on customer centric culture and CRM technology are higher than the mean. Their relational processes and management systems scores are slightly lower than the mean. These firms are still creating the necessary CRM infrastructure.

Cluster 2 (n=22) is the companies lagging behind the CRM adopters. The firms in this cluster perceive the environment to be less dynamic and the competition to be less intense. They are close to the sample mean in customer centric culture, relational processes and performance. The scores of firms in this cluster are lower than the mean in both customer centric management systems and CRM technology use.

At the other extreme from cluster 4, the companies in cluster 1 (n=10) have scores which are lower than the sample mean in all research variables. CRM non-adopters perceive the environment to be less dynamic and competition to be less intense. Their scores for customer centric culture, customer centric management systems, relational processes and perceived performance are the lowest among all clusters. The average size of these firms is considered to be the largest among all clusters.

Stage six is the validation of the cluster solutions. Burns and Burns (2008) recommended the use of ANOVA to validate the differences among clusters. The results of ANOVA in [table \(4\)](#) show that there are significant differences among the four clusters with respect to customer centric culture, customer centric management systems, CRM technology use and relational processes ($p < .000$). Conversely, there are no significant differences among clusters with respect to environmental dynamism, competitive intensity and perceived performance. The results of ANOVA provide strong support for the validity of the cluster solutions.

DISCUSSION

This exploratory examines how Egyptian companies can be classified based on their degree of adoption of CRM relational processes, customer centric culture, customer centric management system and CRM technology use. It also explores the differences among classes with respect to perception of external pressures and company performance. A convenience sample was collected from 102 companies in the two cities of Cairo and Alexandria and cluster analysis was performed. Using the six stage model developed by Hair et al., (1998), four clusters were created ;true CRM adopters, half-way CRM adopters, lagging behind CRM adopters and non-adopters. The four clusters varied with respect to variables in the cluster variate. One-way ANOVA revealed significant differences among clusters with respect to variables in the cluster variate.

This study is believed to be the first study to examine CRM processes in Egypt. Although the sample is not representative thus violating one of the two assumptions of cluster analysis, the findings still offer some useful insights into the extent of CRM development in Egypt. Some companies included in the sample represent true CRM adopters with established customer centric culture, customer centric management systems, CRM technology use and relational processes. Other firms are still on the way to having CRM. They lack customer centric management systems although they have the technology, the culture and the processes. The third and fourth groups of companies still lack the management systems, the technology and the relational processes of CRM.

The clusters differed with respect to perceived environmental dynamism and competitive intensity, yet the differences were not significant. Although significant differences would be intuitively appealing, other researchers have reported similar findings (Jayachandran et al., 2005; Papastathopoulou et al., 2007). Other variables may act as mediators between environmental variables and adoption of CRM. The differences among clusters were not significant with respect to perceived performance. Relational processes may be one among many variables that lead to varying performance levels. The true effect of relational processes can only be delineated when all variables affecting perceived performance are considered.

Academic Implications

This exploratory study has many academic implications. First, it represents the first attempt to examine CRM in a country

like Egypt. Second, it distinguishes between CRM as a process, the inputs to the process such as customer centric culture, customer centric management systems and CRM technology use, and the outputs of this process. The high interdependence among these variables means that they cannot be isolated from each other in any study of CRM.

Future studies should consider examining the reasons for such variation in CRM adoption .They should also examine the impact of CRM processes on performance using longitudinal studies. Because of the high complexity of changing the culture, the management systems and the technology to be suitable to CRM, the effect on performance will be a long term effect for which cross-sectional studies are not appropriate. Future studies should also consider differences between service and manufacturing organizations, between B2B and B2C organizations with respect to CRM processes. It is expected that the nature of the business and the nature of customers served will be a major predictor of CRM process adoption and success. Future studies examining CRM in Egypt should use more rigorous quantitative research with larger and more representative samples.

Practical Implications

A company launching CRM should consider its integrative aspects . The culture, the management systems, the technology and the relational processes should be all integrated so that CRM achieves its intended outcomes. Half-way adopters who lack relational processes and customer centric management systems should consider using technology to communicate more effectively with customers, to update customer information and to use this information in their marketing strategies. These companies should also consider cultural transformation and management system redesign. Provision of adequate training and incentives for customer relationship building and maintenance is a necessary step in these endeavors. Redesigning business process around customers and departments is also important.

Lagging behind CRM adopters suffer from low scores with respect to customer centric management systems and the use of technology. They should consider developing better uses of technology, yet technology should not be overemphasized. Technology is not synonymous with CRM. It is only one resource among a number of resources required to make CRM programs successful. Similar to half-way adopters, these firms should also consider redesign of management systems and business processes, provision of adequate training , incentives and business process redesign.

Finally, CRM non-adopters should consider launching CRM with the appropriate cultural transformation to a customer centric culture, redesign of customer centric management systems, installation of relational processes and the use of appropriate technology to acquire customer information and to use it more effectively in making marketing decisions.

CONCLUSION

This exploratory study examined CRM processes in a sample of Egyptian organizations. Given the small sample size and the lack of sample representativeness, the results should be considered with caution. Nevertheless, the study offers some insights into the current practices of some Egyptian firms with respect to CRM process. The four clusters varied significantly with respect to customer centric culture, customer centric management systems, relational processes and use of CRM technology.

TABLES

Table (1) Results of the Mahalanobis D² the corresponding significance values for observations with the lowest significance levels.

Case Number	Mahalanobis D ²	Significance	Case Number	Mahalanobis D ²	Significance
1	.04715	.00	6	.61039	.04
2	.48707	.03	7	.62993	.04
3	.56327	.03	8	.69597	.05
4	.56951	.03	9	.74748	.05
5	.59190	.04	10	.77734	.06

Table (2) VIF Collinearity Statistic for variables of the cluster Variate

Variable	VIF Collinearity Statistic	Variable	VIF Collinearity Statistic
Customer centric culture	2.448	CRM technology	1.583
Customer centric management system	1.878	CRM relational processes	2.44

Table (3) Descriptive Statistics for Research Variables in Different Clusters

Variable	N	Mean	Variable	N	Mean	Variable	N	Mean
Environmental dynamism			CRM Technology			Customer Centric Management System		
Cluster 1	10	4.95	Cluster 1	10	3.58	Cluster 1	10	2.957
Cluster 2	23	4.961	Cluster 2	23	3.8	Cluster 2	23	4.871
Cluster 3	37	5.223	Cluster 3	37	5.24	Cluster 3	37	4.934
Cluster 4	31	5.622	Cluster 4	31	5.943	Cluster 4	31	6.175
Total	101	5.246	Total	101	4.967	Total	101	5.105
Competitive Intensity			Relational Processes					
Cluster 1	10	5.7	Cluster 1	10	3.872			
Cluster 2	23	5.59	Cluster 2	23	5.359			
Cluster 3	37	5.824	Cluster 3	37	5.488			
Cluster 4	31	6.145	Cluster 4	31	6.2			
Total	101	5.857	Total	101	5.517			
Customer Centric Culture			Perceived Performance					
Cluster 1	10	4.088	Cluster 1	10	5.024			
Cluster 2	23	5.824	Cluster 2	23	5.353			
Cluster 3	37	6.145	Cluster 3	37	5.536			
Cluster 4	31	6.145	Cluster 4	31	5.742			
Total	101	5.857	Total	101	5.501			

Table (4) One-way ANOVA for Research Variables

Variable	Sum of squares	Mean Square	F	Variable	Sum of squares	Mean Square	F
	Sig.				Sig.		
Environmental dynamism				CRM Technology			
Between groups (df=3)	7.919	2640	1.564	Between groups (df=3)	42.048	14.016	33.946
Within groups	.203			Within groups	.000		
(df=97)	163.706	1.688		(df=97)	40.051	.413	
Total	171.626			Total	82.099		
(df=100)				(df=100)			
Competitive Intensity				Relational Processes			
Between groups (df=3)	4.503	1.501	1.010	Between groups (df=3)	4.62	1.54	2.384
Within groups	.392			Within groups	.074		
(df=97)	144.124	1.486		(df=97)	62.665	.646	
Total	148.627			Total	67.284		
(df=100)				(df=100)			
Customer Centric Culture				Perceived Performance			
Between groups (df=3)	41.112	13.704	37.349	Between groups (df=3)	83.013	27.6711	53.068
Within groups	.000			Within groups	.000		
(df=97)	35.591	.367		(df=97)	50.578	.521	
Total	76.702			Total	133.591		
(df=100)				(df=100)			
Customer Centric Management System							
Between groups (df=3)	83.972	27.991	74.368				
Within groups	.000						
(df=97)	36.504	.376					
Total	20.476						
(df=100)							

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UNDERSTANDING THE NEW, NEGOTIATED PHASE OF RELATIONSHIP MARKETING: A PROPOSED RESEARCH AGENDA

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ABSTRACT

Marketing and marketing communications have changed dramatically over the past 50 years. This article traces the changes through a set of models, starting with Customer Marketing (CM) then Customer Relationship Marketing (CRM) and finally CN², the Customer Networked/Negotiated system. Illustrative details are provided for each of the systems. Based on this evolution, a new academic/professional research agenda is proposed.

INTRODUCTION

Marketing, and particularly marketing communication (marcom), has experienced dramatic transitions over the last 60 years. From the dependency on mass media to the development of data-driven systems, to today's digitally-driven, interactive approaches, marcom has evolved based on new approaches and methodologies that were not even imagined six decades ago. The evolution has been driven by technological developments (Achrol 1991), social and political developments (Thorson and Moore 1996) and economic shifts occurring around the world (Vargo and Lusch 2004). In this paper, we outline, in broad strokes, the transition that has occurred in marcom in three phases, based on observable marketplace changes (Kitchen and Schultz 2009). We explain and illustrate why the changes occurred and the impact they have had on how marcom is researched, developed and implemented (Schultz et al. 2007). Most of all, we use this transition as a springboard to identify a new marcom research agenda. This agenda is unique in that it is not focused on filling the gaps in what we already know, but attempting to set a new direction for scholarly research in a marketplace that is dynamic and continues to evolve.

THE DEVELOPMENT OF CUSTOMER-FOCUSED MARKETING

What we call "modern marketing" emerged quite rapidly following the end of World War II (Kotler 2002). Building on a base of industrialization and manufacturing, the initial customer-focused marketing was based on producing as many products as quickly as possible to fill the voracious consumption appetites of product-deprived consumers around the world. Exhibit 1 below illustrates the relationship between the maker/seller and the customer during this phase. This is called the acquired relationship phase because firms acquire relationships with customers through media and distribution channel partners.

The most important point about this phase is that the marketer controlled the entire system, ranging from the identification of which products were to be produced to how they would be distributed to the price that would be charged to the promotion and brand communication of the products through mass (traditional) media and sales promotion. Tools were developed to profitably manage customers such as marketing strategy, segmentation, product design, positioning and pricing, which all helped the marketer control the relationship with the customer. Products were made available through marketer-dictated distribution systems, i.e., wholesalers, distributors, retailers and the like, who followed the dictates of the manufacturer (Day 1994). Even in-store promotion was controlled by the marketing organization through the use of deals and discounts made available to the channel partners (Day 1994). The primary tools used by the marketing organization were traditional media such as print, broadcast, and out-of-home (Schultz et al. 2009). Thus, by controlling the information systems, the marketer was able to dictate products and conditions to pliable customers. Since it was not easy for customers to acquire additional information on products from non-media sources, and, since much of the product information was distributed through free entertainment systems such as radio, television, newspapers and magazines, customers had little choice but to accept the conditions imposed by marketers (Schultz et al. 2009).

EVOLVING TO CUSTOMER RELATIONSHIP MANAGEMENT

By controlling all the marketplace communication and distribution systems, marketers increasingly dominated the marketplace. Success brought forth a rash of new products and innovations, all of which added to the marketer's dominance. Since information and information technology were responsible for much of the marketer's success, the drive to develop even more dominant technologies was soon on. First came computer technology, which, when connected to retail tills, gave

marketers insights into consumer behaviors that they had never seen before (Humby et al. 2004). Next came CRM (customer relationship management), where the marketing organization captured various levels of customer information, most often the customer's actual marketplace behaviors, which they then used to build more targeted marcom models and approaches. Many of these CRM approaches were initially developed from work done by direct marketers, and were later emulated and extended by service organizations such as banks, airlines and hospitality organizations (Blattberg et al. 1994). Thus, the marketer's systems moved from mass to the individual and extended the marketer's control over the marketplace.

Exhibit 2 below illustrates the approach. The model maintained the basics of mass marketing such as marketer-controlled traditional media and distribution channels, but added direct marketing, first through mailing systems and later through the telephone and eventually other electronic forms (Mehta and Sivadas 1995). These new direct marketing systems extended the marketer's array of resources. Concepts such as test and control mailings (Mehta and Sivadas 1995), predictive analytics and scoring models (Malthouse 2003) and customer segmentation and personalization improved the ability to discriminate among and between customers. Concepts such as lifetime value gave the marketer clear insights into the financial value of individual customers and customer groups and enabled them to focus resources on best customers. Marketers added distribution channels with call centers, fulfillment facilities, technical support and customer service. Thus, marketers knew what customers were doing, what they were responding to and the value of those responses; customers were still mostly in the dark about what marketers were doing and why they were doing it. This period of the late 1980s and early 1990s was likely the high-water mark of traditional marketer-controlled marketing.

CRM was all to the benefit of the marketer. While it was termed "relationship marketing" the relationship was entirely controlled by the marketer. The system worked quite well for marketers until the middle 1990s, and still works under certain conditions. Things began to change when the first commercial uses of the Internet and the World Wide Web appeared (Ho 1997). These new, interactive communication systems changed traditional marketer-controlled marketing forever. Marketers still want to control the marketing system, but when customers get information and marketplace knowledge, marketers lose control. We believe this represents the marketplace of the 21st century.

CUSTOMER NETWORKED/NEGOTIATED RELATIONSHIPS

After the development and diffusion of new information technologies, traditional marketing and marcom changed forever. In this Networked and Negotiated Relationship system (Exhibit 3, CN²) the marketer will continue to develop products and services. It may continue to advertise and promote them in traditional media and with direct marketing (arrow A), and distribute them through mass distribution channels (arrow B) as well as through internal distribution channels (arrow C). That will be much like what has gone before. But, the marketer no longer has the nearly complete control that they have enjoyed in the past over the messages, offers or even information about the products they are trying to vend.

Before discussing the meaning of CN², it is important to note the role of the World Wide Web, search engines and now mobile devices. These technologies enabled customers to sort through, evaluate and make decisions based on information ranging from product descriptions to retail pricing to customer-generated evaluations of products and services (Nel et al. 1999). These developments have had much to do with the well-publicized "shift of marketplace power" (e.g., Deighton and Kornfeld 2009). Mobile communication forms have allowed customers to gather marketplace information anywhere at any time, thus breaking the tether of the broadcast signal, the cable wire and the computer cord (Krause and Magedanz 1996). In short, the Web, search and more recently mobile devices gave customers access to information fingertips, any time and any place they desired.

The C in CN² indicates that it is still a customer-oriented communication system, and the N² suggests two new elements have been added. The first N is for networked. The system is no longer linear and direct, from marketer to customer. It is networked where multiple voices, using multiple communication channels are all interconnected. This network model changes the entire marcom system, which has historically been based on a "stimulus-response" model (Lavidge and Steiner 1961). The marketer sent out stimuli, in the form of messages and incentives, and consumers responded. In a network model, there are few loci of control, which obviates many of the traditional marketing concepts and approaches. This is largely due to social media (Scott 2007). With the rise of electronic systems such as Facebook, YouTube, Twitter and the like, customers can now talk back to marketers, ask questions, challenge claims and the like. Historically, marketers spoke and customers were supposed to listen and respond. Now customers can communicate with other, like-minded customers all over the world. That is, customers can create their own brand contacts, either positive or negative, and share them with others, or indeed, the world. It is a system marketers can't control. More loss for the marketer, more gains for the customer.

The second N is for negotiated. That means when customers gain control of marketplace information, they become able to negotiate channels, pricing, terms, and incentives – in short, the whole range of formerly marketer-controlled activities that determined the marketplace value of offers and product bundles (Tuli et al. 2007). Today, it is not unusual for a consumer to walk into an electronics store, armed with a mobile device, view the retailer's offerings and prices, and immediately compare and contrast them with what is available across the street (Shankar et al. 2010). In these instances, which are becoming more and more common, the seller must either negotiate with the buyer or lose the sale. Interestingly, it is not just the communication that is being negotiated, but, the entire relationship between the marketer and the customer.

Another important difference between the CN² model and earlier ones is that the continual pushing of controlled brand messages at customers and prospects is no longer as effective as it was in the past. Consumers, now armed with technologies such as DVRs and spam filters, can shut out messages at will ("Stop" sign impeding the flow through arrow F). Instead, they now commonly seek out relationships with marketers of their choice through search or other interactive means.

Clearly, the traditional approaches used in the first two phases of Customer and Customer Relationship Marketing will continue to be useful and relevant, particularly in markets where information technology is less developed or where consumers are still learning how to be consumers. The ability of makers/sellers to direct information to specific groups of customers and prospects, thus moving them out of the mass market and into identifiable segments to which relevant marketing materials can be delivered, will continue to evolve over time. Interestingly, it is often in the emerging markets where Networked/Negotiated Relationships will likely become most prevalent. When consumers have interactive capabilities, they quickly learn to use them to level the playing field with even the most sophisticated marketing organizations. Examples where this is occurring abound in Japan, China, India, Brazil and others (Mathews 2009). Therefore, we argue the real challenge in this Networked/Negotiated Relationship marketplace will fall to the marketers in emerging markets. It is in those markets where the new interactive technologies are developing most rapidly. Indeed, it may well be these new markets, which are often considered to be less developed by traditional marketing organizations, where Networked/Negotiated Relationship Marketing will be most appropriate. And, it is about these consumers that existing marketers have the least information, knowledge, insights and experience. Thus, we believe Networked/Negotiated Relationship Marketing is most likely to develop the most rapidly in those markets (Schultz et al. 2009).

A MARCOM RESEARCH AGENDA FOR THE CN² MARKETPLACE

With this history in mind, we now suggest a research agenda. Space does not allow us to go into detail, but we identify 3 areas that we feel have been under-researched in the marcom literature. The agenda is organized around the framework in Exhibit 3. As background for these research suggestions, see Egan (2003), Möller and Halinen (2000) and Christopher, Payne and Ballantyne (1991) on the first two stages. Hennig-Thurau et al. (2010) provide a more extensive literature review on new media, Rangaswamy, Lee and Seres (2009) for a review of search, and Shankar and Balasubramanian (2009) for a review of mobile marketing. All illustrate how the new marketplace is developing and why this networked and negotiated approach is appropriate.

Understand Network Models. Marcom approaches are mostly based on outbound, linear, stimulus-response models. The marketing system is now one giant network, which implies that marketers must learn how networks are created, expanded, contracted and re-formed on all levels. New types of research techniques will need to be employed such as object-oriented modeling, principal-agent analysis, evolutionary learning, and network models for the diffusion of innovation (Valente 1996). Another difference in this Networked/Negotiated Marketplace is that the traditional marketer cannot just continue to send out messages, offers, etc., through outbound systems; they must learn to respond appropriately to the consumer-generated contacts that are developed outside of the traditional marketing system. Often, these are contacts that the firm did not initiate nor with which it may agree (arrow D). In other words, the marketer moves from "external talking" to "external listening," an area that is not well developed in most selling-oriented organizations.

Negotiation and Relationships. For the most part, academics are not accustomed to researching negotiated marketplaces, where haggling in bazaar-like situations are a way of life. This will require the development of new forms of understanding

consumer behaviors and the ability to generate new customer insights. Marketers must move away from the view that they create the ongoing brand relationships to one where relationships are reciprocal (Aggarwal 2004). There must be equal value to the customer and the marketer if relationships are to be built. This implies rethinking many of the traditional, marketer-controlled CRM models that have developed over the last 30 years or so.

Synergy and Integration of All Contacts. Over the past several years, the focus of marketing has been to identify the one or two primary marcom tools, optimize them and observe marketplace success. The traditional western marketer approach of “starting with TV and adding a few other media forms to fill out the holes” is likely in its last stages. Going forward, the emphasis must be on identifying what combination of marcom forms is optimal. The belief has been that if we know all the pieces and parts, we can re-assemble them to our benefit. Increasingly, however, we see that all the moving parts interact. Customers are holistic. They take in, assemble and activate the knowledge they need, when they need it, in the form they need it. Marketers must become holistic in their views as well. Integration will be a key skill for marketers going forward, but, not integration of what they do, it must be integration of what their customers, influencers, recommenders, detractors and all the others in the marketing network do. It is this form of integration that will be important in the future.

SUMMARY

We have presented our view of how marketing and marketing communication have developed and evolved over the last half-century. Inherent in this view is the fact that most of the changes have come as the result of technologies, which have benefited both the marketer and the customer. These technologies will continue to emerge and evolve. Thus, we view marketing and marketing communication as a dynamic system, where only snapshots in time are possible. The snapshots, after some period of time, can be assembled into a moving picture, which is what we have tried to do in this paper. That moving picture can provide insights into why and how things developed as they did, but it is limited in its ability to predict the future. Thus, we have built two historical models to explain what has happened. The third model, which we call the CN² marketplace, is an attempt to place in perspective the current “snapshot” of the marketplace. We believe it suggests some new methodologies and approaches that must be developed if marketers and academics are to improve and understand the dynamic and ever-changing marketing system in which all of us find ourselves. The 3 areas of future research that we have suggested all are rich areas for new thinking and new development. Going forward, we believe much of the new thinking must come from the developing markets and economies of Asia-Pacific. It is here that technologies are seeing their most rapid development and markets are evolving most quickly. In our view, it will likely be the Asia-Pacific area where much of the new thinking must originate.

FIGURES

Figure 1: The Acquired Relationship Model



Figure 2: Customer Relationship Management

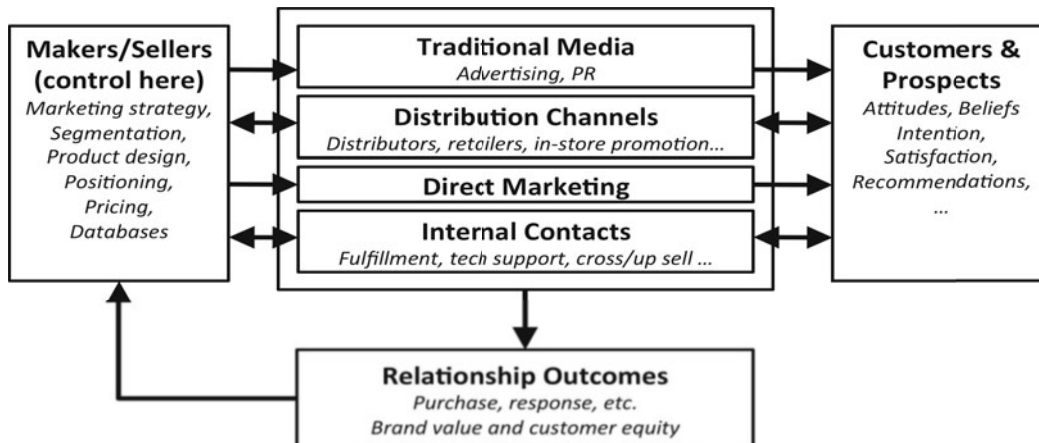
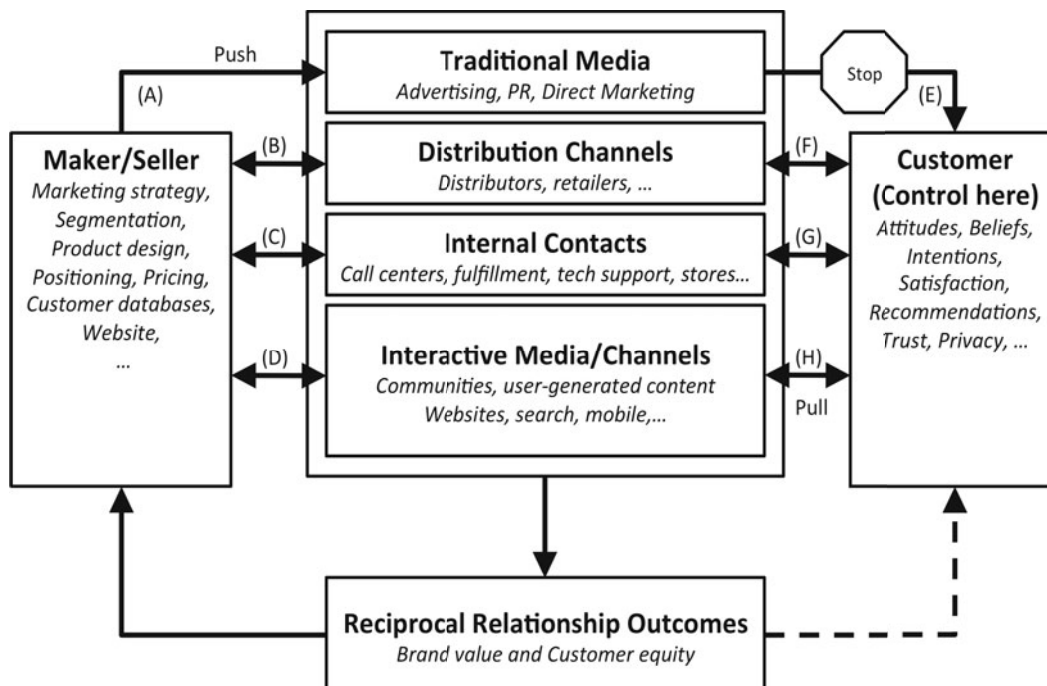


Figure 3: CN²



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Thursday, 21 July
Time: 10:30 AM

Session Number: **6.9: Front Line Employees**

Session Chair: Chebat, Jean-Charles, *HEC-Montreal*

The Customer is Not Always Right, but are Your Employees?

Gauthier, Catherine, *HEC Montréal*

Vandenberghe, Christian, *HEC Montréal*

Chebat, Jean-Charles, *HEC Montréal*

Modeling Customer-Employee Instant Rapport in the First Service Encounter

Chris Lin, Jiun-sheng, *National Taiwan University*

Lin, Cheng-Yu, *National Taiwan University*

Wang, Wei-Lin, *McGill University*

THE CUSTOMER IS NOT ALWAYS RIGHT, BUT ARE YOUR EMPLOYEES?

Gauthier Catherine, HEC Montréal, Canada
Chebat Jean-Charles, HEC Montréal, Canada
Vandenberghe Christian, HEC Montréal, Canada

ABSTRACT

The customer might not always be right, but he has more power than he has ever had in the past. If two decades ago, “word of mouth” meant calling friends to discuss a bad experience, Internet has given the power to the customer to express their dissatisfaction to a larger audience.

There are plenty of reasons why customers can be dissatisfied (i.e. product defects, delays, employee behavior, etc.). The important fact about customer dissatisfaction is that the customers do not always express their discontent to the company. From those who decide to complain, Naylor (2003) estimated that fewer than 50% of complaints received a response from the company. And from those who could be answered, Lewis and McCann (2004) in a study of Hotel complaint handling, showed that only 50% of customers were satisfied or very satisfied with how the company dealt with the problem. From this last statistic, we can recall that complaint handling has been proven to be a major source of “switching behavior” (Smith & Bolton, 2002).

In his interaction with the company, the customer is facing a customer service representative (CSR) who is ultimately responsible for the service delivery and recovery. Those employees are, in a customer’s perspective, a materialization of the organization (Zeithaml & Bitner, 2000). Coming with different personalities, from different cultural backgrounds and work experiences, those employees are sandwiched between management and the customer with a goal of behaving to provide customer satisfaction.

It is important to note that there are many people working in call centers worldwide: over four million in United States, eight-hundred thousand in the United Kingdom, around half a million in Canada and also in the subcontinent, and the list goes on in many other countries (in Russell, 2009 p.5-6). Our study will be held in Canada, and at least 200 agents and their related supervisors will be questioned.

The purpose of this study is to analyze the behavior, more specifically pro-social and service sabotage behaviors of customer service representatives, in a call center context, where the employee must resolve critical incidents that happen between the company and the customer. We examine how managerial practices of empowerment (relational empowerment) are internalized by employee (psychological empowerment), and provoke those positive or negative behaviors. We include in our model, commitment toward organization as well as a cultural factor of Triandis (1998), as moderating factors.

Ultimately, the goal of this study was, in the first place, to shed light on the role of managerial practices in call centers in shaping the employee’s behavior toward customers. Additionally, this study also aimed to explore the mechanisms of cultural differences that affect frontline employees’ perception of those managerial practices and of the achievement of positive and negative behavior. Knowing immigration is a worldwide phenomenon; managers must understand how employees from different cultures incorporate those practices. We wish to prove that empowerment of customer service representatives will affect pro- social behavior, which will ultimately affect customer satisfaction and first call resolution, which is a well known *KPI* for call centers. When looking at negative behavior, we estimate that empowerment and commitment would reduce service sabotage behavior. The outcome of this research will be to help academic as well as researchers understand better the connection between those four concepts (empowerment, commitment, culture and behavior) as well as the importance of the call center as an organizational competitive advantage.

References available upon request

MODELING CUSTOMER-EMPLOYEE INSTANT RAPPORT IN THE FIRST SERVICE ENCOUNTER

Jiun-Sheng Chris Lin, National Taiwan University, Taiwan
Cheng-Yu Lin, National Taiwan University, Taiwan
Wei-Lin Wang, McGill University, Canada

ABSTRACT

A service employee's interaction with a customer in the initial encounter is critically important in creating the customer's impression of the firm and thereby his/her desire to have future interactions with the firm, yet existing marketing literature lacks an understanding of the role instant rapport plays in service delivery. This study attempts to fill the research gap, proposing and testing a model that explores the mechanisms of customer-employee instant rapport development and the resulting service outcomes.

Two hundred and fifty-seven employee-customer pairs, from the apparel retailing industry, participated in this research. Results show that employee affective delivery and connecting behaviors have positive influence on customer positive emotion and instant rapport, which in turns affects customer satisfaction, word of mouth and actual purchase. Results also show that employee's authenticity strengthens the positive relationship between employee's affective delivery and customer positive emotion as well as the positive relationship between employee's affective delivery and customer-employee instant rapport. Implications, limitations and future research directions are then discussed.

References available upon request

Friday, 22 July
Time: 8:30 AM

Session Number: 7.1: You Can Show them the Risk. You Can't Tell them it's Risky. So Why Don't They Believe You?

Session Chair: Martin, Ingrid M., *California State University-Long Beach*
Special Session

Preteens' Ascribed Motivations to Smoke (Not Smoke)

Connell, Paul, *State University of New York at Stony Brook*
Brucks, Merrie, *University of Arizona*
Freeman, Daniel, *University of Delaware*

Supplement Usage Status and Product Harm Crisis

Martin, Ingrid M., *California State University -- Long Beach*
Mukherjee, Sayantani, *California State University -- Long Beach*

An Attributional Basis for Evaluating the Free Will of Young Smokers

Grover, Aditi, *Plymouth State University*
Kamins, Michael A., *State University of New York at Stony Brook*
Martin, Ingrid M., *California State University -- Long Beach*

**YOU CAN SHOW THEM THE RISK. YOU CAN TELL THEM IT'S RISKY.
SO WHY DON'T THEY BELIEVE YOU.**

Ingrid M. Martin, California State University, Long Beach, U.S.A.
Michael Kamins, State University of New York at Stony Brook, U.S.A.

We have a long tradition of communicating risk to consumers through policy interventions, warnings, PSAs, and other types of strategies. There is a quest to determine the most effective way to communicate risk so that consumers will mitigate those risky behaviors by altering their consumption patterns. From a health marketing and public policy perspective, it is imperative that we understand the underlying processes that drive responses to risk information among those consumers who both consume and consider the consummation of risky products. In this session we present three studies that examine different products (tobacco and dietary supplements) and investigate the impact of different types of risk communications (PSAs, tobacco advertising, and announcements of new research findings) on consumers of these products. We consider a wide variation of consumers who may be at risk inclusive of pre-teens and college students who are at different phases of the consumption process (precontemplative, contemplative, and maintenance of usage patterns). We also use a wide variation of methodological tools (projective techniques and experiments) to test our hypotheses. Both factors contribute to the generalizability of our findings and the practical and theoretical importance of our conclusions.

These studies are designed to go beyond what has already been found in the literature to better understand what motivates consumers as they engage in the consideration process for both pre-teens prior to engaging in the risky behavior (Study 1 - precontemplative) and college students who are trying out the risky product (Study 2 - contemplative). The final paper (Study 3 - maintenance) investigates the continued risky behaviors for smokers who are faced with various types of warnings. Taken together these three papers delve into the lifecycle of risky behaviors at the precontemplative, contemplative, and maintenance stages when faced with information that is targeted to affect the behaviors.

SUPPLEMENT USAGE STATUS AND RISK INFORMATION

Ingrid M. Martin, California State University, Long Beach, U.S.A.
Sayantani Mukherjee, California State University, Long Beach, U.S.A.

INTRODUCTION

Dietary supplements are a ubiquitous part of consumers' healthy lifestyle (Wang, Keh, and Bolton 2010). Despite their popularity, there is mixed evidence that supplements improve health. Indeed, it is increasingly common for consumers to encounter risk information about the safety of supplement use. For example, a CNN report cites medical studies suggesting that taking supplements such as Vitamin E could harm users in the long term (Cohen 2009). Moreover, supplement users often discount scientific evidence about harmful side effects, which in turn can make them vulnerable to maladaptive behaviors such as self-medicating and overdosing on supplements (Blendon et al. 2001; Block and Peracchio 2006). Hence, from a health marketing as well as public policy perspective, it is imperative to better understand the underlying processes that might drive responses to risk information among different supplement user segments.

In this research, we examine the impact of dietary supplement usage status on how consumers respond to risk information in the media about a particular supplement brand. For example, we address questions such as: do current users who are currently trying out a specific brand of dietary supplement react differently to risk information from those who have had a long term interaction with the dietary supplement? Likewise do these segments differ from potential users who are *considering* using the dietary supplement brand? Given past research, which notes that complete adaptation to ownership takes time (Strahilevitz and Loewenstein 1998), we suggest that trial users (vs. current users) with a shorter (vs. longer) ownership history with the brand will evaluate the supplement brand less favorably compared to non users/non potential users (i.e. control group). We also examine the impact of risk information on potential users. Further, building on literature on temporal distance and subjective confidence (Gilovich et al. 1993), we explore the role of temporal distance between initiation of product usage and exposure to risk information as an underlying process driving these effects.

METHODOLOGY

We examine the impact of usage status on consumers' reactions to risk information about supplement brands through four

experiments. Experiment 1 compares the differential reactions of trial users of a dietary supplement brand and non users/non potential users (i.e. control group). Experiments 2 and 3 focus on potential users and current users respectively. Finally, we investigate the role of temporal distance in experiment 4.

Study 1

Seventy-four undergraduate students participated in the study in exchange for course credit. The design was a 2 (trial users vs. non users/non potential users) X 2 (risk information about brand vs. neutral information) between-subjects factorial. Based on a pretest conducted earlier, we chose a brand of supplement that participants are not familiar with. At the start of the experiment, trial users were provided with a sample packet of the supplement brand as well as information about the benefits of the supplement. In contrast, non users/non potential users were only provided with the benefit information. Next both groups were exposed to either risk or neutral information about the supplement brand. Participants then provided their overall evaluations of the brand (good, excellent, $\alpha = .883$).

RESULTS AND DISCUSSION

Study 1 shows that trial users (vs. non users/non potential users) evaluate the supplement brand less (vs. more) favorably when exposed to risk information about the supplement brand ($M_{\text{high risk}} = 2.98$ vs. 3.71 , $t = 2.312$, $p < .05$). The findings also show that trial users (vs. non users/non potential users) evaluate the brand more (vs. less favorably), when exposed to neutral information about the brand ($M_{\text{neutral}} = 5.3$ vs. 4.62 , $t = 2.08$, $p < .05$). We are currently conducting further studies to examine brand evaluations when risk information is made available to potential users and current users (Studies 2 and 3 respectively) as well as the process underlying these effects (Study 4).

CONCLUSIONS AND IMPLICATIONS FOR THEORY AND PRACTICE

Our findings add to research on health marketing and public policy by identifying how different supplement user segments react to risk information based on their decision making stage. Specifically our findings imply that interventions such as product safety alerts should be customized based on the differential level of concern of these user segments.

References available upon request

PRETEENS' ASCRIBED MOTIVATIONS TO SMOKE (NOT SMOKE)

Paul M. Connell, State University of New York at Stony Brook, United States
Merrie Brucks, The University of Arizona, United States
Dan Freeman, University of Delaware, United States

ABSTRACT

Opponents of additional controls on tobacco marketing designed to protect children assert they are unnecessary because tobacco marketing is not salient to children. However, these children are at an important time in their lives, as they are on the cusp on entering their teen years, where risk and reward centers of the brain are out of balance and engaging in risky behaviors is commonplace (Cauffman et al, in press; Steinberg et al 2008). We find that preteens have sophisticated knowledge of promotion-related motivations to smoke and prevention-related motivations to not smoke and clearly recognize benefits of smoking (e.g., obtaining social approval from one's peers, attracting members of the opposite sex, relaxation, stress reduction) despite reporting overwhelmingly negative attitudes toward smoking. These positive associations could potentially lead to impressions that are difficult to counter with anti-smoking messages, and perhaps lead to tobacco use initiation just a few years later.

The goal of this study was to aid in generating a theoretical model for the psychological processes involved in children's ascribed motivations for adults or teens to smoke or not smoke. Given this objective, we pursued our empirical research in the spirit of discovery-oriented research (Wells 1993). Because we suspected that children's lifestyle associations might have been learned implicitly, and because social desirability biases are a threat to validity in substance use research, we employed projective interviewing techniques.

We conducted 104 projective interviews with fifth grade children from three different elementary schools. Two varieties of projective stimuli were used to elicit participant responses: print advertisements and pictures of people who have various personal and lifestyle characteristics. Each child saw two ads for cigarettes, which were embedded in a series of five ads (including three unrelated products). For each ad, children were asked to choose select pictures of specific people who might be likely or unlikely to use that product. Each child was probed with follow up questions to reveal the motivations he or she attributed to these people.

In the presentation, we will show: (1) the three images that were most strongly associated with smoking, as these images were attributed with multiple motives for smoking; (2) the four images that were also associated with smoking, and were attributed with one or two motives for smoking; (3) the six images that were strongly associated with non-smoking, and were attributed with motives for non-smoking; and (4) four images that were inconsistently associated with smoking, and were attributed with motives for both smoking and non-smoking.

Qualitative data analysis revealed three broad areas of motives attributed to the characters in the images: social motives, esteem motives, and relaxation motives. Themes within the social motive included smoking for fun in social situations and smoking to impress others, whereas themes within the esteem motive primarily included issues with weight and thinness. Themes within the relaxation motive primarily included needing to escape one's troubles or smoking for leisure. Finally, for one of the images, general inactivity or lack of motivation in general was associated with smoking.

References available on request

AN ATTRIBUTIONAL BASIS FOR EVALUATING THE CONCEPT OF FREE WILL OF YOUNG SMOKERS

Aditi Grover, Plymouth State University, USA

Michael A. Kamins, SUNY-Stony Brook, USA

Ingrid M. Martin, California State University – Long Beach, USA

(Authors are listed alphabetically; All authors contributed equally to the research)

INTRODUCTION

Each year millions of young Americans aged between the ages of 18 to 24 years start smoking. Only 5% of these smokers are expected to live to the ripe old age of 50 (CDC, USA). This is largely because nicotine, one of the many chemicals present in cigarettes, produces a compulsive need to continuously use the substance. Most individuals believe that they can easily quit smoking before it produces any harm (Ho, 1988); but this is often a mirage. Thus, there is need for developing creative anti-smoking messages to counter the impact of pro-smoking messages. Public policy literature shows that messages that emphasize social disapproval as an outcome of smoking are more effective in deterring the young from smoking (e.g., Pechmann and Ratneshwar 1994), while messages emphasizing the health effects of smoking are ineffective and could lead to a boomerang effect where individuals, given their positivity bias towards health and supposed immunity to sickness, are likely to report higher intentions to smoke.

THE CONCEPTUAL MODEL

We build on social disapproval research through the concept of freewill - defined as the ability to make conscious choice(s) for oneself. Although, young individuals are prone to positivity bias such that they grossly underestimate the risks to their own health (Weinstein, 1980), they greatly prize their freedom (psychological and physical) without realizing that the biological addiction - due to smoking - interferes with freedom. We unite this idea of biological addiction with the consequent restriction of free will or freedom that smoking produces with the concept of social disapproval. Based on Brehm's psychological theory of reactance, we predict that associating smoking with the threat to one's freedom is likely to produce negative attitude towards the act of smoking (or the threat to freedom). We hypothesize:

- H1:** Smokers exposed to messages that emphasize loss of free will (and social disapproval) are likely to be more effective in reducing intent to continue smoking than smokers exposed to messages that emphasize social disapproval alone.

One of two attributions typically can be made by the individual for the loss of free will: the self (internal attribution) or tobacco companies (external attribution). In the present political climate, all individuals - smokers and non-smokers - are likely to be aware that smoking is socially undesirable. Smokers' perception of self-worth therefore is likely to be preserved by their attributing the responsibility of this unhealthy habit to an external entity such as blaming the tobacco companies.

- H2:** Smokers exposed to messages attributing an external responsibility are likely to be more effective in reducing the intent to continue smoking than smokers exposed to messages attributing an internal responsibility.

RESULTS AND DISCUSSION

We created three experimental conditions to test our hypotheses: a social disapproval anti-smoking ad and two conditions emphasizing the loss of the smoker's free-will and assigning the blame to either the self/smoker or the tobacco industry. Sixty-three students from a major university in the United States volunteered to participate in this experiment. Results suggest that melding the concept of freewill to the social perspective enhances the effectiveness of an anti-smoking ad. The dependent measures included how convincing the ad was ($F_{2,63}=4.47, p=0.016$), effect of the ad on the perception of susceptibility to the risks of smoking ($F_{2,63}=3.1, p=0.05$), extent to which the ad gave individuals reasons not to smoke ($F_{2,63}=2.7, p=0.07$). All measures confirmed H1. However, contrary to hypothesis 2, we find that there are no differences between the social freewill ads that attribute the behavior either to an internal or an external factor. This result of no difference between the internal and external attributions for the smokers might be explained by the following: Individuals are likely to have varying causal perceptions of attributions (internal or external) while they are engaged in the unfavorable behavior. This is likely to change as a function of the number of attempts to give up the behavior.

References available upon request.

Friday, 22 July
Time: 8:30 AM

Session Number: **7.3: Customer Reactions**

Session Chair: Iyer, Gopalkrishnan, *Florida Atlantic University*

**Do Customers Care about Firms' Motivations for Acting Socially Responsible?
A Multilevel Analysis**

Kes, Isabelle, *TU Dortmund University*

Woisetschläger, David, *TU Braunschweig University*

The evaluative attributes of front line employees in banking: the customer voice

Lemaitre, Nathalie, *IAE Aix en Provence*

Impacts of Price Transparency on Price Fairness and Behavioral Intentions

Iyer, Gopalkrishnan, *Florida Atlantic University*

Grewal, Dhruv, *Babson College*

Rothenberger, Sandra, *Zilliant Inc*

The Best Defense can be a Good Offense, Inoculation Theory: A Framework to Promote Responsible Gambling among Youth

Lemarie, Linda, *HEC Montréal*

Chebat, Jean-Charles, *HEC Montréal*

DO CUSTOMERS CARE ABOUT FIRMS' MOTIVATIONS FOR ACTING SOCIALLY RESPONSIBLE? A MULTILEVEL ANALYSIS

Isabelle Kes, Ruhr-Universität Bochum, Germany
David M. Woisetschläger, TU Braunschweig University, Germany

ABSTRACT

CSR is a popular strategy for improving corporate associations and helping firms to differentiate from their competitors (Barone et al. 2000). Existing literature finds that CSR is a driver of customer loyalty (Ellen et al. 2006; Bhattacharya 2001). Today firms engage in all kinds of CSR activities, but it is uncertain which kind of CSR engagement is best to improve customer loyalty. However, in existing research CSR has been analyzed only as a composite measure. Additionally, it has not been researched in detail yet, if firm motivations and congruence of the firm with the supported cause might influence effectiveness of CSR engagement as driver of loyalty. Against this background, the present paper contributes to literature in four different ways. First, it assesses the relative effects of different areas of CSR activities on customer loyalty, which is conceptualized as purchase intention and word-of-mouth. Moreover in contrast to earlier research this study examines whether the effect of motives and congruence is mediated by customers perception of CSR instead of effecting loyalty directly. A further contribution is the testing of company characteristics as influencing factors of CSR perception as well as the relationship between this perception and customer loyalty. A direct influence of CSR activities on loyalty can be assumed based on the social exchange theory (Thibaut, Kelley 1959). Customers perceive interactions with a socially responsible company as fair, as they act morally right having the company as a bearer. CSR strengthens the relationship of customers with a firm (Becker-Olsen 2003). Assuming that overall CSR activities have a positive effect on customers' loyalty, it remains unclear, if customers differentiate between social, employee-related and environmental CSR. The perception of CSR activities might be effected by the consumers perception of firm motives, as they might care more about reasons to firm activities than about what they are doing (Gilbert, Malone 1995). According to Vlachos et al. (2009) and Ellen (2006), four different motivation categories exist: egoistic- and strategic-driven motives, which are self-centered, and stakeholder- and value-driven, as other-centered motives. For the latter category, a positive effect on the perception of CSR activities is anticipated, while the remaining three might be proposed to show a negative impact. In accordance with previous studies, positive effect of congruence between company and CSR activity on the evaluation of CSR is expected (e.g. Simmons, Becker-Olsen 2006). In a second study we focus on the fact that besides determinants of CSR engagements that are perceived differently by each customers, characteristics of the engaging firms are proposed to affect the perception of CSR activities.

The sample of our empirical study consists of 1514 residents being. Data were collected with reference to 31 companies of various industries. About 30 respondents answered with respect to each company. To test whether certain company and branch characteristics have a significant influence either on the intercept or on the slope of the relation of CSR perception and loyalty, we further improve our model by a second level. Thus, the customer data is "nested" in the company level data, with each customer belonging to one particular company and evaluating the respective CSR engagement. Results of study one on individual level showed significant direct effects of the customers' perception of all three types of engagement on purchase intention as well as word of mouth intention. The strongest positive influence was detected for the perception of environmental actions. Unexpectedly the customer's perception of social engagement showed a negative impact on loyalty. The idea that value driven motivation positively effects CSR perception can be proven by the study for all three types of CSR activities. Value-oriented motives had the strongest positive effect of all types of motives on both CSR perception and loyalty directly. In the second study focusing on firm characteristics slope effects were proven in case of environmental and social CSR activities. So we concentrated on the effects of company characteristics on those two relationships. The strongest impact is proven in case of customer-employee-interaction. Regarding the intercept effects in case of employee focused activities it was found out that the customers perception was effected by the extend of customer-employee interaction, involvement and especially the perceived relevance of the price. Involvement surprisingly shows negative impact on employee focused engagements. The positive effects of environmental and employee related CSR suggest that firms should move away from the classic societal engagement to more environmental or employee focused activities. As the results concerning the value-driven motives reveal, a deliberate choice of engagement is crucial to assure that customers believe in a moral reasoning for CSR activities. Customer relationship management should establish adequate communication instruments in order to convince customers of its value-driven motives. Regarding the examined company characteristics the results showed that it is advisable to focus on exclusive projects to engage continuously in.

References Available on Request

Nathalie Lemaitre, IAE Aix en Provence, France

INTRODUCTION

In the services marketing field, the satisfaction factors of the customer are complex to analyse due to the fact they do not depend on the simple evaluation of a product, but on the whole of a delivered service including a singular experience composed by tangible and intangible elements (Eiglier and Langeard, 1987). Among the factors contributing to the evaluation of the service, the interaction between customer and front line employee is an essential component of consumer service satisfaction (Solomon and al. 1985; Bitner, Booms and Tetreault, 1990; Schneider and Bowen, 1996; Julien, 2005). Moreover it is on this contact with the individual who "materialises the service through the eyes of the customers" (Eiglier 2004) that the servuction results and above all that the subjective evaluations of the customer are built.

Thus, it is in an improving view of this relation with the customers that the recent customer oriented strategy places them at the central point of the strategic execution planning (Deshpandé, Farley, and Webster, 1993). The front line employee customer orientation is defined as "the tendency or predisposition of the employee to meet the customer requirements and the degree with which it takes pleasure to do it" (Mowen, Donavan and Licata, 2002). In this approach, front line employees aim at adopting behaviours leading to a long-term customer's satisfaction, and avoiding those generating their dissatisfaction (Goff and Boles, 1997; Julien, 2010). It appears that the customer oriented strategy elicitation by the company results in the acquisition of a strong competitive advantage, innovation, and organisational performance. (e.g Narver and Slater, 1990; Greenley, 1995)

But how to develop such a customer approach when direct contacts with front line employees tend to decrease face to the development of self-service technologies? Defined by Meuter et al. (2000) as "technological interfaces that enable customers to produce a service independent of direct service employee involvement", the self-service technology has particularly spread in banking field. But if automates and home banking have decreased direct contact with bankers, customers still need it to realize specific tasks.

Those is why the interpersonal factor in the financial field is not dead and its evolution still remains studied by the researchers in services marketing nowadays (e.g Gatfaoui, 2003; Julien, 2010). Indeed, as recently shown by a study of N'Goala (2005) about the bank shifting factors, the relationships remain a substantial element in this particular field : 'the performance of the financial products is not the more determinant factor [...] the most determinant factors are linked to the dissatisfaction due to the commercial relation (e.g conflict with the front line employee)'. Thus, as noted by Benamour and Prim (2000), the customer vision of relational marketing represents a concern for marketers which still needs to be studied.

However, it remains difficult for managers to identify what acts and behaviours have to be adopted by the staff to be perceived as positive and customer oriented. The practitioners face the difficulty of collecting the customer's perception of satisfactory and dissatisfactory behaviours of front line employees and, as previously explained, particularly in banking field. In others words, how to identify behaviours does the customer expect from front line banking employees to evaluate the service encounter positively? Besides, in the current context of home banking, which enable customer to product the service himself without any contact with banking employee, is the customer harder to please and more intransigent with this staff when they need to meet during a service encounter requiring their presence?

The previous interrogations thereby legitimate the purpose of our exploratory study of the respondent's speech about front line banking employees in the upgradeable relational current context. This research adopts a customer view of this staff behaviours related to the service experience evaluation, and aims at 2 main goals:

- identifying specific attributes of the front line banking employee leading to a strongly positive evaluation of the service experience by the customer and conversely, those generating a negative assessment
- upgrading customers expectations in terms of satisfactory service encounter with front line banking employee in the home banking age

METHODOLOGY

A partnership was developed in 2008 with a famous French bank, conscious of the crucial importance of direct contact with front line employees for its customers, who was eager to train its staff in a better way of satisfying their customers during service encounter. Thereby, we were able to realise our qualitative study in 4 agencies of this service brand made up of thorough semi-structured interviews with 32 of its customers, pretested on 6 independent customers few days before (Blanchet and Gotman, 2007).

In order to bring out the factors of satisfaction and dissatisfaction of the service linked to the interaction with a front line employee, we chose to collect our data via the Critical Incidents Technique (CIT, Flanagan 1954). The retrospective principle of this method consists of a narration of “incidents” (extraordinary events) from the respondents who relates anecdotes reporting the memory of the situations of success and failure (called “critical” in the positive like negative sense). This methodology seems relevant within the framework of the service companies as the terms of “anecdotes” or “incidents” perfectly qualify the content of a servuction experience (Bitner 1990; Keaveney, 1995).

Among the sample of 32 interviewed customers, only the speech of 28 respondents corresponding to the criteria of CIT and semi-structured interviews were conserved in our data analysis. In the same way, we only kept old customer of this bank (5 seniority years at least) in order to maximize chances to collect significant memories of best and worst moments lived with a front line employee of this bank. Our final sample of 28 “senior” customers was composed of 45% of men and 55% of women, derived from various socio-professional groups, with an average age of 45 years old (aged from 21 to 85).

The exhaustive content analysis of the verbatim corpus allowed us to form categories of front line employee behaviour related to positive and negative customer evaluation of the service due to the interaction with this person. Our results were first confirmed by the codification of a second researcher, and then supported with Sphinx Lexica Software in order to classify the expressed criteria through the number of verbatim linked to each category.

RESULTS AND DISCUSSION

The content analysis of the 56 critical incidents collected (28 positive, 28 negative) led to a total of 3 main categories of characteristics of front line banking employees (FLBEs) that generate satisfactory or dissatisfactory evaluation of the service. The following results are ranking from number of quotation importance:

1) The relational skills of FLBE represent the major part of critical incidents evoked (43%), and are related to the emotional aspect of the maintained relationships. We can notice that 50% of extremely satisfactory critical incidents quoted are generated by this element. According to the customers, the interpersonal exchanges during the service encounter are the most crucial points of satisfaction they attach significance to. For banking customers, this relational aspect is first linked to empathetic behaviour of the FLBEs. Indeed, as shown by Varca (2009), “emotional empathy” of front line employees is a proof of the employee involvement and appears as critical to a positive service evaluation.

Then, customers pay a particular attention to confidence they are able to give to a FLBE. Due to the methodology elicited, the occurrences evoked by the sample about the role of trust were exclusively concerned in an interpersonal level and linked to the emotional part of the relation developed during many years. Thus, consistent with Gatfaoui remarks (2003), our results classification emphasises the emotional dimension of trust which is developed over time and more based on kindness of the employee than the cognitive part connected to competence of the staff.

At last, it seems that banking customer strongly appreciates a service delivery which is individualised. Singular intentions and privileged contacts are perceived as a manner of reconsidering the human and “close” level of commercial relations and also of going beyond “the anonymity of a customer number” (interview n°24).

2) The second category of determining elements in service evaluation by the customer, which come from the interactions with front line employees, belongs to the field of the professional skills of FLE insuring the core service delivery (39, 5% of the whole critical incidents collected, and 43% of the specific negative incidents narrated linked to dissatisfaction). Competences of FLBEs, as knowing the products and asking tasks or advising customers, are the most significant points in service positive as negative assessment, just as availability and reactivity of the employee (as it was first shown by Bitner, Booms and Tatreault, 1990, through their category named “employee response to delivery system failures).

3) Finally, the respect of social norms appears as the last characteristic of the FLBEs quoted by the customers (17,5% of the critical incidents collected). It obviously only appears in the narration of negative incidents, but is worth interesting in as it

represents 21% of the negative memories linked to FLBEs. Indeed, lack of politeness, esteem or respect toward the customer seems to cause a negative evaluation of the service. The customer wants to be ‘‘regarded’’ (interview n°4) and says he/she is ‘‘a person, who puts his/her money in the bank’s care and can expect from its employees to be highly considered’’ (interview n°19).

Thus, the previous categorisation underlies a difference between the importance attached by the customer to the different elements evoked into positive and negative occurrences: among the critical incidents narrated which led to a very positive evaluation of the service, we can notice the relational skills of FLBEs is the most important element of assessment; whereas in the negative occurrence which led to dissatisfaction of the customer, the most important element is linked to a failure in the staff job.

Besides, the numerous similar categories previously identified by researches in other services marketing field (Bitner, Booms and Tatreault, 1990, in airline, hotel and restaurant service contexts) suggest that in spite of the increasing development of self-service technologies, the expectations from the customers about the FLEs remain the same: the customer does not seem harder to please today, and still has the same point of exigency.

Moreover, the semi-structured interviews conducted enable the researcher to achieve the second goal of her research dealing with the impact of customer use of home banking on the relationship developed with the front line banking employees: 86% of the sample dissociate the home banking practice from a wish of their bank to decrease the direct contact with FLEs, being conscious these interactions represent a substantial competitive advantage. Our results thus support those of Belisle and Ricard (2002) as they both show that there is no significant link between home banking use and the customer perception of a relational approach developed by the same bank.

CONCLUSIONS AND IMPLICATIONS FOR THEORY AND PRACTICE

These results has shown that in spite of exponential development of home banking tends, the interaction of the customer with his/her banker remains a relational framework to which consumers are not ready to drop, justifying the purpose of this study.

This research provides theoretical and managerial implications. On the theoretical level, our research offers an additional contribution of customer perception of the suitable front line banking employee characteristics, impacting on the assessment of the whole service. Our results offer an upgraded point of view of customers’ expectations.

Moreover, thanks to a methodology allowing an important collection of verbal data, these results come to supplement the literature dealing with the tools of an effective adoption of a customer orientation by companies such as banks which is currently under development (e.g Julien, 2010).

From a managerial point of view, the identification of such attributes represents a crucial issue for the managers, because it enables them to act on the reinforcement of the competitive advantages and the correction of the weaknesses linked to the front line employee. It appears that if banking customers dissatisfaction is mainly linked to a lack of professional skills of FLEs, their complete satisfaction should be won by developing relational aptitude of this staff. Thus it should be advised to bank manager to see to a complete professional training of their FLEs, including a relational section since, in spite of home banking development, the face to face interactions remain the main customer criterion of satisfaction. Besides, banks should be able to keep on using self-service technologies without weakening the customers’ relational links.

Nevertheless, we are aware that this qualitative exploratory research has limitations that provide tracks for further research. First, another study of critical incidents with the FLEs would be realised including ‘‘lost customers’’ and ‘‘new customers’’ in order to understand the departure reasons and the effect of seniority on the customer perception of the FLE. Then, the author would envisage comparing these results to interviews undertaken in 2008 with the bank managers and FLEs in order to have a double company-customer perception of the characteristics of a customer oriented staff.

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IMPACTS OF PRICE TRANSPARENCY ON CONSUMER PRICE FAIRNESS PERSPECTIONS AND BEHAVIORAL INTENTIONS

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ABSTRACT

The authors propose that price transparency plays an important role in customers' judgments of whether prices offered by sellers are fair. Cognitive fairness judgments require a certain amount of information processing, so more information and transparency about prices should affect the outcome of fairness judgments. The greater the price transparency, i.e., the greater the information that consumers have on the seller's prices, the higher will be their perceptions of price fairness. Price fairness in turn leads to more favorable evaluations of satisfaction perceptions and increases customers' behavioral intentions to repurchase and recommend. The impact of price transparency on price fairness perceptions and the resulting effects on satisfaction and behavioral intentions are tested through a structural equation model using a sample of 1,459 passengers of a major European transport services company.

References available upon request

THE BEST DEFENSE CAN BE A GOOD OFFENSE. PROMOTING RESPONSIBLE GAMBLING AMONG YOUTH

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ABSTRACT

The harmful effects of gambling advertising on youth are well established. We propose a theoretical framework derived from Inoculation Theory. The objective of this article is to propose alternative strategies for promoting responsible gambling among youth. We contrast two approaches, that of inducing youth to resist gambling ads persuasive appeals vs that of persuading them of the danger related to an excessive gambling behavior. We also suggest in which contexts message-induced resistance may be more efficient than an awareness-message on gambling related risks.

INTRODUCTION

The gambling industry is one of the fastest growing industries in the world (Binde, 2007). It expends each year more money to advertise its products (Binde, 2007; Monaghan, Derevensky and Sklar, 2008). This advertising budget far outweighs the amounts designated for the prevention of problem gambling. Ontario is a remarkable example since it is regarded as a world leader in the prevention of risks related to gambling. In 2003 the Ontario Lottery and Gaming Corporation, a State-owned corporation, spent in gambling advertising CDN\$570 million. The same year, the budget dedicated by the State of Ontario in gambling prevention, treatment and research was of CDN\$36 million, that is sixteen times as less as their commercial counterpart (Monaghan, Derevensky and Sklar, 2008).

This imbalance is all the more troubling, especially when it comes to the youth's gambling attitudes and behaviors. Increasing evidence suggests that teenagers are engaging in gambling and develop more gambling-related problem than any other age cohort. Research in Canada, the US, the UK or Australia shows that between 63 % and 82 % of teenagers over the age of 12 gamble each year despite the legal age restriction. 10 % to 15 % are at risk of becoming pathological gamblers while 4 to 10% already show serious gambling problems (Derevensky and Gupta, 2004; National Research Council, 1999).

Gambling advertising implies societal responsibility in the development of this hazardous behavior. A growing amount of research points out its detrimental effect on youth. It conveys the general idea that gambling is an exciting, enjoyable and harmless form of entertainment through images of attractiveness and fun. It induces a positive attitude toward gambling which in turn may cause gambling-related problems (Derevensky, Sklar, Gupta, Messerlian, Laroche and Mansour, 2010; Korn, Hurson and Reynolds, 2003; McMullan and Miller, 2009).

Prevention campaigns are presently designed to increase public awareness about gambling problems. They generally provide youth with information about gambling related risks and present responsible gambling behavior as a way to avoid those risks. However, in their efforts to develop a healthier attitude toward gambling they have to compete with gambling companies' conflicting and overwhelming advertising messages. As a result, even if awareness of problem gambling increases, youth's positive attitude toward gambling remains unchanged (Messerlian & Derevensky, 2006).

Our article focuses on the following key question: is threat the best way to counteract gambling advertising appeals and to develop healthier attitudes and behavior toward gambling among the young generation? Can other persuasive approaches be designed?

Following the Inoculation Theory (McGuire, 1964), Petrova et al. (2008) propose that two types of counter arguments can be developed in order to induce a more responsible attitude toward a dangerous product: supportive counter arguments and refutational counter arguments. This is a significant departure from the more usual strategy based on supportive arguments. Supportive arguments give information about the potential risk associated with the consumption of a product. Refutational counter arguments attack directly and undermine the claims of a health product's advertisement. In order to test the relative efficiency of these two types of counter arguments, Petrova et al. (2008) conduct a two-session study. During the first session, they expose participants to an advertisement for a fictitious allergy medication called Levatin and claiming that "Levatin was effective for 93% of the patients". One week later, during the second session, they show to participants consumers' reports messages directly undermining the claim of the allergy medication ad (that is, "35% of the participants continued to experience the symptoms they had had prior to taking Levatin") or containing information about the potential

risk of an attribute of the product not mentioned in the commercial ad (that is, “30% of the participants taking Levatin experienced significant side effects”). As a result, they find that directly undermining ad’s claims has a stronger negative effect on brand attitudes and purchase intentions than an equally strong negative information not related to the ad’s claim.

Typical inoculation procedures have been successfully applied to the health preventive context, such as smoking (Pfau & Van Bockern, 1994) and alcohol drinking (Goldberg & Pfau, 2000). However, implications of these kinds of studies in term of youth problem gambling prevention have not yet been examined.

We propose the following: providing counter information that directly attacks and refutes the gambling corporations’ claims is more efficacious than providing risk-related information about gambling behavior.

Our model focuses on explaining under which conditions this inoculation approach counterbalances the effects of gambling advertising on youth’s attitude and behavior.

EFFECTS OF GAMBLING ADVERTISING ON YOUTHS’ PERCEPTIONS AND ATTITUDES TOWARD GAMBLING

According to Social Cognitive Theory (Bandura 1986), children learn from what they see and especially imitate behaviors that they perceive as rewarding. Young consumers are frequently exposed to gambling advertisements, on television, Internet, billboards and magazines (Derevensky et al., 2010). This high level of exposure leads to the normalization of gambling behavior. Gambling is regarded as being part of normal teenagers’ experience just as school, instant messaging or summer vacation (Korn et al., 2003; McMullan and Miller, 2009).

McMullan and Miller (2009) in analyzing a sample of 920 lottery ads that were placed or played in Atlantic Canada from January 2005 to December 2006 conclude that “the tangible and emotional qualities in the ads were especially inviting to young people creating a positive orientation to wins, winning and winners, and lottery products that, in turn, reinforced this form of gambling as part of youthful consumption practices” (McMullan and Miller, 2009, p 273). According to these authors, gambling ads encourage youth to dream about what they could buy with their winnings and to develop some counterfactual thinking (“e.g.” “it could happen to me” or “it’s my lucky day”). As a result, they encourage youth to buy lottery tickets and to do so despite the legal age restriction (McMullan and Miller, 2009; Derevensky et al., 2010).

The powerful impact of advertising strategies on youth attitudes and behaviors is widely acknowledged. In the case of gambling, youth appears to be particularly vulnerable to those effects. Gambling ads have, for example, a direct influence on the gambling behavior of 42% of a sample of 1147 adolescents (Derevensky et al., 2010) and on 40% of a sample of British young adult online gamblers (Griffiths and Barnes, 2008). According to Landman and Petty (2000, p 313) “[M]arketing simulates and exploits counterfactual thinking to get consumers’ attention, change their thinking and arouse their emotions, all in service of inducing them to do what they perhaps would otherwise not, that is to say buy lottery tickets”.

Extant research shows that some factors contribute to at-risk gambling, such as high awareness of availability of gambling products, erroneous beliefs about gambling and early age of onset (Blaszczynski and Nower, 2002; Lesieur, 2001; Landman and Petty, 2000). All these factors can be directly linked to gambling ads exposure (Landman and Petty, 2000; Derevensky et al., 2010).

In the tobacco and alcohol domains, the demonstration of the potential harmful effect of advertising led to its strict regulation or to its ban (Monaghan, Derevensky & Sklar, 2008). In the case of gambling advertising, even if some regulations exist (in the UK or Australia for example), they remain largely limited (Monaghan, Derevensky and Sklar, 2008).

PREVENTION EFFORTS

Gambling prevention campaigns provide information on problem gambling, encourage youth to gamble responsibly without undermining the positive image associated with gambling (Messerlian and Derevensky, 2006). The arguments used (“e.g.” “gambling it’s just as addictive as tobacco” in Ontario, “Teen gambling is a risky deal” in Oregon) are in line with the Protection Motivation theory (Rogers, 1983; Floyd et al., 2000) or the Health Belief Model (Becker, Haefner, & Maiman, 1977). Both theoretical paradigms are referred to as risk learning models by Pechmann (2001) since they pursue a similar goal, that of providing information about health risks and praising a behavior that minimizes those risks.

These models propose that people are more likely to avoid maladaptive behaviors or to adopt a responsible behavior if they are aware of the health risk severity, their susceptibility to it (the perceived threat) and they feel capable to perform the advocated behavior (the perceived effectiveness).

Despite the amount of empirical support they received, their efficiency remains open to discussion in a real world setting (Austin, Pinkerton, Fujioka, 1999; Pechmann, 2001). The usual purpose of experiments testing the efficacy of these models is to determine if subjects exposed to the health message feel more vulnerable to the risk, are more aware of the severity of this risk and develop new attitudes toward the risky behavior. However, health messages are seldom tested *in competition* with their promotional counterparts (promoting gambling behavior for example) with very few exceptions (Pechmann, 2001; Byrne et al., 2005; Petrova et al., 2008). Furthermore investigations focus predominantly on immediate attitude change with little attention to the persistence of this change over time, “i.e.” after exposure to a competitive message.

As pointed out by the extant literature on the effectiveness of such communication, gambling prevention messages increase perception of risk related to gambling (Williams et al., 2007). However, such messages do not impact significantly the gambling-related stereotypes promoted by the gambling industry, as shown by Monaghan, Derevensky and Sklar (2008). As a result, even if teenagers are more aware of risk associated with excessive gambling, in most cases, they felt immune to those risks (Korn, Hurson and Reynolds, 2003). Consequently, they perceive gambling prevention messages relying too heavily on negative/harmful effect of gambling behavior as unrealistic (Messerlian and Derevensky, 2006).

Teenagers also feel immune to the influence of gambling advertising. In their study on a sample of adolescents, Korn et al. (2003) report that “[A]lmost every participant claimed that advertising had no effect on them and that they were able to “see through” the techniques of advertising to the underlying motives. Nevertheless, their comments, anecdotes, and stated intentions about gambling behavior support the hypothesis that gambling advertising does influence them.” (p. 34-35).

INOCULATION THEORY: A THEORETICAL AND PRACTICAL FRAMEWORK FOR THE PREVENTION OF YOUTH GAMBLING

Two psychosocial approaches to health marketing can be contrasted: supportive vs refutational. This contrast is similar to the contrast between medical approaches to deal with diseases. The first one consists of giving a high level of support in order to strengthen the individual’s immune system. The second one is to give a weakened dose of the virus. This dose should be weak enough so that it does not overwhelm the defences but strong enough to stimulate the immune system, in order to develop immunity to later attack. The second option is called the inoculation process.

McGuire’s inoculation theory (1964) is based on this biological analogy. Just as people can be made resistant to a virus by being inoculated by a weakened form of that virus, people can be immunized against an attitudinal attack by being inoculated with a weakened form of that attack. Two basic components cause this immunizing effect. The first component is threat, conceptualized as person awareness that his/her attitudinal position is vulnerable to attack. According to McGuire (1964) persuasive targets suffer from a “motivational deficit” to actively defend their attitudes, particularly when attitudes have not previously been threatened, due to a general feeling of invulnerability. “An underlying assumption about the process of inoculation is that a receiver must feel threatened to motivate the work needed to strengthen an attitude” (Compton & Pfau, 2004:100).

Instead of mentioning arguments supporting an existing attitude, the threat is induced by mentioning an argument against this attitude (i.e., the weakened form of the attack). This assumption is in line with several studies within the literature on perceived risk which indicates that one’s level of prior personal experience with the risk factor can moderate optimistic bias (Helweg-Larsen and Collins, 1999).

The second component is the refutational pre-emption, that is, explicit refutation of arguments against the attitude. “[T]he person, due to a lack of practice, is inept at defending his beliefs when the necessity arises” (McGuire and Papageorgis, 1961: 328). This cognitive principle can be reversed by giving people the ability to defend their attitudes. Pre-emptive refutation demonstrates how to counterargue an attack and therefore provides a model for later diminishing the impact of a subsequent attack.

By contrast supportive treatments give arguments in support of an existing belief and increase the level of attitude acceptance as long as no attack occurs (“i.e.” in a persuasion context). However, they leave individual unmotivated to learn defensive arguments, which makes them unable to resist attacks (Hunt, 1973).

Mc Guire and Papageorgis (1961) experimentally compare supportive and refutational defensive treatments. In the supportive defence experimental condition, they ask participants to read a message that *supports* a belief statement (for example “Most forms of mental illness are not contagious” p 330). In the refutational defence condition, they ask participants to read arguments *against* the belief statement and then to read a message that refutes those arguments (“i.e” the attack). Two days later, they present participants with an essay arguing against the belief. Findings reveal that the refutational defence is not more effective than the supportive defence in strengthening the belief *before* the attack. However, *after* the attack, participants who received the inoculation treatment are more resistant to the attack than participants in the supportive defence condition.

Several studies tested the immunizing ability of refuted arguments (Mc Guire 1964, Mc Guire and Papageorgis, 1961; Pfau and Burgoon, 1988; Pfau et al., 2003; Wan and Pfau, 2004; Compton and Pfau, 2004). From these studies two major conclusions can be drawn: 1) exposure to refuted arguments confers more resistance to persuasion than does simple exposure to arguments supporting the advocated attitude and 2) this superior efficiency remains even if the subsequent attack presents different arguments from those initially refuted (McGuire, 1961, Pfau and Burgoon, 1988; Wan and Pfau, 2004; Compton and Pfau, 2004).

According to McGuire (1964), the inoculation treatment is efficient as long as it is directed toward a “cultural truism”, that is, “...beliefs that are so widely shared within the person’s social milieu that he would not have heard them attacked and indeed, would doubt that an attack were possible” (McGuire, 1964: 201). A typical example of “cultural truism is that “everyone should brush his teeth after every meal if it all possible” (McGuire and Papageorgis, 1961: 330).

However, more recent studies extend application of the inoculation treatment to more controversial and contested topics such as political campaigns (Pfau and Burgoon, 1988), public relations (Wan and Pfau, 2004), credit card debt among college students (Compton and Pfau, 2004), student plagiarism (Compton and Pfau, 2008) or smoking (Pfau and Van Bockern, 1994) and drinking (Godbold and Pfau, 2000). “The logic of the refutational approach applies irrespective of whether the content domain is controversial or not” (Pfau, 1997:141).

As Pfau and Van Bockern (1994) point out, inoculation “is a strategy appropriate to promote *resistance* to attitude change, *not* to change attitudes” (p. 415, our emphasis). Consequently, the process of inoculation is a preventive process that necessitates a prior attitude in favor of the inoculation position. In the case of youth gambling, studies point out that most young adolescents possess strong attitudes opposing gambling at the time they commence the transition from primary to secondary; for example “Gambling is not a good thing for someone my age to spend money on” and/or “Playing National Lottery draw games can lead to serious money problems”) (MORI Social Research Institute, 2006 p.44). However “[A]s age increases the likelihood of thinking that gambling is okay as long as your limit increases” (Wiebe and Falkowski-Ham, 2003:50).

In the domain of smoking and alcohol preventions, resistance to persuasive intent is presented as a way to enhance abstinence. Researchers argue that this strategy is more efficient than attempting to persuade youth to cease drinking or smoking once they have begun (Pfau and Van Bockern, 1992; Pfau et al., 1994; Godbold and Pfau 2000). In the case of youth gambling prevention, we follow the same logic.

Process of inoculation

Following the tenets of the Elaboration Likelihood Model (Petty and Cacioppo, 1986) persuasive messages are processed either through the central route or the peripheral route.

The central route consists of “thoughtful consideration of the arguments (idea, content) in the message” (Stephenson et al., 2001). The receiver carefully scrutinizes and evaluates the persuasive communication to determine the merits of the arguments. When arguments are perceived as weak, counterarguments are generated and the message loses its persuasive power. This route is the most cognitively effortful. It will be taken only when both motivation and cognitive ability are high enough (Petty and Cacioppo, 1986; Stephenson, 2001).

Peripheral route, on the other hand, does not involve extensive elaboration of the message content. Receivers rely on peripheral characteristics of the message, such as the credibility and/or attractiveness of the source. This is the route most often used in the case of gambling ads. “The content and tone of many of the ads did try to connect to certain lifestyle clusters

and social identity features that blended smoothly into a relatively youthful world enamored with wanting to have fun, get ahead fast, look for shortcuts to success, find quick fixes to problems, and overcome the fears and risks of the future” (Mc Mullan and Miller, 2009:291).

Despite the lack of evidence regarding the process mediating the effectiveness of the inoculation treatment, the extant literature leads us to distinguish two paths to inoculation-induced resistance to persuasion, that is, the central route and the peripheral route.

As for the first route, the inoculative message, through the threat of manipulation, increases the individual’s motivation to elaborate and scrutinize the informational content of the persuasive appeal. The refutational pre-emption gives the receiver the ability to counterargue. As it has been shown that resisting to a persuasive attack may make the existing attitude stronger than it was prior to the attack, this communicational approach should bring about stronger attitudes (Tormala and Petty, 2002). Consequently, when exposed to the attack, inoculated subjects perceive the threat which in turn triggers the process of counterarguing and results in greater attitude strength.

McGuire (1964) suspected this persuasive process; Pfau and his colleagues experimentally demonstrate it in several studies (Pfau and Van Bockern, 1994; Pfau, 1997; Pfau et al., 2003; Wan and Pfau, 2004; Compton and Pfau, 2008). However, Pfau considers the perceived threat as a direct outcome of the inoculative message, not as a result of the interactive effect of the inoculative message and the attack. According to McGuire’s initial work (1964) the main goal of the inoculation procedure is to enhance the individual’s aptitude to recognize a persuasive intent when it comes. Consequently, we propose, contrary to Pfau and his colleagues, that the perceived threat is greater right after the attack than before.

The process of inoculation-induced resistance could also be more direct. People may resist simply because the inoculation treatment message undermines the credibility of the source of the persuasive intent and therefore its persuasive efficacy. Source credibility is a key peripheral cue increasing or reducing the persuasive effectiveness of a message, as shown by the persuasion literature (Petty and Cacioppo, 1986; Tormala and Petty, 2002; Stephenson et al., 2001). In the case of inoculation studies, researchers find that inoculative messages undermine the credibility of the source of the attack (Pfau and Burgoon, 1988; Compton and Pfau, 2008), though few works test this detrimental effect in terms of resistance to persuasion (Compton and Pfau, 2008).

Inoculations studies provide strong evidence of the efficacy of inoculative messages, especially in the health domain. However their implications for creating resistance to gambling ads persuasive intent have not been examined. Furthermore conditions under which preventive messages successfully compete with conflicting messages remain unexplored. To address these questions we propose a set of research propositions.

RESEARCH PROPOSITIONS

Our research propositions derive from the literature we reviewed. We propose that public organizations will be all the more efficient in their effort to develop a responsible gambling attitude among youth if they take into account that their messages compete with gambling advertisements. Instead of using supportive messages that incite youth to gamble responsibly and/or provide risk-related information, a more successful strategy may be to provide information that directly refutes the claims of gambling ads (what we refer as an inoculative message).

First considering the potential harmful effect of gambling advertisement, we propose the following:

P1: Gambling ads enhance positive attitudes toward gambling.

Secondly, as it has been demonstrated that resisting to a persuasive attack may make the existing attitude stronger, we propose that :

P2: Subjects exposed first to an inoculative message then to gambling ads have more negative attitudes toward gambling and a weaker intention to gamble than subjects not exposed to a gambling ad.

Our third and fourth propositions derive from the idea that an inoculation strategy is more effective to counteract the effects of gambling advertising than a supportive strategy:

P3: When exposed to a gambling ad, subjects who viewed the inoculative message have a more negative attitude toward gambling and a weaker intention to gamble than subjects who viewed a supportive message.

Considering the two paths of inoculation-induced resistance to persuasion, we propose that:

P4: This differential effect is mediated by perceived threat, cognitive responses to the gambling ad and perceived credibility of the source of the gambling ad. Consequently, when exposed to a gambling ad subjects who viewed the inoculative message compare to subjects who viewed the supportive message or no preventive message:

P4a: perceive a greater threat

P4b: generate more counterarguments in response to the ad

P4c: perceive the source of the gambling ad as less credible

CONCLUSION AND IMPLICATIONS FOR THEORY AND PRACTICE

Young consumers are increasingly exposed to messages promoting gambling behavior, which makes gambling a normal and/or glamorous activity. Research shows that a positive attitude toward gambling paired with gambling behaviour at an early age represents a significant risk for the development of gambling related problems. There is a need for public organizations to develop preventive messages able to counteract these detrimental effects.

Actual prevention efforts are motivated by the general goal of increasing awareness of gambling related problems and to present responsible gambling behavior as a way to avoid these problems. Unfortunately, such efforts are often unsuccessful when competing with ads presenting gambling as a fun, exciting and harmless form of activity.

We propose that a preventive message that undermined the specific claims promoting gambling is more effective in creating *resistance* than a *preventive* message that gives only information about gambling related problems. Such a proposition is consistent with research demonstrating that anti-smoking campaigns that attack directly the positive images associated with smoking (Pechmann and Knight, 2002) and highlight sneaky marketing tactics used by tobacco companies (Farrelly, 2002) can offset the effects of common tobacco ads.

This theoretical perspective is the first attempt to apply Inoculation Theory to gambling prevention. It is also the first to analyze the joint effect of gambling prevention messages and gambling promotional advertisements.

Many contributions can be expected of this theoretical framework. From a practical viewpoint, understanding the joint effect of preventive messages and gambling advertisements can help public organisations to develop more efficient gambling prevention campaigns. From a theoretical viewpoint, a more general goal is to enrich the understanding of the inoculation process. Little insights exist about the process mediating the effectiveness of such a procedure. Similarly, the conditions under which directly attacking ads claims will result in a greater impact on attitude and behavior than providing accurate information unrelated to the claims of the ad are still unknown.

To address these questions we developed a set of research propositions aimed at highlighting the applicability of the inoculation framework in the gambling prevention domain.

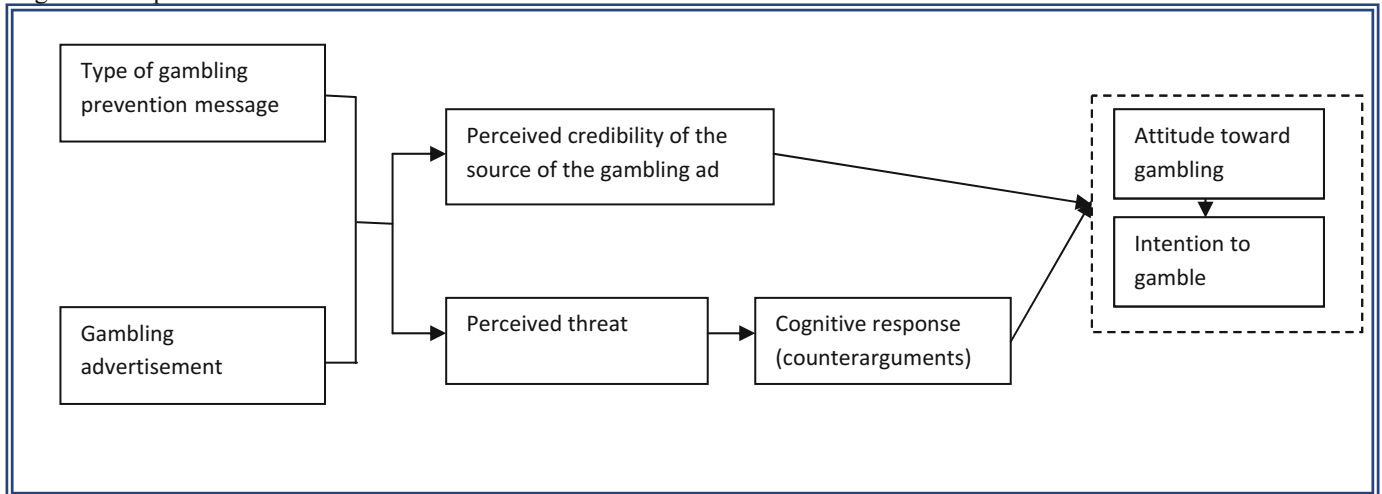
FUTURE RESEARCH AVENUES

Can inoculated subjects resist multiple attacks? In other words, can inoculative messages create resistance to *multiple* gambling ads exposure? Research shows that an inoculation procedure can create a long-term resistance able to resist multiple attacks (Ivanov, Pfau and Parker, 2009). Such an assumption has to be tested in the specific gambling domain where consumers are likely to be exposed to a large number of ads.

In the same vein, can image enhance the effect of the inoculative message? Few studies using the inoculation theory framework tested the long term positive (or negative) impact of introducing images in the inoculative message. A growing body of research shows that reinstating the retrieval cues that are present during encoding greatly facilitates recall (Petrova et al., 2008; Tulving and Schacter., 1990). It would be interesting to test if including in the inoculative message images present in the gambling ad can enhance its long term efficacy.

FIGURE

Figure 1: Proposed model



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Friday, 22 July
Time: 8:30 AM

Session Number: **7.4: Distribution and SCM**

Session Chair: Takahashi, Ikuo, *Keio University*

Estimating the Buyer's Willingness to Pay Using Bayesian Belief Distribution with IFR

Brusset, Xavier, *ESSCA*

Cattan-Jallet, Roxane, *ESSCA*

Cooperative Relationships Between Product Brands and Ingredient Brands

Ono, Akinori, *Keio University*

Iketani, Shingoh, *Keio University*

The Influences of Transaction Cost Factors and Capabilities Factors on the Degree of Channel Integration

Takata, Hidesuke, *Keio University*

Changing the Japanese Retail Marketing Potential from 1997 to 2007

Ingene, Charles A, *The Hong Kong Polytechnic University*

Takahashi, Ikuo, *Keio University*

ESTIMATING THE BUYER'S WILLINGNESS TO PAY USING BAYESIAN BELIEF DISTRIBUTION WITH IFR

Xavier Brusset, Center of expertise and Research in Retailing, ESSCA School of Management, France
Roxane Cattan-Jallet, ESSCA School of Management, France

INTRODUCTION

Motivation for the present paper can be found in the way that some suppliers have to price some specialized good or service which they sell to some manufacturer. Usually, the supplier can already sell the same good in different markets for different uses and at different prices. For example, several dozens of chemical or mineral products have wide ranging applications: calcium carbonate is used in industries like paint, plastic, rubber, ceramic, cement, glass, steel, oil refining, iron ore purification and biorock creation for mariculture of sea organisms. Chemical colouring pigments can variously be used for paint, cosmetic or ink markets. In the garment and apparel industry, a fashion good can be sold during season in one market but can still be salvaged in another market. A medical drug has different prices according to the market it is sold in. In most of the above instances, the exact relationship between demand in alternative markets and price may not be known. In fact, the supplier may have to guess at his potential clients' willingness to pay (wtp) building upon his prior knowledge of the industry, the existing competition, alternative sources of supply, etc. This lack of information may induce unsatisfactory pricing decisions and either unsuccessful offers or less profitable transactions. On the other hand, the buyer will usually hide or mis-inform the seller about his wtp. How is the supplier to price his good and what is the effect on the supply chain efficiency?

We answer this question using the result from a mechanism design approach in a games theoretic setting where a principal wishes to offer a price for some product or service to an agent. If the agent rejects the offer, the principal is left with the revenue generated from selling to a non-strategic third party. The seller is in a Bayesian setting of incomplete information and must form a belief about the agent's wtp. This belief follows a statistical distribution over a range of possible values.

The model shows how the seller maximizes his profit by his pricing decision and how the buyer will attempt to increase his rent in detriment of the buyer by keeping information private. The model implies that joint forecasting and collaboration by the downstream partner will increase the risk of opportunistic behaviour on the upstream partner's part.

The present model helps to present in a new light the newsvendor one from Lariviere and Porteus (2001) in which the single price contract is studied when buyer and seller know of the distribution of demand and the sensibility to price of this demand. Instead of using the characteristics of the increasing generalized failure rate (IGFR) as in Lariviere and Porteus (2001), we demonstrate that the distributions which admit an increasing failure rate will always yield to the principal a strictly concave profit function.

LITERATURE

The generalized failure rate function has become popular in the last few years in supply chain management literature, having been cited no less than 55 times as of this writing (source: Google Scholar). The applications have mostly been in models where demand can be modeled as following such a distribution. As much as we would like to use and extend the use of such functions in supply chain management, these distributions have some irksome limitations. As noted in Paul (2005), the IGFR distributions are not closed under convolutions or shifting which limits their use in supply chain models where demand among several retailers may have to be aggregated. So even though the IGFR property is remarkably inclusive, we feel that the robustness and extensibility of the results warrant a preference for the IFR property. We concur with Paul (2005) in arguing that this property is of greater use and should demonstrate more practical value in future research than the IGFR one used in Lariviere (2006).

The models presented in Lariviere and Porteus (2001) or in Ziya et al. (2004b) also involve a manufacturer selling to a newsvendor given assumptions about demand. The model in Ziya et al. (2004a) studies the optimal admission price to a service facility for customers who have a known willingness to pay distribution function.

The model in Paul (2006) refines the newsvendor models of Lariviere and Porteus (2001) and Lariviere (2006) by offering some restrictive conditions so that the manufacturer is guaranteed to have a unimodal profit function.

Yet in all of the above models, salvage costs, facility capacity cost or overage costs are not included in the objective functions. So none of these models capture the standard supply chain management model where the seller may, additionally to selling to his standard customer, salvage, hold or turn to another customer.

MODEL AND RESULTS

The seller, as principal and Stackelberg leader, is uninformed of the agent's reservation price for a good he wishes to sell. If he guesses wrongly this price, the seller can still dump his good on a third party for a price α . The seller has to form a Bayesian belief about the distribution of this reservation price.

Let X represent the principal's belief about the agent's reservation price as a random variable with cumulative distribution function F ranging over $[\underline{X}, \overline{X}]$, continuous and twice differentiable. Let f be its probability density. We assume that $0 < \underline{X} < \overline{X}$ and that $0 \leq f(\underline{X})$. This distribution's failure rate function as defined in Barlow and Proschan (1965) is $r(X) = f(X)/\overline{F}(X)$. X has an increasing failure rate (IFR) or, equivalently, F is an IFR distribution if $r(X)$ is weakly increasing for all X such that $F(X) < 1$. A property of the IFR density functions is that the set $\{x \mid f(x) > 0\}$ is connected. We define α , a positive real, as the price received by the principal when the agent refuses the offer and

$$0 < \underline{X} \leq \alpha \leq \overline{X}. \quad (1)$$

Note that if that were not the case, the seller's belief would have no bearing on his objective function. If $\alpha < \underline{X}$, the maximum revenue for the principal is achieved for him by choosing \underline{X} as the offering price. Similarly, if $\alpha > \overline{X}$, the principal just sells to this third party for α and does not consider selling to the agent.

Tracing a parallel to the model in Lariviere (2006), here the seller also has to sell to a downstream partner (say a retailer) any quantity at a posted price. However, in our setting, the supplier can also sell to a third party in the case where the quoted price does not satisfy the buyer. This option can also be seen as the buyer's option of returning all unsold goods to the supplier. Contrary to the present setting, in Lariviere (2006) the seller bears no responsibility for the unsold goods and enjoys full information about the retailer's demand and retail price.

Here, the seller does not have information about the buyer's reservation price nor about the competition's eventual offer, so the seller, based upon his belief, must maximize the following objective function

$$\begin{aligned} \Pi(x) &= \alpha F(x) + x \overline{F}(x), \\ &= F(x)(\alpha - x) + x, \end{aligned} \quad (2)$$

after normalizing the cost to 0. The case where $\alpha = 0$ is the one covered in Lariviere (2006).

We present two theorems which provide the base for an illustration through a simple example. In the first, the decision maker who relies on an IFR distribution of his belief when evaluating the best offer to make to a customer when both can turn to outside options has a strictly concave profit function. The second theorem states that a decision maker offering one good to various customers has a profit function which also admits one optimal solution when the multivariate distributions are IFR.

Theorem 1 *Assuming that F is IFR with a finite support $[\underline{X}, \overline{X}]$, then the principal has a unique optimal solution x^* to his concave profit function which is solution to*

$$x^* - \alpha = \frac{\overline{F}(x^*)}{f(x^*)}. \quad (3)$$

Corollary 1 *The optimal value is always higher than the outside option price α reflecting the fact that the principal holds the belief that there is a non-zero probability that the buyer is willing to pay more than α .*

Consider the case of a supplier who can sell the same good to either an existing non-strategic customer or to k potential customers. He lacks information about their wtp and so assumes IFR distributions F_i , for each customer's wtp with finite positive supports $[\underline{X}_i, \overline{X}_i]$, $i = 1, \dots, k$. The variables may be correlated for which the covariance will be part of the calculation. The supplier can offer to all potential customers his good at the price for which his Bayesian belief allows him to maximize his profit. All potential customers announce simultaneously their decisions. Only one among those who decide to buy at the given price will be satisfied. If no potential customer decides to buy, the supplier falls back on his non-strategic outside option. His profit function can be written as

$$\Pi(x) = \alpha F(x) + x \overline{F}(x), \quad (4)$$

as he sells to either customer if the other does not accept his offer and to the existing non-strategic partner at α if none of the potential customers accept. This profit function can be compared to the one in the univariate example as presented in (2).

We now enounce the following generalizing theorem.

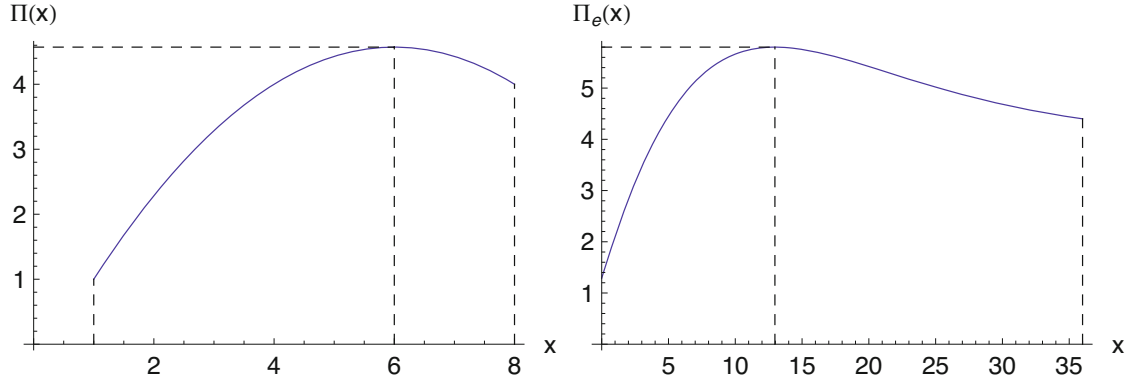


Figure 1: Representation of the profit function and optimal solution when the belief distribution is uniform and ranges between 1 and 8 (left graph), when the belief distribution follows an extreme value distribution (right graph) and $\alpha = 4$.

Theorem 2 Let X be a k -dimensional continuous random vector of iid random variables X_1, \dots, X_k with joint density function $f(x)$ and CDF $F(x)$ with finite support $[\underline{X}_1, \bar{X}_1], \dots, [\underline{X}_k, \bar{X}_k]$ and $\forall i, 1 \leq i \leq k, \underline{X}_i \geq 0$. It exists a unique optimal solution x^* to his profit function which is the solution to

$$x^* - \alpha = \frac{\bar{F}(x^*)}{f(x^*)}, \quad (5)$$

if F is an IFR distribution.

We present two theorems which provide the base for an illustration through a simple example. In the first, the decision maker who relies on an IFR distribution of his belief when evaluating the best offer to make to a customer when both can turn to outside options has a strictly concave profit function and hence a unique solution. The second theorem states that the IFR multivariate distributions also allow the decision maker to be able to make a unique profit-maximizing offer.

The model leads to two major results. If we consider that the precision of information available is continuous, then as the supplier becomes better informed, the difference between the integrated and decentralized chains becomes smaller. Given opportunity for mutually beneficial interaction, supply chain efficiency increases with the availability and precision of information about a buyer's wtp.

On the other hand, in the decentralized supply chain, the manufacturer's rent increases with the standard deviation of the supplier's belief distribution. In other words, the manufacturer will tend to refrain from informing or signaling to the supplier about his true cost and alternative options in the hope that the supplier's optimal offer will be low compared to his non-strategic outside option. For a given level of information precision, the supply chain's overall rent may be unchanged but the conditions for trust and goodwill among its members are not favourable. In fact, our result point to active mis-information by the manufacturer of his wtp to the supplier.

NUMERICAL ILLUSTRATION

Illustration of Theorem 1

Let us illustrate the result with with two different distributions. The first is a uniform continuous distribution on the range $[1, 8]$. The second is an extreme value distribution with parameters with location parameter $\alpha = 1$ and scale parameter $\beta = 8$. In both cases, the outside option $\alpha = 4$. The graphs in figure 1 represent the corresponding profit functions and optimal values x^* .

From Theorem 1, we obtain $x^* = 6$ for the uniform distribution and $x^* = 12.9671$ for the extreme value distribution, both of which are higher than the outside option price $\alpha = 4$ and effectively represent the maximum of the profit function.

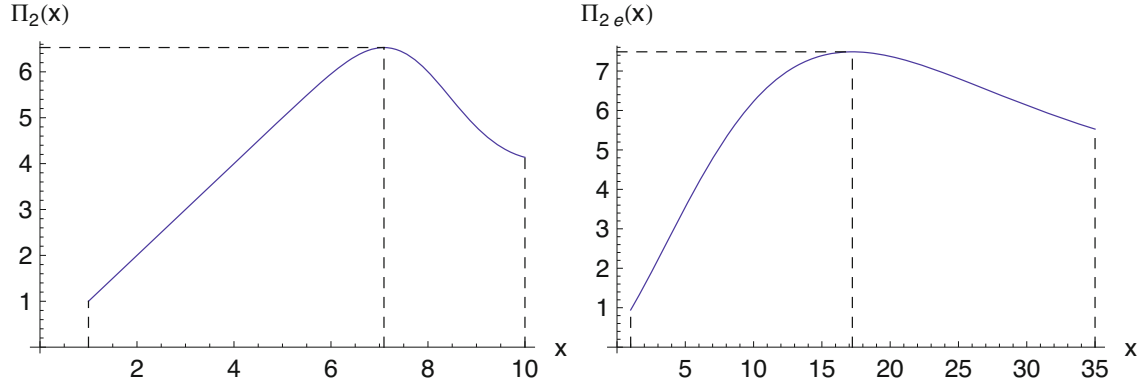


Figure 2: Representation of the profit function and optimal solution when the belief distribution of the two buyers follows a binormal distribution whose parameters $\{\mu, \sigma\}$ are $\{5, 0.5\}$ and $\{8, 1\}$ with a correlation coefficient $\rho = 0.9$ (left graph); when the belief distribution follows extreme value distributions $\{1, 8\}$ and $\{2, 10\}$ (right graph); for both $\alpha = 4$.

Illustration of Theorem 2

In the same way as above, we represent the profit function of a seller who wants to sell the same good to *two* different buyers. He forms two Bayesian beliefs about their wtp and builds a joint distribution of their behaviours. In the first case, the joint distribution is based upon the binormal distribution of the two random variables. Let us consider that $\mu_1 = 5$, $\sigma_1 = 0.5$, $\mu_2 = 8$, $\sigma_2 = 1$. The correlation coefficient, set at $\rho = 0.9$, signals that he believes his customers to be in the same market or responding to the same signals in the same way. In this example, varying the correlation coefficient does not change significantly the optimal price offered by the supplier.

The outside option of the seller is set at $\alpha = 4$.

In the second case, the distributions are extreme value distributions characterized by parameters $\{1, 8\}$ and $\{2, 10\}$.

For the binormal distribution, the optimal value is $x^* = 7.09$ and in the extreme value ones $x^* = 17.231$. The plots of the profit functions and corresponding maxima are presented in figure 2.

CONCLUSION

This problem was numerically solved in Brusset (2009, 2010) as a particular instances of the much broader mechanism design problem presented here. We prove that for all IFR distributions, and when the range of possible values of the random variable includes the outside option price, the objective function admits one single interior maximizing point. This result has applications in operational research and supply chain management which use game theoretic settings where a Stackelberg leader makes a take-it-or-leave-it offer to sell a product or service to the agent relying only upon a Bayesian prior belief of the agent's wtp. We prove here in a particular setting that the supply chain rent may be distributed differently according to the standard deviation of the upstream partner's belief and give the correspondence between this belief and the supplier's rent. As the information about the downstream's partner outside option becomes more precise, the upstream partner is able to increase his share of the supply chain rent in detriment of the downstream partner. We show that the conditions for deliberate mis-representation by the upstream partner as to his outside options are thus given. This would explain behaviour from suppliers who, upon discovering a new application for their product will try to price it according to the buyer's possible utility rather than to their existing customer's. They will try to form a belief as precise as possible so as to whittle down the potential customer's extra rent. By the same token, the potential customer will disguise his potential utility from using this new product. A link is made between the precision of information and prices which is distinct from the traditional one between demand and prices.

These results can be applied to repeated games in which case the new range distribution depends upon *Bayesian updating with cutoff* Hart and Tirole (1988). On another plane, these results also extend the findings of Lariviere and Porteus (2001) to cases when knowledge of downstream demand is not given. But we believe that the most interesting extension will be in applying the theorems provided to a host of settings within supply chain management and operations research.

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COOPERATIVE RELATIONSHIPS BETWEEN PRODUCT BRANDS AND INGREDIENT BRANDS

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INTRODUCTION

Co-branding strategies have some advantages in gaining high brand equity with low risk because firms might be able to extend their brand by cooperating with other firms who have their own brands with high brand equity (Boad, 1999). Although co-branding typically means brand alliances among a couple of manufactures (product brands) in/outside of the product categories, it includes a variant in which manufactures (product brands) cooperate with suppliers (ingredient brands) to incorporate the suppliers' brands into their own brands as ingredients. It is called ingredient branding (Desai and Keller, 2002). With the new type of brand alliance, manufacturers wishes to differentiate themselves from the competition through the inclusion of the ingredient brands into their final products (Luczak et al., 2007).

According to ingredient branding research, manufacturers (product brands) should cooperate with suppliers (ingredient brands) who have strong competitiveness over other suppliers. In general, given the quality of the product brand name, ingredient branding is more successful in terms of consumers' favorable attitude formation toward the new product if the ingredient brand name is higher quality (Levin, et al., 1996; Vaidyanathan, 1999)-- unless "cue redundancy" occurs when both product and ingredient brand names are already high quality (McCarthy and Norris, 1999).

It is noted, however, that previous research has not focused on the impacts of the ingredient branding on the prominence of the manufacturer's brand, but those on consumers' attitude toward the new product. It might be crucial to take into account the vertical cooperative relationship among channel members within the supply chain. If manufacturers help suppliers in branding their product's ingredients toward end users, then end users might become suspicious regarding whether attractiveness of the product comes from the manufacturer or the supplier. Thus, ingredient branding may be less successful for the product brand if the ingredient brand name is higher quality.

In fact, the vertical cooperative relationship research has claimed that power imbalances will diminish the level of trust in the channel dyad, which partly determines the performance of the alliance (Dwyer, et al., 1987; Anderson and Weitz, 1989; Morgan and Hunt, 1994). It implied that it is not effective for product brand names to cooperate with relatively lower-quality ingredient brand names as well as to cooperate with relatively higher-quality ingredient brand names. Thus, this study proposes and tests alternative hypotheses regarding the effectiveness of ingredient branding by using the findings of the vertical cooperative relationship research.

METHODOLOGY

According to previous brand research, ingredient branding is more effective when the ingredient brand name is of higher quality. In contrast, we hypothesize that it is the most effective for a product brand with moderate quality to cooperate with an ingredient brand name with moderate quality. Moreover, it is the most effective for a product brand name with low quality to cooperate with an ingredient brand name with low quality.

To test the hypotheses, we utilized two-way analysis-of-variance with a dataset from one hundred fifty-two managers of manufacturers from various industries, such as food, chemical, electronic, etc. The dataset included measurement scales regarding (1) perceived quality of their product brand name itself without ingredient branding, (2) perceived quality of the ingredient brand name recalled by each respondent, and (3) expected contribution of the ingredient branding to their product brand prominence.

RESULTS AND DISCUSSION

First, the results showed that the manufacturers with the strongest product brands highly evaluate the quality of their own brand names with ingredient branding regardless of the strength of the ingredient brand. This may be associated with the concept of cue redundancy, which means ineffectiveness or meaningless of the alliance between high-quality product and ingredient brand names (McCarthy and Norris, 1999).

Next, regarding the manufacturers holding a moderate level of product brands, it is the most effective to cooperate with suppliers holding a moderate level of ingredient brands. It is not as good for product brands to cooperate with too weak ingredient brands as well as to cooperate with too strong ingredient brands. It is consistent with the claim of the vertical cooperative relationship research (Dwyer, et al., 1987; Anderson and Weitz, 1989; Morgan and Hunt, 1994).

Finally, regarding manufacturers holding only the weakest product brands, it is the most effective to cooperate with ingredient brand names with the lowest quality. Again, this supports the vertical cooperative relationship research. However, the results suggested that it is also effective for the prominence of the product brands with the lowest quality to cooperate with ingredient brand names with the highest quality. These unintended findings implied that ingredient branding with the strongest suppliers is one of the attractive alternatives for the weakest manufacturers even if such suppliers may make use of the power to the manufacturers (Alderson, 1965; El-Ansary and Stern, 1972).

CONCLUSIONS AND IMPLICATIONS FOR THEORY AND PRACTICE

In this study, adopting the implications of the vertical cooperative relationship research, we extended the previous model regarding ingredient branding and showed that ingredient branding is not always successful for the prominence of the product brands when the ingredient brands are of higher quality. The study is the first research to hypothesize and test empirically the cooperative relationship between product brands held by manufacturers and ingredient brands held by suppliers.

Unlike previous brand research, this study implied that, basically, manufacturers should cooperate with suppliers holding ingredient brands of the same quality as their own product brands. It is not effective to cooperate with either too high-quality or too low-quality ingredient brands. It should be noted, however, that ingredient branding is not effective for manufacturers holding the highest-quality product brands regardless of the quality of the ingredient brands. Ingredient branding is effective when the manufacturers holding the lowest-quality product brands cooperate with suppliers holding either the lowest- or the highest-quality ingredient brands.

ACKNOWLEDGMENT

The authors wish to thank Professor Hidesuke Takata for his great help. Also, the authors are grateful for support from Keio University/Kyoto University Global COE Program.

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THE INFLUENCES OF TRANSACTION COST FACTORS AND CAPABILITIES FACTORS ON THE DEGREE OF CHANNEL INTEGRATION

Hidesuke Takata, Keio University, Japan

ABSTRACT

Over the past 25 years, transaction cost theory has emerged as one of the dominant theoretical perspectives to explain the forward vertical integration into distribution channels by manufacturers (e.g., Anderson, 1985; Anderson and Coughlan, 1987; Klein, Frazier, and Roth, 1990; Majumdar and Ramaswamy, 1994; Shervani, Frazier, and Challagalla, 2007). According to transaction cost theory (Williamson, 1985), it is argued that, as the degrees of specific assets in distribution functions and behavioral uncertainties by distributors increase, manufacturers will be more likely to use integrated channels. Most empirical tests show that this argument is supported (cf. Rindfleisch and Heide, 1997; Carter and Hodgson, 2006).

At the same time, several unanswered questions remain in transaction cost analyses. Intriguing questions include the relative effects of transaction costs and production costs on transaction governance, the impact of environmental uncertainty on governance decisions, the effects of communication mode on transaction costs and governance, and the influence of capabilities on the degree of vertical integration (cf. Rindfleisch and Heide, 1997; Rindfleisch *et al.*, 2010). In such situations, this study sought to examine the influences of transaction costs and capabilities in determining the degree of channel integration. This question is considered to be important.

Currently, capabilities theory has emerged as a complementary approach to transaction cost theory. Also, growing numbers of scholars have recognized that a firm's capabilities, as well as transaction costs, can influence the degree of vertical integration (Langlois and Foss, 1999; Rindfleisch *et al.*, 2010; Teece, 2010).

The hypotheses provided in this study are as follows. These are the ones that applied the respective major hypotheses of transaction cost theory (Williamson, 1975, 1985, 1986, 1991, 1999) and capabilities theory (Foss, 1993, 1996; Langlois and Robertson, 1995; Langlois and Foss, 1999; Langlois, 2004, 2007, 2009) to the issue of channel integration.

Transaction Cost Hypotheses

- H₁: The greater the specificity of physical assets in distribution functions, the greater is the degree of channel integration.
- H₂: The greater the specificity of human assets in distribution functions, the greater is the degree of channel integration.
- H₃: The greater the difficulty in evaluating performance in distribution functions, the greater is the degree of channel integration.

Capabilities Hypotheses

- H₄: The greater the technical complexity of product knowledge needed to perform distribution activities, the greater is the degree of channel integration.
- H₅: The greater the interdependency between production and distribution activities, the greater is the degree of channel integration.
- H₆: The greater the thickness of distribution markets, the lesser is the degree of channel integration.

Data necessary to test these hypotheses were gathered from Japanese manufacturers. Mail questionnaires were sent to 2393 sales divisions of manufacturers. In total, 294 divisions responded; of the responses, 273 provided usable data. The one dependent and six independent variables were measured by scales composed of items derived from prior research and items developed based on this study. The reliability and validity of the scales were examined, and good measurement properties were seen. The hypotheses were tested using two complementary approaches: structural equation model and hierarchical regression analyses.

First, the result of the structural equation model analysis is as follows. The model fitted the data well. The specificity of physical assets in distribution functions, specificity of human assets in distribution functions, technical complexity of product knowledge needed to perform distribution activities, interdependency between production and distribution activities, and thickness of distribution markets all had significant effects on the degree of channel integration. However, the difficulty in evaluating performance in distribution functions was unrelated to channel integration. Second, the result of the hierarchical regression analysis mirrored that of the structural equation model analysis.

References available upon request

THE CHANGING JAPANESE RETAIL MARKET POTENTIAL FROM 1997 TO 2007

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Ikuo Takahashi, Keio University, Japan

ABSTRACT

We augment the literature on retail market potential by combining two research streams, one on customer “out-shopping” and one on structural determinants of consumer expenditure patterns. Using the three most recent Japanese retail trade censuses (1997, 2002 and 2007), we ascertain key factors that determine aggregate retail expenditures per household in over 600 cities comprising ten megalopolises and 75% of the Japanese population. Our key factors include eight socio-economic, environmental and demographic (SEED) variables and five marketing-mix variables.

Our research makes five major contributions. First, we introduce two measures of intra-metropolitan out-shopping – individuals living in one part of a metropolitan area shopping in another part of the conurbation. This variable is especially important when workers live in “dormitory suburbs” but shop in central cities. Second, we include a marketing-mix variable (aggregate advertising) that has not been investigated previously, but that is conceptually and statistically important in persuading shoppers to spend. Third, we employ home size as a measure of household wealth; this captures the concept that many home owners treat their residence as a substitute for savings. Fourth, we separately investigate the effect of these variables, and other variables that have been used by previous researchers, on total retail expenditures per household in three census years (¥/H). Few studies have examined changes in retail structure over time; none have done so over three census periods. Using OLS regression, we are able to explain more than 70% of the variation in ¥/H. Fifth, we demonstrate that four of our five marketing-mix variables, and six of our eight SEED variables, have a stable impact over the ten-year period. However, two SEED variables have an impact that varies significantly across these census periods: home size and single-person households lose significance in the last census period. In contrast, the modernity of stores rises from insignificance in the final census period. We link these differences to an aging population and to the decline in small, traditional stores relative to larger, modern retail establishments.

References available upon request

Friday, 22 July
Time: 8:30 AM

Session Number: **7.5: Teaching and Innovation II**

Session Chair: Svensson, Goran, *Oslo School of Management*

Reflective Learning in Business Education: A Replication in an Asian Context

Zhu, Pinghui, *Xiamen University*

Zhuang, Weiling, *Eastern Kentucky University*

Hsu, Maxwell, *University of Wisconsin- Whitewater*

Xiao, Qian, *West Texas A & M University*

Consequences of Decisions and Choices with Respect to the Satisfaction of Individual Needs of Higher Education Consumer

Popescu, Maria-Lavinia, *Babeş-Bolyai University*

REFLECTIVE LEARNING IN BUSINESS EDUCATION: A REPLICATION IN AN ASIAN CONTEXT

Weiling Zhuang, Eastern Kentucky University, USA
Pinghui Zhu, Xiamen University, China
Maxwell K. Hsu, University of Wisconsin- Whitewater, USA
Qian Xiao, West Texas A& M University, USA

ABSTRACT

Reflective learning has been examined in recent years by researchers across various disciplines including marketing education (Peltier, Hay, and Drago 2005), leadership development (Densten and Gray 2001), human resource development (Corley and Eades 2004), and health sciences (Kember et al. 2000). Reflection in the learning process is an important human activity in which people engage their experiences and discover insights in order to lead to a new understanding and application (Boud et al., 1985).

Although reflective learning has received substantial attention in other disciplines, there are scant works of this concept in the marketing and business literature (Catterall et al. 2002). In the present study, we sought to replicate the findings reported in Peltier, Hay, and Drago's (2005, 2006) work with an ethnically different sample of Chinese MBA students.

The empirical results provide partial support for Peltier, Hay, and Drago's (2005, 2006) studies. First, the results of the regression model for reflection dimensions (RMRD) model confirm Peltier, Hay, and Drago's findings that the higher levels of reflection learning (e.g., intensive reflection, reflection, deep understanding, and deep processing) positively enhance students' learning experience. These higher levels of the reflection learning continuum are more associated with deeper learner and learning traits (e.g., Mezirow 1991). The results suggest that these deeper learning activities help students in appraising their experience, challenging the existing assumption, identifying alternative solutions to problems, and motivating better responses. In contrast, the relative passive learning activities such as habitual action and basic understanding focus on the surface learning portion of reflective learning (Peltier, Hay, and Drago 2006). These lower levels of reflective learning require activities such as learning through repetition, routine thinking, memorizing rather than critical thinking, and superficial understanding. The results indicate that these lower levels of reflective learning are negatively related to learning experience although the relationships are not significant.

In conclusion, this study delineates the complexity of the reflective learning continuum using a Chinese MBA student sample. The results yielded by this study and its predecessors suggest: (1) reflective learning is a multiple-dimensions concept, (2) different dimensions of reflective learning show different impacts on students' learning performance, and (3) the effects of reflective learning should be tested across different social and cultural contexts. The present study suggests that more work needs to be conducted to examine the validity and reliability of measures of reflective learning.

References are available upon request.

CONSEQUENCES OF DECISIONS AND CHOICES WITH RESPECT TO THE SATISFACTION OF INDIVIDUAL NEEDS OF HIGHER EDUCATION CONSUMER

Popescu Maria – Lavinia, “Babeş –Bolyai” University Cluj-Napoca, Romania

ABSTRACT

This paper achieved on the basis of punctual investigation represents photography for the time being of students at master for one year of study regarding the elements which increase consumer satisfaction of higher educational services. The study it is based by primary quantitative research method by conclusive-descriptive nature based by the divided plans or transversal research how this is know in specialty literature. The dates collect method has been “face to face” investigation and the research instrument the questionnaire. The quantitative dates processed using SPSS. Total population (investigate universe) have 1400 subjects at masters. With the view to realize the research I extracted a pattern with 100 persons by population. I used the proportionally stratification investigation in function with the students percent in mother population and in same times in rapport with repartitions of section.

INTRODUCTION

Marketing is a business philosophy that puts the customer at the centre of the organization’s activities. “Market orientation” (or market-oriented behaviour) is used by marketers to indicate the extent to which an organization implements the “marketing concept” (Kohli and Jaworski 1990; Pulendran and Speed 1996). Nowadays different Romanian higher education organizations realize that it becomes more and more important to be aware of the importance of marketing concept, marketing orientation, social marketing orientation. Marketing in higher education means the use of marketing tools, methods, techniques, through which the higher education organizations can search the needs and expectations of their “clients”, and offer educational and other services which satisfy these demands, taking in view the expectations, trends, changes of the labour market, and of course the long-term interests of the whole society.

DECISION MAKING PROCESS OF EDUCATIONAL CHOICES

People make choices every day, but most of them are low-involvement decisions. The decisions about educational choices are high-involvement decisions because (Kotler&Fox, 1995, pp.245):

- The pupil’s decision will reflect upon his or her self-image and could have long- term consequences.
- The cost to carry out a decision involves major personal or economic sacrifices.
- The personal and social risk of making a “wrong” decision is perceived as high.
- There is a considerable reference-group pressure to make a particular choice or to act in a particular way, and the target consumer is strongly motivated to meet the expectations of these reference groups.

The decision about which faculty to attend is a process that starts long before the enrolment decision is made and may have consequences long time afterward because it may affect career, friendships, residence and life satisfaction. This is the reason why faculty managers must understand each aspect of educational consumer behaviour. They should understand how pupils gather information about educational options, the reasons for choosing an educational program, and even the reasons to abandon faculty. There are conflicting findings as to which factors are most influential and variation on numbers of such factors. However, ‘quality’ factors such as Academic reputation and Quality of faculty are consistently identified as fundamentally important (Soutar&Turner, 2002, pp.41).

The student’s choice literature details that the faculty-choice process involves three broad stages. The first stage is the formation of faculty aspirations, which typically takes place from early childhood through high school. The second stage involves the identification, selection of, and application to a set of faculties known as “choice set”. This stage typically takes place in a pupil’s junior or senior year in high school. The final phase is admission to an institution of higher education (or a number of institutions) and eventual matriculation to one or many of them (DesJardins, 2002, pp.532).

Potential students are often viewed as “autonomous choosers” who make decisions about whether to apply for university, and which university to attend. Some surveys are signalling that some students have no choice (Briggs&Wilson, 2007, pp.68). Student choice decision-making is not rational or linear, but a complex process, influenced by numerous factors including tuition fee and other costs, information, access, academic achievement, admission method, job opportunities, life and school experience (Moogan&Baron, 2003, pp.272).

A lot of human needs are never wholly satisfied. The education need represents an answer of fellow at environment requirements, of his interactions with others and of his former experiences. For this reason must given a special importance of educational services needs. Thus, in the base of the study realized confirms that for the students asked register at Faculty of Economics Science and Business Administration (FSEGA) within the framework of “Babeş-Bolyai” University, Cluj-Napoca, the higher education represents an important factor in the professional prepare (table no. 1). The majority students asked consider that the higher education is important or very important (85%), while only 15% between they classifies as being trough quite important and less important. The mean mark given of importance of higher education is 2.18, compared with the maximum mark recognized equal with 3. Half between the subjects of questionnaire given marks under 2, while the other half offered marks over 2, such how pointes out the median. The mark 2 corresponding to mode is the mark given by the majority. The mark given by each person in part has a standard error of mean with 0.93 compare with the mean mark 2.18, corresponding to standard deviation. Can be observed that the mean, median and mode value have almost the same value (approximate 2), fact which indicates that the series studied is almost symmetric. By minimum study results that the most little mark given is -1, are not the subjects asked which given an inferior mark, even if the inferior limit accepted is -3, and the maximum indicates the 3 mark, as being the almost received by the higher education importance. By the form parameters analyze can observes that the series is negative asymmetric with the wander to left (skewness = -1.38), and regarding the vault, the series presents much more values approximately of mean value, having a ptocurtic distribution. By histogram analyze (figure no. 1) observes that per general, the pattern has one distribution in function with the importance of higher education, that is asymmetric at left, prevailing the variant of answer “important” and “very important”, these clusters adding the biggest frequencies of apparition cumulating 85% by the pattern volume.

Because the fact that by measure in which the fellows touch their aims they develop others news, can observes in the base of study realized trough the answers analyze obtained by the persons asked that three quarters between the subjects who follow a master program are „fresh” graduates, while 17% between they has graduated form before one year, and 8% let to pass more years by the moment of graduated form the faculty classes till to follow a master (figure no. 2).

The consumer’s decisional processes vary in significant manner in function with their complexity degree. From they analyze, the accent is put by two dimensions: the substance of decision (what is the decision) and the complexity of decisional process (what importance has the decision process). The budget allocation involve the fellows choices in report with the manner in which they wish to spend the financials resources by which they dispose, how they spend the money in time and if they must lend or not money from to buy (table no. 2).

86% between persons asked would be disposed to pay the most 1000 euro/year for can beneficiate by educational services with a superior quality, while as 11% would be disposed to pay off till at 3000 euro/year and just 3% would offer till at 5000 euro, over this value any person not being interesting to offer (figure no. 3). Mean value , median value and modal value have approximately the same value, the difference between the first and the following two being just 0.17, thing which indicates the fact that the series studied is almost symmetric. Between the four proposed variants of persons asked only three between them was used, for the last does not be any apparition frequency. Studying the 3 quartiles it can observes that all frame in the first interval (less 1000 euro), the people asked choosing in a percent more than 75% this variant.

The product or service purchase reflects the choices taken regarding each product or service category in part. Can observes (figure no. 4) that a big number of students (63 persons asked by 100 subjects) chosen to continue the studies as one section which is different by the section followed in faculty.

CONCLUSIONS

Studying the population direct implicated in process of professionally formed within the framework of university center of Cluj-Napoca with economic profile emerge the following conclusions:

Then the consumers are free to action that they want foretell that they actions will be consistent with the attitudes. Often, though the circumstances change. Is necessary to consider too the influence of conjectural situation over the attitudes and behavior consumer. The expectations, the perform, the comparison, the (not)confirm, the discrepancy, the prices/ the action benefits, the personals characteristics are elements which contribute to satisfy or dissatisfy attraction of client which can lead at a new purchase decision. Thus, can observe that three quarters between the persons which following a master program are “fresh” graduates.

The human motivations lead at activate a certain needs sets which various in function with the personality, by the capacities and previous experiences of each subject. Thus, can observe that more half between the students of masters at FSEGA, Cluj-Napoca said that from master studies decided to change the section, approximately 60% motivating their choice as being caused by the requests by which imposed by work market, re orientate oneself to the domains by which they appreciate that assure the professional realization possibilities. Reduced percents chosen this option because they are not satisfied by the domain studied or because they are unsatisfied by teachers prepare which carry on the didactics activities at the respective section. Can be observes that 95% by the total population asked said that the domain attraction or the new domain knowledge has been the reason which are in the base of choose taken.

The idea of fellows preparation in agreement with the society requirements in which they live lead at initiation the instructive-educative ways capable to respond of formative exigencies for the moment, but in the same time and for perspective. Absence using marketing view within the framework of educational system it is similarly with the disagreement educational institutions access at the ensemble valuables tools which can eliminate the status quo problem present within the framework of this.

TABLES

Table 1: From to +3 at -3 scales the higher education is:

	Percent
Less important	2
Indifferent	5
Quite important	8
Important	43
Very important	42
Total	100

Table 2: How much will pay you from quality higher education services?

	Percent
till 1000 euro/year	86
till 3000 euro/year	11
till 5000 euro/year	3
Total	100

FIGURES

Figure 1: The importance of higher education

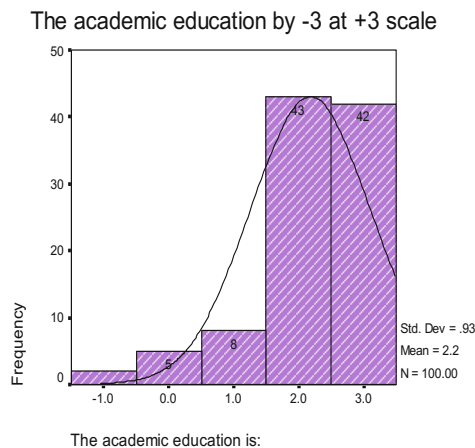


Figure 2: The year of faculty graduated form

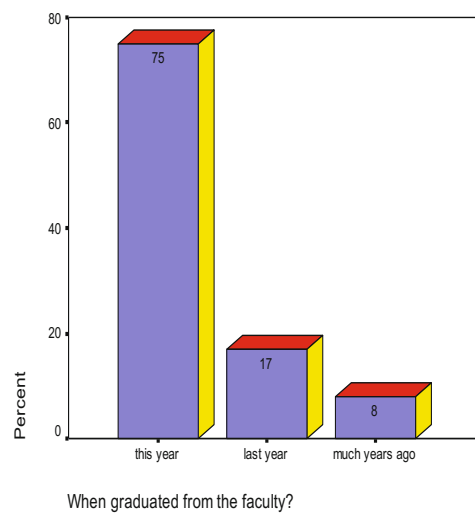


Figure 3: The value of fees

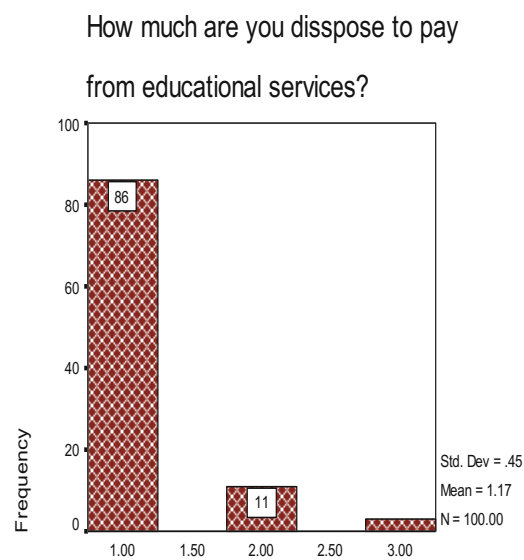
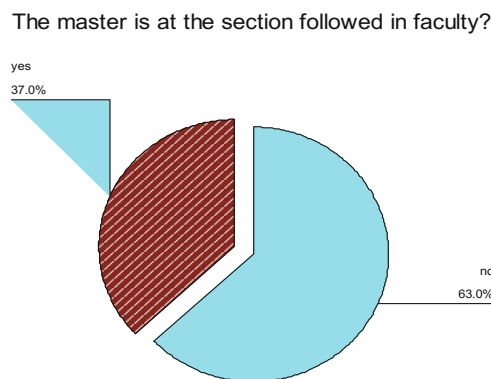


Figure 4: Master at section followed or at other



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Friday, 22 July
Time: 8:30 AM

Session Number: **7.6: Global Marketing III**

Session Chair: Rojas-Méndez, José I., *Sprott School of Business/Carleton University*

Measuring the Influence of Corporate Image on Country of Origin Image. The Case of Spain

Lopez, Carmen, *Plymouth University*

Gotsi, Manto, *Cardiff University*

Andriopoulos, Constantine, *Cardiff University*

Balabanis, George, *Cass Business School, London City University*

Examining the Longitudinal Effects of an International Crises

Maher, Amro, *Qatar University*

Brand Positioning Strategies During Global Expansion: Managerial Perspectives from Emerging Market Firms

Alden, Dana, *University of Hawaii*

Nariswari, Ange, *University of Hawaii*

MEASURING THE INFLUENCE OF CORPORATE IMAGE ON COUNTRY OF ORIGIN IMAGE. THE CASE OF SPAIN

Carmen Lopez, Plymouth Business School, Plymouth University, UK
Manto Gotsi, Cardiff Business School, Cardiff University, UK
Constantine Andriopoulos, Cardiff Business School, Cardiff University, UK
George Balabanis, Cass Business School, City University, UK

ABSTRACT

Place branding scholars and practitioners have increasingly highlighted the influence that corporate image can exert on the image of the country of origin (COI). Yet, there is remarkably little theoretical and empirical research on this influence. Filling this gap is important in relation to both theory and practice. The aim of the proposed study is to measure the influence of the image of Spanish corporate brands on the image that British people have of Spain. The three specific objectives of our research are as follows: (1) to analyse whether corporate image affects COI; (2) to examine the influence of corporate image- (net valence, consistency, corporate brand image strength and corporate brand image stature) and corporate-related factors (number of corporate brands and accessibility) on COI; and (3) to investigate the moderating effects of corporate familiarity, business familiarity and consumer ethnocentrism on the influence of corporate image- and corporate-related factors on COI.

This study is based on empirical evidence provided by undertaking a face-to-face survey of 300 British people aged 18 and over living in London or Greater London, selected using a multi-stage area sampling technique. Findings reveal (1) the statistically significant impact of corporate image on two dimensions of COI (political beliefs and positive affect); (2) that corporate image- and corporate-related factors explain over 10 per cent of variance in the affective dimensions of COI and a relatively small proportion of variance in the cognitive dimensions of COI; and (3) that business familiarity is the moderator that has the most significant effect on the influence of corporate image- and corporate-related factors on COI, followed by consumer ethnocentrism and country familiarity. This study extends the place branding literature by proposing a conceptual framework that attempts to open the black box of a long-neglected element of the relationship between corporate image and COI. Furthermore, this is the first study that empirically tests the influence of corporate image on COI.

EXAMINING THE LONGITUDINAL EFFECTS OF AN INTERNATIONAL CRISES

Amro Maher, Qatar University, Qatar

ABSTRACT

There is ample research on how consumers respond to controversial events that occur at the international level. However, there is a dearth of literature examining the longitudinal effects of such controversial events. This research attempts to fill such gap. We examine the longitudinal effects of animosity, positive anticipated emotions, negative anticipated emotions and subjective norms on the willingness to buy products from a country that is perceived as a transgressor. More specifically we study the longitudinal effects of such variables in Kuwait in response to the controversy that involved publishing cartoon that depicted the prophet Mohammed. We find that in period 1 the subjective norms attached to avoiding Danish products, animosity and the negative emotions anticipated from purchasing Danish products reduce consumers' willingness to buy Danish products. However, we find a different pattern of relationships in period 2. Animosity and subjective norms are no longer related to consumers' willingness to buy, while positive and negative anticipated emotions are.

BRAND POSITIONING STRATEGIES DURING GLOBAL EXPANSION: MANAGERIAL PERSPECTIVES FROM EMERGING MARKET FIRMS

Dana L. Alden, University of Hawaii at Manoa, USA
Angeline Nariswari, University of Hawaii at Manoa, USA

INTRODUCTION

In this study, we explore brand positioning strategies used by Emerging Market Firms (EMFs) as they expand into foreign markets. Of central interest are variations in the firms' use of global, foreign or local consumer culture positioning (Alden et al. 1999). Also of interest are ways that managerial perceptions of country differences and product category characteristics interact to influence positioning choices. Despite progress, little is known about brand positioning strategies used by EMFs in foreign markets. To initiate research in this area, we conducted an exploratory multiple case study (Yin 2003) of seven Indonesian firms and 18 local brands that are marketed in Southeast Asia and beyond. A follow up survey of 75-100 Indonesian brand managers is underway with results expected by spring, 2011.

Alden et al. (1999) find that brands featured in television ads from seven countries use local, foreign, and global consumer culture positioning (LCCP, FCCP, GCCP respectively) to build brand image. LCCP associates the brand with local cultural meanings, e.g., the Indonesian energy drink, *Extra Joss*, targets consumers in Malaysia and the Philippines with themes that are associated with the local culture in each country (Kotler et al. 2007). FCCP portrays the brand as symbolic of a specific foreign culture, use occasion, or user group, e.g., *Royal Selangor* of Malaysia is positioned as the world's most innovative pewter manufacturer and "Malaysia's Gift to the World" (Kotler et al. 2007). GCCP identifies the brand as a symbol of global culture with meanings that are understood by consumer segments worldwide, e.g., *BreadTalk* of Singapore invigorated the Asian bread shopping experience by positioning on universally valued attributes such as quality and prestige (Steenkamp et al. 2003). Cayla and Eckhardt (2008) find that some brands are promoted in multiple Asian markets based on an imagined regional community, e.g., *Tiger Beer* is positioned to reflect the urban, modern, dynamic and pan-regional values of East Asia establishing the presence of a distinct regional culture that extends beyond any particular national identity. We referred to this strategy as regional consumer culture positioning (RCCP).

While Alden et al. (1999) and Cayla and Eckhardt (2008) identify alternative consumer culture positioning strategies, EMF manager perceptions of brand positioning approaches as they expand sales overseas remain unclear. What factors, for example, contribute to their decision to use GCCP in one foreign market and RCCP in another? The literature suggests that product category properties (Bilkey and Nes 1982), source country image (Martin and Eroglu 1993) and target market distance (cultural, economic, logistical, etc.; Ghemawat 2001; 2007) are likely to influence positioning decisions. Given limited research on this topic, we begin with an exploratory study of managers in an important emerging market, Indonesia.

METHODOLOGY

The exploratory multiple case studies method (Yin 2003) was applied to seven Indonesian consumer goods companies and 18 local brands that succeeded at home and are now expanding in the Southeast Asian region and beyond. Data were collected from multiple sources, including: in-depth personal interviews, published articles, company websites, advertising, brand packaging, etc. The research team (including a bilingual Bahasa/English speaker) analyzed brand pronunciation, symbols and spelling of brand name, brand logo, story line and spokesperson appearance (Alden et al. 1999) to determine alternative consumer culture brand positioning strategies in different foreign markets.

Firms met three major criteria for inclusion in the study: emphasis on consumer goods that reflected differing levels of cultural specificity (i.e., level of home culture association, Ger 1999; Cavusgil et al. 1993), control of a substantial share of the Indonesian market, and an interest in building international markets. Respondents were recruited using the company's websites or researcher contacts. Personal interviews were conducted in Jakarta. All interviewees had substantial knowledge of their brand's international marketing strategy. Brands discussed during the interviews were cited by managers to illustrate positioning strategies applied in different markets. Interviews ranged between 60 to 90 minutes and were conducted in the Indonesian national language.

RESULTS AND DISCUSSION

We begin with an analysis of the types of products marketed and the brand positioning strategies applied in Malaysia and Brunei, low distance countries with similar cultural heritage and language. Next, we analyze moderate distance markets within Southeast Asia. Finally, we focus on brand positioning in high distance markets, including Africa, Europe, and the Americas. Categorization of the markets is based on managerial perceptions of home versus host country similarities and differences.

In the two lowest distance markets, Malaysia and Brunei, EMF managers reported selling high culture-specific products, such as traditional Indonesian cosmetics and herbal medicine, e.g., *Diapet*, an anti-diarrhea medicine that contains guava leaves, turmeric extract, and *coix* seed. According to the managers, COO image for these brands is positive due to shared cultural beliefs and practices. Brands in this category maintained Indonesian language and pronunciation in their marketing communication materials. These brands are marketed as “Indonesian” with minimal adaptation. They stress market similarities and consumer understanding of product benefits. To differentiate this approach from prior research, we refer to their strategy as *extended LCCP*. Use of extended LCCP appears most likely to occur when products are moderate to high on cultural specificity and exported to low distance markets with shared traditions and values.

However, not all brands exported to low distance markets employ extended LCCP. Several brands that employ global and regional positioning strategies within their home market of Indonesia are reportedly promoted in low distance markets using similar positioning approaches. For example, *Biokos*, *Caring Colours*, and *Eskulin* use GCCP (global) in their home market and maintain this positioning with few changes in low distance markets. On the other hand, *Dewi Sri Spa* and *Taman Sari Royal Heritage Spa* emphasize localness which can be perceived as FCCP (foreign) abroad. Another brand, *Professional Artist Cosmetics (PAC)*, uses a hybrid strategy that emphasizes local connections along with regional and global associations. These exploratory findings indicate that EMF managers use a wide range of positioning strategies in low distance markets.

In moderate distance markets, managers reported selling Indonesian brands that were low on home cultural specificity. Most used English (*Sensa Cools*, *Caring Colours*) or neutral brand names (*Gery*, *Mirabella*, *Biokos*, *Ouval Research*, and *Ellips*). However, some employed regional consumer culture positioning (RCCP) while others emphasize globalness (GCCP). For example, *Sari Enesis* produces an herbal powdered drink mix that is said to “relieve internal body heat,” Using an RCCP approach, *Sari Enesis* builds its positioning based on an ailment commonly understood across the region. The manager explained that “heatiness” is a concept from southern China that has spread with Chinese immigration throughout Southeast Asia. Marketed as *Adem Sari (Cooling Essence)* in Indonesia, the *Sensa Cools* brand name is employed abroad. *Sari Enesis* focuses on the Hong Kong and Vietnam markets, which share knowledge of the Chinese “heatiness” concept.

Other brands sold in moderate distance markets used GCCP. Building on global “skateboard culture,” *Ouval Research* fashion apparel is positioned as symbolic of membership in the youth market through place-based promotion and regional media channels. The company uses *MTV Asia* to reach key markets in Indonesia and Singapore. *Ouval Research* also conducts promotional activities with *MTV Asia*, e.g., sponsoring wardrobes worn by the channel’s multi-cultural video jocks. *Caring Colours* decorative cosmetics promotes the positioning statement, “Colors that Care” and as such, stresses globally desired benefits of safety and empathy. Eurasian models grace the screen on the company’s website and the brand’s COO is deemphasized. *Caring Colours* also uses a modern colorful packaging designed for working women early in their careers. Its current online campaign, *Beautipedia* (“a complete guide for your sparkling career”) employs English and Bahasa Indonesia throughout the site and uses global themes that link appearance with professional success. Thus, Indonesian brands marketed in moderate distance markets employ RCCP, GCCP or hybrid appeals. Product categories represented by these brands are relatively low on cultural specificity. Managers appeared to rely less on consumers’ cultural knowledge and more on regional and global beliefs, attitudes and behaviors that span multiple national markets.

Most EMF managers in our study preferred to avoid what they perceived as high distance markets. Such inclinations were particularly strong for brands described as low on Indonesian cultural specificity. They also expressed concerns about negative COO associations and competition in more developed Western and East Asian markets. In response, they reported targeting overseas niche segments, particularly Indonesians and other Asians, with continued reliance on extended LCCP. For example, *Mustika Ratu* cosmetics used extended LCCP in marketing to Indonesian expatriates living in Saudi Arabia and Taiwan. Others emphasized an “exotic” form of foreign consumer culture positioning (FCCP) when entering distant markets. Unlike extended LCCP that leverages similarities, this strategy exploits differences and makes distance a competitive advantage. For example, *Taman Sari Royal Heritage Spa* (spa outlets and products) and *Dewi Sri Spa* (spa products) romanticize the “spa experience” as part of Indonesia’s cultural heritage. As opposed to *jamu* or traditional herbs that require

detailed cultural knowledge, the “spa experience” is familiar in multiple global markets. These brands appear to have taken advantage of what Holt (2004) describes as “national myth” when positioning their brands. Tobin (1992, p. 30) labels this as *self-orientalizing*; “the act of consciously or unconsciously making something as objects of Western desire or imagination.” Use of FCCP in high distance markets appears limited to brands that represent romanticized aspects of the country’s culture. Managers seemed to intuitively take advantage of the positive country image associated with their brand’s product category.

CONCLUSIONS AND IMPLICATIONS FOR THEORY AND PRACTICE

This multiple case study explores brand positioning strategies employed by Indonesian EMFs that have expanded into foreign markets. In-depth interviews of eight managers in seven companies who were responsible for 18 brands revealed repeated consideration of two factors identified in the international marketing literature: 1) the brand’s cultural specificity (Cavusgil et al. 1993; Ger 1999) and 2) the perceived market distance of the foreign market (Brewer 2007; Ghemawat 2007; Ojala and Tyrvainen 2007; Ellis 2008). Separate analyses of brand communication materials such as website content, packaging and advertising reinforced managerial reports.

In markets perceived as low distance, managers favored extended LCCP. For both highly culture-specific (e.g., *jamu*) and moderately culture-specific (e.g., cosmetics) products, they emphasized cultural similarities and leveraged “shared localness” through LCCP. In moderate distance markets (e.g., ASEAN region), managers tended to employ regional (RCCP), global (GCCP), or hybrid positioning strategies primarily for products low on cultural specificity. In high distance markets (e.g., US, Saudi Arabia, Taiwan), they emphasized export of culture specific brands using extended LCCP to target niche segments of expatriate Southeast Asians. In addition, exotic foreignness (FCCP) was stressed for a limited number of brands for which the country image (“national myth”) is perceived as positive by managers (e.g., spa products).

Thus, while brands with lower levels of cultural specificity appeared to employ multiple positioning strategies, options for brands with higher levels of cultural specificity may be more limited. In addition, our analysis indicates that the smaller the distance between two countries, the greater the range of possible positioning strategies. Managers reported use of extended LCCP, FCCP, RCCP, GCCP, hybrid approaches in low distance markets; FCCP, RCCP and GCCP in moderate distance markets; and extended LCCP and FCCP in high distance markets. Thus, it is possible that the higher the market distance, the more constrained managers in emerging markets such as Indonesia are in their use of alternative consumer culture positioning strategies.

In sum, complementing findings by Alden et al. (1999) and supporting Cayla and Eckhardt (2007; 2008), we find use of multiple consumer culture positioning strategies by EMF brand managers as their brands move from local to regional to global. However, we also find that the managerial use of these strategies is not neatly compartmentalized. Rather, consumer culture positioning strategies may be combined as hybrids that mix local, foreign, regional and/or global elements. Furthermore, as perceived distance increases, EMF managers may become more limited in their use of alternative strategies. Exact reasons for this aren’t clear but managerial perceptions of their country’s image and foreign competition are likely to play key roles. This initial study, in combination with theory discussed herein, has led to the development of several hypotheses that are currently under investigation using a larger managerial sample and survey methodology.

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Friday, 22 July
Time: 8:30 AM

Session Number: **7.7: Marketing Research Tools & Techniques**

Session Chair: Holland, Chris, *Manchester Business School*

Trajectory-Based Segmentation of Loyalty Program-Type Data

Allaway, Arthur, *University of Alabama*

D'Souza, Giles, *University of Alabama*

Berkowitz, David, *University of Alabama, Huntsville*

Northington, William, *University of Alabama*

Combining Mystery Shopping and Customer Satisfaction Surveys in Small Area Estimation

Marshall, Pablo, *Escuela de Administración, PUC*

Data Quality in Marketing Research – How to Determine Accuracy in Online Questionnaires

Boris, Toma, *University of Mannheim*

Heinrich, Daniel, *University of Mannheim*

Bauer, Hans, *University of Mannheim*

TRAJECTORY-BASED SEGMENTATION OF LOYALTY PROGRAM-TYPE DATA

Arthur W. Allaway, University of Alabama, USA

Giles D'Souza, University of Alabama, USA

David Berkowitz, University of Alabama-Huntsville, USA

William Magnus Northington, University of Alabama, USA

ABSTRACT

The emergence of multiple marketing data sets available to marketers has created a need for the best way to analyze and interpret purchasing behaviors among varying segments of customers. In this paper, the loyalty card program of a U.S. mass merchandise retailer is segmented using a trajectory modeling approach. The trajectory modeling technique reveals seven distinct segments of customers within this loyalty card program that we named: (1) premiere, (2) early excitement but faded, (3) late bloomer, (4) moderate but steady, (5) disillusioned, (6) once-a-month visitors, and (7) moderate start but faded. These results provide evidence of the need to customize CRM strategies for multiple customer trajectory segments in order to maximize loyalty and profitability. Furthermore, this paper provides a unique methodological tool to identify and analyze unique customer segments based on their behaviors over time.

References available upon request

COMBINING MYSTERY SHOPPING AND CUSTOMER SATISFACTION SURVEYS IN SMALL-AREA ESTIMATION

Pablo Marshall, Pontificia Universidad Católica de Chile, Chile

ABSTRACT

Many companies relate to their customers through sales or service locations. It is not unusual for them to use both a mystery shopping study and a satisfaction survey as part of their information system. Mystery shopping is a type of study where researchers become customers that experience and evaluate the quality of service delivered. Transactional surveys, on the other hand, measure customer satisfaction of customers following a service encounter.

The purpose of this study is to combine transactional satisfaction surveys and mystery shopping studies in small areas in order to obtain more precise measures of customer satisfaction. Small area estimation has received a lot of attention in the statistical literature in recent years due to the growing demand for reliable statistics in small area.

The study applies a small area linking model to data from Aguas Andinas S.A., a private water supply company that provides service to the metropolitan area of Santiago in Chile, which covers 1.5 million households. The combination of information reduces the variance of the estimates of customer satisfaction by 35%.

References available upon request

DATA QUALITY IN MARKETING RESEARCH – HOW TO DETERMINE ACCURACY IN ONLINE QUESTIONNAIRES

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Daniel Heinrich, University of Mannheim, Germany
Hans H. Bauer, University of Mannheim, Germany

ABSTRACT

Due to its virtually unlimited technical possibilities, the Internet offers tremendous potential for the development and application of new survey methods in online market research. Thus, online questionnaires have become increasingly important. Nowadays in market research practice almost every third survey takes place on the Internet.

The range of online surveys runs from self-selection surveys in virtual communities and list-based e-mail surveys to longitudinal studies in pre-recruited online panels. Given the high degree of anonymity on the Web, however, all forms of data collection are permanently exposed to a crisis of legitimation.

Solely through an uncompromising focus on quality, this problem can be addressed. For this purpose basic methods research is required, which reveals the impact of online surveys on the quality of the data collected. Although initial research efforts have been made in this area in recent years, central design variables of online market research remain unconsidered.

Hence, in an experimental study this paper analyzes both the influence of different types of recruitment and the effects of monetary incentives on data quality. Another research goal is to develop new methods for determining the quality of data, as the recent first generation approaches of operationalizing data quality are merely unsatisfactory.

As a result of this study, innovative measurement approaches are presented and empirically validated regarding their usefulness. Using the methods of the first and second generation surprising results are shown and implications and recommendations for different stakeholders of online market research are given.

References available on request.

Friday, 22 July
Time: 8:30 AM

Session Number: **7.8: Relationship Marketing in Service Context**

Session Chair: David M. Woisetschlager,, *TU Dortmund University*

Commitment as a Mediator Variable Used to Predict Future Service Purchase Intentions: An Empirical Study of Performing Arts Consumers in Spain

Quero, Maria José, *University of Málaga*

Ventura, Rafael, *University of Málaga*

Exploring the Formation Process of Brand Love: A Comparison between Goods and Services

Tsiotsou, Rodoula, *University of Macedonia*

Goldsmith, Ronald, *Florida State University*

Impact of Service Recovery Fairness Perceptions on Key Aspects of Customer Relationships

Gosain, Anuj, *Indian Institute of Management Bangalore*

Shainesh, G, *Indian Institute of Management Bangalore*

Discussion Leader: Pisharodi,Mohan, *Oakland University*

COMMITMENT AS A MEDIATOR VARIABLE USED TO PREDICT FUTURE SERVICE PURCHASE INTENTIONS: AN EMPIRICAL STUDY OF PERFORMING ARTS CONSUMERS IN SPAIN

María José Quero, University of Málaga, Spain.
Rafael Ventura Fernández, University of Málaga, Spain

ABSTRACT

The present paper pretends to gain some insight into the relationships between four variables: satisfaction, commitment, trust, and future purchase intentions. In order to achieve this aim, a Service Sector Customer Relationship Management Model is proposed, and this model shows that the most important variable for achieving positive results in terms of future purchase intentions amongst consumers is commitment. This empirical work focuses on the services sector, specifically on the field of performing arts. In order to carry out the analyses, 1,005 performing art consumers were interviewed at the entrances or exits to shows. 150 public and private theatres throughout Spain collaborated in the project.

INTRODUCTION

There is no evidence to suggest that high consumer commitment results in increased consumption or future purchase intentions. A lot of the literature on relationship marketing has examined the importance of these variables in the building up of customer relationships. However, few works have attempted to ascertain the results of the effective management of these variables.

Customer relationships are the backbone of any relationship marketing strategy, generating numerous benefits for companies (Garbarino and Johnson, 1999; Hennig-Thurau et al., 2002; San Martín et al., 2004; Christopher, et al., 2007), but it would be useful to know how the three variables mentioned above are related to one another, and to identify the specific benefits that they could offer to a company so that marketing policies can be designed more effectively. In this paper, we propose a model that examines the relationship between these three variables – satisfaction, commitment and trust – and future purchase intentions. This empirical work focuses on the services sector, specifically on the field of performing arts. In order to carry out the analyses, 1,005 performing art consumers were interviewed at the entrances or exits to shows. 150 public and private theatres throughout Spain collaborated in the project.

The Service Sector Customer Relationship Management Model proposed here shows that the most important variable for achieving positive results in terms of future purchase intentions amongst consumers is commitment. Satisfaction and trust are important in that they serve to build up a customer's commitment to the company, but high levels of satisfaction or trust do not necessarily mean that the customer's future purchase intentions will increase.

The aim of the empirical research is to collect data about the variables that affect this bonding process between the customer and the company, which starts with a transactional exchange and moves on to a subscriber (relational) stage, where the customer goes beyond simply using the product, and identifies with the brand and the company, becoming concerned about what might happen to it and giving positive reviews of it to others. For services companies, it is highly desirable that the highest possible number of clients become subscribers or loyal customers, as this is the only way to guarantee future purchase intentions. It also generates multiple positive synergies, as examined previously in the literature on relationship marketing.

Although a lot of empirical studies have already studied the satisfaction, commitment and trust variables individually, few have attempted to look at the links between them in more depth. If we want to develop customer loyalty strategies efficiently for the services sector, we need to know what would happen to a customer's future purchase intentions if we were to increase satisfaction, commitment, or trust.

PROPOSING A NEW MODEL FOR CULTURAL CONSUMER BEHAVIOUR BASED ON THE BOND DEVELOPED WITH THE PERFORMING ARTS INSTITUTION.

This paper aims to improve our knowledge of the variables that explain the way in which the transactional-relational continuum evolves over the course of the customer loyalty ladder proposed by Peck, et al. (1999), Grönroos (1995), and Garbarino and Johnson (1999), which uses different approaches to examine the relationships between four variables: satisfaction, trust, commitment, and future purchase intentions. Relationship marketing strategies state that customers with a

strong relational bond not only have higher levels of commitment and trust, but that these factors play a central role in their behaviour towards the company (Morgan and Hunt, 1994; Sheth and Parvatiyar, 2000; Garbarino and Johnson, 1999).

Our paper seeks to take a further step forward in the analysis of company-customer relationships with a view to defining the role played by the three key constructs in customer relationships in the cultural services sector (satisfaction, commitment and trust), and to find out to what extent these constructs can affect customer behaviour (future repeat purchase intentions).

Variables Studied

Cumulative Satisfaction

Customer satisfaction has traditionally been considered to be one of the key variables in the development of customer loyalty. According to Anderson et al. (1994, p. 54), cumulative satisfaction is “an overall evaluation based on the total purchase and consumption experience with a good or service over time”. This concept of evaluation should be distinct from any evaluation made immediately after the purchase (Olivier, 1980, 1993), which would include the concept of post-purchase satisfaction, referring to the emotional reaction of the customer after the purchase as a result of a positive or negative gap between his expectations and the feelings derived from his experience with a specific transaction. This post-purchase emotional reaction and its relationship with the purchase will vary depending on the consumer’s profile. Westbrook and Oliver (1991) propose different models of consumer response, suggesting that there are affective qualitative factors that co-exist and are linked to the traditional one-dimensional continuum used to measure satisfaction.

Cronin and Taylor (1992, p. 65) contradict the theory proposed by Zeithaml, Parasuramen and Berry (1994), believing that overall customer satisfaction (not quality) is the most important variable when it comes to predicting future purchase intentions, as their results suggest that “service quality is an antecedent of consumer satisfaction and that consumer satisfaction exerts a stronger influence on purchase intentions than does service quality”. Based on this approach, the items used for the purposes of this research paper are centred around the analysis and measurement of satisfaction as cumulative satisfaction and comparative cumulative satisfaction, used in other works carried out in the field of performing arts (Garbarino and Johnson, 1999) and in the article by Anderson et al. (1994).

Trust

This construct is a common concept used in research into customer relationships (Crosby et al., 1990; Morgan and Hunt, 1994; Berry, 1995; Dyer et al., 1987, amongst others). Moorman et al. (1993, p. 82) define trust as “a willingness to rely on an exchange partner in whom one has confidence”. Similarly, Morgan and Hunt (1994, p. 23) define trust as “confidence in an exchange partner’s reliability and integrity”. Both definitions reflect the important role played by this variable, considered the basis for the building up of customer relationships (Berry, 1995; Blois, 1999). So much so that relationship marketing theorists agree that “the existence of any relationship implies some degree of trust” (Welch, 2006, p. 140). With this in mind, Welch sees trust as a continuum ranging from the highest possible level of trust to the highest possible level of distrust, an approach not dissimilar to the one adopted by Swift (2001, p. 22), who defines distrust as “the assumption that the agent will pursue self interest with guile”, and defines a lack of distrust as the “reliance on the predictability of the agent’s behaviour”. This approach is the most similar to our conceptualisation of trust. We can state that a number of aspects related to perceived quality of service play a role in the complex construction of the concept of “trust”. Some authors even believe that, for services, it would be useful to incorporate this concept into the items used to measure perceived quality of service (Leiden and Hyman 2004; Garbarino and Johnson, 1999).

Commitment

Like trust, commitment is considered a fundamental construct in the development of long-term customer relationships (Morgan and Hunt, 1994; Dwyer et al., 1987; Russell, 2007). Moorman et al. (1992, p. 316) define it as “an enduring desire to maintain a valued relationship”. As such, Russell (2007) believes that committed customers or subscribers (those with a closer relationship with the company or a higher level of commitment) are motivated to maintain a relationship because they feel they have a bond with the company and that it is honest, asserting that commitment is vital for the creation and preservation of relationships with the market, and is a key attitudinal facet. Fullerton (2005) identifies two distinct dimensions in the building up of commitment: an attitudinal one and a contractual one. This theory of a two-dimensional commitment had already been adopted by other authors (Bansal et al., Gilliland and Bello, 2002; Gruen et al., 2000; Harrison-Walker, 2001).

For this project, we have used the concept of affective commitment, adopted by Morgan and Hunt (1994), who emulated the affective component of commitment, adapting the measure proposed previously by Allen and Meyer (1990). In this way, affective commitment is considered to exist when the individual consumer identifies with or feels linked to the company, which he considers his “partner” (Fullerton, 2003; Gruen et al, 2000). Consumers are therefore seen as affectively committed to the service provider when they like it, regardless of the type of services used, i.e. regardless of the specific experiences of a transaction (Fullerton, 2005).

Future Intentions

Behavioural intentions have been used as a dependent variable in a number of research studies in the services sector (Boulding et al., 1993; Zeithaml et al, 1996). However, few authors have contributed information about the conceptualisation or measurement of this variable. Here, then, we will attempt to organise the information we already have about it so we can go on to describe the approach adopted for our research. Söderlund and Öhman (2005) group different authors’ contributions to the conceptualisation of intentions into two main groups:

- a. *Intentions as “Future Plans”*
- b. *Intentions in Terms of Other Future Proposals*

For this paper, we have adopted the most commonly-used approach in empirical research into the future intentions of service consumers: that of intentions as future plans. We selected this approach as we believe that it is the most empirically validated in the field of scientific research, as it has been shown to be a valid approach to the measurement of company results (Davis and Warshaw, 2001).

DESIGNING A RELATIONSHIP MANAGEMENT MODEL FOR THE SERVICES SECTOR: COMMITMENT AS A MEDIATOR VARIABLE USED TO PREDICT CUSTOMERS’ FUTURE BEHAVIOUR

The different underlying dimensions of the constructs of satisfaction, commitment and trust have been studied in some depth in the relationship marketing literature as researchers have tried to gather data in order to improve ways of attracting and retaining customers. Research into customer segmentation through relationship marketing upholds the need to know which key factors are involved in building up a relationship with the customer. This is the focus of this paper, and we want to find out more about this relationship-building process, specifically which variables affect it and how. We will also analyse to what extent these variables influence the future behavioural intentions of service customers. In the pages that follow, we will describe the hypotheses that uphold the model, starting with the relationships between the satisfaction construct and commitment and trust in a services company.

- H₁. Satisfaction is positively related to trust.*
- H₂. Satisfaction is positively related to commitment.*
- H₃. Satisfaction does not have a direct relationship with future purchase intentions.*

A number of studies have analysed these relationships in a services context, and concluded that the relationship between the variables is different depending on the type of bond developed between the company and its customers. In a study carried out in the performing arts sector for a New York theatre, Garbarino and Johnson (1999) concluded that satisfaction plays a more important role in the prediction of future intentions when there is no existing bond with the customer. However, for customers with some sort of contractual relationship with the company, commitment and trust act as mediator variables between satisfaction and future attendance intentions.

Oliver (1999) analyses the relationship between satisfaction and customer loyalty. Using this approach, Oliver found that satisfaction is an important factor in building up a customer’s loyalty to a company, but that it ceases to be important when the customer relationship with that company becomes stronger (i.e. when his commitment is stronger).

So we can see that, in the literature on relationship marketing, it is widely accepted that the first step in building a long-term relationship with customers is providing high levels of satisfaction, but once the relationship has begun, for certain services types, satisfaction becomes less important, giving way to commitment, which takes on a more important role as a variable that can be used to predict customers’ future behaviour.

The cultural services sector, the focus of our empirical research, is characterised by customers' intense purchasing habits and high levels of commitment to a specific organisation (Quero, 2003). This suggests that satisfaction alone is not a good enough predictor of future purchase intentions, and that we need a better bond, such as commitment. Furthermore, the product's unique characteristics mean that, on many occasions, amongst less frequent customers, their motivation for purchasing a cultural service lies with the supplier (a certain company, famous artist, etc...), so customers do not make a repeat purchase unless the same supplier makes the same offer again.

H₄. Trust is positively related to commitment.

H₅. Trust cannot be used to predict future attendance intentions.

The relationship between trust and commitment has been examined in depth in various economic sectors since relationship marketing was first developed. Morgan and Hunt (1994) were pioneers in the development of the dimensions and implications of this relationship, and in examining the ways in which it can benefit the relationships between manufacturers and distributors. Since then, a number of other authors have confirmed the existence of this relationship in other sectors (Russell, 2007; MacMillan et al, 2005).

The relationship between the construct of trust and future purchase intentions has not been examined in such depth in the marketing literature on its own, although it has been analysed as part of larger relationship systems, such as those developed by Woodside, et al. (1989). In the field of performing arts services, Garbarino and Johnson (1999) conclude that there is a positive relationship between the two variables but only amongst customers with an existing bond with the organisation (as a subscriber or similar). The relationship is not significant for sporadic or occasional customers.

The study carried out by Rosenbaum et al. (2006) for the professional services sector also shows that trust cannot be used to predict future purchase intentions, as customers probably believe that trust is guaranteed if they have already developed a commitment link with the company. As such, high levels of trust do not necessarily guarantee a further purchase in the future.

H₆. Commitment has a direct, positive influence over future purchase intentions.

Commitment is proving to be the variable with the greatest influence over future purchase intentions. If we look at commitment from an affective perspective, a consumer identifying with the company and its values, and being involved in the factors that affect that company, is the only variable with a positive relationship with an audience's future attendance. Fullerton (2005) analyses this relationship in depth in three services sectors (financial, telecommunications and food) and concludes that consumers with a "psychological connection" with their service provider will act as favourable reference customers for the company. In their works, Russell (2007), Gruen et al. (2000) and Harrison-Walker (2001) use a similar approach, linking affective commitment and future behaviour in the services industry.

Garbarino and Johnson (1999) showed that, in the performing arts sector, commitment is an excellent predictor of future purchase intentions amongst consumers with a strong relational bond with a company. Similarly, Rosenbaum et al. (2006) found that commitment could be used to predict future repeat purchase behaviour.

METHODOLOGY AND MEASUREMENT OF VARIABLES

In order to examine our hypotheses, we carried out a closed-ended personal survey at the entrances and exits of theatres. 150 theatres around Spain and 1,005 consumers took part in the survey. When we looked at the data for the first time, we were particularly interested to note the low percentage of customers with a formal bond with the company (subscribers or similar), representing just 7.7 % of the population. Because of this, we decided to focus on non-subscribers, who represent 92.3 % of the sample group (927 people surveyed) and are more representative of the population's behaviour. The consumers were selected randomly at the place of consumption. This selection method was used because this paper pretends to shed some light on relationships with a company, and a survey of the general public could mean that a large group of non-consumers would be included and this would not provide any useful data. The 150 theatres were selected by the researchers directly so that all the major theatres in all Spanish cities were included. The consumers in the sample group were selected based on quotas established by age, sex and geographical location in accordance with the national average. The survey was carried out by a research company (TNS Spain) between the months of November and February. These months were selected because performing art consumption is more intense in cities during this period, according to the directors of the theatres taking part.

Cumulative satisfaction was measured using two items used previously by Garbarino and Johnson (1999) to assess the same service category in the USA. The items that make up affective commitment were selected from the studies carried out by Fullerton (2005), Allen and Meyer (1990), and Garbarino and Johnson (1999). Trust was measured using three adapted items from the articles by Morgan and Hunt (1994), and Garbarino and Johnson (1999). With regard to consumers' future intentions, we felt that it was appropriate to use a dummy variable so that the person completing the survey had to choose a specific alternative without giving rise to any doubt about whether the concept of future intentions was being considered as an expectation or a desire. The reason for this decision lies in the future intentions concept adopted (IFP), as we felt that it was the most appropriate for the contents of our study. The dummy variable option was selected because, as suggested by Davis and Warshaw (2001 p. 404), "if behavioural intention is measured on scales that have more than 3 points, subjects might think they are being asked about their behavioural expectation. However, an intention not to do something may be hard to distinguish from not having an intention, even on a 3-point scale". The items studied are detailed in [Table 1](#).

DATA ANALYSIS AND RESULTS

In order to carry out the data analysis, structural equations were analysed using the software package AMOS 16.0. The model's global adjustment indices give values which confirm its high level of significance: the Chi-square (X^2) test gave a value of 61.118 with 22 degrees of freedom and the significance level is not ≤ 0.01 . This indicator measures the distance between the initial data matrix and the one estimated by the model. This statistic has one major drawback in that, for sufficiently large samples such as our own ($n=927$), the likelihood of the model being rejected is higher even if the difference between the matrices is minimal. As such, we decided to use other measurement statistics which confirm the validity of the model.

The root mean square residual (RMSR) is the mean of the squared residuals (an average of the residuals between the estimated and actual input matrices). This adjustment measure was introduced by Steiger (1990) to try to eliminate the drawbacks of using X^2 when the sample was sufficiently large. RMSEA values of less than 0.05 and even 0.08 indicate that a model is a good fit for the population (Luque, 2000; Browne and Cudeck, 1993). For the model used here, the RMSEA was 0.44, indicating a good overall fit. The normal fit index or Delta 1 (NFI) is a relative comparison between the model proposed and the null model (Bentler and Bonett, 1980). The value of this index can range from 0 to 1, and values of more than 0.90 are recommended (in our case, NFI=0.971, far above the threshold defined for model validity). The relative fit index (RFI or Rho) favours more simple models, although it also depends upon the size of the sample, giving values close to 1 as the model's fit gets better (in the model proposed here RFI=0.941). The incremental fit index (IFI or Delta 2) proposed by Bollen (1989) reduces the NFI's dependence on sample size, so it is particularly suitable for our research. For our model, IFI=0.981, very close to 1, indicating a good model fit. With regard to parsimonious measures, which link the model's goodness-of-fit to the number of estimated coefficients required to achieve that level of fit, we calculated the following indicator values, which are well above the required levels for any model: PNFI=0.475; PRATIO=0.789; AIC=125.118. And finally, Critical N, defined by Hoelter (1983) as "the size that a sample must reach in order to accept the fit of a given model on a statistical basis". In our case, and using the strictest index (0.01), the required sample size is 611, and our sample group is far larger than that.

With regard to the items included in the measurement scales, the level of convergent validity was deemed to be acceptable, as all of the factor indicators are highly significant, with values of more than 0.6 for estimators of squared multiple correlations for all variables (Bagozzi and Yi, 1988). The discriminant validity was evaluated using the methods designed by Fornell and Larcker (1981), and a high level of discriminant validity was found based on the analysis of the squared correlation between pairs of constructs, which was lower than the average variance extracted of each construct.

When we analysed the hypotheses we found similar significant links for the first three. H_1 , which measures the positive relationship between satisfaction and trust, gave a significant result ($p<0.000$, $\beta=0.468$, $CR=7.122$). CR values of more than 1.96 are considered significant (Anderson and Gerbing, 1991). H_2 , the direct, positive relationship between satisfaction and commitment, was also confirmed ($p<0.000$, $\beta=0.437$, $CR=4.217$). Furthermore, H_3 , the absence of a link between satisfaction and future intentions, was confirmed to be true. The low CR value (0.491) is considerably lower than the 1.96 threshold, and the degree of significance is above the $p\geq 0.05$ requirement, with a p value of 0.491.

Both hypotheses for the trust construct were also confirmed: H_4 , the positive relationship between trust and commitment ($p<0.000$, $\beta=0.722$, $CR=3.603$), and H_5 , the lack of a relationship between trust and future attendance intentions ($p=0.90$, $\beta=-0.277$, $CR=-1.697$).

The final hypothesis (H_6) states that trust has a positive, direct relationship with future attendance intentions. The data meant that we could accept this hypothesis as true with a confidence level of 95.5 % ($p=0.021<0.005$, $\beta=0.360$, $CR=2.303$).

CONCLUSION

The relationship management model proposed here gives us a better understanding of customer relationships in the services sector, providing new data about the relationships between three key variables in customer relationship management: satisfaction, commitment and trust. Although a lot of other studies have already analysed the relationship between these variables and perceived quality of service, the relationship with future purchase intentions studied here has not been examined before. Through our research, adopting the concept of future intentions as the “customer’s future plans” (Davis and Warshaw, 2001; Söderlund and Öhman, 2005), we have reached the conclusion that the only variable that can affect a customer’s future behaviour is commitment, as hypothesis H_6 was confirmed.

By confirming hypothesis H_3 , we can assert that there is no relationship between satisfaction and future intentions. This result indicates that, as proposed by Oliver (1999), satisfaction is very important in the first stages of building up a relationship with a client, but after that initial stage is over, the building up of a good relationship with the services company will not only guarantee that the client will come back (future intentions), but will also generate a number of benefits derived from customer loyalty: passing on positive references, becoming unsusceptible to campaigns by the competition, concern for the company’s future, etc... So it is not that satisfaction is no longer important, but if a customer has a strong relationship with the company it means that there is already a high enough level of satisfaction to meet that customer’s demands. Even if there were any sort of failure in the delivery of the service, the customer would be more understanding when assessing the quality of service, as he has a high level of commitment to the company and is concerned about what might happen to it in the long term.

H_5 confirms that there is no relationship between trust and future intentions. Again, we cannot assume that trust is not important when it comes to building up a relationship between the customer and the service provider, rather that, for some services like the one analysed here, it may be that trust is taken for granted, and trust alone does not mean that the customer will make another purchase in the near future.

These data could be useful in the design of marketing strategies for service companies, as if a company wants to manage customer relationships in such a way that the customer/company bond is strengthened, following the “relationship marketing ladder of loyalty” model proposed by Christopher et al. (2007), it needs something more than a satisfied customer: it needs to develop an emotional bond with the customer, involving him more directly in its actions and values. Only this sort of customer, a subscriber or friend of the company who feels emotionally involved with it, will guarantee a future purchase.

The model also reveals that satisfaction and trust are important factors in the process of building commitment to services. Hypotheses H_2 and H_4 show that there is a direct, positive relationship between these two variables, indicating that high levels of satisfaction and trust are important when it comes to the complex process of building commitment. The literature on relationship marketing also contains a great deal of information about the importance of satisfaction and trust when building long-term relationships with customers (Zeithaml et al., 1996), but this paper shows that this is not enough: a bond needs to be developed between the customer and the company. This bond needs to go beyond formal contracts, like a subscription, to become an emotional bond which gets the customer more involved with the company.

Through the analysis of the empirical data gathered here, we can conclude that if a services company wants to develop a bond with customers other than those with a formal link to it (memberships or similar) and guarantee positive future purchase intentions, it must undertake actions to make the customer identify with it. In this way, the customer will be concerned about what happens to the company and will recommend its services to acquaintances.

Satisfaction with and trust in a service are important tools when it comes to building commitment amongst customers. The results of this study do not make these variables any less valuable: on the contrary, they are *sine qua non* when starting a new long-term relationship with the customer.

FIGURES

Figure 1. *Relationship Management Model for the Services Sector.*

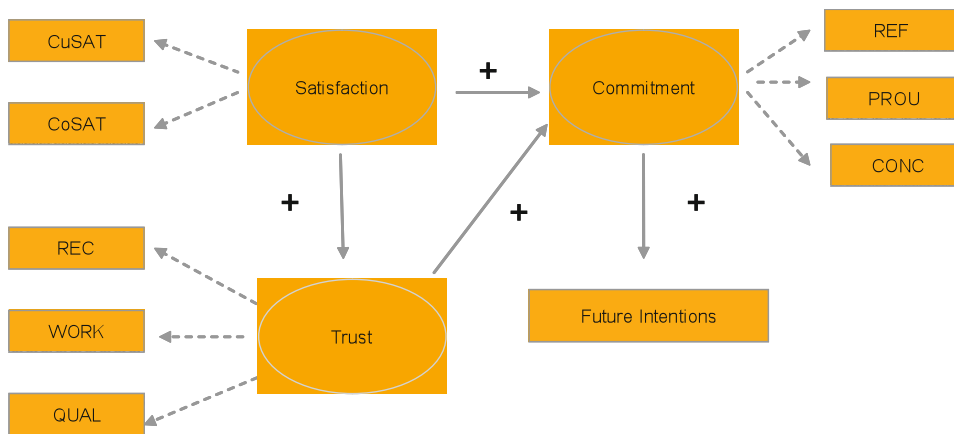
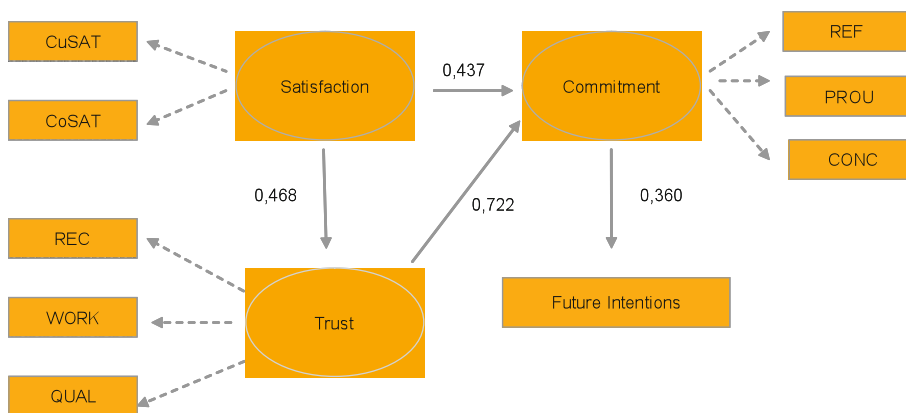


Figure 2. *Relationship Management Model for the Services Sector (with estimators).*



TABLES

Table 1. *Construct Measurement Scales.*

CONSTRUCT	ITEMS	ABBREVIATION
Satisfaction	Rate, on a scale of 1 to 7, your level of satisfaction with this company.	CuSAT
	Rate, on a scale of 1 to 7, your level of satisfaction with this company when compared with other entertainment companies in the same city.	CoSAT
Trust	Rate, on a scale of 1 to 7, the influence that the recommendations given by the company itself or its staff have on your decision to attend a performance.	REC
	On a scale of 1 to 7, how much do you agree with the following statement? “This company does its work as a cultural body well”.	WORK
	On a scale of 1 to 7, how much do you agree with the following statement? “In general, the quality of the shows put on by this company is high”.	QUAL
Commitment	What sort of comments do you usually make about this company? Very negative / negative / nothing in particular / positive / very positive.	REF
	On a scale of 1 to 7, how much do you agree with the following statement? “I feel proud to be a customer / subscriber / member of this company”.	PROU
	On a scale of 1 to 7, how much do you agree with the following statement? “I am concerned about factors that could affect this company in the long term”	CONC
Future Intentions	Are you planning to attend any other performances this season?	FI

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EXPLORING THE FORMATION PROCESS OF BRAND LOVE: A COMPARISON BETWEEN GOODS AND SERVICES

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ABSTRACT

Brand love has attracted limited research attention although the brand relationship literature considers it as an important construct. Thus, the purpose of the current study is to address the voids in knowledge identified in the literature and explore the formation process of brand love in both, goods and services. A conceptual model is developed by proposing brand self-expression, brand attachment and brand trust as key antecedents in building brand love. The proposed model is tested using structural equation modeling and the results show a good model fit for the full sample as well as for the goods and the service sample separately. However, some differences are found on the effects of the above determinants between the two samples. The findings of the present study increase our understanding of the consumer-brand relationships and provide tools for predicting consumers' post consumption behaviors.

INTRODUCTION

Brand love constitutes an interpersonal construct playing central and relevant role in the consumer-brand relationships. Brand love is considered a rich, deep and long-lasting feeling (Carroll & Ahuvia 2006) defined as "the degree of passionate emotional attachment that a person has for a particular trade name" (Carroll & Ahuvia 2006). It is conveyed as attachment and passion for the brand, love assertions for the brand and positive evaluations and emotions for the brand (Ahuvia 2005). Brand love plays a central role in post consumption consumer behaviors expressed either as positive word-of-mouth and brand loyalty (Carroll & Ahuvia 2006) or as willingness to forgive and pay a price premium (Heinrich, Albrecht, & Bauer 2010). Although significant in consumer-brand relationships, brand love has attracted only recently research attention in marketing (Albert et al. 2008). The literature on brand love is very limited lacking sufficient evidence on its antecedents (Carroll & Ahuvia, 2006) and relations with other important relational constructs such as brand attachment, brand trust, and brand self-expression. Moreover, the existing empirical investigations are confined to goods (Albert et al. 2008; Carroll & Ahuvia 2006; Hemetsberger et al. 2009) and they have not examined the role of brand love in services.

As a result, the purpose of the present study is to address the voids in knowledge noted above and shed light on the formation process of brand love. Specifically, its objectives are threefold. First, this endeavor aims to explore how strong emotional consumer-brand relationships are developed. Second, the study tries to identify key antecedents of brand love and examine their interrelations in order to understand how strong emotional relationships between consumers and brands be reinforced. Third, the study examines if the same formation process of brand love holds for both, goods and services.

CONCEPTUAL MODEL AND HYPOTHESES OF THE STUDY

Human relationships have long inspired research on marketing relationships and, more recently, research on consumer-brand relationships (Fournier 1998). Thus, the consumer-brand relationship perspective suggests that there are relationship qualities between consumers and brands. This study takes a relationship marketing perspective focused on the passionate emotional features of brand relationships (Chaudhuri & Holbrook 2001; Fournier 1998; Fournier & Yao 1997; Morgan & Hunt 1994). Specifically, it proposes that brand trust and brand attachment directly determine brand love whereas brand self-expression constitutes an indirect determinant. The hypothesized relationships among the constructs of the study are shown on [Figure 1](#). It is well documented in the consumer behavior and branding literature that individuals choose specific brands not only for their functional benefits but also for their symbolic properties (Piacentini & Mailer 1999; Wattanasuwan 2005) in order to construct and maintain their identities (Elliot & Wattanasuwan 1998). Thus, the symbolic meaning of the brand is used as an expression of a consumer's self-concept in relation to her / his status in society. Carroll and Ahuvia (2006) defined brand self-expression as "the consumer's perception of the degree to which the specific brand enhances one's social self and/or reflects one's inner self" (p. 82). Consumers choose brands that assist them in creating, fostering and developing their identity (Elliot & Wattanasuwan 1998; Yoo et al. 2006). When brands indulge, enrich, and enable consumers' self-identities, consumers develop strong emotional bonds with them leading to consumer-brand relations (Park et al. 2006). Following the above discussion it is hypothesized that:

- H1.* Brand self-expression is positively related to brand attachment.
- H2.* Brand self-expression is positively related to brand trust.

Trust has been proposed as an intrinsic feature of any valuable social relationship and is considered a significant and desired element in understanding consumer-brands relationships and accomplishing profitable relationship marketing (Morgan & Hunt 1994; Chaudhuri & Holbrook 2001; Park et al. 2006). Brand trust refers to ‘the willingness of the average consumer to rely on the ability of the brand to perform its stated functions’ (Chaudhuri & Holbrook 2001, p. 82). It is considered an important concept in marketing because it is related to positive and favorable attitudes toward a brand, and affects brand commitment, which is an indicator of a successful relationship between consumers and brands (Ballester & Aleman 2001). When consumers trust a brand, they will commit to a relationship with the brand and be willing to sustain a long-term relationship with it. Based on the commitment-trust theory, Morgan and Hunt (1994) consider trust as a key variable in developing and maintaining enduring and highly valued brand relationships. Studies show that brand trust is a direct determinant of consumers’ brand commitment, stronger than overall satisfaction (Ballester & Aleman 2001), and it is linked to purchase and attitudinal loyalty with the brand and brand equity (Chaudhuri & Holbrook 2001). Therefore, it is hypothesized that:

H3. Brand trust is positively related to brand love.

H4. Brand trust is positively related to brand attachment.

Another important concept that becomes increasingly important in the relationship marketing literature is brand attachment. Fournier (1994) consider brand attachment as one of the six dimensions relevant in a consumer-brand relationship. Brand attachment refers to “the strength of the cognitive and affective bond connecting the brand with the self” (Park et al. 2006, p. 4) in a symbolic manner (Wallendorf & Arnould 1988). The importance of brand attachment as a major determinant of consumption behavior is substantiated by several features intrinsic to the concept. Attachment reflects emotional bonds that affect cognition, are characterized by persistence and resistance to change, and predict behavior (Krosnick & Petty 1995). Park et al.’s (2006) argue that brand attachment is more than an attitudinal construct and accounts for higher-order consumer behaviors associated with commitment to a relationship. Thus, brand attachment is a necessary feature of the consumer-brand relationship that leads to “automatic retrieval of thoughts and feelings about the brand” (Park et al. 2006; p. 9). Therefore, it is expected that:

H5. Brand attachment is positively related to brand love.

METHOD

The target population for this research is an insurance brand and a coffee brand. Data were collected from a questionnaire distributed randomly to consumers in a Southeast European country. A total of 323 completed questionnaires were collected whereas 319 were used for the analyses due to missing data. From the total sample, 157 questionnaires collected data regarding a national insurance brand and 162 about an international coffee brand.

Construct Operationalisation and Measures

Brand Self-Expression: To measure the self-expressive value of the brands, the instrument developed by Carroll and Ahuvia (2006) was employed. Their scale consists of two factors: inner self (4 items) and social self (5 items) and uses a seven point Likert scale anchored by Strongly Disagree (1) to Strongly Agree (7). The mean score of the two factors were used as the two indicators of brand self-expression.

Brand Attachment: The scale developed by Thomson et al. (2005) was used to measure brand attachment. The scale consists of three dimensions: affection, connection and passion, and ten items using a seven point Likert scale anchored by Strongly Disagree (1) to Strongly Agree (7). The mean score of the three dimensions were used as the three indicators of brand attachment.

Brand Trust: Four items using a 7-point Likert scale anchored by Strongly Disagree (1) to Strongly Agree (7) were initially used to measure trust. These items have been used before in the marketing literature (Chaudhuri & Holbrook 2001).

Brand Love: To measure brand love, the scale developed by Carroll and Ahuvia (2006) was employed. Their scale consists of twelve items and a seven point Likert scale was used anchored by Strongly Disagree (1) to Strongly Agree (7). An exploratory factor analysis revealed three factors with reliabilities ranging between .70 and .85. The mean score of the three factors were used as the three indicators of brand love.

RESULTS

Analyses for the Total Sample

First, a confirmatory factor analysis (CFA) was used for testing the measurement model and then, structural equation modelling (SEM) was deployed to test the theorized model (Figure 1).

The initial 12 items used to measure the four latent constructs were subjected to Confirmatory Factor Analysis (CFA) using LISREL 8.52. Two items were dropped from the analysis due to small loadings or correlated errors (Table 1). The revised measurement model consisted of 10 items and was found to fit the data well although the chi-square goodness of fit index was statistically significant $\chi^2 = 114.46$ with 29 degrees of freedom, ratio $\chi^2 / \text{d.f.} = 3.9$, $p < .001$. Moreover, the fit indexes values met or exceeded the critical values for good model fit (RMSEA = 0.10, NFI = 0.97, GFI = 0.93, AGFI = 0.87 CFI = 0.97). Next, internal consistency was evaluated by using the procedures recommended by Fornell and Larker (1981). Finally, the model was tested for convergent and discriminant validity by using the factor loadings and the Φ matrix. These two tests indicated that the conditions for convergent and discriminant validity were satisfied indicating that the constructs are measured reliably and can be discriminated.

After the preliminary analyses, the structural model of the study was tested using the statistical package LISREL 8.52 and employing Maximum Likelihood (ML). The proposed model (Figure 1) produced mixed results, with a chi square value of 124.56 on 30 degrees of freedom ($\chi^2 / \text{d.f.} = 4.15$) and a significant ($p < .001$). The fit indexes values were larger than the 0.90 threshold (NFI = 0.97, GFI = 0.95, AGFI = 0.90, CFI = 0.98) and the RMSEA value (.10) was well above the acceptable levels (0.08). All the hypothesized effects were confirmed with all paths being significant at the .05 level. Although the chi square to degrees of freedom ration exceeds the recommended cut off of three and RMSEA is larger than .08, the remaining fit indexes were above the recommended cut-off point of .90, so the model is accepted. All hypotheses were confirmed by the conceptual model and all paths were significant at the .05 level as it can be seen on Figure 1.

Comparing Goods vs. Service Brands

In order to test for the invariance of the measurement model across the two samples, the procedure recommended by Joreskog and Sorbom (1993) was employed. The measurement model (Model A) with the increased constraints fitted the data well ($\chi^2 = 227.33$ on 84 degrees of freedom, $\chi^2 / \text{d.f.} = 2.7$, $p < .001$; RMSEA = 0.07). When comparing this model with the measurement model B, which is without the constraint of factor loadings invariance, it leads to a non significant chi-square change and suggests no differences in the factor loadings between the two data sets. Moreover, when error variances are set free (Model C and D), the chi square difference between the Models B and C is significant indicating differences in the error variances of the measurement model in the two samples (coffee and insurance sample) but this is not confirmed in Model D where the model fits well and the chi square difference between Model A and D is not significant. Thus, it seems efficient to use the parameters of the overall measurement model and no separate parameters need to be developed for each sample in the study.

Because the above results did not indicate any significant differences between the two groups in terms of their measurement model, we continued with a comparison of the structural model for the two groups, and specifically between their means and regressions. The model for equal means between the two groups did not fit the data well with a chi square of 501.14 and 90 degrees of freedom (RMSEA = .12; GFI = .78, NFI = .83, CFI = .86). Moreover, when the model was tested for equal regressions in the two product types, the results indicated a bad fit to the data with a chi square of 520.993 on 87 degrees of freedom (RMSEA = .13; GFI = .76, NFI = .86, CFI = .88).

DISCUSSION

Consumer-brand relationships constitute a vital and fast-growing research area with roots that span across disciplines and theoretical approaches. The brand relationship approach provides researchers with augmented prospects to conceptualize, research, and gain an understanding of the ties between consumers and brands. However, brand relationship theory is in its early stages, and there remains much to be learned. The present study integrates principal concepts of relationship branding and examines their role in developing brand love. This is one of the very few studies in the extant literature that examines the process through which brand love is developed and explains how this intense feeling can be reinforced. This research examines the interrelationships among the antecedents of brand love. Furthermore, the most valuable contribution is the examination of the formation process of brand love separately in goods and service brands.

The study shows that brand trust and brand attachment constitute the antecedents of brand love whereas contrary to previous research (Carroll and Ahuvia, 2006), it illustrates that brand self-expression is indirectly related to brand love via brand trust and brand attachment. However, the most important finding of the study is the different role the constructs under investigation play in goods and services. The results show that although there are not severe measurement differences between the constructs and the proposed model could hold for both sample, the magnitude of the construct effects and their

role in predicting brand love, brand attachment and brand trust differ between goods and services. Actually, the proposed measurement and structural model seems to fit better for the service sample than for the goods sample. The present study has several limitations that qualify further investigations. The study is limited by the country context, the sample studied and the brands studied. Further investigations should test the proposed model in other countries, with larger samples and other goods and services.

Table 1: Final Measurement Model and Confirmatory Factor Analysis Results (N = 319)

Exogenous Variables	Loading	AVE**
BRAND SELF-EXPRESSION ($r = 0.84$, $CR = 0.83$)**		0.91
Inner Self (BSEX1)	0.93*	
Social Self (BSEX2)	0.89*	
Endogenous Variables	Loading	AVE**
BRAND ATTACHMENT ($\alpha = 0.95$, $CR = 0.85$)**		0.92
Affection (BAT1)	0.91*	
Connection (BAT2)	0.95*	
Passion (BAT3)	0.81*	
BRAND TRUST ($\alpha = 0.86$, $CR = 0.69$)**		0.82
I trust completely the brand X (BRTR1)	0.93*	
I count on brand X (BRTR2)	0.85*	
Brand X is honest (BRTR3)	0.90*	
BRAND LOVE ($\alpha = 0.85$, $CR = 0.76$)**		0.83
Brand Love 1 (BRLO1)	0.94*	
Brand Love 2 (BRLO2)	0.80*	

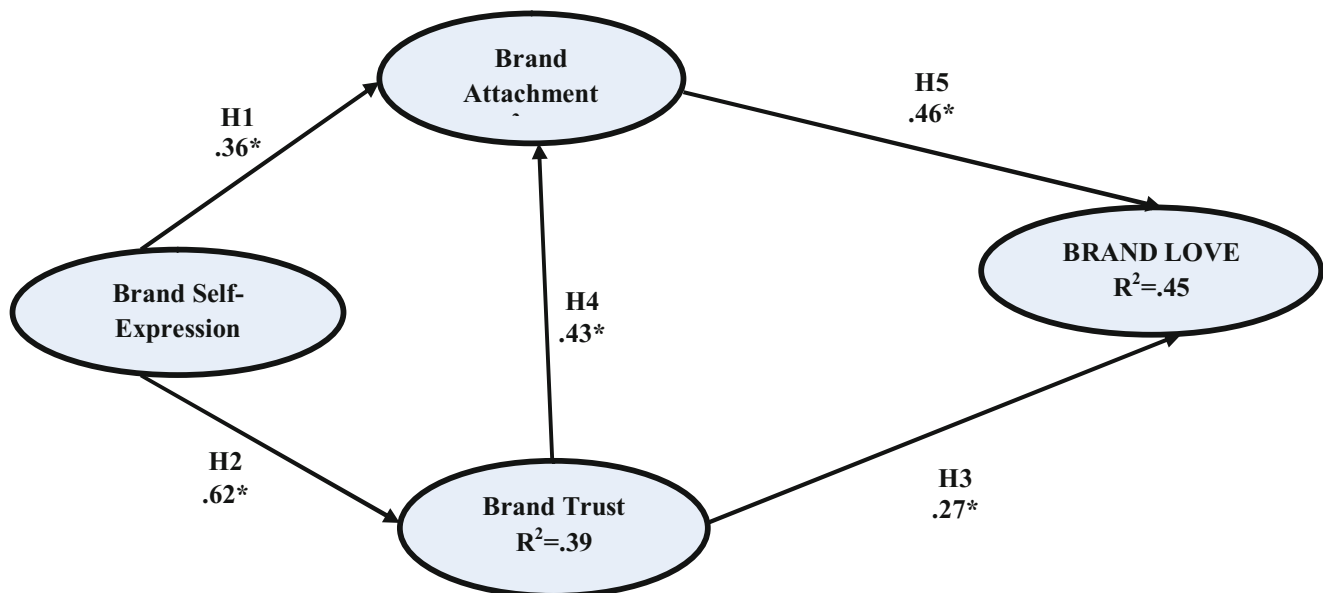
$\chi^2 = 114.46$ on 29 degrees of freedom, $\chi^2/d.f. = 3.9$, $p < .01$; RMSEA = 0.10, NFI = 0.97, GFI = 0.93, AGFI = 0.87 CFI = 0.97

* significant at the 0.05 level

** r = Pearson Correlations, CR = Composite Reliabilities, α = Cronbach alpha, AVE = Average Variance Extracted estimate

Figure 1: Conceptual and Structural Model of Brand Love (N = 319).

$\chi^2 = 124.56$, 30 degrees of freedom (ratio $\chi^2 / d.f. = 4.15$); $p < .001$; NFI = 0.95, GFI = 0.93, AGFI = 0.87, CFI = 0.96; RMSEA = .10.



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IMPACT OF SERVICE RECOVERY FAIRNESS PERCEPTIONS ON CUSTOMER RELATIONSHIPS

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INTRODUCTION

Services are prone to a higher degree of failure and strategies have been recommended to deal with aggrieved customers and to ensure that firms enjoy their continued patronage. Service recovery is critical to manage customer relationships by (1) restoring customer satisfaction, (2) decreasing the chances of customer's exit, and (3) preventing the spread of negative word-of-mouth by dissatisfied customers.

Prior research, in consumer complaining behaviour and service recovery, has investigated the outcomes of service recovery. However, conflicting conceptualizations of the outcomes of service recovery and its impact on consumer satisfaction and post-recovery behaviour have been proposed. Also the concept of trust, which is considered as a key dimension of customer relationship, has been largely ignored in service recovery research. Extant literature on service recovery has established direct relationships between perceived justice during recovery process and the resultant behavioral outcomes of consumers such as word-of-mouth and repatronage intentions (Blodgett, Hill, and Tax 1997; Palmer, Beggs, and McMullan 2000). However, Ranaweera and Prabhu (2003) treat customer satisfaction and trust as antecedents to these behavioral outcomes. On the other hand, several studies treat customer satisfaction and trust as consequences of service recovery (McCollough, Berry, and Yadav 2000; Maxham and Netemeyer, 2003; Kim, Kim and Kim 2009). These researches also underscore that customer satisfaction and trust are important in the effectiveness of recovery processes and their consequences on consumers' post recovery behavioral intentions.

We employed equity theory as the guiding framework for investigating the impact of consumers' perceptions of fairness in service recovery. The research problem focused on understanding the psychological and behavioral outcomes of justice delivered to the complaining customers. Specifically, the study examines the following research problem: What are the effects of the service recovery justice on complaining consumers' satisfaction and what are the effects of post-service recovery satisfaction on consumers' trust and behavioral intentions?

The research investigates the impact of customers' perceptions regarding different dimensions of fairness in service recovery on key aspects of customer relationships including satisfaction, trust, propensity to repatronize the service firm, and customers' intentions to engage in negative word-of-mouth behavior (Figure 1). The hypotheses tested in the research are shown by the paths linking the constructs. Service recovery justice is divided into three dimensions: distributive, procedural, and interactional. Similarly, behavioral intentions are classified into repatronage and negative word-of-mouth intentions.

METHODOLOGY

This study employed an experimental design involving manipulation of the recovery efforts after the occurrence of a service failure. Experimental design helped control for the failure-provoked emotions thus permitting analysis of the effects of service recovery justice evaluations. Manipulation of the service recovery attributes related to the distributive, procedural, and interactional justice dimensions permit systematic investigation into a service organization's recovery efforts. Retail banking (credit card) services in the emerging Indian market was chosen as the context for the study. A scientifically executed between-subjects pretest-posttest experimental design, using a role playing methodology with random assignment of experimental stimuli, was adopted for data collection. We conducted the experiment using a 2 X 2 X 2 between-subjects design. Two levels of each service recovery fairness dimension (distributive, procedural, and interactional) were manipulated in an easily comprehensible scenario format using procedures similar to Blodgett, Hill, and Tax (1997). The experiment involving 8 recovery scenarios, based on a factorial-type design, result in different combinations of the service recovery attributes derived from the justice dimensions that characterize a service recovery. Table 1 lists the recovery attribute manipulations.

Respondents were selected on the basis of pre-defined criteria to ensure their understanding and adaptability of the experimental stimuli. Questionnaires were administered through an online (web-based) survey involving self-administration of structured questionnaires with largely close-ended items. Respondents were invited to participate in the survey through email invitations from address lists of credit card customers provided by three Indian private sector banks and one foreign bank. A total of 2662 email invitations were sent over a period of approximately 10 weeks to the credit card customers and

507 respondents participated resulting in a response rate of ~19 %. After screening for sample selection criteria, including experience with credit card services and use of cheque-drop mode of payment for credit card bills (amongst other modes), a total of 440 valid responses were retained for analysis. Model estimation and research hypotheses were tested through structural equation modeling technique using SPSS 14.0 and LISREL 8.54.

RESULTS AND DISCUSSION

All hypotheses were supported and validated at acceptable levels of significance. The results show that all the three dimensions of recovery justice have direct positive impacts on customers' post-recovery satisfaction. Distributive justice dimension had the largest impact while procedural and interactional justice had almost a similar magnitude of impact on satisfaction. Results indicate that the service recovery scenario with high distributive justice and low levels of both procedural and interactional justice was more favorable to the respondents than recovery scenarios with low distributive justice and high levels of both procedural and interactional justice. Also, trust emerges to be a stronger determinant of customers' post-recovery behavioral intentions as compared to satisfaction.

As the sample size in this study was large (440 valid datapoints), a more elaborate and robust approach towards conducting structural equation analysis was undertaken by randomly splitting the overall sample into two parts (hereafter referred to as Sample split-A and Sample split-B respectively) of equal sizes. Sample splitting was done through the "random selection of cases" procedure in SPSS 14.0. The following sections present the results in brief.

Structural Model Analysis

After establishing reasonable fit of the measurement model and accuracy of the indicator measurements, the proposed structural model of the study was analyzed through structural equation modeling (SEM) technique using LISREL 8.54. All measurement items used in confirmatory factor analysis were included in this analysis. Both sample splits were analyzed to assess the proposed model fit with the data.

Structural Model Goodness-of-Fit

Sample split-A, with 220 valid data points, was first taken up for analyzing the proposed structural model fit. The key fit indices for structural equation analysis on sample split-A are shown in Table 2. As seen in Table 2, P-value of normal theory weighted least squares Chi-Square is above the threshold level of 0.05, indicating a reasonable fit of the hypothesized model to the observed covariance structure and support for retention of the model. The RMSEA is also less than 0.05 signifying that the model is a reasonable approximation of the data. The goodness-of-fit index (GFI) and adjusted goodness-of-fit index (AGFI) are very close to the acceptable level of 0.90. Thus, the hypothesized model exhibited a reasonable fit to the observed data for sample split-A.

After assessing the fit of the structural model with the sample split-A, the second sample was taken up for structural analysis. Table 2 (Column 3) presents the key fit indices of structural equation analysis on sample split-B. The proposed model has a reasonable fit with observed data for sample split-B too. The P-value of Chi-square is very close to 1 (0.927) indicating a high level of similarity between the model produced and the observed covariance matrix in the sample. RMSEA value is less than the acceptable threshold value of 0.05. GFI and AGFI are also close to 0.90 showing high degrees of variances and covariances jointly accounted for by the model. In contrast to GFI and AGFI, the Root Mean Square Residual (RMR) indicates the average amount of variances and covariances not accounted for by the model. Here, the RMR is 0.0836, marginally above the acceptable value of 0.08. Thus, both the sample splits reflect a reasonable fit with the proposed structural model.

Structural Coefficients

This section presents the relationship coefficients for the proposed conceptual model derived through structural equation modeling. Both sample splits were analyzed separately to validate the direction and magnitude of hypothesized relationships between the latent variables. The structural equations derived from both sample split-A and B are presented in Table 3.

As shown in Table 3, all Gamma and Beta parameters, i.e., the structural coefficients linking the latent variables were found to be significant and with the same directional effects as hypothesized in the study. There is a high degree of consistency in all the parameter magnitudes, except for the causal link between distributive justice perceptions (DIJ) and post-recovery

satisfaction (RSAT) across the two sample splits. The DIJ–RSAT coefficient was found to be 0.35 in sample split-A, whereas the same parameter was 0.24 in sample split-B. Apart from this causal link, all the relational coefficients exhibited very narrow differences across both splits of the sample.

All structural coefficients had low standard errors (maximum 0.114 for the DIJ – RSAT link) indicating high degree of accuracy in the parameter estimations. The respective t-values for all the parameters (values of the parameters divided by their standard errors) were also outside the -1.96 to + 1.96 range. Thus, all the corresponding parameter estimates for both the derived structural models were different from zero implying that the causal effects represented by these parameters were significant.

CONCLUSIONS AND IMPLICATIONS FOR THEORY AND PRACTICE

This research offers a theoretical framework for understanding customers' responses to service recovery by integrating concepts from literature on disconfirmation paradigm, consumer psychology and behavior, equity theory, and consumer trust. The experimental research design adopted for this study, apart from being a unique methodology to be employed in the context of Indian retail banking (credit card services) industry, offered high statistical conclusion and internal validity to the research. The research design provided control over the nature and content of service failure and recovery situations thus allowing for the systematic and scientific investigation of customers' responses to service recovery. By controlling extraneous factors and threats to internal validity, this methodology provided credibility to the research by establishing that differences between respondents' post recovery measurements were due to the recoveries themselves and not due to any pre-recovery or extraneous factors. Further, the research design made it possible to: (1) treat service recovery as a combination of attributes of the different justice dimensions, (2) exercise a systematic manipulation of the justice attributes, and (3) randomly assign service recovery scenarios upon the experiment participants.

The study identifies managerial implications in dealing with customers after the occurrence of a service failure. Our results suggest that managers should begin to focus more on the concepts of customer equity in exchange transactions and on fairness of recovery efforts in order to impact customers' evaluation of service recovery and future behavior to build stronger relationships with them. The results of this research show that customer satisfaction after a recovery is significantly (and positively) influenced by (1) providing the complaining customers with monetary compensation, (2) responding immediately to customer complaints rather than making them wait for the response, and (3) offering them an apology to acknowledge that the service providers empathizes with the customer in her discomfort. Specifically, monetary compensation was found to be most effective in bringing about positive changes in customer satisfaction indicating that most of the customers are highly interested in the tangible outcomes of their interactions with the organizations. The study also provides guidelines for designing service recoveries targeted at achieving specific outcomes viz. consumer satisfaction, trust, repatronage, and word-of-mouth.

TABLES

Table 1: Experimental Manipulations for Service Recovery Attributes

Justice Dimensions	Recovery Attributes	Experimental Manipulations	
		Level 1	Level 2
Distributive	Refund	Received	Not Received
Procedural	Response Speed	Immediate	Delayed
Interactional	Apology	Offered	Not Offered

Table 2: SEM Fit Indices

	Sample Split-A	Sample Split-B
Degrees of Freedom	381	381
Minimum Fit Function Chi-Square	439.818 (P = 0.020)	335.523 (P = 0.955)
Normal Theory Weighted Least Squares Chi-Square	426.134 (P = 0.055)	341.688 (P = 0.927)
Root Mean Square Error of Approximation (RMSEA)	0.0233	0.0
P-Value for Test of Close Fit (RMSEA < 0.05)	1.000	1.000
Root Mean Square Residual (RMR)	0.0823	0.0836
Goodness of Fit Index (GFI)	0.885	0.906
Adjusted Goodness of Fit Index (AGFI)	0.860	0.885

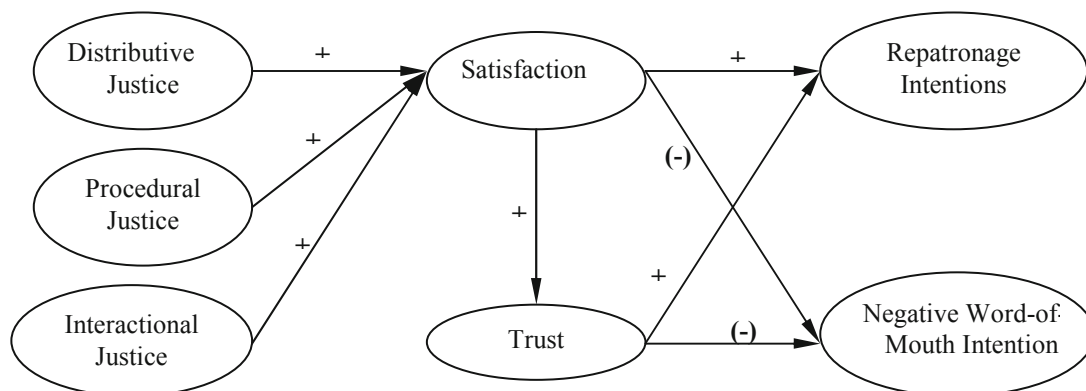
Table 3: Structural Equations

Sample Split-A	Sample Split-B
$RSAT = 0.353*DIJ + 0.116*PRJ + 0.131*INJ,$ (0.114) (0.051) (0.062) 3.106 2.279 2.116 Errorvar.= 0.791 (0.095) 8.328	$RSAT = 0.243*DIJ + 0.102*PRJ + 0.124*INJ,$ (0.114) (0.046) (0.057) 2.132 2.220 2.176 Errorvar.= 0.791 (0.097) 7.800
$RTRT = 0.373*RSAT, \text{Errorvar.} = 0.880$ (0.070) (0.106) 5.352 8.264	$RTRT = 0.400*RSAT, \text{Errorvar.} = 0.841$ (0.068) (0.093) 5.876 9.033
$RPAT = 0.181*RSAT + 0.303*RTRT, \text{Errorvar.} = 0.729$ (0.065) (0.067) (0.106) 2.773 4.509 6.906	$RPAT = 0.151*RSAT + 0.304*RTRT, \text{Errorvar.} = 0.741$ (0.065) (0.066) (0.098) 2.307 4.582 7.591
$RWOM = -0.199*RSAT - 0.292*RTRT,$ (0.066) (0.067) -3.016 -4.382 Errorvar.= 0.713 (0.089) 8.009	$RWOM = -0.203*RSAT - 0.311*RTRT,$ (0.069) (0.069) -2.952 -4.531 Errorvar.= 0.752 (0.092) 8.170

Figures in brackets are standard errors. Figures below brackets are t-values.

FIGURES

Figure 1: Research Model



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References Available Upon Request

Friday, 22 July

Time: 10:30 AM

Session Number: 8.15

Session: **Poster Presentations**

When, where to prompt for an online promotion code to avoid cart abandonment

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Malas, Ziad, *Université Toulouse III Paul Sabatier*

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New Challenges for the Internationalization of Firms. Italian Companies in China: Business Models, Market Policies

Cedrola, Elena, *University of Macerata*

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Brand architecture within the pharmaceutical industry

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A Model of Integrated Marketing Communication Orientation: The Mexican Firm's Case

Esparza-Martinez, Laura, *Universidad de Monterrey*

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WHEN AND WHERE TO PROMPT FOR AN ONLINE PROMOTIONAL CODE TO AVOID CART ABANDONMENT

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INTRODUCTION

Several recent studies in the field of digital marketing (Kukar-Kinney and Close, 2010; Oliver and Shor, 2003) highlight the significance of cart abandonment: 25% of online purchases are abandoned before the payment. One cause identified by Oliver and Shor (2003, 2006) is the act of prompting for a promotional code during the buying process. This interpretation is confirmed by a recent study, the "8th Annual Merchant Survey" conducted by an e-tailing group (www.emarketer.com, April 2009), where more than 60% of U.S. online retailers face a dropout rate in excess of 20% of all carts. A study commissioned by Paypal and Comscore (www.paypal-media.com, May 2009), found that one of the major reasons for shopping-cart abandonment is promotional codes (cited by 27% of the respondents). Mullins (2000) studied the impact of prompting for a promotional code on customers who did not have a code and observed an effect on cart abandonment. Oliver and Shor (2003, 2006) explain this reaction as a consequence of the perceived unfairness resulting from the assumption that other customers are paying a lower price.

In this paper, which arises from the previous results mentioned above, we examine two website features that might decrease the rate of cart abandonment caused by prompting for a promotional code. These features were selected according to their great variability among leading e-tailers (observation from an intelligence process on leading U.S. and French e-tailers which we conducted, are higher). The first feature is the stage of the buying process at which the code is requested. The second is the location of the prompt for the code on the confirmation page. The choice of these two features leads to the question "When and where should we prompt for a promotional code in order to minimize cart abandonment?" We attempt to determine whether it is more efficient for an e-tailer to prompt for a promotional code at the beginning of the buying process or at a more advanced stage of this process, e.g., after customer registration/identification, and whether this request should be presented above or below the purchase confirmation i.e., with respect to the confirmation button.

METHODOLOGY

Theoretical framework

In conventional stores customers may receive "coupons", and during an internet purchase they are prompted to enter the "code" (various labels are used in practice such as promotional code, coupon code, discount code, and offer code). The Internet has thus given rise to new kinds of sales promotion: the offline coupon has become an invitation to "enter a coupon code" during the online buying process. The most common shape is a box where customers can enter a code. If a valid code is entered, the price is reduced or a free item or service is added. In the offline world, most retailers do not ask customers "Do you have a coupon?", because it might annoy those who do not have one. This request may influence shoppers' perceptions and purchasing behaviors and especially cart abandonment. The studies mentioned above report that many customers who do not have a code do not complete the buying process, thereby creating significant losses for the e-tailer. While considerable research has been conducted on the differences between online and offline promotions (Zhang and Wedel, 2009), to our knowledge no academic research has yet focused on the method of prompting for promotional codes online.

Our starting assumption is the following: for a consumer, a prompt for a promotional code can be an indication of discrimination and thus the possibility that there may be cheaper prices elsewhere (existence of a nondiscriminating competitor on the market). Consumers trade off between the expected costs of seeking a lower price and the expected gains resulting from the price search (Gastwirth, 1976; Stigler, 1961). However, for online shopping the cost of seeking a lower price appears low since customers can use search engines to reduce their search time free of charge. Consequently, prompting for a promotional code may encourage consumers who lack a code to halt the buying process and seek a lower price from a competitor. However, the negative effects of these prompts for a code might be diminished by:

Hypothesis - Direct effects

Commitment theory: this theory (Kiesler, 1971) explains the psychological difficulty of giving up a behavioral process when the preliminary stages have been completed, even if the efforts requested during subsequent stages are higher. In the online

buying process, the time an individual spends on a search or the fact that he/she agrees to provide personal data can be considered as a foot-in-the-door, which is a kind of preliminary commitment (Freedman and Fraser, 1966). The application of this theory then leads to the following question: "When should we prompt for promotional codes?" We therefore assume that the later the promotional code is asked for, i.e., the more stages of the buying process that have been completed, the less likely customers will be to abandon their cart.

H1: The later (vs. the earlier) the prompt for a promotional code occurs, the less (vs. the more) customers tend to abandon the buying process

Goal structure: several research studies in marketing (Bagozzi and Dholakia, 1999; Pieters et al. 1995) highlight the key role played by goal structure in consumer behavior. These works show that goal achievement generally implies the breaking down of a goal into a means-ends chain of tasks (or sub-goals) that are perceived as interrelated. A similar conclusion derives from work conducted in the field of motivational psychology by Atkinson and Feather (1966) and by Raynor (1969). The latter author argues that in a chain of "related" tasks (contingent path), the completion of each task is necessary and sufficient for the continuation of the chain, which leads to achieving the ultimate goal. Also, during an online purchase, prompting a customer for a promotional code may be seen as a failure in a chain of interrelated tasks leading to the purchase. Thus the perception of a failure may lead to stopping the buying process and to abandoning the cart, or to starting a code search in order to avoid a failure. Moreover, since in most cultures individuals read from top to bottom, they probably perceive a task located above another one as earlier in the buying process. Thus when a prompt for a promotional code is located above the purchase confirmation, customers may halt the buying process. Conversely, if the prompt is located below the purchase confirmation, they would tend to confirm the purchase and move on to the next step. In this case, possessing a promotional code is no longer perceived as a necessary precondition for confirming the purchase and thus for continuing the buying process. We then obtain:

H2: When the prompt for a promotional code is located below (vs. above) the purchase confirmation button, customers are less (vs. more) likely to abandon the buying process.

Hypothesis - Moderating effects

Curiosity: the literature on curiosity (Litman and Jimerson, 2004; Litman and Silvia, 2006), suggests that a prompt for a promotional code when customers do not have one may be experienced as a deprivation. The related feeling of uncertainty can motivate a search for information in order to solve a problem. This refers to a manifestation of curiosity related to a feeling of deprivation, in contrast to the pleasure of finding information. Three factors can explain this feeling: (1) a need to feel competent, (2) the annoyance experienced when information is inaccessible, and (3) a sense of urgency in resolving a problem. Ultimately, curiosity as defined here is the desire for new information caused by a novel, complex, and ambiguous stimulus, i.e., a prompt for a promotional code. Customers experience unpleasant states of uncertainty and are motivated to acquire new information to reduce these states. Curiosity, then, leads individuals to adopt exploratory behaviors (for instance, a search for promotional codes) and thereby avoid being deprived of information. Thus:

H3a: The hypothesized effect in H1 is strengthened (vs. weakened) for customers who score low (vs. high) in curiosity.

H3b: The hypothesized effect in H2 is strengthened (vs. weakened) for customers who score low (vs. high) in curiosity.

Deal proneness: consumer deal proneness is defined as a general proneness to respond to promotions because they are presented in the form of a deal (Lichtenstein, Netemeyer and Burton, 1995). Faced with a prompt for a promotional code, deal-prone customers who do not have a code would be more aware of a potential loss and more likely to abandon the search for a code, regardless of the stage and location of the prompting. Moreover, Kukar-Kinney and Close (2010) show that consumers who score high on concern with the total cost of the order, a variable probably related to price sensitivity and deal proneness (Gázquez-Abad and Sánchez-Pérez, 2009), are more likely to abandon their carts. We assume that when customers lack a promotional code, a prompt for it would emphasize the idea that they might pay a lower price elsewhere. Thus:

H4a: The hypothesized effect in H1 is strengthened (vs. weakened) for customers who score low (vs. high) in deal proneness.

H4b: The hypothesized effect in H2 is strengthened (vs. weakened) for customers who score low (vs. high) in deal proneness.

Experiment

Since our objective is to examine whether the stage and the location of a prompt for a promotional code may imply different consumer responses in the online buying process, an experiment was designed to address our predictions. A 2 x 3 matrix of choices was set up, i.e., 2 (stage of the prompt: before identification/after identification) x 3 (location of the prompt: below the purchase confirmation button/above the purchase confirmation button/no prompt). Undergraduate students were then randomly assigned to six corresponding versions of a fictitious website. In one half of the sample, the participants had a promotional code whereas in the other half, they did not have a code. Our experimental design thus includes 12 cells

corresponding to 12 different customer experiences on a website. The pages of the fictitious digital photo-processing website were designed by a professional webmaster. The two independent variables (the stage and location of the prompt for a code) are manipulated in the website as presented in the table below, and all other features of the website stimuli are identical. During a web browsing session on the digital photo-processing website, participants were asked to customize a mug with their photo and to proceed to the buying process. They were free to disconnect whenever they wanted to.

In addition to the above-mentioned effects, we assume that reactions to a prompt for a promotional code (abandonment of the cart, procrastination and search for a promotional code, or checkout) might depend on 1) the reason for the visit; 2) the customer's involvement in the product category; 3) the existence of alternatives on the market; and 4) the customer's relationship to the brand. Thus in our experiment individuals were assumed to have the same planned behavior: to order a customized product with their photo (low involvement) on a fictitious website (no relationship with the brand) for digital photo-processing (existence of alternatives). At the end of the browsing stage (checkout or disconnection), participants were asked (i) to give the reason(s) why they had abandoned or continued with the buying process, and (ii) to complete a questionnaire measuring their level of deal-proneness (Lichtenstein, Netemeyer, and Burton, 1995), their concern with the total cost (Kukar-Kinney and Close, 2010), their curiosity (Litman and Jimerson, 2004), and their grading on a set of socio-demographic parameters which are believed to play a role (Dennis et al., 2009).

Condition	Task	Customer experiences	Order steps		
			Step 1	Step 2	Step 3
Code / no code	Customizing and buying a mug	Website 1	Identification	Prompting for the code BELOW the purchase confirmation	Checkout and payment
		Website 2	Identification	Prompting for the code ABOVE the purchase confirmation	
		Website 3	Prompting for the code ABOVE the purchase confirmation	Identification	
		Website 4	Prompting for the code BELOW the purchase confirmation	Identification	
		Website 5	Identification	No prompting for code	
		Website 6	No prompting for code	Identification	

CONCLUSIONS AND IMPLICATIONS FOR THEORY AND PRACTICE

Although data collection is still in progress, we expect that our findings will extend recent digital and interactive marketing research. In this regard, we should observe that if the purpose of sales promotion is to generate a behavior (i.e., purchasing and avoiding cart abandonment), prompting for online promotional codes may produce the opposite effect (i.e., abandonment of the purchasing process). We believe that our research will lead to practical solutions for website managers concerning the optimization of prompting for promotional codes, and especially concerning the stage and the location for doing it. Our research is aimed at reducing cart abandonment, an area in which investigation is especially relevant today.

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NEW CHALLENGES FOR THE INTERNATIONALIZATION OF FIRMS. ITALIAN COMPANIES IN CHINA: BUSINESS MODELS AND MARKET POLICIES

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ABSTRACT

The emergence of markets such as China opens new opportunities in the internationalization process. For companies, especially for small and medium sized enterprises, the international context is a challenge to be faced by mobilizing and sharing the resources and knowledge of other players. This is subject to establishing strategic relations, in both the internal and foreign markets, which affect the entire corporate supply chain.

This theme was investigated by means of a study of a sample of companies operating in or for the Chinese market. The work provides managerial implications based on an evolutionary model to understand firm behavior in international markets.

INTRODUCTION

Changes in the national and international economic context and the opening of markets has guided the activities not of only large firms, but also those of small and medium-sized enterprises, beyond national borders. New opportunities and challenges have emerged from this global scenario and especially the need for a new approach to markets, no longer based on the traditional competition logic (Harold et al., 2000).

Numerous theories and empirical researches have been suggested in an attempt to delineate the internationalization processes and identify suitable methods and models. What emerges is that, while economic theory has investigated the determinants of these processes for some time now, in an attempt to determine the reasons and underlying motivations of trade between countries, there is still a remarkable diversity in the contributions and a fundamental lack of a common and shared foundation especially as concerns SMEs (Melin, 1992). In fact, there is no form of modeling that has offered specific support for this category of firms (Etemad, 2004). The majority of studies have focused on larger enterprises and on multinational companies, often in specific countries (Zwart, Gankema, 1990). As a result, traditional theories applied to different situations and dimensions are associated to the internationalization process of SMEs.

In particular, classic theory on internationalization describes commercial exchanges as a source of comparative advantages among parties (Smith, 1776; Ricardo, 1817) in terms of production factors (Olhin, 1933), technological innovations (Posner, 1961), intangible assets (Linder, 1961) or the presence of specific advantages (compared to competitors, advantages of internationalization, advantages of location) that are able to guide direct foreign investments (Hymer, 1976; Dunning, 1988).

In most subsequent theoretical contributions instead, internationalization is seen as a process of progressive and incremental development in terms of both risk and investment and entrepreneurial involvement. Specifically, for SMEs this path seems to be linked to the type and quantity of resources available in terms of innovation, know-how, technology, etc. (Leonidou, Katsikeas, 1996). Precisely because of progressive international involvement, the internationalization of enterprises is described as a multidimensional concept composed of operational, market, product, and time and performance variables. The strategic choices are instead influenced by factors such as economies of experience, information needs, the selection of entry methods, the effects of cultural distance, etc. According to this perspective, the adoption of international openness by SMEs is only subsequent to the achievement of a solid and competitive position in their own market. International expansion is thus understood as a means and strategy of growth (Cavusgil, 1980; Ruzzier, Antoncic, Hisrich, 2007).

A matter of particular importance for firms in international contexts is the cultural distance between the parties. The cultural aspects to consider for a correct approach to the markets concern the individual factors of the participants, the cultural dimensions of the specific firm and the national cultural factors to which the firm belongs (Kostova, Zaheer, 1999; Usunier, 1996; Ghauri, Usunier, 2003). They reflect the way in which people express themselves in terms of symbols, views on time and considerations on space and related dimensions (Usunier, Lee, 2005). Culture also permeates all the elements of the marketing mix and the validity of these elements must be assessed in the specific cultural context, both in B2B and B2C markets (De Burca, Fletcher, Brown, 2004).

In support of the effects of cultural distance, international literature often stresses that companies first approach the internationalization process towards countries that are perceived as culturally near, before venturing into countries perceived as more distant (which could be China), in order to reduce the level of uncertainty (Johanson, Vahlne, 1992). This is why firms often tend to export to seemingly similar countries. A consequence is that products are exported in the same way as they are distributed on the national market, without making the adjustments required (O'Grady, 1996).

Further contributions highlight how the traditional Italian industrial structure, with a host of mainly family-based SMEs, establishes internationalization based on artisan experience and production specialization (Cedrola, 2005). More specifically, research and scientific production in the Italian context can be grouped into several macro areas:

- local district production systems and networks and internationalization processes (Rullani, 2006; Musso, 2006; Chiarvesio, Di Maria, 2009)
- analysis of competitive factors determining international openness (Varaldo, Ferrucci, 1997; Caroli, Lipparini, 2002; Marcone 2005)
- the relationship between ownership structure and access to foreign markets (Becchetti, Gonzales, 2001; Gallo et al., 2002)
- age and size in foreign development (Bonaccorsi 1992; Ferragina, Quintieri, 2001)
- characteristics of the governance system and internationalization processes (Compagno, 2003)
- entry method, Italian SME internationalization strategies and models (Mariotti, Mutinelli, 2001; Bontempi, Prodi, 2009; Zanni, Zucchella, 2009)
- subjects, relations and international management of the value chain (Pepe, Musso, 2009; Cerutti, Delbufalo, 2009; Belussi, Samara, Sedita, 2009).

Other scholars (e.g. Rullani, 2002, Cantù, Gavinelli, 2009) highlight how the territory is a vital resource because its own infrastructure, human resources and tax concessions support local development. In particular, Garofoli (2003) focuses on resources based on social relations and on the cultural environment. A key role is thus recognized to social relations, which affect the entry procedures to international markets, as the drivers of the development of interconnections between the various areas, support for the development of knowledge and reducing the risk and uncertainty of international markets. In light of this, commercial and production internationalization depends on the ability of firms to adapt to the context in which they operate and gradual learn in terms of experiential knowledge (Eriksson, Johansson, Majkgård, 1997). The aim is to reduce the information gap on international markets and become familiar with the conditions in the host country (Hostende 1980).

Finally, a growing number of contributions argue that Italian firms should rely on the exploitation of existing market relations (personal or interorganizational) between firms involved in the production, distribution and use of goods and services within an industrial system. According to these contributions, firms establish and cultivate relations with partners belonging to foreign networks to overcome their own limitations. In so doing, they influence and guide the internationalization process (Madhok, 1997; Cedrola, 2006; Cedrola, Cantù, Gavinelli, 2009). The collaborative and network approach should therefore be adopted to link the various actors involved in the production and commercialization processes of a product and/or service. This helps to redefine the value chain and to achieve profitable results in international markets. With these premises, the network becomes an instrument of governance (Belussi, 2007) able to manage cooperation between firms with various resources, skills and heterogeneity towards learning by interacting processes (Belussi, Pilotti, 2006; Zucchella, 2006).

RESEARCH OBJECTIVES AND METHODOLOGY

This paper proposes describing how Italian firms approach the Chinese market and in particular, how they have changed their business model to face the challenges presented by this market. The collaboration and cooperation arrangements existing between the actors along the business value chain is the focus of the analysis. The results are based on qualitative research that investigated a sample of 31 Italian firms operating in different industrial sectors. In-depth interviews were carried out with managers with various business functions such as CEOs, marketing managers and export managers.

The interviews began in the second quarter of 2009 and focused on the following issues:

- the company characteristics and business models (origin and evolution of the firm, organizational structure and offer);
- decision-making strategies and processes for the Chinese market;

- collaborative relations along the business value chain (the actors involved and their role, activities carried out, resources used, types of relations);
- competences required, or those to be developed, to successfully operate in China.

The outline of the interview was sent via email prior to interviewing the companies involved in the research. A short report follows on the characteristics of the 31 companies investigated and the particularities of their operations in China. Subsequently the companies are positioned in an interpretative model proposed for the analysis of firm behavior in the Chinese market, together with a critical analysis of their positioning.

RESULTS AND FUTURE PERSPECTIVES

The evidence relating to 31 large, medium and small-size companies operating for and/or in the Chinese market is presented herewith following. [Table 1](#) summarizes for each company investigated the industry of belonging, the size characteristics of the company, the strengths, the number of years in China, and the current for entry modes. The synthesis advances clarification of the orientation to the Chinese market, considering both the behavioral approach to international markets and the theme of trust and collaboration, and the strategic approach to the market in terms of strategy and marketing mix localization.

The analysis has allowed us to validate an interpretative model to understand the behavior of firms beyond national borders (Battaglia, Cedrola, 2010). This model is shown in [Figure 1](#), the abscissa illustrates the strategic development of internationalization, the vertical axis represents the managerial evolution of companies towards the market while the Z-axis illustrates the product and process innovations of the companies themselves.

Describing the X-axis from origin, in first place are enterprises with an opportunistic approach to the market. This implies the sale of excess-production across the border, the occasional satisfaction of requests coming from outside and the search for pure production efficiency. Continuing along the X-axis are companies that follow a tailor-made approach, they create a totally new or modified product in accordance with the demands of each single customer. The operational logic, mainly based on manufacturing, foresees the implementation of product specifications dictated by or agreed with the customer. Contracts or commissioned projects are included in this context. Often these two approaches correspond to the initial internationalization methods of firms that do not yet present themselves strategically to the markets. In fact, in this area are both firms in search of savings and low-cost efficiency, and firms with production capacity that try to exploit a new and very promising emerging market. For example, companies falling into this category are "made in Italy" firms that exploit sales opportunities tout court across the border. Other companies in the "specialization" area have completely changed their business behavior according to two approaches. One is the niche approach, having as a reference model the "German hidden champions", defined as small, highly competitive, little-known firms operating in niche markets at world level (Simon, 1996). The other approach focuses on drivers such as design, specialization and technological leadership. Falling into this group are "Made in Italy" companies that address the markets strategically, operating, for example, on the basis of a strong brand or consolidated their technological or country image.

A further group of firms defines and adapts their offer according to the market of destination, in addition to having their own consolidated expertise in the specialization area (localization approach). This implies total or partial modifications of their marketing mix (product, communication and service), as well as the way to do business (organization, management of resources, work method, temporal distribution of activities and processes), in order to meet the specific cultural differences of the countries or markets. The localization of the marketing mix and the resulting adaptation of internal businesses processes are not sufficient to ensure the sustainability of the business and the synchronization between supply and market at international level. Thus, the behavior of firms towards the markets and the firm culture also assume importance. These two variables, indicated on the Y-axis, show the tendency of the company to work autonomously or in collaboration with other national or international subjects belonging, or not, to the production chain. The position on this axis expresses the pervasiveness of collaboration on a production/export level in the case of districts and consortia, and on a strategic cooperation and partnership level in the case of networks. The willingness to cooperate leads to the themes of trust and firm culture: an entrepreneur who does not delegate will not readily collaborate in an attempt to seize opportunities. In this case, the negotiation strategy is distributive, leading to a "win-lose" type logic where the tension is focused on maximizing individual or business objectives. Information exchange will be minimal and related only to essential data, since the objective is the collection of the greatest amount of information possible from the counterparty (Ghuri, Usunier, 2003).

The interpretative model proposed is the starting point to position the firms investigated on the axes ([Fig. 2](#)).

Quadrant D of the matrix includes firms that best interpret the relationship with the Chinese market, expressing a balance between product-process-market and relations with the Chinese system. The top part of the quadrant highlights the companies [4,1,12,14,31] that have invested strategically in the Chinese market mainly in the wake of their international customers but simultaneously developing Chinese customers. All have introduced highly innovative products and processes into China, also developing less technologically advanced products suitable for the local market (developing) and some international markets. Elements that unite the firms in this cluster are: in situ production (with WFOE structures) mostly for the Chinese market and intense relations developed with suppliers, distributors and customers, and with institutions and government agencies. The four companies operate in the automotive supplier market as OEM suppliers (original equipment manufacturer) of Chinese and international brands. Some of these also operate in the after market providing [4] a pre and post sales assistance service through a dedicated assistance network.

On the left side of quadrant D are firms that, although having established relations on the territory for the management of the business, give priority in their operations to the specialization component, be it technical, product or image related. These companies belong to very heterogeneous sectors (from electronics, to valves, to automation) and generally favor the technological dimension. Only one company [2] is in the traditional "Made in Italy" sector, namely, the shoe industry. All the other companies in the "Made in Italy" sector investigated instead are positioned in other areas of the matrix, highlighting a minor adjustment of the marketing mix, limited partnerships, lesser proximity to the markets and, often, a significant degree of self-reference. Returning to discuss the features of companies in the left part of quadrant D, we note that collaborations and relations have become an integral part of their operations in China in order to adapt their innovations to the particularities of the market. At the same time, we note the critical issue of the protection of know-how that explains the location of many companies in the lower part of the quadrant. Here we find companies operating in Chinese JVs, often with minority shares, which do not predominate over the relationship with the company (internal) and with the market.

Firms that instead have the greatest difficulty in establishing direct managerial figures (Italian or Chinese) in Chinese organizational units and that are still based on the "trusted individual" are in the cluster closest to the centre of the matrix. Critical in this case is distribution management, all too often dependent on only a few individuals, although trusted, and of local origin.

When turning our attention to the lower quadrant (C), companies belonging to different sectors marked by high levels of specialization that do not yet consider it opportune to invest in relations and collaborations are also evidenced. The reasons may be their recent approach to the Chinese market [26,3], or the marked self-reference linked to the strength of the brand [17] or, above all, an enterprise culture anchored to the figure of the entrepreneurial group and to the district of belonging with its relative manufacturing culture.

Preceding this position is the tailor-made area, which includes companies operating entirely on commissions, leaving room for a minimum level of cooperation, especially with customers and with the local labour force. The relations in this case are targeted and superficial, since they are not load-bearing elements of the business model.

Finally, in the vicinity of the ordinate axis - the opportunistic approach - three firms are located (11, 15, 25): the first two belong to the food sector and the third to the metallurgical sector. Collaborations in these cases were put in place with some distributors and local caterers or, occasionally, with the Italian Institute for Foreign Trade and the Chamber of Commerce (missions of Italian firms in China). Or again with Chinese private or state partners for the implementation of JVs that after a satisfactory initial takeoff (around 30 years ago) have declined, relinquishing their presence in China as purely opportunistic.

CONCLUSION

The empirical analysis shows that the Italian firms investigated demonstrate increasingly proactive behavior towards international markets in agreement with that highlighted by the most recent developments in both national and international literature on the theme of foreign market strategies. Furthermore, the analysis shows a change in the attitude of enterprises, particularly in terms of geographically distant countries such as China: smaller companies also tend to listen to and understand the markets of interest, getting closer to the local culture, adapting to it and therefore adapting their own businesses not only in terms of their internal structure but also all the marketing mix levers, often thanks to the support of the strategic actors in situ. These adjustments and behaviors although often geared to regulatory, bureaucratic or protective type needs or to the target markets, is however pushing firms to endow themselves with new resources and structures compared to their historic roots and firm culture.

The results of the analysis confirm the importance of collaborations between the various actors located in China and their key role for the success of many activities along the value chain. Business relations become a key element to investigate the needs of foreign customers, to recognize the dynamics of the international context and to identify business partners. Both horizontal and vertical (intra-organizational) relations become critical. Horizontal relations are established between similar businesses in the area (such as Italian companies located in the region, etc.) and also between the corresponding levels of the hierarchy of companies and institutions, in particular in countries characterized by a greater distance from power (Hofstede, 2001; Herbig 2003). Vertical relations should be developed along the value chain, thus between the suppliers of raw materials, suppliers of services, customer or distributors and the holders of institutional power. These relations should be defined at all levels. Inter-organizational relations on all levels of the firm also prove relevant. To manage the complex relationships indicated above requires having a well-trained team prepared to face and deal with the counterparties of distant cultures in order to achieve sustainable development over time.

In short, the adaptation of a company and its products to the needs, values and expectations of a distant country (geographically and culturally) requires the implementation of a path that involves all the processes (decision-making, management, organizational and marketing) and all the people that work directly or indirectly with foreign countries, on the different levels of hierarchy, irrespective of firm size (Cedrola, Battaglia and Tzannis, 2009).

To operate in China, cutting edge technology and a quality product or strong brand, are often a necessary but not sufficient condition, especially when aiming for a significant and continuous presence over time. It is indispensable for companies, even smaller firms, to work on relations on all levels of the supply chain and with the bearers of local interest, whether government agencies, universities, customs organizations or partners at different levels. These relations also favor the development of trust between operators, not to be construed as unconditional trust, but as a willingness to understand each other, to share, to work together towards a common long-term goal.

Finally, the interviews revealed that the positions of excellence reached by companies [quadrant D] are the result of an evolutionary path independent of the market entry strategy. The firms that interpret the Chinese market from a strategic perspective have progressively worked towards involving China and the Chinese, moving from simple methods - individual commercial relations, representative agencies, etc. – to more demanding methods both in terms of economic and relational investments such as joint ventures and direct investments (WFOE) through acquisitions or green fields. This is the recipe of Italian best practice in China. They evolved their business model centered on the Italian market and on the Italian needs to a new model focused at the meantime on:

- specialization
- knowledge of the market and localization of the marketing mix
- relationships along the whole supply chain
- involvement of the local actors in the process of innovation and production.

The influence of the new management model can be measured in the increasing of the revenue and market share in China, the reduction of the turnover of the employees, the strengthening of local and national relationships. So this firms operate in China with Chinese managers and employees, not only to reduce the production costs, in order to better satisfy consumer and client needs.

The research on the internationalization of Italian enterprises in China will not only be dedicated to bridging some of the gaps of this current work, namely the representative extension of the analysis to all sectors and geographical areas but also to broaden the analysis of the results obtained.

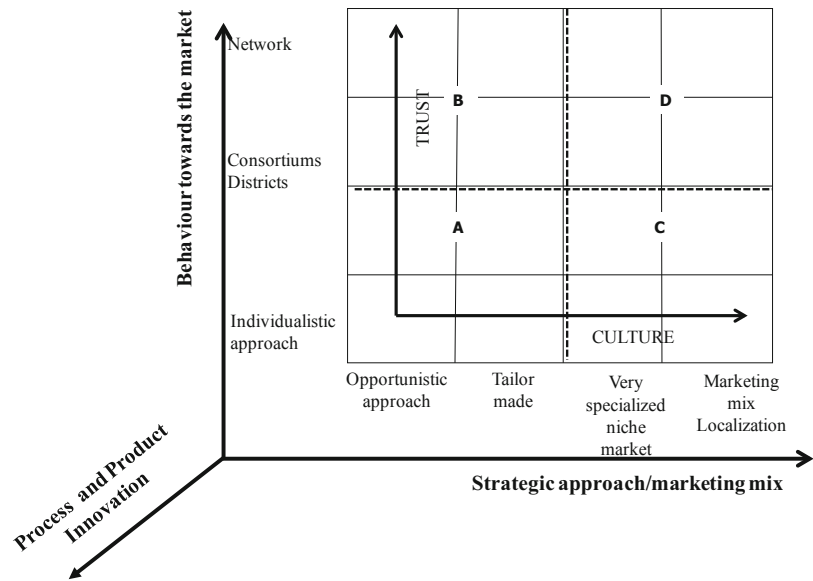
TABLES

Table 1: The main characteristics of the 31 enterprises operating in China

N°	Industry	Turnover (mill. €)	Number of employees	Strengths	Years in China	Current procedures for the entry in China
1	Electronics (security systems)	116	700	Product, process and market innovation	15	WFOE (research and production)
2	Shoe manufacturing	57	100	Relations with suppliers and distributors	4	Direct exports through distributors and multi-brand stores
3	Engineering (machines to fill extinguishers)	2	6	Product quality, technological reputation	2	Direct exports through exclusive agent
4	Ecological batteries and cars	60	300	Product quality –technological development - pre and post sales service	15	WFOE + JV
5	Oil and gas transport casings + thermal insulation	350	2000	Commercial synergies – product quality and reliability	17	JV
6	Automation (parking and automatic elevators)	125	150	Quality –technology - Know- how - services	2	Subsidiary
7	Engineering (control systems and valves)	24	160	Product quality, pre and post sales assistance	22	Subsidiary + assembly units
8	Hydro-thermo sanitary (valves and components)	260	950	Innovation – quality - human resource development - pre and post sales services	17	Representative office + trading company
9	Engineering (paper, cardboard, cellophane)	35	114	Technology –product customizing - service	6	Representative office
10	Refrigeration rooms, plants	120	750	Technology -specialization-quality-design	20	WFOE + JV
11	Food (pasta production)	230	444	Product quality, tradition + innovation	13	Direct exports
12	Automotive (high-technology components)	5000	28000	Technology and innovation -flexibility – resource involvement	14	3 WFOE + JV
13	Engineering (laser machines and sheet metal)	176	1400	Technology and innovation- niche product - relations	16	3 JVs +
14	Car and industry tires	4.100	29570	Technology - quality - relations with the partners	5	JV + WFOE
15	Food (rice production)	110	137	Technology-quality- investment in R&D	12	Direct exports
16	Design and construction of large plants	1200	in China 270	Organization- safety standards - efficiency	5	WFOE (green field)
17	Household pressed metal	100	500	Design - quality-global product	- -	Direct exports with a representative office in Hong Kong
18	Lighting engineering	168	1217	Product quality -innovation-design-human resources	6	WFOE
19	Special fertilizers (low environmental impact)	75	268	Quality-investments in research	8	Indirect exports + WFOE (acquired companies)
20	Packaging and chemical (cellulose acetate)	2130	887	Technological development -research	20	WFOE
21	Aluminum finishing	20	44	Technology -research and development-quality	20	WFOE + Hong Kong subsidiary
22	Rubber chemical	44	170	Product range –design - value for money - relation	7	Trade company + production plant in JV
23	Engineering	240	969	Fast delivery times - research centers and laboratories	8	Green field JV (25%)
24	Textile engineering	26	78	Niche product	30	Direct exports + JV (assembly)
25	Metallurgical	16	76	Product quality - production efficiency	30	JV (one of the first Italian in China)
26	Chemical -cosmetic	3.6	23	Product quality - post sales assistance - innovation - flexibility	2	Export through intermediaries
27	Electronic	97	581	Service, product quality, efficiency	9	Acquisition company branch
28	Engineering (valves)	132	700	Production costs, safety and quality standards, research and development, personalization	5	Acquisition of local businesses, JV
29	Pneumatic automation	93	384	Quality, innovation, flexibility, pre and post sales service	13	Subsidiary + assembly units + acquisitions in other sectors
30	Engineering	19	60	Innovation, quality and safety, production flexibility	2	WFOE (production and assembly)
31	Engineering-automotive filters and others	230	2800 (2200 in China)	Quality - customer service - technology-investments in the Chinese market	13	WFOE with 4 factories

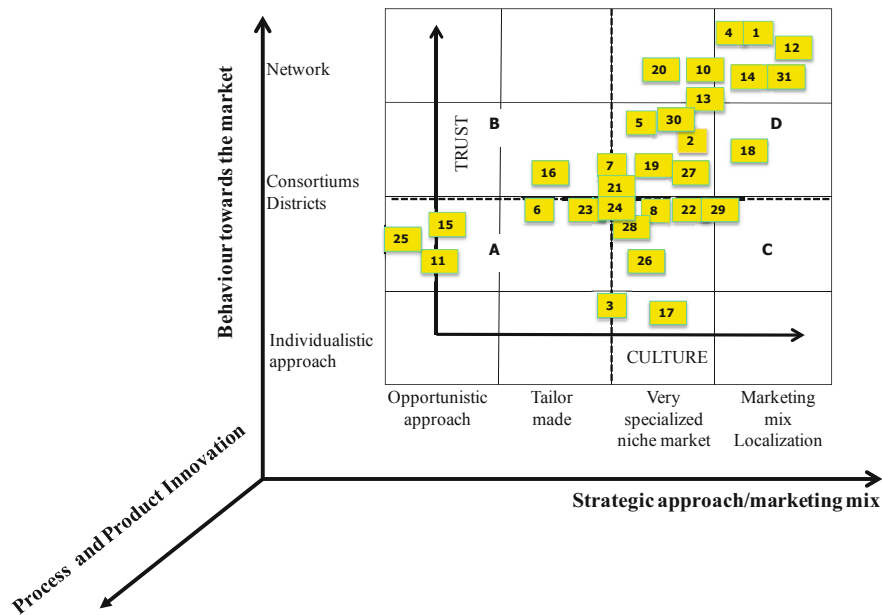
FIGURES

Figure 1: A strategic model for sustainable internationalization



Source: adapted from Battaglia, Cedrola 2010

Figure 2: The positioning of the case studies



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BRAND ARCHITECTURE WITHIN THE PHARMACEUTICAL INDUSTRY

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ABSTRACT

The pharmaceutical industry is confronted with high competition, decreasing growth rates and a lower number of new ingredients. These changes raise the question whether the current innovation and product-oriented business model is the right one to face future challenges. One of the most important constituents of change is to be able to manage all pharmaceutical brands within the complex pharmaceutical customer network. This calls for a systematic pharmaceutical brand architecture approach, which is still missing today. For this purpose a highly diversified brand architecture process is affiliated and structured in general and transmitted to the pharmaceutical industry. The research purpose based on derived evaluation criteria for the constitution of pharmaceutical brand architecture is affiliated. It states extensive upcoming empirical research which deals with the quantitative evaluation of pharmaceutical brand architecture.

INTRODUCTION

Due to the dwindling growth rate and the absence of new innovative inputs coupled with the cut-throat competition, the pharmaceutical industry is in a precarious position. There are a number of evidences supported by research studies that show that in the near future a high volume of patents will be expiring (Bernard 2009, Illert and Emmerich 2008) and the heydays of blockbuster drugs with billion dollar sales and profit margins of sometimes more than 50% seem to be almost over (Scott 2008).

In such a situation, the most promising approach would be the creation of robust brands with a distinct personality geared towards providing an additional value. The same principle applies to drugs as well (Kapferer 1997a). One of the most important and necessary constituents is to be able to coordinate, communicate and address all the existing brands to the different stakeholders (cp. Chapter 2) (Chailan 2008; Rajagopal 2007). Especially as a consistent sender for brand messages brands are getting more and more crucial in an industry, which needs to become customer-centric instead of the current product orientation (Burmman, Meurer, and Kanitz 2011). This requires a systematic approach of strategic pharmaceutical brand management, especially the management of the brand architecture (Friedman 2008). Brand architecture specifies the structure of the brand portfolio and the scope, roles and interrelationships of the portfolio brands. The goals are to create synergy, leverage and clarity in the portfolio as well as relevant, differentiated and energized brands (Aaker 2004). In this context the brand portfolio includes all the brands and subbrands attached to product-market-offerings, including co-brands with other firms (Aaker and Joachimsthaler 2000). Admittedly, there are a few research investigations that dealt with pharma-specific brand topics. However, the concept of pharmaceutical brand architecture has not been studied in its entirety, yet.

Therefore, the aim of this paper is to develop a theoretical framework for pharmaceutical brand architecture as a base for an empirical evaluation and validation. For this purpose a short overview of the current state of research on pharmaceutical brand architecture is given. The general process of brand architecture will be interpreted according to the specific requirements of the pharmaceutical industry. Criteria for evaluating brand architecture strategies will also be derived. The study wraps up with the discussion of future empirical research.

CURRENT STATE OF RESEARCH

Some studies already concentrated on brand management in a pharmaceutical context. However, performance measures were only applied for single brands without a broader view on the brand portfolio including the brand architecture (Tebbey, Bergheiser, and Mattick 2009). Also brand recognition was investigated for brands in the US for direct-to-consumer-advertising (Ladha 2007). It was further tried to transfer theories of consumer brand management to pharmaceutical brand management, as presented in a study by Kapferer (1997a). It concludes that in view of a physician a pharmaceutical product gives a certain efficacy while a brand has a certain personality and is able to give additional value to the brand to enhance differentiation from other competitors (Kapferer 1997a). Branding and especially the field of brand architecture could represent a new competitive advantage in the pharmaceutical sector and the possibility to extend marketing and branding strategies (Schuiling and Moss 2004).

The main premise for using this advantage is a systematic approach of outlining a pharma-specific brand portfolio to set competitive strategies for a profitable brand architecture against diminishing pharmaceutical sales. Moss did a first step to create a structure of pharmaceutical brands through adapting existing brand management models from Aaker (1996) and Kapferer (1997b) to the pharmaceutical industry (Moss 2007). But the approach to start with a brand *strategy* hierarchy seems to be one step further from the initial approach to create a brand hierarchy for the different pharmaceutical brands followed by the development of a brand architecture. Especially the two dimensions of the Kapferer (1997b) model are not free of contradiction. While the indicator of origin does not have to be an indicator for the strength of potential corporate brands also the product differentiation does not have to be an indicator for the strength of product brands either. For purposes of clarity [figure 1](#) is given below.

An illustration: A specified biopharmaceutical company could be known for innovative drugs within a very small and specific therapy area, but instead of the single drug the corporate brand is the strong brand that drives differentiation. During the first years after foundation Genentech was an example for this relationship (Genentech 2011). In this example the product differentiation is as high as the indicator of origin, a relationship that is not considered in the model. A further example demonstrates the other way around. A me-too drug (not necessarily a generic drug) within a therapy area can be branded professionally as a single drug without any reference to the corporate brand. This works very well within the pharmaceutical industry with products whose original competitors suffered from bad research results within the marketing phase. These products lost their innovative advantage through disadvantageous publicity and the me-too drug is the profiteer. In this example the product differentiation is as low as the indicator of origin, a formation that is not considered in the model either. These two examples have outlined the constraints of this model, especially regarding the fact that a brand hierarchy should be set in advance. Therefore, in the first step a general process of brand architecture has to be derived from the literature.

DERIVATION OF THE GENERAL PROCESS OF BRAND ARCHITECTURE

The literature on brand architecture offers a wide range of different approaches (Strebinger 2008). Hence, the relevant and most cited brand architecture approaches were evaluated from the works of Laforet and Saunders (1994; 1999; 2005; 2007), Aaker (1996), Meffert and Burmann (1996), Kapferer (1997b), Keller (1998), Esch and Bräutigam (2001), Bräutigam (2004), Strebinger (2004; 2008) and Muzellec and Lambkin (2009). It was then possible, as a result, to come up with a general process of brand architecture. The process consists of the following four steps: (1) hierarchizing brand portfolios; (2) strategic development of brand architecture (identifying courses of action and evaluating and deciding courses of action); (3) translation of brand architecture into brand strategies; (4) monitoring.

First of all, the evaluation has shown, that a substantial separation of brand hierarchies and developing brand architectures is useful. Some of the approaches tend to mix steps of brand hierarchy and brand architecture strategies (i.e. Kapferer 1997b). Therefore these two steps are separated in the process of brand architecture. The structural perspective of hierarchizing a brand portfolio is the first step of the process. Especially the approach of Aaker (1996) uses a convenient brand hierarchy model, which will be the foundation for a further enhancement within the pharmaceutical context. Separated from the structural perspective the strategic perspective of brand architecture will be considered. It consists of the two steps (1) identifying courses of action of different brand architecture strategies and (2) evaluating and deciding courses of action with the help of derived decision criteria. The approaches of Esch and Bräutigam (2001) and Bräutigam (2004) offer a rather complete and substantially consistent brand architecture approach. However, especially the evaluation criteria suffer from significant dearth of research.

Furthermore, some of the approaches tend to integrate implementation-focused options into their brand architecture strategies. For example Aaker and Joachimsthaler (2000) have a complex model of brand architecture strategies with implementation strategies, such as linked name as part of the endorsed brands strategies (Aaker 2004). To ensure a strict separation an implementation-oriented perspective will be considered in the process. It translates the brand architecture into brand strategies. Another observation of the current literature was the focus on either the internal or the external perspective of the brand architecture. Esch and Bräutigam (2001), Bräutigam (2004) and Strebinger (2004; 2008) were the only authors who considered the observed brand architecture as grave. In due consideration of the identity-based brand management approach, which was developed parallel by Kapferer (1992), Aaker (1996) and Meffert and Burmann (1996) the process of brand architecture needs to consider the separation of an internal strategic-oriented perspective and an external effect-related perspective of the observed brand architecture. This offers a continuous monitoring of the traced brand architecture strategy. Therefore, the fourth step of the brand architecture process comprises the monitoring perspective. [Figure 2](#) illustrates the derived process of brand architecture, which will be discussed in detail for the case of the pharmaceutical industry in the next chapter.

Hierarchizing brand portfolios

In the first step, the model of brand portfolio hierarchy has to be adjusted for the pharmaceutical industry. To adapt the model the different shapes of brands within a company have to be identified. While the corporate brand which defines the corporation behind the product or service offering is fully consistent with the logic from Aaker most of the other brands have to be added into this logic (Aaker 1996). A range brand as a brand that ranges over several product classes for example can be the corporate brand itself, like GlaxoSmithKline, but it could also be a company brand which belongs to the corporate holding, like Sandoz from Novartis (Aaker 2004). Even pharmacy chains and pharmaceutical wholesalers as part of a pharmaceutical holding are conceivable. Product line brands as brands associated with the organization's specific product can be therapy area-specific brands which cover the whole product portfolio of a company within a specific therapy area like Henning, which is the umbrella brand of all thyroids drugs of sanofi Aventis. But it can also be interpreted as a group of brands in a therapy area which stands next to other brands in the same therapy area, e.g. Aspirin from Bayer as the product line brand over several subbrands with a direct connection to the ingredient acetylsalicylic acid and only an indirect connection to the therapy area because different therapy areas are covered with the entity (Moss 2007). Subbrands are basic product brands which refine product line brands such as Advair mite from GlaxoSmithKline, Aspirin Plus C from Bayer or L-Thyroxin Henning from sanofi aventis. Branded features and services finally delineate the brand (Aaker 1996). Examples from the pharmaceutical sector would be events as the diabetes day from NovoNordisk, Solostar insulin pen from sanofi aventis and the Advair discus from GlaxoSmithKline as medical devices. These features can have a significant effect on the perception of the brand and should also be considered in a brand hierarchy for pharmaceuticals. Therefore five levels of brands will be finally considered within the pharmaceutical brand hierarchy model: corporate brand, range brand, product line and therapy area brands, drug brand and branded drug features, device and service brands. Fig. 3 summarizes the hierarchical structure for the illustrative case of GlaxoSmithKline.

While the stakeholders of pharmaceutical companies are very multifaceted especially in the way they have to be addressed, the brand portfolio is also highly diversified (Schuiling and Moss 2004). Specific product brand characteristics of pharmaceuticals require a stronger delineation of several brands, e.g. the degree of innovation. There is a significant difference between innovative original and generic "me-too" drugs within their brand attitudes and possible strategies of differentiation. Prescription drugs usually have a very restricted and short life cycle. Marketing investments are focused on short and midterm effects within the term of a patent (Moss 2008). Also the need of prescription restricts regulatory feasibilities. A differentiation between Rx drugs (drugs, which have to be prescribed by a physician) and OTC drugs (which are traded over the counter) seems necessary (Chandler and Owen 2002). Another dimension for differentiating drugs is the status of reimbursement. It is becoming more and more important because of increasing health care costs (Illert and Emmerich 2008; Tebbey, Bergheiser, and Mattick 2009). It covers whether the drug will be reimbursed by health insurance funds or not. Furthermore, the legal status covers, whether a drug is exclusively sold by pharmacies or not. In the current view especially OTC drugs are managed as consumer goods because of less restrictions and direct-to-consumer-advertising. The originator companies focus on their most important blockbuster brands and communicate mainly important medical information through the sales force at physicians (Stremersch and van Dyck 2009). A strategic brand management that includes the examination of different drug types within a brand portfolio is not implemented yet in the industry (Moss 2008).

The last paragraph highlighted the different types of already marketed products. In the pharmaceutical industry also the development of drugs has an important role in building significant brand perceptions (DeKoven, Hazard, Goldberg, and Pokras 2008). Stage II of the clinical trials focuses on the efficacy of the ingredient and stage III gives further information about security and efficacy reasons with a larger sample (FDA 2011). In these stages before market approval study results have to be published regularly. Physicians as one fraction of the addressees can get these information and form their opinion. These research results can have an influence on the drug perception of physicians. There is a first preference building process within the pre-marketing phase although the drug is not allowed to hold a branded name during this stage, therefore INNs (International Nonproprietary Names) are common (WHO 2011). Hence, the target product profile (TPP) concept is used for communicating the value of a future marketed drug in the research and development period (Tebbey and Rink 2009). A further dimension that frames the marketed drugs and drugs in development is the fact whether it is either a single-owned brand of one corporation or a shared brand owned by two or more companies. The number of research cooperations increases rapidly (Goncalves and Goncalves 2008; Schuiling and Moss 2004). Branding approaches could also differ between these two shapes (Moss 2008). Fig. 4 summarizes the different kinds of product brands relevant within the pharmaceutical industry.

Identifying courses of action

With the help of the hierarchical brand portfolio underlining brand architecture strategies can be discussed. Therefore an enhanced brand architecture approach will be used. The integration continuum vividly describes the two extremes of alternative brand architectures (Aaker and Joachimsthaler 2000). While in a house of brands strategy each independent stand-alone brand maximizes its impact on a market in a branded house strategy a master brand moves from being a primary driver to the dominant one, while the descriptive subbrand goes from having a minority role to little or none at all (Aaker 2004). In contrast to Aaker and Joachimsthaler (2000) courses of action in between should separate three different options, endorsed brands, co-drivers and subbrands. As overlapping is limited endorsed brands and subbrands can also be divided into two different sections each. Within the pharmaceutical market different shapes of brand architectures can be identified, depending on the present brand portfolio. [Figure 5](#) illustrates these different strategies based on former brand architecture approaches.

Generic companies for example usually have a brand portfolio, which consists of generic single-owned Rx and OTC drugs, which are already marketed. There is usually no need of communicating within the development stage because they are distributing already existing entities after their patent expiry. A branded house with a strong corporate respectively range brand is currently preferred within the generic industry because of less differentiating arguments on a product level. This causes the fact that differentiation on a product level usually is associated with clinical differentiation, which is not present for generic drugs. Examples for this peculiarity are Teva Pharmaceutical and Sandoz.

In the other extreme originator companies with high innovative original drugs (usually Rx) within term of patent have a strong focus on product brands and are representative for a house of brands strategy. Even in the development stage research results for the new ingredient branded with the INN will be published and build up preferences. This strategy continues within the patent life time with the branded name. The corporate brand is usually absent or at most a weak endorser of the branded appearance of the original drug. The differentiation is usually focused on clinical arguments, although a few drugs build an exception, e.g. Viagra from Pfizer, which is worse in efficacy than its competitors but has a much stronger brand which is based on emotional values (Pogoda 2003). However most original drugs are promoted as best in class regarding the underlying therapy area, such as Lipitor from Pfizer, Advair from GlaxoSmithKline or Lantus from sanofi aventis.

While a strong product brand offers the possibility for differentiation in a specific market, a strong corporate brand leverages the established brand and requires a minimum investment on each new offering (Aaker 1996; Aaker and Joachimsthaler 2000). Transferred to the pharmaceutical sector a strong product brand benefits from the ability to communicate the drug-specific advantages (mainly clinical) to the addressees (Moss 2008). The risk, that potential image losses of the corporate brand could cause strong negative effects through bad research results is low. On the other hand a strong corporate brand is usually more strategic and longterm oriented and stands for continuity and consistency in the management of a brand portfolio (Moss 2001). Also switches in the regulatory treatment of drugs are common. After patent expiry sometimes the management tries to realize an Rx-to-OTC switch to avoid the regulatory restrictions of Rx drugs (Ferrier 2001; Lyon 2001). A new strategy could be the implementation of therapy area brands (Moss 2001). These therapy area brands could combine advantages of corporate brands regarding the image transfer on the one hand and advantages of product brands regarding specific competency signals on the other hand.

Evaluating and deciding courses of action

For companies learning how to decide whether the current brand architecture is the right one is getting more and more crucial. Therefore, the derivation of decision criteria is necessary. In line with the identity-based brand management approach of Meffert and Burmann (1996) decision criteria will be divided in internal and external criteria. The first criterion investigates the internal acceptance by employees (Burmann and Zeplin 2005). A collective brand commitment and brand citizenship behavior of all employees is necessary regarding the overall brand portfolio (Smith, Organ, and Near 1983; Organ 1988; Podsakoff, Mackenzie, Paine, and Bachrach 2000). The second criterion measures the balance of risks founded on the portfolio theory of Markovitz (Markovitz 1952; Markovitz 1959; Sharpe, Alexander, and Bailey 1995). As the theory states, the diversification of risk on different parts of the portfolios reduces the total risk. Hence, a negative image transfer e.g. of umbrella brands can be reduced by using a house of brands strategy. The third internal criterion looks at the requirement of resources such as costs. Brand architecture strategies as house of brands with several product brands usually induce higher costs than a branded house with one single umbrella brand (Aaker 2004). There are also three external criteria. The first criterion investigates the external acceptance by the different stakeholders. Especially in the pharmaceutical industry with the complex pharmaceutical customer network consisting of physicians, patients, pharmacies, wholesalers, hospitals and payors,

such as health insurance funds this is an important issue (European Commission 2008). A second criterion concerns the market potential. It determines, whether the segment has to be marketed with an additional product brand or not. The last external criterion covers the strategic flexibility which is highly influenced by the used brand architecture (Teece, Pisano, and Shuen 1997). With the help of these criteria the brand architecture decision process can be managed.

Translation of brand architecture into brand strategies and monitoring

The third step of translating brand architecture into brand strategies covers the important link to every single brand within the brand portfolio. The implementation ranges from products in early research and trial phases to products marketed for decades even after their patent expiry. And as a result, within the fourth step of monitoring the observed brand architecture in view of the complex pharmaceutical customer network has to be investigated. Several concepts, which focus on manifest initiators of the brand architecture can be used for covering the effect-related perspective (Rao, Agarwal, and Dahlhoff 2004). These results have to be compared with the internally developed and implemented brand architecture strategy (Bräutigam 2004; Strebinger 2004; 2008). Potentially evolving gaps need to be closed through (1) adapting the brand architecture strategy or (2) adapting the implementation of the brand architecture.

There is no patent solution at all for a brand architecture of pharmaceutical companies. The fact, that through mergers within the value-added step but even across, brand portfolios of pharmaceutical companies are getting even more complex as heretofore calls for action. Analyzing this portfolio links the literature of brand architecture with further research fields, as following final explanations for the empirical research will demonstrate.

CONCLUSION

The process of brand architecture in general, which was derived in the paper and especially the transmission to the pharmaceutical industry enables further and especially empirical research in the field of pharmaceutical brand management. The main research gap regarding the decision making process of pharmaceutical brand architecture is crucial. This includes the investigation of the derived evaluation criteria, such as the internal acceptance by employees, requirements of resources or the acceptance by external stakeholders. Therefore as an example, an identity analysis which investigates the current brand knowledge, brand commitment and brand citizenship behavior has to be set up for evaluating the internal acceptance by the employees (Piehler 2011). Furthermore, an image analysis has to be set up for evaluating the external acceptance by the different external stakeholder groups within the complex pharmaceutical customer network (European Commission 2008). For investigating the requirements of resources a scenario analysis can discover the cost structure for the different courses of action.

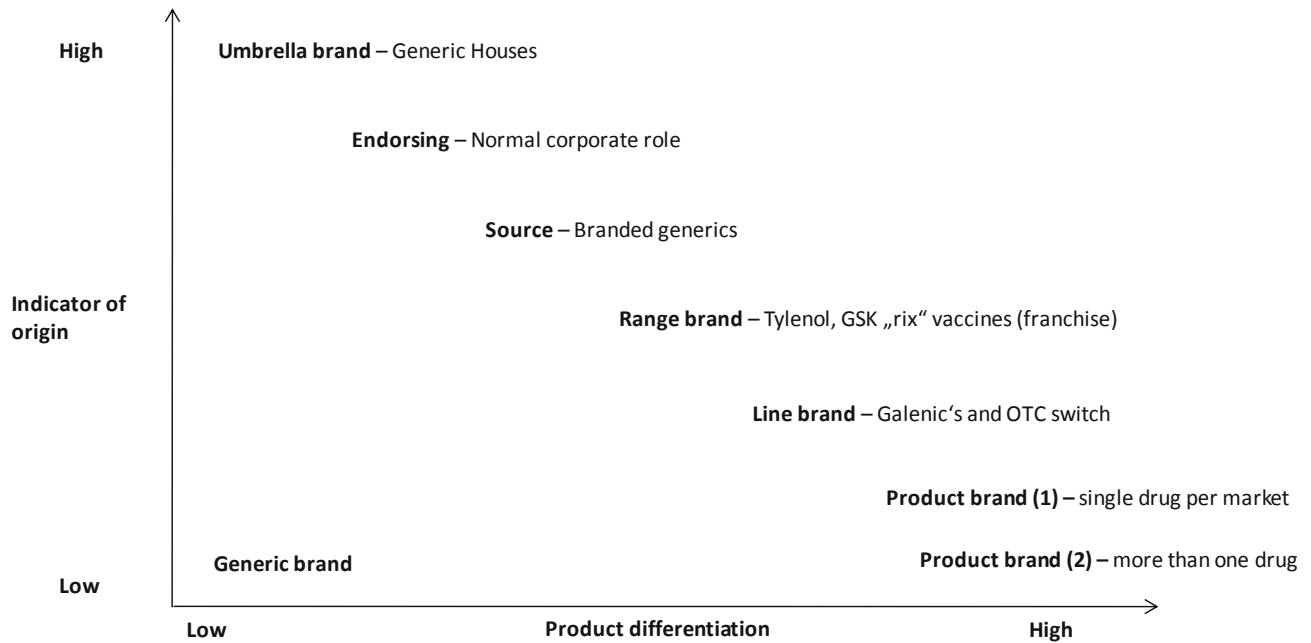
As the criteria request the collection and analysis of different kind of data, such as internal and external, primary and secondary data, the whole empirical process has to be managed in cooperation with a pharmaceutical cooperation partner. As some of the criteria take long to collect, research has to focus on the most important ones. Although the pharmaceutical customer network is very complex, studies show that just a few of them have a significant influence on the success of pharmaceutical companies (Fischer and Albers 2010). Therefore, patients, physicians and a selection of payors should be investigated first as the major external stakeholder groups.

Finally, the idea of implementing therapy area brands offers a wide range of future research (Moss 2011). There is an extensive stock of literature on brand positioning (Recke 2010). Hence, the positioning of a new brand into an existing brand architecture which has direct interactions hierarchically above as well as below is not covered, yet. As therapy area brands need to be consistent with the corporate brand above on the one hand and the ranging product brands below on the other hand, current brand positioning approaches have to be revised regarding their applicability of implementing a therapy area brand or some other kind of range or product line brand into an existing brand architecture. Thus, new brand positioning approaches should be considered. An example is the agent-based model simulating the effects of positioning and repositioning strategies (Feddersen 2010).

In conclusion the pharmaceutical industry as well as the pharmaceutical marketing research is faced with the changing environment of the industry. Revising the brand architecture is the foundation and at least one major step forward to guarantee a customer-centric instead of a product-oriented business approach for future commercial success. The derived brand architecture approach helps researchers as well as practitioners investigating their brand architecture and leading it into the right direction.

FIGURES

Figure 1: Pharmaceutical Brand Strategy Hierarchy



Source: adapted from Moss (2007), p. 319.

Figure 2: Process of Brand Architecture

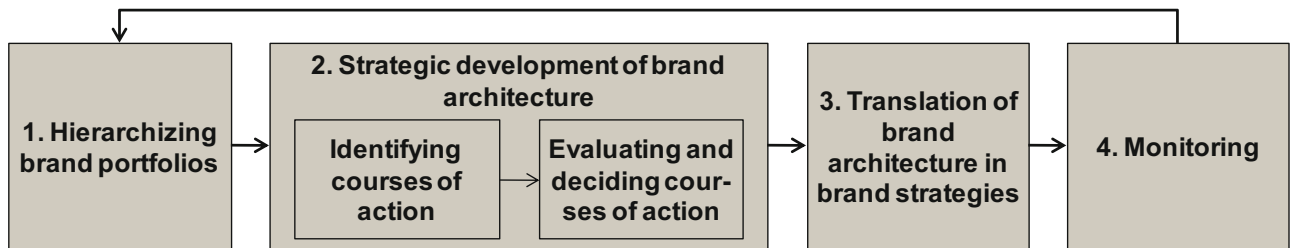


Figure 3: Pharmaceutical Brand Hierarchy



Source: modified from Aaker (1996), pp. 242-243.

Figure 4: Pharmaceutical product brand typology

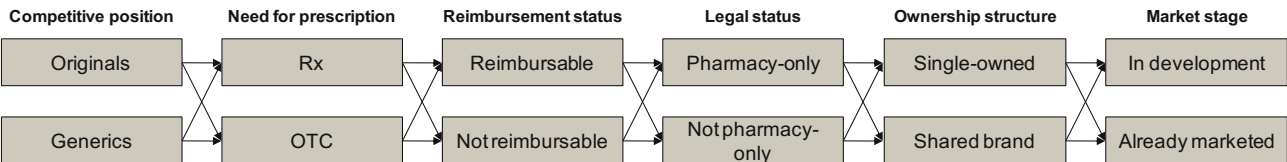
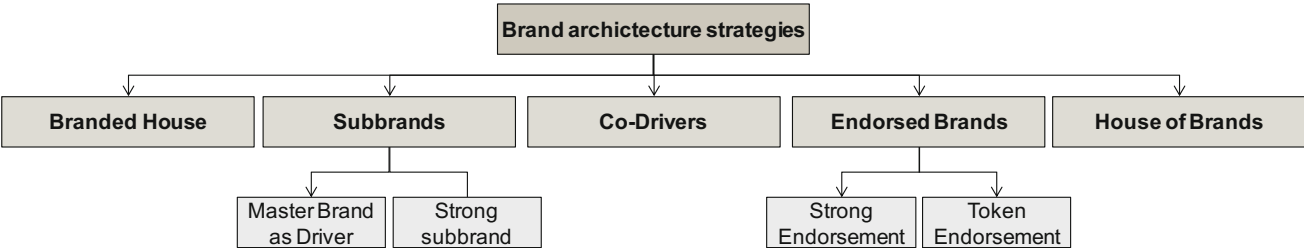


Figure 5: Pharmaceutical brand architecture strategies



Source: modified from Aaker (2004), p. 48.

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A MODEL OF INTEGRATED MARKETING COMMUNICATION ORIENTATION: THE MEXICAN FIRMS CASE

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ABSTRACT

The behaviour of a sample of 356 small, medium and large sizes Mexican firms (SMLFs) were tested in the Integrated Marketing Communications (IMC) construct and its relation with Market Orientation (MO), Brand Performance (BP) and Financial Performance (FP). The objective was to explore the relation of the mentioned constructs in a group of Mexican firms and the possible mediating effect that being IMC oriented will have in their effectiveness. A set of multivariate techniques were applied to make the testing and the results suggested that the orientation to IMC is a needed step to reach Brand performance and through it to achieve Financial Performance, that the Mexican firms will be beneficiated of the use of the resulted model because the relations probed to be significant and a good adjustment of fit of model was obtained, these support the need of doing an assessment of the firm in the different constructs involved in the model in order to define its current situation, the firms under study were SMLF's as have been established small and medium size are the must abundant in this country and usually they are managed by their owners, they are the ones that could use this knowledge for their benefit.

Finally in order to convince owners and/or managers of an organization to work on the implementation of new strategies, usually the best way is through a forecast that show the benefits that will be obtained of the implementation, if as the results suggest as seen in the final model, Market Orientation is an antecedent to Integrated Marketing Communications orientation, and going through this orientation is possible to achieve Brand Performance and finally to reach Financial Performance these will be the argument to recommend the assessment of the current situation of the firm, the knowledge will help to take it the right way and define the actions that based on the specific mission and vision of the firm will help it to fulfil its goals. If the firm is already in the desired position, the assessment will be very useful to stress the actions that allow it to maintain the position. Depending on the result, will be the decision to be made in order to improve their Marketing practices and to promote the implantation of the appropriate ones that support their marketing strategies.

References available upon request

Friday, 22 July
Time: 10:30 AM

Session Number: **8.3: Cognitive Influences**

Session Chair: Poncin, Ingrid, *SKEMA School of Management*

What a Strange Bottle! Effects of Perceived Congruence of a Packaging Design

Fleck, Nathalie, *University of Cergy-Pontoise*

Maille, Virginie, *SKEMA Business School*

Raghubir, Priya, *New-York University*

The Influence of Servicescape on Counterfeit Purchasing: An Exploratory Study

Cockrill, Antje, *Swansea University*

Counsell, Natalie Kate Rebecca, *University of Central Lancashire*

Stokes, Peter, *University of Chester*

A Congruence Model of Person Environment Interaction and Consumption Decisions As We Age

Forquer Gupta, Susan, *Monmouth University*

WHAT A STRANGE BOTTLE! EFFECTS OF PERCEIVED CONGRUENCE OF A PACKAGE DESIGN

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Virginie Maille, SKEMA Business School, France
Priya Raghubir, New York University, U.S.A.

INTRODUCTION

Facing the profusion of the offer in most of the markets, brands have to be creative to emerge on the shelves. Consequently many brands use package design as a distinctive cue, sometimes radically breaking with the traditional codes of their market. However, one can question the effectiveness of package which uses unexpected shapes. Is it useful to adopt a disruptive package design? Under which conditions is this true and why can it work better?

This research tries to answer these questions by integrating congruence and information processing theories into current research on package design. A lot of studies on design novelty have shown that it can influence the consumer's evaluation of the product (e.g. Schoormans and Robben 1997). Most of these studies were inspired by Mandler's hypothesis (1982) which they largely supported. Mandler (1982) suggests a non linear influence of congruence: congruence is superior to incongruence, but a moderate incongruence would be more effective than either strong congruence or incongruence. It could then be hypothesized that a disruptive package design could be more effective than a congruent one, on condition that it is moderately incongruent. The hypothesis was corroborated by several studies (e.g. Schoormans and Robben 1997), but not all. For instance, it was shown that people do not prefer novel designs when the novelty affects typicality (Hekkert, Snelders, and van Wieringen 2003, Stamatoogiannakis, Chattopadhyay, and Gorn 2009). More generally, the conflicting literature about congruence effects suggests that the question bears further examination.

Although it has been demonstrated that perceived incongruence could attract consumers' attention, is it enough simply to attract their attention? What is its influence on preference? In the literature, the answer is not very clear. According to the authors, incongruence can generate either positive or negative reactions (for a review, Fleck and Maille 2010). This may partly be due to the various types of incongruence. Congruence can be considered as a bi-dimensional construct. Heckler and Childers (1992) suggest taking two dimensions into account: expectancy, which refers to the pre-determined schema these entities evoke, and relevancy, which refers to the semantic link between the two entities. Thus, a given package design is expected if people expect to see that kind of package presumably because it is the norm in the industry (e.g., a cylindrical can of soda). It is relevant if it allows consumers to understand the product by highlighting some of its attributes. This bi-dimensional conception allows us to define four cases of congruence: an association is congruent when relevant and expected, strongly incongruent if neither relevant, nor expected. The two other cases (relevant-unexpected or irrelevant-expected) could be considered as moderate incongruence. However, are these two cases equally effective? A growing body of evidence suggests that only relevant-unexpected associations are more efficient than relevant-expected ones and are thus the most effective. Mandler (1982) specifies that to be effective, incongruence, which naturally induces an element of surprise, must also be comprehensible. That specification fits with an association which would be unexpected (and would induce surprise) but relevant (so that it would be understandable). The few papers which explicitly distinguish and measure the type of incongruence tested corroborate the idea that incongruence is better memorized (Heckler and Childers 1992) and evaluated (Lee and Mason 1999) than congruence when unexpected but relevant. However, these results must be completed. First, they concern advertising and we do not know if they can be replicated in other contexts such as package design. Secondly, if Heckler and Childers (1992) demonstrated that unexpected-relevant ads are better recalled than expected-irrelevant ones, nobody tested if the hierarchy is the same for evaluation.

The current study extends novelty research by examining the respective and interactive influence of the two congruence dimensions defined by Heckler and Childers (1992). The above analysis leads to three main hypotheses: relevant shapes are preferred to irrelevant ones (H1), unexpected shapes are preferred to expected ones (H2), and the effect of relevancy and expectancy is interactive in such a way unexpected relevant shapes are preferred to expected irrelevant shapes that, in turn, are preferred to unexpected irrelevant shapes (H3). Using a bi-dimensional concept of congruence, experimentation shows that a moderately incongruent package generates more favorable affective and conative responses, above all when it is relevant but unexpected. Complementary results raise the question of the interaction between relevancy and expectancy, which could depend on consumer involvement.

METHODOLOGY

An experiment manipulating congruence was designed to test the hypotheses. Study participants (a convenient sample of 122 men) were asked to evaluate Sporty, a “*new mineral water for sportsmen, naturally rich in calcium and magnesium*”, based on an ad presenting the bottle and the claim. Three bottle shapes were selected to be more or less relevant and expected according to the product benefit and schemas of product category, and each of them was submitted to 40 or 41 participants. The shapes were (1) a classic shape, usual on the mineral water market (high in expectancy but low in relevancy), (2) a muscular male trunk shape (low in expectancy but high in relevancy), and (3) a pyramid shape (low in expectancy and low in relevancy)¹. Each participant was randomly assigned to one bottle only.

The dependent variables were attitude toward the brand (Smith et al. 2007 scale, $\alpha = .94$) and purchase intent (Smith and Swinyard 1983 scale, $\alpha = .93$). Relevancy and expectancy were manipulated and checked thanks to scales adapted from Fleck and Quester (2007, $\alpha = .89$ and $.87$ respectively).

RESULTS AND DISCUSSION

Manipulation Checks

Despite the fact that the design was not a 2 (relevancy) x 2 (expectancy) full factorial design (as there was no shape that was both high in expectancy and relevancy), we conducted 2x2 ANOVAs on the expectancy and perceived relevancy indices to show that the two manipulations were orthogonal. That is, the shapes categorized as low in expectancy were rated lower (Mean = 2.82) than those categorized as higher in expectancy (Mean = 4.90; $F(1, 117) = 49.05, p < .001, \eta^2 = .29$) while the expectancy manipulation had no significant effect on perceived relevancy ($F(1, 117) = 0.80, p = .37, \eta^2 = .007$). Similarly, the shapes categorized as low in relevancy were rated lower (mean = 3.51) than those categorized as higher (mean = 4.85; $F(1, 118) = 17.35, p < .001, H^2 = .13$), while the relevancy manipulation had no significant effect on perceived expectancy ($F(1, 118) = 0.22, p = 0.64, \eta^2 = .002$).

Brand Evaluations

We conducted a one-way three-level (expected-irrelevant, unexpected-relevant, and unexpected-irrelevant) MANOVA on the attitude and purchase intent scales. The effect of the design manipulation was significant ($F(2, 115) = 6.16$ and $4.90, ps < .01, \eta^2s = .10$ and $.08$ for attitude toward the brand and purchase intent respectively, implying that the shape of the package affected consumer judgments. We conducted follow up contrast analyses (MANOVAs) to specifically test the three hypotheses². These analyses supported the relevancy hypothesis: H1. Specifically, the less relevant shapes generated a lower attitude toward the brand (Mean_{low relevancy} = 3.63 vs. Mean_{high relevancy} = 4.46, $F(1, 116) = 8.08, p < .01, \eta^2 = .065$) and a lower purchase intent than the more relevant one (Mean_{low relevancy} = 3.85 vs. Mean_{high relevancy} = 4.51, $F(1, 116) = 4.16, p < .05, \eta^2 = .04$). Thus, as predicted, consumers prefer more relevant package shapes and H1 is corroborated. Results also support the expectancy hypothesis: H2. There was a main effect of expectancy on attitude toward the brand scale ($F(1, 116) = 9.93, p < .01, \eta^2 = .08$) and purchase intent ($F(1, 116) = 9.42, p < .01, \eta^2 = .08$). The less expected shapes generated a more favorable attitude toward the brand (Mean_{low expectancy} = 4.21 vs. Mean_{high expectancy} = 3.29) and a higher purchase intent than the more expected one (Mean_{low expectancy} = 4.39 vs. Mean_{high expectancy} = 3.42). Therefore, as predicted, consumers prefer unexpected package designs and H2 is corroborated.

To test H3, we conducted pair-wise contrasts for the three conditions (expected-irrelevant, unexpected-relevant and unexpected-irrelevant). The bottle with a body shape (unexpected relevant, $Ms = 4.51$ and 4.55 for attitude toward the brand and purchase intent) was rated higher than the classic shape (expected irrelevant, $Ms = 3.24$ and 3.42 for attitude and purchase intent, $t_{79} = -3.37$ and $t_{77} = -2.71$ respectively, $ps < .01$ for both). This body bottle shape was also rated higher than the pyramid shape (unexpected irrelevant, $Ms = 3.96$ and 4.28 for attitude and purchase intent), although the effect was significant for attitude toward the brand but not for purchase intent ($t_{78} = 1.63$ and $t_{78} = .76$ respectively, $ps = .05$ -and $.22$

¹ The goal being to compare the effectiveness of the expected-irrelevant shape (a form of moderate incongruence) to (1) an unexpected-relevant one (another form of moderate incongruence), and (2) an unexpected-irrelevant shape (strong incongruence), there is no need for a relevant-expected bottle shape in our factorial design.

² To examine the effect of relevancy, the two irrelevant conditions were combined and compared to the relevant condition. Similarly, to examine the effects of expectedness, the two unexpected conditions were combined.

respectively³). Finally, the pyramid shaped bottle (unexpected irrelevant) was also rated higher than the classic bottle ($t_{79} = -2.73$ and $t_{77} = -2.80$, $ps = < .01$ for both). Overall, results suggest that, as predicted, an unexpected but relevant bottle shape (the shape of a man's body) is rated significantly more favorably than an expected irrelevant shape (classic) and than an unexpected and irrelevant (pyramid) shape (with the exception of purchase intent). However, we predicted that the expected irrelevant shape would be rated higher than the unexpected irrelevant one, but the results show exactly the opposite. Thus, H3 is partially corroborated. There could be two main reasons why this is true. Firstly, it may be an artifact of the specific package design chosen for this study. The results could be induced by a simple aesthetic preference for one bottle shape, rather than by the perceived incongruence of the package design. Moreover, the manipulations may not have been strong enough. Secondly, this surprising result could be due to involvement toward the product and/or toward the context. When involvement is low (because of the product category, but also of other situational factors), subjects are less likely to exert cognitive efforts. Then, individuals could be more sensitive to unexpectedness whereas relevancy would prime in high involvement situations as it demands cognitive processing. In this study, neither the experimental context nor the product category (mineral water) were conducive to consumer involvement.

CONCLUSION AND IMPLICATIONS FOR THEORY AND PRACTICE

The current paper examined the influence of package design congruency. Specifically, it explored the still unknown influences of design expectancy and relevancy. Moreover, it disentangled two aspects of moderate incongruence by examining two very different combinations (unexpected-relevant and expected-irrelevant ones), compared to a completely incongruent option (unexpected-irrelevant). With respect to the simple effects, as predicted, the relevancy of a package shape has a positive effect on attitude to the brand and purchase intent, whereas expectancy has a negative effect. Moreover, consumers prefer a package shape that is relevant but unexpected (one form of moderate incongruence) to one that is irrelevant and expected (a second form of moderate incongruence). Thus, it is validated that all moderate incongruence is not equal. The antecedent of the incongruence clearly has an effect on judgments. Also, as predicted, consumers prefer an unexpected but relevant shape (moderate incongruence) to one that is unexpected and irrelevant (supposed to be strongly incongruent). However, surprisingly, the results of this study showed that an irrelevant but unexpected package shape (strongly incongruent) can be rated better than an irrelevant expected one (moderately incongruent), whereas the exact opposite result was predicted.

Thus, this research makes a double contribution to academic theory. First, it allows a better understanding of the influence of package design, taking into account perceived congruency. Some research has already demonstrated the influence of a package according to its design novelty, which can be assimilated to expectancy, one of the two congruence dimensions suggested by Heckler and Childers (1992). However, to date, no work was interested in the effect of the package design according to its relevancy. Secondly, this work enriches research on congruence. It shows that relevancy has a positive effect, whereas expectancy has a negative influence on product evaluation. Moreover, it raises the question of the interaction between both these dimensions, which could also depend on consumer involvement.

This research also provides managerial implications for package design. It demonstrates the interest of disruptive strategies and shows the risks linked with such strategies. It helps to specify the kind of incongruence that works for package design, in terms of relevancy and expectancy.

However, this experiment has to be replicated with other shapes, other brands, product benefits and other product categories. This could allow to validate the robustness of these results and isolate potential effect of aesthetic preference for a shape or consumer involvement. It could also be a way to take into account individual variables that can moderate congruence effects (Fleck and Maille 2010).

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³ One-sided tests.

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THE INFLUENCE OF SERVICESCAPE ON COUNTERFEIT PURCHASING: AN EXPLORATORY STUDY

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INTRODUCTION

For a growing number of consumers, purchasing ‘fake’ or counterfeit products is part of their everyday lives, with 25% of consumers readily admitting that they buy counterfeit products. (Hardy 2010). The easy availability of such products both through various retail environments and particularly the Internet encourages this buying behaviour. Bosworth (2006, p2) highlights this issue by maintaining that “while branded firms complain bitterly about the scale and impact of counterfeiting and piracy, the feeling invoked amongst individuals and even governments tends to be more ambiguous, at least for certain types of goods.”

Today’s consumers are both price and brand conscious. Consequently, for some product categories such as fashion items, watches, jewellery, and perfumes, a veritable ‘counterfeit culture’ has developed, where almost anything desired can be faked and offered at a so-called bargain price (Ang et al. 2001). Whilst for some consumers an impulse purchase at the local market or car boot sale is the end of counterfeit purchasing (Gentry et al. 2001), for other consumers, buying counterfeit goods is a much more deliberate and conscious decision.

Counterfeiting here is defined as “the unauthorised manufacturing of articles which mimic certain characteristics of genuine goods and which may pass themselves off as registered products of licit companies” (Staake and Fleisch 2008, p3). This definition recognises that whilst in some cases the entire product will be copied, in other cases, there may only be some element of product imitation, making the differentiation between genuine and fake products even more difficult for consumers, retailers and even brand owners.

Many consumers believe that they are able to distinguish a counterfeit from a legitimately-produced version of a product (Gentry et al. 2001; Rutter and Bryce 2008). However, today, in many cases counterfeit products and their packaging look so authentic that retailers and consumers alike cannot tell the difference and even brand owners have difficulties in detecting the differences.

A consumer’s decision to purchase a counterfeit product is influenced by a variety of factors such as psychographics, product attributes (such as fashion ability, brand uniqueness and scarcity), the socio- cultural context as well as the situation (purchase at home versus on holiday), and attitudes towards counterfeiting (e.g. Eisend and Schuchert-Guler 2006; Staake and Fleisch 2008; Lee and Yoo 2009). In addition, numerous studies (e.g. Lee and Yoo 2009; Gentry et al. 2006; Ang et al. 2001) suggest price advantages as a strong reason for counterfeit purchase. Several studies have elaborated on this factor, maintaining that there is a complex interaction between price and quality of counterfeits, where high quality and functionality of a counterfeit may lead to high demand (Lee and Yoo 2009; Gentry 2006, Phau et al 2001.) Furthermore, the concept of “image” is stated by Lee and Yoo (2009) as another key factor influencing the purchase decision. This is also strongly linked to Ang et al.’s (2005) and Eisend and Schuchert-Guler’s (2006) suggestion of social influence playing a significant role in this context.

There is a significant body of literature that introduces the importance of the service environment (servicescape) on purchase intention and behaviour. Servicescape here includes aspects of the retail environment’s atmosphere, its functional layout and design as well as the appearance and behaviour of staff. Although this literature has explored very different contexts from banking to betting shops (Cockrill et al. 2008), the researchers are not aware of any studies that investigate the impact of the retail environment in which counterfeit products are sold on counterfeit purchasing itself, and the extent to which servicescape features affect perspectives of counterfeit product quality. This study attempts to fill this gap in the research. This is a particularly pertinent area of research as counterfeit products are sold and purchased in a wide variety of circumstances and formats including car boot sales, markets, pubs or, to the furthest extreme, legitimate, genuine retail outlets (DeKieffer 2006).

METHODOLOGY

This research targeted consumers between the ages of 18 and 30. Sample selection took place via the social networking site “Facebook” as the target group forms the main user group of this site (ClickyMedia, 2009). A personalised site was created on ‘Facebook’ to promote the study. When individuals joined the site, an automatic email was sent to the researcher. This enabled the researchers to contact individual members regarding their participation in a focus group.

Nine focus groups were conducted, which together involved 42 individual respondents. Focus groups, rather than in-depth interviews, were chosen because the researchers expected that the interaction of respondents’ experiences would yield richer information than individual interviews could provide. Each focus group included four to six participants and included a cross-section of gender, occupation and age. The focus group sessions were divided into two parts, firstly a discussion about the respondents’ opinions on counterfeit product quality and retail environments; and secondly respondents were presented with a slide show of thirteen images. Each of the images showed a different retail environment with varying combinations of visual stimuli. The images represented a number of environments ranging from those where counterfeit products were being sold blatantly to environments where counterfeits were not being obviously displayed. Respondents were asked to discuss the images, noting the servicescape features which they felt were most prominent. The respondents were then asked to discuss the potential quality of the counterfeit products that might be sold in each servicescape environment, and to identify the reasons why they associated particular features with a certain level of counterfeit product quality. An interesting addition to this research would have been interviews with sellers/retailers. However, the nature of the project suggested that a direct approach of sellers in some of the environments investigated could not be conducted without incurring significant health and safety risks for the researchers. Therefore it was decided not to pursue this option.

RESULTS AND DISCUSSION

The findings of the focus groups and image studies indicate that there is a strong link between servicescape elements and the perception of quality of counterfeit products, and linked with this, the intention to purchase (knowingly) counterfeit products. The following statement is typical:

“I think what you think of the product is all about the store it’s in. You straight away judge products based on the store it’s in. It’s not always about the product, you look at the store and you can just tell what to expect.”

Essentially, the more ‘up-market’ the service environment appeared; the more likely consumers thought it to be that the shop sold genuine products. Furthermore, some consumers expressed the feeling that any counterfeit products sold in an up-market service environment would be of high quality.

“If a store like this was selling counterfeit products I’d imagine that the quality of them would be so good that you wouldn’t be able to tell them apart from the real thing”

Some consumers also expressed particular annoyance with fake goods that were sold in up-market environments. Respondents recognised clearly that designer items sold on a market stall or in a discount store are likely to be fakes; they did not expect this in more up-market environments and expressed annoyance when they found that they had paid the price of branded goods for fakes.

“If you walk into a shop and they’ve got brands like Radley and Fiorelli and you’re pleased but then you see fake stuff and it just disappoints you. You think ‘do I really want to come in here again’ because they’re selling fake things. They’re not doing themselves any favours.”

Respondents were asked which elements of the environment made them think that the shop sells genuine products. Answers includes spacious, well ordered interior layout, nice carrier bags, the presence of well groomed and helpful assistants, music in the backgrounds, high prices, the presence of branded products as indicators of an environment in which genuine products are sold. There was a clear expectation that in an ‘up-market’ service environment, products would be genuine.

“You wouldn’t walk into a well known high street shop in town like Fusion and pick up a Paul’s Boutique bag and think it’s fake. It’s the same kinda thing. You just wouldn’t question it.”

In contrast, respondents stated that it would be much more likely to find fake products in more 'down-market' service environments. When asked to describe a 'typical' retail environment for counterfeit products, a whole range of issues were mentioned. The environment would not be as clean, smaller, there would be no nice packaging, no guarantees and proper till receipts, staff would not be in uniform and price bargaining might be possible.

CONCLUSIONS AND IMPLICATIONS FOR THEORY AND PRACTICE

This research shows clearly a strong link between servicescape elements and the perception of quality of counterfeit goods. Consumers expect the typical retail environment for the sale of counterfeit goods to be small, relatively disorganised, not very clean with non-uniformed shop assistants. In this environment, attractive packaging, product warranties and till receipts will not be provided.

In contrast, consumers expect that in an 'up-market' retail environment – spacious, attractive interior layout, professional appearing shop assistants, with background music and nice packaging provided - no counterfeit products are sold. When consumers discover that fake products are sold in such an environment, they tend to react with disappointment or annoyance. Another important aspect in this context is that whilst generally consumers did not expect fake products to be sold in such an environment, they expected that if they were sold counterfeits, these counterfeits would be of high quality and perhaps very difficult to distinguish from the genuine product.

These findings have a number of implications for manufacturers of products that are frequently copied. First of all, consumers are well aware of counterfeits in 'down-market' retail environments. Any decision to buy a branded product in an environment such as a car boot sale or a market stall is also a deliberate decision to accept that the product is most likely to be a fake. In this scenario, very little deception is involved, customers knowingly buy, often for reasons of price, products that they know or suspect to be fake and with the expectation that the quality of such products would be low. Whilst an obvious strategy in this context would be to run educational campaigns appealing to customers' sense of morals, such campaigns have been run in similar contexts (piracy) with only limited success. Therefore, strategies to prevent this type of trade might need to concentrate on persecuting the traders and attempts to stem the production of the fake products.

Perhaps more problematic for brand owners are counterfeit products that are sold in more up-market environments. Customers do not usually expect to buy fake products in such an environment, and are disappointed and annoyed when they discover that they may have bought a counterfeit product rather than a genuine product, often at a high price. Perhaps even worse, they have tried to return a faulty or non-functional product only to find that the warrantee is invalid because the product is a fake.

Here, brand owners could consider four different strategies. Firstly, consumers need to be made much more aware of the fact that fake products can (and are) being sold in a variety of retail environments and that careful checking of the product even in up-market retail environments is worthwhile. Secondly, potential entry points for fake products into the supply chain need to be identified and 'plugged' before the products reach the retailers. Thirdly, the retailers themselves need to be screened and periodically checked for the sale of counterfeit products – both for products from a brand owner and for competing products, as the sale of any counterfeit products indicates the willingness to trade fake merchandise. Finally, retailers need to be educated by brand owners to recognise high quality fakes. An area of fruitful research for the future might be to explore retailers and customers' awareness of the characteristics of counterfeit products as this knowledge would aid brand owners with planning awareness raising and educational campaigns.

References available upon request.

A CONGRUENCE MODEL OF PERSON-ENVIRONMENT INTERACTION AND CONSUMPTION DECISIONS AS WE AGE

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ABSTRACT

Chronological age is often used as a proxy for defining the wants and needs of consumers. A more useful approach to defining the abilities, and resulting needs of the elderly consumer, is their competency in negotiating their physical, emotional, and informational environments. This paper will present a congruence model of person-environment interaction and discuss how it can aid in explaining the individual needs of aging consumers that need to be met to allow for successful aging. Outcomes for product design, service environments, and technological solutions will also be discussed.

INTRODUCTION

With the baby boom generation entering into the retirement years, we see an increasing attention paid to their needs by marketers as they attempt to capture the dollars of the historically most well-to-do generation to enter into their elder years, (Court et al, 2007). Missing from much of this investigation is an underlying conceptual model of what it really means to age. Chronological age is one aspect of what is experienced by the individual. A more important issue defining the abilities, and resulting needs of the elderly consumer is their competency in negotiating their physical, emotional, and informational environments. This paper will review the existing understanding of our ability to adapt and master our environment, and discuss how this relates to our individual needs as consumers to acquire information and solutions to allow for successful aging.

ENVIRONMENT AND AGING RESEARCH

Changes and inconsistencies in the environment have a greater effect on the elderly than almost any other population group. This could lead to an increased dependency in everyday living, or cause a need to change environments, possibly institutionalization. To help the aging person prolong independent living the supportiveness of the existing environment must increase, or individuals must be matched with the best available environments. The conditions under which the needs and satisfactions of the individual and society are maximized require specification (Lawton, 1970).

As we age, we experience increasing limitations in skills used to adapt to the environment, resulting in a higher sensitivity to the environment and any constraints or influences it may impose (Pastalan and Carson, 1970; Lawton, 1970). Due to these diminishing sensory contact skills, we are forced to negotiate the environment with decreased certainty (DeLong, 1970). In addition, older people spend comparatively higher proportions of time in the home environment than any other age group and therefore are subject to its environmental factors for greater duration of time (Pastalan and Carson, 1970).

To accommodate and understand the differing needs of the elderly, it is critical to understand the way they perceive their environment. A person's perception of an environment is a collection of the factors existing in that environment which are considered to be the most important by that individual. People filter their perceptions through their prior experiences with the environment, therefore, the importance placed on each aspect of an environment will vary from person to person (Kaplan, 1982). "Perception is not a passive process of registration, but an active process of interaction between organism and environment" (Hilgard, 1982). This active interaction becomes increasingly difficult for older people as they experience reductions in competence, for they are no longer able to participate in the environment at the same level. It is therefore very important to provide for choice and change that is controllable by the individual in their environment on the level which is applicable to their abilities (Gelwicks, 1970). Researchers, designers and social workers need to understand how the elderly perceive their environment and the importance placed on certain aspects of the environment to be then able to improve the person-environment fit, increase its supportiveness, and thus prolong independent living.

THEORETICAL MODELS OF ENVIRONMENT AND AGING

Environmental psychologists established the study of aging and the environment which resulted in a series of models to capture the interaction. Each model is briefly overviewed below.

The Complementary Congruence Model

The complementary congruence model is a general theoretical model named for the complementary congruence term in the Lewinian (1951) equation, $B=f(P,E, PcE)$, or Behavior is a function of Person, Environment and the congruence of the two. The model contains predictors, modifiers, and outcomes, and consists of two parts: those items concerned with life maintenance needs (both person and environment), and those items concerned with other "visogenic and psychogenic needs (harm avoidance, affiliation)," and with those characteristics of the environment that facilitate or inhibit those needs (Carp, 1987). This model laid the groundwork for our current understanding of the role the environment plays in aging and the ability of any individual to remain independent as long as possible.

Ecological Model of Aging

Based upon the Lewinian complementary congruence model is the Ecological Model of Aging. Lawton and Nahemow (1973), view the person as a set of competences in the domains of cognitive skill, sensorimotor functioning, biological health, and ego strength. They classify environments according to the level of behavioral demand placed on an individual, or by the resulting Environmental Press. The outcome of the two dimensions of competences and environmental press is the Ecological Model of Aging (Lawton, 1980). A central diagonal line representing "adaptation level" delineates the points where the amount of environmental press is average for the level of competences of an individual, or the balance point. The immediate areas on either side of the central diagonal of the model represents areas of positive outcome. These areas are the "Zone of Maximum Comfort" where the press of the environment requires less adaptation energy than the level of competence that the individual possesses, and therefore they are able to operate in a zone of comfort with their environment; and the Zone of Maximum Performance Potential, where the individual's competency is somewhat less than what the press of the environment requires and forces the individual into a positive state of adaptation that tests but does not overwhelm their ability and thus pushes them into Maximum Performance. Further left or right of these zones where there is a larger and recognizable gap between an individual's competences and the environment, they will enter into maladaptive behavior as they attempt to reconcile, their, over or under competence for the press of the environment. When the individual is in the central diagonal they are minimally aware of their environment. If environmental press increases or decreases, awareness returns.

It is rather easy to imagine how an individual may experience environmental press when they do not possess the level of competence to negotiate the environment. The mental and physical stress they experience reduces their capacity to process additional information as they switch more and more of their attention to simply negotiating the environment. For example, An individual may experience the shutting down of their ability to have a social conversation with a colleague, who is riding with them, when they are faced with the realization that they are lost while attempting to drive to the location of a meeting, and now must fully concentrate on way finding. In the more specific case of the aging consumer, gradual loss of physical strength, stamina, sensory capability and mental functioning can reduce the total capacity of the individual to cope with the press of the environment. Since increased effort is required to simply interact with the physical environment, less capacity is left to accommodate intellectual, emotional or sensory inputs.

An equally negative experience occurs in the instance where an individual's competence is in excess of the needs for negotiating the environment. They become increasingly aware of the lack of challenge, and negative behaviors result in the short term, with loss of competence or stagnation occurring in the long term. Similar to the atrophy experienced in the muscles of an arm when restricted by a cast during the healing process of a broken arm; the lack of use of your competence in negotiating a physical, emotional or social environment can, over time, result in atrophy of the skills to do so. This model explicitly recognizes the negative effects of overly supportive and potentially restrictive environments and the resulting increased rate of decline in the competency of the individual.

A Congruence Model of Person-Environment Interaction

Kahana (1975) viewed the preceding model as an antecedent of well-being however not synonymous with well-being. An individual has personal needs and preferences, and the environment has certain characteristics. When the characteristics of the environment meet the preferences of the individual, and satisfy the individual's needs, there is a high environmental fit or congruence. This in turn has a positive effect on well-being. This model considers the needs and preferences of the individual, and looks at the environmental fit between those needs and what the environment provides. This recognition of individual needs and preferences leads to the creation of customized solutions to the individual instead of a 'one size fits all' policy toward the aging consumer.

Decreasing competency when negotiating the various environments is a more useful measure for understanding the aging consumer than simple chronological age. Regulating and controlling our stress brought on by the level of environmental press experienced by an individual is the core to understanding the true needs of the aging consumer. Their personal preferences and experiences form the basis of their perception of environmental press as it is a result of the fit between their individual competence and the individually perceived environmental preferences.

A CONGRUENCE MODEL OF PERSON-ENVIRONMENT INTERACTION AND THE AGING CONSUMER

With the understanding that it is an individual's competence in negotiating their environment which dictates their ability to lead an independent life, it is possible to provide an overarching framework of the needs and motivations of the aging consumer. The following discussion applies the congruence model of person-environment interaction as the conceptual underpinning of the results reported in a study of gambling and older consumers (Loroz (2004), and will illustrate how individuals actively choose product and service solutions that meet their needs and which in turn allows them to maintain the optimum level of environmental press and makes them feel vital and in control.

Loroz (2004) found that three factors were central forces in gambling by the elderly consumers: Control, Lift, and Escape. Control was afforded to the consumer as it is inherent to the product experience in gambling. Several sub dimensions of Control are identified, and include Making Choices; Changing One's Luck; Acknowledging Loss Probabilities; Setting Spending Limits; and Reacting Stoically. Making Choices captures how players must make a conscious decision to participate and decide the form of gambling that they will participate in. This would be explained conceptually as a way in which the individual exerts control over the amount and type of environmental press they wish to experience. Control issues are individual to the consumer, and in gambling they will make a number of decisions regarding monetary commitment, emotional commitment, and physical surroundings. In addition, individuals will vary in their preference for stimuli in the environment. In the Loroz study, one respondent complained about the ease of access of the ATMs in some casinos, as this was seen as an environmental threat/press to self control, over the choice to spend. Other gamblers may find the ATM access to be a benefit at a particular casino and prefer this service environment.

Lift is the sensation produced by the activity (gambling in this case), and can be physical, emotional or sensory. Once again, the reason for the consumption of gambling is individualized by need of the consumer. In the study, Loroz (2004) reports various forms of lift experienced by participating in gambling activities, according to the what the customer finds satisfying. What one consumer reported as a positive sensory experience (noise of the machines), another reported as a distraction or headache inducing. While emotional and sensory lift examples dominate, physical lift can occur as the press exerted by the environment is brought within the range of competence possessed by the individual. An example given by Loroz (2004) is of a customer who was energized physically by the environment she had chosen to participate in:

"This physical lift was also observed in an elderly woman sitting at a nickel slot machine. She appeared to be in her 80s or 90s and seemed so frail it was doubtful that she could walk unassisted. The bright colors of her clothing attracted attention, but more engaging was the way she shoved nickels into the machine and pounded the spin button with more strength than it would appear she could have."

So, within the confines of this environment the consumer felt in control physically in a way she may not be able to attain otherwise. For this particular individual, she found a balance between the environmental press exerted by the nickel slots and her competence in playing them, and, thus, was able to enjoy the feeling of being in control. In this particular example it is quite possible that this elderly gambler may have pushed herself into the Zone of Maximum Performance Potential, at least for a while, thus enjoying the challenge.

Escape is the third of the central forces identified by Loroz (2004), and provides an example of the need to get away from negative environment and into a more positive environment. Types of escape include Getting Away; Breaking the Routine; Regaining Social Contact; and Altering Views of Money and Entertainment Values. Escape can afford the realignment of an individual with the balance point of the Environmental Press Model but do so in a manner unique to an individual's needs. For example, Loroz reports that the use of gambling to break routine and escape the boredom of daily life; therefore looking for a more challenging environment so that you can use the skills you have or test your competencies. Others may seek the activity to reduce the press of the regular environment and choose to spend time in a chosen activity where the level of press is optimal and seen as relaxing and/or exhilarating. For some, the altered view of money as entertainment may relieve the everyday stress of dealing with bills.

Loroz's work highlights an example of a consumption activity that allows the individual to modify their environment to meet their personal needs and to adjust the type and amount of environmental press that places them in a zone of equilibrium. The application of the Environmental Press model to the Loroz study provides the framework to explain what the consumer is attempting to achieve, which is a balance with their environment resulting in a sense of positive well-being. The choice of a casino as the environment to provide this balance is unique to the individuals who find this to be a positive activity. Other individuals may find going to the theatre, gardening, or listening to books on tape as providing them with the balance of environmental press.

The conceptual model provides a deeper understanding of the need to keep your environment in balance with your competencies. Occasional imbalance will occur and can provide challenge or complete relaxation. However, long term existence in an overly challenging environment or vice-versa, an overly boring environment, will result in maladaptive behavior and consequently stress. The aging consumer differs from the youthful consumer in that they are faced with decreasing levels of competencies in dealing with their environment. Some will experience gradual decline, others may have sudden decline due to onset of illness or disability in contrast to the youthful consumer who will usually see increasing levels of competency or consistent levels over time.

Therefore the aging consumer will face the potential for continuously needing to adjust to the increasing press from their environment and require solutions (products and services) to aid in reducing this press and/or raising their competence. A more extreme and yet common solution is the complete change of environment, such as many retirees experience when they move to a retirement home, a retirement community, or an assisted living facility.

Consumption of Household Products and Services

The needs of the aging consumer will change, and potentially change at a rapid pace dependent upon the rate of decline of their personal competencies. Consumer product manufacturers have already responded to the need by the creation of products that will provide the consumer with solutions to the gap experienced between their personal competency and their existing environment (Pak and Kambil, 2006).

Home modifications are common as well as specially designed homes to 'age in place'. Grab bars and single level designs are readily available on the market. Universal Design has provided the market with consumer products that are easier to use and provide the needed attributes to overcome strength and dexterity loss experienced by the aging consumer (e.g. OXO kitchen implements; Fiskar Scissors with a spring release action). Service firms are increasingly available for lawn care, cooking, cleaning, home healthcare and transportation. The decline in physical competence and home care seems to be the focus of most consumer solutions. Increasing choice of products and services allows consumers to customize their environment according to their unique needs. Decline in strength and balance may require one set of product solutions, decline in vision, another. Memory, hearing, mobility, dexterity, vision, flexibility, energy all can be the areas of decline in an individual's abilities and are unpredictable as to the rate and combinations that they will occur.

Retail and Service Environments

Another direct application of understanding environmental press is the redesign of the retail and service environments to cater to your core customers (Pettigrew, Mizerski and Donovan, 2005). Individuals will choose branded establishments based upon their needs and retailers and service providers will need to make adjustments or provide choice in their environments that cater to a range of customer needs. How difficult, overwhelming, or boredom inducing the environment is, will push or pull differing individuals. Patronage of a particular retailer is not simply a decision based upon ease of physical access, but it also depends upon the motivation for the shopping trip (Moschis, Curasi and Bellenger 2004). Environmental press may restrict choice of retail environments for aging consumers, but there still remains a diversity of reasons as to why the individual elderly consumers choose to shop where they do, including reasons such as socialization, physical access, leisure environment, ease of product access, pricing and brand preferences, (Sudbury and Simcock 2009; Mumel and Prodnik 2005). Retailers and service providers need to audit their core customer groups to better understand how well their needs are met as they relate to the amount of environmental press in the store design, location and availability of product, training of staff, signage and visual cues.

Technology and the Aged Consumer

What are the adjustments that will need to be made to the information environment? Individuals will have preferences that will require the adjustment of how they access information as well as what forms of information they will trust. Does

experience (stick with the form you have always known e.g. newspapers, personal physician) win out over customization (internet website customized access)?

Recent studies are showing that contrary to predictions made at the beginning of the internet revolution, increasing numbers of aged adults are becoming online users of information as well as shopping, socializing, and accessing services (Hough and Kobylanski, 2009). The baby boom generation is quite open to innovation and is well versed in technology (Court et. al 2007). As a result, we may see increasing preference for the use of technology to bridge the gap between a consumer's environmental competency and their needs. Internet access to retail, banking, socialization, and continuation of an individual's ability to contribute to society may provide the tools for independence. If service providers focus on developing the tools to interact with their customers on the bases of meeting their needs for accommodation, they can potentially create a strong brand preference.

What kind of adaptations will be sought after by most aging consumers? As environmental press increases with age, the aging consumer will search for adaptations that allow them to return to the optimum level of performance. Reduced distractions, larger type, and simplified formats may be required for those who need to reduce visual overload or require enlarged type for visual accommodations. Overcrowded websites with complex menus and visuals could drive away consumers who require more simplified visual interfaces. Companies and agencies that reduce the choices, confusion and distractions will provide lower environmental press.

Face-to-face interaction via internet (e.g. Skype) may provide a needed service for aging consumers with mobility issues. Doctor-patient interactions, social services, banking and legal services, may benefit from developing the ability to interact with tech savvy but physically challenged customers who would find not having to leave the home to conduct business an advantage to your services, yet may still need customized personal interaction.

Creation of products and services that provide the customer the ability to customize their consumption experience will give companies a competitive advantage with the aging consumer. Virtual reality environments that allow for the customer to choose their preferred level of challenge could relieve boredom and aid in skill retention or even build skills, similar to the amount of control found by gamblers in the Loroz (2004) study. As technology becomes more accessible to the masses, we will see technological solutions for all age groups. Current technology such as Nintendo's Wii and the forthcoming Xbox which allow the user to interact physically with the virtual environment may provide the aging consumer a way to provide leisure activity customized to their competency levels. Already sales of Wii gaming systems to aging consumers show there is true demand for technology that is appropriate to the aged consumer and their needs.

Medical monitoring of health care solutions in the home will allow independent living with feedback between doctor and patient that provides accurate data on the patient's ability to follow the prescribed routine. Already, doctors can provide reminder notifications via email and text messaging, receive patient feedback and issue orders without an office visit. Improvement in software and monitoring devices, including pills that can be tracked to ascertain that they have been taken, will improve overall healthcare, and allow for aging in place for many aged consumers that in previous generations required the services of a healthcare environment (e.g. nursing home).

CONCLUSIONS

There is a difference between a company providing a range of product choice across a single dimension (color, or flavor), and providing a range of choice based upon adaptation to our environment from a physical, sensory, social, and mental competency standpoint. Consumers will be looking for the product and service solutions that best allow them to remain independent as they age by either reducing the type of environmental press that is impacting their well being, or increasing their level of competency. Product and service companies who broaden their offerings to adapt to consumer differences in abilities are also finding that many fully able consumers appreciate the ease of use that accessible products afford. The growth of the OXO line of kitchen utensils has not been on the sales to elderly consumers alone.

Technology will play an important role in providing product solutions and services that allow for increased facilitation in the negotiation of the environment or increased and/or contrived competency as aging reduces our ability to adapt to our surroundings. One example is the e-reader that allows an individual to access entertainment and information with the choice of visual environment (font size) as well as auditory support by the text being read aloud by the device. A single technology servicing the needs of children, teens, adults, and older adults. The scope of the ability to adapt the technology to the needs of the user creates a strong consumer bond with the product that allows them to maintain optimum press with no negative connotations reminding them of their declining abilities.

A Congruence Modal of Person-Environment Fit recognizes that as we age, we will be increasingly cognizant of our ability, or a lack thereof, to achieve balance between our environment and our competencies. The needs of aging consumers will depend upon their personal preferences toward the challenges they find invigorating in their environment and therefore would like to maintain, and those that are draining and therefore would like to reduce or eliminate. Product and service solutions can be developed to meet the needs of these individuals as they age so that they can remain independent as long as possible. Product and service providers will have the opportunity to respond to these needs in new innovative ways, but may also find the need to maintain traditional modes of product and service delivery and customer communications in order to capture the market dollars of those who prefer traditional solutions. The baby boom generation is already revealed to be healthier and more active than previous generations (Court et. al. 2004), and more accepting of innovation and technology (Hough and Kobylanski 2009). Therefore we will see a greater diversity of needs across the decades as they age, and a greater need for customized solutions.

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Friday, 22 July
Time: 10:30 AM

Session Number: **8.4: E-Shopping I**

Session Chair: Lopez, Francisco Martinez, *University of Granada and Open University of Catalonia*

Imitation Motives in Retailers' Adoption of the Internet Channel

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Chinese Consumers' Online Group Buying Behavior Model

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A Review of Online Consumer Behaviour Research: Main Themes and Insights

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IMITATION MOTIVES IN RETAILERS' ADOPTION OF THE INTERNET CHANNEL

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ABSTRACT

Imitative behavior in technology adoption has been documented in various industries. However, not much attention has been paid to the motivations behind it. Knowledge of the context of an imitation strategy can bring further insights of firms' interpretation of the market situation and the mechanisms of technology diffusion. The study empirically investigates the nature of imitation in the case of retailers' adoption of the Internet as a transaction channel while controlling for economic and firm factors. We combine Lieberman and Asaba's (2006) and Ordanini et al.'s (2008) categorizations to formulate hypotheses aimed at distinguishing between different types of imitation behavior. We use a discrete hazard rate model to analyze the empirical data. In this framework we discuss the importance of accounting for non-linearity by employing a flexible multivariable model-building technique based on fractional polynomials. The predominant evidence points to information-based imitation with search for effectiveness motives. We discuss the strategic implications of the observed mimetic behavior and its links to market signal framing.

References available upon request

CHINESE CONSUMERS' ONLINE GROUP BUYING BEHAVIOUR MODEL

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ABSTRACT

The research investigates Chinese consumers' online group buying behaviors influential factors and model. Group buying is similar to a cooperative, where informal groups organize and buy directly from a wholesaler. Demand aggregation and volume discounting are the two core elements of group buying (Anand and Aron 2003). Both consumers and suppliers benefit in group buying: consumers benefit by paying less or receiving other benefits, and suppliers benefit by selling multiple items in a single transaction (Chen et al. 2007). In traditional markets, it has often been difficult to form a group of people with the identical demand necessary to create a sufficiently large aggregate demand. Most group buying today relies extensively on the internet, which plays an important role in sharing information, recruiting buyers, providing for convenient online payment, etc. (Kauffman et al. 2010). Thus the internet is a powerful tool for demand aggregation and a great platform to organize group buying (Anand and Aron 2003). Group buying has developed rapidly in recent years in many countries, including China because of its nature (the attraction of a lower price) and due to a changed macro environment (i.e., wider spread of the internet, larger number of internet users, more mature technological development).

Many different personal factors or preferences could be categorized in shopping orientation, and different consumer shopping orientations lead to different behaviors. Kauffman et al. (2010) explored sequence-based, time-based and quantity-based incentives, as well as consumers' perceptions of fairness in their participation in online group auctions. Furthermore, online shopping orientation was also studied. Li et al. (2006) sorted out many previous perspectives and proposed three orientations positively associated with online buying behavior: (1) *Price orientation*; (2) *Convenience orientation*; and (3) *Recreational orientation*. Online group buying behavior is similar to online shopping behavior in many aspects, so we follows Li et al.'s (2006) classification. *H1: Shopping orientation positively influences consumers' attitude towards group buying.*

In online shopping, when consumers' perceived risk is low, their purchase intention is high (Järvenpää and Tractinsky, 1999). Bhatnagar et al. (2000) considered that the risks associated with internet shopping were financial risk and product risk. Miyazaki and Fernandez (2001) also thought that privacy risk and credit card security risk were also associated with online buying behavior. Forsythe and Shi (2003) further summarized that there were four perceived risks when customers buy offerings through the internet: (1) *Financial risk*; (2) *Product risk*; (3) *Psychological risk*; and (4) *Time risk*. The mentioned paper is a great framework to explain perceived risks in online group buying. *H2: Perceived risk negatively influences consumers' attitude towards group buying.*

The most unique part of group buying, in comparison to traditional buying behavior, is that in online group buying there must be an initiator, who could be a seller, a mediator, or a buyer, before group buying can be realized. So the variable "trust (by buyers) of the initiator" is necessary instead of merging it into perceived risks (cf. Cheung and Lee 2001); and should be isolated as an independent variable instead of being a mediator. This idea was supported by extensive research focusing on the relationship between e-vendors and online shoppers (e.g., Gefen et al. 2003). Kauffman et al. (2010) listed trust of the initiator as a dependent variable in their study regarding the group buying auction intention model. Chang et al (2005)'s study provided a summary of collected findings of the effect of antecedents of trust and found common variables to present trust: (1) *structural assurance*; (2) *perceived reputation*, and (3) *website quality*. *H3: Trust of the initiator positively influences consumers' attitude towards group buying.*

The theory of reasoned action (TRA) introduced by Ajzen and Fishbein is widely used to explain the relationship between attitude and behavior. TRA postulates that behavior is controlled by behavioral intention. Also, Järvenpää and Tractinsky (1999) found favorable attitudes towards an internet store will increase the consumer's willingness to purchase from that internet store. *H4: Consumers' attitude towards group buying positively influences their intention to join online group buying.*

Around 600 valid samples were collected via an online survey in China national wide. Multiple regressions results show that consumers' shopping orientation and trust of the initiator both significantly positively influence their attitudes toward group buying. Consumers' perceived risks (mainly product and psychological risks) also negatively influence attitude marginally without significance. The consumers' attitude positively influences their intention to participate in group buying.

REFERENCE AVAILABLE UPON REQUEST

A REVIEW OF ONLINE CONSUMER BEHAVIOUR RESEARCH: MAIN THEMES AND INSIGHTS

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ABSTRACT

We offer a structured vision of the main research contributions made on a wide set of issues compounding the online consumer behaviour area. We present a wide view of research topics, analyzed from the marketing perspective, from the early nineties till now. This approach may be useful, not only to better structure or reinforce the knowledge academics have accumulated in the field, but also to serve as a guide and source of ideas for future investigation.

We base on three broad purposes underlying the online consumer's studies to group and present the literature review: profiling of Internet users and shoppers; issues related with the online consumer behaviour -including the determinants of the decision to buy online, the online satisfaction and loyalty, and the adoption of classic theories and models to explain Internet-based consumer behaviour; and, more recently, issues related with the consumers' empowerment and the co-creation of value.

Within this last wave of research, mostly connected with the emergence of social networking applications, we situate a collection of studies examining the forms in which the new digital tools empower the consumer; the consumer participation in collective initiatives of innovation and generation of content; the consumer behaviour in personalization processes; and the determinants and consequences of consumer participation in (brand) virtual communities. The discussions we present allow seeing how the emerging area of the online consumer behaviour is enriching the marketing disciplines as well as facilitating the advance of customer-centric paradigms. In addition, we provide strategic insights about marketing programmes on the Internet.

Finally, several insights and research opportunities are highlighted and discussed, for instance: 1) exploring sources of online empowerment, which may increase the consumers' capabilities to participate in setting and developing the firms' value propositions; 2) assessing the effectiveness of the strategies used to benefit consumers from a collective intelligence and to give them greater control over their shopping experiences; 3) analyzing the critical aspects of current practices to provide website personalization to consumers, as well as the possibilities offered when 'personalising the personalisation'; and 4) exploring the effects of participating in brand communities (and, also, anti-brand communities) on brand-related variables (e.g. trust and loyalty).

References available upon request.

Friday, 22 July
Time: 10:30 AM

Session Number: **8.5: Emerging Market Issues**

Session Chair: Sharma, Dheeraj, *AtaAthabasca University*

The Applicability of Market-Centered Strategies and Tactics to Nonprofit Organizations in Emerging Markets: An Exploration

Conway Dato-on, Mary, *Rollins College*

Weisenbach Keller, Eileen, *Northern Kentucky University*

The Importance of Measuring Control Mutuality in B2B Relationships in Developing Countries

Botha, Elsamari, *University of Cape Town*

Human, Gert, *University of Cape Town*

Being Socially Responsible in Russia: Does it Matter to Global or Local Firms?

Strizhakova, Yuliya, *Rutgers University*

Coulter, Robin, *University of Connecticut*

Price, Linda, *University of Arizona*

How Do Emerging Countries' Brands Compete? Proposed Model and Empirical Research

Chailan, Claude, *International University of Monaco*

THE APPLICABILITY OF MARKET-CENTERED STRATEGIES AND TACTICS TO NONPROFIT ORGANIZATIONS IN EMERGING MARKETS: AN EXPLORATION

Mary Conway Dato-on, Rollins College, USA
Eileen Weisenbach Keller, Northern Kentucky University, USA

ABSTRACT

While much is known and research continues to understand more about marketing in emerging economies and investigations into the NPO sector are increasing, scant research is found on the NPO sector within emerging markets. The few available studies on NPO sector activities in emerging markets tend to focus on NGO-corporate relationships or macro-level sector reports. Furthermore, most NPOs discussed in previous research are large, international organizations rather than indigenous or small-to-medium size NPOs. Thus little is known about the marketing strategies within NPOs in emerging markets. The present manuscript proposes a process through which such knowledge may be gained while posing the research question: Are market-centered strategies and tactics (e.g., market orientation, brand orientation, promotion activities) advocated for the developed market NPO sector applicable to the emerging market NPO sector?

INTRODUCTION

Little doubt remains about two phenomena. First, emerging markets are growing in importance to marketers and for-profit organizations (Prahalad 2005; Prahalad and Hart 2002; Viswanathan and Rosa 2010). Second, the nonprofit (NPO) sector is experiencing enormous expansion across the globe (Salamon 1994, 2010). While much is known and research continues to understand more about the first phenomenon (e.g., Viswanathan, Rosa, and Cherian 2010) and investigations into the NPO sector are increasing, scant research is found on the NPO sector within emerging markets (Conway Dato-on and Weisenbach Keller 2009). The available studies on NPO sector activities in emerging markets tend to focus on two areas: NGO-corporate partnerships (e.g., Kanter 2008; Webb et al. 2010) and macro-level sector reports (Salamon 1994, 2010; Salamon and Sokolowski 2010; Wing, Pollak and Blackwood 2008). Most of the NPOs discussed in those studies are large, international organizations that have already benefited from research conducted in their home (often economically developed) nations rather than indigenous or small-to-medium size NPOs. There are even fewer studies that seek to discover the applicability of marketing or management strategies and tactics to emerging market NPOs (Matzkin 2008; Modi and Mishra 2010; Zhou, Paul and Guang 2009).

The purpose of this study is to begin to answer the research question: Are market-centered strategies and tactics (e.g., market orientation, brand orientation, promotion activities) advocated for the developed market NPO sector applicable to the emerging market NPO sector? This paper begins the process by (1) reviewing and identifying gaps in the literature related to the nonprofit sector in emerging markets, with particular attention to management and marketing related topics and (2) outlining an empirical process for the study of indigenous NPOs in emerging markets. The process will create for researchers/practitioners a repository of findings from which to build a unified base of research; one that will enable greater understanding of this growing sector.

LITERATURE REVIEW

Nonprofit Sector Development and Definition

Academics, practitioners, and policy makers trying to understand the global NPO sector in general and the organizational level in particular, are hampered by issues of diverse and inconsistent data, documentation, and resources. To overcome these limitations several research associations have undertaken comprehensive projects and categorization methodologies. Significant advancements achieved by the Johns Hopkins Center for Civil Society are noteworthy. The Center's Comparative Nonprofit Sector Project (CNP) research utilizes common definitions, categorization, and methodologies to facilitate comparison between countries to "move beyond description to explanation, to determine why the nonprofit sector takes the form it does in different places" (Perez-Aleman and Sandilands 2008, p. 1). This research and other similar projects facilitate more modest studies such as this one.

Salamon and associates (2010) note that differing development of the NPO sector (and correspondingly organizations) within nations depends on power struggles among four important drivers: (1) socio economic classes; (2) socio-demographic groups (e.g., ethnic, religious, geographic, tribal); (3) state and church; and (4) 'core' vs. 'periphery' countries. From these tensions

one of four types of NPO sectors develop: liberal, welfare partnership, social democratic, statist, and traditional. A liberal prototype might be found in the USA where the NPO sector features a professional nonprofit workforce, extensive volunteerism, and limited reliance of government support. Conversely, a welfare partnership consists of a large paid workforce, relatively small voluntary workforce, and high government support of the sector (Salamon et al. 2010).

Salamon and Anheier (1992) provide five factors considered important to understanding the size and capacity of the NPO sector in any given country: (1) population heterogeneity, the more diverse the population the larger the sector; (2) scope of the welfare system, the sector tends to fill social-service gaps left by the state; (3) level of development, nations lacking an economic 'middle class' tend to have a smaller NPO sector – as economies grow from developing to developed the number of nonprofits likely increases; (4) legal system, where common law correlates more highly with prevalence of NPO sector (vs. civil law); and (5) history and tradition lead to distinct, culturally-based societal support systems.

Acknowledging the sector's differential development facilitates understanding how an NPO might interact with different institutions within the nation (e.g., government or the for-profit sector) and be influenced by the traditional PEST (political, economic, social, and technological) environmental factors studied in international marketing. Comprehension of the development may also help ascertain the permeability of new ideas into the NPO sector. In Matzkin's (2008) research on the Peruvian nonprofit sector, for example, he found that organizations with high government involvement or influence were less likely to be open to adoption of for-profit managerial tactics such as knowledge management.

Along with the unique ways in which the NPO sector develops within national borders, countries often define the sector differently. Culture, law, and economy (i.e., tax systems) all influence the definition of the sector as distinct from for-profit and government sectors. In addition to these influencing factors, the diversity of organizational scope within the sector complicates a single definition. In the end, however, several cross-border commonalities exist from which boundaries can be set for the sector. Salamon (2010) notes five such characteristics and concludes that the NPO sector consists of entities that are (p. 177-178):

1. Organizations,
2. Private (e.g., not state-based as are government agencies),
3. Not-profit distributing,
4. Self-governing, and
5. Non-compulsory.

As such he concludes that the sector includes both formal and informal organizations serving and or advocating for either members (e.g., unions, religious groups) and/or the public. The definition is thus broader than the traditional NGO term common in developing markets and the NPO classification used in the USA. However, the definition is not as broad in scope as either civil society or civil economy (see [figure 1](#)).

Nonprofits in Emerging Markets

Extreme growth exists in the NPO sector in emerging markets (Salamon 2010). Organizations operating in these markets bring valuable assets to their communities and fill gaps in services not provided by the government or the for-profit sector. Properties of NPOs operating in emerging economies particularly valuable from a market-service perspective include: knowledge of local markets, institutions, access to legitimacy, understanding of both the local institutional contexts (Webb et al. 2010); low opportunistic behaviors compared to some governmental or for-profit entities (Anheier 2000); wide-ranging rural networks (Rondinelli and Lonton 2003); and social embeddedness within formal and informal networks (Salamon 1994). Despite the sector's growth and acknowledged assets, few academically rigorous studies exist to expand or explain the understanding of how the organizations operate or could be made more effective relative to the sub-areas of business (e.g., strategy, marketing).

To date, most research on the nonprofit sector and nonprofit organizations in the marketing and management literature has focused more on the macro-level issues described above or the interaction of NPO with for-profit MNCs within emerging economies. This top-down approach provides limited understanding of nuances or cultural and organizational factors that influence the operation of nonprofits in emerging markets – where the majority of the world's population lives. Similar to the call for research on the subsistence consumers in emerging markets (Viswanathan et al. 2010), a bottom-up approach is needed to inform the development of applicable nonprofit marketing and management techniques in these unique environments.

A few studies have answered this call, offering empirical investigations on the applicability of marketing concepts to NPOs that operate in emerging nations. For example, Zhou, Chao, and Huang (2009) investigate market orientation in China while Modi and Mishra (2010) ascertain the role of the same concept in Indian NPOs. These two studies offer tremendous insight into the two different national approaches to NPOs (i.e., state-controlled vs. free-market) while drawing the shared conclusion that an increased emphasis on market orientation (MO) can improve organizational effectiveness. Within the Latin American context there is a similar dearth of studies. One empirical study was located that seeks to understand the awareness and relevance of knowledge management (KM) in Peruvian NPOs (Matzkin 2008). The author concludes that while implicit KM practices were observed in certain types of NPOs, there is limited awareness of the value of KM for organizational development or effectiveness. Though the research is insufficient, the conclusions are shared: NPOs operating in emerging markets could benefit from further understanding and employing marketing related constructs.

PROPOSED STUDY

The main conclusion of the literature review outlined above is that more work is needed to assess the current conditions of indigenous NPOs and the NPO sector in emerging markets relative to marketing strategies and tactics that have proven helpful in advancing organizational effectiveness and societal benefit in developed markets (e.g., Chiagouris 2005; Gainer and Padanyi 2005; Laidler-Kylander and Simonin 2009; Napoli 2006). More specifically, there is a need for empirical studies, not just cases, that can be catalogued and compared across various emerging markets for true understanding of the awareness, use, and applicability of important marketing constructs such as market and brand orientation. Such research would also indicate movement toward accomplishing the fourth goal set by the Johns Hopkins Center for Civil Society Studies Comparative Nonprofit Sector Project (CNP), namely, “to build local capacity and on-going systems to carry the work forward” (Salamon 2010, p. 171).

For reasons similar to those noted by Viswanathan and Rosa (2010) in the special issue on subsistence marketplaces and Salamon (2010) in the investigation of economic impact of the NPO sector, such research should be based on a multi-national, ground-up approach. Such an approach would also expand investigations on effective relationships between MNCs and NGOs (e.g., Dahan et al. 2010; Jamali and Keshishian 2009; Kanter 2008) to smaller, more local (i.e., indigenous) nonprofit organizations. In the long-run such research could result in a comprehensive study such as Salamon’s (2010) providing a standardized process for connecting organizations and building research. The resulting repository of information, gathered from the operational level of the organizations, would create a unifying base from which additional studies could be built. It is with this eventual goal in mind that we take this first, provisional step. The process would also begin to answer the research question posed here: Are market-centered strategies and tactics (e.g., market orientation, brand orientation, promotion activities) advocated for the developed market NPO sector applicable to emerging market NPO sector?

The proposed process outlined below would follow a typical scale (or construct) development methodology using triangulation of methods across a variety of researchers and locations. The first step is to gather marketing researchers with interest in the domain of nonprofit marketing and branding in the emerging market context. Such a gathering might occur within the auspices of a professional (e.g., Academy of Marketing Science) or funding organization. Through an iterative process among the small group of lead researchers a list of top market-centered strategies would be developed for investigation in key emerging markets. Consideration should be given for concepts that have been well developed and researched in the NPO developed market realm with existing scales that can be tested for applicability and applied to the new context (e.g., market and brand orientation). Such constructs should also have evidence from previous empirical research suggesting positive influence on organizational performance. In determining location for research settings, studies such as Salamon’s (2010) can be referenced to find partner agencies or researchers in different markets. Care should also be taken to include nations with differing (1) power struggles among four important drivers discussed earlier in this manuscript, (2) dimensions along the five factors considered important to understanding the size and capacity of the NPO sector (Salamon et al. 1992), and (3) geographic dispersion.

Once the constructs and settings have been established, the second step can be pursued. Here each researcher identifies indigenous organizations in the target nations from whom data can be collected. Establishing these partnerships will be critical to the development of the research because organizational leaders will need to meet repeatedly with researchers to fine-tune the scales. This scale purification is the third step in the process and will involve mostly qualitative and projective techniques as well as local-language translation of scales. In this step, researchers will also assess current/ common understanding and needs of the NPO sector relative to marketing issues. It is anticipated that researchers may find implicit knowledge of relevant marketing strategies and techniques though not explicit labeling of the constructs similar to what Matzkin (2008) found in Peru.

The fourth step in the process will include an empirical study to measure the use of identified marketing practices/methods and organizational effectiveness in multiple settings across numerous organizations. Only after the full process has been articulated can the research question posed here be thoroughly answered.

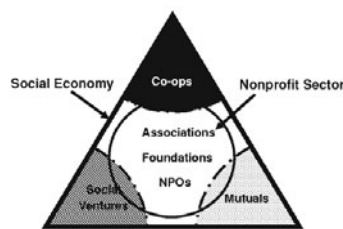
CONCLUSION

The purpose of this study is to begin to satisfy the research question: Are market-centered strategies and tactics (e.g., market orientation, brand orientation, promotion activities) advocated for the developed market NPO sector applicable to emerging market NPO sector? To accomplish this we reviewed and discovered gaps in the literature related to the nonprofit sector in emerging markets, with particular attention to management and marketing related topics. We then sketched an empirical process for connecting indigenous NPOs in emerging markets to each other and to researchers specializing in nonprofit marketing to eventually build research from a more cohesive base.

Through the presentation of this paper at an annual conference known to attract accomplished researchers from diverse locations and backgrounds we hope to begin the process of achieving the first step in the four-stage process outlined in the proposed methodology. From such humble origins and through sustained partnerships we believe both nonprofit organizations and the recipients of their services will benefit.

FIGURE

Figure 1: Social economy and the nonprofit sector: an alternative conception (Salamon 2010 p. 183)



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THE IMPORTANCE OF MEASURING CONTROL MUTUALITY IN B2B RELATIONSHIPS IN DEVELOPING COUNTRIES

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ABSTRACT

This study takes an exploratory look at the influence of control mutuality in B2B relationships. Control mutuality relates to the power relationship and decision-making processes that take place within business relationships and has seen limited application in relationship management literature.

Conventional approaches (for example Morgan & Hunt, 1994; Theron, 2008) found trust and commitment to be key influencers of successful relationships and act as mediating variables between relationship variables (for example shared values) and relationship success or intention to stay in the relationship. Therefore, the influence of control mutuality on trust, commitment (as mediators) and relationship success (as dependent variable) is investigated. The importance of including control mutuality in relationship management studies in developing countries like South Africa is investigated by looking at two separate studies that measured this variable. Both studies measured business-to-business relationships with the use of electronic surveys, rendering sample sizes of 154 and 31 respectively. Both studies found that control mutuality significantly influenced perceptions of goal attainment and relationship success.

Moreover, the significance of control mutuality in the measured relationships could also be context related. Lower levels of trust have been measured in some relationship management studies in developing countries (see Jo, 2003) and partners might need to place greater focus on the control mechanisms within the relationship.

The contribution of this study consequently lies in the addition of control mutuality to traditional relationship management studies. It also introduces new relationship management measures to B2B relationships in developing countries. By doing so, the findings points at differences in B2B relationship management strategies in developing as opposed to developed countries.

BEING SOCIALLY RESPONSIBLE IN RUSSIA: DOES IT MATTER TO GLOBAL OR LOCAL FIRMS?

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ABSTRACT

Many multinational corporations that associate their brands with social causes in developed countries do not emphasize or disclose their socially responsible actions in emerging markets. However, increasing globalization and global media are likely to make consumers aware of corporate actions regardless of whether companies engage in them in one's country or in other parts of the world. Our goal is to assess effectiveness of cause-related green marketing by global and local firms in Russia. The study uses an experimental between-subjects design in which a company (global vs. local), a non-profit foundation supporting the cause (global, local, or none) and the social cause (global, local, or none) were manipulated.

The pattern of consumer attitudes and expectations for global and local firms differed in the emerging market. Global firms should be cognizant of the fact that young adult consumers are least likely to pay higher prices for just another global product that enters their market. However, global firms gain a strong competitive advantage in these markets by associating their new products with global causes and global non-profit organization, particularly if they were to appeal to young adult consumers who strongly believe in global citizenship. With regard to local firms, we observed young adult consumers in the emerging markets were more positive about local companies donating to the global foundation than toward those donating to the local foundation or not engaging in cause-related marketing.

References are available upon request.

HOW DO EMERGING COUNTRIES' BRANDS COMPETE? PROPOSED MODEL AND EMPIRICAL RESEARCH

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ABSTRACT

A need for brand is now appearing in emerging countries' companies in order to compete with Western companies, and the new challenge for emerging countries companies is to develop their own brands in order to create a link with consumers that is not just based on costs.

Therefore a major challenge facing emerging countries' companies is to manage brands more effectively than their competitors. This situation implies a demand for a better understanding of emerging countries' companies brand strategy and branding policy. In order to fill the gap between the importance of brand role in emerging country company strategy and the small amount of research performed about this role, this article suggest a theoretical framework for analyzing possible different brand policies for these emerging country companies.

The purpose of the communication is to examine the role devoted to branding in emerging countries' company. The article is divided into two sections. Section one presents the two key brand paradoxes that companies located in emerging countries have to face. Section two describes a conceptual model which encapsulates emerging countries companies' brand policy key drivers to be considered when going international.

We found evidence that an emerging country's company can benefit from choosing to emphasize a local branding strategy, conditional to creating and maintaining the same high standards of any brand in a developed country's market. These companies may successfully adapt a local-go-global branding strategy that consumers should connote with a positive image and associations. The research shows that a relevant option could be to emphasize the 'emerging' dimension in order to more easily create points-of-difference.

This exploration raises a number of insights relevant to the choice of an appropriate brand policy in emerging country companies. Our study has direct implications for managers of firms from emerging countries' companies trying to enter developed markets. Our results lead to the conclusion that the notion that only global brands are associated with higher product quality or prestige (in relation to local brands) is not a universal truth and thus needs to be interpreted with caution. The results also reinforce the contingency perspective of international marketing; according to which brand policy may depend on company criteria as well as foreign market specificities.

Our work broadens the scope of international branding knowledge by shifting the focus to under-researched regions of the world because in a context of globalization and growing integration of local economic arenas, emerging countries' companies are under pressure to maximize their brand strategies. A theoretical model presenting the four international brand strategies for emerging countries' companies is proposed, which raises a number of insights relevant to the choice of an appropriate brand policy in emerging country companies.

The contribution of the paper is to construct a framework that suggests how an emerging country's company could create and develop the best-adapted international brand policy depending on its specific situation regarding localness emphasis and customers' risk reduction acceptance.

References available upon request

Friday, 22 July
Time: 10:30 AM

Session Number: **8.6: Strategy for Innovation**

Session Chair: Hazelton, Lois, *The University of Adelaide*

Antecedents and Consequences of Innovativeness

Pesämaa, Ossi, *Queensland University of Technology*

Shoham, Aviv, *University of Haifa*

Ruvio, Ayalla, *Temple University*

Alignment of Market Orientation and Innovation as a Success Factor - A five-country study

Oswald, Monika, *RWTH Aachen University*

Brettel, Malte, *RWTH Aachen University*

Effects of Market Orientation on Cooperation between R&D and Marketing

Gunbegi, Zeynep, *Bahcesehir University*

Sezgin, Selime, *Bahcesehir University*

Karaosmanoglu, Elif, *Istanbul Technical University*

ANTECEDENTS AND CONSEQUENCES OF INNOVATIVENESS

Ossi Pesämaa, Queensland University of Technology, Australia

Aviv Shoham, University of Haifa, Israel

Ayalla A. Ruvio, Temple University, USA

ABSTRACT

Innovativeness is an organizational trait that leads to innovations. Organizations with high levels of innovativeness develop and renew products and processes and abandon obsolete ones. While potentially contributing to long term growth and profitability, utilizing innovativeness can be difficult, time consuming, and expensive. This paper examines a contingency-theory-based model centering on organizational innovativeness, its internal and external antecedents, and its performance outcomes. It assessed the role of a learning-orientation as a moderator of the relationships in the model. The model is tested by data from 395 strategic business units (SBU) in Israel's healthcare industry. Innovativeness has added importance in the healthcare industry, because many innovations are expensive, take a long time to license and train, and require extensive organizational support. We find that overall, and, especially for high learning-oriented organizations, innovativeness mediates the impacts of risk-taking, creativity, and competitor orientation (internal characteristics), and environmental munificence (external characteristic) on performance. In contrast, innovativeness mediates only the impacts of risk-taking and creativity on performance in low learning-oriented SBUs.

ALIGNMENT OF MARKET ORIENTATION AND INNOVATION AS A SUCCESS FACTOR A FIVE-COUNTRY STUDY

Monika Oswald, RWTH University Aachen, Germany
Malte Brettel, RWTH University Aachen, Germany

ABSTRACT

Research on the established construct of market orientation focuses on the satisfaction of expressed customer needs. This focus is criticized as too customer-led and thus producing no radical, but only incremental innovation (Christensen and Bower 1996). The present study deals with the second facet of market orientation, proactive market orientation, as introduced by Narver, Slater & MacLachlan (2004). Proactive market orientation aims at identifying more latent needs of customers and creating a competitive advantage based on knowledge about these latent needs (Narver, Slater & MacLachlan 2004; Atuahene-Gima, Slater & Olson 2005). While the relationships of proactive MO with new product success is validated empirically (see among others Tsai, Chou & Kuo 2008), “[...] the key assumption... that responsive and proactive market orientations... influence... incremental and radical innovations, respectively” (Atuahene-Gima, Slater & Olson 2005, p. 465) has not been tested empirically. Addressing this research gap, this study investigates the relationship of both market orientation facets in conjunction with incremental and radical innovation with firm performance.

In order to validate the research model empirically, survey data was generated in five national contexts chosen for their differences in the major cultural dimensions (individualism, power distance, uncertainty avoidance) from Hofstede (2001). Overall, 737 usable answers were generated: 51 from Austria, 98 from Switzerland, 183 from Germany, 257 from Thailand, and 148 from the US. Hierarchical regression analysis with interaction effects are applied and a cross-cultural comparison of the results conducted.

The empirical results indicate significant relationships of market orientations and innovation with market effectiveness across all five surveyed countries. Furthermore the hierarchical regression analysis reveals significant interactions of each market orientation facet with the corresponding (incremental or radical) innovation focus. These findings indicate that firms benefit from pursuing market orientation and from aligning a responsive market orientation with incremental innovation as well as a proactive market orientation with radical innovation. The interaction effects between responsive, proactive MO and innovation focuses are not subject to significant national variation.

References available upon request

EFFECTS OF MARKET ORIENTATION ON COOPERATION BETWEEN R&D AND MARKETING

Zeynep Gül Günbegi, Bahçeşehir University, Turkey
Elif Karaosmanoğlu, İstanbul Technical University, Turkey
Selime Sezgin, Bahçeşehir University, Turkey

ABSTRACT

This paper aims to describe the effects of market orientation and innovation orientation on the cooperation between R&D and marketing and new product performance. Another purpose of this study is to address the impact of environmental context on the cooperation between R&D and marketing. Specifically two aspects are measured: market changes and technological changes. 232 questioners are collected from a convenience sample of marketing, sales or R&D department members from a variety of industries via online survey. The findings suggest that the effect of market orientation on the cooperation level between R&D and marketing. Interestingly responsive market orientation has been found to be the key for R&D and marketing cooperation for contexts where technology and market changes are perceived to be more turbulent. The results also reveal the importance of innovation orientation on new product success. The findings suggest that managers of turbulent market environment need to focus on tactical approaches while developing scenarios for long term new product strategies. Moreover it develops further insights for corporations to reveal the significance of the role of innovation orientations on new product performance.

Keywords - New product performance, R&D and marketing cooperation, Market Orientation

INTRODUCTION

In their comprehensive review of literature Griffin and Hauser (1996) list several studies that evidence new product success enhancement through cooperation between R&D and marketing. However those previous studies have not provided a full picture of underlying dynamics that may affect both cooperation and new product success. Therefore in this study the impact of innovation orientation, market orientation (i.e. proactive and responsive), market and technological changes are simultaneously examined as antecedents of the constructs aforementioned. The paper is organized as follows. First, the theoretical foundations are outlined regarding the key factors. Secondly, conceptual framework is introduced and the hypotheses are developed. Next, the research methods and data collection undertaken to test these hypothesis are described, followed by the results of the research. The paper concludes with a discussion of the managerial implications of the research, its limitations, and possible topics for future research.

THEORETICAL FOUNDATIONS

Market orientation, which is the business culture that most effectively and efficiently creates superior value for customers (Narver and Slater, 1990), is a key organizational resource in creating sustainable competitive advantage (Baker and Sinkula, 2005; Prosenak et. al., 2008), improving market performance and business profitability (Narver and Slater, 1990). The broader "market intelligence" concept including market factors, current and future needs of customers, information about the buyers and competitors requires the business's coordinated efforts, involving not only the marketing department but a variety of departments (Narver and Slater, 1990; Kohli and Jaworski, 1990). Baker and Sinkula (2005) indicated that strong market orientation allows companies to identify and responds to new product opportunities quickly, and be the first to the market with new generations of existing products and services. Berthon et. al. (1999) questioned the benefits of market orientation to innovation, stating that products precede needs and create their own demand by changing the way customers behave. Their main criticism was that being market oriented may detract from innovativeness. Still emphasizing the importance of the dialogue process that the rich collection of knowledge gets employed on the technological side as well as a good deal of implicit knowledge on the customer side, Frosch (1996) proposed that due to the longer-range of time scale customer, market orientation may lead to myopic research and development. A possible response to these criticisms could be the definition of market orientation as two essential sets of behaviors. The first is "responsive" market orientation or "customer led" (Day, 1999) in which the expressed needs of customers is taken into consideration and the second set of behaviors is "proactive" market orientation that considers the latent needs of customers (Narver et. al., 2004). Narver et. al. (2004) developed a measure of proactive market orientation and refines the extant measure of responsive market orientation, in order to analyze the relationship of a business's responsive and proactive market orientation to its new product success. It is found that a responsive market orientation is not sufficient for any business to create and to sustain new-product success. Instead a proactive market orientation plays a very important positive role in a business's new-product success. For these reasons both responsive and proactive market orientation is to be measured separately in this study.

Innovation orientation, which can be defined as a firm's intention to invent and refine technologically superior products that are preferred by customers or in a broader sense create its markets and customers (Berthon et. al., 1999), is an essential part of a new product success model. The discussion whether innovation orientation is a subset of market orientation (Narver and Slater, 1990) or market orientation causes innovation (Han et. al., 1998) or they are at all two distinct constructs (Berthon et. al., 1999) has been a profound debate. Day (1999) states that market orientation and innovation orientation actually complement each other in order to sustain a technology leadership that realizes success. The aim of this study is to measure the link between innovation orientation and both cross-functional cooperation and NPD performance, so that the results can be compared to that of market orientation.

The role of environmental characteristics has an effect on the perceived importance of cross-functional cooperation as well as the relationship between R&D–marketing cooperation and NPD performance (Griffin and Hauser, 1996; Gupta et al., 1986). Environmental changes such as expectations and preferences of customers, their new product requirements, emergence of new competitive forces in the market and competitor strategies cause market changes (Gupta et al., 1986). Thus, market turbulence can be defined as the rate of change in the composition of customers and their preferences (Jaworski and Kohli, 1993) as well as the changes in competitors. Jaworski and Kohli (1993) suggested that companies operating in such turbulent markets tend to modify their products continually in order to satisfy the changing composition of customers and their preferences. In order to measure market changes objectively its complexity, dynamics, and variability is questioned referring to previous research studies (Jaworski and Kohli, 1993; Song and Thieme, 2006, Lu and Yang, 2004). The other side of the environmental uncertainty lays back to technological changes. Technological changes such as breakthroughs create uncertainty which in turn initiates new solutions and corresponding NPD (Narver & Slater, 2004). A similar effect is to be considered in this case and the link between technological changes and the cooperation level of R&D and marketing is to be examined. Han et. al. (1998) investigated the link between environmental uncertainty and market orientation-innovativeness relationship, and they found out that the technological turbulence effect the relationship positively but market turbulence does not play a significant role.

The obvious influence of an effective marketing and R&D cooperation on the success of new product development and innovation (Souder, 1988; Gupta et al., 1986; Griffin and Hauser, 1996) is found to be critically important and complex with a cross-functional nature (Atuahene-Gima and Evangelista, 2000). The reason for this is most of the time the interdependent and dynamic responsibilities of marketing and R&D departments in new product development. In order to understand the effects of cooperation between R&D and marketing on new product performance, the main challenge is to define measures of success since it depends on many factors. The most evident and re-called measure is in financial terms, the type of which include profit-based and sales-based measures (Craig and Hart, 1992). Griffin and Hauser (1996) expands these measures to customer measures such as market share, customer satisfaction, financial measures such as profit goals, margins, process measures such as technical performance, on-time delivery, firm-level measures such as success/failure rate, % of sales in new products, and program measures such as new-product program achieved its objectives. There also exist "soft" or "subjective" measures like the importance of new products, amount of NPD activities, the proficiency of new product activities, the degree of innovations or the opening of new markets (Craig and Hart, 1992). In this study the commonly used measures in terms of profitability, success against competitors and overall success are used to measure new product performance.

The hypothesised model includes four main constructs - market and innovation orientation of the corporation, changes in market and technology, cooperation between marketing and R&D and new product performance.

- H1.* The higher the level of technological changes, the higher NPS.
- H2.* The higher the level of market changes, the higher NPS.
- H3a.* The higher the level of innovation orientation, the higher cooperation level of R&D– marketing.
- H3b.* The higher the level of innovation orientation, the higher new-product success.
- H4.* The higher the level of (a) proactive and (b) responsive market orientation, the higher cooperation level of R&D–marketing.
- H5.* The higher the level of (a) proactive and (b) responsive market orientation, the higher new-product success.
- H6.* The higher the cooperation between R&D and marketing, the higher the new-product success.

METHODOLOGY

The questionnaire was based on the scales validated by the following previous studies: “perceived new product performance” from Griffin and Hauser (1996) and Narver et. al. (2004); “market changes and technological changes” from Jaworski and

Kohli (1993), Lu and Yang (2004) and Narver et. al. (2004); “R&D and marketing cooperation” from Lu and Yang (2004), Song and Parry (1992) and Song and Thieme (2006); “proactive market orientation, responsive market orientation and innovation orientation” from Narver et. al. (2004). The items were translated to Turkish by the researcher and were subjected to examination for lexical appropriateness by ten R&D and marketing executives. On the basis of feedback very minor wording amendments were done without elimination of items. All of the variables were measured using a five-point Likert scale. Convenience sampling method was used in collection of the data. The data were collected through online survey. The link of the survey was sent through the use of e-mails to respondents who have a position either in the marketing or R&D departments. 1021 people viewed the survey, 336 of those were working in R&D, marketing and sales positions. Out of them only 232 questionnaires were usable. Of the 232 respondents 51% held marketing and sales positions (32% and 19% respectively) and 49% held R&D positions. 35% were in managerial positions, 40% were R&D and marketing specialists and rest were in clerical positions. The percentages for industry types are as follows; 39% automotive, 15% IT and telecommunication technologies, 13% banking, 8% civil and energy engineering, 7% FMCG and the rest ranges among pharmaceuticals, biotechnology and education. Most of the respondents (65%) work in large scaled companies with more than 1000 employees. 73% of employees were male; this might be a result of higher respond rates from industries which are more dominated by male. 54% of respondents were between 26 and 33 years old, rest were older than 33. This might be a consequence of younger population structure of Turkey (50% of the population is below the age of 30, TUIK 2010). 51% of the employees have been working more than 5 years in their current company.

FINDINGS

This research is made to understand the effects of cooperation level between R&D and marketing on the success rate of a new product development. First of exploratory factor analysis was performed. The items that had communalities less than 0,50 and items loaded more than one factor were excluded. As a result seven factors were extracted (KMO=0,896>0,70, Bartlett’s Test of Sphericity=0,000<0,05, variance explained=0,70). The same factor structure was confirmed by confirmatory factor analysis ($\chi^2=964.314$; df=494; RMSEA=0.070; All t-values $p<0.05$; All $\beta >0.50$; All SMC >0.50 ; NFI=0.937; NNFI=0.961; CFI=0.965; GFI=0.783; AGFI=0.743) (Andersen & Gerbing, 1988; Bagozzi et al., 1991). The scale structures were proven as showing convergent and discriminant validity and all are internally consistent. All Bivariate correlations are positive and statistically significant, and all reliabilities are higher than 0,70 (Table 1). On the basis of the modification indices an alternative model has emerged (Figure 1). In comparison to theoretical model the direct relationships between responsive (H5b) and proactive (H5a) market orientation and new product success are omitted in the alternative model. The alternative model shows good fit ($\chi^2=979.07$; df=478; RMSEA=0.070; All t-values $p<0.05$; All $\beta >0.50$; All SMC >0.50 ; NFI=0.936; NNFI=0.960; CFI=0.960; GFI=0.781; AGFI=0.742). As the t-values indicate in Figure 1, while H1, H2, H3a, H3b, H4b are supported at 0.05 significance level, H6 is weakly supported at 0.10 significance level. H4a was rejected ($p>0.05$). These results show that market orientation, both responsive and proactive does not have any influence on new product success. However as technological changes and market changes increase new product success increase. Innovation orientation has a positive effect both on new product success and cooperation between R&D and marketing. As responsive market orientation increase cooperation between R&D and marketing also increases. Furthermore a weak indirect impact of responsive market orientation on new product success is observed ($t=1.634>1.28$ at 0,10 significance level). Proactive market orientation has found to have no significant impact on cooperation between R&D and marketing. Interestingly, cooperation between R&D and marketing has a weak impact on new product success.

CONCLUSION

In contrast to Narver et. al.’s (2004) study on the relationship between market orientation and new product success, we have found that proactive market orientation does not have any impact on new product success while responsive market orientation has an indirect impact through R&D-marketing cooperation. In other words the instant feedbacks from the market have a more critical role on the need for higher cooperation between R&D and marketing. This can be explained by the effect of market and technological changes on new product success as observed in the alternative model. In more turbulent and frequently changing markets and technological conditions, companies tend to pay more attention to new product development, and hence the higher new product success. This conclusion is in line with Gupta et al. (1986), Souder et al. (1998) and Lu and Yang (2004). In such environment of high turbulence the tendency to predict the latent needs of the customer does not present the first priority for companies. This finding has been demonstrated by the non-presence of proactive market orientation in the alternative model. This observation could be also explained by the argument that companies tend to focus on incremental innovations rather than breakthrough innovations that necessitate proactive approach. The results also show that innovation orientation of companies has a positive direct effect on both the cooperation between

R&D and marketing and new product success. This could be interpreted as companies are trying to seize opportunities in markets to fulfil the prompt expectations of customers by developing new products or adapting the existing ones. Although this argument is parallel to the results of Gupta et. al., 1986; and Lu et. al. 2004, it also supports the long lasting debate on whether market orientation and innovation orientation are complementary (Day, 1999) or distinct approaches (Berthon et. al., 1999).

The findings of the study suggest that innovation orientation has significant cooperation between R&D and marketing is an important determinant of new product performance, thus the management can promote innovation in order to create a better cooperation between R&D and marketing. The key managerial implication of this research is the development of market orientation of a corporation based on the strong relation between responsive market orientation and R&D-marketing cooperation and new product performance. Thus, the research findings are useful to managers for undertaking change efforts directed to building the appropriate market orientation according to the market and technological changes. The findings have implications for firms coping up with the environmental turbulence of the market and technology. In other words the cooperation between marketing and R&D deserves more attention in environments, where technological changes are frequent or drastic.

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TABLES

Table 1: Correlation Coefficients and Descriptive Statistics

	Technology Changes	Market Changes	Innovation Orientation	Responsive Market Or.	Proactive Market Or.	NPD Success	Cooperation R&D-Mark.
	,801	,823					
inno	,271(**)	-,039	,941				
rMO	,274(**)	,158(*)	,460(**)	,842			
pMO	,535(**)	,290(**)	,512(**)	,697(**)	,902		
SUC	,316(**)	,318(**)	,480(**)	,489(**)	,644(**)	,752	
integ	,209(**)	,199(**)	,376(**)	,619(**)	,651(**)	,421(**)	,953
Mean	3,8812	2,9228	3,7980	3,7707	3,7025	3,8482	3,4634
SD	,83502	,80123	1,08239	,74880	,86965	,72089	,84339

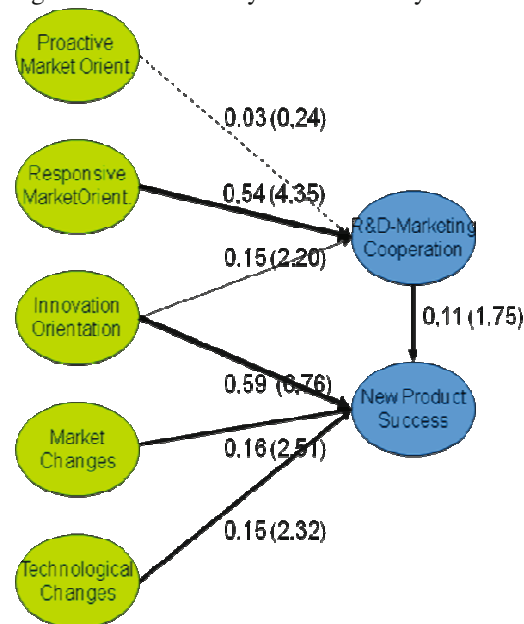
* Correlation is significant at the 0.05 level (2-tailed).

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

Note. Reliabilities are presented in bold

FIGURES

Figure 1: The summary of model analysis



Friday, 22 July
Time: 10:30 AM

Session Number: **8.7: Marketing Research Tools & Techniques**

Session Chair: Griffin, Mitch, *Bradley University*

Using a Judgemental Analysis System to Evaluate the International Mainframe Computer Market

Holland, Christopher, *Manchester Business School*

Naude, Peter, *Manchester Business School*

Heptonstall, Barrie, *IBM*

C' Test Helps of Hinders? - Clarifying the Communication Fallacy of "Effect to Be Mediated" in Marketing Research

Zhao, Xinshu, *University of North Carolina at Chapel Hill*

Chen, Qimei, *University of Hawaii at Manoa*

Triangulation in Industrial Market Research - Development of a Mixed-Methods-Approach for Market Forecasts

Kuhn, Marc, *Baden-Württemberg Cooperative State University*

Baumann, Clemens, *Baden-Württemberg Cooperative State University*

USING A JUDGEMENTAL ANALYSIS SYSTEM TO EVALUATE THE INTERNATIONAL MAINFRAME AND COMPUTER MARKET

Christopher P. Holland, University of Manchester, U.K.

Peter Naude, University of Manchester, U.K.

Barrie Heptonstall, IBM Systems and Technology Group, U.K.

ABSTRACT

A judgemental analysis system that supports and facilitates the use of multi-criteria evaluation was used to evaluate the mainframe computer market. The work was conducted with a large systems vendor. The purpose of the research was to compare the relative perceptions of customers and the internal sales force for different computer platforms: mainframe, mid-range, Windows NT and Unix servers. The product attributes were defined by working with the mainframe supplier and each of the platforms was evaluated against each attribute. Data were collected from interviews with senior managers from fifteen customer organizations in a range of industries including banking, manufacturing, insurance and distribution. Data were also collected from six members of the European sales team to enable a dyadic comparison between customer evaluations and supplier perceptions of the same market. The key results are that significant differences exist between the relative importance of individual attributes between the customers and members of the supplier's sales team, and clear patterns emerge on the scoring of each platform against the attributes. The implications for using a multi-criteria tool for data collection and analysis are outlined, and the importance of the research results for managers and academics involved in the IT industry are described.

INTRODUCTION

The purpose of this study is to demonstrate how a multi-criteria decision making tool can be applied to market analysis in a business-to-business environment. A specialized piece of software, the Judgemental Analysis System (JAS), has been developed to make the data collection and analysis process practical from the perspective of both the market researcher and the subject of the study. Based on earlier projects in other markets (e.g. see Lockett and Naude 1991, Naude and Lockett 1993) the approach has face validity for managers who adapt to use the tool quickly and effectively to structure their analysis and evaluation of competing purchasing options in their supplier consideration-set. In this paper, the approach is extended to include the perceptions of both the buyers and the sellers in the European mainframe computer market, where mainframe computers compete against other platform architectures including the AS/400, Windows NT servers and Unix systems.

Mainframe computer systems are traditionally sold to government bodies and large corporations. These include major financial institutions, utilities companies, airlines, and manufacturing companies. IBM has been a global market leader in the mainframe market since its inception and competitors, particularly Japanese companies, have strived to attack IBM's market share. See Anchordoguy (1988, 1989) for a detailed analysis of how the Japanese computer industry built up its technology and market power throughout the 1960s to the early 1980s through a combination of collaboration in areas such as R&D, aided by the proactive involvement of the Ministry of International Trade and Industry (MITI) and then through international alliances with US and European computer firms.

Typical transactions are of the order of \$0.5 million to \$10 million, although larger transactions are not uncommon. Gross margins for these systems may be of the order of 70%. A large proportion of these mainframe sales have been the replacement market. However new technology means customers are increasingly able to upgrade their systems, rather than having to face the costs of wholesale replacement. This means that a large source of revenues for companies such as IBM, Hitachi Data Systems (HDS) and Amdahl is fast disappearing. In addition, there is increased competition from smaller networked systems, e.g. mid-range machines such as the AS/400 and servers that use Unix or Windows. As networked systems become more powerful these smaller systems become more attractive because of their flexibility and lower hardware costs.

The traditional mainframe suppliers are facing a 20% to 30% annual price decline, and need to increase the usage of equipment in order to maintain (or even increase) revenues. The large vendors vigorously contest each new mainframe purchasing decision. At the same time, the mainframe companies must compete against networked server or even PC-based solutions. In an historical analysis of the computer industry Malerba et al (1999) identified three main computer architectures: mainframe computers; minicomputers and networked Personal Computers (PCs). Christensen (1997) also uses the same categorization scheme of computing architectures to illustrate the disruptive impact of minicomputers on the mainframe market and then personal computers on the minicomputer market.

It must be remembered that from the perspective of a customer wishing to buy a new computer architecture for a large-scale application of whatever type, or to replace an ageing mainframe, all three architectures are likely to be in their consideration set, i.e. mainframe, some type of mid-sized machine such as the AS/400 and then networked PCs/Servers running either Windows NT or Unix. The mainframe category still exists and the equivalent to the minicomputer in this study is the AS/400. The networked server category is divided into two sub-categories defined by the operating systems of Windows NT and Unix. We have therefore adapted the broad historical classification to define four competing architectures. Working with one of the large mainframe suppliers, the objective of this paper is to explore the use of a judgemental modelling system to develop our understanding of how buyers perceive the overlap between the capabilities of high-end and low-end machines, and also to explore how the company should compete in the markets for new age applications, e.g. Business Intelligence/Data Mining (Watson and Wixom 2007), ERP (Holland and Light 1999), e-Business (McEachern and O'Keefe 1998), Server Consolidation (Waldspurger 2002) as well as the more traditional industry applications.

Defining The Market

The replacement mainframe system market typically has two groups of customers. The first group consists of relatively small organizations that purchased machines in the 1970s to early 1980s. They tend to run much older systems and are not really large enough to justify the costs of newer centralized solutions, but which continue to do so for historical reasons. The second group consists of large organizations in the public and private sectors. They tend to run old applications on large machines and either could or already are adding new applications to their installation. For this second group of customers, changes in their business and IT strategies generates new opportunities because of the need for more powerful machines or newer machines that are more efficient and have lower running costs.

It is the second group that we focus on here, since any systems implementation is likely to be of a large scale with a corresponding large requirement for capacity. There are very few new potential customers for these machines, primarily due to the fact that the initial costs of purchasing and operating a system are high, and the system does not become very cost effective until it is supporting several thousand users. While most large organizations already have systems, newer companies tend to grow up with alternative platforms.

One potential way of segmenting the market would be to look at industry sectors, and look for commonalities. The industry has traditionally operated this way, with focus on segments such as Banking, Finance and Securities; Insurance; Distribution; Government, etc. Increasingly, however, suppliers are seeking to understand their markets by product and solution areas, with sales teams working in each of these across industry sectors. Whilst this would appear to be a logical approach, there are two important aspects to appreciate. First, customers may not relate to these categories. For example they would think of a system to generate mail-shots as a "marketing system", rather than "business intelligence". Second, many of the solution areas are converging, for example most Enterprise Resource Planning (ERP) systems have data warehouses built into them, and have web-enabled the system for e-commerce. In spite of these potential shortcomings, the following are some of the solution areas typically found in the higher end systems: Business Intelligence/Data Mining; Enterprise Resources Planning; Server Consolidation; and E-Commerce and E-Collaboration. It is clear that mainframe computer sales are a highly specialized market that falls within the broader area of high-technology marketing as described by Mohr et al (2010).

It is worth making a brief comment about the Decision Making Unit (DMU) involved in a buying decision. Being either a complex modified re-buy or else a new task (Robinson et al, 1967), the DMU is usually complex (Crissey 1998). Members often involved include Board Member; Senior User Manager; Application Development; IT Manager/Director (CIO); User Groups, IT Operations Manager; Consultants; and independent software vendors.

The different industrial segments and solution groups identified above suggested to us a matrix approach was required in our sampling, onto which had to be overlaid considerations surrounding the DMU. This led us to develop a matrix defined by two axes: industry segment (e.g. financial services, manufacturing, retailing); and application area (e.g. business intelligence, enterprise computing, e-business). This model has been used to position individual customers. Of course, there may also be customers who sit across a number of these boxes - for example one customer decision maker may purchase both ERP systems and an e-business application.

There are five potential results for market requirements and which could come from a full-scale market analysis of this type:

1. These are consistent across all industries and all solution areas.
2. These are consistent across all industries but vary by solution area.
3. These vary across industries but are consistent across all solution areas.

4. These vary across industries and solution areas.
5. These vary for each and every customer - i.e. the market is always a unique market of one.

For the purposes of this study, and given that very little market research data of this type actually exists within the industry at present, it was decided that the objective was to spread the study across as mixed a population as possible in order to get the broadest view possible and to begin to develop some theories about the market.

There was a requirement to identify differences in customers' needs and perceptions across each of the sectors in order to form and articulate a clearer and differentiated marketing message. Historically, the vendor had not considered server and mid-range computer systems to be in the same competitive-set as a mainframe. Information on how customers perceived mainframe solutions versus other technology platforms had therefore not been considered and there was no market intelligence available within the company.

RESEARCH METHOD

There are two fundamental approaches for carrying out a more scientific evaluation of customer requirements and how System/390 scores against these. From Naude and Lockett (1993), the Cost-Ratio Method (under which a financial value is related to all positive and negative aspects of a proposition in order to attempt to develop an overall financial rating for each option) and Multi-Criteria methods. In the latter, all relevant attributes are identified, these are prioritised, and the options are rated against these. This creates an overall rating for each option. The second of these, Multi-Criteria Decision Making was used for this exercise as it is a methodology which will completely and accurately reflect customer priorities and perceptions.

In order to position the analytical research method in a competitive context, a model of the use of judgemental analysis to evaluate markets is shown in [figure 1](#). Market evaluation takes place in a competitive context. A firm's existing sales and marketing strategy is taken as the starting point in order to define the relevant set of competitors and product attributes. The current approach to the market is also captured. The market evaluation is an analysis of the different viewpoints of managers in the customer organization and managers in the supplier organization, in this case, sales staff. There is also a synthesis of the different perspectives. The initial results are the salience of product attributes and competitor scores, which together give a picture of the overall market. The interpretation of the results informs the evolution of the future sales and marketing strategy of the supplier.

Data were collected in personal interviews with senior purchasers of information technology equipment in the UK and Holland. The interviews were facilitated by the use of a PC-based judgemental modelling package JAS (see Islei and Lockett 1988; Naude et al 2000) that helps decision makers evaluate different options using a compensatory approach based on pair-wise comparisons of a set of attributes and alternatives. Comparative studies of the relative importance of different attributes and the performance of competitors on each attribute frequently lack substantive measures of the extent to which factors differ from each other. In tackling this problem, judgemental modelling is similar in concept to other multi-criteria decision making (MCDM) approaches such as the AHP (Saaty 1980, Wind and Saaty 1980). Both are based on an underlying compensatory model (Wind 1982), which decomposes a problem into three separate hierarchical issues:

1. What attributes are important to users in making purchasing decisions?
2. How do attributes vary in importance?
3. How do individual suppliers perform relative to one another?

By using this multi-criteria approach facilitated by JAS, it was possible to understand both the relative importance of a range of product attributes by weighting them, and also to score the current perceptions of the main server platforms in the market today (UNIX, NT, AS/400, S/390) on these different attributes. The focus of the paper is on the analysis of the business to business marketing data outlined in [figure 1](#) to inform future sales and marketing strategy development. But the research could equally be viewed as a case study and used to generalize the findings to theory development as per Eisenhardt (1989). The case study aspect of the research is being developed as part of another research programme.

Research Questions

The research aimed to answer three main questions:

1. What are the key attributes of customers' requirements at the time of purchase that lead them to select one server technology platform over another?

2. What is the current perception in the market of the four main server platforms scored against these key attributes?
3. What insights can be gained from this type of research to inform the sales and marketing strategy for IBM? Related to the specific insights, can the findings be generalized into theories that can be tested in future research and applied in other high-technology marketing environments?

This research was not aimed at addressing the choice of supplier but rather the choice of architecture. In most customer buying processes, choice of architecture (e.g. UNIX versus S/390) is made before tendering for the supply of the hardware (e.g. following a UNIX choice, IBM, HP and Sun might all be asked to tender). The focus on different architecture in this study corresponds to how economic analyses of competition in the computer industry has revealed that competition takes place between computer 'platforms' rather than individual competitors (e.g. Bresnahan and Greenstein 1999). The term computer platform corresponds to the mainframe, minicomputer and networked PC architecture classification used in this paper.

There are, of course, situations where these decisions overlap - clearly an AS/400 decision, for example, will always be an IBM decision (although there will be a separate decision made as to which IBM Reseller will supply the machine). A decision for System/390 does not mean IBM will automatically win the business - HDS and Amdahl will almost always be invited to tender and are likely to take a proportion of this business. The important objective of this research will be to define a proposition that contributes towards identifying whether a mainframe approach is a credible option for new application workloads.

All customers were therefore asked to score the platforms as if their required application was supported on it. Four server platforms (Unix, Windows NT, AS/400, and System/390) were addressed. These have been selected because they are genuine options for customers when seeking platforms for new applications - thus System/390 does compete against AS/400, NT and UNIX in certain customer situations. Other proprietary platforms, for example Unisys mainframes, were left from the survey on the basis that they have relatively small market shares and are very rarely seen nowadays as a competitor to System/390.

Based on our experiences from earlier research in other industries, suppliers are usually able to specify correctly the list of attributes that customers require, but are usually unable to score these accurately compared with actual customer ratings. The list in [Table 1](#) was developed within IBM on the basis of IBM internal reports and existing research (Hammon 1998, Harmer 1997, IBM 1988, 1999, Rafiq 1998 and Crissey 1998). Both IBM sales staff and customers scored the model.

In order to take a broad snapshot of the market, it was decided to spread the interviews across a broad range of industries, customer positions, installed systems, and solutions areas. A total of fifteen customer buyers (identified as Cus 1 to Cus 15) were interviewed using the WINJAS software tool to capture, store and analyse the data (Islei and Lockett, 1988). All fifteen customers had recently made a server purchase for one of the solutions areas. Most had gone through a selection exercise during that purchase, and therefore had a recent view of the relative strengths of the platforms. All were experienced executives in either the business application or computer management of IT systems. The spread of interviews across industry sectors and application areas is shown in [table 2](#).

In addition, six sales representatives of the company with sales experience covering all four types of platforms were also interviewed. The core research questions were concerned with identifying and comparing the supplier perceptions of the buyers' needs compared with the buyers' actual views. There are two separate elements to the analysis, those concerning the relative importance of the product attributes ("Attribute Salience Analysis") and those that are concerned with the overall positioning of the four servers against these attributes ("Server Positioning Analysis").

RESEARCH RESULTS

Product-Attribute Salience Analysis

The customer scoring of the product attributes is shown in [table 3](#). For each customer the sum of scores across the attributes sums to 100. The scoring system represents the weighting that the customer places on each attribute relative to the other attributes.

From these, together with the customers' comments, it is possible to build the following theories about what the customers find important. There was quite a degree of variance between the customers with five of the six attributes being selected as the most important attribute by at least one customer. The widest range for a single attribute scored by different customers was 48.2 by Cus 5, and 4.2 by Cus 8 when scoring the importance of hardware resilience. There were similar large variances

for the other attributes. This does suggest that although this survey can be used to draw some overall market conclusions, there is also an important aspect in that the market can be a “market of one”.

Hardware resilience was clearly the most important criteria overall, with seven customers selecting this as their most important attribute. Two customers, Cus 1 and Cus 8, scored hardware resilience very low, explaining that although hardware resilience is extremely important, they now expect all servers to offer this and therefore they do not count it as an important attribute in a selection exercise. Setup Time was clearly the least important criteria. It failed to have even one customer select it as his most important criteria, and only one scored it as his second most important. This is actually quite surprising given the level and speed of competition in most markets. This, together with the pace of change in the IT industry itself, would suggest that setup time (or time to market for a new system) would be very important. A number of customers explained that they felt it was more important to have the right system and one which was able to offer a high level of service, than to have a poor performing system up and running quickly.

This fits, then, with the high levels of importance attached to application availability, which was ranked as the second most important criteria. Cus 3 explained that he is making a trade-off in favour of having a highly available system that takes longer to set up, as opposed to a less available system quickly. Several customers said that hardware resilience and application availability are absolutely key, and that all the other attributes are significantly less important. They said that IT systems are now so critical to their business that they cannot afford to compromise these. Cus 5 explained this by saying that “We do whatever it takes to get a world class infrastructure and we don’t take any shortcuts”.

Manageability scored relatively highly, in third place, although four customers rated it as their most important attribute (the 2nd highest number of “1” ratings). Cus 2, an IT Manager, rated this as his number one criteria, “If I can manage it, it will be cost effective and will mean that we can offer up time and resilience”. Total Cost of Ownership was, perhaps surprisingly, put in fourth place with an average rating of just 15.2. This is surprising because most hardware manufacturers, including IBM and its High End Systems Business, promote this attribute of their offering most strongly. Again that three other attributes come above Cost of Ownership in priority reflects the high degree of importance which customers place on their systems. One customer (Cus 2) rated total cost of ownership as his second most important attribute by explaining that “Costs are always important as they have to go in the business case and without that we can’t get a project approved”. Cus 1 rated this low, but explained that whilst Cost of Ownership is low in importance, Return on Investment would be very high. It is, perhaps, surprising that more customers did not draw this distinction, although it is hard to picture what a Return on Investment case would look like for a server, without looking at a complete project. This could make an interesting topic for a further study.

Scalability, which, along with Cost of Ownership, is one of System/390’s top two aspects of its proposition today also scored very low in importance. Most customers said that all platforms are able to offer sufficient scale now, so it is fairly academic as to the extent to which these go. Cus 1 rated it as his most important attribute. He explained that this was because his application, at a large bank, had to support many thousands of users and huge amounts of data, and many servers would not support this. There appears then, for this customer at least, to be an interesting compensation in his attribute scoring to take account of situations where servers are reaching their limits. Clearly an attribute would become most important where this is the case. Another customer, Cus 3, said that scalability includes the ability to have small, as well as large, implementations. This affected his scoring of the platforms, since his perception was that not all platforms could support small implementations. The results from the supplier attribute scoring process based on the individual salesperson’s understanding of customer requirements is shown in [table 4](#).

Interestingly, the internal results are significantly different in two ways to those of the customers. The first point to note is that whilst the customers scored hardware resilience as their most important attribute, the IBM salesmen thought that this was the least important criterion. The salesmen offered the explanation that customers were no longer concerned with hardware resilience. Perhaps this identifies a worry in our customers’ minds that IBM thinks has been fully dealt with.

Secondly, IBM’s top attribute was total cost of ownership, which came just fourth in the customer ranking. This is, perhaps, because the salesmen handle price negotiations as a key aspect of their job, and they have failed to distinguish between the common objective of customers to achieve a good price for their purchase, and how important this is in the overall scheme to the customer. Clearly this is a vitally important point to note because it offers a potential opportunity to preserve IBM’s margins if the sales force can capitalize on the factors, which their customer really finds important. In other respects, the scores are very similar with both IBM employees and customers placing application availability and manageability in their top three, and scalability and setup time in the bottom three. A comparison of the supplier and customer scores is shown in [table 5](#).

Server Positioning Analysis

The results of the fifteen customers scoring the platforms against the attributes are shown in [table 6](#). The method for calculating a customer's score for each platform is as follows. For each platform, a customer allocates 100 points across the competing platforms of Unix, NT, AS/400 and System/390 for each attribute (i.e. scalability, hardware resilience, application availability etc.). The scores for each attribute are then weighted according to the customer weighting of the attributes presented in [table 3](#).

Given that equivalent numbers of customers had each platform installed (roughly 10 out of 15 for each platform) and most of the customers had examined all the platforms during a recent selection exercise, the results should reflect not only perceptions but also actual experience. System/390 was the clear leader, with a higher average score than the next two platforms - AS/400 and NT combined. This run-away result is actually quite surprising, given that it does not reflect IBM's wider experience in the market. Part of the reason for this may be that support of the application was removed from this study, and System/390 has been relatively very poor in this area until very recently. Even now, it still supports many fewer applications than the other three platforms. Further analysis in the following sections will explain this further.

The other potential reason for S/390's poorer performance in the market than in this study is that the IBM sales' perceptions of AS/400 are higher than S/390. It is very likely that the IBM sales-force is bidding AS/400 solutions to customers who would probably prefer a System/390 solution, and the customers are as a result buying either NT or UNIX. This is a very worrying potential conclusion that needs further analysis.

Ten of the fifteen customers ranked System/390 as the top platform, including Cus 5 who does not have a System/390 installed in his organization. His explanation was that he saw it as the only true enterprise platform for extremely large organizations meeting the broad spectrum of requirements that a large company would have. An AS/400, UNIX, and NT customer for many years - he said there were faults with them all and he was now considering a System/390 for his own company. AS/400 was rated some way behind System/390, but with a clear lead over NT and UNIX. Four of the fifteen customers however did score it as their top platform. Cus 7 scored the AS/400 server highest, but complained of high software upgrade charges once he purchased his systems. NT, perhaps the most popular platform for new application workloads, was rated only third - very close to UNIX which was placed a very surprising fourth. Given that most PC server and UNIX vendors, for example Compaq, Sun and HP, are experiencing strong sales growth it is strange that these are rated so poorly by the customers who actually buy and use these platforms. Customer comments about NT included "its fault diagnosis is terrible" (Cus 3) and "NT is trying to be scalable but it isn't proven yet - there are no terabyte data warehouses on it yet" (Cus 8). Further analysis in this paper will explain the reasons behind this.

The internal sales team also scored the four technology platforms. The results of this are shown in [Table 7](#). [Table 7](#) shows that the ratings of the IBM sales team were significantly different to those from the customers. The IBM salesmen scored AS/400 first and System/390 second - whilst the customers scored these the other way around. Similarly, the IBM employees rated UNIX third and NT fourth - whilst the customers placed those in the reverse order also. The degree of difference was also less marked than that from the customers with AS/400 and S/390 being rated very similarly, and with much less difference between these and the scores of UNIX and NT. A comparison of the overall results for the evaluation of the server platforms by the customers and the IBM sales team is shown in [table 8](#).

In fact the IBM salesmen rated the platforms in the order which is best for IBM: AS/400 first (where IBM has 100% market share and therefore always wins), System/390 second (where IBM has over 90% market share and almost always wins), UNIX third (where IBM has approximately 20% share) and NT last (where IBM has 8% share and almost always loses). Whether this is the true perception, or whether it represents either wishful thinking or, perhaps, a strong belief in the Company's products (perhaps even a "not invented here" syndrome) is unclear from this analysis. What it does show is that IBM does not have an accurate understanding of how its products are rated by customers. This is significant - because in many cases IBM salesmen have to decide which platform to promote to a customer for a new application - this analysis would suggest that the salesmen might be promoting the wrong ones.

It is also feasible that there could be situations where IBM has supported AS/400, where a customer might have bought System/390, and IBM has then lost to an alternative UNIX or NT vendor in preference to AS/400. Certainly the IBM salesmen's low ranking of UNIX and NT may go a long way to explain IBM's inability to grow its UNIX and NT server businesses at anything like the rate of Sun or Compaq (who of course have only one product set and therefore face no such dilemma).

Individual Server Analysis

Using the data from the software tool, it is possible to identify and map customers' attribute ratings for each individual server. The results for the S/390 are shown in [figure 2](#).

For System/390, this identifies the following points:

- The System/390 has perceived strengths in manageability, application availability and hardware resilience.
- It has no perceived important weaknesses.
- Its strength in scalability is not very powerful because customers rate this attribute as being low in importance
- It has weaknesses in its setup time and cost of ownership, but these are not considered to be important attributes therefore the weaknesses have only a low impact.

Competitive Positioning Against Other Platforms

System/390's results when compared with those that follow for the other platforms, demonstrate the following comparisons:

- Against UNIX, System/390 has a clear advantage in its manageability, hardware resilience and application availability, and a less significant advantage in scalability. It has no disadvantages.
- Against NT, System/390 has a clear advantage in its manageability, hardware resilience and application availability, and less significant advantage in scalability. It less significant disadvantages in cost of ownership and setup time.
- Against AS/400, System/390 has a clear advantage in application availability, and a less significant advantage in scalability. It has no significant disadvantages, but has a minor disadvantage in setup time.

Potential Improvements In Platform Position

For System/390, this could be made in the following way:

1. Increasing the importance or perceived importance for customers of scalability so that this is seen as a relative strength of the System/390.

DISCUSSION AND CONCLUSIONS

It has been demonstrated that it is possible to use the MCDM technique to gather data which can be analysed in terms of: the importance of attributes; the overall positioning of different technical platforms against each of the attributes; and detailed analysis of individual platforms for particular vertical industries and solutions. Regarding the importance of individual attributes, it has been shown that from a customer perspective hardware resilience and application availability are considered to be the most important attributes, manageability and total cost of ownership are of middling importance, whilst scalability and setup time are of the least importance. Analysis of the IBM sales team showed that there are significant differences in their rating of these attributes. This needs to be addressed, as it is vital that the sales team understands the customers' key buying criteria.

On the overall positioning of the four servers against the product attributes some clear results emerged. Customers value the System/390 most highly, followed by AS/400, NT and finally UNIX. The rating given by the IBM sales team was again different. It is vital that the sales team proposes the server family that is most likely to be purchased by the customers. The detailed positioning of each technology platform against each attribute is shown in [table 9](#). The data demonstrate the relative strengths and weaknesses of each technology platform.

It is also possible to use this process to find how an individual customer rates an attribute and a platform against the average for the market and how an industry group rates an attribute and a platform against the average for the market. For example, customers in the banking industry rate hardware resilience and S/390's ability to offer this more highly than manufacturers do. Similarly it is also possible to identify key differences between application areas. For example ERP customers scored hardware resilience with double the importance of the business intelligence customers.

This type of analysis should be used for positioning in marketing. It is clear that this analysis can identify valuable market information, and a more detailed study across a larger number of customers should now be designed and implemented by IBM. This should be used to build a bank of information, which, over time, will also allow the company to see how customer requirements change as products and solutions mature in the market. Because the data produced gives clear indications as to

customer requirements, it should be made available to the sales-force in order that it can be used to IBM's advantage in individual sales campaigns.

The data should also be used to identify areas of weakness for further research and development. This type of data, which can be analysed by customer group, solutions area, and attribute provides extremely valuable information - not the least of which is the trade-offs which customers might be prepared to make in order to get the optimal server. IBM's sales team should be shown that System/390 is the customer's most highly rated server, and this should therefore be their first choice when considering which server to propose. High End Systems needs to address improving the internal IBM perception of System/390 as it is lower than that of AS/400 - whereas customers rate it much more highly. It is also probable that System/390 needs to have more solutions made available to operate on it.

The general contribution of the paper is that it proposes and tests a methodology that enables market researchers in a business market environment to measure and evaluate customer and supplier perceptions in a rigorous and practical manner. We have demonstrated the application of the Judgemental Analysis System (JAS) software on a major market, the European mainframe computer market, to analyze significant and important differences between the perception of the sales force team and the perception of the customer grouping. The market knowledge and insight gained from this study has had a major impact on the marketing strategy of the company in terms of its sales force training and promotional activities. The techniques are also being applied to help understand other market dynamics such as customer churn and platform switching.

The research method and results presented in this paper can be extended to take into account new developments in the computer and information systems market. For example, the increasing importance of the inter-dependency between the developments of new software applications and the hardware platform has been recognized by economists who have described these types of markets as two-sided platforms (e.g. see Eisenmann et al 2006 and Evans et al 2005) where the platform in this context is a broad service platform of inter-related technology products that collectively deliver value to the customer. The knowledge and insights gained from an increased understanding of the relative importance of different attributes can also be applied in related computing areas such as cloud computing and software as a service, which both represent huge growth opportunities for information technology companies, and are becoming of strategic importance to companies' IT plans.

TABLES

Table 1: Definition of Product Attributes

Product Attributes	Definition
Scalability	The ability of the platform to grow to support larger number of users or greater quantities of data without impacting performance.
Hardware Resilience	The ability of the platform to withstand <u>unplanned</u> hardware outages without impacting users.
Application Availability	The uptime of the application – factoring in database re-orgs, operating system upgrades, and other <u>planned</u> outages
Manageability	How easy it is to manage and operate the product, factoring in for example whether the customer has existing skills.
Total Cost of Ownership	All costs over the life of the product, including up front initial purchase capital costs and operating revenue costs.
Setup Time	The time within which the product and its application can be set up and operating to deliver a business service

Table 2: Industry Segment and Solution Area Matrix

	Business Intelligence	ERP	e-Business	Server Consolidation	Core Industry Applications
Banking, Finance & Securities	4	1			1
Insurance			1		
Small & Medium Business		3			
Distribution				2	
Manufacturing		3			

Table 3: Product Attribute Scores by Customers

	Product Attributes					
	Scalability	Hardware resilience	Application availability	Manageability	Total Cost of Ownership	Setup Time
Cus 1	25.8	9.9	22.9	21.2	10.1	10.1
Cus 2	6.8	19.5	17.3	29.0	20.7	6.8
Cus 3	8.1	35.6	27.1	8.5	19.4	1.2
Cus 4	13.2	30.8	30.8	8.6	6.2	10.4
Cus 5	12.0	48.2	24.1	12.0	1.2	2.4
Cus 6	5.9	25.4	24.6	10.5	30.4	3.1
Cus 7	9.7	48.2	12.3	3.8	24.8	1.4
Cus 8	12.6	4.2	7.3	38.8	8.5	28.6
Cus 9	2.7	27.5	27.5	27.5	0.3	14.6
Cus 10	8.5	16.5	18.1	24.8	24.4	7.7
Cus 11	21.2	18.3	13.0	18.3	20.0	9.1
Cus 12	4.7	25.7	30.3	17.5	12.3	9.5
Cus 13	15.7	25.3	25.1	17.1	10.6	6.3
Cus 14	19.2	15.4	17.8	13.8	21.4	12.3
Cus 15	17.8	22.0	15.6	13.9	18.4	12.2
Average	12.3	24.8	20.9	17.7	15.2	9.0
Rank	5	1	2	3	4	6

Table 4: The Supplier Evaluation of the Product Attributes

	Attributes					
	Scalability	Hardware resilience	Application availability	Manageability	Total Cost of Ownership	Setup Time
Sales1	13.6	16.7	23.3	10.0	22.4	13.9
Sales2	16.5	16.6	16.6	16.7	17.0	16.7
Sales3	16.5	14.0	16.5	16.5	18.2	18.2
Sales4	11.2	6.8	15.8	15.9	28.3	22.0
Sales5	12.4	13.3	24.9	23.2	18.5	7.7
Sales6	20.3	9.9	19.0	25.0	20.7	5.0
Rank	4	6	2	3	1	5

Table 5: A Comparison of Supplier and Customer Scores

	Attributes					
	Scalability	Hardware resilience	Application availability	Manageability	Total Cost of Ownership	Setup Time
Customer						
Average	12.3	24.8	20.9	17.7	15.2	9.0
Rank	5	1	2	3	4	6
Internal						
Average	15.1	12.9	19.4	17.9	20.9	13.9
Rank	4	6	2	3	1	5

Table 6: Platform Positioning Analysis – Customers

Platforms	UNIX		NT		AS/400		System/390	
	Average	Rank	Average	Rank	Average	Rank	Average	Rank
Cus 1	29.7	1	19.8	4	20.9	3	29.5	2
Cus 2	21.5	2	9.8	4	21.5	2	47.3	1
Cus 3	16.9	4	22.1	2	39.9	1	21.0	3
Cus 4	15.8	2	6.6	4	14.6	3	63.0	1
Cus 5	10.8	3	9.3	4	31.9	2	48.0	1
Cus 6	10.4	4	30.7	2	32.3	1	26.6	3
Cus 7	17.8	4	24.3	3	31.2	1	26.7	2
Cus 8	20.3	2	11.8	3	7.9	4	60.1	1
Cus 9	7.5	4	18.1	3	39.6	1	34.8	2
Cus 10	19.4	3	13.6	4	22.8	2	44.2	1
Cus 11	20.0	3	15.7	4	29.7	2	34.6	1
Cus 12	7.6	3	26.4	2	7.6	3	58.5	1
Cus 13	12.1	3	12.2	2	12.1	3	63.6	1
Cus 14	23.8	3	23.1	4	25.7	2	27.4	1
Cus 15	24.1	3	22.2	4	25.8	2	27.8	1
Average	17.2	4	17.7	3	24.2	2	40.9	1

Table 7: Internal Server Scores

	Platforms		NT		AS/400		System/390	
	UNIX		Average	Rank	Average	Rank	Average	Rank
Sales1	20.5	3	14.2	4	32.4	2	32.9	1
Sales2	24.7	4	24.8	3	25.0	2	25.5	1
Sales3	22.2	3	22.8	2	22.2	3	32.9	1
Sales4	15.6	4	18.6	3	37.1	1	28.7	2
Sales5	20.9	3	12.5	4	43.5	1	23.1	2
Sales6	26.3	3	4.6	4	28.0	2	41.1	1
Average	21.7	3	16.3	4	31.4	1	30.7	2

Table 8: A Comparison of Customer and IBM Server Scores

	Platforms		NT		AS/400		System/390	
	UNIX		Average	Rank	Average	Rank	Average	Rank
Customer	17.2	4	17.7	3	24.2	2	40.9	1
IBM	21.7	3	16.3	4	31.4	1	30.7	2

Table 9: Comparative Platform Strengths and Weaknesses

	Platform Strengths	Platform Weaknesses	Potential	Low Impact
UNIX		Application Availability Hardware Resilience Manageability		Setup Time Scalability Cost of Ownership
Windows NT		Application Availability Hardware Resilience Manageability	Setup Time Cost of Ownership	Scalability
AS/400	Hardware Resilience Manageability	Application Availability	Setup Time Cost of Ownership	Scalability
System/390	Hardware Resilience Application Availability Manageability		Scalability	Setup Time Cost of Ownership

FIGURES

Figure 1: Competitor Market Evaluation Using Judgemental Analysis

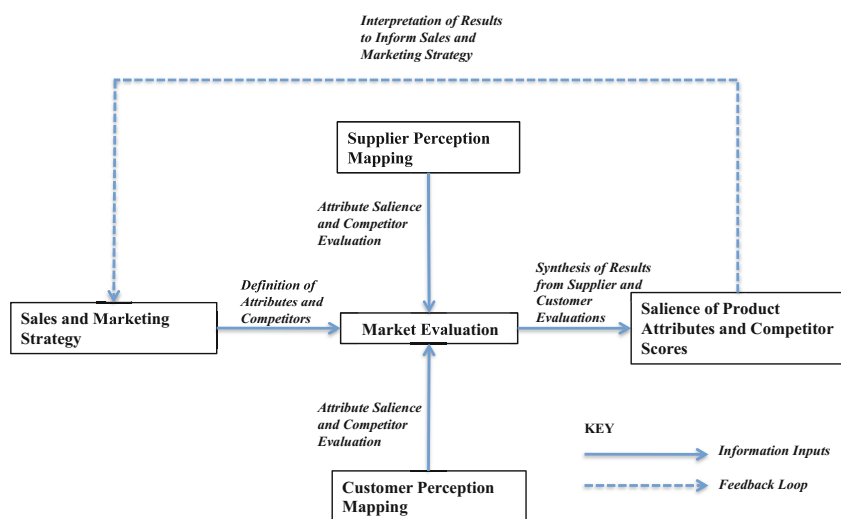
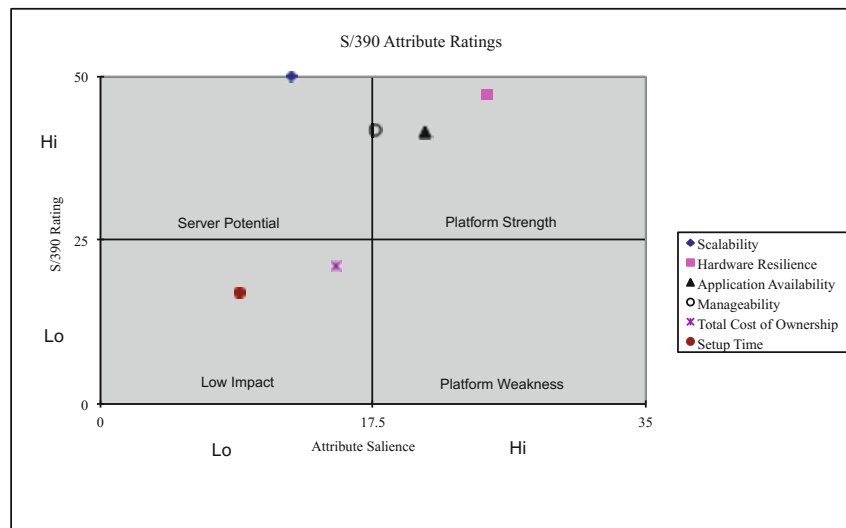


Figure 2: S/390 Platform Rating/Attribute Salience Analysis Matrix



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C' TEST HELPS OR HINDERS? -- CLARIFYING THE COMMUNICATION FALLACY OF "EFFECT TO BE MEDIATED" IN MARKETING RESEARCH

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INTRODUCTION

Baron and Kenny's (1986) classic procedure for testing mediation required that the simple correlation between independent variable X and dependent Y must be significant, which we call c' test. Many authors, including Kenny, later recommended suspending c' test under some conditions. A couple recent articles recommended to completely repeal the test. All authors focused on one or two types of mediations at a time. This article takes a more comprehensive view to clarify this communication fallacy for marketing researchers. Following the mediation type framework recently developed by Zhao, Lynch and Chen (2010), we laid out a roadmap of all possible scenarios of three-variable non-recursive models. We grouped the 51 resulted scenarios into three types of mediations and two types of non-mediations. We then examined each type to see if c' test helps or hinders in establishing mediations. We found that c' test hinders for establishing two types of mediations, and never helps in any type. We concluded by supporting the emerging view that c' test should be completely repealed for establishing any type of mediations.

METHODOLOGY

Through a comprehensive literature review, we conclude that our collective understanding of c' test has evolved step by step over a quarter century. However, as each author or team focused on one or two types of mediations at a time, there remain gaps to be clarified:

- 1) Is c' test needed under non Shrout-Bolger condition, that is, when there is no suppression, and process is proximal or effect expectedly large? Shrout and Bolger (2002) said yes. Most others agreed by including c' test in the procedures they recommend and most audience agrees by still performing the test in their studies. Hayes (2009) and Zhao, Lynch & Chen (2010) said no by excluding c' test. But there has been no analysis or data, real or simulated, showing whether c' test helps or hinders in this situation.
- 2) Is c' test needed for complimentary mediation, that is, when the direct and indirect paths bear the same sign and both are significant? Most of the experts said yes, by including c' test in their procedure, while Zhao, Lynch and Chen (2010) said no, asserting that c' test would be superfluous, though they didn't offer further analysis or explanation.
- 3) Have we, collectively, analyzed c' test for all types of mediations? Baron and Kenny (1986) gave a typology of two, namely complete and partial mediations. Zhao, Lynch and Chen (2010) clarified the myths in Baron and Kenny's recommendations by more accurately categorizing the mediation types into complementary, competitive, and indirect-only mediations. Neither team however focused on exhausting all possible scenarios of mediations. We need a roadmap that includes all types, so that we can look into every type to find a pattern that applies to all.

In the next section, we will build such an all-inclusive roadmap.

RESULTS AND DISCUSSION

To produce a comprehensive roadmap, we adopted Baron and Kenny's (1986) classic definition of mediation:

a given variable may be said to function as a mediator to the extent that it accounts for the relation between the predictor (independent variable) and criterion (dependent variable). (p. 1176)

Based on this conceptual definition is our operational definition:

A variable M is a mediator between an independent variable X and a dependent variable Y if and only if 1) X affects M, positively or negatively, and 2) M affects Y, positively or negatively.

We will then lay out all possible scenarios of a non-recursive three-variable path model. Guided by our operational definition, we will decide whether each scenario is mediation or nonmediation. Based on Zhao, Lynch, and Chen's (2010) typology, we will then classify each mediation scenario into 1) complementary, 2) competitive, or 3) indirect-only mediation; and each non-mediation scenario into 4) direct-only or 5) no-effect. As we want to examine the role of c' test in each scenario, we further divide each scenario based on whether c' would be A) significant and positive, B) significant and negative, or C) not significant. This operation generates a comprehensive roadmap with 52 cells, which we will present in Table 1. The five columns and three rows make 15 panels. As we will show later, Panel 1C, which is Cell 1C1, is mathematically impossible. We have therefore 14 possible panels with 51 scenarios.

Although the frequencies of scenarios in our roadmap do not necessarily represent their prevalence in the real world, the variety of such scenarios where c' are non significant in a mediation, nevertheless, suggests the possibility of more mediating effects hidden behind the failed c' tests. They might have been waiting to be uncovered if marketing researchers are prepared to recognize them with the right tools.

One important message from Table 1 is that since there are only three types of mediations and two types of non mediations (see Zhao, Lynch and Chen 2010), our roadmap is all inclusive, because we carefully exhausted all possible three-variable scenarios, and all of them fit neatly into the Zhao, Lynch and Chen (2010) typology. Thus, any pattern of c' test we could identify across all five types should applies to all types of mediations and non mediations.

CONCLUSIONS AND IMPLICATIONS FOR THEORY AND PRACTICE

Based on our investigation, we find that c' test does harms for establishing two types of mediations and never differentiate between any of the three types of mediations and two types of non mediations. Given that these five types cover all possible three-variable non-recursive scenarios, we conclude that c' test is unhelpful for establishing any type of mediation.

The prevailing view on mediation in the last 25 years has been that c' test is necessary at least under non Shrout-Bolger conditions (2002). After providing a comprehensive roadmap of three types of mediations and two types of non-mediations, we examined the performance of c' in all five types, especially under non Shrout-Bolger conditions (2002). We found that, for the purpose of establishing mediation, c' often hinders and never helps and it is redundant at the best. We therefore support the emerging minority view that c' test should not just be conditionally suspended, but completely repealed. Clarifying this fallacy not only will allow a boon to theory building in the marketing research, but also will help marketers to derive more accurate implications from mediation analysis to apply to the real world.

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TRIANGULATION IN INDUSTRIAL MARKET RESEARCH - DEVELOPMENT OF A MIXED-METHODS-APPROACH FOR MARKET FORECASTS

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ABSTRACT

Throughout the past decades, market research literature has been characterized by what is commonly referred to as the paradigm war between qualitative researchers and those who believe in the superiority of quantitative approaches. At the same time, the current state of market research exhibits a discrepancy between market research theory and practice, with theorists more concerned about the theoretical foundation than the practical applicability of market research activities and practitioners who take a rather pragmatic approach, thereby disregarding the theoretical substantiation of their research projects. This discrepancy is seen to be considerably prevalent in the area of industrial market research. Consequently, this paper sets out to bridge the gap between the two market research paradigms as well as between practitioner use and academic inquiry. This shall be achieved by means of triangulation, more specifically by developing a so-called Industrial Triangulation Approach. Thereby, the model shall specifically focus on market forecasts in industrial markets, hence offering both market research theorists and practitioners a theoretically well-founded and pragmatic framework for applying triangulation strategies in this research context.

INTRODUCTION

The current state of market research is characterized by two major problems. Firstly, during the past decades, market research science has experienced what many authors label the so-called paradigm war between quantitative market researchers and those who believe in the superiority of qualitative approaches (cf. Karasz/Singelis 2009: 910, Bryman 2006: 97, Weinholtz/Kacer/Rocklin 1995: 388, Giddings 2006: 195 ssq., Greene/McClintock 1985: 523). These quantitative versus qualitative debates have resulted in a perception that the two approaches are mutually exclusive and allow no combination whatsoever (cf. Doyle/Brady/Byrne 2009: 176 f.). Consequently, the first problem is that of a discrepancy between quantitative and qualitative approaches. Furthermore, Kuß observes that whereas most market research scientists are mainly concerned with the theoretical foundation of market research activities, the majority of practitioners tend to employ those methods which promise to solve their current research problem most efficiently and effectively, regardless of the theoretical foundation of their market research (cf. 1994: 16, see also Engelhardt 1998b: 23 f.). Kelle adds that the planning and execution of market research studies is in many cases governed by a form of pragmatism which implies choosing research methods which seem to work in practice, without considering their theoretical foundations (cf. 2007: 9). Accordingly, the second problem is that of a discrepancy between market research theory and practice. This gap is seen to be considerably prevalent in the field of industrial market research. Whereas consistent and systematic market research has been a matter of course for decades in the consumer goods industry, it is not at all established in the industrial goods industry. According to Langner, decisions are still made on instinct and on the basis of long-standing experiences and close customer relations in many industrial companies (cf. 2004: 325, see also Backhaus/Voeth 2004: 13 ssq.). Taking into consideration both deficits, it can be summarized that the complexity of today's market research problems requires an interdisciplinary approach – combining different market research methods – as well as the cooperation of science and practice, which implies the theoretical foundation of executed market research activities on the one hand and the practical orientation of market research theorists on the other hand. Based on this notion, this paper pursues the two objectives of bridging the gap between quantitative and qualitative research approaches and between industrial market research theory and practice. The required interdisciplinary approach will thereby be developed by taking the concept of triangulation as a basis. With regards to the area of market research, the term triangulation refers to the taking of different perspectives to an investigated object (cf. Flick 2008b: 11) and aims to “move beyond quantitative versus qualitative arguments and [...] instead focus on recognizing the usefulness of both paradigms and identifying how these approaches can be used together in a single study to maximize the strengths and minimize the weaknesses of each other” (Doyle/Brady/Byrne 2009: 178). This definition indicates how triangulation can be employed to end the aforementioned paradigm war and at the same time improve the effectiveness of practical market research studies. For this reason, the previously stated objectives shall be achieved by creating a two-tiered triangulation framework which sets out to constitute a foundation model for the application of the theoretical triangulation strategies to practical industrial market research problems. As today's industrial markets are more complex and dynamic than ever before, risk and uncertainty increase and knowledge about future market developments becomes more and more important (cf. Weiber/Jacob 2000: 561 ssq.). Thus, as an assessment of future market developments calls for a theoretically substantiated forecast approach, the developed framework will be tailored to the field of industrial market forecasts, which

according to Richter constitutes one of the most important areas of market research (cf. 2001: 211). In so doing, the paper finally sets out to provide industrial market researchers with a framework to ensure well-founded and reliable market forecasts and at the same time promoting the state of knowledge with regards to the defined context.

THE CONCEPT OF TRIANGULATION IN THE CONTEXT OF MARKET RESEARCH

Extensive differences between quantitative and qualitative research approaches have lead to the evolvement of various scientific viewpoints concerning the role of and relationship between the two. Whereas one extreme position postulates that quantitative and qualitative research are totally antithetic, with both research approaches denying the scientific legitimacy of each other (cf. von Eye 1994: 36), the other end of the spectrum considers quantitative and qualitative research as complementary towards one another, offering the opportunity of combining them in the context of certain research problems (cf. Hammersley 1996: 167 f., von Eye 1994: 36, Flick/von Kardorff/Steinke 2008: 24 f.). While authors such as Jick and Flick identify trends that amount to the combination of qualitative and quantitative research (cf. Jick 1983: 135, Flick 2008b: 75), this is exactly where the concept of triangulation comes into play. Although triangulation is not limited to quantitative and qualitative research, it finds its main application and significance in that area. The term triangulation originates in the area of land surveying and geodesy, where it constitutes a method of locating a certain point from two other points of known distance apart, given the angles of the triangle formed by the three points (cf. Farmer et al. 2006: 378). Flick explains that with regards to the area of market research, triangulation refers to the taking of different perspectives to an investigated object in the context of answering market research problems and fulfilling market research objectives. Simply said, the term triangulation signifies that a research object is examined from at least two points of view (cf. Flick 2008b: 7 ssq.), or, as Denzin puts it, “the combination of methodologies in the study of the same phenomena” (1970: 297). Relevant literature also uses the term mixed-methods or multi-methods, as the case may be, to describe the concept of triangulation. The mixed-methods-approach is thereby considered to form a pragmatic and exclusively method-related combination of qualitative and quantitative research in all phases of the market research study (cf. Homburg/Schilke/Reimann 2009: 175, Moran-Ellis et al. 2006: 46). Concerning the objective of triangulation or the mixed-methods-approach, its main task is to attain a gain of insight and knowledge which is higher than would have been possible by using just one approach, thus attaining a fuller picture (cf. Myers 2009: 10, Flick 2008b: 12). In conclusion, the employment of triangulation or mixed-methods strategies in market research enables researchers to partially overcome the deficiencies that flow from using merely quantitative or qualitative approaches.

Concerning the practical application of triangulation in the context of market research, Denzin distinguishes between four triangulation strategies. The first strategy of data triangulation refers to the inclusion of different data sources into the market research study (cf. Denzin 1970: 301, Sands/Roer-Strier 2006: 238 f.). Glaser & Strauss show that “different kinds of data give the analyst different views or vantage points [allowing] a multi-faceted investigation, in which there are no limits to the techniques of data collection” (1967: 65). The second triangulation strategy, investigator triangulation, describes the employment of different observers or interviewers in order to minimize distortions resulting from the personality of the researcher (cf. Flick 2008b: 14, Spöhring 1995: 321). In the context of observations, for instance, “triangulating observers removes the potential bias that comes from a single person, and insures a greater reliability in observations” (Denzin 1970: 303). A third triangulation strategy is theory triangulation, which involves the use of several different theoretical perspectives in the analysis of the same set of data (cf. Sands/Roer-Strier 2006: 238 f., Denzin 1978a: 340). The fourth triangulation strategy is called methodological triangulation. Denzin thereby differentiates two alternatives, within-method triangulation and between-method triangulation. The first alternative is seen when a researcher makes use of varieties of the same method (e.g. the employment of different scaling within one and the same questionnaire). The second alternative pursues the goal of overcoming the narrowness of the individual methods by means of their combination (cf. Flick 2008b: 15, Denzin 1978a: 340, Spöhring 1995: 321). Denzin's concept of the four triangulation strategies is supported by Lincoln and Guba who state that triangulation involves the use of “multiple and different methods, investigators, sources, and [or] theories” (1985: 311).

The concept of triangulation offers several opportunities to market researchers. For instance, it avoids that researchers hold on to presumptions and ignore alternative explanations. Another advantage of triangulation pertains to the previously described market research quality criteria. While Flick highlights that the concept of triangulation promises to enhance the conventional quality criteria of validity and reliability (cf. 2008b: 15 ssq.), Noelle-Neumann considers the combination of qualitative and quantitative methods and the variety of employed instruments as a quality criterion for itself (cf. 1994: 13). On the other hand, limitations of triangulation include possible restrictions of resources (cf. Flick 2008b: 16). Another criticism of the triangulation approach goes back to Silverman, who disagrees with Denzin's position that triangulation helps to study the same phenomena with different methods and approaches, thus displaying a kind of “master reality” (1985: 21). Instead, Silverman warns that “we have to be careful about inferring a master reality in terms of which all accounts and

actions are to be judged. This casts great doubt on the argument that multiple research methods should be employed in a variety of settings in order to gain a 'total' picture of some phenomenon" (1985: 21). Based on this criticism, Flick draws the conclusion that it can not be expected that the use of qualitative and quantitative research in each case delivers the same results, or – when discrepancies appear – that the results of one method refute those of the other (cf. 2008b: 17). In other words, the employment of triangulation may allow a market researcher to gain a broader picture of a research object, but it can not be taken for granted that triangulation helps to attain to findings which are closer to reality than the results of individually-employed qualitative or quantitative methods. This conclusion is illustrated by Fielding & Fielding, who clarify that when combining qualitative and quantitative methods according to the concept of triangulation, "one might get a fuller picture, but not a more 'objective' one [...], and [...] combining them can add range and depth, but not accuracy" (1986: 33). Nevertheless, the two authors do not neglect the use of triangulation based on this judgment. In fact, they propose that research methods be combined, but "with the intention of adding breadth or depth [...] [and] not for the purpose of pursuing 'objective' truth" (Fielding/Fielding 1986: 33). The consequence of this realization is that the expectation of triangulation can not be congruency, but rather convergence, the latter signifying that findings derived from triangulating different research methods simply complement one another (cf. Bennett 1997: 101).

All in all, Olechowski is of the opinion that the positive aspects outweigh the drawbacks, expressing his belief that the application of qualitative methods together with quantitative approaches can only be an enrichment. Moreover, he argues that the employment of triangulation bridges the gap between theorists and practitioners (cf. 1994: 21 f.), and Flick claims that it promotes the advance of both market research theory and practice (cf. 2008b: 15). Accordingly, triangulation promises to offer a solution to what was initially identified as one of the main deficits in the field of market research. For Denzin, the conclusion must therefore evidently be that it is time for market researchers "to recognize this fact and to move on to a position that permits them to approach their problems with all relevant and appropriate methods, to move on to the strategy of [...] triangulation" (1978a: 339).

DEVELOPMENT OF THE INDUSTRIAL TRIANGULATION APPROACH

With the objective of identifying relevant requirements for market forecasts in industrial market research and subsequently determining specific criteria for triangulation in this context, Baumann conducted a large-scale analysis of specialist literature from the areas of industrial market research, market forecasts, social research, and triangulation (cf. 2010: 17 ssq.). Based on the acquired findings, a two-tiered concept called Industrial Triangulation Approach (ITA) was developed. The ITA basically consists of two components. The so-called Triangulation Strategy Matrix (see [figure 1](#)) constitutes the first part of the ITA and comes into play at the market research process stage of research design. As this stage confronts the market researcher with a series of decisions which have to be taken and a number of available options for each decision (cf. Raithel 2008: 27), the Triangulation Strategy Matrix can be understood as a decision-supporting tool for industrial market researchers. Thereby, it not only lists general aspects of the research design stage, but also incorporates relevant specifics of industrial market research. However, the major purpose of the matrix is not to simply show the available options for each research design aspect, but rather to illustrate the application fields for Denzin's four triangulation strategies. In doing so, the Triangulation Strategy Matrix attributes the four strategies of theory triangulation, data triangulation, investigator triangulation, and methodological triangulation to the respective steps of the research design phase. Finally, in accordance with the research context of market forecasts in industrial market research, the matrix considers the selection of adequate interview and forecast instruments. As both fields open up the opportunity for a multitude of methodological combinations, the Triangulation Strategy Matrix at this point refers to the second part of the ITA, the so-called Mixed-Methods Matrix (see [figure 2](#)). This matrix depicts all potential methodological combinations of selected quantitative and qualitative interview and forecast instruments. At the same time, the Mixed-Methods Matrix identifies major criteria which influence the process of methodological triangulation and instrument choice. In so doing, the model offers a guideline as to which aspects have to be considered in the course of an industrial market research and under which circumstances which triangulation strategies can be applied. Nevertheless, the actual decision process will remain a subjective process, as every research problem requires different considerations. Subsequently, the composition of the two components of the ITA will be presented in further detail.

The vertical axis of the Triangulation Strategy Matrix lists the relevant steps and decisions of the research design phase. Among those, steps which apply to market research projects of any kind include the choice of a market research approach, the definition of a basic population and – if adequate – the selection of a sample, the choice of data collection forms and employed types of data sources, and the choice of investigators. In accordance with the specifics of industrial market research, the matrix at this point further includes the decision whether derivative demand research is necessary or not. In the last two rows, the selection of data collection and data analysis methods and instruments is limited to interview instruments and forecast instruments. This procedure can be justified by the specifics of the current research context of conducting market

forecasts in an industrial market environment (see for example Kepper 2008: 184 ssq., Pfadenhauer 2009: 454 f.). The first column of the horizontal axis shows the available options of the respective research design steps. In the second and third column, Denzin's four triangulation strategies are assigned to the respective research design steps together with relevant criteria which influence the triangulation decision. Thereby, the strategy of theory triangulation can be implemented in the context of deciding upon the market research approach. Depending on the market researcher's current state of knowledge concerning research objectives and information needs, he may choose to combine explorative with descriptive research, descriptive with causal research, or even all three in the mentioned order. The second and third rows, which contain the aspects of basic population and sample selection as well as derivative demand research, do not allow for triangulation, but rather require the choice of one single alternative. The strategy of data triangulation may be employed in the context of selecting data collection forms and types of data sources. With regards to the former, the market researcher may follow the recommendations of numerous authors to firstly exhaust available and relevant secondary data, thus laying the foundation for effective field research by determining those information needs which can only be met by means of subsequent primary data collection (cf. von der Grün/Wolfrum 1994: 187, Kühn/Kreuzer 2006: 38 f., Koch 2004: 57 f., Raab/Unger/Unger 2009: 31). As a result, the decision which is to be taken at this point of research design is not whether either desk research or field research should be carried out, but rather which kinds of secondary data are to be considered and which information needs are to be subsequently met by means of primary data collection. This will depend on the availability, adequacy and timeliness of secondary data, and subsequent field research can only be conducted if a certain cost and time budget is available (cf. Vry 2007: 64 f., Homburg/Krohmer 2008: 24). Concerning the choice of data sources, triangulation depends on the availability of internal and external data sources as well as current research objectives (cf. von der Grün/Wolfrum 1994: 187 f., Homburg/Krohmer 2008: 34 f.). Furthermore, investigator triangulation can be implemented in the context of choosing between operational and institutional research. Depending on the cost and time budget, combinations of operational and institutional investigators or of several different institutional researchers are conceivable. In addition, an organization may choose to combine several operational researchers, which will then depend on personnel availability. Moreover, the fourth strategy of methodological triangulation can be applied to the selection of interview and forecast instruments. The multitude of potential combinations as well as relevant criteria is displayed by the Mixed-Methods Matrix. Finally, the fourth and last column of the Triangulation Strategy Matrix offers an empty field for market researchers to enter their decision in each research design step, hence allowing for an overview of all decisions regarding research design aspects and applied triangulation strategies. The objective of the Mixed-Methods Matrix is to ensure a theoretically substantiated combination of quantitative and qualitative research methods, thus ensuring triangulation according to the conception outlined in chapter 2. Consequently, the vertical axis of the matrix contains selected quantitative instruments, while its horizontal axis includes a number of qualitative instruments. Among the latter, all instruments imply the use of expert interviews, hence implementing the notions of several authors which identified expert interviews as the major data collection instrument in the context of industrial market research and market forecasts (cf. Engelhardt 1998a: 157, Kepper 2008: 184 ssq., Pfadenhauer 2009: 454 f., Raab/Poost/Eichhorn 2009: 27). According to this perception, the individual interview shall here be equal to the qualitative forecast instrument of expert estimates. The second qualitative interview instrument, group discussion, differs from the Delphi technique inasmuch as it explicitly desires group interaction, which the Delphi technique wishes to eliminate (cf. Koch 2004: 300 ssq., Dannenberg/Barthel 2004: 307). For this reason, the group discussion is added as a distinct qualitative forecast instrument in this context. As a matter of fact, although it is added for visual reasons, the longitudinal-section panel does not constitute such a distinct qualitative forecast instrument. Since elements of longitudinal-section panels may be implemented by the other qualitative forecast instruments, they rather represent a specific variation than a distinct instrument (cf. Koch 2004: 101, Kühn/Kreuzer 2006: 98). For the same reasons, the scenario technique is classified as a qualitative forecast instrument in this context, though it is commonly characterized as a holistic forecast instrument (cf. Kiesel 2001: 14, Engelhardt 1998a: 163) and shall be understood as such in the course of this discussion. The left vertical axis of the Mixed-Methods Matrix consists of two parts. In the first three rows, it exhibits selected quantitative interview instruments, namely the written interview (including its online form), the standardized telephone interview (including Computer Assisted Telephone Interviewing, CATI), and the standardized face-to-face interview (including Computer Assisted Personal Interviewing, CAPI). The next five rows list the five quantitative forecast instruments of trend extrapolation, method of moving averages, method of exponential smoothing, simple and multiple regression methods, and econometric models. This differentiation is made in order to ensure a separate consideration of the data collection phase and the data analysis phase. It is characteristic for the qualitative forecast instruments that they comprise elements of both market research process stages. For instance, the Delphi technique is used to gather required information while at the same time analyzing received data by means of comparing the outcomes of different Delphi rounds or of a subsequent group discussion (cf. Koch 2004: 300 ssq., Dannenberg/Barthel 2004: 307). The quantitative interview instruments, in contrast, fulfill the sole purpose of collecting quantitative data. This numerical material is then used by the quantitative forecast instruments to generate quantitative forecasts. The right vertical axis of the Mixed-Methods Matrix shows relevant criteria which determine the choice of the respective instruments as well as their combination. The first three rows thereby contain four criteria which influence the

combination of quantitative interview instruments and qualitative forecast instruments. The five criteria filling the following five rows govern the combination of quantitative forecast instruments and qualitative forecast instruments. Different colors were attributed to these criteria in order to illustrate what they refer to. In the first block, the three blue criteria of sample size, complexity level and interviewer bias (cf. Homburg/Krohmer 2008: 29, Koch 2004: 66 ssq., Vry 2007: 67 ssq., Raab/Poost/Eichhorn 2009: 70 f., Kühn/Kreuzer 2006: 59 f.) solely refer to the choice of the blue colored quantitative interview instruments and are thus independent of the respective qualitative forecast instrument. Whereas the sample sizes for which the quantitative interview instruments are adequate decrease when moving down the matrix, the possible level of complexity (i.e. the complexity of closed questions and questionnaires) and the degree of interviewer bias both increase. The fourth criterion, colored in black, refers to the combination of quantitative interview instruments and qualitative forecast instruments. Therefore, the criterion's characteristics represent an average value of the respective cost and time budget requirements (cf. Raab/Poost/Eichhorn 2009: 70 f., Koch 2004: 72, Vry 2007: 68) of two combined instruments. A similar scheme can be found in the second group of instruments. Here, the green criterion determines the selection of the green colored quantitative forecast instruments and is thus independent of the respective qualitative forecast instrument. Level of complexity is hereby defined as the number of prognosticated variables as well as the number of incorporated influencing factors (cf. Dannenberg/Barthel 2004: 309, Koch 2004: 293 ssq.). The matrix shows how the level of complexity remains low for the three extrapolation instruments, since they are adequate for prognosticating only one variable and regard time as the only influencing factor. Complexity increases when using simple and multiple regression methods (as they take into account additional influencing factors other than time) and reaches its peak for econometric models, which are able to integrate several prognosticated variables as well as a number of influencing factors. Furthermore, the three red criteria, namely cost and time budget, expert availability and forecast character (cf. Fink/Schlake/Siebe 2001: 22, 68, 82, Kiesel 2001: 15), solely refer to the red colored qualitative forecast instruments and are thus independent of the quantitative forecast instruments. The criterion of cost and time budget is used a second time in this context to allow for a consideration of this factor should quantitative interview instruments not be applicable at all due to the non-existence of quantitative data. The necessary cost and time budget is slightly lower for group discussions than for expert estimates, since the former instrument is able to gain information from several experts at the same time, while the latter implies a separate interrogation of each expert. A high cost and time budget is required when using the Delphi technique (due to the several Delphi rounds) and longitudinal-section panels (due to the repeated questioning at regular intervals), while it is slightly lower for the scenario technique which brings about a high effort for developing the scenarios but does not necessarily require more than one questioning. These notions are equally reflected in the second red criterion of expert availability. The third red criterion, forecast character, describes the kind of forecast that is reached by the respective qualitative forecast instrument. While the group discussion, the Delphi technique and longitudinal-section panels aim to deliver a stable group forecast, the qualitative forecast instruments of expert estimates and the scenario technique lead to a divergence of individual forecasts, which is explicitly desired especially by the scenario technique (cf. Fink/Schlake/Siebe 2001: 22, 68, 82). Finally, the black criterion again influences the combination of quantitative and qualitative forecast instruments. Therefore, the criterion's characteristics represent an average value of the possible level of uncertainty of two combined instruments. Level of uncertainty hereby refers to the uncertainty of the prognosticated market's environment (cf. Kiesel 2001: 12). When moving down the matrix, it becomes obvious that the level of uncertainty for which the respective quantitative forecast instrument can be applied increases. When moving horizontally across the matrix, it can further be seen how longitudinal-section panels and the scenario technique allow for increasingly uncertain market environments, the former because it is applied over a longer time period, and the latter because it considers several possible scenarios.

With regards to the methodological triangulation of instruments, the Mixed-Methods Matrix allows for both alternatives mentioned by Denzin, namely within-method triangulation and between-method triangulation. Since quantitative and qualitative instruments are considered as belonging to two different research methods, the combination of qualitative forecast instruments with quantitative interview instruments or quantitative forecast instruments is understood as between-method triangulation. When implementing between-method triangulation according to this notion, one alternative is that both combined instruments are used in parallel, which will necessarily be the case when combining qualitative forecast instruments with quantitative forecast instruments. However, when combining qualitative forecast instruments with quantitative interview instruments, between-method triangulation may even signify that the qualitative forecast instruments integrate elements of the quantitative interview instruments. Such a form of triangulation would lead to the application of one single instrument which represents a hybrid form comprising qualitative and quantitative elements, such as the semi-structured interview suggested by Myers (cf. 2009: 124 f.). Besides these triangulation possibilities, the qualitative forecast instruments open up the opportunity to combine elements of each other. This will necessarily be the case when employing longitudinal-section panels or the scenario technique. It would be equally conceivable to combine expert estimates with elements of the Delphi technique to reach a more stable group opinion. Such procedures shall here be understood as within-method triangulation.

CONCLUSION

It was initially stated that two major problems characterize the current state of market research. The first identified problem was the ongoing paradigm war between quantitative and qualitative market researchers. The second problem, the discrepancy between market research theory and practice, was seen to be particularly prevalent in the area of industrial market research. For this reason, the superior goal of this paper was to answer the call for an interdisciplinary approach which would be able to bridge the gap between quantitative and qualitative approaches on the one hand and market research theory and practice on the other hand. Accordingly, the development of a so-called Industrial Triangulation Approach (ITA) constituted the core of this paper. The ITA's first component, the Triangulation Strategy Matrix, illustrated the possible application fields of Denzin's four triangulation strategies. The second component, the Mixed-Methods Matrix, focused on the multitude of application fields of methodological triangulation. As the ITA was tailored to the specific research context of industrial market research and market forecasts, it promises to provide industrial market researchers with an overview of relevant criteria which determine the selection of employed triangulation strategies and the specific combination of quantitative and qualitative research instruments in this context.

Subsequent to the development of the ITA, the obvious issue which arises is the question of large-scale applicability. Right after its creation, the ITA was applied at the Siemens Energy Transmission & Distribution (E T&D) division which is part of the multinational Siemens corporation. Siemens E T&D found itself in a highly dynamic market which had undergone decisive changes in the past decade. As the division had just developed its Automated Metering and Information System (AMIS) - an innovative solution which constitutes the basis for future energy-related technologies such as Smart Metering, Smart Grid or the eCar – it needed to conduct a market research study on the future development of Smart Metering market penetration which would enable the division to adequately align its AMIS strategy. In this context, the application of the ITA ensured a theoretically substantiated execution of Siemens E T&D's practical market research problem and resulted in the generation of a well-founded market forecast. However, the ITA's claim to be a generally accepted framework for forecasts in industrial markets can not be approved on the basis of a single successful application. As a consequence, future areas of research should deal with a large-scale application of the ITA to various industrial market research and forecast problems to ensure the framework's validity and its continuous improvement.

FIGURES

Figure 1: The Triangulation Strategy Matrix (author's own illustration)

	Alternatives	Triangulation Strategy	Criteria	Decision
Market Research Approach	Explorative research Descriptive research Causal research	Theory triangulation	State of knowledge concerning research objectives and information needs	
Basic Population & Sample Selection	Full population survey Sample survey (selection methods)	---	Basic population size Cost and time budget Significance of certain sample elements	
Derivative Demand Research	Yes No	---	Degree of derived demand	
Forms of Data Collection	Primary data (PD) Secondary data (SD)	Data triangulation	PD: cost and time budget SD: data availability, adequacy, timeliness	
Types of Data Sources	Internal data sources External data sources	Data triangulation	Data availability Research objectives	
Employed Investigators	Operational research Institutional research	Investigator triangulation	Personnel availability Cost and time budget	
Interview Instruments	see Mixed Methods Matrix	Methodological triangulation	see Mixed Methods Matrix	
Forecast Instruments	see Mixed Methods Matrix	Methodological triangulation	see Mixed Methods Matrix	

Figure 2: The Mixed-Methods Matrix (author's own illustration)

		Qualitative Forecast Instruments						
		Expert Estimates	Group Discussion	Delphi Technique	Longitudinal-Section Panel	Scenario Technique		
Quantitative Interview Instruments	Written Interview (+ online)	Low to medium Large Low None	Low Large Low None	Medium Large Low None	Medium Large Low None	Low to medium Large Low None	Cost and time budget Sample size Level of complexity Interviewer bias	Criteria
	Standardized Telephone Interview (+ CATI)	Medium Medium Medium Limited	Low to medium Medium Medium Limited	Medium to high Medium Medium Limited	Medium to high Medium Medium Limited	Medium Medium Medium Limited	Cost and time budget Sample size Level of complexity Interviewer bias	
	Standardized Face-to-Face Interview (+ CAPI)	Medium to high Small High High	Medium Small High High	High Small High High	High Small High High	Medium to high Small High High	Cost and time budget Sample size Level of complexity Interviewer bias	
Quantitative Forecast Instruments	Trend Extrapolation	Low Low Medium Short-term Divergence	Low Low Low to medium Short-term Stability	Low Low High Medium-term Stability	Low to medium Low High Long-term Stability	Medium Low Medium to high Short-term Divergence	Level of uncertainty Level of complexity Cost and time budget Expert availability Forecast character	Criteria
	Method of Moving Averages	Low to medium Low Medium Short-term Divergence	Low to medium Low Low to medium Short-term Stability	Low to medium Low High Medium-term Stability	Medium Low High Long-term Stability	Medium to high Low Medium to high Short-term Divergence	Level of uncertainty Level of complexity Cost and time budget Expert availability Forecast character	
	Method of Exponential Smoothing	Medium Low Medium Short-term Divergence	Medium Low Low to medium Short-term Stability	Medium Low High Medium-term Stability	Medium to high Low High Long-term Stability	High Low Medium to high Short-term Divergence	Level of uncertainty Level of complexity Cost and time budget Expert availability Forecast character	
	Simple/Multiple Regression Methods	Medium Medium Medium Short-term Divergence	Medium Medium Low to medium Short-term Stability	Medium Medium High Medium-term Stability	Medium to high Medium High Long-term Stability	High Medium Medium to high Short-term Divergence	Level of uncertainty Level of complexity Cost and time budget Expert availability Forecast character	
	Econometric Models	Medium High Medium Short-term Divergence	Medium High Low to medium Short-term Stability	Medium High High Medium-term Stability	Medium to high High High Long-term Stability	High High Medium to high Short-term Divergence	Level of uncertainty Level of complexity Cost and time budget Expert availability Forecast character	

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Friday, 22 July
Time: 10:30 AM

Session Number: **8.8: Relationship Strategy 1**

Session Chair: Evanschitzky, Heiner, *Aston Business School*

Loyalty Programs and How They Can Benefit Retailers Through Customer Knowledge

Worthington, Steve, *Monash University*

Determinants of Loyalty Card Usage Frequency – A Multilevel-Analysis

Schnöring, Marc, *TU Dortmund University*

Woisetschläger, David M, *TU Braunschweig University*

Effect of Relationship Marketing on Customer retention: Evidence from Mobile Telecommunications Industry of a Large Emerging Economy

Gaur, Sanjaya, *Auckland University of Technology*

Bathula, Hanoku, *AIS St Helens*

Discussion Leader: Shainesh, G., *Indian Institute of Management Bangalore*

LOYALTY PROGRAMS AND HOW THEY CAN BENEFIT RETAILERS THROUGH CUSTOMER KNOWLEDGE

Steve Worthington, Monash University, Australia

ABSTRACT

This paper reports on research carried out in Australia into attitudes and behaviours of consumers who hold and use loyalty cards, issued by major retail groups. In addition to asking which cards were held; how often they were used and what the value of the rewards were that card holders redeemed, the research investigated attitudes towards the privacy of the information gained by the retailer, from both the application for and subsequent use of the loyalty card. Card holder attitudes were also sought as to the aggregation of loyalty card data and its subsequent sale back to the retailers' suppliers and hence this being an income stream for the retailer who operates the loyalty program.

DETERMINANTS OF LOYALTY CARD USAGE FREQUENCY – A MULTI-LEVEL ANALYSIS

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David M. Woisetschläger, TU Braunschweig University, Germany

ABSTRACT

Loyalty programs have become a central part of firms' customer relationship marketing strategies and their popularity is still rising: Despite of the benefits associated to loyalty program participation, members of loyalty programs do not always turn out to be loyal card users (e.g., Colloquy Loyalty Census 2009; Mauri 2003). Active program participation, however, is an important condition that has to be fulfilled in order for firms to benefit from intended consequences of loyalty programs such as a greater ability to target special consumer segments basing on insights derived from consumer transaction data (Berman 2006). Since card usage frequency is a central indicator for loyalty program success, the present paper contributes to existing research by investigating both, individual level and program level determinants of loyalty card usage frequency. From a managerial perspective, it is highly relevant to determine if differences in firm actions are reflected in differences in loyalty card usage frequency across loyalty programs.

Our conceptual model consists of two levels. At the individual level, we build on the customer equity concept as conceptualized by Rust, Lemon, and Zeithaml (2001, 2004). In essence, we propose that three different aspects influence usage intensity: (1) value equity, (2) relationship equity, and (3) brand equity. At the program level, we conceptualize that program-related variables and industry characteristics contribute to the effectiveness of loyalty programs.

Thereby, we mainly anchor our study in Theory of Planned Behavior (Ajzen 1991) and in Social Identity Theory (Tajfel and Turner 1986). Theory of Planned Behavior is used to justify value and economic based determinants and hindrances to use the loyalty card as well as consumers' experiences related to loyalty programs, while Social Identity Theory provides a theoretical basis for socio-relational and psychological determinants of loyalty card usage frequency.

In order to test the conceptual model empirically, the customer level data ($n = 779$) is "nested" in the loyalty program level data ($n = 33$). Thereby, we seek to obtain individual drivers of loyalty card usage frequency as well as program-related factors and involvement within certain industries to explain between-group differences. Given the hierarchical structure of the data, hierarchical linear modelling (HLM) is an adequate method for analysis and hence applied in this study.

Our findings reveal, that on the individual level consumer program-related customer satisfaction, social benefits and brand attitude are associated with loyalty card usage frequency. Having said this, loyalty program providers should try to build personal relationships with the customer, satisfy customers' needs to express their membership (e.g., the self-identity) to out-group members, and try to bind customers emotionally. Regarding the value equity drivers of loyalty card usage frequency, reducing the perceived efforts of using the loyalty card constitutes an important determinant whereas the perceived attractiveness of the rewards provides no significant effect. With regard to consumers' experiences with loyalty programs, we suggest firms to focus their communication budgets on motivating newly acquired customers to use the program regularly as well as on inexperienced card users who are not already familiar with using loyalty cards.

On the program level, a status function and the associated relational benefits enhance social identity with the loyalty program (Dutton, Dukerich, and Harquail 1994), and strengthen the relationship between customers and loyalty program, whereas a rebate or bonus function show no significant impact on loyalty card usage frequency. Besides, we suggest that a payment function contributes negatively to loyalty card usage frequency due to an increase in complexity, a lack of perceived usefulness or perceived difficulty of use (Taylor and Todd 1995). Moreover, we could not find evidence that members of fee-based loyalty programs are more motivated in actually using the loyalty card as a result of their idiosyncratic investments than members of non-fee-based loyalty programs. However, entry fees are found to strengthen the link between satisfaction and usage intensity of the loyalty program. Nevertheless, if customers have to pay an entry fee, customer's brand attitude affects loyalty card usage frequency even negatively. Furthermore, our findings indicate that the higher the level of involvement within a certain industry, the lower the loyalty card usage frequency. Hence, in high involvement conditions, the product/service is more important than the rewards and benefits associated with the loyalty program (Dowling and Uncles 1997; Rothschild and Gaidis 1981). The fact that brand attitude is less important to explain loyalty card usage in high involvement industries provides additional support for this argument. Hence, under high involvement conditions, loyalty programs should be linked closer to the product/service in order to enhance the value proposition of the product/service.

References Available on Request

EFFECT OF RELATIONSHIP MARKETING ON CUSTOMER RETENTION: EVIDENCE FROM MOBILE TELECOMMUNICATIONS INDUSTRY OF A LARGE EMERGING ECONOMY

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Hanoku Bathula, AIS St Helens, New Zealand

INTRODUCTION

Telecommunications are regarded as one of the primary forms of infrastructure for economic development of a nation. They have the ability to connect various companies and countries, making the world a global village. This primacy is due to enormous technological progress and high degrees of competition (Gerpott, Rams and Schindler, 2001; Saxena, Thakur and Singh, 2009). As a large emerging economy, India has the fifth largest telecoms network in the world and is on an exponential growth path. As of July 2010, there were 652.42 million customers, registering a staggering growth rate of 47.7% during the previous one year. The tele-density is only 58.17, indicating enormous potential for growth (TRAI, 2010).

Historically, the government controlled the telecommunications sector. Privatization and deregulation, which started in 1991, allowed the private sector to play an increasingly important role. Government now regulates this sector through a unified licensing scheme that provides a level playing field for multiple operators who engage in fierce competition (Shukla, 2005).

Until recently, the Indian mobile industry focused heavily on the acquisition of new customers and the fight for market share. However, this sector has witnessed increasing losses due to customer churn rate. In 2009, the churn rate was 53.2 percent and is expected to increase to 56.6 percent (Gartner, 2009). According to Jain and Lakshman (2003), such churn of Indian customers can be attributed to their value-conscious nature. Under this scenario, a shift in strategy is imperative. Today's companies find themselves more and more in a situation in which they have to build professional customer retention management systems. Many mobile operators are willing to pay significant amounts to retain customers and maintain relationships. Reichheld and Sasser (1990) claimed that the profitability of an individual customer grows with the duration of the business-relationship. To achieve this, telecoms companies have developed a mix of relationship marketing tools to establish and build profitable customer relationships (Gustaffson, 2004).

The purpose of this study is to investigate whether relationship marketing can influence customer retention in the context of cellular mobile telecommunications. Consequently, a model is proposed which includes variables such as relationship marketing tactics, perceived relationship investment, relationship satisfaction and customer retention. Marketing tactics are further sub-divided into four categories, namely rewarding, personalization, preferential treatment, and communication. To enrich the study, the effects of additional variables deemed relevant to the context, such as payment equity, perceived difficulty in switching, and attractiveness of alternatives, have also been included in the model for empirical testing.

METHOD

To measure and analyze the model, we developed a survey instrument. All the variables were measured using a multiple-item scale which required the respondents to indicate their degree of agreement or disagreement with a statement or to answer a question on a Likert-type scale. The survey instrument was pre-tested to check if it was well understood and suitable for cellular mobile customers. Some words were modified to improve clarity.

Using the pre-tested and modified instrument, a survey was conducted in the most cosmopolitan and commercial city of India – Mumbai – and data were collected from 344 respondents from varied backgrounds. After examining the completed survey, 317 usable questionnaires were selected for analysis. To test various hypotheses, multiple regression analysis was conducted using SPSS. The moderating effect of payment equity, attractiveness of alternatives and perceived difficulty in switching were also tested following the suggestions of Too, Souchon and Thirkell (2001).

FINDINGS AND DISCUSSION

The findings of the research indicate that use of relationship marketing tactics has a positive impact on perceived relationship investment, leading to relationship satisfaction and, ultimately, customer retention. The results confirm a few findings from previous research (De Wulf, Odekerken-Schroder and Iacobucci, 2001; Odekerken-Schroder, De Wulf and Schumacher, 2003) showing a positive relationship between marketing tactics and perceived relationship investment. All four relationship marketing tactics were also found to have a positive role in affecting customer perceptions of relationship investment.

Further, perceived relationship investment and payment equity were found to have a positive effect on relationship satisfaction, and payment equity was found to be acting as a moderator. This finding supports other studies such as Gerpott, Rams and Schindler (2001) in the mobile phone industry. Similarly customer retention is directly influenced by the four variables, namely relationship satisfaction, payment equity, attractiveness of alternatives and perceived difficulty in switching.

A unique contribution of the research is the finding that the customer's perception of a firm's relationship investments has a negative effect on the attractiveness of alternatives, which in turn would result in increased customer retention.

CONCLUSION AND IMPLICATIONS

The study has shown how relationship marketing can play an important role in retaining customers in the context of the Indian cellular mobile industry, which is both growing and highly competitive. This suggests that rewarding tactics such as loyalty programmes or discounts would likely enhance customer perceptions. Market segments such as urban- and rural-based may be identified for appropriate packages of relationship marketing tactics.

Customer perceptions were found to play a critical role in establishing relationships. This leads to relationship satisfaction, which in turn positively affects customer retention. A high level of perceived service due to the provider's investment in the relationship decreases the attractiveness of alternatives, which translates to higher customer retention. This could be enhanced by increasing the perception of difficulty in switching through brand building and other relationship investment measures. The finding that payment equity has a strong effect on relationship satisfaction and customer retention indicates the price sensitivity of Indian mobile customers. This may, perhaps, require careful market segmentation and price discrimination approaches to leverage the full potential.

The study extends previous research in the area of relationship marketing practices, and fills the gaps in the literature by examining the effect of relationship marketing on customer retention in the Indian cellular mobile industry. For practitioners, the findings can serve as a guide to enable managers to devise retention-focused marketing programmes and implement relationship marketing tactics.

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Friday, 22 July
Time: 10:30 AM

Session Number: **8.9: Service Failure & Recovery**

Session Chair: Farrell, Andrew M., *Aston Business School*

**Understanding Why Customers Choose to Abuse, or Not to Abuse, Return Policies:
The Customer's Return is NOT Always Legitimate!**

Rosenbaum, Mark, *Northern Illinois University*

Kuntze, Ronald, *University of Tampa*

Ross-Woolridge, Barbara, *University of Texas at Tyler*

**Coping with Service Failures: The Role of Emotional Intelligence, Self-Efficacy and
Intention to Compalin**

Strizhakova, Yuliya, *Rutgers University*

Tsarenko, Yelena, *Monash University*

**Service Recovery Strategies and Perceived Justice: The Moderating Role of
Psychological Contract Violation**

Mostafa, Rania, *Leeds University Business School*

Lages, Cristiana, *Loughborough University*

UNDESTANDING WHY CUSTOMERS CHOOS TO ABUSE OR NOT TO ABUSE, RETURN POLICIES: THE CUSTOMER'S RETURN IS NOT ALWAYS LEGITIMATE!

Mark S. Rosenbaum, Northern Illinois University, United States of America
Ronald Kuntze, University of Tampa, United States of America
Barbara Ross-Wooldridge, University of Texas, Tyler, United States of America

INTRODUCTION

Consumer research involves the acquisition, consumption, and disposition of products by decision-making units; however, although much marketing research has explored the first two stages, little research has examined disposition. Although consumers may dispose of products through traditional means, such as gift giving, online auctions, or garage sales, other consumers may do so by engaging in a white-collar criminal activity—namely, fraudulent product returns. This type of return fraud, in which consumers buy an item, use it, and return it to the retailer under false pretenses, is defined as unethical retail disposition (URD; Rosenbaum and Kuntze 2003, 2005). The impact of URD on U.S. retailing is profound; according to the National Retail Foundation (2009), fraudulent return behavior costs U.S. retailers nearly \$10 billion annually. Other disciplines have explored URD as a type of retail fraud. For example, Schmidt, Sturrock, Ward, and Lea-Greenwood (1999, p. 292) view deshopping as “[t]he deliberate and arguably inappropriate return of goods for reasons other than actual faults in the product.” Authors have coined terms such as “retail borrowing” (Piron and Young 2000), “wardrobing” (Woyke 2005), and “free customer rentals” (Schuman 2004) to describe URD behaviors. Harris and Reynolds (2004) posit that “jaycustomers” represent consumers that deliberately act in an abusive manner by damaging retailers’ property or by lodging fraudulent complaints in the hopes of securing free food and beverage (Reynolds and Harris 2005). It is our belief that many of these terms seem to diminish the criminality inherent in URD.

Although marketers know a great deal about consumers practicing URD, this research has originated from neutralization technique theory exploring juvenile delinquency (Sykes and Matza 1957). Given that neutralization theory evolved from criminal justice, marketers might speculate whether consumers actually employ these techniques in their own words to describe engaging in URD. This paper addresses these issues by updating constructs that help explain how URD participants neutralize internalized guilt and shame associated with the behavior and how non-URD participants motivate self-restraint from engaging in the behavior.

METHODOLOGY

Two hundred sixty-three students enrolled in marketing courses at a southwestern university in the United States volunteered to participate in this study. Of the students, 158 were male, and 105 were female. All the participants were between the ages of 18 and 38 years. Each participant provided individual answers to the following questions: “Have you ever taken advantage of a retailer’s return policy? For example, have you purchased an item knowing that you were going to wear it (use it) and then return it?” “If yes, please describe why you did so.” “If no, please describe why you think consumers would either engage in this behavior or never do this type of behavior.”

Responses were separated into three categories. The first category represented responses from 79 (30%) URD offenders. The second category represented responses from 145 (55%) non-URD participants, who offered explanations as to why they believe some consumers practice URD. To provide a novel exploration, we created a third category of responses that represented opinions of 39 (15%) non-URD participants as to why they believe consumers opt to refrain from URD.

We then analyzed and classified each response into a neutralization technique for either URD participation or restraint. Note that in some situations, respondents provided feedback that contained more than one technique. Thus, their response stories needed to be read to ascertain the primary rationalization technique for theoretical development; however, the techniques are not mutually exclusive categories, because people often provide a primary reason with some secondary and tertiary techniques. We ceased this “memoing” process of categorizing the stories when complete agreement was reached.

Grounded theorists are advised to refrain from reading the literature on a specific area of interest to prevent them from corroborating and supporting established concepts. However, the URD literature contains rationalization concepts that are commonly used in marketing, but the question whether these concepts were supported by qualitative consumer data remains unknown. Therefore, we used Glaser’s (2001, pp. 134-135) “bundling approach,” which suggests that grounded theorists who are exposed to literature avoid formulating precise hypotheses about the nature of the problem and reserve the right to explore and generate new concepts in the general area of the topic.

RESULTS AND DISCUSSION

Conceptual framework

By adhering to these coding tenets, we developed Table 1, which illustrates the types and frequencies of the primary neutralization techniques and restraint rationalizations consumers used to explain URD participation or abstinence. From these comments, we supported the work of previous URD studies (Rosenbaum and Kuntze 2003, 2005) that uncovered five rationalization techniques that URD participants employ to justify their deviant behavior and we conceptualized three new pro-URD rationalization techniques. Next, we defined and developed six new rationalization techniques for understanding URD restraint. In the following section, we will discuss neutralization for and against URD participation.

Table 1: Understanding Consumer Rationalization For and Against URD participation

<u>Neutralization techniques for URD participation</u>		
Neutralization technique	Number of URD participants	Number of non-URD participants
• Denial of responsibility	18	36
• Appeal to higher loyalties	14	20
• Denial of the victim	10	23
• Denial of injury	6	8
• Condemn the condemners	4	4
• One-time usage	13	18
• First-time, only-time crime	13	24
• Outsmart the System	1	12
<u>Motivations for URD restraint</u>		
• Unethical and wrong		24
• Inconvenient		7
• Not ready		3
• Fear negative consequences		3
• Never comprehended		2
• Prior victim		2

Rationalizing URD participation

Denial of responsibility. As a way to neutralize their behavior, the largest percentage of URD offenders explained it as being inspired by forces outside their control, including a lack of monetary resources to acquire desired products legitimately. One informant said, “I do this because you have all the advantages (of product ownership), even if I don’t have the money.” In this way, URD permits consumers to treat retailers as “informal” and “free” rental services.

Appeal to higher loyalties. Some URD offenders sacrifice overarching societal norms and laws to meet the demands of social groups to which they belong (e.g., friends, family, an organization) or aspire to belong (e.g., a potential employer). Many URD and non-URD participants stated that consumers engage in the behavior because they confront pressures for product ownership due to pressing social obligations, such as parties, weddings, proms, and interviews.

Denial of the victim. URD customers may acknowledge responsibility for their behavior and believe that they cause injury, but they tend to assert that the injury is a form of rightful retaliation toward often unscrupulous, profit-seeking retailers. Although this technique shares similarities with “condemn the condemners,” the difference is that URD participants in this category inflict harm on retailers that they believe charge inordinately high prices or retailers they perceive as being unfair in their practices.

Denial of injury. Another technique involves participants believing that URD does not injure anyone. The following

excerpt reveals that URD offenders deem their actions as excusable because retailers can resell returned merchandise:

I wanted to wear something one night that was kind of crazy. I didn't want it bad enough to pay for it, so I thought it was very convenient to put it on my credit card, wear it that night, and return it for credit. I didn't feel any expense at all and I was very careful with it so it was returned good as new.

Condemn the condemners. URD participants may rationalize their behavior by blaming retailers for "foolishly" promoting theft by offering liberal return policies that, as one URD participant stated, "are very tempting to abuse." Other participants free themselves from culpability by rationalizing that URD prevails in the marketplace and that it is part of American culture.

New neutralization techniques

One-time usage. Many URD and non-URS participants rationalized the behavior as acceptable when the returned product was used for a single event. One respondent stated, "There are times in life when you need an expensive item and you'll only use it once. So why buy something that you might never use again?"

First-time, only-time crime. Another technique emerges when URD participants shift personal guilt by rationalizing that everyone experiences a one-time moral judgment lapse. These criminals do not deny the illegality of their behavior but rather view this action as permissible because it is a singular immoral act. This is different from the aforementioned use of a product for a single event. One-time usage is not considered "sinful" because the theft itself seems marginalized (for a single use); in contrast, this act seems less egregious because the perpetrator has done it only once in his or her life. The perpetrator may be intrinsically a "good" person; however, he or she "slipped up" this one time.

Outsmart the system. This technique involves URD participants denying guilt through a self-oriented rationalization that they have cleverly outwitted retailers. One URD participant said, "Some people like to outsmart the system." Another deshopper concurred, "I like the feeling of rebellion this [URD] gives me. I am a little rebel."

Exploring URD restraint

Although researchers have explored reasons for URD participation, to date, they have not explored why consumers refrain from committing the behavior. From collected data, we propose that consumers employ at least five motivations

Unethical and wrong. The most common motivations behind restraint involve consumers believing that URD is unethical or immoral. As some non-URD participants explained, "[It is] not fair and right" and "Buying something with the intent of wearing it and returning it is abusive and amoral."

Inconvenient. Another, somewhat surprising explanation involves informants perceiving URD as not necessarily wrong but rather as inconvenient and time consuming.

Not ready. Some informants are conscious of their ability to abuse policies; however, they believe that the correct circumstances had not yet presented themselves. For example, one informant said, "It [URD] is always an idea but it was never important enough to pursue."

Fear consequences. As expected, some informants refrain from URD because of perceived negative consequences. These informants do not express guilt about URD, but rather their restraint is linked to the fear of prosecution. One informant stated, "I have not done this [URD] simply because I am afraid of getting caught."

Never comprehended the action. Other informants do not consider URD immoral or wrong; rather, they are simply unaware of this behavior. For example, an informant said, "I never really thought about doing it before." Implicit in this statement is the notion that these respondents do not necessarily find the activity immoral or criminal; they simply had not realized it was an activity they could or should pursue.

These motivations for URD restraint are troublesome. With the exception of consumers who perceive URD as unethical, many informants express reasons for URD restraint that are tenuous. Some consumers who abstain from URD may do so because they lack either time or motive, not because of deeper-seated moral and ethical beliefs. Consumers who refrain from URD because they dread consequences actually teeter on the edge of exploration into this deviant consumer behavior. Thus, although the majority of U.S. consumers refrain from URD, their internal reasons for abstinence appear to be quite fragile.

Theoretical Sampling

The next stage in grounded theory is to explore the emerging framework by gathering data from additional samples that should offer variance. To accomplish this task, we obtained data from a group of 28 senior-aged men who were all members of a synagogue club. Of the 28 seniors, 2 admitted to engaging in URD. One informant said that the item was “too expensive to purchase” (denial of responsibility), and the other informant explained that, “I only needed a very specialized repair tool for a 15-second repair. I bought it and used it carefully knowing I would return it” (one-time usage).

In general, the seniors’ statements helped buttress the emergent restraint rationalization; however, their insights also generated an additional reason for URD restraint. Namely, two seniors recalled how they remembered working retail jobs in the past and noted how they detested experiencing customers who blatantly abused their firms’ return policies. We termed this new restraint rationalization “prior victim.”

CONCLUSIONS AND IMPLICATIONS FOR THEORY AND PRACTICE

This work defines and develops eight neutralization techniques that URD participants employ to mitigate their internal shame and guilt associated with committing URD and six rationalization techniques that non-URD participants employ to promote restraint from engaging in the behavior. The findings replicate and extend extant marketing research; five of the URD neutralization techniques are supported by neutralization theory, and three techniques are new and novel.

To date, marketing researchers have employed neutralization theory (e.g., Rosenbaum and Kuntze 2003; Strutton et al. 1997) without justifying whether this criminal justice theory is appropriate for marketplace phenomenon with humanistic evidence. This study not only offers the discipline a new framework that refines and deepens prior research but also presents content validity to previous studies that have drawn on neutralization theory to explain the psyche of consumers who commit URD.

This study breaks new ground in the area of URD by exploring rationalization techniques that consumers employ to justify their abstinence from committing URD. We found that U.S. consumers are far from being ethically consistent on this issue. The findings reveal that though 80% of consumers have not participated in URD, their restraint is not predicated on strong moral or ethical conviction. Indeed, many of these consumers appear to be teetering on the edge of the behavior and place significant blame on retailers for the crime. This finding is extremely worrisome for retailers because ethical shoppers may be propelled into practicing the behavior when confronted with either economic factors, such as the economic recession, or social factors, such as receiving continuous knowledge of successful URD attempts from family and friends (King and Dennis 2003, 2006). Researchers are encouraged to explore whether URD practice, as well as URD tolerance or neutrality, represents a means by which societal members demonstrate overt or budding hostility toward retail organizations.

This paper begs the question as to the economic sensibility of offering customers liberal return policies (Hart 1988) in the twenty-first century. The assumption in liberal return policies is that consumers engage in sincere marketplace exchanges; yet, in reality, only 80% or less may do so. In America, Montgomery Ward was the first retailer to guarantee customer satisfaction, and Marshall Field attained fame for his famous quote, “Give the lady what she wants.” Regrettably, both of these once venerable retailers are defunct.

From this study’s findings, as well as across-the-board results from extant literature, we suggest that all retailers should enact stricter return policies and charge restocking fees to lower the costs associated with fraudulent returns. Retailers need to consider that many consumers believe that they possess the right to enter into marketplace exchanges without having sufficient monetary resources to do so and that exploiting liberal return policies is widespread in American culture. By enforcing stricter return policies, retailers can send lucid messages to URD offenders and their social networks that the behavior is no longer acceptable.

REFERENCES

References Available Upon Request

COPING WITH SERVICE FAILURES: THE ROLE OF EMOTIONAL INTELLIGENCE, SELF-EFFICACY AND INTENTION TO COMPLAIN

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

ABSTRACT

In this research, we develop and test a research model that investigates the effects of consumer emotional intelligence (EI) on three coping strategies (active, expressive, and denial) and explore the mediating role of self-efficacy in this process. We further examine effects of coping strategies on consumer desire to complain. Australian consumers ($n = 252$) responded to a scenario-based questionnaire about a service failure in a hotel setting.

Both emotional intelligence and self-efficacy drive consumer engagement with the active coping strategy in service failures. We did not observe any significant effects of active coping on complaining, possibly because active coping is aimed at resolving the problem without the need to complain. In contrast, the effects of EI and self-efficacy on the expressive coping strategy are asymmetrical. On the one hand, a higher level of EI is positively associated with one's expressive coping strategy, possibly indicating the customers' recognition of the need to deal with their emotions under given circumstances. On the other hand, expressive coping is social in nature and assumes customer support-seeking behaviors and expression of emotions to others. EI is negatively related to the denial coping strategy but self-efficacy beliefs have no association with denial.

References are available upon request.

**SERVICE RECOVERY STRATEGIES AND PERCEIVED JUSTICE:
THE MODERATING ROLE OF PSYCHOLOGICAL CONTRACT VIOLATION**

Rania Mostafa, University of Leeds, UK
Cristiana Raquel Lages, Loughborough University, UK

ABSTRACT

Based on equity theory and prospect theory, this paper explores for the first time the moderating effect of Psychological Contract Violation (PCV) in the relationship between service recovery strategies and perceived justice. Findings from 29 in-depth interviews revealed the moderating role of PCV, which was later tested using a survey instrument. Ping's (1995) and Cadogan et al.'s (2006) procedures for assessing the structural model with interaction terms were followed.

Results based on a sample of 437 complaining customers demonstrated that customers who perceive the failure as PCV tend to expect more from the firm as an attempt to recover from the damage they experienced due to the failure. In particular, when the customer perceives the failure as a PCV, the added value of each service recovery strategy is smaller and the impact on customers' perception of justice is weaker. Theoretical and managerial implications of incorporating the PCV in the service recovery context are discussed.

References available upon request

Friday, 22 July
Time: 1:30 PM

Session Number: 9.1: Tweeting Birds: An Aviary Lifestyle Segmentation Strategy for Social Media

Session Chair: Kropp, Frederic, *Monterey Institute of International Studies*
Special Session

Aviary Segmentation: Theory and Method

Kahle, Lynn R., *University of Oregon*
Gurel-Atay, Eda, *University of Oregon*
Yu, Jae Gu, *Hanyang University*
Ring, Karen, *Universal McCann*

Sources of Information as a Function of Lifestyles and Product/Service Category

Gurel-Atay, Eda, *University of Oregon*
Andrews, Steven, *University of Oregon*
Soule, Cat Armstrong, *University of Oregon*

Cardinals, Hawks, and Blue Jays: Sports and Aviary Lifestyles

Yu, Jae Gu, *Hanyang University*
Sagara, Namika, *Duke University*
Lee, Chris, *University of Oregon*

TWEETING BIRDS: AN AVIARY LIFESTYLE SEGMENTATION STRATEGY FOR SOCIAL MEDIA

Session Chair: Frederic Kropp, Monterey Institute of International Studies, USA

The proliferation of social media has spawned new lifestyles that guide consumer behavior. Understanding the connection between lifestyles and consumer behavior has become much more important in a world with social media because businesses can more easily provide the right information to the right people, as well as identify who the right people are to buy their products. Business can engage in mass personalization, by means of, for example, sending a birthday greeting to every customer on the right day. Most importantly, social media provide opportunities for aggressive interaction with customers in lifestyle groups, for purposes ranging from detecting complaints to brand extensions to product co-creation. The social media group members have self-selected into a category that embraces a cluster of motives. Because of these aggregations, the importance of understanding lifestyle is today infinitely more valuable and more important for effective marketing than it was in previous generations. This session presents an empirical lifestyle segmentation approach about consumer use of information, and it develops themes regarding the strategic implications of this segmentation system for marketing managers. This session emphasizes finding the right customer over treating every customer as right. The first paper describes the theory and method that guided this research. The second paper discusses sources of health information as a function of aviary lifestyles and product/service category. The final paper describes research focused on the antecedents and mediating factors of purchase decisions. Lifestyle influences an individual's attitude towards media, which leads to differences in consumer behavior. It examines four types of media influences: Olympic programs, sports sponsorship, public relationship and direct marketing. Olympic programs references an individual's receptiveness to Olympic sponsors and as well as commercials shown during the Olympic Games. Sports sponsorships are similar, although they stress receptiveness to sponsors at events the individual attends. The public relationship variable assesses the impact of product information portrayal in the news. Finally, direct marketing examines responsiveness to direct marketing advertisements and information.

AVIARY SEGMENTATION: THEORY AND METHOD

Lynn R. Kahle, University of Oregon, USA
Eda Gurel-Atay, University of Oregon, USA
Jae Gu Yu, Hanyang University, Korea
Karen Ring, Universal McCann, USA

The first paper gives an overview of the theory and method for the entire session. The source of data for all three papers in this session is the Media in Mind survey from Universal McCann. There were 5,508 survey respondents aged 18 and over in 2005. The distribution of respondents contained 40% males, 50% older than 50-years-old, 83% Whites, and 65% married. The sample was selected to reflect the demographics of the United States. The principle components factor analysis with varimax rotation of items asking about world views resulted in the lifestyle segments with aviary characteristics: hummingbirds, eagles, peacocks, and storks. All categories showed acceptable factor structure and internal consistency. This paper describes the methodology used to gather, reduce, and purify the measures of lifestyle, as well as the social media implications of the components. It also describes the development of scales to measure information use relevant to the other categories. Finally, it presents the case and logic for a strategic lifestyle approach applicable by managers in this era of social media.

References available on request.

SOURCES OF HEALTH INFORMATION AS A FUNCTION OF AVIARY LIFESTYLES AND PRODUCT/SERVICE CATEGORY

Elizabeth Stickel, University of Oregon, USA
Eda Gurel-Atay, University of Oregon, USA
Steven Andrews, University of Oregon, USA
Cat Armstrong Soule, University of Oregon, USA

INTRODUCTION

This study reveals a new approach to lifestyle segmentation utilizing bird names. An advantage in using this new naming system is the association between the bird name and the bird's characteristics (e.g., hummingbirds are often associated with the characteristic of quickly flying from one location to another). Using common names should enable practitioners to readily remember bases for segmentation and implement these segmentation systems successfully. Lifestyle segments are divided into four groups with similar values, attitudes, and consumption practices: attraction (Peacock), career-oriented (Eagle), time-management (Hummingbird), and money-management (Stork).

METHODOLOGY

This study utilizes national survey data collected by Universal McCann-Ericson in 2005. The survey, Media in Mind, is conducted yearly and centers around lifestyles, media consumption, and other consumption related attitudes and opinions. The data were analyzed with structural equation modeling.

RESULTS AND DISCUSSION

The hypotheses generally were supported. The structural equation results suggest that companies need to pay attention to their target customers' lifestyle characteristics as well as the nature of their products/services when choosing the appropriate media to deliver information about their products and services. The implications of all these findings for strategic marketing practitioners and researchers are discussed.

References available on request.

CARDINALS, HAWKS, AND BLUE JAYS: SPORTS, MEDIA AND AVIARY LIFESTYLES FOR BRAND CHOICE

Chris Lee, University of Oregon, USA
Jae Gu Yu, Hanyang University, Korea
Leslie Koppenhafer, University of Oregon, USA
Namika Sagara, Duke University, USA

INTRODUCTION

This research focuses on the antecedents and mediating factors of purchase decisions. Lifestyle influences an individual's attitude towards media, which leads to differences in consumer behavior. It examines four types of media influences: Olympic programs, sports sponsorship, public relationship and direct marketing. Olympic programs references an individual's receptiveness to Olympic sponsors and as well as commercials shown during the Olympic Games. Sports sponsorships are similar, although they stress receptiveness to sponsors at events the individual attends. The public relationship variable assesses the impact of product information portrayal in the news. Finally, direct marketing examines responsiveness to direct marketing advertisements and information.

METHODOLOGY

This study utilizes national survey data collected by Universal McCann-Ericson in 2005. The survey, Media in Mind, is conducted yearly and centers around lifestyles, media consumption, and other consumption related attitudes and opinions. The data were analyzed with structural equation modeling.

RESULTS AND DISCUSSION

The hypotheses generally were supported. The structural equation results suggest that companies need to pay attention to their target customers' lifestyle characteristics as well as the nature of their offerings when choosing the appropriate media and sponsorship combinations to deliver information about their products and services. The implications of all these findings for strategic marketing practitioners and researchers are discussed. The antecedents and mediating factors of purchase decisions are important. Lifestyle influences an individual's attitude towards media, which leads to differences in consumer

behavior, at least in the four types of media influences we examined: Olympic programs, sports sponsorship, public relationship and direct marketing.

References available on request.

Friday, 22 July
Time: 1:30 PM

Session Number: **9.10: New Technology for Business Education: The Moodle Way**

Session Chair: Chung, Christina, *Ramapo College of New Jersey*

Special Session

Modular Object-Oriented Dynamic Learning Environments: Demonstration and Discussion

Chung, Christina, *Ramapo College of New Jersey*

Babin, Laurie A., *University of Louisiana -- Monroe*

NEW TECHNOLOGY FOR EDUCATION: MOODLE

Christina Chung, Ramapo College of New Jersey, USA

Laurie A. Babin, University of Louisiana Monroe, USA

Moodle stands for *Modular Object-Oriented Dynamic Learning Environment*. Moodle is an open source learning management system (LMS), meaning it is free to anybody under the terms of the General Public License (Brandt, 2005). Many institutions have moved to the Moodle system and usage has grown since its introduction in 2003. Familiarity with Blackboard and WebCT helps with the transition, but Moodle possesses some unique characteristics that make it both better as well as more frustrating than alternative course management systems. Moodle provides a platform to facilitate interaction and create a dynamic learning environment for face-to-face classroom and blended course formats, as well as online courses. However, it can be time-consuming for instructors to learn how to utilize its various features.

The purpose of this special session is to provide an overview of Moodle and demonstrate how to use it effectively. We also want to provide a forum for open discussion where users can share experiences and ideas.

Friday, 22 July
Time: 1:30 PM

Session Number: **9.11: The Tourist Experience**

Session Chair: Petr-Huerou, Christina, *Tour University*

Factors Effecting Destination Loyalty: A Case Cox's Bazar, Bangladesh

Hossain, M D Enayet, *Curtin University*

Quaddus, Mohammed, *Curtin University*

Shanka, Tekle, *Curtin University*

The Role of Eco-Cultural Attractions in Perception Engineering: A Study Conducted in Goa, India

Henthorne, Tony, *University of Nevada, Las Vegas*

George, Babu, *University of Southern Mississippi*

FACTORS EFFECTING DESTINATION LOYALTY: A CASE OF COX'S BAZAR, BANGLADESH

Md. Enayet Hossain, Curtin University, Australia
Mohammed Quaddus, Curtin University, Australia
Tekle Shanka, Curtin University, Australia

ABSTRACT

This empirical study was conducted to find out the determinants factors of loyalty for the destination Cox's Bazar, Bangladesh. We investigated the theoretical and empirical evidences for developing a comprehensive loyalty model in a tourism sector. Two formative and five reflective determinates were adopted from the literature and contextualised employing a qualitative research design. The interrelationships among adopted determinants were depicted based on literatures and field study. Forty three (43) measures were used in this study to collect data from 602 visitors. The model was tested employing Partial Least Square (PLS) based Structural Equation Modelling (SEM) approach. The result presented a strong support that "Perceived Satisfaction" is the main factor effecting "Destination Loyalty". The study also found that perceived quality and perceived sacrifice had direct positive effect on perceived satisfaction. The outcomes of this study contribute to determining the behavioural loyalty mechanism. The theoretical and managerial implications were presented based on the study findings.

INTRODUCTION

Loyalty behavior has generally been regarded as a desirable area of research (Alegre and Juaneda, 2006) because, among other things, it is thought that firstly, the marketing costs needed to attract loyal visitors are lower than those required for non loyal visitors. Secondly, a return (visitor) is a positive indicator of one's satisfaction. Thirdly, positive attitude of high repeaters increases their likelihood to return (Oppermann 1998). Study has documented that loyal consumers are more likely to act as free word-of mouth advertising agents that informally bring networks of friends, relatives and other potential consumers which account for up to 60% of sales to new consumers (Chi and Qu 2008). With such exceptional returns, loyalty becomes an important strategic component for business firms. Recently, tourism researchers have incorporated the concept of loyalty into tourism consumers' choice behavior (Chi and Qu, 2008). However, it is observed that studies on tourism consumer choice have not been thoroughly investigated theoretically and empirically to explore for real mechanisms of tourism consumers' destination loyalty behavior. Indeed, understanding the determinant factors of destination loyalty will allow destination operators to concentrate on the major influencing factors that lead to visitors' to be loyal.

BACKGROUND OF THE STUDY

Nowadays, quality, satisfaction and destination loyalty have been measured as critical concepts for service industry. These are used as indicators of profitability and the successful achievement of organizational goals. Over emphasizing some factors like quality, satisfaction, and loyalty, while overlooking others, such as, risk, sacrifice, narrows down our view on certain factors that play important roles in consumers' choice decision (Kaili et al., 2007). So, the question could be has risen whether service quality is the only factor that directly influences consumers' satisfaction resulting in loyalty and, if so how is it formed?

In general, sustained destination loyalty depends on visitors' satisfaction, and satisfaction depends on how the consumers perceive different service qualities. These qualities vary with the variations in the nature of consumer perceptions of intrinsic and extrinsic quality cues associated with the products (Shahid 1997). Intrinsic cues are connected to the product's physical characteristics or core expectation from services. Extrinsic cues are external aspects (brand, warranty, price), but relate to a product's purchase decision (Kaili et al, 2007). However, the degree to which cues' associations influence quality is an open question. Little empirical evidence exists for service industry like tourism. Therefore, research is necessary to determine the roles of both cues in the same research setting.

In addition, measurement practices in business research are conventionally based on reflective constructs (Diamantopoulos, 2008). In recent years, researchers have recognised that construct become more sensible to reverse the causality, implying that a construct is a combination of its measures (Zabkar et al., 2010). This kind of situation a formative measurement model is necessary. The formative measurement construct represents the meaning of the indicators jointly in the relevant dimensions of the latent variable (Henseler et al, 2009). Therefore, this study was conducted to identify the main determinants of destination loyalty in the context of Cox's Bazar, Bangladesh, and to determine the influence of both intrinsic and extrinsic cues on perceived quality and perceived risk as formative constructs.

A BRIEF LITERATURE REVIEW AND PROPOSED MODEL

In the literature, perceived value or customer satisfaction is widely recognised as a means to improve behavioural intentions and actual behaviour (Johnson et al., 2006). Empirically, however, perceived value and perceived satisfaction are closely related constructs although, a few researches used these two constructs separately within the same research setting (Lee, et al., 2007). In the context of our research we used perceived value (behavioural intention) and perceived satisfaction alternatively.

We reviewed more than 25 empirical studies (Agarwal and Teas 2004; Boshoff 2002; Petrick 2004a; Chi and Qu 2008; Lee, et al., 2007) [not included all for page limitations]. It was found that various authors used more than 30 factors in different research settings as determinants and/or evaluative factors of behavioural intention (value/satisfaction) and actual behaviour (loyalty). In fact, a model for loyalty research should incorporate some additional contextual factors that may influence the process of consumer choice decision making (like risk, sacrifice etc.). As it is too difficult to build a parsimonious loyalty model using all factors, we thus developed a proposed model based on three established behavioural theories and field study in Cox's Bazar, Bangladesh (figure 1)

BEHAVIOURAL THEORIES FOLLOWED FOR PROPOSED MODEL

We considered Information Processing Theory (IPT) and Theory of Planned Behaviour (TPB) as basis to develop proposed loyalty model. We selected seven constructs in total for this study on the basis concept of "chunking" of IPT (Miller, 1956). Perceived quality (PQ) perceived sacrifice (PSR) of the current study have been developed from the concept of attitudinal behaviour and subjective norm of TPB. Perceived risk (PR) construct has been considered as behavioural control as per TPB (Ajzen, 1991) for this study [Details are not included for page limitations] In current research, the visitors' perceived satisfaction (PS) refers to behavioural intention, as it is the result of attitudinal behaviour (PQ), subjective norm (PSR), and behavioural control (PR) of TRA and TPB. PIC and PEC (see figure 1 for definition) are considered as environmental belief of TPB.

FIELD STUDY FOR CONTEXTUALIZATION OF THE MODEL

Since we are interested in developing an appropriate destination loyalty model in the context of Cox's Bazar, Bangladesh, we conducted 25 interviews in the field during March 2009 for contextualization of the theoretically developed model (Quaddus and Xu, 2005). We conducted content analyses of the interview transcripts. Altogether, initially 19 factors and 114 variables were identified from different interviews. We have tried to label the factors and variables in line with the literature. Finally, we used 43 measures for 7 constructs in this study. However, the variables within each factor and their meanings are different from the literature and are more specific for Cox's Bazar [Measures are not included for limited page].

HYPOTHESES

Hypotheses depicted in the proposed model (figure 1) were developed based on literatures and field study. Hypothesis1a: PIC-PQ (+) Baker and Crompton, 2000; Petrick 2004a; Hypothesis1b: PEC- PQ (+) Petrick 2004a; Hypothesis 2a: PIC-PR(-) Agarwal and Teas 2004; Hypothesis 2b: PEC-PR (-)Agrwal and teas, 2004; Hypothesis 2c: PQ-PR(-) Bearden and Shimp, 1982, Field study; Hypothesis 2d: (PSR-PR(+)) field study with support Snoj et al., 2004; Hypothesis 3: (PQ-PSR (+) Field study with support of Agarwal and Teas, 2004; Hypothesis 4a: PQ-PS (+) Zabkar et al., 2010.; Kaili Yieh et al, 2007 Hypothesis 4b: PR-PS (-) Agrawal and Teas, 2004, Snoj et al. 2004; Hypothesis 4c: PSR-PS (+), (Snoj et al., 2004; Sweeney et al, 1999); Hypothesis 5a: PS-PDL (+) Kaili Yieh et al.,; Chi and Qu, 2008; and Hypothesis 5b: PQ-PDL (+) Zabkar et al. 2010, Field Study.

RESEARCH METHOD

Measurement Model

This study used a combination of qualitative and quantitative methods which has become increasingly popular in recent years (Bryman, 2006). In total 602 completed samples were collected from Cox's Bazar, Bangladesh with a set of pre-tested structured questionnaires using 6 point Likert Scale. Partial least Square (PLS) was used to analyse the data as it is most appropriate as the model incorporated both formative and reflective indicators (Chin 1998). As per PLS based SEM in the measurement part item loadings less than 0.6 were discarded from reflective constructs whilst for 'formative' constructs only weights were considered. Multicollinearity among the seven proposed indicators for intrinsic and eight indicators for extrinsic

cues were assessed. Variance Inflation Factors (VIF) were between 1.122 and 1.455 for PIC, and between 1.193 and 1.564 for PEC, which were far lesser than acceptable level of 10 (Hensler et al., 2009). (Tables were not presented for page limitation). After discarding one measure from perceived quality (PQ5), two measures from perceived risk (PR1 and PR2), and three from perceived sacrifice (PSR2, PSR3, PSR5), item reliability (loading) ranged from .70 to .83 for reflective constructs of PQ, PR, PSR, PS, and PDL. The weights for formative constructs' determinants ranged from -0.235 to 0.453, internal consistency values for reflective constructs of this study exceeded 0.7 (Nunnally, 1978). The lowest internal consistency for perceived quality was 0.792 while PDL had the highest of 0.895. We found acceptable convergent validity since the average variance expected (AVE) ranged from 0.529 to 0.630 for reflective constructs (Fornell and Larcker 1981) [Tables are not included for page limitations].

Structural Model

Table 1 presents the results of estimated path coefficients (significant paths indicated with an asterisk), and associated t-value of the paths. Tests of significance of all paths were performed using the bootstrap re-sampling procedure. Path coefficient, interpreted like standardised betas indicated the strength of relationships between constructs. Nine (9) out of 12 hypothesized paths in the proposed model were found to be statistically significant at different significant levels. Three hypotheses (2a, 4c, and 5b) were not supported at the acceptable (0.01, 0.05) levels. There was a significant impact of PIC and PEC on PQ with path coefficients of 0.158 and 0.478. Perceived quality had impact on PS, PSR, PR, and PDL with path coefficients of 0.290, 0.390, -0.241, and -0.071 respectively (Table 1). Perceived Quality (PQ) which was direct and immediate antecedent of PSR, PS and PR was accounted for 29.8% of the variance. Perceived risk which was influenced by intrinsic and extrinsic cues as well as perceived quality and sacrifice accounted for only 15% with the path coefficient of 0.144, -0.244, -0.241 and 0.149 respectively. No acceptable positive impact was found between PQ and PDL but established via satisfaction. For the antecedent of PS, both PQ and PSR were significant with path coefficient of 0.290 and 0.277 respectively. Although, the relationship between PR and PS was not statistically significant as per formulated hypothesis, result showed the right direction. These three antecedents were accounted for 22.9% of variance explanation. Surprisingly no satisfactory negative relation was found between PR and PS but path coefficient had right direction as per generated hypotheses. Finally, PS was found to be a direct antecedent of PDL with path coefficient of 0.624 explaining 35.9 % of the variance. It is interesting to note that there was no negative relationship between PIC and PR directly but existed via PQ.

THEORETICAL AND PRACTICAL IMPLICATION

Our findings confirmed the argument that strong visitors 'satisfaction leads to destination loyalty. It is important to note that direct relationship between perceived quality and perceived destination loyalty was not supported, but indirect relationship exists between the two via perceived satisfaction. This might be true for the third world country like Bangladesh as visitors were much more conscious about satisfaction via quality. The relationship between perceived sacrifice and perceived satisfaction was established in this study which was not proven in prior literatures. This study proved the effect of intrinsic and extrinsic cues on quality individually. The relationship between Perceived intrinsic cue and perceived risk (H2a) was not supported because visitors thought the concerned destination as almost riskless. The relationship between perceived quality and perceived destination loyalty (H5b) was not supported as visitors were more conscious about satisfaction. They were more relaxed to be satisfied first and loyalty than quality to loyalty in the context of Bangladesh. Hypothesis H4c was not supported statistically, however, still under consideration to look for the cause behind in future research.

We found that visitors' satisfaction as main antecedent of destination loyalty that should be managed for enhancing destination loyalty. Perceived quality and perceived sacrifice were important factors in determining the perceived satisfaction. This suggests that once visitors become satisfied they have a greater tendency to continue to revisit the same destination. Therefore, policy makers should encourage service providers to keep improving on existing service as per expectation level of visitors by adding new services like good warranty facilities of the destination. Once the visitors become satisfied with their staying they would tend to stay longer and their behaviour would become conducive leading to sustainable loyalty.

LIMITATION AND FUTURE RESEARCH DIRECTION

There are some limitations of the study. Firstly, we used the data collected only from Cox's Bazar, Bangladesh particularly beach based which may not be applicable to general destinations settings. Secondly, perceived intrinsic and extrinsic cues used as formative constructs in the study may not permit generalisation of the relevant indicators across different destinations. Thirdly, we discarded some variables on the basis of loading which might be not always rational. Finally, we did not consider the impact of moderating variables like gender, age and education generated from field study. We believe that this may affect destination choice decisions factors differently.

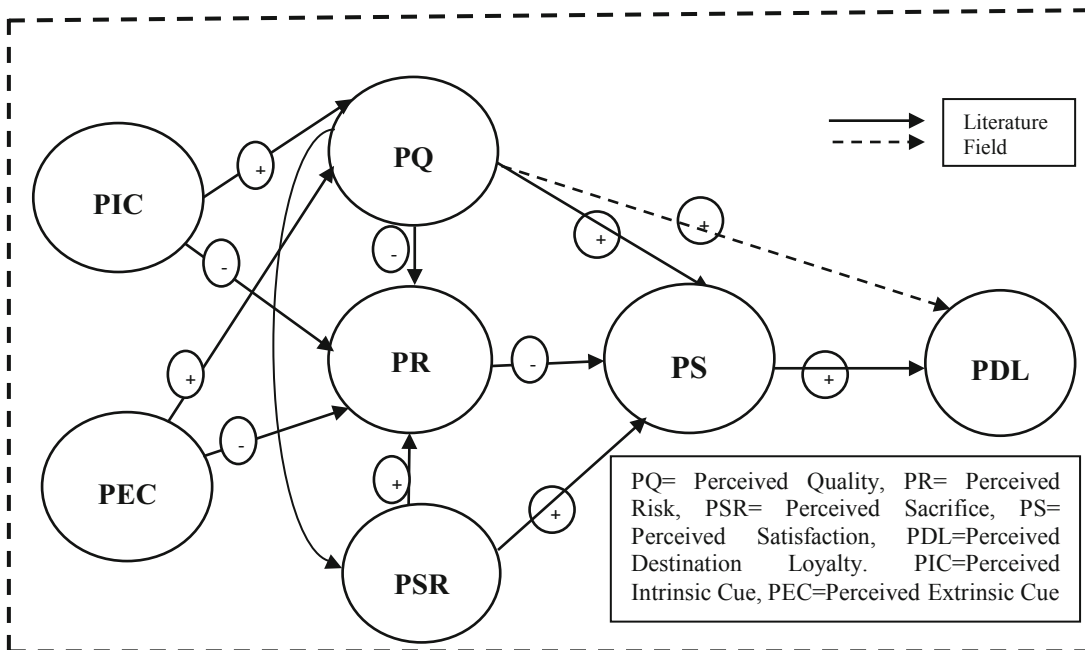
TABLE 1

Result of tests of hypotheses

HY	PR	PC	t-V	CO	CR	AVE	R ²	(HY=Hypotheses, PR= Path Relation, PC=Path Coefficient, t-V= t Statistics, CO=Constructs, CR=Composite Reliability, AVE= Average Variance Extracted, **Significant at P< .01)
H1a	PIC-PQ (+)	0.158	3.784**	PIC	-	-	-	
H1b	PEC-PQ (+)	0.478	10.63**	PEC	-	-	-	
H2a	PIC-PR (-)	0.144	2.786	PQ	0.857	0.546	0.298	
H2b	PEC-PR (-)	-0.244	2.67**	PR	0.839	0.566	0.150	
H2c	PQ-PR (-)	-0.241	4.112**	PSR	0.792	0.560	0.152	
H2d	PSR-PR (+)	0.149	3.875**	PS	0.849	0.529	0.229	
H3	PQ-PSR (+)	0.390	12.042**	PDL	0.895	0.630	0.359	
H4a	PQ-PS (+)	0.290	7.292**					
H4b	PSR-PS (+)	0.277	7.145**					
H4c	PR-PS (+)	-0.033	0.754					
H5a	PS -PDL (+)	0.624	16.136**					
H5b	PQ-PDL(+)	-0.071	1.954					

FIGURE 1

Tourism Destination Loyalty Model



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THE ROLE OF ECO-CULTURAL ATTRACTIONS IN ‘PERCEPTION ENGINEERING’: A CASE STUDY CONDUCTED IN GOA, INDIA

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INTRODUCTION

A destination must be favorably differentiated from its competition, or positively positioned, in the minds of tourists. Tourists employ destination images to differentiate and store meanings they hold for specific destinations (Echtner and Ritchie 2003). Favorable destination images lead to both first and subsequent visitations (Chon 1990). As pointed out by Kotler, Haider, and Rein (1993), a destination’s tourist image and its general image often align: if a destination has a bad tourist-related reputation, the same would negatively impact a destination’s campaign for non-touristic initiatives as well. This makes the concern for superior destination image crucial and often reaching beyond the direct and immediate tourism stakeholder groups.

Developing and communicating the desired destination brand image is one of the key activities of destination management organizations (DMOs). Early on, Gardner and Levy (1955) stated marketers should select a ‘brand meaning’ and operationalize this meaning in the form of a brand image before entering into the market and that the actual products should be the reverse engineered versions of such meanings and images. Ever since, this has remained as a dictum in branding theory. However, this model has deficiencies when it comes to marketing products such as tourism destinations. In the case of most natural and cultural destinations, the product is ‘given.’ In other words, destination marketers cannot replicate the recipe of success stipulated by Gardner and Levy (1955). Practically, only built attractions such as theme parks, casinos, or cruise lines can follow that recipe. Despite this, DMOs spend millions of dollars every year to develop and manage their image, with varied degrees of success.

The present paper reports the effect of a natural, in-built, mechanism in the architecture of many destinations that could assist in destination marketing success, with limited DMO intervention. This case study is carried out in Goa, India, a well-known leisure tourism destination.

Responsible Behavior: Eco-Cultural Versus Leisure Tourists

Eco-cultural tourism is the marriage of the ecological and cultural aspects of a landscape to create an inviting site for tourists (Wallace and Russell 2004). Eco-cultural tourism has been shown to be a community friendly endeavor and is socio-culturally, economically, and environmentally sustainable (Butler and Hinch 2007). Eco-cultural tourism attracts individuals who hold strong humanitarian and environmental values (Berendse and Roessingh 2007). More remarkably, eco-cultural tourism is a powerful force of ‘conversion’: The stay in a natural-cultural area itself is sufficient to raise environmental concern and conservation ethic to some extent. Properly implemented, exposure such as this has the potential to convert individuals with low humanitarian and environmental ethic champions of these values (Grossberg, Treves, and Naughton-Treves 2003). Conversely, leisure tourists are, generally speaking, more intrusive, exploitative, and destructive (Watson and Kopachevsky 1994). In fact, many leisure attractions are designed with a desire to trigger and amplify the self-driven, hyper-consumptive behavior of tourists.

It is generally accepted that environment conditions a person’s attitude and behavior (Pearce 2009). Greater restorative effects arise from experiencing nature and culture than from the experience of leisure-oriented manmade settings, notes Hartig, Mang, and Evans (1991). Understanding the dynamics of conditioning is important for tourism practice. For example, tourists conditioned by a soul-soothing environment at the beginning of a trip may continue to exhibit more constructive thoughts and actions during the remainder of that trip. Attracting such tourists holds the key to the sustainable development of destinations. However, this line of thinking is not without caveats: research indicates the impact of short-term environmental conditioning is generally only short-term behavioral modification (Michon, Chebat, and Turley 2005).

Holiday Attachment and Responsible Behavior

Attachment, an important relationship orientation variable, is a multidimensional property representing the types and degrees of linkages between an individual and the object of his/her consumption, existing neither in the individual, the object, nor in the context, but rather in the intersection of the three (Schultz, Kleine, and Kerman 1989). The construct of holiday attachment refers to the degree to which holidaymakers (vacationers) are attached to the holidays they purchase and experience (George 2005). Holiday attachment may be distinguished from the more mainstream term 'holiday satisfaction' (Tribe and Snaith 1998). Satisfaction is generally understood to mean instantaneous gratification from particular service encounters (e.g. satisfied with the performance of the server at restaurant X today), whereas attachment refers to longstanding and deeply held perceptions. The components of holiday attachment bring together the salient beliefs individuals have about a vacation and, thus, constitute an important basis for understanding their behavior, especially patronage behavior (George 2005).

Based on the above, the following hypothesis is offered:

H: Tourists who visit attractions of eco-cultural importance in a destination area prior to visiting leisure attractions within the same destination area tend to demonstrate a higher degree of holiday (vacation) attachment.

THE STUDY

The study was conducted in Goa, India, during the summer of 2009. Located in Southwest India in the region known as the Konkan, Goa is the smallest State of India. Goa is a major mass tourism destination in India, which Wilson (1997) aptly described as a 'plethora of paradoxes.' Renowned for its beaches, places of worship, and world heritage architecture, Goa is visited by large numbers of international and domestic tourists each year. It also has rich flora and fauna, owing to its location on the Western Ghats range, which is classified as a biodiversity hotspot.

To measure holiday attachment, the 27-item holiday attachment scale developed by George (2005) was used. In addition to this scale, respondents were asked how they allocated their total vacation time and the sequence in which they would visit attraction areas. Additionally, questions were asked about their past visit(s) to Goa and their future visit intentions. In total, 264 responses were received.

To test the hypothesis, an independent sample t-test was used. Respondents were classified into two independent groups, one group representing tourists who visited eco-cultural attractions first. The other group representing tourists who visited mainstream leisure attractions first, saving eco-cultural attractions for later on in their visit.

The summary statistics indicate, out of 255 valid respondents, 154 visited leisure attractions prior to visiting eco-cultural attractions. As anticipated, the holiday attachment score for those who visited eco-cultural attractions first were higher than for those who visited leisure attractions first (3.54 versus 2.41, in a 5 point scale) ($t=7.647$, $p<.05$).

DISCUSSION AND CONCLUSIONS

The term Environmentally Significant Behavior (ESB) refers to the extent to which human behavior changes the existing relationships in an ecosystem (Stern 1997). This study reveals prior exposure to destinations of eco-cultural importance leads to more desirable ESD for the remaining part of a holiday trip. Environmentally and socio-culturally sensitive tourists are less likely to leave negative footprints upon destinations. Since destination carrying capacity is a function not only of tourist numbers but also of the intensity of tourist actions, a destination can afford to receive a higher number of low impact tourists (Saveriades 2000).

So, how can DMOs encourage tourists to visit eco-cultural attractions first before traveling to the traditional and more impact-oriented mass leisure activities? Through guide training programs, tour companies may be sensitized to the importance of taking or directing tourists to eco-cultural attractions at the beginning of their trip. These actions share certain characteristics of 'demarketing,' a form of marketing that is applied in order to reduce undesirable demand or redistribute demand across a time period. It cannot be neglected that the term demarketing has acquired a negative connotation. For example, a demarketing tactic often used is to discourage or restrict certain segments of tourists from visiting certain destinations (Clements 1989). Thus, beyond demarketing, the present paper revolves around how environmental behavior is shaped as a result of the interaction between personality, situational, cultural, and environmental variables.

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Friday, 22 July
Time: 1:30 PM

Session Number: **9.3: Account Management, Trust and Sustainability**

Session Chair: Germain, Richard, *St. Petersburg State University (Russia)*

A Conceptual and Empirical Examination of Key Account Management Orientation and its Implications – The Role of Trust

Tzempelikos, Nektarios, *Athens University of Economics & Business*

Gounaris, Spiros, *Athens University of Economics & Business*

Using the Big Picture Approach to Integrate Sustainability in Business-to-Business Marketing

Gonzalez-padron, Tracy, *University of Colorado at Colorado Springs*

Ferguson, Jeffery, *University of Colorado at Colorado Springs*

Milliman, John, *University of Colorado at Colorado Springs*

An Empirical Examination of Causes and Consequences of Trustworthiness: a B2B services perspective

Bell, Ralitza, *Australian Catholic University*

A CONCEPTUAL AND EMPIRICAL EXAMINATION OF KEY ACCOUNT MANAGEMENT ORIENTATION AND ITS IMPLICATIONS – THE ROLE OF TRUST

Nektarios Tzempelikos, Athens University of Economics and Business, Greece
Spiros Gounaris, Athens University of Economics and Business, Greece

ABSTRACT

The importance of Key Account Management (KAM) in building long-term relationships between buying and selling firms is widely acknowledged in the literature. However, this relationship-oriented perspective of KAM lacks appropriate empirical examination. To fill this gap, the present study uses data from 304 personal interviews to empirically examine the impact of Key Account Management Orientation (KAMO), a set of values that reflect supplier's attitude and behavior towards KAM, on supplier's performance. The study also examines how the trust between the two parties relates to this relationship. Findings confirm the positive influence of KAMO on both financial and non-financial performance and the mediating role of trust in the KAMO – performance relationship. Academic and managerial implications are discussed.

INTRODUCTION

The importance of building long-term relationships between buying and selling firms has been widely recognized in literature (e.g. Webster 1992). A marketing approach aimed at building relationships with a loyal customer base in business markets is Key Account Management (KAM) (McDonald et al. 1997). KAM involves targeting important customers by providing them special treatment in the areas of marketing, administration and service (Barrett 1986).

The topic of what drives KAM success has received a lot of attention by both academics and practitioners. Prior research regarding this issue is mainly normative and revolves around the organizational aspects of a KAM program. This is probably due to the fact that researchers traditionally mainly treated KAM as an applied in nature, sales management aspect (Gosselin and Bauwen 2006). However, KAM represents an application of Relationship Marketing in business markets (McDonald et al. 1997) and, therefore, the factors that enable suppliers to develop long-term relationships with key accounts is of utmost importance (Millman and Wilson 1999). Interestingly, empirical research addressing the relational aspects of a KAM program is very slim.

Along these lines, this study attempts to make a contribution by conceptually developing and empirically validating a framework capturing a system of values that reflect the supplier's willingness and ability to respond effectively to key accounts' needs. This framework is called Key Account Management Orientation (KAMO). Consistently, as literature suggests, in addition to the appropriate orientation towards KAM, effective KAM relationships involve building trust between the two parties (Ivens and Pardo 2007; Millman and Wilson 1999; Homburg et al. 2002).

Therefore, the purpose of this study is: 1. to conceptualize and empirical validate KAMO, 2. to examine the impact of KAMO on supplier's performance, and 3. to explore the potential mediating effect of trust on the relationship between KAMO and performance.

The next sections of the paper are organized as follows. First we present the theoretical background of our study. Then we develop the conceptual framework and research hypotheses based on the reviewed literature. Next, we present the methodology of research we conducted. We then proceed with the data analysis and the testing of the hypotheses. Finally, we present the discussion of the findings, the limitations of the study as well as the suggestions for future research.

LITERATURE REVIEW, CONCEPTUAL FRAMEWORK AND RESEARCH HYPOTHESES

The Notion of Key Account Management Orientation (KAMO)

A recent stream of research concerning the nature of KAM suggests that KAM is an application of relationship marketing in business markets (e.g. McDonald et al., 1997; Pardo, 1997; Sengupta et al. 1997; Lambe and Spekman 1997). According to this approach, KAM should be examined within the broader context of relationship marketing and, therefore, the focus should shift from short-term, transactional exchanges to more long-term, strategic and collaborative relationships (Lambe and Spekman 1997). Therefore, when examining the drivers of KAM effectiveness, in addition to the various

designing/organizational options of the sales force that have extensively examined in the literature (for a review see Workman et al. 2003), is important to address the presence of various values that reflect supplier's willingness and ability to develop long-term relationships with key accounts (Millman and Wilson 1999).

In an attempt to capture these factors, Shapiro and Moriarty (1984) first introduced the concept of National Account Management Orientation. From this approach is evident that there are values pertaining to the supplier's attitude towards the strategic significance of key accounts and values pertaining to the actions related to the implementation of a KAM program. However, no comprehensive empirical examination incorporating these elements has reported so far.

On these grounds, based on the KAM (Shapiro and Moriarty 1984; Millman and Wilson 1999; Homburg et al. 2002), Market Orientation (Narver and Slater 1990; Kohli and Jaworski 1990) and Relationship Marketing literature (Palmatier et al. 2006), we propose the notion of Key Account Management Orientation (KAMO). KAMO is defined as the extent a supplier adopts KAM as part of the company's culture and the subsequent behaviors.

KAMO is a multi-dimensional construct that integrates an attitude-related and behavior-related set of values that a supplier should develop in order to manage effectively relationships with key accounts. Specifically, customer orientation, top-management commitment and inter-functional coordination suggest the first set of values that represent the supplier's attitude towards KAM and the willingness to respond to key accounts' individual needs. The second set of values involves the supplier's actions in relation to KAM implementation. These behavior-related values include commitment to customization, top-management involvement and inter-functional support.

Conceptual Framework and Research Hypotheses

Figure 1 portrays the conceptual framework of the study. Following from Figure 1, the study investigates the direct influence of KAMO on company's financial and non-financial performance. In addition, the study examines the mediating effect of trust on the relationship between KAMO and company performance.

KAMO Adoption and Company's Performance

Literature suggests that KAM positively affect supplier's performance both at the key account and at the organization level (Homburg et al. 2002). Specifically, developing a customer orientation will lead suppliers to customize their offerings to their key accounts in order to satisfy their needs something that will have a positive influence on financial performance (Narver and Slater 1990; Deshpandé et al. 1993; Cannon and Perreault 1999). Similarly, top-management involvement and interfunctional coordination also influence the economic outcomes from a KAM relationship (Homburg et al. 2002; Workman et al. 2003; Ivens and Pardo 2008). Therefore, the company's overall financial performance, as it is determined by sales, profitability, market share and return of investment (ROI), is likely to improve when a supplier adopts KAMO. On these grounds, we propose the following research hypothesis:

H₁: *KAMO has a positive impact on the supplier's financial performance*

While prior research emphasizes the impact of a KAM program on financial performance, the outcomes of a KAM relationship can be wider (Ivens and Pardo 2007). In fact, literature suggests a number of potential non-economic outcomes as a result of an effective KAM relationship including reference value (McDonald et al. 1997; Ojasalo 2001), know-how development (Pels 1992; Ojasalo 2001), processes' efficiency (Caspedes 1993) and improvement of internal communication (Boles et al. 1999; Stevenson 1981).

Suppliers can achieve these non-economic KAM outcomes provided they satisfy effectively key account's needs. Specifically, the emphasis that a supplier puts on getting truly close with a key account, as a result of KAMO adoption, improves the effectiveness of the partnering effort and, thus, the achievement of non-financial performance objectives (McDonald et al. 1997; Boles et al. 1999; Stevenson 1981; Ojasalo 2001). On these grounds, we propose the following hypothesis:

H₂: *KAMO has a positive impact on the supplier's non-financial performance*

The Mediating Role of Trust

Relationship marketing literature (e.g. Morgan and Hunt 1994; Ganesan 1994) as well as KAM literature (e.g. Homburg et al. 2002) has provided a number of potential outcomes from a buyer-seller relationship. Many studies consider building trust in the exchange partner a key factor of success in inter-firm relationships (e.g. Morgan and Hunt 1994; Moorman et al. 1992).

Trust is usually described as the customer's perception of the supplier's credibility and benevolence (e.g. Doney and Cannon 1997; Kumar et al. 1995; Morgan and Hunt 1994; Moorman et al. 1992). Trust is seen by several authors as a necessary ingredient for long-term relationships (Doney and Cannon 1997; Ganesan 1994), however, the direct influence of trust on supplier's positive outcomes has been questioned by recent empirical studies (e.g. Grayson and Ambler 1999). In fact, the success of a buyer-seller relationship is likely the result of the interplay between a plurality of constructs (Hennig-Thurau et al. 2002) suggesting that trust may represent a key mediating variable for developing successful buyer-seller relationships (Morgan and Hunt 1994).

Specifically, it appears that suppliers who are customer oriented (Geyskens et al. 1998; Morgan and Hunt 1994; Ivens and Pardo 2007), with top-management being committed and involved in the KAM program (Millman and Wilson 1999; Homburg et al. 2002) and ensure inter-functional support for the management of key accounts (Ganesan 1994; Anderson and Weitz 1989), will be more likely to achieve customer's trust. However, at the same time, building trust influences the supplier's financial (Workman et al. 2003; Jap 1999; Leuthesser 1997) and non-financial performance (Walter and Ritter 2003), raising thus the possibility that trust mediates the impact of KAMO on company performance. On these grounds, we propose the following research hypotheses:

- H₃:** *Trust mediates the relationship between KAMO and financial performance*
- H₄:** *Trust mediates the relationship between KAMO and non-financial performance*

METHODOLOGY

The research objectives of the study were assessed by analyzing data from a wider examination of KAM attitudes and practices in Greece. In order to increase the validity of the findings, the application of a preliminary investigation preceded the main study.

Preliminary Investigation

Firstly, given the centrality of the KAMO scale, ten personally administrated pilot interviews were conducted, five with academics and five with practitioners. The respondents were asked to suggest any item that they think would determine the level of KAMO as well as to comment on the clarity on the initially developed pool of items and indicate any ambiguity they experienced in responding to the items. Based on the feedback of this pre-test, some items were developed, others were modified and others were deleted.

This phase was followed by another set of qualitative in nature interviews. Particularly, sixteen in-depth semi-structured interviews were conducted with managers responsible for the KAM function in selling organizations. The purpose of the interviews was twofold: first, to obtain face validity for the structure of the study; second, to get a deeper understanding of how suppliers determine the components of KAMO as well as its implications. All interviews were conducted on the firm's premises and, on average, ranged from 45' to 60'.

The result of this phase was that managers confirmed the conceptualization of KAMO as well as its implications. Therefore, we are confident to have obtained some preliminary evidence of the questions our study aims to address.

Main Study and Data Collection

Data were collected by means of personal interviews. The sample consisted of firms from different sectors including fast consuming goods, chemical and pharmaceutical products, computer and electronics, banks and insurances, telecommunications, metals, furniture, medical equipments and professional services. The data collection was completed over a twelve months period.

In doing so, we contacted by telephone 800 randomly selected companies explaining the objectives of the study and asking for their participation. For those agreed to participate in the study, an appointment at the firm's premises was set. Overall, 304 companies participated, providing an effective response rate of 38%.

With regard to sample unit, the key informant approach was employed. Traditionally, the unit of analysis of KAM surveys was exclusively key account managers. However, this suggested a concern regarding our aim to capture the dimensions of KAMO and the potential qualitative aspects of KAM effectiveness, since key account managers use to have a more short-term and profit oriented approach towards the KAM relationships, comparing to higher level managers. Therefore, we decided to contact supervisors of the KAM function within the company (the titles of the respondents include national account manager, key account manager, head marketing manager and head of the sales department) because they are considered to have a broader view over the KAM practices and benefits within the company (Homburg et al. 2002).

Research Instrument and Variables Measurement of the Main Study

The review of the relevant literature and the findings from the preliminary investigation provided the basis for the structured questionnaire that was used to collect the data of the main study. The questionnaire was pre-tested prior the main study with three marketing academics and ten practitioners from the population under investigation in order to increase content validity and clarity of the variables employed.

More specifically, concerning the construct of *KAMO*, we first relied on the work of Narver and Slater (1990) for the dimensions of customer orientation and inter-functional coordination. For the other four dimensions (top management commitment, customer-oriented activities, top-management involvement and support from other units) we generated multi-item scales on the basis of the in depth-interviews and literature review. For the measurement of *trust* we based on the scale of Doney and Cannon (1997).

The assessment of the company's *financial performance* relies on self-evaluations of organizational sales, profitability, market share and return of investment (ROI), while *non-financial performance* assessment, following the results of the preliminary investigation, draws upon multi-item scales that capture reference value, know-how development, processes' efficiency and intra-firm communication. All measures were conducted with a seven-point rating scale.

DATA ANALYSIS

Data analysis involves two phases: the evaluation of the measures and the testing of the research hypotheses. In doing so, we performed structural equation modeling using Amos.

Measures Purification and Psychometric Attributes

With regards to the psychometric attributes of the measures, reliability and validity were assessed by means of Confirmatory Factor Analysis (CFA). Composite reliability for all measures exceeded the threshold value of 0.6 (Bagozzi and Yi 1988; Fornell and Larcker 1981). Furthermore, Cronbach's alpha coefficient for all measures surpassed the threshold that Nunnally (1978) suggests as satisfactory (0.70) ranging from 0.75 to 0.95 (see [Table 2](#), in the Appendix).

Next, CFA was used in order to examine the construct validity of the measures. In all the measures, Average Variance Extracted (AVE) exceeds 0.50 providing evidence of convergent validity (Fornell and Larcker 1981). Additionally, the AVE for each construct is higher than the squared correlation between that construct and any other construct in the model. Hence, discriminant validity holds for all constructs used in the study (Fornell and Larcker 1981).

The next step involves examining the psychometric attributes of KAMO, the central construct of our study. Because KAMO suggests a multidimensional, hierarchical construct, a second-order factor analysis was conducted.

As results suggest, all factor loadings on both the first and the second order level are significant, while the analysis of the AVE (above 0.5) suggests that the first order dimensions are unidimensional. Moreover, results reveal that the fit indices of the second-order factor model suggest a good fit with superior (compared to the first order model) predictive validity.

Hence, as all requirements are satisfied, subsequent analyses aggregates the items of each construct by calculating the scale mean. Scale properties are presented in [Table 2](#), in the Appendix.

Hypotheses Testing

Having established the quality of the measures, the examination of the hypotheses follows. With regard to the impact of KAMO on company's performance, the overall fit measures provide a good fit for the data ($\chi^2(76)=656.2$, GFI=0.908, CFI=0.949, RMSEA=0.085). Results, also, suggest a positive influence of KAMO on financial ($\beta=.25$, $p<0.01$) and non-financial performance ($\beta=.46$, $p<0.01$). Therefore, **H₁** and **H₂** are confirmed.

To test the mediating role of trust in the relationship between KAMO and performance, we followed Baron and Kenny's (1986) recommendations and estimated two models: Model 1 without trust and Model 2 with trust as the mediating variable (i.e. the original conceptual model in Figure 1). According to Baron and Kenny (1986), when the mediator (trust) enters the model, the contribution of a previously significant independent variable (in Model 1) should drop significantly (in Model 2) for partial mediation and become insignificant for full mediation.

Results of the study, as shown in Table 1, posit the positive direct influence of KAMO on financial ($\beta=.25$, $p<0.01$) and non-financial performance ($\beta=.46$, $p<0.01$). After trust enters the model, KAMO strongly influences trust ($\beta=.51$, $p<0.01$), while trust influences both financial ($\beta=.30$, $p<0.01$) and non-financial performance ($\beta=.33$, $p<0.01$). Results also show that the impact of KAMO on financial and non-financial performance becomes weaker ($\beta=.18$, $p<0.01$ and $\beta=.27$, $p<0.01$, respectively). It appears therefore that trust partially mediate the impact of KAMO on financial performance and non-financial performance. As a consequence, **H₃** and **H₄** are confirmed.

DISCUSSION AND IMPLICATIONS

This study contributes to the stream of research that approaches KAM from a relationship marketing perspective (e.g. McDonald et al. 1997; Pardo 1997; Sengupta et al. 1997; Lambe and Spekman 1997) by proposing and empirically examines KAMO, a construct that reflects a set of values that a supplier should develop in order to manage effectively KAM relationships. This is important since prior research has focused on the organizational aspects of a KAM program and has failed to address relational elements into an integrated model as well as to develop a valid measure of it.

However, adopting KAMO cannot alone explain the total effect on supplier's performance. In fact, responding to key accounts' individual needs and delivering value to them will increase the level of customer's trust in the supplier something that enables the supplier to achieve long-term benefits from the KAM relationship. Trust ultimately mediates the direct effect of KAMO on supplier's performance and, thus, suggests an additional condition under which KAM effectiveness can be achieved.

Furthermore, the study examines various aspects of KAM effectiveness, and not merely financial, as it has traditionally been the case in KAM research.

The study has also some managerial applications. Firstly, suppliers who adopt KAMO are likely to achieve superior business performance. This implies that suppliers should shift from the traditional, sales grounded view of KAM to a more relationship-oriented perspective in managing key accounts if they seek to enjoy full benefits from a KAM relationship

A second implication for practitioners derives from the mediating role of trust in the relationship between KAMO and performance. A supplier's trustworthy behavior will signal that the supplier is interested in both parties welfare (Ganesan 1994). This will strengthen the bond between supplier and key account and, as a result, improves supplier's performance. In other words, building trust with key accounts should be a priority for suppliers since it represents a first step towards KAM effectiveness.

LIMITATIONS AND FUTURE RESEARCH

This study is not free from limitations, which, nonetheless, future research can tackle. Firstly, potential moderators (e.g. competitive intensity) that affect the strength of the relationships identified in this study are neglected. This direction is an interesting route for future research.

Another limitation involves the use of a single-informant design which focuses on suppliers. Future research incorporating perspectives from both sides of the buyer-seller dyad will offer a clearer picture on the consequences of a KAM program.

Another limitation refers to the static nature of this investigation and the fact that the KAMO dimensions may actually develop as a consequence of KAM programs implementation. The issue does not diminish the contribution of the study since

deriving a primary understanding of the relationships among the variables under investigation is necessary before moving to more complex research designs of longitudinal investigations. Future research towards this direction is, therefore, highly recommended.

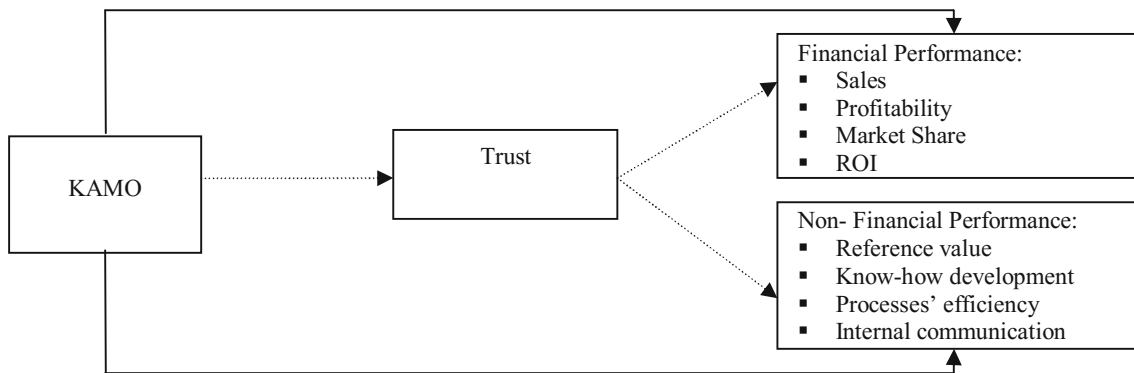
Finally, the implications of KAM that were eventually included in this study are not exhaustive. Future research might enlarge the research agenda by incorporating additional dimensions, especially with respect to the relational outcomes given the increasing attention the topic has received in the KAM and relationship marketing literature.

Table 1: Hypotheses Testing

Research hypotheses	The direct effect model (Model 1)	The mediated model (Model 2)
Financial Performance ← KAMO	.25*	.18*
Non-financial Performance ← KAMO	.46*	.27*
Trust ← KAMO	Non applicable	.51*
Financial performance ← Trust	Non applicable	.30*
Non-financial performance ← Trust	Non applicable	.33*
χ^2 / df	656.2 / 76	865.3 / 148
P	.000	.000
CFI	0.949	0.971
GFI	0.908	0.934
RMSEA	0.085	0.058

*coefficient is significant at the 0.01 level

Figure 1: Conceptual model



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Appendix

Table 2: Measures properties

Construct	Indicator (number of items ^a)	Mean	Standard Deviation	Cronbach Alpha b	Item-total correlation	Standardized factor loading	Composite Reliability ^c	Average Variance Extracted ^d	Squared correlation	Cronbach Alpha b	Composite Reliability ^c	Average Variance Extracted ^d
<i>Key Account Management Orientation</i>	Customer orientation (5)	5.42	1.05	0.83	.41 - .76	.56 - .87	0.84	0.52	.012 - .446	0.91	0.92	0.57
	Top-management commitment (5)	5.46	0.99	0.90	.71 - .82	.81 - .89	0.92	0.64	.012 - .465			
	Inter-functional coordination (4)	5.14	1.11	0.89	.70 - .78	.83 - .89	0.90	0.66	.028 - .492			
	Commitment to customization (6)	5.40	0.79	0.75	.45 - .57	.65 - .77	0.76	0.51	.024 - .416			
	top-management involvement (5)	5.36	0.87	0.84	.58 - .71	.73 - .83	0.87	0.52	.017 - .465			
	Inter-functional support (3)	5.16	1.06	0.79	.56 - .69	.79 - .87	0.81	0.57	.030 - .492			
<i>Financial Performance</i>	Trust (5)	5.89	0.73	0.86	.63 - .75	.77 - .85	0.88	0.54	.012 - .506			
	Sales (1)	5.38	1.11							0.89	0.92	0.68
	Profitability (1)	5.12	1.27									
	Market share (1)	5.16	1.18									
	ROI (1)	5.05	1.19									
<i>Non-financial Performance</i>	Reference value (4)	5.92	0.92	0.87	.62 - .80	.76 - .90	0.91	0.67	.020 - .321	0.81	0.83	0.54
	Know-how development (4)	5.76	0.96	0.89	.64 - .83	.78 - .92	0.92	0.69	.012 - .321			
	Processes' Efficiency (3)	5.13	1.07	0.84	.66 - .73	.84 - .89	0.87	0.64	.028 - .512			
	Internal communication (4)	4.47	1.23	0.95	.82 - .91	.90 - .95	0.96	0.81	.016 - .512			

^a Items with item-total correlations less than .30 and factor loadings less than .50 have been omitted

^b Reports coefficient alpha (if more than one item)

^c Reports composite reliability (if more than two items)

^d Average Variance Extracted is reported when there are more than two items

Notes: detailed scale items are available by the authors upon request

USING THE BIG PICTURE APPROACH TO INTEGRATE SUSTAINABILITY IN BUSINESS-TO-BUSINESS MARKETING

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ABSTRACT

Sustainability (or being “green”) has been identified as a key macro megatrend (Lubin and Esty 2010), but many organizations are struggling with how to operationalize the concept of sustainability for a competitive advantage (Nidumolu, Prahalad and Rangaswami 2009). This is particularly important for sustainability business-to-business marketing where there are numerous opportunities for creating a competitive advantage (Sharma, Iyer, Mehrotra, & Krishnan, 2009). The Big Picture marketing framework (Nordhielm 2006) offers one potential way for organizations to address this issue because it provides a framework that promotes a structured, disciplined approach to market analysis and decision-making. This research examines how Ecolab Inc. uses The Big Picture framework to include sustainability variables into its business-to-business marketing and new product development processes.

Our research focuses on two key aspects of The Big Picture. The first is identification of core competencies that is part of the organization’s “business objective,” including those related to sustainability. The Big Picture attempts to orient an organization to select potential opportunities related to trends in the macro environment that align with its core competencies. Sustainable products represent an opportunity for firms who have a degree of competence in sustainability or are willing to invest in developing expertise in this area (Chen 2008). A second important aspect of The Big Picture is the emphasis placed on developing and exploiting dynamic variables. A dynamic variable is a new variable (such as sustainability) on which the firm seeks to outperform other competitors in the category.

This interview based case study focuses on how The Big Picture framework can effectively integrate sustainability as a dynamic variable into the marketing and new product development processes at Ecolab Inc. The principal method of data collection was semi-structured interviews that began with a brief description of the study and continued with a series of questions about sustainability processes developed from the literature and reviewed by marketing and management experts. The case study of one company’s path to innovative and sustainable products creates opportunities for managerial practice and further research in business-to-business sustainability marketing. Our research suggests that organizations adopting the Big Picture framework may become more competitive through focused marketing efforts to align strategy with environmental and social competencies, define clear business and marketing objectives, and accurate forecasting to determine salient dynamic sustainability variables.

References available upon request

AN EMPIRICAL EXAMINATION OF CAUSES AND CONSEQUENCES OF TRUSTWORTHINESS: A B2B SERVICES PERSPECTIVE

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ABSTRACT

Building trustworthiness is essential for suppliers of professional business services, as these services are not only intangible, but often, high on credence characteristics, which makes them difficult to evaluate before and even after purchase. This paper examines some antecedents and consequences of trustworthiness in the relatively under-researched field of professional business services marketing. The study identifies key constructs relevant to the research perspective and uses them to build a theoretical model, which is then tested using survey data and structural equation modelling. The results provide empirical evidence of the central role supplier's trustworthiness plays in exchange of credence services and confirm the hypothesised relationships among the constructs.

THEORETICAL BACKGROUND

According to the resource-based theory (Wernerfelt, 1984) a firm's unique resources, skills and capabilities lead to developing a differential advantage over the competition, which translates into above-average industry performance. To maintain and enhance their resource base firms combine their proprietary resources with the outsourced use of external skills and capabilities. Hence, building its internal resource base and securing access to carefully selected inputs from external suppliers, is an important part of every organisation's management. An example of such indispensable external input is the outsourcing of professional business services (PBS), a distinct group of highly complex, costly and essential to users services. PBS are provided by specialised service suppliers, such as management consultants, advertising and marketing research agencies, auditing, legal and IT firms, etc. These firms deliver value to their clients by applying specialist knowledge and advanced skills in a specific operational field, to solving clients' unique business problems. The solutions provided by PBS suppliers play a vital role in the performance of modern organisations, and often have "significant impact on the strategic future of the organisation" (Fitzsimmons, Noh and Thies, 1998, p. 378). If performed well these services can add tremendous value to the client's business, however if low quality service is delivered the organisation may suffer suboptimal performance and financial losses. That is why delivering quality outcomes is vital with these services. Yet, being intangible, their quality is hard to assess before actually outsourcing them (Thakor and Kumar, 2000). Furthermore, PBS are also credence services (Darby and Karni, 1973), as they are technically and/or conceptually complex and thus difficult for a client to evaluate, often even after purchase (Thakor and Kumar, 2000) and some use. As a consequence, when choosing a PBS supplier, clients need to make their choice in conditions of incomplete information (Skaggs and Snow, 2004) about future service quality. Additionally, the cost of such services is typically significant, and often clients lock in contracts with a service provider for extended periods. These circumstances explain buyers' high involvement in the purchase of PBS. The information asymmetry and the high involvement in the purchase lead to client's pre-purchase uncertainty and perceived risk that the wrong supplier may be contracted (Hill and Johnson, 2003). To minimise this risk, prior to signing the outsourcing contract the client typically searches for information on service provider's skills, characteristics (Bergen, Dutta and Walker, 1992) and track record of performance. When real quality is unknown before purchase, such information is used by clients to infer service quality and future service value. That is, information on supplier's past performance can serve as a signal of future quality and value. The importance of signals that service suppliers often use, such as supplier's reputation, warranties, prices charged, brand names, etc. has been well documented (e.g. Herbig and Milewicz, 1994). An alternative way to handle the lack of pre-purchase information is client's screening (Bergen et al, 1992) for essential supplier's characteristics, knowledge, skills that deliver additional insight into the competence of the service supplier (Day and Barksdale, 2003). Screening becomes possible in the process of negotiating the deal with the service provider, by means of conducting interviews, observation and testing (e.g. advertising agencies are asked to produce a sample creative campaign as part of the selection review process). Thus the supplier's past performance, captured in suppliers signals of quality, and the results of screening for supplier's skills and expertise reduce buyer's outsourcing risk.

The study examines empirically whether PBS supplier's signals and buyer's screening for important supplier's skills and characteristics lead to an increase in supplier's perceived trustworthiness and perceived service value. More specifically the research seeks to understand whether three factors: supplier's *reputation* (as a signal of supplier's quality), screening for supplier's *rapport-building* skills, and supplier's *perceived compensation fairness* increase supplier's perceived trustworthiness and the perceived value of its services.

The paper is organised in the following manner. First, the research constructs are introduced and rationale for their inclusion in the model is presented. Second, the causal linkages among the constructs are proposed and the respective research hypotheses are formulated. The resulting conceptual framework is outlined. The research design is presented next, followed by a section on data analysis. After this the results of the model testing are discussed, conclusions are made and implications for managers and theory are outlined. Finally, the limitations of the study are presented and directions for future research provided.

CONCEPTUAL FRAMEWORK

This study uses the theories of information economics, screening and signalling, according to which in information asymmetric markets, buyers tend to be less informed than sellers about product quality. Therefore, buyers engage in pre-purchase screening of perspective sellers/suppliers against important performance criteria. They also look for signals of supplier's ability and reliability.

Described below are the constructs of the model. They include one supplier signal, and two essential supplier's characteristics, against which clients screen service providers. The conceptual model proposes that these three factors will enhance supplier's trustworthiness and will also increase buyer's perceptions of the potential value of the service, thus facilitating a transaction. In as far as purchase choice is a function of product's perceived value (Lancaster, 1966), clients are expected to select a supplier that appears able to deliver the greatest value (Thurstone, 1927).

Endogenous variables

Perceived Service Value. Economic theory defines value as the utility a consumer derives from a product, and products - as bundles of attributes, represented at different levels in the different market propositions (Lancaster, 1966). Perceived service value has been researched by a number of business scholars, more often in Business-to-Consumer settings, than in Business-to-Business contexts (Day and Barksdale, 2003; Lapierre, 1997). Value is a subjective, perceptual construct (Zeithaml, 1988), typically conceptualised as a trade-off between benefits of obtaining the product/service and sacrifices involved in obtaining it (Slater and Narver, 2000). Value is created when the perceived benefits of the product outweigh the perceived cost the buyer incurs in its purchase. Ravald and Gronroos (1996) refer to this difference as net value. Conceptualising perceived value as net value enables buyers to conduct pre-purchase comparisons among alternative market propositions from different suppliers, and facilitates purchase choice. Thus, client - perceived future value of PBS services (abbreviated hereinafter to Perceived Service Value) is defined for this research as the client's pre-purchase assessment of the potential net utility the PBS supplier appears able to provide.

Perceived Trustworthiness. Many studies highlight the importance of trust and the centrality of supplier's perceived trustworthiness (Morgan and Hint, 1994, Ganesan, 1994, Fitzsimmons, Noh and Thies, 1998; Day and Barksdale, 2003, etc.) in B2B exchanges. Supplier's perceived trustworthiness is especially relevant when services are being exchanged. "Effective marketing depends on the management of trust because the customer typically must buy a service before experiencing it" (Berry & Parasuraman, 1991, p.107). This is even more so in the context of credence services. Purchases of such services are made at least to a certain degree on faith, since the quality of the service is never perfectly observable prior to purchase, as already discussed earlier. Perceived supplier's trustworthiness would be expected to boost this faith. Thus, it is logical that the client needs to ensure the service supplier is at least somewhat trustworthy before actually signing the contract to hire it. That is why it is important to include this construct in the conceptual framework.

Exogenous Variables

Perceived Reputation. Weigelt & Camarer (1988, p.443) define reputation as a set of attributes ascribed to a firm, inferred from the firm's past actions". Reputation is one of the most credible signals of quality and reliability as it requires the firm to fulfil consistently its promises over a long time, in order to build a positive reputation (Herbig et al, 1997). However, this investment in reputation building can be forfeited quickly if the company fails to honour its promises (e.g. promises good quality, but delivers less than that). Hence the motivation to preserve the reputation by doing what is promised.

The current research is related to decision making in conditions of incomplete information, in which quality is not readily available to be examined prior to purchase, hence, the relevance of reputation as a surrogate of quality in the conceptual framework.

Perceived Rapport. Interpersonal compatibility between client's marketing personnel and PBS firm's staff has been identified as essential for developing good client-supplier relations and for the success of the service provided by the agency (Day and Barksdale, 2003). The quality of the final outcome of the service is seen as the end product of a process of close cooperation between service supplier and client, that is often referred to in the literature as joint production (e.g. Hill & Johnson, 2003), or co-production. Hence, the instrumental role of good working relationships between the two parties. According to previous research mutual compatibility, or "chemistry" between the two teams working together is a pre-condition for developing good business relationships (LaBahn, 1996). One way to judge is such "chemistry" can develop in the course of a future relationship is to screen for supplier's rapport-building skills. For example, Dell (1991) found empirical evidence that the existence of rapport best predicts a strong overall relationship between the customer and vendor organisations. The presence or absence of rapport can be established relatively easily and quickly during the initial interaction with the PBS firm during the pre-purchase negotiations. Rapport in the context of service marketing is defined by Gremler and Gwinner (1998, p.161) as the customer's perception of being "connected to" and having an enjoyable interaction with one or more service provider employees". Given the pre-purchase nature of the present study, the inclusion of client's screening for presence of service supplier's rapport skills is justifiable. Thus the construct PBS supplier's perceived rapport has been included in the model.

Perceived Fair Compensation. As mentioned before, sacrifice-related constructs (such as price, effort, cost of information search, purchase risk, etc.) have been included in various studies investigating value, as negative value antecedents (e.g. Dodds et al, 1991). However, the role of price in outsourcing PBS appears less significant relative to other value antecedents, such as service quality. A number of studies have explicitly recognised this (e.g. Stock and Zinszer, 1987), while others have simply disregarded (i.e. omitted) price in their models. Instead, another value antecedent, related to price, Compensation Fairness, appears to be seen by some as important and relevant in professional business services. This reflects contemporary business practices (LaBahn, 1996). Consider the advertising industry as an example. More and more advertisers believe that the traditional way of remunerating the agency, the commission system, is inadequate and tends to unfairly and disproportionately enrich the agency, often out of line with the actual effectiveness of the advertising campaigns produced by this agency. To deal with the issue advertisers have been testing and implementing other remuneration schemes, considered to be fairer than the commission (e.g. fees, hourly rates, and various combinations of these). Hence the focus on compensation fairness. This highlights the relevance of the construct PBS supplier's perceived Compensation Fairness in the context of this research and provides justification for its inclusion in the conceptual framework.

HYPOTHESES DEVELOPMENT

The dependent variable in the proposed model is PBS perceived value or perceived service value (PSV). It is an important construct, because it has been shown to lead to a range of behavioural intentions, such as purchase (or choice), loyalty and worth –of-mouth. Prior research in marketing demonstrates that trust in the supplier increases the perceived value of its proposition (Sirdeshmukh, Singh and Sabol, 2002). Trust and trustworthiness are correlated constructs. According to Mayer, Davis and Schoorman (1995) trustworthiness is a trust antecedent. This means that these related constructs are likely to have overlapping, or similar antecedents and consequences. That is, if value is a consequence of trust, it could be argued that value is also a consequence of trustworthiness. Given this, the present study posits that in a pre-purchase context supplier's perceived trustworthiness will be an important, positively associated driver of perceived service value (or PSV). Hence, the first hypothesis is proposed:

H1: Perceived PBS supplier's Trustworthiness increases Perceived Service Value.

Reputation appears to be positively associated with corporate credibility (Ganesan 1994), and credibility is defined as the trustworthiness or the extent of confidence that a party will actually carry out its intentions or promises (Herbig and Milewicz, 1994). Other authors treat trustworthiness as a dimension of credibility (e.g. Newell and Goldsmith, 2001). In any case, trustworthiness and credibility are closely related and positively associated constructs. Hence it is logical to assume that factors increasing credibility (such as corporate reputation) will also act to increase trustworthiness. Indeed, the proposition that an entity's reputation will build this entity's trustworthiness has an intuitive appeal. Empirical evidence confirms that indeed, reputation is a positive and statistically significant antecedent of trustworthiness (Aqueveque and Ravasi, 2006). This provides ground for the formulation of the next hypothesis:

H2: Perceived PBS supplier's Reputation increases its Perceived Trustworthiness

It is also logical to expect that good supplier's reputation, as a clear supplier's advantage in information asymmetric markets will be seen as a benefit contributing to higher perceived value of the proposition. Hansen, Samuelsen and Silseth, (2008) presented empirical evidence that reputation increases customer perceived value in B2B service exchanges. With this in mind, the present research proposes that supplier's reputation will have a direct positive effect on Perceived Service Value.

H3: PBS supplier's Perceived Reputation increases Perceived Service Value

Perceived rapport was included as one of the research constructs because it was established earlier that it serves as an indication that good relationship development with the service supplier is possible (Dell, 1991). Empirical evidence from prior research shows that rapport is positively associated with trust in PBS supplier (LaBahn, 1996). Consistent with the above the next hypothesis is proposed:

H4: Perceived PBS supplier's Rapport increases its Perceived Trustworthiness

Relational variables have been shown to increase perceived value of PBS (Lapierre, 1997). It appears that rapport, as a relational variable, and a valuable supplier's attribute, is likely to increase the perceived value of PBS services. Even though no previous empirical research was found that explores or proves rapport to be positively related to value, such relationship is plausible. Rapport is a signal of interpersonal compatibility, and the latter is indispensable in the provision of PBS. Hence rapport is likely to be a key benefit a client would be searching for in its PBS supplier. That is, value is expected to be a positive function of perceived rapport. Therefore the following hypothesis is proposed by the present research:

H5: Perceived PBS supplier's Rapport increases its Perceived Service Value

Trust is closely associated with fairness (Morgan and Hunt, 1994). That is, an exchange partner, who is seen as fair, is considered more trustworthy. LaBahn (1996) examined the effect of a correlate of fairness, fair price, on client's trust in the PBS supplier, and found empirical support for such relationship. Compensation fairness is defined for this study as the degree to which the client perceives PBS supplier remuneration as justifiable, given client's perceptions of supplier's underlying costs and quality. On the basis of above-mentioned evidence it is proposed that:

H6: The perceived PBS supplier's Compensation Fairness is positively associated with supplier's perceived Trustworthiness.

Price is a conventional antecedent to value. But what about Fair Price, or as it is labelled here, Compensation Fairness? Firstly, it should be noted here that fair price is not the same as low price. A PBS supplier can demand relatively high remuneration, which can still be seen as "fair" as long as the organisational buyer perceives it is justifiable, i.e. it is underpinned by higher quality and, or higher cost structure, rather than by excessive profit. For this reason, unlike price, compensation fairness is likely to be seen as a benefit rather than a sacrifice, and respectively to be positively related to PSV. Thus the next hypothesis:

H7: Perceived PBS Supplier's Fair Compensation increases its Perceived Service Value

RESEARCH DESIGN AND DATA COLLECTION

To test the proposed model of perceived value, advertising services were chosen as an example of PBS (Day & Barksdale, 2003). Data were collected by means of a self-administered, pretested questionnaire, mailed to marketing directors of medium and large companies, the typical continuous users of the services of advertising agencies. This approach produced 114 valid responses and a response rate of 27%, which is in line with other B2B marketing studies. The national sample of respondents represented a wide range of industries, encompassing consumer and business goods and services.

Structural equation modelling was employed to test the research model. More specifically PLS path modelling was utilised, because of its advantages in handling smaller samples, as the sample in this case. PLS is also suitable for research aiming to predict the dependent variable (Chin, 1998). To estimate the model SmartPLS 2.0 (Ringle, Wende and Will, 2005) was used. The model consists of reflective constructs only, and these were measured by multi-item scales, which have been used and validated by previous research studies in related marketing fields of enquiry. All of the construct were measured on a Likert scale, anchored at 1= "Strongly Disagree, to 7 = "Strongly Agree".

DATA ANALYSIS

Since all data were collected by the same data collection method and instrument, a test for common method bias, using the Herman's one - factor test (Podsakoff, MacKenzie, Lee and Podsakoff, 2003) was performed. The unrotated solution resulting from a principal component analysis of the data indicated there was no single factor emerging; neither did one general factor account for more than 50% of the variance. This provides assurance that common method bias is not likely. The absence of non-response bias (Armstrong and Overton, 1977) was also established prior to testing the model.

The data analysis was conducted in line with the recommended in the PLS path modelling literature (Chin, 1998; Tenenhaus, Esposito Vinzi, Chatelin and Lauro, 2005) two-step validation procedure: first, validate the outer (i.e. measurement) model, then the inner (i.e. structural) model.

Construct reliability was tested by checking unidimensionality of measures first (Gerbing and Anderson, 1988), using Principal Component Analysis. The first eigenvalue for each construct, was greater than one, while the second was smaller than one, thus unidimensionality was supported (Tenenhaus et al, 2005). The high Cronbach's alfa coefficients (all exceeding 0.85) provided additional evidence for unidimensionality (Tenenhaus et al, 2005).

Convergent validity was assessed against the three Fornell and Larcker's (1981) criteria. In this study the items factor loadings exceeded 0.75 and were statistically significant at $p < 0.001$ (as per the PLS-generated 500-sample bootstrap estimate). The scales' composite reliability surpassed 0.9 (see Table 1 at the end of the paper for details). Finally, average variance extracted (AVE) exceeded the required level of 0.5; it was 0.7 for Rapport and Reputation, and the others constructs scoring 0.8 or higher.

Next, discriminant validity was assessed using the Fornell and Larcker (1981) criterion. The AVE of each latent variable (LV) was higher than the squared correlations of this construct with any other construct in the model. Also, the square root of each latent variable's AVE was compared with the correlations of this LV with all the other constructs. All of the former were greater than all of the latter by a sizeable margin, providing further evidence of discriminant validity. Finally, the cross-loadings of the measured variables were examined, which showed that all the indicators measuring one LV had by far higher loadings on this LV, than on those they are not supposed to measure (details are provided in Table 2 at the end of the paper). The above tests provide sufficient evidence for the outer model validity, thus it was accepted.

The structural model was assessed by first, examining the coefficients of determination, R^2 , for the two endogenous variables. In the model R^2 for the dependent variable (DV), Perceived Value, is 0.607, i.e. the antecedents explain together over 60 % of the variance in this DV. Considering that Chin (1998) qualifies R^2 of 0.67 as characteristic of significant model fit, this result is assessed as good. Perceived agency Trustworthiness has a lower R^2 of 0.38 and using Chin's (1998) criteria should be qualified as moderate (since it is closer to 0.33, considered moderate range). In brief, judging by the R^2 , the model appears capable to predict the dependent variables. Finally, applying the SmartPLS's blindfolding procedure, the Stone - Geisser's Q^2 coefficient was also calculated by means of cross-validated (cv)-communality and cv-redundancy. Both indexes turned out to be positive (Chin, 1998), indicating the model's predictive power.

Next, the standardised paths coefficients were examined. All beta coefficients were positive, in line with the hypotheses. Further, five path coefficients reached and exceeded 0.200 (Chin, 1998) and two were in the range 0.100 – 0.132 (See Table 4 at the end of the paper for details). Six of the seven coefficients were statistically significant ($p < 0.05$), as can be seen in Table 3 at the end of the paper. The beta coefficient associated with the path from Reputation to Trustworthiness was significant at $p < 0.1$. These results support all hypotheses: H1, H2, H3, H4, H5, H6 and H7, hence these are accepted.

In summary, the range of tests undertaken and satisfied by the proposed model provides sound evidence that the latter is a good fit with the data, and as such it is accepted.

DISCUSSION OF RESULTS, IMPLICATIONS AND LIMITATIONS

Markets for credence services, such PBS are information asymmetric, and service quality is imperfectly observed prior to purchase, leading to buyer's uncertainty and purchase risk. Clients engage in screening for essential supplier's characteristics in order to reduce this information asymmetry and to be able to make inferences about future service value. This is highly important to marketers because research shows that consumer purchase decisions are functions of perceived value.

Screening appears to be a viable and successful strategy to reduce information asymmetry and purchase risk. The results of this study provide further support that a few carefully selected screening variables increase significantly supplier's trustworthiness, which in turn increases the perceived value of supplier's services.

The results presents empirical evidence that agency's Perceived Expertise, Perceived Rapport and Perceived Compensation Fairness are important screening criteria when clients need to contract a PBS supplier. These three constructs turned out to be strong and statistically significant predictors of pre-purchase perceived service value. Together all four antecedent to PSV explain over 60% in the variance of this construct, with Compensation Fairness making by far the greatest contribution. The three exogenous variables also explain 38% in the variance of Supplier's Perceived Trustworthiness, with Compensation Fairness scoring the highest among the three once again.

An interesting finding of this research is related to the construct Perceived Compensation Fairness and its nomological linkages. The study provides evidence that this construct is strongly positively related to both supplier's perceived Trustworthiness and PSV. A conclusion can be made here, that in PBS the perceived fairness of the demanded remuneration affects strongly and positively the perceived value of the overall proposition. Previous research deemphasised the role of price as a selection factor in professional business services (Stock and Zinszer, 1987), and highlighted the importance of service quality (a benefit component of value). This research presents evidence that price-related factors are actually very important when it comes to choosing a PBS supplier. However, it appears that the fairness of the price is what matters to clients, rather than the actual price per se. This finding is consistent with the current debate in PBS, and the advertising industry in particular, about the fairness of supplier's remuneration.

PBS executives involved in negotiations with perspectives clients should, first of all, try to justify their price structure and to differentiate their service as much as possible. This is essential given the credence nature of their services and the apparent inability of clients to judge properly the quality of the service prior to purchase. In doing so, their task should also be to engage in a thorough conversation with the organisational buyers, aiming to obtain a good insight of buyers' view of fair price. As Ruiz and Cataluna (2008, p.327) maintain: "Since fairness is a subjective judgment, what shall matter is what the consumers actually perceives regardless if such perception is correct or is not". Given the perceptual nature of the construct, opinions would likely vary across organisations, and among individuals, so consultative and individualised approach to negotiations is recommended.

The above finding necessitates further research into organisational buyers' perceptions of fair compensation. Learning more about this will help PBS firms' managers to understand better their customers' behaviour, and in result market better their services.

Another important finding from this research is the causal relationship of rapport to both trustworthiness and value. This is one of few studies that examine the link between rapport, trustworthiness and value in PBS. It has long been known that interpersonal chemistry between agency and client's staff leads to better and longer relationships, which in turn facilitates higher quality of the advertising outcomes. The latter are typically perceived as results of joint production between service supplier and client. The better the relationships, the better the service outcomes. In the present model supplier's perceived rapport managed to significantly increase perceived trustworthiness and PSV, thus proving that the ability of the PBS firm's staff to engage in pleasant and effective communication during the selection process makes the firm more credible and enhances the perceived value of its services. PBS companies' management should take this into consideration and should devise strategies to improve the communication and people skills of their staff participating in negotiations for new business.

Finally, as expected Reputation increased perceived supplier's trustworthiness and value. This indicates that signalling theory is a viable and powerful framework of analysis in the field of PBS. Investing in building solid reputation is the apparent implication from this finding for PBS firms' managers.

A limitation of the study is that conducted in one country. An investigation of the same nature in international context will provide more grounds for generalisation of the findings.

TABLES

Table 1. Latent Constructs Correlations

	COMP. F.	RAPPORT	REPUT.	TRUST	VALUE
COMP. FAIRNESS	1				
RAPPORT	0.34	1			
REPUTATION	0.26	0.27	1		
TRUST	0.55	0.44	0.28	1	
VALUE	0.70	0.49	0.37	0.60	1

Table 2. Model's Quality Indicators

	AVE	Composite Reliability	R Square	Cronbachs Alpha	Communality
COMP FAIRNESS	0.930	0.975	0.000	0.962	0.930
RAPPORT	0.695	0.901	0.000	0.853	0.695
REPUTATION	0.699	0.902	0.000	0.855	0.699
TRUST	0.796	0.940	0.379	0.915	0.796
VALUE	0.875	0.934	0.607	0.858	0.875

Table 3. Indicator cross-loadings

	Comp.Fair.	Rapport	Reputation	Trustw.	Value
Comp F. 1	0.968	0.336	0.282	0.528	0.711
Comp F. 2	0.972	0.351	0.270	0.561	0.668
Comp F. 3	0.953	0.294	0.188	0.486	0.630
Rapport 1	0.328	0.889	0.239	0.389	0.417
Rapport 2	0.203	0.843	0.273	0.439	0.376
Rapport 3	0.284	0.787	0.229	0.230	0.437
Rapport 4	0.322	0.811	0.148	0.382	0.412
Reput1	0.204	0.270	0.886	0.274	0.326
Reput2	0.262	0.204	0.871	0.209	0.350
Reput3	0.220	0.239	0.826	0.248	0.303
Reput4	0.170	0.167	0.754	0.202	0.242
Trust 1	0.541	0.367	0.273	0.879	0.584
Trust 2	0.493	0.439	0.283	0.930	0.541
Trust 3	0.397	0.401	0.215	0.859	0.466
Trust 4	0.503	0.359	0.224	0.899	0.539
Value 1	0.601	0.452	0.387	0.538	0.930
Value 2	0.697	0.465	0.306	0.582	0.941

Table 4: Results from testing the research hypotheses

No	Hypothesis	Beta Coefficient	T- Value	p- value	Conclusion
H1	Trustworthiness→ Perceived Service Value	0.216	2.131	$p < 0.05$	Supported
H2	Reputation- > Perceived Trustworthiness	0.099	1.559	$p < 0.1$	Supported
H3	Reputation-> Perceived Service Value	0.199	2.340	$p < 0.01$	Supported
H4	Rapport→ Trustworthiness	0.212	3.720	$p < 0.01$	Supported
H5	Rapport -> Perceived Service Value	0.164	2.744	$p < 0.05$	Supported
H6	Compensation Fairness--> Trustworthiness	0.430	4.897	$p < 0.001$	Supported
H7	Compensation Fairn..→ Perceived Service Value	0.476	5.468	$p < 0.001$	Supported

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Friday, 22 July
Time: 1:30 PM

Session Number: **9.4: Selling with Electronic Media**

Session Chair: Liu, Matthew, *University of Macau*

Promotion Via SMS, Effective or Not? Study of Consumers' Attitude Toward Reception of Promotional Ads by SMS on Mobile Phone

St-onge, Anik, *Université du Québec à Montréal*

Anouk Mignot, Emilie, *Université du Québec à Montréal*

Roy, Toffoli, *Université du Québec à Montréal*

Virtual Sales Agents: The Reasons of Failure

Slim Bem Mimoun, Mohamed, *SKEMA Business School*

Poncin, Ingrid, *SKEMA Business School*

Garnier, Marion, *SKEMA Business School*

Consumer Expectations of Emerging e-Storefronts: An Empirical Study in Hong Kong

Liao, Ziqi, *Hong Kong Baptist University*

PROMOTION VIA SMS, EFFECTIVE OR NOT ? A STUDY OF CONSUMERS' ATTITUDE TOWARD RECEPTION OF PROMOTIONAL ADS BY SMS ON MOBILE PHONE

Anik St-Onge, Université du Québec à Montréal
Émilie Anouk Mignot, Université du Québec à Montréal
Roy Toffoli, Université du Québec à Montréal

INTRODUCTION

According to current trends, American companies will be investing more than a billion dollars in mobile phone advertisement in 2012 (Gauntt, 2009). This new sales promotional channel enables companies to build relationships across time with consumers by regularly supplying them with information and interacting with them (Benou et Bitos, 2008; Ferris, 2007). The mobile phone allows for quick and efficient communication between persons and companies (Hongcharu et Eiamkanchanalai, 2009; Benou et Bitos, 2008 ; McCasland, 2005 ; Spurgeon, 2005 ; Bauer et al., 2005). With those characteristics, the mobile phone could be the ideal medium for a direct and personalized communication with consumers (Bauer et al., 2005).

According to Ferris (2007), a company can either enhance its image by its originality, interactivity and ease of contact by the consumer while Hongcharu et Eiamkanchanalai (2009) state the opposite, highlighting the limited space for message elaboration and the limited level of privacy available. This form of advertising also opens new possibilities for merchandisers, especially when promoting low implication products to young consumers (Barwise and Strong, 2002). The mobile phone also offers a big advertisement potential for companies (Barwise et Strong, 2002 ; Ferris, 2007). While many researchers have looked into mobile phone marketing and the motivations of consumers to receive such promotions (Merisavo et al., 2005; Drossos et al., 2007; Barwise et Strong, 2002; Bauer et al., 2005), only a few have been interested in integrating this medium as part of a sales promotion campaign (e.g. Ferris, 2007; Sultant et Rohm, 2005).

The objectives of this study are to determine (1) the attitude of consumers towards different types of SMS promotions according to intrinsic and extrinsic motivations, and (2) the types of sales promotional messages that would trigger a maximum of interest from consumers as well as having a greater impact on their adoption behavior.

METHODOLOGY

Sample and Procedure

The proposed model was tested using a between-subject experimental design. One hundred twenty-three (n=123) university students participated in the study. All participants were subscribed to a mobile phone contract and the contract of 77.2% of participants included free incoming SMS while those of 62.6% also included free outgoing SMS. A restoration chain well known by all the participants was chosen as the source of the sales promotional message during the experimental phase. A restoration chain was chosen since according to (Harris interactive, 2010), a majority of people would be more inclined to receive coupons from a restaurant (23%) than for household products, snack, music etc.

The participants were randomly assigned to one of four conditions, three of those conditions were promotional messages with an extrinsic motivation and one was an intrinsic motivation. The following messages were using an extrinsic motivation: 30 respondents had a 20 % rebate, 32 received an invitation for a free drink when buying a meal, 30 were invited to participate in a contest. The last 31 respondents with an intrinsic motivation were asked to help the restauration chain in improving its services. The sample was constituted of 49 males (39.8 %) and 74 female (60.2%).

The questionnaire used the following constructs: message pertinence, perceived utility of receiving this kind of message, the ease of use of the message, the perceived pleasure in receiving this kind of message, the attitude towards receiving promotional SMS as well as the behavioral intention of consumer to receive similar messages in the future.

RESULTS AND DISCUSSION

According to our results, consumers are more neutral than negative towards sales promotional SMS on mobile phones. An ANOVA analysis between the extrinsic and intrinsic groups revealed that extrinsic messages are significantly more pertinent for consumers than intrinsic messages (p -value; 0.038). Thus, our results corroborate those of Drossos et al (2007). Our results demonstrate a greater participation from the participants when the incentive was obtaining something free, closely followed by obtaining a rebate on a “next” purchase and by the participation in a draw.

Contrary to popular belief, no relation was shown between the age of participants and the level of participation, the attitude towards the reception of sales promotional SMS nor with the intent to participate in this kind of promotion in the future. Our results demonstrate that mobile phone marketing is maybe not only pertinent to younger consumers. However, our results demonstrate that as consumers get older, they also become more critic and perceive sacrifices towards this kind of promotion, indicating that the pertinence of the message gains more importance with age. Our results also show that a vast majority of consumers, whatever their age, would be able to use this type of promotion with ease.

CONCLUSIONS AND IMPLICATIONS FOR THEORY AND PRACTICE

We have seen that many factors could moderate the attitude of consumers towards mobile phone advertising. The results of our study show that the message pertinence helps in raising the perceived utility which, in turn, represents the most important factor in forming a more positive attitude on the part of consumers. When elaborating their promotional or marketing messages, practitioners should avoid mass messages. The consumer must find the message pertinent to his every-day life. It is then imperative to associate a relatively detailed profile of each member of the database used. Thus, it is possible to regroup consumers by their lifestyles and preferences to enable sending them coherent promotions. Evidently, the message must not be aggressive to the consumer, it must be enjoyable to read or watch, possibly using humor (Barwise and Strong, 2002).

Moreover, companies using the mobile phone in their communication strategies should always keep in mind that the consumer must perceive a certain goal or utility to the ad, such as the notification of a special event, a rebate offer or receiving up-to-date information. As mentioned by Merisavo et al. (2005), using the mobile phone to communicate timely and pertinent information can enhance the link between the consumer and the company, rendering the consumer less receptive to mass advertisement from other companies. Also, practitioners should think about adding incentives or rewards for consumers willing to accept such messages and should concentrate on extrinsic incentives such as rebate coupons or money instead of intrinsic incentives. As we observed in our results, participants who indicated a desire to eat in one of the chain restaurant or would visit the chain’s website after seeing the promotion seemed to have been attracted solely by the perceived pertinence of the message.

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VIRTUAL SALES AGENTS: THE REASONS OF FAILURE¹

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ABSTRACT

In spite of a very optimistic academic and professional literature, virtual embodied agents on commercial Web sites do not seem to keep all their promises. The update in December, 2009, of a benchmark led by OrangeLab in 2007 on 36 embodied agents present on French Web sites, reveals that more than 60 % of them had disappeared. This research deals with understanding the disappearance of virtual sales agents through a review of 53 articles, a benchmark of 80 agents on French commercial websites and analyses of experts' depth-interviews. Additionally, this research identifies a series of common errors in the design of virtual agent that conduct to the agent's failure, and gives important counter-arguments concerning popular ideas related to virtual agents.

INTRODUCTION

Within the offline retailing context, the salesperson plays an important role in forming buyer-seller relationship (Beatty et al. 1996). According to Reynolds and Betty (1999), building social relationships between salespeople and customers increases customers' satisfaction, loyalty, favourable word-of-mouth recommendations and purchases. In turn, consumers receive functional and social benefits from those interactions. Functional benefits include time saving, convenience, advice and better purchase decisions, whereas social benefits include enjoying the salesperson's company and spending time with the salesperson. Conversely, despite allowing a direct contact with the retailer, online retailing is generally considered by consumers as cold, distant and impersonal. In 2006, Holzwarth, Janiszewski and Neumann highlighted that using avatars or virtual agents² to deliver product information might be a solution to reduce the impersonal nature of web-based shopping : *"They should influence the process in a manner similar to human sales agents"* (Holzwarth et al., 2006, p.20). Hence, most of the academic literature has been devoted to demonstrate that using an interactive animated agent on computer screens could provide a source of social presence and trust building capabilities (Wood, Solomon and Englis 2005; Keeling and McGoldrick 2008). For instance, building on Moon (2000), Holzwarth et al. 2006 showed that having an avatar pictured during the human-computer interaction will make the interaction more conversational and reciprocal. They stated that the anthropomorphous nature of the agent might make the shopping experience even more interpersonal. Professionals also underline the potential of the agent to create connections with customers. For instance Tania Maria, CEO of Daughter's Nature reported that *"The agent SitePal has added a "Human Element" to our online store and customers have mentioned how welcomed they feel. It really helps making the connection and bridges the gap between the online and the brick and mortar experience"*. But surprisingly, embodied virtual agents do not seem to keep all their promises, though both academic and professional literature seemed very enthusiastic a few years ago. In fact, Journaldunet (2009) even mentioned virtual sales agents as one of the biggest disappointments of the last ten years in marketing. Moreover, actualizing a benchmark conducted by OrangeLab in 2007 on 36 embodied agents existing on French websites, we observed in December 2009 that more than 60% of them have been removed. Despite the development of the activity of a few of them (e.g. Laura from EDF³ or Anna from IKEA) and the creation of new agents on other websites, only 13 out of the 36 embodied agents previously studied by OrangeLab were still active two years later. Most of them have totally disappeared from the website (20 out of 36) or were replaced by an interactive video (3 out of 36). This observation is shedding the light on the following research question: why have the majority of the existing embodied virtual agents disappeared from commercial websites? Is there a gap between characteristics of virtual sales agents observed on the web and what is needed or the ideal characteristics, that could explain this disappointment with virtual sales agents? Indeed, while the impact of adding a virtual agent on a website has been widely studied in the marketing and human-computer interaction literatures, as well as the importance of some characteristics of the virtual agent mainly linked to its appearance. Subsequently, the possible reasons of agents' failure have not been the subject of much scrutiny in the marketing literature.

This article aims at filling such a theoretical gap. The paper is organized as follows. In the first section, a multidisciplinary literature review is presented on how the topic is tackled in the current literature on animated agents. Different potential reasons are proposed to explain why agent's process and capabilities are so rarely addressed. We also highlight the paradox of the agent's embodiment. In the second section, we present results from a benchmark on 80 existing virtual agents on the French web, and we propose a new virtual agent typology and observe imbalance between reality and what is needed to be

effective. In the third section, we present other potential reasons for virtual agents' failure deducted from analyses of a series of virtual agents' experts' depth-interviews. Finally, we discuss the ideal characteristics of a virtual sales agent.

LITERATURE BACKGROUND: A FIRST PERSPECTIVE

Literature multidisciplinary overview

A literature review of a 53 articles sample⁴ dealing with virtual agents, adopting an experimental approach⁵ and published between 1995 and 2010, reveals that three major disciplines were interested in the virtual agent study: Information System (IS), Human-Computer Interaction (HCI) and Marketing. It also reveals critical differences between articles from the three disciplines. In fact, the majority of IS articles (8 out of 9) only studied non-embodied agents and mainly focused on functional aspects of this kind of agent specific process⁶. As stated by Qiu and Benbasat (2009), IS literature on virtual agents has mostly considered functionality design and utilitarian value of such decision support systems, ignoring the potential social influence they could exert on their users. In contrast, all reviewed HCI articles focused on embodied agents and more specifically on their physical aspect. Marketing articles took an interest in both kinds of agents (embodied and non-embodied) and in both facets of agent design (functional and physical). Though, marketing literature has mainly focused on the impact of the presence *versus* absence of an embodied agent (12 articles out of 21). Hence, several studies suggest that adding such an avatar increases customer's satisfaction with the retailer, attitude toward the product and purchase intention. Many researches have dealt with Embodied Virtual Agents (EVA) and their impact on consumer behaviour and consumption experience (Cassell et al. 2000; Holzwarth et al. 2006; Wang et al. 2007; Jeandrain and Diesbach 2008) or with avatars in other settings (for example Wood, Solomon and Allan 2008 in Second Life; Yong, Baker and Song, 2007 in virtual communities). Nevertheless, a major criticism can be addressed to this literature: in fact, researches do not specify and explain, beyond presence *vs* absence, which components (functional or physical) of the agent could be at the origin of such effects. Moreover, another criticism that can be addressed to academic literature - independently from the discipline - is the absence of articles focusing on the interaction effects between physical design aspects and functional features.

More generally speaking, we can then conclude that articles from the three disciplines (IS, HCI and Marketing) could be seen as complementary, leading to militate in favour of a multidisciplinary approach to define and study all important aspects of a virtual agent: functional features and capabilities, physical design, social influence and interaction effects between those components. In fact studying interaction effects could even be the key to understand the failure of several embodied agent, more specifically if we consider the divergence found in literature concerning the embodiment effect (Nowak et Rauh 2008).

The paradox of agent embodiment

Literature on mediated communication generally suggests that such communications, especially with decision helping agents, are less effective due to the lack of reciprocity. In order to thwart this effect, Trogeman (2003) stated that representing computer technology using human forms is likely to develop the relationship with the agent. Moreover, Kelman (1961) explained how important are the recipient's identification, the interpersonal attraction of the communicator and the perceived expertise of the communicator for the recipient to adopt the message.

Groom, Nass, Chen, Nielsen, Scarborough and Robles (2009) observed that designers of embodied agents constantly strive to create agents that appear more human-like, with the belief that increasing the human-likeness of the agent will improve users' interactions with them. According to Qiu and Benbasat (2009), although people to some degree socially respond to computers - whether they display humanoid embodiments or not -, their social responses appear to be stronger with more human-looking images. Not surprisingly, they stated that an agent will be more likely to be accepted and used by online shoppers when it affords a compelling socially rich and enjoyable interaction experience on top of its underlying functionalities of product search and comparisons.

However, building on the *Uncanny Valley theory* (Mori 1970), Groom et al. (2009) predicted and observed that highly realistic agents will receive more negative evaluations than agents demonstrating only moderate realism. *Uncanny Valley theory*, originally developed about robots and that can be extended to agents (Groom et al. 2009), predicted that as non-realistic robots grew increasingly human-like, they would be liked more and more. However, once robots started to become disconcertingly human-like - before they were so lifelike as to fully imitate humans - people would find them disturbing. This disturbance would lead people to feel less comfortable interacting with them and to like them less than more synthetic-looking robots. In the same vein, Nowak and Rauh (2008) considered that presenting virtual agents with high anthropomorphic images may set up higher expectations. These expectations are more difficult to meet, as they may require

complex technological features, resulting in disappointment and lower perception and evaluation (eg. credibility and likeability) for the highest anthropomorphic agents. Though, Minato et al (2004) suggested that matching human-likeness of appearance and behaviour could create a positive synergy. If robot appearance is so human-like as to be uncanny, they argue, human-like behaviour may mitigate the negative effect of appearance, with more human-like behaviour decreasing the uncanny response.

Literature then offers some insights in explaining the gap between the potential of virtual agents and their relative failure in practice. A field study conducted through a benchmark brings additional explanations.

BENCHMARK OF WEB VIRTUAL AGENTS:

Methodology

The idea of benchmark can be expressed either as a noun or as a verb. As a noun, a benchmark refers to a reference point, a guidepost, or a basis of comparison (Hsiung, 2009), and as a verb, benchmarking has been defined as “*a process of identifying valid measures of performance comparison among peer performers, using them to determine the relative positions of the units and, ultimately, establishing standards of excellence*” (Porzio, Ragozini and Vistocco, 2008).

Pursuing our objective to understand the reasons why a consequent number of virtual embodied agents disappeared from 2007 to 2009 and to explain the low rate of e-commerce agents adoption in general (Murray and Haubl 2009), we conducted a benchmark of 80 existing virtual agents on the French web. More than 350 websites were scanned in order to find and analyse virtual agents. Both non-embodied agents - such as sophisticated multi-criteria search engines, filtering agents, comparison agents or configuration/simulation agents – and embodied agents were considered (see Appendix 2 for illustrations). For each agent, a variety of criteria were tested, thought various tasks such as, for example, asking for information, a specific product, advice on products, specific questions on the site/the firm/the agent itself, incongruous questions,... Relevance and quality of answers and recommendations were evaluated and a global evaluation of the agent was provided⁷.

Benchmark results

This benchmark covering all types of agents allowed us to categorize them using two axis: (1) the degree of anthropomorphism and (2) the degree of sophistication:

(1) The degree of anthropomorphism is seen both by academics and managers as an important differentiating aspect between embodied agents. Having its origins from the Greek words *anthropos* (human being/man) and *morphe* (form/shape/structure) (Serenko 2007), the anthropomorphism of an agent refers to its appearance and the fact of having human morphology or visual characteristics (Nowak and Rauh 2008).

(2) The degree of sophistication specifically takes into account the level of intelligence and the degree of autonomy of the agent. The choice of this axis (degree of sophistication) is mainly based on the definition of an agent and its characteristics. In fact, the word *agent* has conventionally referred to a human being who is empowered to provide guidance (Qiu and Benbasat 2009). In this sense, the idea of an agent is intimately tied up with the notion of delegation (Foner 1993). Consequently, “*if the user believes that he or she has delegated a task to the software entity, it is an agent. So, an agent is seen as a helper, whereas an application is seen as a tool*” (Sproule and Archer 2000). To be able to give this help, a virtual agent must have two key features: “autonomy” or its ability to control its own actions on the behalf of the user (Papadopoulou et al. 2000), and “intelligence” or “*the amount of learned behaviour and possible reasoning capacity that an agent may possess*” (Papazoglou 2001).

The classification on the two axis of the 80 agents covered by our benchmark reveals an important gap in intelligence between embodied and non-embodied agents. Despite a higher level of anthropomorphism for the embodied agents provoking higher expectations from their users (Nowak and Rauh 2008), they demonstrate such a low level of intelligence and autonomy compared to their non-embodied counterparts that they are consequently not able to meet expectations on the relevance and quality of interaction and task delegation. Although academic articles mention some examples of “experimental” intelligent embodied virtual agents (Huang et al. 2006; Semeraro et al. 2008; Qiu et Benbasat 2009), we identified, on the French web, only one agent that could be classified as a truly intelligent embodied virtual seller⁸. This exception even has important limits itself and is in fact just able to ask closed questions to the user and uses content filtering,

considered as the less autonomous and intelligent process (as compared to collaborative or hybrid filtering used by an important number of non-embodied agents).

This gap and the lack of autonomy and intelligence of embodied agent could then be a good explanation to their failure, meaning that some system designers “*arbitrarily apply certain anthropomorphic qualities to their design, which leads to user over-expectation and disappointment when the system fails to perform to these expectations*” (Nowak and Rauh 2008).

EXPERTS DEPTH-INTERVIEWS

Methodology

To reach a deeper understanding of the reasons of interactive embodied agents' failure, textual data were collected through a series of depth interviews with virtual agents' experts. Depth interviews have been used effectively in the marketing literature, especially when limited research is available (Steward, Walker, Hutt and Kumar, 2010).

Interviews were conducted with 8 experts: 2 R&D experts in the field of virtual agents, 2 managers of virtual agent creation firms, 2 leading e-commerce site managers and 2 experts in selling and salespeople training. The goal was not to compare between experts from different fields but to have different points of view regarding the failure of existing virtual agents. The main requirement for inclusion in our expert sample was that individuals had an experience of more than 5 years in his expertise area. The 30-to-90-minutes interviews were digitally recorded and transcribed, producing over 100 single-spaced pages of data.

Findings

Our main research question was “Why previously existing agents disappeared from websites?” We structured the results of experts' depth interviews accordingly. In addition to confirm reasons of agents failure previously identified in the literature review and benchmark (inadequacy between appearance and performance of agents and lack of intelligence of embodied agents), analyses of in-depth experts interviews give new insights in identifying mechanisms that led to virtual agents failure. As illustrated by one of our respondents: “*We create unsatisfied expectations, we create the gap, the gap is not there but we can create this gap easily.*” (B, AS), experts agree on the fact that agents' failure can mainly be explained by the negative gap between expectancies created by the virtual agents' presence on websites and the actual performance of these agents, creating consumer dissatisfaction and rejection of using agents.

Our results reveal that two constructs, performance-specific expectation and expectancy disconfirmation, play a major role in satisfaction (dissatisfaction) decisions (Oliver 1980). Defining satisfaction as « *the evaluation rendered that the experience was at least as good as it was supposed to be* » (Hunt, 1977), the satisfaction disconfirmation paradigm describes expectation as ‘estimative expectation’ representing an a priori standard that consumers bring to a consumption experience (Ha, 2006). Specifically, “*expectations are thought to create a frame of reference about which one makes a comparative judgment*” (Oliver 1980). In the expectancy disconfirmation model, consumers are supposed to form estimative expectancies, observe product performance, compare performance with expectations, form disconfirmation perceptions, combine these perceptions with expectation levels, and finally form satisfaction judgments (Oliver 1980, 1993). Thus, an individual's expectations are negatively disconfirmed and leads to dissatisfaction when performance is poorer than expectations (Oliver, 1997; Vanhamme, 2002; Ha, 2006).

In the case of virtual agents, the analysis of experts' interviews identifies two mechanisms that conduct to a negative gap between consumer expectancies and agents' performance: expectation exaggeration and performance reduction. In fact, experts indicate a series of errors conducting to expectation exaggeration or agents' performance reduction. We tackle these errors in what follows.

Expectation exaggeration:

Exaggeration in consumer's expectancies can occur for different reasons. First experts indicate the case in which when implementing the agent the company fails to define and present the limits of the agent's field of action. In this paper, agent users have difficulties to understand the limits of the agent capacities and are often frustrated by the incapacity of the agent to answer to their questions. The experts' comments below well illustrate this idea: “*Often, it fails by too much ambition, it is*

deceptive". (L, NX)- "By failing to properly define the limits of the field of competence; ultimately they are automatically classified as failures". (J, OL)- "Frustrating because we go into a theme where the scenario was not previously envisaged, we are going to walk round; we don't obtain the answer we wait". (C, BT).

The second element that conducts to an overestimation of the agent capabilities is related to agent appearance. Experts identify two kinds of appearance mistakes that lead to unsatisfied expectations: (1) inadequacy between the site and the appearance of the agent: *"If appearance, site design and domain knowledge do not fit together, we create unsatisfied expectation" (B, AS)*"; and (2) a too humanized appearance: *"A very sophisticated visual display and after the virtual is not able of answering all users' questions. (B, SA)"- "Thus as a result, all the mascots which were supposed to communicate with the customers, that did not work well because they were deceptive, because people thought that ... At the end we still don't have this level of intelligence for agents. Thus as a result, it did not work.. (L, NX)".* The idea of "a too human appearance", confirms the opinion of Nowak and Rauh (2008) considering that presenting virtual agents with high anthropomorphic images may set up higher expectations.

The third element that conducts to an overestimation of agents' capabilities is related to the dialogue quality between the user and the agent and more specifically to the implementation of a too much humanized dialogue. In fact, the handling of a very naturalistic language by the agent or the usage of specific questions like "Can I help you?" lead the consumer to overestimate the agent's capabilities in understanding natural language: *"She speaks to us naturally thus she is very conceited. She speaks to us naturally but for the moment being, we cannot really speak naturally to a machine. (J, OL)"*

Agents' performance reduction:

Building on the experts' interviews, we identify three classical errors leading to a reduction in consumer perception of agents' performance.

The first common error is about the failure in listening to the consumer: *"Not listening to the customer, not considering his request, I think that this is harmful. (M, Bq)"*; the second error is to be too intrusive or aggressive: *"He uses the agent when he needs it..., he doesn't want to systematically have the agent, it is almost an harassment. p, I3)"- I think that it is necessary to avoid having a salesman who is present all the time, all the time pressing (M, OL)*; the third classical error is the implementation of an agent with a too mechanical interaction process. As illustrated below, a too mechanical interaction process frustrates the user and causes dissatisfaction: *"Don't be too much in a system of funnel... use this system but not give the impression (to the customer) that he follows a perfectly mechanical approach. (P, SK)"- "We are forced to pass by 5 stages before arriving at the final choice, and if there is a stage which does not correspond with what we wished, we are obliged to redo everything since the beginning. (C, BT)".*

In fact, these three common errors in agent conception and process are related to the fact that too many firms adopt a selling orientation when implementing their agents (in opposition to marketing orientation). They focus on presenting their products to the consumer rather than understanding consumers' needs. This idea is perfectly illustrated by the following comments: *"The problem of virtual agents who were failures is that the user wants to speak to the company, and the company wants to speak to the user but fails to listen to the user before hand. (B, AS)".*

CONCLUSION

Based on a grounded literature review, this paper studies the concept of virtual agent in academic research and deals with the reality of its usage as a device in the area of e-business. Via a review of 54 articles, a benchmark of 80 agents on French commercial websites and analyses of experts' depth-interviews, this research gives important counter-arguments concerning two popular ideas related to virtual agents.

According to the first idea, the embodiment of the agent can be the solution to improve both agents adoption rate (Murray and Haubl 2009) and commercial websites humanization (Holzwarth and al. 2006). Indeed, we identified an important number of embodied agents that have disappeared since 2007. Moreover, the benchmark reveals that remaining embodied agents clearly demonstrate a lack of intelligence and autonomy in comparison to non-embodied agents.

The second popular idea stipulates that the absence of a real intelligent embodied virtual seller is the result of fundamental shortcomings in existing technologies (Orman, 2007). Nevertheless, our benchmark indicates the existence of an important gap in intelligence and autonomy between embodied and non-embodied agents, revealing that advanced technologies exist

(different types of profiling, hybrid filtering and augmented reality, used for non-embodied agents) but are still ignored by embodied agent designers who mainly focus on the appearance of their agents.

Trying to explain the reasons of virtual agent failure, this research presents interesting theoretical contributions.

The first theoretical contribution concerns the capacity of the disconfirmation paradigm to explain the failure of some virtual agents on websites. This failure is the consequence of a negative disconfirmation resulting from overexpectations toward the agent and a reduction in the performance of the agent. Generally, such a negative disconfirmation leads to strong dissatisfaction and to a negative e-word of mouth (Oliver, 1997; Vanhamme, 2002; Ha, 2006).

A second important theoretical contribution concerns the capacity of *Uncanny Valley theory*, originally developed on the topic of robots, to explain failure of some agents. Indeed, experts' interviews confirm the idea that an excess in agents humanization (through a too humanized speech or a too humanized appearance) creates a "fear" of the agent and inhibits the use of this technology: "*If he understands, it is because he can act on me, if he can act on me, I am afraid because I cannot act on him, it is a machine that I don't know thus I do not master...It looks like a human, it thinks as a human, it is horrifying! You see, it is almost the machines which get the upper hand over the humans, which can be terrible. (P, I3)*"

Additionally, the present research identifies a series of common errors in agent design that conducts to agent failure. Avoiding those errors will be possible with the application of recent advances in both artificial intelligence and profiling techniques. For example, Lo and Lin (2006) showed that to resolve the intrusive aspects related to agents it is possible to develop an adaptive product recommendation system for anonymous new customers based on the user's current interests, that the system can estimate by observing the user's browsing behaviour. Using an experimental design, they observed that subjects believed that the experimental system could recommend audio CDs they were interested in and they would be willing to use the experimental system especially when their needs were not clear. This implies that this kind of system can be especially beneficial for users who do not know their real needs and/or do not know how to clearly specify their needs. Concerning artificial intelligence technologies, the development of knowledge-based recommendation systems, like the different kinds of hybrid filtering system, gives innovative solutions to both agents' designers and users. Hybrid recommendation systems combine two or more of the regular recommendation systems in order to gain better performance and address the shortcomings of each one (Burke 2007). Hybrid agents can combine both content-filtering and collaborative-filtering techniques, thus integrating individual and community preferences and allowing consumers to specify both desired product features and product-related needs, leading to better satisfying recommendations than agents using pure content-filtering or pure collaborative-filtering techniques (Xia and Benbasat 2007). The association of this new technologies embodiment and use of natural language give results that encompass and may go beyond consumer expectations. In consequence, such developments are very important and constitute relevant research perspectives.

Some limits to this exploratory research paper on the subject can be highlighted. A choice has been made to restrain literature analysis to some extent, whereas the benchmark has been delimited to France and should be extended. Further researches have to be conducted on the subject, especially within the perspective of a more global approach of virtual embodied agents, associating appearance to capabilities.

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¹ This research was supported by Nord Pas de Calais and FEDER funds during the Virtual Ubiquitous Salesman project.

² According to Diesbach and Midgley (2007), a virtual agent is a piece of software that can do a task on the behalf of a user or help the user doing this task more efficiently and/or rapidly. It is called “agent” because it acts, performing some tasks, and it is said “virtual” because it gives the impression of being “alive”, showing some characteristics of a living object, albeit in a virtual world. Previous researches often do not define such a virtual world, which is a representation of the real world, mediated through an electronic interface.

³ Electricité de France, French public electricity provider.

⁴ Full references of the 53 articles are available upon request to the author

⁵ Articles only theoretical, presenting measurement models based on declarative or fictitious settings were excluded, so to analyze only researches providing a formal demonstration through experiments.

⁶ Xia and Benbasat (2007) consider that the design of virtual agents consists of three major components: *input* (in which user preferences are elicited, explicitly or implicitly), *process* (in which recommendations are generated), and *output* (in which recommendations are presented to the user).

⁷ Due to the great number of agents and criteria analyzed, full benchmark results are not presented in this article. They are available upon request to the author. Such a great number of analyzed websites is explained by the fact that in most cases, virtual embodied agents are not put in evidence. Except for some of them (i.e. Anna from Ikea and a few others), they usually have to be carefully looked for within the website, being relegated in secondary pages or appearing only in specific rubrics such as “Help”. Non-embodied agents are more widespread and their capabilities and functionality are not subject to great differences between the various websites. As a consequence, only the most representative examples were fully analyzed in the benchmark.

⁸ All the other embodied agents studied in our benchmark are then only simple assistants or guides with low autonomy and low intelligence.

CONSUMER EXPECTATIONS OF EMERGING E-STOREFRONTS: AN EMPIRICAL STUDY IN HONG KONG

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INTRODUCTION

This paper empirically explores consumer expectations of emerging e-storefronts using the survey data collected from the consumers in Hong Kong. The results indicate that e-storefront design, product information, product comparison, security, privacy, service, and credibility are important attributes on the demand side. Geographical and other considerations explicitly appear as additional explanatory variables with regard to the operations of emerging e-storefronts. In particular, the present work elicits information on the supposition that these factors are present on the supply side. It also obtains an analytically and empirically grounded initial position to aid in evaluating and interpreting differences and changes in different market environments and consumer preferences with regard to e-commerce innovation. The questions follow as to whether business-to-consumer e-commerce would be more likely to succeed in physically larger economies and whether the concern of distance-related supply could explain the effects in this direction. Even if advertising and promotion may influence individual perceptions, such initiatives are difficult to produce high returns under the present circumstance. Therefore, it is meaningful to examine how to effectively develop and manage emerging e-storefronts.

METHODOLOGY

The methods associated with this study include literature review, questionnaire design, pilot study, survey, and data analysis. A questionnaire was designed to explore a number of variables in relation to e-storefront design, product information, product comparison, transaction security, customer privacy, service, and credibility. On the basis of established survey methodology, the items in the questionnaire were measured in terms of a seven-point Likert scale. After the pilot study, the questionnaires were randomly circulated to individual consumers with interpretation supplied where necessary. The respondents were requested to indicate their perceptions of the items in relation to the above-mentioned attributes and to provide some background data. As a result, two hundred and ten useful responses were collected. Given the concentrated retail markets in Hong Kong, this study examines the survey items regarding each factor holding other factors equal. It also allows multiple considerations regarding the factors in questions. This approach can interpret the data as reflecting market equilibrium outcomes, because it tends to elicit information on the supposition that the factors perceived to be important on the demand side are present individually and in combination on the supply side.

RESULTS AND DISCUSSION

The present work analyzes the perceived importance of a number of variables based on the survey data obtained in the special market circumstance in Hong Kong. The mean values of the Likert scores of the survey items range from slightly important to very important, with the majority of mean values being near important. It follows that the entries in the rotated component matrix validly aggregate into the attributes described above. In addition, the correlation coefficients between the components of each factor are significant, which indicate statistical validity for the groupings within each factor. The results show that the consumers generally perceive that e-storefront design, product information, product comparison, transaction security, privacy protection, service and vendor credibility are important attributes. It is therefore suggested that the service providers of e-storefronts should satisfy these requirements on the supply side. However, under certain circumstances, consumer perceptions of critical attributes are dependent on a particular market environment. Implications can follow for further research in particular with regard to the development of innovative business-to-consumer e-commerce. Even if individual perceptions are generally susceptible to marketing and advertising, the effect on demand side is minimal at present. Such efforts are unlikely to produce significant results within short time. Therefore, the service providers should examine a particular market environment in which some factors might significantly affect emerging e-storefront operations.

Hong Kong is a physically small open economy in which many shops are usually within a comfortable distance away. The convenience of online buying at home is therefore not likely to weigh heavily, because many products are available on a short trip to the market. Given the high population density, traditional shopping offers the life-content attraction of outings away from a tight living environment. Extending the argument, a hypothesis follows that outside of Hong Kong's special geographical environment, consumer willingness to shop over the Internet would be higher in physically larger continents. In particular, with many goods and services being unavailable within a comfortable distance from home and with the relatively

sparse distribution of population, cities and demand restricting the location of shops, substantial costs including delivery and imputed waiting costs would tend to arise in traditional retailing.

In addition, perceived life-content considerations should enter the analysis as an important factor in parallel with geography. In a physically concentrated marketplace, it is generally difficult for e-storefronts to offer equivalent life-content experience compared to traditional shopping, especially in terms of face-to-face interactions and services over the counter and socializing while shopping. The consumer-psychological handicap facing e-shopping would likely diminish in a physically large economy with relatively high transport cost, dispersed population, and small cities. Looking into the future, there may a change when a new technological mindset emerges, especially if one-to-one marketing over the Internet becomes commercially viable. However, because changes in consumer psychology require a long time relative to the average length of technology-based product life cycles, the consideration would be of relatively minor importance as far as marketing and advertisement strategy is concerned.

Moreover, geographically-related supply effects on transaction and retail prices allow further analysis on specific sectors. Given the technological prerequisite of high Internet penetration, communication cost would be low and comparable in situations under discussion. However, larger area generally leads to higher transport and delivery costs. As the financial difficulties of the online grocer Webvan in America suggest, even if consumer willingness to shop over the Internet is stronger in a physically larger economy, higher operational costs can raise inclusive prices to such an extent that many items become unattractive to buy from e-storefronts. In the light of the two-way effect noted, what matters to the analysis would be geographical and related supply effects. Taking into account inclusive price margins in traditional as compared with e-shopping, consumers would prefer inexpensively delivered products in physically large economies. Compact items proof against transportation damage such as books and videos present immediate examples.

CONCLUSIONS AND IMPLICATIONS FOR THEORY AND PRACTICE

This empirical study explores a number of variables in relation to business-to-consumer e-commerce innovation. In particular, it examines the attributes associated with emerging e-storefronts such as e-storefront design, product information, product comparison, transaction security, privacy, service, and credibility. It also discusses some other demand-side and supply-side considerations. An empirically grounded reference position has been suggested to aid in evaluating and interpreting the differences and changes in consumer preferences and environmental factors. The findings have theoretical and practical implications for exploring e-commerce innovation. It would be fruitful to direct further research along multi-attribute relationships especially with regard to geography and related supply considerations. Consumer expectations might be different and relatively strong for standardized and inexpensively delivered products in physically large economies. Therefore, in order to evaluate the implied directions for market development, future research could be conducted to examine different geography and supply environments and to compare the results against the reference position, which will generate useful information for the service providers to develop e-commerce strategies in different market environments.

References Available Upon Request

Friday, 22 July
Time: 1:30 PM

Session Number: 9.5: Job Involvement, Burnout and Deviance - Day in the Life of a Sales Person

Session Chair: Locander, William, *Loyola University New Orleans*

Toward an Understanding of Salesperson Deviance: A Structured Abstract

Darrat, Mahmoud, *Auburn University Montgomery*

Babin, Barry J., *Louisiana Tech University*

Self-Efficacy and Salesperson Job Involvement as Mediators of the Emotional Intelligence – Creativity Relationship

Lassk, Felicia, *Northeastern University*

Shepherd, C. David, *Georgia Southern University*

Salespeople Quality of Life: Introducing COBE (Comprehensive Burnout and Engagement) Model

Hollett, Sandrine, *IAE Gustave Eiffel - University Paris Est*

A Motley Pattern of Sales-Marketing Integration

Malshe, Avinash, *University of St Thomas, MN*

Sohi, Ravipreet, *University of Nebraska-Lincoln*

Krush, Michael, *North Dakota State University*

TOWARD AN UNDERSTANDING OF SALESPERSON DEVIANCE: A STRUCTURED ABSTRACT

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Barry Babin, Louisiana Tech University, USA

INTRODUCTION

Marketing employees, and in particular professional salespeople, typically experience greater job autonomy than do many other employees. A free market characterized by competitiveness and varying consumer demands requires that salespeople and service providers adapt and change across many situations. At times, employees may go beyond the normatively prescribed routines and behaviors in going about their job. This particular research develops and tests an instrument designed to gauge the proclivity of a marketing employee toward deviant work-related behaviors. The paper reviews and refines the concept of deviance and describes the procedures for developing and initially testing a scale that captures this particular employee trait.

The management literature devotes considerable attention to workplace deviance. Most literature considers deviance an important construct with potentially harmful effects on the organization and employees (Scott and Jehn, 2003; Aquino, Galperin, and Bennett, 2004; Henle, 2005; Berry, Ones, and Sackett, 2007). After all, organizational norms, rules and values are generally assumed to promote positive organizational outcomes. Relatively little research captures the notion that some employee deviance may actually be prosocial and be motivated toward positive and indeed ethical outcomes. The proclivity to deviance scale contributes to the marketing and management literatures by explicitly considering this possibility.

Proclivity to deviance represents the general affinity or comfort level an employee experiences with workplace actions that violate organizational norms and procedures. These anti-normative behaviors are not limited to the familiar negative facet of deviance, but honorable, well-intentioned deviance is also included. Due to the dynamic nature of most marketing firms, it is extremely difficult to create an all-encompassing code of conduct for marketing employees. For this reason, the proclivity to deviance measure captures an employee's natural inclination or partiality toward engaging in unconventional behaviors in the workplace. As such, salesperson deviance and salesperson ethics are two separate constructs as ethical behavior addresses the degree to which a salesperson avoids harming consumers through exchange activities and does not directly involve organizational norms (Robin 2004). Previous scales fail to account for the potential that workplace deviance can be positive and rely on actual reports of deviant behavior. Also, prior research indicates that marketing employees are defensive when it comes to disclosing actual engagement in anti-normative behaviors (Darrat, Amyx and Bennett 2010). The proposed measure improves on previous attempts by: (1) allowing for the possibility of positive deviance and (2) avoiding self-reports of organizational norms.

The proclivity to deviance measure distinguishes between ethics and deviance in that it incorporates constructive, destructive, and hybrid dimensions of deviance. As ethics researchers point out, unethical behaviors are characterized by the inherent immorality of the actions leaving no possibility for well-intentioned unethical behavior (Robin, et al. 2004). However, marketing employees may disobey organizational norms with positive intentions for the organization such as improving efficiency or performance. Moreover, whistleblowers who speak out against unfair policies or malpractice can be considered both constructive and destructive deviants (i.e. hybrids). Oftentimes whistleblowers violate codes of silence for the common good of fellow employees, customers, and the organization. However, exposing organizational misconduct to the public may also have disastrous consequences on the long term viability of an organization. Much of the literature stream addressing deviance has been limited to inherently negative behaviors with no formal instrument for measuring honorable behaviors which contradict organizational norms.

The majority of studies examining the effects of workplace/salesperson deviance have utilized self-report measures by which respondents indicate their participation frequency in various anti-normative activities (Jelinek and Ahearne 2005; Aquino, et al. 2004; Jelinek and Ahearne 2006; Darrat, et al. 2010). Recent research indicates there may be a need to de-personalize the measurement of this construct due to employees' natural reluctance to admit to performing deviant acts (Stewart, et al. 2009). The authors suggest that respondents tend to underreport engagement in questionable deviant activities for fears of social reprisal or punishment. For this reason, variance levels and mean values (i.e. floor effects) for most studies have been less than optimal. The proposed measure, however,

attempts to alleviate the inherent sensitivity of ‘guilty confessions’ by allowing marketing employees to simply disclose their comfort level with specific workplace deviance behaviors. Moreover, most marketing studies examining deviance have adapted existing measures to a ‘frontline employee’ context (Jelinek and Ahearne 2005; Aquino, et al. 2004; Jelinek and Ahearne 2006; Darrat, et al. 2010). The proclivity to deviance measure captures behaviors which are generic in nature and applicable to most marketing employees.

Constructive Deviance

Due to the cross-disciplinary research potential the construct provides, it is no surprise that numerous researchers have made calls for the development of a measure which captures constructive deviance (Warren, 2003; Spreitzer and Sonenshein, 2004; Tarantino, 2005; Galperin and Burke, 2006; Appelbaum, et al. 2007; Stewart, et al. 2009). Pioneering deviance research in both the marketing and management literature, however useful, has been primarily geared towards inherently negative, ill-intentioned behaviors (Bennett and Robinson, 2000; _____ 2003; Jelinek and Ahearne, 2005; _____ 2006). The current study extends on previous research by developing both a valid and parsimonious survey instrument which incorporates the multidimensionality of deviance (constructive, destructive, and hybrid).

Constructive deviance refers to any voluntary behavior which contradicts organizational norms while contributing to the well-being of the organization, its constituents, or society at large (Galperin and Burke, 2006). Researchers argue that the major difference between constructive and destructive deviance is that the former contradicts reference group norms (organizational policies), but is in congruence with societal hypernorms (honesty, hard work, not harming others, not stealing, etc.); whereas the latter does not conform to either set of norms (Warren, 2003). For instance, a salesperson who designs a more user-friendly catalog to simplify the ordering process for customers would be proactively departing from the creative norms of the sales team; however, this creativity may also generate more orders from the catalog. Similarly, a telemarketer who develops a direct mail initiative to follow up with customers would be overstepping the expected duties of his/her position; but the active pursuit of new clients is a highly sought after trait for telemarketers.

Interestingly, some researchers have suggested that constructive deviance may also be an effective deterrent of destructive deviance in an organization (Galperin and Burke, 2006). For example, traditional marketing employees are not expected to work overtime unless the organization recompenses extra role efforts. In the case of professional sales, reports have long indicated that excessive quotas and demands have become a hallmark of the industry; which may explain consistent findings of elevated burnout and exhaustion rates among salespeople (Wilson, 1997; Boles et al. 1997). It follows that workaholism, or consistently and voluntarily working unpaid hours to keep up with work demands, is also becoming more apparent in the sales force. These workaholics are considered constructive deviants since, by definition, their behaviors are a preventive measure against shirking on the job (Galperin and Burke, 2006). Conversely, an implicit assumption with destructive deviance is that the perpetrator *will* gain rewards from his/her actions to justify the risk associated with the behavior. These examples support the need for an operative and practical measure to capture such a dynamic construct.

Destructive Deviance

Destructive deviance, under its various labels, has undergone extensive research in the fields of management and psychology (Boye and Slora, 1993; Robinson and Bennett, 1995; Aquino et al. 2003). These authors define destructive deviance as any voluntary behavior which violates significant organizational norms and threatens the well-being of an organization or its members. With increasing interest in the detrimental effects of deviant behavior on marketing activities, it is only fitting that the marketing literature has also witnessed a resurgence of studies examining anti-normative behaviors (Harris and Ogbonna, 2003; Choi, et al. 2004; Jelinek and Ahearne, 2005; _____ 2006; _____ 2010; Darrat, et al. 2010). According to coping theory, individuals are in a constant struggle to manage internal/external demands which exceed or tax personal resources (Lazarus and Folkman, 1984). In other words, employees engage in reactive behaviors to rectify or deal with stressful situations. For example, salespeople who experience role strains due to increasing demands may resort to expressing dissatisfaction through excessive absences or being “unavailable” to supervisors while out of the office. It is apparent that salespeople who resort to deviant behaviors such as shirking may aggravate rather than improve the situation. For instance, the more “days off” incurred, the less interaction a salesperson has with his/her customers and the more alienated they may feel from fellow salespeople. However, the objective of coping is *not* to resolve stressful encounters, but to manage the stress associated with the experience.

Over the years, researchers have provided various typologies and applications of destructive deviance which have enriched the construct immensely (Robinson and Bennett, 1995; Warren, 2003; Jelinek and Ahearne, 2006). As mentioned above, destructive deviance refers to behaviors which depart from both organizational and societal norms. The current study intends to build on existing literature to capture what researchers consider one of the most widespread forms of destructive deviant behavior, shirking (Kidwell and Bennett, 1993). Salespeople are expected to conform not only to formal controls (management-initiated) but also to informal controls (salesperson initiated); regardless of contradiction to personal values and expectations (Jaworski, 1988). An established sales quota would be considered a formal control; however, salespeople may enforce an unwritten norm of lowered productivity in which members would be expected to minimize overall sales with the hopes of lowering management expectations in the future. For instance, salespeople in organizations which enforce a relative individual effort reward system share a vested interest in collectively lowering overall productivity since they would receive identical financial rewards with minimal effort (Kidwell and Bennett, 1993). Consequently, the propensity to withhold effort may become a group norm among salespeople. According to these researchers, salespeople who contradict the norm of lowered productivity, by consistently exceeding sales quotas, could even be ostracized from the sales team. Although shirking is considered a form of organizational deviance, it is safe to assume that more scrutiny is directed towards employees who steal money or equipment (organizational deviance) than to those who “steal time” (shirking). However, the opportunity costs associated with rampant shirking in the workforce can have dramatic effects on long term profitability and efficiency. Therefore, it is disconcerting that managerial leniency with shirking has been an integral force behind its rapid diffusion (Kidwell and Bennett, 1993). Although shirking is by no means the only type of destructive deviance, the current measure focuses specifically on this behavior due to its widespread prevalence in organizations.

In very few professions is the pervasiveness of deviant behavior more precarious than in the case of marketing managers. Marketing employees, by definition, are directly involved with some or all participants in the exchange process (customers, stakeholders, society, etc.). As evidenced by the alarming collapse of multinational corporations like Enron, the diffusion and prevalence of unacceptable behavior in the workforce can have devastating consequences for an organization, both financially and legally. Indeed, the violation of relational contracts by marketing employees has been shown to significantly diminish the potential for long term customer relationships (Eddleston, et al. 2002). Customers regard marketing employees as representatives of the firm; thus, the misbehavior of these employees is generally attributed to the organization which he/she represents. For instance, a salesperson that consistently exerts the ‘bare minimum’ effort necessary in addressing customer concerns is portraying an organizational image of indifference to customers. In fact, studies have shown that the habitual misbehavior of frontline employees leads to the erosion of an organization’s image in the minds of consumers because consistent misconduct is attributed to the organization as a whole, not to the individual employee (Scott and Jehn, 2003). With an increasing importance placed on customer relationship management, it is imperative that marketing researchers and practitioners pay due attention to destructive deviance.

Hybrid Deviance

The current study proposes that hybrid behaviors are those which simultaneously possess the qualities of both constructive and destructive deviance. It is dismissive to assume that *all* anti-normative behaviors will neatly fit beneath two all-encompassing categories of deviance. For instance, there is an ongoing debate in the business ethics literature about the dually constructive and destructive nature of whistleblowing (Varelius, 2009). The researchers argue that in the traditional conceptualization of whistleblowing, employees would attempt to correct the unethical practices of their employers by exposing some confidential aspect of their behaviors. According to resource dependence theory, whistleblowing is a form of constructive deviance since the whistleblower possesses a valuable advantage over the organization (proof of wrongdoing and the willingness to go public) and implements this strength towards its own good (correcting the behavior) (Pfeffer and Salancik, 1978). In other words, whistleblowing would be considered a normative behavior since very few organizations condone the types of practices which would lead to whistleblowing. Proponents of this viewpoint cite that many organizations have even implemented whistleblowing policies which promote transparency and a low tolerance for ethical behavior.

However, there are potentially devastating organizational consequences associated with releasing this information to the public. For example, an employee who exposes an organization-wide cover-up of a financial crisis would not only be discouraging future investments from potential clients, but existing investors may be encouraged to “abandon ship” before it is too late. This may explain why whistleblowers generally have a high fear of reprisal

from their organizations (Micelli and Near, 1988). The retaliation may not be as blatant as firing the employee, but more subtle forms of retaliation such as exclusion from the group or poor performance appraisals could lead the employee to leave on their own accord. This raises the question, if whistleblowers are fearful of organizational retaliation for their actions, are their behaviors truly normative? Whistleblowing may have severe negative implications for managers, the organization, and even society at large; if not regulated efficiently (Near and Micelli, 1995). The authors argue that managers are consistently subjected to false claims and harassment by employees intent on winning legal settlements. In fact, many whistleblowers tend to define the success of their actions on the win/loss ratio of lawsuits (Terpstra and Baker, 1988). This may explain why the credibility of the whistleblower (motivation to harm the organization) is a crucial legal element in assessing the accuracy of claims made. Therefore, proponents of this view contend that it is inappropriate for managers to encourage whistleblowing unless they are confident that this will bring about *positive* change.

The current study proposes an alternative conceptualization which melds the existing schools of thought on whistleblowing. It is conceivable that many whistleblowing activities may begin as altruistic behaviors which seek to improve the organization by eliminating misbehavior. However, with the recent collapse of several multinational companies due to fraud and unethical behavior, it is obvious that the public disclosure of confidential information may lead to an abrupt organizational dissolution. It is inconceivable that any organization would internally promote norms and behaviors which could lead to its own destruction, even if legally required to do so. In fact, most laws which protect whistleblowers from unjust termination only apply when organizational wrongdoing is in violation of the law (Koys, Briggs, and Grenig, 1987). The current study does not rule out the possibility that other workplace behaviors could constitute hybrid deviance, however, that investigation is beyond the scope of this study.

METHODOLOGY

Scale items were derived from the literature and from unstructured interviews with individuals involved in the sales profession. A sample comprised of randomly selected salespeople was obtained from an online panel. The salespeople represent various industries and each was invited to participate in the survey and received a corresponding web link. A total of 406 usable survey respondents were obtained following the data screening process which illuminated invalid respondents. The proposed measure is a projective instrument which gauges respondents' propensity to engage in unconventional behaviors which may or may not be negative in nature. The initial scale inventory consists of 15 items which range from traditionally harmful anti-normative behaviors to well-intentioned or constructively oriented marketing behaviors. Empirical analysis took place over two samples each formed by splitting the overall sample randomly into two portions comprised of approximately 200 sales employees each. The first sample provided an initial empirical examination of the scale including an opportunity to examine the dimensionality and purify the scale. The second allows a confirmatory examination.

RESULTS AND DISCUSSION

The data from sample 1 (n=200) are used first. Exploratory factor analysis provides initial insight into the scale's validity. Kaiser's rule was used to extract components resulting in three factors with an eigenvalue greater than 1. Table 1 displays the resulting varimax rotated factor pattern and loadings (loadings below |.35| are not shown).

Table 1. Exploratory Factor Analysis Results

	Factor		
	1	2	3
P2. Ignoring a normal procedure because it restrains your productivity	.804		
P4 Using unconventional methods to enhance efficiency even if those methods are not consistent with organizational policies	.784		
P5 Breaking organizational rules when there is no way for managers to know about the violation	.775		
P1. Performing a behavior that breaks a written policy to better perform your job	.740		
P3. Advising another employee to ignore a company policy and do things his or her own way	.676		
P9. Disobeying organizational rules which seem unfair to you or fellow co-workers.	.611		
P11. Taking advantage of loopholes in company policy	.530	.494	

P12. Doing things in a certain way in part because it is not the way "it is supposed to be done"	.454
P10 Giving about 50 percent effort in completing daily tasks	.776
P15 Filing a routine report that is not entirely accurate	.699
P13. Never deviating from the norms of behavior in your organization	.468
P8 Exposing managerial behaviors that are inconsistent with organizational expectations	.817
P6 Exposing unethical organizational behaviors to external parties	.715
P7. Keeping a watchful eye over coworkers to ensure adherence to organizational norms	.502
P14. Telling my friends about unethical things that my company does	.394

The first factor contains items capturing the proactive dimension of deviance. These items express behaviors that are deviant, but for which the deviation is not aimed at any anti-social or unethical end. We label this factor proactive deviance. This dimension encompasses more traditional deviance related behaviors such as withholding effort or filling out incomplete reports. We label this factor shirking deviance. A third factor, which we label whistle-blowing deviance includes items indicating a proclivity toward exposing questionable workplace events to others. The coefficient alphas for the three scales are .86, .62 and .56, respectively before any scale purification. Before employing confirmatory factor analysis on sample 2, we deleted a split loaded item (p11) and items with loadings below .5.

Table 2 displays confirmatory factor analysis results using the factor structure suggested by the results above. The initial 12-item CFA failed to adequately fit the covariances from sample 1 (Hair et al. 2009). The CFI and RMSEA both fall outside the guidelines for adequate fit. The residual covariances were examined to isolate variables responsible for the lack of fit. This examination led to the deletion of three additional variables. The remaining nine-items were fit into three factors and the model displayed improved fit ($\chi^2 = 63.2$, $df = 24$, CFI = 0.93, RMSEA = .09).

Table 2 Fit Statistics for CFA Models

	Sample 1	Sample 1 Refined	Sample 2
χ^2	301.6	63.2	44.1
Df	87	24	24
CFI	0.77	0.93	0.96
GFI	0.84	0.93	0.96
RMSEA	0.11	0.09	0.064
P	0.0001	0.001	0.007

Validation proceeded using the sample 2 data employed to test the identical 3 dimensional factor structure. The fit statistics suggest adequate performance ($\chi^2 = 44.1$, $df = 24$, CFI = 0.96, RMSEA = .064). Table 3 displays the standardized factor loading estimates resulting from this analysis. All the factor loading estimates are statistically significant ($p < .001$). The proactive deviance factor yields a variance extracted (AVE) 53.5 percent and a construct reliability of .85. Thus, the first factor displays adequate convergent validity. Both the shirking and the whistle-blowing factors present issues with convergent validity. First, item deletion reduced them to two-items when four items or more are recommended for latent factors (Hair et al. 2009). Second, the AVE for each falls below 50 percent (36.3 and 41.2 percent, respectively). Adequate discriminant validity exists as constraining the factor structure to a collapsed two or single item structure significantly worsens fit. The correlation estimates between each deviance dimension and other factors such as conflict, turnover intention and risk propensity among others, are used to assess nomological validity. The results are theoretically consistent with deviance being employed as a coping mechanism in that all three dimensions are associated with lower conflict; the proactive dimension relates

negatively (reduced) with turnover intentions where as the two negative deviance items display significant, positive relationships with turnover intentions; and all three dimensions display significant and positive correlations with risk propensity.

Table 3. Standardized CFA Factor Loading Estimates

	Factor		
	1	2	3
P2. Ignoring a normal procedure because it restrains your productivity	.70		
P4 Using unconventional methods to enhance efficiency even if those methods are not consistent with organizational policies	.62		
P1. Performing a behavior that breaks a written policy to better perform your job	.78		
P3. Advising another employee to ignore a company policy and do things his or her own way	.66		
P5. Breaking organizational rules when there is no way for a manager to know about the violation	.87		
P10 Giving about 50 percent effort in completing daily tasks		.47	
P15 Filing a routine report that is not entirely accurate		.71	
P8 Exposing managerial behaviors that are inconsistent with organizational expectations			.81
P6 Exposing unethical organizational behaviors to external parties			.41

CONCLUSIONS AND IMPLICATIONS FOR THEORY AND PRACTICE

Summarizing, the results are encouraging with respect to the positive deviance aspect, proactive deviance. The dimension displays adequate construct and nomological validity. The two negative dimensions provide results suggesting more developmental work is needed to produce a scale that can be used with confidence in future studies. More qualitative research is underway to develop more exhaustive lists of behaviors that fit under the shirking and whistle-blowing elements. At the same time, the work is open to additional positive deviance items.

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SELF-EFFICACY AND SALESPERSON JOB INVOLVEMENT AS MEDIATORS OF THE EMOTIONAL INTELLIGENCE – CREATIVITY RELATIONSHIP

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C. David Shepherd, Georgia Southern University, USA

ABSTRACT

Creative performance is needed in the sales profession as individual and organizational success depends on supplying innovative and useful solutions for their customers (Chonko and Jones 2005; Lassk and Shepherd forthcoming). Recognizing its important role, creativity is often listed as an essential characteristic of successful salespeople and sales managers (for example, Dubinsky and Ingram 1983; Weitz, Castleberry and Tanner 2009). Emerging research has shown that a leader's emotional intelligence positively supports field members' creative performance (Rego *et al.* 2007; Zhou and George 2003). Using a sample of 460 field members, this study extends this research by exploring how a field member's perception of their immediate business leader's emotional intelligence impacts his/her creativity and key individual variables, self-efficacy and job involvement.

Structural equation model results found that the relationship between a leader's emotional intelligence is positively related to a field members' creative performance. While it was expected that a partial mediating model would be supported instead a fully mediated model is supported. That is, it appears that when self-efficacy and salesperson job involvement were included in the model, the business leaders' emotional intelligence is reduced in terms of impacting the field's level of creativity. Theoretically, this study confirms Rego *et al.* (2007). The emotional intelligence – creativity relationship is empirically supported from both the leader and field member perspective. From a managerial perspective, the results of this study suggest that while a leader may create an environment that helps foster creativity, the individual field member's own competencies and involvement are critical to creative performance.

References Available Upon Request

The authors would like to acknowledge the financial support of the Direct Selling Education Foundation.

SALESPEOPLE QUALITY OF LIFE : INTRODUCING COBE (COMPREHENSIVE BURNOUT AND ENGAGEMENT) MODEL

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ABSTRACT

Of the various organizational theories developed over the last twenty years, several approaches have been taken up, among them Siegrist's (1996) effort-reward imbalance theory, which defines the sources of job stress in terms of the mismatch between high costs and small gains. The study set out to investigate the relationships between effort/reward, job burnout and work engagement in a salesforce context. The Comprehensive Burnout and Engagement Model (named COBE model) underlying that that burnout develops in response to excessive job demands and diminished job resources (Schaufeli and Bakker, 2004). An empirical study was conducted with 221 salespeople. Results from SEM methods support the COBE model (Schaufeli and Bakker, 2004), burnout is strongly associated to high effort and low reward as well as work engagement. The findings show that there is a significant link in an imbalance situation with the level of engagement, the positive antithesis of professional burnout and burnout. Whether effort is high or the rewards are perceived as low, the absence of reciprocity creates adverse situations for salespeople. Future directions of research are provided.

References available upon request

A MOTLEY PATTERN OF SALES-MARKETING INTEGRATION

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INTRODUCTION

Sales and marketing departments play a crucial role in revenue generation in business organizations. Given the interdependent nature of the strategic processes such as value creation, communication, and delivery that these functions are involved in, it is imperative for a firm's success that the sales-marketing interface (*henceforth interface*) function smoothly. There has been a surge in literature on this interface recently and early work in this area suggests that in a large number of companies, these two functions share sub-optimal relationship (Carpenter 1992; Kotler, Rackham, and Krishnaswamy, 2006; Montgomery and Webster 1997).

Accordingly, the initial theory building efforts in this area have focused on identifying the reasons behind the disharmony within this interface and thinking about ways these two functions could be brought closer. Specifically, scholars have investigated this interface using variables such as interface cooperation, collaboration, communication, and integration among others, and proposed how these variables may optimize the functioning of this interface (Dewsnap and Jobber 2000; Piercy 2006; LeMeunier-FitzHugh and Piercy 2006; Rouziès, Anderson, Kohli, Michaels, Weitz, and Zoltners 2005; Homburg and Jensen 2007).

A close look at the extant interface literature reveals that current theoretical frameworks of this interface do not fully capture the nuances of this interface as we see it in practice. In particular, the nature of "marketing" as practiced in firms varies greatly across industries/companies- e.g., in some industries, the major role marketing performs is lead generation whereas in some other industries, marketing may simply be creating marketing communication and / or supporting the sales organization in their day-to-day tasks. Further, within a business organization, marketing may be responsible for either some or all of the activities such as new product development, product planning, marketing research, and marketing communication. Thus, depending on the firm and the industry, the definition of what marketing is/means, what role marketing department plays in the strategic process, and what activities "marketing" entails may differ.

Theoretically, this differential nature of "marketing" across different firm/industry contexts implies that the characteristics of some crucial interface variables may vary depending on the context. Interface integration is one such key variable. Scholars note that achieving interface integration can serve as the first step toward bridging the gaps within this interface (Cespedes, 1996). Since extant interface research has not taken into account the varied nature of "marketing" across firms/industries, it has limited our ability to acquire an in-depth understanding of the differential nature of interface integration and its contributing factors across different contexts. This paper aims to explore this issue.

Kahn (1997), while studying marketing's integration with other departments, identified integration as combination of interface communication and collaboration. In one of the earlier works on this interface, Cespedes (1996) notes that concurrent marketing that allows sales and marketing to form cross-functional teams and work in a coordinated manner may help firms achieve seamless integration.

Acknowledging the suboptimal dynamics within this interface, scholars have argued that sales and marketing functions must work toward achieving a greater degree of integration. Recently, Rouziès et al. (2005) defined sales-marketing integration as the extent to which activities carried out by these two functions are supportive of one another. Further, they propose a conceptual framework that suggests that if firms want to achieve interface integration, they must work on the following four fronts: (a) decentralization and forming cross-functional teams, (b) improving processes such as communication, job rotation, and integrating goals and rewards, (c) forging a culture with norms of sharing and adapting, and (d) reducing functional identity of sales and marketing personnel.

Other scholars have extended the idea of integration and highlighted the role of interface trust, motivation, commitment, mutual help, reduced inter-group conflict, positive organizational climate, and ability to work across traditional boundaries in achieving interface integration (Guenzi and Troilo 2006; LeMeunier-FitzHugh and Piercy 2006; Piercy 2006).

As we noted above, the nature of marketing as observed in practice spans a large spectrum. What does the varying nature of "marketing" imply for the notion of interface integration? We study this question in this paper using a qualitative methodology.

METHODOLOGY

The data for this study comes from over 48 in-depth interviews conducted with sales and marketing executives from different industries. We followed theoretical sampling (Strauss and Corbin, 1998; p201) in this study and made every effort to go to those industries and research contexts that would allow us to maximize the discovery of variations among concepts (Creswell, 2007; p. 240-41). Our informants come from diverse industries such as pharmaceuticals, healthcare, IT, engineering, consumer products, as well as industrial products.

Our discovery-oriented interviews (Deshpande, 1983) lasted between 35 to 90 minutes. While using the pre-tested interview protocol, we allowed our informants to offer examples and anecdotes as they spoke, asked questions only to clarify ambiguities, and refrained from inducing bias in our interviews (McCracken, 1988). When we reached theoretical saturation, we stopped interviewing (Strauss and Corbin, 1998).

We analyzed our data following established coding procedures for qualitative data (cf. Corley and Gioia, 2004). We insured our analytical rigor by (a) asking an independent researcher to vet our data collection and analytical process, and (b) doing member checks-that is, having our data interpretations and findings vetted by our informants.

RESULTS AND DISCUSSION

What Managers Think Of Integration?

When asked to elaborate on the term “sales-marketing integration,” our informants define it in a variety of different ways. Since the nature of marketing differs across industries, in addition to characterizing interface integration in terms of supportiveness; managers view integration in terms of being on the same page, being aligned, working as a joint team, keeping the other function abreast of all major and minor developments, understanding each other’s strengths and weaknesses and complementing them, working closely, and having one mindset, among other. From a theoretical standpoint, this suggests that the notion of interface integration embraces a wide range of concepts and we need to think beyond the issues related to structure, culture, communication, and people-processes to understand this idea more clearly.

How the Nature Of “Marketing” Affects Interface Integration

Analyzing our data that came from multiple industry contexts gave us an opportunity to investigate in greater detail the nature of “marketing” in different industries (i.e., what marketing means in specific industry context) and what marketing functions do, and understand how that impacts our understanding of interface integration. Below, we present findings from six different contexts that bring out the differential and contextual nature of interface integration.

In some firms (e.g., pharmaceutical firms), marketing owns the product life-cycle and the major marketing activities center around product managers managing their product through its entire life-cycle. Our informants note that in such contexts, they expect that marketers will remain integrated with them on all fronts- people, processes, structure, and culture. In such contexts, however, the meaning of interface integration extends beyond the currently known notion of supportiveness.

Specifically, such contexts require interface personnel not only support but be extensively embedded in the entire marketing strategy process that starts with the conceptualization and moves through different implementation stages.

In some industries such as IT or engineering, marketers are engaged mainly in creating key messages and supplying the sales force with various communication materials. Our findings suggest that in such instances, structural integration is mostly irrelevant. Specifically, our informants note that many times, sales personnel do not want to be structurally integrated with marketing since they believe their involvement may impede their sales activities. Salespeople in such situations, while maintaining a strong sense of functional identity, emphasize that process-integration and coordination of activities (for example, launching communication campaign to support new product introductions) is a crucial component that marketers must pay attention to. In effect, we see interface personnel embracing only selective components of integration.

Some informants in our sample belonged to consumer goods companies. They noted that in addition to the HQ marketing department, these firms employed field and trade marketing functions. In both these cases, these functions acted as a liaison between HQ marketing and the field sales groups. We observed in such cases that although the field marketing department was staffed by marketers; since they worked with salespeople on a day-to-day basis, their loyalties were split between HQ

marketing and field sales groups. Further, in such situations, salespeople saw no relevance or utility in being integrated with the HQ marketing group. However, they expected to be fully-integrated with the field marketing group on all fronts. They viewed field marketing as a major support group. In many firms, salespeople were keen on crossing the boundaries of functional identification and treating them as an “in-group.” Further, they expected field marketing to serve as their ambassadors in front of the HQ marketers.

Some of our informants mentioned that the major role marketing played in their firms was that of lead generation. In such contexts, salespeople expected marketers to identify and prepare target customers so that they could present their products to them. Specifically, salespeople were not excited about structural integration and did not favor marketers being in the field. On the contrary, they expected marketers to stay out of their way when they worked on developing the customer. They also identified themselves closely with the sales organization and did not necessarily share the same goals with their marketing counterparts. In such instances, however, the only expectation salespeople had from marketers was with respect to process integration- i.e., they expected that marketers would be available on hand to support them with customer service as and when they needed them.

In some of our informant firms, marketing was extensively involved in new product development. Once the products were developed, other departments such as pricing, distribution, and customer solutions took over and managed the product life-cycle. In such scenarios, sales personnel expected that marketers would create platforms so that they were fully-integrated with them throughout the new product development process. Interestingly, given how the strategic responsibilities were distributed within the firm, once the product was rolled out, salespeople did not expect close integration with marketers. Our informants from industrial and engineering firms mentioned that marketing was not a strategic function in their organizations. Specifically, in such firms, R&D developed the product and the channels and pricing functions handled the product as it moved forward. As a result, marketing in such firms was reduced purely to a support function. Hence, salespeople did not see any value in being integrated with marketers. They simply expected marketers to serve as a support function and supply sales force with product literature and / or technical data related to the products they sold.

CONCLUSIONS AND IMPLICATIONS FOR THEORY AND PRACTICE

This paper makes three key contributions to the interface literature. While we understand from the extant literature the key components of interface integration, our empirical findings indicate that the notions of integration, as seen in practice, encompass a broader spectrum of idea. This indicates a need for further exploration of this variable that expands its theoretical boundaries. Next, our analysis suggests that the levers used to achieve interface integration are context specific. While in some cases, it is beneficial to achieve integration on all four fronts- structure, culture, processes, and people; in some other cases, it may be productive to focus on only one or two of the components and deemphasize others. Third, we observe that if a marketing function in a given firm is involved in a variety of areas such as lead generation, marketing communication, and new product development; it may require the sales personnel to forge varying degrees of integration with each of the marketing sub-functions using different integration levers. Extant literature has not alluded to this possibility nor has it explored in detail what it may look like.

Overall, we argue that the notion of interface integration may exhibit a motley pattern across different industry contexts as well within a specific firm thereby suggesting the need to appreciate the broad nature of this concept and further investigate how different integration mechanisms may assume differential importance in various scenarios.

Our findings highlight that managerially, it may not be productive to invest into all integration mechanisms. Managers must understand the context they are operating in and then choose specific levers to achieve integration. Our findings also indicate that in many contexts, integration is driven by people-processes. Thus, an individual manager may be able to achieve greater integration with their sales counterparts, even when the firm is finding it difficult to achieve functional integration.

Future research may aim to utilize different methodologies to explicate other components of this and other interface variables in different industry contexts. Such attempts will go a long way in enhancing our understanding of this crucial interface.

References Available Upon Request

Friday, 22 July
Time: 1:30 PM

Session Number: **9.7: Psychology in Service Marketing & Marketing Orientation**

Session Chair: Goudrazi, Kiane, *Reims Management School*

Responding to Customers' "Gray" Requests: The Service Employee Dilemma

Harrison, Mary, *University of Alabama*

Northington, William, *University of Alabama*

Beatty, Sharon, *University of Alabama*

Holloway, Betsy, *Samford University*

Wang, Sijun, *Loyola Marymount University*

Effectiveness of Customer Referral Reward Programs: The Mediating Role of Metaperception

Georgi, Dominik, *Frankfurt School of Finance & Management*

Wirtz, Jochen, *National University Singapore*

Xiao, Ping, *National University of Singapore*

Tang, Chris, *UCLA Anderson School*

From Switching Intent to Behavior: A Construal Level Theory Perspective in the Context of Contractual Services

Wirtz, Jochen, *National University of Singapore*

Hung, Yuchen, *National University of Singapore*

Yeung, Catherine, *National University of Singapore*

RESPONDING TO CUSTOMERS' "GRAY" REQUESTS: THE SERVICE EMPLOYEE DILEMMA

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William M. Northington, University of Alabama, USA
Sharon E. Beatty, University of Alabama, USA
Betsy B. Holloway, Samford University, USA
Sijun Wang, Loyola Marymount University, USA

ABSTRACT

This research examines how service employees make the decision to comply with customer requests. In this paper, a unique type of customer request is studied: the "gray" request, a request in which the employee is asked to do something that is outside of their job description or outside of what they would normally do to deliver the service (but not something that is fraudulent or illegal). This research develops the gray request concept and provides a conceptual model to explain the circumstances by which gray requests occur and employees comply. Twenty-three qualitative interviews with employees from two different service firms in different industries are conducted. Three main motivational categories relating to why employees respond favorably to gray customer requests emerge: (1) the desire to help others (2) the desire to help the company and (3) the desire to help themselves. The organizational, customer, employee, and situational dimensions that determine when and if employees will respond favorably include: (1) the organization's culture, the norm of flexibility, and the reward/incentive system (2) the customer demographics (i.e., loyal customer; elderly) (3) the personality factors of the employee (i.e., allocentrism) and (4) the situational factors (ability, ease, legality, safety, time constraints, type of request, and urgency).

EFFECTIVENESS OF CUSTOMER REFERRAL REWARD PROGRAMS: THE MEDIATING ROLE OF METAPERCEPTION

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Jochen Wirtz, National University of Singapore, Singapore
Ping Xiao, National University of Singapore, Singapore
Christopher Tang, UCLA, USA

ABSTRACT

Customer referral reward programs (RRPs) are ubiquitous especially in the service sector. Yet, their impact on customer behavior has not gained much attention in the research community until recently. The focus of the present study is to examine the effectiveness of RRPs by analyzing a variety of determinants in a real world business setting, where we combined CRM and survey data of private banking customers of a large European bank.

RRPs are used as a customer acquisition tool that utilizes existing customer relationships. The logic behind such programs is that rewards are offered to current customers (i.e., inductors) in order to incentivize them recommending the firm's products to their friends and colleagues (i.e., inductees). However, anecdotal evidence suggests that there might be undesired side effects of incentivizing recommendation behavior within RRPs. For example, current customers might feel uneasy using such a program as they may be afraid how they are perceived by the inductees. Specifically, inductors may not want to be seen to benefit from an inductee's purchase decision. Such psychological processes are called metaperception. Metaperception is the process of determining how one's behavior influences others' judgment of oneself (Laing, Phillipson & Lee 1966) and one's behavior (Malloy & Janowski 1992). We propose that metaperception mediates the link between reward size and recommendation behavior, whereby reward size has a negative effect on metaperception, and thereby a negative indirect effect on recommendation behavior. We explore the role of a number of other variables on metaperception, recommendation behaviors, and the effectiveness of an RRP.

Specifically, we examine the effectiveness of RRPs using two dependent variables: (1) the inductor's (i.e., the recommendation giver's) recommendation behavior, and (2) the inductees' (i.e., the recommendation recipient's) behavior and their perception about the products and services offered by the firm. As determinants of our dependent variables, we explored inductor characteristics (e.g., attractiveness/value of the inductor to the firm; relationship proneness; deal proneness; sociological variables such as the size of the social network of the inductor), variables related to the inductor-inductee relationship (e.g., tie strength), metaperception and other psychological variables related to the recommendation, and program-related variables (e.g., attractiveness of program).

In order to examine our hypotheses empirically, we matched CRM data from a large European consumer bank's with consumers' survey responses. The research context is the RRP of a large European consumer bank. Respondents were 300 inductors and the 300 inductees they had introduced to the bank. We added a control group of 300 customers who had never participated in the RRP, neither as inductors nor as inductees. Respondents were interviewed using a telephone survey conducted by a professional market research firm. Our analysis will generate important theoretical and managerial implications.

References available upon request

FROM SWITCHING INTENT TO BEHAVIOR: A CONSTRUAL LEVEL THEORY PERSPECTIVE IN THE CONTEXT OF CONTRACTUAL SERVICES

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Yuchen Hung, National University of Singapore, Singapore
Catherine Yeung, National University of Singapore, Singapore
Jeongwen Chiang, China Europe International Business School, P. R. China

ABSTRACT

Measures of repurchase intent are often not good predictors of actual repurchase behaviors. A critical distinction between intention and actual switching is that the former is a response to a hypothetical situation, whereas the latter is an action that is actually carried out. Recent research on construal level theory (CLT, see Trope and Liberman 2007 for a review) shows that when an event feels psychologically far away (e.g., when the event is hypothetical), people tend to focus on “central” aspects of the event – i.e., aspects that give direct implications to the desirability of the event. According to CLT, these aspects constitute the “higher level construal” of the event. On the other hand, when an event feels psychologically near (e.g., when it is going to happen in the near future), people tend to focus on aspects that are associated with the procedures involved in carrying out the action (e.g., practicality, feasibility considerations). These aspects constitute the “lower level construal” of an event.

We first show empirical evidence that monetary incentives, compared with non-monetary switching costs, have a stronger influence on repurchase intent. Non-monetary switching costs, however, play a significantly more important role in determining actual switching behavior. We then conducted a series of experiments to demonstrate how the construal level theory explains this discrepancy. More specifically, we show that monetary incentives constitute a higher level construal, whereas non-monetary switching costs constitute a lower level construal. Moreover, based on recent findings that process simulation (i.e., asking respondents to visualize the step-by-step process of carrying out a certain action) can highlight feasibility aspects of an event and encourages a lower level construal of the event, we suggest that process simulation can be employed in surveys for reducing the inconsistency between responses to intention measures and actual switching behaviors. In one experiment, we recruited participants for an online marketing survey. Participants first registered for an easy, short survey that would take place few weeks later. A few days after the registration, they were contacted and informed that another survey that was more difficult and longer but with a higher payoff was also available to them. They were asked to indicate their intention to switch from the low-effort, low-payoff survey to the high-effort, high-payoff option. To evaluate the extent to which process simulation reduces inconsistency between intention measures and actual behavior, we also administered a “process simulation” condition, in which participants were instructed to imagine going through the survey step-by-step (i.e., to simulate the process) before they indicate their switching intention.

Finally, the online survey was open to participants, where they actually decided whether to switch or not, and completed the survey they chose. Our finding showed that process simulation lowered the intention to switch and reduced the inconsistency between switching intention and actual switching behavior. The result supported our prediction. We replicated this finding in another experiment, where participants indicated their intention to attend a paid lab study. Again, for half of the participants, they thought about the steps in the procedures before indicating their intentions. Our finding showed that process simulation made people consider the feasibility issues, such as time and effort to travel to lab, so that their indication is a better predictor of their actual behavior. Our findings suggest the possibility of an unobtrusive administration of procedure simulation in surveys that will improve the predictive power of intention measures of actual switching behavior. These findings have potential applications beyond the immediate switching behavior application to any intent-actual behavior measurement context.

References available upon request

Friday, 22 July
Time: 1:30 PM

Session Number: **9.8: Relationship Strategy 2**

Session Chair: Palmer, Adrian, *Swansea University*

Customer Direct and Indirect Experience Management for Online Trust Building

Park, Jungkun, *University of Houston*

Park, Joohyung, *Purdue University*

Ezell, Shirley, *University of Houston*

The Effect of Organizational and Cultural Antecedents on a Customer Prioritization Strategy in Times of Market Dynamism

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How Customer Equity Drivers Affect Behavioral Intentions and Behavior Over Time: An Empirical Assessment

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THE IMPACT OF CUSTOMERS' DIRECT AND INDIRECT EXPERIENCE ON e-TRUST

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ABSTRACT

Despite the rapid growth of e-commerce, online users are still cautious and skeptical about online shopping. The uncertainty inherent in online shopping impedes customers' online transactions. Previous research emphasized the significance of customer experience management and its influence on e-tailers' success, mainly focusing on customers' direct experience with e-tailers. The purpose of this study is to investigate the impact of customers' indirect experience as well as direct experience on their perception of e-tailers' trustworthiness and their behavioral outcomes drawing on the equity theory. Specifically, this study posits that customers' direct experience (perceived quality of site design and flow) and indirect experience (reputation) with e-tailers contribute to their perception of e-tailers' trustworthiness, which in turn influences their intention to repurchase from and spread positive word-of-mouth about the e-tailers. The results support the proposed relationships of customers' direct and indirect experience, except for the relationship between flow and e-trust. Customers' perceived quality of site design (direct experience) and e-tailers' reputation (indirect experience) positively influence customers' e-trust, which in turn significantly contributes to their intention to repurchase and spread positive word of mouth. Theoretical and practical implications are discussed.

INTRODUCTION

Customer experience management has been the focal point of recent marketing research (Carbone and Haeckel 1994; Gilmore and Pine 2002). Creating compelling online experiences is critical for e-tailers to build a long-term competitive advantage online (Novak et al. 2000). Well managed customer experience leads to positive behavioral outcomes in e-commerce. In electronic retailing, however, the absence of tangible goods and interpersonal interactions may redefine the nature of customer experiences. Customers cannot examine products directly or interact with e-tailers (McKnight et al. 2002a) in the online environment and it is more difficult to assess trustworthiness of e-tailers than traditional brick-and-mortar retailers (McKnight et al. 2002a; Palmer et al. 2000). With increased uncertainty inherent in the online environment, customers' e-trust is very important as it encourages customer's engagement in initial transactions by reducing uncertainty (Gefen 2000; Jarvenpaa et al. 2000) in addition to contributing to customer loyalty (e.g., Chaudhuri and Holbrook 2001).

When customers evaluate e-tailers' trustworthiness, they can rely on two sources of information: information derived from their own experience and from other customers' experience. Customers are likely to acquire necessary knowledge about e-tailers while browsing the e-tailers' website and engaging in transactions, which represents customers' direct experience in this study. Customers may acquire information about the e-tailers from other customers because their opinions regarding e-tailers are ubiquitously available online, which represents the customer's indirect experience in this study. Previous studies of online customer experience have focused on how customers' perception of e-tailers and their websites influences customers' evaluation and behavioral outcomes with concernign satisfaction, trust, adoption and re-patronage toward the e-tailers (Dwyer et al. 1987; Everard and Gallletta 2006; Gefen, 2000). Their main focus, however, was limited to customers' perception derived from their direct experience with e-tailers while a large part of customers' perception relies on indirect experience from other customers through reviews, comments, and online forums. To fill this research gap, the current study examines the extent to which customers' direct and indirect experience with e-tailers' websites contributes to their e-trust and, consequently, to their behavioral responses to the e-tailers drawing on the equity theory (e.g., Adams 1963).

LITERATURE REIIEW

Equity Theory

The equity theory posits that people in a social exchange situation evaluate the ratio of their input to output and compare it with that of their partners (Adams 1963; Huppertz et al. 1978). Perception of inequity occurs when one discerns a disproportion between one's input/output ratio and that of one's partner (Huppertz et al. 1978). When such an inequity is perceived, one is motivated to restore the balance or equity (Walster et al. 1973). In a customer/e-tailer relationship, positive inequity motivates customers to behave in favor of the e-tailer, i.e. to re-patronize and recommend it to other customers, while negative inequity motivates them to switch to competitors (Huppertz et al. 1978) and to have less intention to reuse (Fisk and Young 1985).

Trust has been pointed out as a key element for successful business in such various contexts as buyer/seller relationships (Donny and Cannon 1997) and customer/e-tailer relationships (McKnight et al. 2002a). In order to be successful in e-business, e-tailers need to understand how trust is developed and how it affects customers' subsequent behaviors (Bart et al. 2005). Trust has been defined in different ways (Everard and Galletta 2006; Park and Goetzinger 2007). For example, Mayer et al. (1995) defined trust as the "willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of their ability to monitor or control that other party" (p.712). McKnight et al. McKnight and others (2002a) suggested that trust can be sub-categorized into two concepts: trusting belief and trusting intention. Trusting belief represents one's belief that the other party has one or more characteristics beneficial to oneself. Trusting intention refers to one's willingness to depend on, or intention to depend on, the other party even though the one cannot control that party. This study adopts McKnight et al.'s (2002a) trusting intention, defining e-trust as willingness to depend on e-tailers.

Customers' Direct and Indirect Experience with e-Tailers

Over the past decade, the concept of customer experience has been intensively explored by marketing researchers (Carbone and Haeckel 1994). Gupta and Vajic (1999) stated that an experience "involves learning during a period of time when the customers interact with different elements of a context created by the service provider" (p. 35). Customer's perception of e-tailers' trustworthiness can be derived from customer's direct or indirect experience with the e-tailers. Customers may acquire a sense of trustworthiness for e-tailers while interacting with the website and they also may infer a website's trustworthiness from other customers' opinion and the reputation the website has accumulated. Information technology enables customers to communicate without physical barriers and customers heavily depend on other customers' opinions about e-tailers, which multiplies the importance of customers' indirect experience in e-commerce. This study examines the impact of both direct and indirect experiences on customers' e-trust.

Perceived Quality of Website Design

One component of the online customer experience is the subjective perceptions that customers form during and/or after visiting e-tailers' websites. In this study, such perception is represented by perceived quality of the website design. Criteria for evaluating the quality of website design embraces both aesthetic features (i.e., design, style, and up-to date technology) and functional features (i.e., navigativity, readability, ease of use, and accuracy) of the website. Positively perceived website design in terms of its quality leads to positive attitudes toward e-tailers (Chen and Wells 1999). In fact, "website look" was the most frequently mentioned website characteristic by online users to evaluate websites' credibility (Fogg et al. 2002). Considering customers' frustration in dealing with dysfunctional websites, creating an easy-to-follow structure is a fundamental feature that e-tailers should fulfill. Customers' assessment about the e-tailer's trustworthiness seems to be affected by their perception of website design quality. High quality website design indicates that e-tailers invest substantial resources in building functionally and aesthetically attractive websites (Jarvenpaa et al. 1999). Empirical evidence also supports the positive relationship between perceived quality of website design and customers' trust (Chen and Dhillon 2003; Dayal et al. 1999). Thus, if customers believe a website is structured for their convenience, they will find that the e-tailer cares for them, which will lead to customer's e-trust toward the e-tailers. Thus,

Hypothesis 1: Customers' perceived quality of website design is positively related to customers' e-trust.

Flow

Flow refers to "the state occurring during network navigation, which is (1) characterized by a seamless sequence of responses facilitated by machine interactivity, (2) intrinsically enjoyable, (3) accompanied by a loss of self-consciousness, and (4) self-reinforcing" (Hoffman and Novak 1996, p. 57). Flow is a psychological "state in which the person feels simultaneously cognitively efficient, motivated, and happy" (Moneta and Csikszentmihalyi 1996, p. 227). The consequence of experiencing flow includes "increased learning, exploratory and participatory behaviors, positive subjective experiences, and a perceived sense of control over their interactions" (Hoffman and Novak 1996, p. 58). Flow experience can attract customers, lessen price sensitivity, and positively influence subsequent attitudes and behaviors (Mathwick and Rogdon 2004) with e-tailers. Although such outcomes are expected, little effort has been made to examine the influence of flow on customers' trust in e-commerce empirically. In order for customers to experience "flow," technological interfaces with which the customers interact need to be hassle-free so as not to disrupt the feeling of flow. This requires continuous monitoring of customers' interaction with the websites and possible changes in customers' needs and updating contents in accordance. Successful

implementation of such complicated work may lead customers to believe that the e-tailers have invested substantial resources in meeting customers' needs and wants. Thus:

Hypothesis 2: Customers' flow perception is positively related to customers' e-trust.

Perceived Reputation As Customers' Indirect Experience

A considerable number of studies shed light on the effects of direct and indirect experience on attitudes and behavior (e.g., Fazio and Zanna 1981). In psychology, early research has shown that direct experience generates stronger attitudes than indirect experience. Later studies found that different types of experience induce different types of evaluation. For example, studies found that direct experience tend to produce affect-related evaluation (Millar and Tesser 1992; Wu and Shaffer 1987), whereas indirect experience is more related to cognition-related evaluation (Zanna and Rampel 1988). Research on customer experience in e-commerce mainly focuses on customers' direct experience with websites and its effect on attitude toward a website (Novak et al. 2000; Steuer 1992). Unlike traditional brick and mortar environments, information technology in the online environment enables customers to communicate with each other without any barriers and customers heavily depend on other customers' opinions about e-tailers, which multiplies the importance of information derived from indirect experience. This paper attempts to investigate the role of information from indirect experience on online customers' trust building manifested in perceived reputation of e-tailers.

"Reputation is a valuable asset that requires a long-term investment of resources, effort, and attention to customer relationships" (Jarvenpaa et al. 2000, p. 48). Based on the perception that e-tailers are reluctant to jeopardize their reputation by acting opportunistically, customers recognize that e-tailers with good reputations are more trustworthy (Chiles and McMackin 1996). Researchers investigating the role of reputation on customers' trust building mechanisms suggested that reputation is an important trust building factor in e-commerce (Chen and Dhillon 2003; McKnight et al. 1998). Since reputation requires long-term and massive investment of e-tailers' resources, it reflects how the e-tailers have behaved in the past and how they will act in the future. Thus, customers who believe that e-tailers with good reputations are less likely to waste their valuable resources by exhibiting opportunistic behavior find customers feeling less uncertainty in transactions with these e-tailers, leading to customer e-trust. Thus:

Hypothesis 3: e-Tailers' reputation is positively related to customers' e-trust.

Outcomes of Customers' e-Trust

The positive impact of trust on customers' behavioral outcomes is well-demonstrated in various exchange contexts (e.g., Chaudhuri and Holbrook 2001; Sirdeshmukh et al 2002). This study examines customers' intention to repurchase and to engage in positive word of mouth behavior as customers' behavioral responses derived from their e-trust. Repurchase intention refers to customers' intention to re-patronage e-tailers in the near future for similar purchases. Word of mouth represents product-related conversation among people who have no commercial interest in the conversation (Lampert and Rosenberg 1975). Trust engenders favorable behavioral intention (McKnight et al. 2002a) and "facilitates cooperative behavior" (Shneiderman 2000, p. 57). Studies have demonstrated that customers are more likely to behave in favor of e-tailers when they trust their transaction partners (Dwyer et al. 1987; Everard and Gallletta 2006). Thus, customers who are willing to depend on e-tailers are more likely to repurchase from the e-tailers and are more likely to spread positive opinion about the e-tailers.

Hypothesis 4: Customers' e-trust is positively related to their repurchase intention.

Hypothesis 5: Customers' e-trust is positively related to their word-of-mouth intention.

METHOD

Data Collection & Sample Characteristics

A paper and pencil survey was administered to collect data in South Korea. A total of 500 questionnaires were distributed and 256 were included in data analysis, eliminating cases with incomplete and inappropriate responses. Structural equation modeling was performed to assess the measurement model and the structural model suggested in this study using maximum likelihood method with Amos. About 65% of respondents were between the age of twenty and thirty and 59.6% were male. More than 57 % of respondents had a 4 year or higher college degree.

Measurement

All constructs used in this study were assessed using a 7-point Likert-type scales (1= strongly disagree, 7 = strongly agree). Measures for the perceived quality of website design (5items) and e-trust (4 items) were adopted from McKnight et al. (2002b). Reputation of e-tailers was operationalized as respondents' perception of the e-tailers' reputation. The construct was measured with 3 items, which asked respondents' opinions on the following statements: I believe that the e-tailer has a good reputation; I believe the e-retailer has a good reputation for being fair; I believe the e-retailer has a good reputation for being honest. Flow was operationalized, asking respondents' opinions on the follow three statements: When using the e-tailer, I felt in control; when using the e-tailer, I was totally absorbed in what I was doing; when using the e-tailer, I felt interested, reflecting three dimensions of flow experience (control, attention focus, and intrinsic interest) demonstrated in Webster et al. (1993). Repurchase intention was assessed using a 2-item scale, asking intention to revisit the e-tailers' website whenever they need to purchase a product and intention to use the e-tailers' website in the future. Positive word of mouth was measured using a 2 item scale, asking intention to recommend the e-tailers' website to others and intention to recommend the e-tailers' website when other customers want to purchase a product.

RESULTS

Confirmatory factor analysis was conducted to test the measurement model using AMOS. Two items from the perceived quality of website design and one item from e-trust were removed from the final scale due to their large standardized residuals. The remaining sixteen items demonstrated satisfactory convergent validity and construct reliability with average variance extracted (AVE) greater than 0.5 of total variance (Fornell and Larcker 1981) and Cronbach's alpha and construct reliability for all constructs greater than 0.7 (Hair et al. 1998). Discriminant validity among all constructs was also examined by comparing the squared correlation coefficients between each pair of constructs and the AVEs of all constructs. The AVEs for all constructs were greater than the squared correlation coefficients of all pairs except for one case. The squared correlation coefficient between e-trust and perceived quality of website design was greater than the AVE of e-trust. The goodness-of-fit statistics are: $\chi^2(89) = 163.76$, $p < .000$, RMSEA = .056, CFI = .970, GFI = .929, and NFI = .937, indicating satisfactory model fit (Hair et al. 1998).

This study posits that customers' direct (perceived quality of website design and flow) and indirect experience (reputation) influence trust in e-tailers, which in turn influences customer's intention to repurchase and spread positive WOM. The hypothesized relationships were analyzed through the Structural Equation Model (SEM) using AMOS with a maximum likelihood method. Fit indices of the proposed model show satisfactory model fit (Goodness-of-fit: $\chi^2(94) = 244.98$, $p < 0.001$; RMSEA=0.078; CFI=0.939; GFI=0.897; NFI=0.905) and all hypothesized relationships were supported except for relationship between flow and e-trust. The results show that customers' perception of e-tailers' trustworthiness is affected by direct experience and indirect experience and e-trust significantly influences their repurchase intention and WOM intention about e-tailers.

DISCUSSION & CONCLUSION

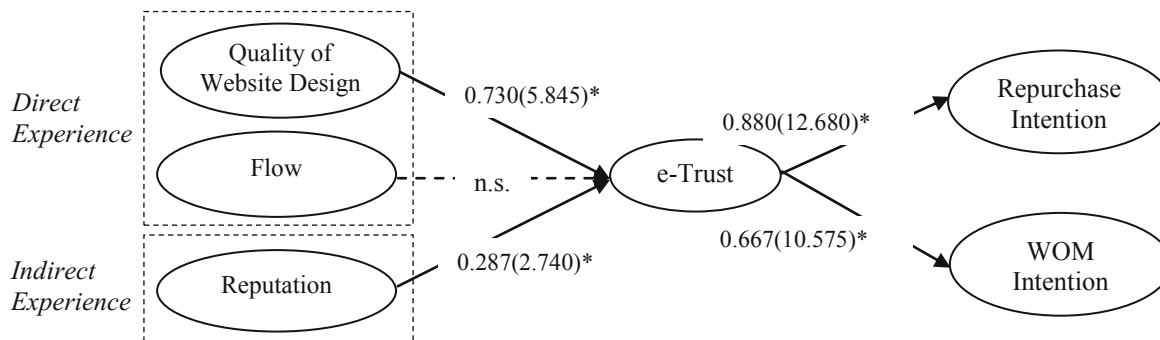
This study examines how information acquired from the customers' direct and indirect experiences influences customers' e-trust and how e-trust influences the customers' behavioral outcomes manifested in intention to repurchase and to spread positive word of mouth. Information derived from the customers' direct and indirect experiences significantly contributes to their perception of trustworthiness of e-tailers. As postulated in this study, perceived quality of website design, which taps functionality as well as the aesthetic features, is significantly related to the customers' e-trust. Flow experience, however, has no significant effect on e-trust. Besides, e-tailers' reputation is significantly associated with customer's e-trust. Direct experience ($\beta=0.730$ for perceived quality of website design) and indirect experience ($\beta=0.287$ for reputation) are important sources of customers' e-trust and perceived quality of website design (direct experience) exerts stronger influence on the customers' e-trust than reputation (indirect experience). In addition, the customers' e-trust significantly contributes to their intention to repurchase and engage in positive word of mouth, signifying the important role of e-trust in the customers' loyalty behaviors.

The findings of this study can help e-retailers to build trust with customers by more closely monitoring functionality and aesthetic aspects of their websites and providing quality websites in order to earn the customers' trust. They also need to pay special attention to building a good reputation with their current and past customers as their opinion is available in the online environment and customers' judgment on the e-tailers' trustworthiness depends on others' opinions.

Some limitations concerning the discriminant validity among constructs used in this study exists. In particular, the squared correlation coefficient between perceived quality of website design and e-trust was greater than the AVE of e-trust, which warrants caution in interpreting the findings of this study. For future research, it would be meaningful to investigate differential effects of direct and indirect experiences across different cultures. It is also desirable to investigate effects of other variables that are left out of this study. For example, information from customers' indirect experience may also include third party assurance.

Figure 1

Figure 1: Structural Model Results



Note. $\chi^2(94) = 244.98, p < 0.001$; RMSEA=0.078; CFI=0.939; GFI=0.897; NFI=0.905

* $p < .001$; a dotted line denotes an insignificant path; standardized coefficient and t-values in parentheses.

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THE EFFECT OF ORGANIZATIONAL AND CULTURAL ANTECEDENTS ON A CUSTOMER PRIORITIZATION STRATEGY IN TIMES OF MARKET DYNAMISM

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ABSTRACT

Recently, researchers have paid increasing attention to customer prioritization as a marketing strategy (Homburg et al. 2008, Workman et al. 2003). This might be driven by an increasing awareness that not all customer relationships are equally profitable and that firms should thus concentrate their relationship marketing efforts on high value customers (Hogan et al. 2002, Boulding et al. 2005, Niraj et al. 2001). Though close customer relationships are important in both business-to-business (b2b) and business-to-consumer (b2c) markets, the majority of customer prioritization research has focused on b2b relationships, thereby investigating the performance effects of key account management (KAM) programs (Stevenson 1981, Homburg et al. 2002). Recent studies have also included b2c relationships in research models, which indicate that customer prioritization pays off in both customer markets (Bauer et al. 2009, Homburg et al. 2008).

However, scholars frequently note that companies might not have the appropriate structures, processes and culture to pursue their customer strategy (Zablah et al. 2004, Peppers et al. 1999). Accordingly, researchers call for more research that examines the ways in which firms organize their selling efforts (Workman et al. 2003, Kempeners et al. 1999). With regard to a customer prioritization strategy this means that organizational structures such as the planning and control system, organization and compensation system as well as corporate culture should facilitate a company to pursue their customer prioritization strategy. These antecedents should particularly reflect the objective of differential and selective customer treatment on the basis of the individual customer value (Ryals et al. 2001, Sheth et al. 2000, Yim et al. 2004). More valuable customers should receive a preferential treatment in terms of price, communication or product offerings, whilst less profitable customers should receive a stripped-down level of service (Bechwati et al. 2005). Organizational structures and corporate culture should thus enable companies to deploy their resources accordingly.

In addition, previous studies in the strategic management and marketing literature have firmly established that firms should consider environmental characteristics in the choice, development, and implementation of strategy (Ketchen et al. 1997, Sin et al. 2005). Accordingly, the effectiveness of organizational and cultural antecedents of a customer prioritization strategy might be dependent on their context (Homburg et al. 2002). Notably, the impact of market dynamism has been subject to much academic debate (Davis et al. 2009, Goll et al. 1997). Market dynamism refers to the degree of instability in the environment, which is caused by changes in technologies, variations in customer preferences or fluctuations in product demand (Dess et al. 1984, Rasheed et al. 1992). Recent research suggests that high-performing organizations cope with dynamic environments using less structure than lower-performing companies (Eisenhardt et al. 2000, Rowley et al. 2000). Accordingly, formal structures such as the company's planning and control system, organization system and compensation system should be less effective in dynamic environments. Instead, scholars propose that in these dynamic market environments, a corporate culture, which reflects the objective of the customer strategy, is an important antecedent (Day 2000, Desphande et al. 1989).

To summarize, drawing on the resource based view, this research investigates the effectiveness of organizational and cultural antecedents on a prioritization strategy in times of market dynamism. To conduct the research, a cross-sectional online survey was conducted. The sample was obtained from the German Chamber of Industry and Commerce and covered companies in 12 different industries. In spring 2010, 290 qualified responses from managing directors or heads of marketing were received. Partial least squares, a broadly accepted variance-based structural equation modeling technique, was used to evaluate the proposed theoretical model (Wold 1985).

Consistent with theory and prior research, the findings suggest that comprehensive planning and control, organization and compensation systems, as well as corporate culture directly support a customer prioritization strategy. Accordingly, it can be assumed that a customer prioritization strategy is most effective when a company has adequate structures and culture in place. However, the results suggest that planning and control as well as organization systems are less effective for companies in dynamic environments. No significant differences could be found regarding the compensation system. In contrast, corporate culture is more effective in dynamic market environments. Hence, companies should support their customer strategy with appropriate structure and culture, but also bear in mind that their effectiveness differs in diverse environments. References available upon request.

HOW CUSTOMER EQUITY DRIVERS AFFECT BEHAVIORAL INTENTIONS AND BEHAVIOR OVER TIME: AN EMPIRICAL ASSESSMENT

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ABSTRACT

There is a strongly held belief that if companies can direct their marketing activities to improve customer attitudes and intentions, it will impact on purchase behaviors. Departing from complementary yet sometimes conflicting findings of the current literature, we intend to contribute to the literature by answering two related questions. First, we investigate drivers of loyalty intention over time, and by so doing try to better understand loyalty formation. Second, once we understand loyalty formation, we assess the impact of loyalty on different aspects of purchase behavior, considering temporal effects. Therefore, we develop a consumption-system model which assumes that perceptions, intention, and the impact of perceptions and intention on behavior in one period serve as anchors for the same constructs in a subsequent period, implying a pattern of repeated consumption over time.

Using 3SLS regression analysis, results of a large-scale study using survey data from a sample of 2,478 customers from two points in time and purchase data gathered over a 30-month period suggest interesting findings on the two aforementioned questions:

Considering the first question, we find strong support for customer equity drivers directly influencing loyalty. Moreover, we see evidence for loyalty formation as a consumption-system as equity drivers and loyalty intention of one period are significant predictors of the same constructs in the next period.

Addressing the second research question is less straightforward. We find a significant impact of loyalty intention only for purchase frequency, but not for future sales and average receipt. This suggests that in a retailing context, the amount spent depends to a larger extent on actual needs and not on loyalty intention. Loyalty intention seems to be a more appropriate lead indicator for the frequency of store visits. For most categories, repurchase intention will not necessarily be related to higher sales. On the contrary, higher future sales are more likely to depend on the retailer's ability to cross- and up-sell to its customers. In all, we need to acknowledge that the strongest predictor of future behavior is, in fact, past behavior.

These results question some of the strongly held beliefs of relationship marketing and its impact on actual behavior. Effects might not be as simple as they appear at first, i.e., temporal interplay between constructs. Moreover, it seems that inertia is more important than some marketing research tends to acknowledge. We would therefore suggest a more detailed investigation of customers' initial choice behavior. If, in fact, inertia is the driving force behind purchase behavior, companies need to augment their emphasis on increasing initial customer contact and, accordingly, on initial product trial. This is somewhat counter-intuitive from a relationship marketing perspective, because that stream of research largely suggests the advantage of retaining customers rather than acquiring new ones. While we are not denying the importance of customer retention, it seems that companies are already fairly successful in doing so – the strong inertia effect confirms that. Hence, customer retention might not be the best strategy to differentiate in the market. Perhaps companies can better differentiate by excelling in customer acquisition. This, however, would have a significant impact on how marketing budgets should be spent by companies trying to reach sustained success. It might be time for re-balancing customer acquisition and customer retention.

References Available on Request.

Friday, 22 July
Time: 1:30 PM

Session Number: **9.9: Service Failure & Switching Behaviors**

Session Chair: Chebat, Jean-Charles, *HEC-Montreal*

Exploring the Role of Cultural Attributions and Intercultural Competence in Intercultural Service Encounters

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Sharma, Piyush, *Hong Kong Polytechnic University*

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INTERCULTURAL SERVICE ENCOUNTERS: EXPLORING THE ROLE OF CULTURAL ATTRIBUTION AND INTERCULTURAL COMPETENCE

Jackie L.M. Tam, The Hong Kong Polytechnic University, Hong Kong
Piyush Sharma, The Hong Kong Polytechnic University, Hong Kong
Namwoon Kim, The Hong Kong Polytechnic University, Hong Kong

INTRODUCTION

With recent increase in international travel and tourism, globalization of service businesses and rise in purchasing of consumers around the world, the interactions between customers and service employees from different cultures are becoming increasingly common. Despite this growing importance of intercultural service encounters, there is little research on the influence of cultural distance on customers' perceptions of service. Misunderstandings and problems are more likely to arise when customers interact with a service employee from a significantly different cultural background. This study investigates the influence of cultural distance on customer responses to a service failure.

THEORETICAL BACKGROUND

Culture distance is the extent to which two cultures are different from each other and it is a result of differences in various cultural elements such as language, religion, social structure, and values (Triandis, 1994). Stauss and Mang (1999) were among the first to empirically investigate the role of culture in the context of services. Contrary to their expectations, their results show that customers perceive failures in intercultural service encounters as less serious than those in intra-cultural service encounters. A possible explanation for this is that customers may attribute the failures to cultural distance.

Attribution theory has been used for explaining customers' reactions to product / service failure (Bitner, 1990; Folkes, 1984, Hartman et al. 2009; Iglesias 2009; Weiner, 2000). It is concerned with the ways in which people explain or attribute the behavior of others or the events they observe (Heider, 1958). When a service failure occurs, customers will feel psychological discomfort, they tend to look for the causes of the failure (Laufer, 2002). They may attribute the cause of the failure to either internal / "dispositional" factor or external / "situation" factor (Reichert, 2004).

CONCEPTUAL FRAMEWORK AND HYPOTHESES

Studies have shown that attributions play an important role in consumers' responses to a service (Chebat et al., 1995; Folkes et al., 1987). When a failure occurs in intercultural service encounters, culture differences between service employee and customer are the most salient characteristics (Hartman et al., 2009). Thus, when the cultural distance between the service employee and the customer is large, the customers are more likely to attribute the causality of the failure to the cultural differences. Moreover, the extent to which the customer attributes the failure to the cultural differences may also affect their perceived service level. Thus, the first hypothesis, as follows:

H1: Perceived cultural attribution (PCA) mediates the influence of perceived cultural distance (PCD) on customers' perceptions of service (PSL).

Intercultural competence (ICC) is the ability to think and act in appropriate ways with people from other cultures (Friedman and Antal, 2005). Bennett (1986) proposes a six-stage development model of intercultural sensitivity. According to this model, intercultural effectiveness is a result of active engagement with cultural differences through adaption and integration. People with high ICC have more knowledge about other cultures. They are able to predict what others will do and feel more control even in an unfamiliar environment (Triandis, 1994).

In contrast, people with low ICC have little knowledge about other cultures and less proficient in other languages, culture differences are not only the major barriers but most salient in intercultural service encounters. Hence, they are more likely to assign causality of a service failure to cultural differences. In other words, the relationship between PCD and PCA may be weaker for people with high ICC than people with low ICC. For people with high ICC, a high cultural attribution may lead to high perceived service level compared to those with low ICC because they have high acceptance of other cultures and are more open and tolerant towards other cultures. Thus, the second hypothesis, as follows:

H2: ICC moderates the strength of the mediated relationships between PCD and PSL via PCA, such that the relationship between PCD and PCA will be weaker under high ICC than under low ICC, but the relationship between PCA and PSL will be stronger under high ICC than under low ICC.

METHODOLOGY

We tested the hypothesized relationships with 241 Chinese customers using a scenario-based survey. Respondents were presented a hypothesized scenario of a service failure occurring in a restaurant and we manipulated the cultural distance of a service employee with a photo of a Chinese vs. Western waiter. We adopted the measures from the existing literature. We tested the mediated relationships (H_1) using the procedure recommended by Baron and Kenny (1986), and the moderated mediated relationships (H_2) following the procedure recommended by Muller et al. (2005). Both hypotheses are supported.

To examine the validity and generalizability of our results, we conducted a second study with 131 non-Chinese customers (Western and Asian customers) using the same procedure and questionnaire. The results are consistent with those in study one and show that customers with low intercultural competence are more likely to attribute the failure to cultural differences, and perceive relatively low levels of service than customers with high intercultural competence. Thus, cultural attribution and intercultural competence play an important role in customers' responses to an intercultural service encounter failure.

RESULTS AND DISCUSSION

Overall, we found support for both our hypotheses in both the studies and our findings extend the growing research on the important topic of intercultural service encounters, with several conceptual contribution and managerial implications. First, as hypothesized we found that cultural attributions play an important role in customers' responses to an intercultural service encounter failure. Prior research uses the similarity-attraction paradigm to explain the activation of cultural stereotypes based on perceived cultural distance. However, we show that it may not be the mere activation of cultural stereotypes but the specific attribution to the cultural difference (in terms of language, communication gap etc) that may affect customer perceptions and judgments in an intercultural service encounters. Specifically, we show that cultural attributions mediate the influence of perceived cultural distance on perceived service level.

Second, this study throws further light on the moderating influence of intercultural competence on the relationship between perceived cultural distance and perceived service level. By introducing cultural attributions as the mediator, we are able to elicit two different types of effects. Specifically, we show that ICC negatively moderates the influence of PCD on PCA but positively for PCA on PSL. Hence, it seems that customers with higher intercultural competence may associate perceived cultural distance with cultural attributions for a service failure to a significantly lesser extent compared to those with lower intercultural competence. Finally, we show that higher ICC customers may associate cultural attributions more positively with perceived service level compared to lower ICC customers. In other words, the higher ICC customers seem to be not only relatively less affected by the perceived cultural distance but they also tend to be more tolerant in their perceptions even in view of a service failure compared to lower ICC customers.

MANAGERIAL IMPLICATIONS

Besides its conceptual contribution, our research also offers useful managerial insights. Specifically, it shows to the service managers that being an interaction between two human beings from different cultural backgrounds, intercultural service encounters are a complex socio-cultural phenomenon. Customers tend to attribute service failure to the cultural difference between them and the service provider, especially if the perceived cultural difference is high. More importantly, it also seems to affect their perceptions about the quality of service provided. Therefore, service managers need to acknowledge these influences and try to minimize the cultural attributions or highlight their positive aspects so that customers may evaluate their service experience more positively despite some intercultural misunderstandings and hiccups.

Interestingly, our research also shows that not all customers are same; some have high intercultural competence than others and this also affects how they react to service failure in intercultural service encounters. Our findings highlight the importance of understanding the intercultural competence of new customers as well as keeping track of regular customers, in order to predict their reactions in service failure situations. Service managers may also find it useful to train their employees to help them identify customers with different levels of intercultural competence based on their behavior, and use this knowledge to manage the intercultural service encounters more effectively.

Finally, it would be useful for employees in simple service settings (e.g., fast food, banking etc.) to learn to discount the perceived cultural distance in their routine interactions to be able to provide a standardized service to all the customers irrespective of their cultural background. However, service managers must ensure that such training does not desensitize the service employees to cross-cultural differences in customer expectations, which could possibly result in more misunderstandings and service failure.

In contrast, service firms offering complex personalized services (e.g., luxury hotels, clubs, and restaurants) should probably train their employees to be more aware of cultural differences in customer expectations and to take these into account when serving customers from diverse cultures. They may also hire employees from other cultures to create a multi-cultural workplace that may encourage greater intercultural interaction and understanding. Interestingly, our findings also show that customers with lower ICC tend to be less tolerant and more prejudiced towards the service employees. Therefore, service firms may also need to educate their customers and proactively manage their expectations throughout the service experience.

LIMITATIONS AND FUTURE RESEARCH

Despite making several important contributions, our research also has some limitations. First, we adapt scales that were originally developed in the Western countries and in view of the significant cross-cultural differences in customer expectations, perceptions, and evaluations (Zhang et al. 2008), it is not clear if all these scales help us capture constructs that have similar meanings across different cultures. Hence, future research may need to establish the cross-cultural measurement equivalence of all these scales before using them in other cultures.

Second, in our study we control for extraneous variables by using a field-experiment approach with an imaginary service failure scenario, but it may restrict the generalizability of our findings and hence, future research should test the extended ICSE framework using other methodologies (e.g., critical incidence technique) with customers from diverse cultures. Moreover, future research may include scenarios with more extreme (e.g., service delight) and less extreme outcomes (e.g., normal service delivery) to test the generalizability of our findings.

Finally, we found several differences in the average scores for many constructs based on age and gender, but both these demographic variables had no significant impact on any of the relationships in the extended ICSE framework. However, we did not have a sufficiently large sample to test for interactions among these variables and with other variables such as service role. For example, it would be useful to explore if female service employees and customers differ in the way PCD influences their PCA, or are the older male customers different from the younger female customers in the way PCA affects their PSL. Such insights may be very useful for the managers of service firms in educating their customers and training their employees.

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Friday, 22 July
Time: 3:30 PM

Session Number: **10.3: Consumer Differences**

Session Chair: Ben Mimoun, Slim, *SKEMA-Univ. Lille Nord de France*

Analyzing the Antecedents and Consequences of Consumer Ethnocentrism Amongst Russian Food Consumers

Pennanen, Kyösti, *VTT Technical Research Centre of Finland*

Luomala, Harri T, *University of Vaasa/Epanet*

Solovjova, Julia, *St.Petersburg State University of Economics and Finance*

Peer Group Influence and Products Purchase Decisions of Young Saudi Adult Males

Opoku, Robert, *King Fahd University of Petroleum & Minerals*

Abdul-Muhmin, Alhassan, *King Fahd University of Petroleum & Minerals*

The Effects of Brand Familiarity and Consumer Value - Brand Symbolism (in) Congruity on Taste Perception

Paasovaara, Rami, *University of Vaasa*

Luomala, Harri, *University of Vaasa*

ANALYZING THE ANTECEDENTS AND CONSEQUENCES OF CONSUMER ETHNOCENTRISM AMONGST RUSSIAN FOOD CONSUMERS

Kyösti Pennanen, VTT Technical Research Centre of Finland, Finland

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ABSTRACT

Consumer ethnocentrism has interested consumer research scholars for several decades. The concept has been applied in several different cultures and research contexts such as automobile industry, food and service markets. This paper aims at studying the antecedents and consequences of consumer ethnocentrism amongst Russian food consumers; three hypotheses are formulated and tested among consumers in St. Petersburg. The results of the study reveal that consumers' characteristics do not affect Russian consumers' ethnocentrism even though past research suggests otherwise. In terms of consequences of consumer ethnocentrism, the results show that the level of ethnocentrism affects 1) how Russian consumers evaluate the quality of foreign food products, 2) how well they know foreign food products and 3) how they prefer domestic food products that differ in terms of level of processing. The managerial and theoretical implications of the findings are discussed.

INTRODUCTION

Since the collapse of the Soviet Union, the Russian economy has opened to international companies. Russian consumers who were used to live under the conditions of deficit of many types of foodstuffs were eager to try new types of products imported from other countries. However, the Soviet centrally planned economy implied very strict control of imported products, which was lacking in the first years of market transformation. Due to this fact, under that period some foreign foodstuffs of deteriorated quality brought disappointment to the inexperienced Russian consumers. Thus, the period of vivid interest of Russian consumers towards all products with foreign labels was substituted by the partial revival of ethnocentric attitudes. At present, the picture has become even more complicated due to the establishment of local subsidiaries in Russia by foreign food-processing companies, which brings Russian consumers to comparison of the quality of products under the same label produced locally in Russia and abroad. The competency of Russian consumers and their aspiration towards a healthier life style are also growing constantly and influence the choice between Russian and foreign foodstuffs.

After the period of dramatic market transformation in the beginning of the 1990s, Russian markets continue to grow rapidly. This is especially visible in food markets. For example, Datamonitor (2010) estimates that Russian food retail industry will reach a value of 792,7 billion US dollars by 2014, which implies the existence of even more opportunities for foreign food companies to conduct successful business in Russia. However, only little public research knowledge is available about food-related consumer behaviour in Russia to assist companies to understand the realities of the Russian markets. Still, knowledge about Russian markets could be considered as very important since they have for a long time been completely different to Western ones and also change constantly (Honkanen and Frewer 2008). This raises questions regarding the applicability of established understanding of food consumption behaviour theories in the Russian context.

Ethnocentrism is seen as a central concept in understanding consumers' willingness to consume foreign products and it is considered as the most important non-tariff barrier (Shankarmahesh 2006). This makes the concept important for both academics and practitioners. A look at the literature reveals only few attempts to study Russian consumers' ethnocentrism (Durvasula et al. 1997; Good and Huddleston 1995). Moreover, the relevancy of ethnocentrism, particularly in the food context, is additionally highlighted by the vast literature regarding the country of origin effect in food consumption. These studies argue that country of origin cues are important in consumer food choices (e.g. Pouta et al. 2010; Schnettler et al. 2008) implying that also consumer ethnocentrism might have an effect on food consumption.

The present study seeks to contribute to food consumption research in two ways. First, it tests the extent to which certain well-established findings concerning consumer ethnocentrism are valid in the modern dynamic Russian food markets. Second, it links consumer ethnocentrism to a previously unaddressed, but a potentially influential, factor: the processing level of a food product. In addition to these academic inputs, the results of this study help both the food firms exporting or planning to export to Russia and the local Russian food producers to evaluate how managerially relevant the concept of consumer ethnocentrism actually is.

Four objectives are set to this study. The first objective is to briefly introduce the conceptual background of consumer

ethnocentrism. The second objective is to develop three research hypotheses concerning certain antecedents and consequences of consumer ethnocentrism amongst Russian food consumers. The third objective is to empirically test the presented research hypotheses. The final objective is to offer a few theoretical and managerial implications together with future research suggestions.

The remainder of the article is organized as follows. The article begins with a literature review regarding the concept of consumer ethnocentrism and hypothesis development. This is followed by the presentation of the study's methodological choices and results. The article concludes with discussion of the study's results in the light of current literature and managerial decision making.

THEORY AND HYPOTHESIS DEVELOPMENT

The concept of ethnocentrism was firstly introduced by Sumner in 1906 (Shimp and Sharma 1987). Sumner (1906, p.13) defined ethnocentrism as "the view of things in which one's own group is the center of everything, and all others are scaled and rated with reference to it...Each group nourishes its own pride and vanity, boasts itself superior, exalts its own divinities and looks with contempt on outsiders" (Sharma et al. 1995, p.27). The definition reflects the nature of ethnocentrism as a sociological concept which refers to individuals' tendency to prefer such behaviours which reflect the norms of a given group to which they belong (Javalgi et al. 2005).

Ethnocentrism has been studied in consumer research since the early 1970s (Shankarmahesh 2006). However, the concept became of wider interest among consumer research scholars in the end of 1980s when Shimp and Sharma (1987) published their study regarding consumer ethnocentrism. They stated that the earlier sociological studies were not suitable to address ethnocentrism in a context of consumption. As a result they (p.280) defined the concept as: "the beliefs held by American consumers about the appropriateness, indeed morality, of purchasing foreign-made products" and provided a scale to measure the phenomenon. In contrast to the concept of ethnocentrism, consumer ethnocentrism is "a uniquely economic form of ethnocentrism" (Sharma et al. 1995, p.27). Three main characteristics of consumer ethnocentrism has been identified: 1) the origin of consumer ethnocentrism is love and concern for one's country and fear of losing control of economic interest as the result of imports, 2) consumer ethnocentrism includes one's unwillingness to buy foreign products due to moral problems and 3) consumer ethnocentrism refers to one's personal level of prejudice against imports (Sharma et al. 1995). Moreover, consumer ethnocentrism is defined as a consumer tendency, which refers that the concept is consumer's trait-like property of personality which contributes to attitudes and behaviour regarding foreign and domestic products (Reardon et al. 2005; Sharma et al. 1995; Shimp and Sharma 1987).

The concept of consumer ethnocentrism has been validated in different consumption contexts such as international services marketing (de Ruyter et al. 1998), among automobile owners (Huitzil Jiméñez and San Martín 2010), brands (Reardon et al. 2005) and food consumption (Chryssochoidis et al. 2007). Furthermore, researchers from different countries have successfully adopted the concept in different cultural contexts such as Turkey (Altintas and Tokol 2007), Greece (Chryssochoidis et al. 2007), Kazakhstan, Slovenia (Reardon et al. 2005), Spain (Huitzil Jiméñez and San Martín 2010), Croatia (Ozretic-Dosen et al. 2007) and New Zealand (Juric and Worsley 1998). Thus, the concept has been found to be a universal one and also the scale to measure the phenomenon has been found valid in different cultural settings.

Hypothesis 1: Age, Gender and Education as Antecedents of Consumer Ethnocentrism in Russia

Consumer researchers have widely studied consumer ethnocentrism from different viewpoints. Several studies have clarified its antecedents and suggested these to include demographic and socio-economic characteristics of consumers. For example, Good and Huddleston (1995) found that older consumers were more ethnocentric than younger ones. Han (1988) explains this as a result of the level of patriotism which increases as people get older. Moreover, Sharma et al. (1995) found that women are more ethnocentric than men because of their higher level of conservatism. Finally, higher education has been found to contribute to the lower level of ethnocentrism (Chryssochoidis et al. 2007; Sharma et al. 1995), because of diminished ethnical prejudices or patriotism (Rose 1985; Watson and Johnson 1972). The preceding discussion leads to the following hypotheses that seek to replicate some of the most robust findings of the ethnocentrism research in the Russian context.

H1a: Younger Russian consumers are less ethnocentric than older Russian consumers.

H1b: Russian men are less ethnocentric than Russian women.

H1c: More educated Russian consumers are less ethnocentric than less educated Russian consumers.

Hypothesis 2: The Effect of Consumer Ethnocentrism on How the Quality of Foreign Foods are Evaluated and How Well They Are Known in Russia

Consumer ethnocentrism has been found to have an influence on consumer attitudes. Literature suggests that consumers hold negative attitudes toward foreign products due to patriotism (Han 1988), nationalism or xenophobia (Sharma et al. 1995). These attitudes are generated, for example, by patriotic advertisements (Sharma et al. 1995) or government-financed “Buy domestic”-campaigns (Luomala 2007).

In the field of food studies, country of origin effect is widely studied in relation to consumer consumption behaviour. For example, Pouta et al. (2010) found that consumers’ choice of broiler fillet was positively affected by domestic cues and Schnettler et al.’s (2008) results provide evidence that the country of origin was the most important factor in consumers’ decision to purchase beef. One explanation for this effect might be consumers’ normative meanings associated with domestic and foreign food products. The normative meanings relate to personal and social norms and moral considerations regarding the purchase and use of food products from a particular origin (Verlegh and van Ittersum 2001). In turn, these normative ethnocentric tendencies and attitudes of food consumers may underlie their choice behaviors (cf. Luomala 2007) as witnessed in the studies above. Since it is known that a lower level of consumer ethnocentrism is related to appreciating foreign food more (Juric and Worsley 1998), the following hypothesis appears logical.

H2a: Russian consumers who are highly ethnocentric perceive the quality of foreign food products to be lower than Russian consumers who are less ethnocentric.

Cultural openness influences the level of consumer ethnocentrism (Shankarmasesh 2006). This concept refers to consumer’s willingness to interact with other cultures and become open to people, values and products of other cultures (Sharma et al. 1995). As consumers with a high level of ethnocentrism are seen to be less culturally open, it implies that they should also be less familiar with foreign food products. Thus, the next hypothesis is as follows.

H2b: Russian consumers who are highly ethnocentric are less familiar with foreign food products than Russian consumers who are less ethnocentric.

Hypothesis 3: The Effect of Consumer Ethnocentrism on Russian Consumers’ Preference for Domestic Food Products Differing in Terms of Level of Processing

The degree to which a food product is processed has not yet been linked to consumer ethnocentrism, even though it has been suggested that it affects the number and content of the meanings that consumers associate with the origin of food (Luomala 2007). The higher the level of processing of a food product is, the more added value or meanings it should offer to consumers. This might be reflected in their willingness to pay more for a food product. One self-evident way to create added value or meanings for consumers is through technological advancements (e.g. use of new ingredients or manufacturing methods). For example, many consumers are willing to pay more for a functional than for conventional yoghurt. Another way to produce added value or meanings for food consumers is through marketing activities such as branding, advertising and packaging design.

In linking the level of processing of a food product to consumer ethnocentrism, the main premise is that a higher level of processing necessitates larger investments in economic, technological, social and intellectual resources. Secondly, as the level of processing of a food product increases, so do the breadth and depth of the meanings consumers attach to it. As a matter of fact, Westerlund Lind (2007) shows that as the processing level of pork meat increases (a strong domestic brand, locality and organic production method are linked to it – use of both technological and marketing-related ways of creating added value), the meanings consumers attach to it become more numerous and rich in comparison to unbranded pork meat. In turn, this is conjectured in the present study to activate explicit or implicit attitudinal thought processes (see e.g. Wilson et al. 2000) that relate to supporting domestic employment, know-how and economy in the minds of food consumers that are highly ethnocentric. This is presumed to occur to a lesser extent in the case of less ethnocentric consumers due to the lower relevancy of these issues to them. As a consequence, the following hypothesis is proposed.

H3: Russian consumers who are highly ethnocentric show stronger choice preferences for highly processed domestic food

products in contrast to lowly processed food products than Russian consumers who are less ethnocentric.

METHODOLOGY

The survey data was collected in St.Petersburg during the summer of 2009 by a specialized market research company. The respondents were recruited randomly from locations such as playgrounds, shopping malls and business centers by trained field workers. The original questionnaire was written in English and then translated into Russian by one person and later translated back to English by another expert to control for meaning ambiguities and errors.

Data collection occurred through personalized interviews. In the end, 1000 responses were collected. After screening the responses, 145 were rejected due to incomplete or inappropriate responding. Thus, the final number of usable responses was 855. The characteristics of the sample are provided in [table 1](#).

The food products focal to this research were chosen to represent both the high and low ends of the level of processing-continuum (high: berry jam, salami-sausage, Finnish squeaky cheese, functional yoghurt, dark luxury-chocolate; low: potatoes, milk, caviar, salmon, beef fillet, duck meat). The countries included in the study were Sweden, France, Germany, Ukraine, Russia and Finland. Two middle-European well-known food countries (Germany and France), two Nordic countries located geographically close to Russia (Sweden and Finland) and one former Soviet Union-state (Ukraine) were deemed to appropriately and credibly represent different origins for the food products listed above.

The key construct of the study, consumer ethnocentrism, was measured by the widely-used sevenpoint CETSCALE of Shimp and Sharma (1987). The reliability of the CETSCALE was measured by calculating the Cronbach's β . It was 0.949 indicating an extremely good scale reliability (Nunnally and Bernstein 1994).

The focal dependent variables were measured as follows. To elicit respondents' evaluations regarding the quality of food products, a single-item measurement was used (scale: 1=low quality... 5=high quality). The question read: "In my opinion, the quality of food products from the following countries is...". Respondents' familiarity regarding the foreign food products was also measured using a single item (scale: 1=not familiar at all ... 9=very familiar) developed by Ahmed and d'Astous (2008). The question read: "I am familiar with the food products which come from the following countries...". Finally, the choice preferences were measured by simply asking the respondents to indicate what would be their first (e.g. Russian milk), second (e.g. Finnish milk), third (e.g. German milk), fourth (e.g. Swedish milk), fifth (e.g. Ukrainian milk) and sixth (e.g. French milk) choice.

RESULTS

Three research hypotheses were derived in the conceptual part of the article. In this section, the data analysis and results regarding the test of each hypothesis are presented. SPSS 17.0 software was used to analyse the data.

Test of Hypothesis 1

Earlier, three hypotheses concerning the relationship between consumer ethnocentrism and consumers' characteristics were formulated. We hypothesized that younger Russian consumers are less ethnocentric than older consumers. The one-way Anova was used to analyze the data. The results of the analysis of variance ($F=2,537$, $p=.027$) suggest that there exist significant differences between the age groups (16-18, $M=4,6760$; 19-30, $M=4,6796$; 31-40, $M=4,7170$; 41-50, $M=4,7495$; 51-60, $M=4,3105$; 61-, $M=4,1516$). The respondents aged 50 or less seem less ethnocentric than the older respondents. However, the Tukey HSD post-hoc test reveals no significant differences between the age groups. Thus, H1a needs to be rejected even the means for 50+ consumers are lower (it is to be noted that larger means indicate lower levels of ethnocentrism).

We further hypothesized that Russian men are less ethnocentric than women. A t-test was performed to analyze the data. The analysis reveals no significant difference between men ($M=4,5955$) and women ($M=4,6508$) ($t=-.567$, $p=.112$). Thus, H1b is not supported.

H1c argues that more educated Russian food consumers are less ethnocentric than less educated consumers. As low educated-group includes only nine respondents, we compared the differences between middle and higher education groups. T-test revealed ($t=-2,215$, $p=.027$) statistical difference between the groups. However, the differences in means are relatively low

(middle education, $M=4,5330$, high education, $M=4,7404$) which means that the statistical difference is mainly a result of a large group size and due to that one would be more certain to generalise the results with p -value lower than .001. Still, the means are in line with the hypothesis, but one needs to be careful in interpreting the results.

Test of Hypothesis 2

The second hypothesis stated that ethnocentrism affects consumers' perception of foreign food quality and how familiar they are with foreign food products. To study this, we first divided the respondents in three different groups based on their level of ethnocentrism using the TwoStep cluster analysis (low ethnocentrism group, $N=361$, $M=5,9309$; middle ethnocentrism group, $N=316$, $M=4,2362$; high ethnocentrism group, $N=178$, $M=2,6980$). The true existence of differences between the identified groups was confirmed with the analysis of variance and Tukey's post-hoc test.

In the test of the hypothesis 2a and 2b, only the groups with the highest and lowest ethnocentrism levels were considered. As hypothesized, the low ethnocentrism group perceives the quality of foreign food products to be higher (France, $M_{low}=4,14$, $M_{high}=3,60$, $t=6,314$, $p=.000$; Ukraine, $M_{low}=2,96$, $M_{high}=3,06$, $t=-.964$, $p=.335$; Finland, $M_{low}=4,62$, $M_{high}=4,43$, $t=2,955$, $p=.003$; Germany, $M_{low}=4,29$, $M_{high}=4,06$, $t=3,033$, $p=.003$; Sweden, $M_{low}=4,16$, $M_{high}=3,39$, $t=7,962$, $p=.000$). Ukraine makes the only exception in that the high ethnocentrism group perceives the quality to be better, although the difference is not significant. This may be explained by the fact that Ukraine has once been a part of the Soviet Union. Thus, H2a is generally supported.

H2b states that highly ethnocentric Russian food consumers are less familiar with foreign products than lowly ethnocentric consumers. A t-test was conducted to confirm or disconfirm the hypothesis. The results almost fully support the hypothesis (France, $M_{low}=4,40$, $M_{high}=3,53$, $t=4,401$, $p=.000$; Ukraine, $M_{low}=5,59$, $M_{high}=5,05$, $t=2,347$, $p=.019$; Finland, $M_{low}=7,05$, $M_{high}=6,37$, $t=3,793$, $p=.000$; Germany, $M_{low}=5,20$, $M_{high}=4,81$, $t=1,789$, $p=.388$; Sweden, $M_{low}=4,17$, $M_{high}=2,97$, $t=5,728$, $p=.000$). The only exception was found in the case of German food products where the direction of differences in the means between the groups was correct, but statistically insignificant. In general, the results are in line with the hypothesis. Thus, H2b is supported.

Test of Hypothesis 3

The third hypothesis stated that Russian consumers who are highly ethnocentric show stronger choice preferences for highly processed domestic food products in contrast to lowly processed food products than Russian consumer who are less ethnocentric. The cross-tabulation analysis and the Pearson chi-square test were used to verify or falsify the hypothesis. [Table 2](#) presents the results. As hypothesized, highly ethnocentric Russian food consumers preferred highly-processed domestic food products in their choices more than lowly ethnocentric consumers (in five out of five products). When it comes to food products, with low level of processing, no differences between the groups were identified in four out of six products. This is consistent with the expectations; no such differences were supposed to be found. Thus, the results are largely supportive to hypothesis 3.

CONCLUSION

This paper presented results regarding different antecedents and consequences of consumer ethnocentrism amongst Russian food consumers. The results indicate that, especially, when it comes to the antecedents of consumer ethnocentrism, the key findings of the past research might not apply in Russian context; no differences in Russian consumer ethnocentrism was found based on different consumer characteristics. Even the results are not in line with the majority of studies conducted in Western context (e.g. Chryssochoidis et al. 2007; Sharma et al. 1995), they are similar to the results of the study by Good and Huddleston (1995) in the Russian context (they found that only education contributed to the level of ethnocentrism) indicating the existence of differences between consumers in Western world and Russia. One explanation for these differences could be that Russian consumers in general are not as ethnocentric as Western consumers, because they have not yet developed such strong attitudes towards foreign products due to the relative novelty of western-style consumption. However, if Russian markets continue to westernize, it is possible that ethnocentric attitudes will increase in future.

The result of cluster analysis shows that there anyway exists a group of highly ethnocentric consumers in Russia as well. When this group is compared with the lowly ethnocentric Russian consumers, the results reveal that the level of ethnocentrism has a role to play in how the quality of foreign food products is perceived and in how well they are known. This result is in line with the previous studies conducted in the Western context (e.g. Han 1988; Reardon et al. 2005; Sharma

et al. 1995) confirming that the concept is applicable in the Russian context as well.

Finally, the study reveals that Russian consumers with a high level of ethnocentrism showed higher choice preference for domestic food products that are highly processed. The similar tendency was not found for less processed food products indicating that highly ethnocentric consumers might associate a broader and deeper set of meanings with highly-processed domestic food products (cf. Luomala 2007). From the Western food companies' perspective, this means that the competition in the category of highly processed food products might be harder and the barrier to enter the Russian markets could be higher, if there already exist equivalent domestic versions of the product. For highly ethnocentric consumers, foreign food companies could consider promote their products under Russian brand names without any emphasis of the country-of-origin. In turn, the country-of-origin (if the country in question is positively viewed in Russia) could be used as a core of branding for lowly ethnocentric consumers, since it may represent added value for them.

This study is one of the few conducted in the Russian context (see, Shankarmahesh 2006). As Russia is becoming a highly attractive market and also a part of the modern and globalized world, more research needs to be conducted in order to understand Russian consumers' consumption behaviour. The present study serves as a starting point for further studies. The results revealed that the concept of consumer ethnocentrism is relevant in Russia as well. However, in comparison to the Western context, differences seem also exist. In order to understand the reasons behind these differences, more ambitious research efforts should be directed at consumer behaviours with domestic and foreign products and services in various parts of Russia – Russia is not a homogenous country in terms of the economic, legal, cultural, religious and social factors and thus the results of this study are only applicable in the St. Petersburg area.

The theoretical explanation given for the third hypothesis needs more stringent testing. First, the assumption that consumers attach more and deeper meanings to highly processed food products/brands than to lowly processed ones should be more thoroughly validated. Moreover, the extent to which the content of these meanings relate to key ideas of consumer ethnocentrism (e.g. supporting domestic economy and rejecting foreign products/services) wait to be clarified. Second, it was proposed that highly ethnocentric consumers may possess deeply-rooted and unconscious implicit “domestic is better”-attitudes. Intuitive “authentic is better”- and “tasty is unhealthy”-beliefs have been demonstrated to influence consumers' opinions and taste perceptions concerning food products (Millet et al. 2009; Raghunathan et al. 2006). Thus, it should be established whether implicit “domestic is better”-attitudes truly exist in different countries. Experimental research addressing how subtle and less subtle cues for country-of-origin affect consumption experiences with lowly and highly processed food products amongst individuals who are highly and lowly ethnocentric offers an intriguing avenue for future studies.

This study has also some limitations. One could wonder if the differences between attitudes towards high- and low-processed food might be also explained by the presence of suppliers from different countries in specific product categories. For instance, Finnish milk is not sold everywhere and is considerably more expensive which reduces the possible options for consumers resulting in that both ethnocentric and non-ethnocentric consumers would vote for the available option – Russian milk. Another factor that might influence the research results is that grocery stores in St. Petersburg are not obliged to state obviously country-of-origin. Because of that, consumers might not be always aware of where the products are from. This is especially true for products without package (e.g. meat, salmon or potato) which could have had an impact on study's results.

TABLES

Table 1: Sample Characteristics

Age	N	Gender	N	Education	N
16–18	69	male	298	low	9
19–30	372	female	557	middle	471
31–40	159			high	375
41–50	124				
51–60	86				
61–	45				

Table 2: Choice Preferences for Domestic Food Products Varying in Their Level of Processing Amongst Highly and Lowly Ethnocentric Russian Consumers

High level of processing	Ethnocentric group	first choice	second choice	third choice	fourth choice	fifth choice	sixth choice	Pearson chi-square	df	p
berry jam	low	52,1%	16,9%	12,2%	8,3%	8,0%	2,5%	13,247	5	.021
	high	67,4%	14,6%	7,3%	5,6%	3,9%	1,1%			
salami-sausage	low	22,7%	15,0%	16,9%	16,3%	21,9%	7,2%	22,430	5	.000
	high	41,0%	16,3%	12,4%	10,1%	15,2%	5,1%			
Finnish squeaky-cheese	low	18,8%	15,5%	14,7%	17,2%	26,6%	7,2%			
	high	41,6%	14,6%	13,5%	11,2%	13,5%	5,6%	35,992	5	.000
functional yoghurt	low	30,7%	16,1%	14,4%	15,5%	18,6%	4,7%			
	high	59,0%	12,9%	11,8%	7,3%	5,1%	3,9%	46,963	5	.000
dark luxury-chocolate	low	37,4%	15,5%	14,1%	13,6%	16,3%	3,0%			
	high	55,6%	10,7%	10,1%	8,4%	11,8%	3,4%	16,983	5	.005
Low level of processing	Ethnocentric group	first choice	second choice	third choice	fourth choice	fifth choice	sixth choice	Pearson chi-square	df	p
potato	low	74,8%	11,9%	5,5%	4,7%	1,7%	1,4%	6,113	5	.295
	high	75,3%	15,7%	2,2%	2,8%	2,8%	1,1%			
milk	low	62,3%	15,5%	8,0%	6,9%	5,0%	2,2%	8,330	5	.139
	high	74,2%	11,8%	6,2%	3,4%	2,8%	1,7%			
caviar	low	53,5%	13,3%	14,7%	9,1%	6,1%	3,3%	6,957	5	.224
	high	62,4%	11,2%	7,9%	7,9%	6,7%	3,9%			
salmon	low	38,8%	17,5%	21,9%	10,2%	9,7%	1,9%	31,188	5	.000
	high	58,4%	15,7%	8,4%	5,1%	7,3%	5,1%			
beef fillet	low	47,4%	16,1%	12,7%	8,0%	10,8%	5,0%	15,287	5	.009
	high	62,9%	10,7%	11,2%	6,2%	3,9%	5,1%			
duck meat	low	46,7%	14,2%	12,5%	10,0%	13,1%	3,6%	7,325	5	.198
	high	57,3%	12,4%	10,7%	7,3%	7,9%	4,5%			

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PEER GROUP INFLUENCE AND PRODUCTS PURCHASE DECISIONS OF YOUNG SAUDI ADULT MALES

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ABSTRACT

The role that peer influence plays in shaping young adult consumers' products purchase decision cannot be overemphasized. The purpose of this study then is to investigate the role of peer influence in shaping young adult male consumers' product purchase decisions in Saudi Arabia. Data was gathered through the quantitative approach. The study adds richness to the peer influence theory from a unique culture such as Saudi Arabia which is under-researched. Based on the results of this study, practical implications for marketing strategies are suggested and future research directions proposed.

INTRODUCTION

Knowledge of the role that peer influence plays in shaping young adult consumers' products purchase decision is important for marketers, as it is most essential for them to orient their strategies to the most effective reference group members. At the same time, Johar et al. (2006) have called for researchers to take a broader look at consumers of different cultural backgrounds in order to understand how differences in cultural beliefs may affect consumption. The purpose of this study then is to respond to this call by investigating the role of peer influence in shaping young adult male consumers' product purchase decisions in Saudi Arabia. The focus on male adults is necessitated by the strict separation between the sexes in Saudi Arabia, and the associated difficulties in accessing female respondents for research. Besides, female Saudis are generally expected to maintain a low profile in society. As such even their usage behavior for many product categories (including even clothing) turns to be very discrete, making it difficult to actually ascertain the role of peer influence in their consumption behavior.

Results of the research will provide meaningful managerial guidelines for both Saudi marketing practitioners in their marketing practices and international companies yet to enter the Saudi market.

LITERATURE REVIEW

In the literature, peer influence on consumption behavior has been conceptualized in terms of normative and informational influences, and previous studies suggest suggests some discrepancies in the way people from individualistic and collectivistic cultures respond to these influences. Given the collectivist culture in Saudi Arabia then, it will be interesting to examine the relative dominance of these influences in consumption behavior of Saudi youth. Furthermore, it has been established in previous research that the degree of peer influence differs across products (Bachmann et al., 1993; Bearden and Etzel, 1982; Childers and Rao, 1992). Specifically, it has been found that the impact of peer influence is strong for publicly consumed luxuries than for privately consumed necessities. Private consumed luxuries also tend to attract more peer influence than privately consumed necessities. These influences have been found to endure both across the general population (Bearden and Etzel, 1982; Childers and Rao, 1992) and among children (Bachman et al., 1993). However, it is not clear whether the same results will hold for young adults. Young adults are therefore used in this study instead of the general population or children. In further studying this subject, the present study adopted the approach that is similar to the one used in studies conducted by Bachmann et al. (1993), Bearden and Etzel (1982) and Childers and Rao (1992).

Based on the above therefore, we expect peer group influence to manifest itself (in terms of both normative and informational influence) among young Saudi adults. Following Bearden and Etzel (1982), we also expect the relative impact of these influences to vary by product type (i.e. according to the luxury/necessity but not public/private categorization). In fact, the public-private influence is not the focus of this exploratory study as it will be considered in subsequent ones. Accordingly, some hypotheses (see [Table 1](#)) were formulated based on previous studies (Bearden and Etzel, 1982, Childers and Rao, 1992).

METHODOLOGY

To test the study hypotheses, a survey was conducted among male students (ages 16 to 35 years) in the authors' university. The institution draws students from all regions of Saudi Arabia. Singh et al., (2003) have also used university students. In the survey the students indicated the extent to which they would be influenced when buying four products. These are designer watch (public luxury); home theatre (private luxury); thobe (public necessity); and television (private necessity). In order to avoid the "carryover effect" of respondents, between-subjects design was employed (Greenwald, 1976; Hoeffler, 2003) in the data collection.

The products were selected based on a pilot study that was conducted to assess the conspicuousness of the four products. Three of the products (i.e. top branded watch, home theatre and television) are "multi-cultural", indicating the widespread emulation of the Western consumerism lifestyles by young adults in Saudi Arabia (Assad, 2007). Thobe, on the other hand is the traditional menswear almost synonymous with Saudi culture (Al-Kinani, 2010). Therefore, all the selected products could easily be evaluated or compared by an average Saudi. To measure peer based influence, questionnaire items were adapted from Bearden and Etzel (1982) and Bearden et al., (1989) and Mokgosa and Mohube (2007) scales.

RESULTS

The hypotheses were tested using independent samples t-tests. As shown in Table 1, comparisons were made between various pairs of product categories, e.g. public luxury (PUL) versus public necessity (PUN). For these analyses the focus was on the overall level of peer group influence rather than its component parts. Accordingly, a composite score of normative and informational influence was used to indicate the level of peer group influence.

Insert Table 1 about here

Based on one-tail significance tests, four of the six hypotheses are supported. Specifically, peer group influence is greater for public luxuries than for private necessities and for private luxuries than for public necessities.

CONCLUSION

The contribution of this study to the consumer behavior literature is three fold. First, as a replication of some important previous studies in a different but unique cultural context such as Saudi Arabia, it adds richness to the peer influence literature. Second, of the present results contradict one important finding in previous studies which states that peer influence on public necessities will be generally lower compared to private luxuries (see Bearden and Etzel, 1982; Childers and Rao, 1992). Thus, in contrast with previous findings from individualistic cultures, this hypothesis appears not to hold in collective cultures. Third, this study demonstrates that peer influence might have a limited impact on consumer decision making and that other influences are involved in the process of making a product purchase decision in collective cultures.

STUDY IMPLICATIONS FOR PRACTITIONERS

To the marketing practitioner, the benefit of this study is two fold. In this age of globalization, examination of cultural factors and subtle ways in which culture affects their consumption behaviour should not be overlooked by marketers. For instance, the largest cohort of young people living in Saudi Arabia is currently coming of age. Thus, this study adds to our understanding of how the influence of peers might vary across various cultures and products consumed by young adults. Second, this study has reinforced the need for marketing practitioners to pay particular attention to how peers can influence buying behaviors.

This study has some limitations. First, the sample contains only male students; therefore, the findings do not generalize to females. Second, it is not common practice for people to imagine how they will be influenced by products that have not yet bought (for e.g. designer watch and home theater). Asking people to imagine certain situations may compromise the results.

Besides, generalizing the findings of this study that uses university students in one university as subjects to other population groups may be misleading. In this regard, this study should also be extended to cover more demographically diverse samples in Saudi Arabia and more consumer segments should be added in a future study. Thus, a possible very interesting extension of this work will be to replicate the study for young Saudi adult females.

TABLE

Table 1: Paired comparison hypothesis and results for peer influence

Comparison		Hypothesis	Mean		Mean Diff.	Std Error Diff.	<i>t</i>	<i>p</i>	Hypothesis Evaluation	
P1	P2		NI	II					Directional Support	Statistical Significance
PUL	PUN	PUL > PUN	2.83	2.99	-0.16	0.16	-0.97	0.17	No	No
PRL	PRN	PRL > PRN	2.50	2.60	-0.10	0.11	-0.95	0.18	No	No
PUL	PRL	PUL = PRL	2.83	2.50	0.33	0.13	2.47	0.02*	No	Yes
PUN	PRN	PUN = PRN	2.99	2.60	0.39	0.14	2.69	0.01*	No	Yes
PUL	PRN	PUL > PRN	2.83	2.60	0.23	0.13	1.80	0.04*	Yes	Yes
PUN	PRL	PUN < PRL	2.99	2.50	0.49	0.15	3.26	0.00*	No	Yes

*Differences between pairs is significant at $p \leq 0.05$ NI = Normative Influence; II= Informational Influence

PUL = Public Luxury PUN= Public Necessity PRL = Private Luxury PRN= Private Necessity

In directional support "yes" means the hypothesized relationship is supported, "no" means it is not.

In statistical significance, "yes" connotes that the difference in means between the two product categories is significant whilst "no" is the opposite.

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Acknowledgements: The authors would like to acknowledge the support provided by the Deanship of Research at King Fahd University of Petroleum & Minerals (KFUPM) under Junior Faculty Research Grant No. JF090006

THE EFFECTS OF BRAND FAMILIARITY AND CONSUMER VALUE – BRAND SYMBOLISM (IN)CONGRUITY ON TASTE PERCEPTION

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INTRODUCTION

This study examines how both familiar brands and the fit or misfit between consumer values and brand symbolism can affect consumers' perceived taste of food products. Our aim is to contribute to food consumption research in three ways. First, we propose and test a novel framework combining these two explanations for consumers' brand-induced food taste perception. Hence, our study extends Allen et al.'s (2008) important work (to be introduced below) by explicitly paying attention to brand familiarity effects together with the (in)congruity effects. Second, only few studies have focused on the relationship between brand equity and grocery products (Anselmsson et al. 2007: 402). Third, we also advance the more general understanding of the physiological aspects of product experiences that have started to fascinate academics recently (Peck and Childers 2003). Next, theoretical arguments for both of the explanations are presented.

The positive effect of brand familiarity on consumers' taste perception of foods has been confirmed by several studies. To illustrate, Hoegg and Alba (2007) found that better known Tropicana orange juice was preferred by 67 % of the study participants over more unfamiliar Winn-Dixie, although they tasted similar juice samples. In the study of Robinson et al. (2007), young children tasted identical foods and drinks either in packaging from McDonald's or from unbranded packaging. Children preferred the taste of foods and drinks they believed were from McDonald's. Further, Vranesovic and Stancec (2003) found that in the blind taste evaluation, 60 % of the study participants preferred the taste of an unfamiliar liver paté brand to the taste of a familiar brand, while in the informed taste test (brands were shown) the taste of less familiar liver paté brand was preferred only by 33 % of the study participants.

On the other hand, there has recently been a surge of interest directed at the interplay between consumer values and taste perception (Kihlberg and Risvik 2007). An especially relevant study from this research genre for the present investigation is the one by Allen et al. (2008). In their study, a pair of food rolls and a pair of cola soft drinks that have objectively similar tastes but different symbolic meanings were evaluated among consumers with distinct value orientations. They found that the beef sausage roll symbolises the endorsement and the vegetarian alternative roll the rejection of social power values, whereas Pepsi cola symbolises the endorsement and Woolworth Homebrand cola the rejection of excitement and enjoyment values. Consumers embracing low social power values evaluated the taste of the roll better when they believed it was a vegetarian roll (vs. beef roll), and consumers embracing excitement and enjoyment values reported that the drink tasted better when they believed they had tasted Pepsi (vs. Woolworth). In reality, participants were told the correct identity of a product or misinformed. As a result, they argue that culture attaches symbolic meanings (e.g. human values, norms, social categories) to foods and beverages and that the fit between these symbolic meanings and consumers' own personal values determines how positively or negatively the taste or aroma is evaluated.

In addition to Allen et al.'s (2008) study, there are no examples of studies that have consciously linked consumer value – brand symbolism (in)congruity to taste perception. Lehtola et al.'s (2008) study comes closest; it revealed that the scent and taste of filled organic breakfast tomatoes (unbranded) were rated better among consumers embracing values such as harmony, nature, and locality than among consumers with mixed value orientations. Secondly, it has been found that consumers with hedonistic values rate the taste of a rye bread brand with lowest hedonistic image worse than consumers with traditional values (Paasovaara et al. 2007; Pohjanheimo et al. 2010). Thus, the former study offers some evidence for the congruity and the latter for the incongruity effects. Drawing together the theoretical discussion, three research hypotheses can be developed for empirical testing:

H1: Familiar food brands will enhance consumers' taste perception in the blind vs. brand-cued evaluation because of the brand familiarity effect.

H2: When consumers' values are congruent with the symbolism that is related to a familiar food brand, the taste perception will be enhanced in the blind vs. brand-cued evaluation because both the brand familiarity and consumer value – brand symbolism congruity effects work in the same direction.

H3: When consumers' values are incongruent with the symbolism that is related to a familiar food brand, the taste perception will remain unchanged in the blind vs. brand-cued evaluation because the unfavourable incongruity effect is cancelled out by the favourable brand familiarity effect.

METHODOLOGY

Experiment 1: Test of hypothesis 1

Participants were recruited via posters in a capital city area of a European country. Interested consumers filled in a background questionnaire and the shorter version of the Schwartz Value Survey (Schwartz 1994) on an Internet page. A total of 1100 consumers registered for taste tests, and from this pool, 86 yogurt consumers (85 % females, mean age 35, regular yogurt eaters 79 %) participated in the experiment 1. Two drinkable yogurts were evaluated for the pleasantness of their taste. The brand “T” was of domestic origin and the brand “H” of foreign origin, and in both of the products the basic flavour was strawberry. Both of these brands are strong and well-known and have been available on the local markets for a long time.

The taste test was conducted in two separated rooms in a shopping centre. Participants were not informed beforehand, which products they were about to taste. First, the liking of the yogurts, that was recorded by the LAM-scale (Cardello and Schutz 2004) which ranges from -100 to +100 (greatest imaginable disliking/liking), was measured in a blind evaluation task. Yogurt samples were distributed in random order and served at +8°C in the 100 ml plastic bottles to cover their appearance. Secondly, the participants re-evaluated the liking of the yogurts in another test room, but the samples were now identified by their package information (e.g. manufacturer’s name, brand name and flavour). In order to decrease the possibility of demand effects, certain steps were taken (including filler tasks) to ensure that participants did not know that they were re-evaluating the same yogurt samples. The difference between blind and brand-cued evaluations was analysed by the paired sample t-test.

Experiment 2: Test of hypotheses 2 and 3

The same pool of potential participants was used as in the experiment 1. On the basis of the responses to the Schwartz Value Survey, consumers representing the two opposite value types, hedonism and tradition, were accepted into the study. Consumers with high scores on the two hedonistic value items “pleasure” (M=6.0) and “enjoying life” (M=6.7) and low scores on the traditional values “respect for tradition” (M=3.7) and “moderate” (M=3.8) formed the group of hedonists (n=42, 79 % females, mean age 32, regular yogurt eaters 86 %). In turn, consumers with relatively high scores on “respect for tradition” (M=5.9) and “moderate” (M=5.1) and relatively low scores on “pleasure” (M=4.5) and “enjoying life” (M=5.6) formed the traditional group (n=34, 79 % females, mean age 45, regular yogurt eaters 91 %). The hedonistic and traditional groups differed ($p<.001$) from each other according to the relative importance of the four value items and mean age.

To control for brand symbolism, the participants of experiment 1 were asked (as a part of this experiment) to evaluate the brand images. The brand image items, that were measured by nine-point semantic differentials, were derived from the Schwartz’s (1994) values in the following way: the conservatism (tradition) item “respect for tradition” was formulated into “conventional-modern” and the “moderate” item was formulated into “moderate-colorful”. The affective autonomy (hedonism) item “an exciting life” was converted into “exciting-dull” and the “enjoying life” item was converted into “up-cheering-boring”. As a result, the T-brand was perceived as more conventional (mean score 3.78 vs. 6.75, $p<.001$) and more moderate (3.17 vs. 6.26, $p<.001$) than the H-brand, which in turn was perceived as more exciting (3.89 vs. 5.53, $p<.001$) and more up-cheering (3.73 vs. 4.66, $p<.001$). Thus, the T-brand was considered as traditional and the H-brand as hedonistic.

To generate value-congruent behaviour, consumers’ central values, when they are not the primary focus of attention, need to be activated (Verplanken and Holland 2002). Prior to sensory evaluation participants’ central values were activated by presenting them pre-tested messages stressing either hedonism or traditionalism; the hedonistic picture-statement – combination mirrored personal indulgence and pleasure for all senses and the corresponding traditional message familiarity, safety and good manners while eating. Each participant was asked to shortly analyse the presented information. The manipulation check revealed that the value activation was successful. The strong majority of the participants (>75 %) reported purely positive and value-congruent thoughts and less than 5 % of the participants evaluated the message as incongruent with their central values. After this phase, the experimental procedure was identical to that of experiment 1.

RESULTS AND DISCUSSION

In the first experiment, the brand familiarity (BF) effect was tested (H1). The liking (blind vs. brand-cued taste evaluation) of the T-brand yogurt was clearly elevated (change +11.7, $t=3.602$, $p=.001$). In turn, the liking of the H-brand yogurt was not enhanced (change +2.7, $t=.917$, $p=.362$) and this is inconsistent with our expectations. This may be due to less positive attitudes toward the foreign origin of the H-brand. Past research has shown that country-of-origin can contribute to consumers’ positive food brand experiences (Luomala 2007). In summary, we can say to have received partial empirical

evidence for the brand familiarity explanation in consumers' food taste perception.

In the second experiment, the combined brand familiarity and congruity (CBF) effect was first tested (H2). The liking of the traditional T-brand yogurt was marginally enhanced among the traditional participants (change +8.9, $t=1.758$, $p=.088$). Similarly, the liking of the hedonistic H-brand yogurt among the hedonistic participants was also enhanced (change +9.6, $t=2.210$, $p=.033$). Thus, the congruency between participants' activated central values and yogurt brand symbolism (in tandem with the brand familiarity) boosted the taste experience as expected and we can say to have gained evidence for the second hypothesis. When the combined brand familiarity and incongruity (IBF) effect was tested (H3), the liking of the T-brand yogurt among the hedonistic participants (change +5.6, $t=1.444$, $p=.156$) and the liking of the H-brand yogurt among the traditional participants (change -5.6, $t=.704$, $p=.486$) remained intact as expected, giving empirical support for the third hypothesis. The incongruity effect here may be amplified by the foreign origin of the H-brand; domestic origin and locality are an important aspect of traditional food products in European consumers' minds (Guerrero et al. 2009).

To realise whether one of the two explanatory mechanisms is more powerful in accounting for consumers' brand-induced food taste perception, it can be calculated from the detected changes (see above) that the mean change in the sensory perception is +7.2 in the BF-condition, +9.25 in the CBF-condition and 0.0 in the IBF-condition. Thus, the net difference in the magnitude of the change in the sensory perception is +2.05 between the BF- and the CBF-conditions and -7.2 between the BF- and the IBF-conditions. The empirical results together with these observations imply that congruity is not responsible for enhancing consumers' taste perception much beyond the level that is produced by the brand familiarity. In contrast, the incongruity effect appears to be capable of neutralising the brand familiarity effect. This means that these two explanations may operate independently. Moreover, in the case of well-known food brands, incongruity may cause inflated taste experiences, because consumers have encountered symbolic information that is in opposition with their central values (Allen et al. 2008) and that might have put them in a negative mood triggering heightened self-focus and more analytical and substantive processing of upcoming stimuli (Luomala and Laaksonen 2000).

CONCLUSIONS AND IMPLICATIONS FOR THEORY AND PRACTICE

While the results are novel and expand Allen et al.'s (2008) work, three study limitations should be recognised. First, the hedonistic participants were younger than traditional participants leaving some room for speculating the potential role of age (and other demographics) in the results. Second, a fuller picture of how brand familiarity and consumer value – brand symbolism mechanisms operate together would have been achieved by incorporating a low familiarity yogurt brand into the study design. Third, we used food products that are probably associated with low involvement levels. It is possible that the results would have been different, if food brands with higher involvement levels (e.g. rare seafood, finest chocolate, luxurious cheeses, exquisite wines) had been studied.

Two theoretical implications emanate from the study. First, the results suggest that in the case of well-known food brands, the brand familiarity explains consumers' brand-induced taste perception better than the consumer value – brand symbolism congruity, but the incongruity, in turn, can be as powerful explanation as brand familiarity. Moreover, if brand familiarity decreases or disappears altogether, then the (in)congruity-account should logically become the main explanation. Second, our study speaks for the importance of incorporating consumer value – brand symbolism incongruity mechanism into food consumption studies. For instance, the recent trend of ethical food consumption has probably increased the likelihood of the value – brand symbolism misfit experiences; food brands that are founded on the symbolism cherishing sincerity (e.g. organic and fair trade brands) are especially vulnerable to clash with consumers' (e.g. universalistic) values, because sincerity requires a high degree of consistency between the brand's espoused values and its actions (Aaker et al. 2004).

Our findings also generated two managerial implications. First, even owners' of strong food brands cannot trust the ability of their brands to boost a consumer's taste experience if there is not a correspondence between his/her central values and brand symbolism. Thus, food brand marketers are advised to seek understanding of the symbolism their brand carries and the value orientations of their key consumer segments. In fact, it seems possible that consumers' central values actually affect the sensory qualities they appreciate in a food product. Namely, Pohjanheimo et al. (2010) have demonstrated that a soft texture of rye bread drive the liking for the hedonists while the moistness and sourness were more important sensory qualities for the traditionalists. Second, since both brand familiarity and consumer value – brand symbolism (in)congruity affect consumers' taste experience, an objectively better taste is not necessarily decisive (Allen et al. 2008). For example, Thomson (2007) believes that food industry is too fixed in optimising the sensory quality of food products; satisfactory level would suffice if it is coupled with imaginative and daring brand marketing that delivers unique emotional and functional benefits for well-defined food consumer target segments.

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Friday, 22 July
Time: 3:30 PM

Session Number: **10.4: Doctoral Colloquium**

Session Chair: Ford, John, *Old Dominion University*

Special Session

Core Corporate Strategic Capabilities: Role of Corporate Capabilities, Integrity, Institutions and the Implication Toward Sustainable Corporate Reputation and Performance

Chao, Emmanuel, *Agder University*

From the Knowledge Creating Process to the Knowledge Creating Outcome: The Way to Go For Multinational Corporations

Izunwanne, Pamela, *University of Adger*

The Role of Entrepreneurial and Networking Orientations in Developing Marketing Capabilities of Born Global Firms

Tunca, Burak, *University of Adger*

The New Frontier in Boundary-Spanning Roles – Improvisation as a Tool to Manage Role Stress

Vredenburg, Jessica, *University of Melbourne*

How Consumers Process Prevention-oriented Direct-to-Consumer Advertising Messages: A Conceptual Paper

Manika, Danae, *University of Texas at Austin*

CORE CORPORATE STRATEGIC CAPABILITIES: ROLE OF CORPORATE CAPABILITIES, INTEGRITY, INSTITUTIONS, AND IMPLICATIONS TOWARD SUSTAINABLE CORPORATE REPUTATION AND PERFORMANCE

Emmanuel J. Chao, Agder University, Norway

ABSTRACT

Approaching markets that are at the bottom of the pyramid requires strategies which are different from those used at the top of the pyramid. Understanding the success in serving these markets requires examining strategic capabilities firms possess. Due to difference between strategic approaches in developed and developing markets, it is important to understand what makes strategic capabilities of multinationals in developing markets. Analysis of corporate capability is one of important mechanism in analysing strategic core. Assessing core strategic capabilities is not only a matter of assessing their ingredients but also assessing delivery of corporate objectives in a manner that is acceptable by society. If society dimensions are involved in core strategic composition, firms will ensure their reputation in carrying out their economic objectives.

This study intends to address the core strategic capability of multinationals in developing economy within constraints of corporate performance and reputation. Two constraints are involved because the core strategic capability has to ensure the sustainability of the two. The study view corporate capability to depend highly on corporate capabilities (innovation, leadership/managerial, financial and related competencies) as well as corporate integrity. Proposed study has predicted core strategic capability to be made of corporate capabilities, corporate integrity and their influence is mediated with institutions. Core strategic capabilities are also predicted to influence corporate reputation and performance.

Reference available upon request

FROM THE KNOWLEDGE CREATING PROCESS TO THE KNOWLEDGE CREATING OUTCOME: THE WAY TO GO FOR MULTINATIONAL CORPORATIONS

Pamela Chidiogo Izunwanne, University of Agder, Norway

ABSTRACT

Continuous creation of new knowledge is an activity that is said to enable organizations gain competitive advantage in their operations. However, apart from a few studies that have generated a trail of similar studies on this subject, there remains a shortage of research on how the activity is to be coordinated from input to outcome phase for maximum benefit. This paper presents a proposal to study the knowledge creation activity with a focus on Multinational Corporations and builds on the characteristics of the knowledge creation activity: knowledge creating input (the means used to generate new knowledge); knowledge creating output (the result of the knowledge creating process); and the knowledge creating outcome (the result of the implementation and commercialization processes). I suggest research and development R&D as a means of continuously creating new knowledge in MNCs through curiosity and systematic application of existing knowledge. Hypotheses are summarized thus: market research activities in the form of market research, consumer behavior research and cultural research positively influence the knowledge creating process and together with institutionalization agents specifically professions, influence the implementation and commercialization processes that lead to routine knowledge. Feedback from market and organizational members ensure a continuous knowledge creation cycle in organizations.

INTRODUCTION

New knowledge (Knowledge creating output) in the form of product prototypes or a unique idea can result from R&D activity (knowledge creating input). In its initial form, new knowledge (Knowledge creation output) is very useful but it becomes even more useful to an organization when it becomes routine knowledge (Knowledge creation outcome), distributed in the market as new products or when it becomes well accepted (within or outside the organization) in the case of new techniques or procedures (Mitchell & Boyle, 2010).

The three key knowledge operations a firm carries out are sharing, transfer and creation of knowledge. These operations are identified by many Scholars as value adding activities (Minbaeva, 2007; Minbaeva & Michailova, 2004) and are of extreme value to Multinational Corporations (henceforth MNCs in this paper) (Choi & Lee, 2002) since they have subsidiaries in different regions that should ideally equally benefit from new knowledge realized at corporate headquarters or sister divisions (Gooderham, 2007). However, MNCs need to realize the nature of the entire knowledge activity chain (process, output and outcome) in order to be effective in these operations (Mitchell & Boyle, 2010).

One of the key literatures that has studied new knowledge creation, and triggered a lot of research along its path suggests interaction between tacit and explicit knowledge as a key means of knowledge generation. It emphasizes the role of socialization mechanisms in generating new knowledge (Nonaka, Konno, & Toyama, 2000). Other studies have focused on the absorption and transfer of new knowledge through other mechanisms such as expatriation (Minbaeva, pedersen, Bjorkman, Fey, & Park, 2003), with less emphasis on how the process can be effectively coordinated and enhanced.

While this paper suggests R&D as an avenue for creation of new knowledge (Mairesse & Mohnen, 2004), it also acknowledges that the availability of new knowledge alone is not a guarantee of an added value (Roth, 2003) until it becomes routine knowledge.

The paper is structured as follows: first, a review of R&D as defined by the OECD and classified in terms of basic and applied R&D; next, a review of the link between R&D, new knowledge and routine knowledge. A discussion of the notions of new and routine knowledge is presented, grounded in the findings of a few selected studies on knowledge management from an institutional theory perspective. The three bodies of literature namely R&D, new knowledge and routine knowledge are then linked with hypotheses to the following modifiers; marketing activities and agents of institutionalization (professions). The paper concludes with an illustration of the concepts in a conceptual model and the proposed research methodology.

RESEARCH AND DEVELOPMENT

Research and Development commonly known as R&D has no clear cut definition as observed from literature reviews. However, the new OECD (Organization for Economic Cooperation and Development henceforth referred to as OECD in this paper) standard definition as shown in the Frascati manual considers R&D as ‘creative work undertaken on a systematic basis in order to increase the stock of knowledge of man, culture and society’ (OECD 1993 paragraph 57 as cited in (Faridah, Dominique, Camal, Faiz, & Yves, 2003)).

The old OECD definition used prior to 1993 implicitly implied that R&D was carried out mainly in technology intensive firms (Miles, 2007). This led firms to underrate their R&D investments. As an aftermath, many firms still carry out R&D without their knowledge (Faridah, et al., 2003). Based on the new OECD definition stated above, R&D is carried out not only in the technology or health sector but also in the service industries (Faridah, et al., 2003; Miles, 2007) since attempts are also made to increase knowledge stock in service firms.

In the field of Economics, there have been extensive studies done on the contribution of R&D to the growth of Economies worldwide (Aghion & Howitt, 1992, 1998; Mansfield, 1972). According to economists, R&D pushes the technological frontier forward and creates economies of scale and scope (Mairesse & Mohnen, 2004; Romer, 1986, 1990).

According to the OECD manual, ‘R&D is a term that encompasses three activities: Basic, applied and experimental R&D. Basic research is experimental or theoretical work undertaken primarily to acquire new knowledge of the underlying phenomena and observable facts, without any particular application or use in view. Applied research is also original investigation undertaken in order to acquire new knowledge but directed primarily towards a special practical aim or objective. Experimental development is systematic work, drawing on existing knowledge gained from research and or practical experience, which is directed towards producing new materials, products and devices’ (OECD, 1993, paragraph 58 as cited in (Faridah, et al., 2003)). This research focuses only on contributions of basic and applied R&D.

R&D and Marketing Activities

A number of marketing studies have shown the benefits of strengthening cooperation between the marketing department and the R&D department (Griffin & Hauser, 1996; Gupta, Raj, & Wilemon, 1986) in order to increase company innovativeness. Some have found empirical evidence of the benefits of such cooperation (Sivadas & Dwyer, 2000) in enhancing new product development (Gupta & Wilemon, 1990; Moenaert & Souder, 1990).

Many MNCs do not have stand alone R&D departments (Hall & Oriani, 2004). In many cases, they are not even aware that some of the activities they carry out in other departments can be classified as R&D. This is a major challenge for investigating R&D in MNCs and the situation is typical in service firms (Faridah, et al., 2003). However, R&D work in many MNCs can be observed in the marketing department (Song, Neeley, & Zhao, 1996; Souder, 1988) so in a way, the departments may already be merged. This paper presents a fresh argument stressing the role of market research activities in improving the quality of the entire knowledge creating endeavor in MNCs by improving its quality and directionality.

Many Scholars in their suggestions imply that the R&D department should be merged with the marketing department in order to improve innovations in an organization (Gupta & Wilemon, 1990). Some studies have observed that there is actually an overlap between the work of the R&D department and that of the marketing department especially in the service industry (Faridah, et al., 2003) and others have emphasized that a cross-functional integration between the two departments is essential for the development of new knowledge (Brown & Eisenhardt, 1995; Griffin & Hauser, 1996; Henard & Szymanski, 2001).

New Knowledge

New knowledge cannot be defined without a definition of knowledge itself. Most of the scholars that have studied knowledge creation adopt an ontological view of knowledge, but this study adopts a commodity view of knowledge, i.e., knowledge as an essential asset of an organization (Mingers, 2008). Critical realists have put forward extensive arguments for the role of truth in the definition of knowledge (S. D. Hunt, 2005; Mingers, 2008), defining knowledge as justified true belief. Knowledge can be tacit or explicit (Alavi & Leidner, 2001) and can be different things to different people. It captures the act of knowing as well as what is known itself (Mitchell & Boyle, 2010).

First conceptualized by Polyani in 1962, explicit knowledge is systematic and easily communicated in the form of hard data and codified procedures (Shan & Scarbrough, 1999). It can also be easily expressed and formalized (Hippel, 1994; Nonaka & Takeuchi, 1995). Tacit knowledge on the other hand is based on actions, experience and specific contextual involvement (Roth, 2003). It can be considered as residing in the head of the person that possesses it (Shan & Scarbrough, 1999). Socialization is one of the mechanisms proposed by researchers for transfer and sharing tacit knowledge (Minbaeva, 2007; Nonaka, et al., 2000). From the taxonomy of knowledge creation developed by Mitchell and Boyle, new knowledge can be said to be one of the initial outputs of the knowledge creating input (Mitchell & Boyle, 2010). This output could be in the form of a new product prototype, a unique idea or a new technique that was unknown before the knowledge creating process. New knowledge becomes most beneficial when converted to routine knowledge.

Routine knowledge

Routine knowledge is the final outcome of the knowledge creating process (Mitchell & Boyle, 2010). It has to do with new products, new procedures or new techniques that have been accepted by the market or organization. Routine knowledge (outcome) is different from new knowledge (output), because of the processes involved in between the two stages in the knowledge creation chain; implementation, rejection, commercialization, adaptation and so on. There are also many challenges that new knowledge faces to become routine knowledge and these exist not only within the MNC but in the market at large (Scott, 2008a). Research on knowledge creation in organizations often stop at the new knowledge or output level but this could be wastage of efforts if firms do this because at this point, the full potential of the knowledge has not been realized (Christensen, 1997; Gooderham, 2007).

MOVING FROM THE KNOWLEDGE CREATION INPUT TO THE KNOWLEDGE CREATION OUTCOME

For MNCs, Moving from the knowledge creation input to the knowledge creation outcome involves the coordination of several processes, some internal and some external. Some of the underlying processes involved may be beyond the control of the MNC while others can be well coordinated. The distinction between the three levels of the knowledge creation activity chain; the input, the output and the eventual outcome (Mitchell & Boyle, 2010) is important for MNCs because it ensures that MNCs are aware that efforts can be wasted if the phases involved in knowledge creation are not well coordinated.

The knowledge creation input

This is the first stage in the entire knowledge creating endeavor. It involves the actual attempt to develop new techniques, new products and new procedures (Mitchell & Boyle, 2010). Using R&D as an input, scientists or researchers employed by the MNC could embark on knowledge creation projects focused on discovering solutions to existing organizational problems, creating new or novel products and developing new techniques that are market and consumer oriented (Atuahene-Gima, 1996).

R&D and New knowledge

R&D leads to new knowledge in a knowledge creation process that can be described as a planned systematic application of existing knowledge (Cummings & Teng, 2003; Faridah, et al., 2003). Basic R&D has led to the existence of many useful techniques and products today. It is initially carried out for the advancement of knowledge, and is directed into specific broad areas in expectation of useful discoveries and provides the broad base of knowledge necessary for the solution of recognized practical problems (Grilliches, 1979).

Basic research and development activities by renowned scientists have led to major discoveries that have made huge developmental impacts. For example: Gregor Mendel studied pea plants in 1860, Wilhelm Rontgen studied x-rays in 1895, and Earnest Lawrence invented the first functional cyclotron in 1931 among others. Although basic research is not initially directed towards a specific application, it has a very large practical impact later on as it forms the basis for more productive research work (Grilliches, 1979).

Applied research is also original work undertaken to acquire new knowledge but with a specific application in view. This class of research is usually inspired by technical challenges in the basic R&D programs and could lead to fundamental discoveries (e.g., new properties, phenomena, or materials). It applies knowledge gained from basic research to the more practical problems in companies (Lichtenberg & Siegel, 1991).

One of the reasons why firms may fail to invest heavily in R&D activities could be due to the nature of their industry of operation. Although a positive externality is created when R&D is performed by an individual or firm (Giersch, 1981), firms may not be able to fully realize the benefits of their R&D investment as a result of heavy regulation, huge competition in the industry, difficulties and costs associated with patenting (Grilliches, 1979).

Firms are often forced into organizational inertia as a protective mechanism. Also they try to save cost by being followers instead of innovators and engaging in operations that are clearly safe from industry perspective (Aldrich & Ruef, 2006a). Economists believe that the patent industry also plays a role in enhancing private sector R&D as was the case in the United States from 1950-1955 (Hunt, 1999). R&D can be linked to innovation because of its knowledge creating role (Mairesse & Mohnen, 2004).

Hypothesis 1: R&D leads to the generation of new knowledge.

R&D and Market Research Activities

Market research, cultural research and consumer behavior research are activities geared towards a better understanding of a target market (Fourt & Woodlock, 1960). Collectively termed as market research activities (Brown & Eisenhardt, 1995) in this paper, these activities lead to broad knowledge about the target market in terms of culture, general market requirements and consumer behavior and as such, trigger the flow of useful information that helps MNCs to focus knowledge creating efforts better (Johns & Snelson, 1988).

The concept of the lead user by Hippel describes how market research activities specifically consumer behavior research can produce useful information that can greatly facilitate the knowledge creating process in an organization (Hippel, 1986). Market research activities improve the quality and directionality of the knowledge creating process (Li & Calantone, 1998) by ensuring that it is targeted to areas that are of interest to the final consumers. The use of the results of market research activities by the R&D department is influenced by several factors (Deshpande & Zaltman, 1982). But MNCs can try to manage these factors because market research activities facilitate the knowledge creating process.

Hypothesis 2: Market research activities positively influence the knowledge creating process.

The Commercialization and Implementation Processes

There are many processes that could occur at this final phase of the knowledge creating endeavor (output to outcome), but this study would focus on the commercialization and the implementation processes. The commercialization process involves the actual activities that MNCs carry out in order to put their new products out in the market and the implementation process involves the actions that firms take to implement new techniques to solve problems or to facilitate the handling of new products. The challenges that MNCs face in this phase can be internal or external. The internal challenge involves resistance and unwillingness of employees to adapt new techniques and procedures while the external challenge involves mainly; poor consumer acceptance of new products etc.

The two processes typically involve the intervention of the Knowledge management system in the MNC, the system that supports knowledge management practices in an organization (Gallupe, 2001; Skuce, 1993). It normally includes but is not limited to a good expatriation strategy/mechanism, management information systems and transmission channels (Bonache, Brewster, & Suutari, 2001; Minbaeva & Michailova, 2004). Changes within the knowledge management system could become necessary in order to facilitate or improve the implementation and commercialization processes (Davenport & Prusak, 1997).

New knowledge and Routine knowledge

The fact that there is new knowledge adds a certain level of value to an MNC but the highest value would be realized when the new knowledge is translated into routine knowledge (Alavi & Leidner, 2001; Gooderham, 2007; Roth, 2003). It is important for organizations to be aware of this before they embark on knowledge creating projects.

As some companies may have realized, the translation is not automatic. This is one of the biggest realities facing organizations today (Cummings & Teng, 2003). However, new knowledge is an antecedent of routine knowledge (Nonaka, et al., 2000).

Hypothesis 3: New knowledge leads to routine knowledge.

Market Research Activities and Routine Knowledge

The influence of market research activities is very important as they also help to minimize the external challenges in the implementation and commercialization processes (Fourt & Woodlock, 1960; Füller, Bartl, Ernst, & Mühlbacher, 2006). Literature shows that 50 percent of new products introduced by firms fail (Johne & Snelson, 1988). This can be attributed to poor consumer acceptance and poor consumer acceptance prediction by firms.

Market research activities exert a positive impact on the commercialization and implementation processes by influencing the output of the knowledge creating process. The activities ensure that the necessary desirable characteristics are incorporated into the output in a way that would be appealing to the consumer (Nuseibeh, 1996) and the organization at large.

The level of consumer acceptance can be predicted by firms (Fourt & Woodlock, 1960; Sherrell, Chen, & Gillenson, 2004) by taking into account the ease of use of the new product, usefulness of the product and compatibility with existing products (Chen, Gillenson, & Sherrell, 2004). Some organizations test their prototype in the market and use purchase and re-purchase decisions as a predicting factor of consumer acceptance.

Market research activities can be structured to ensure that the output of the knowledge creating process is compatible with existing systems and explicit enough to be easily assimilated by employees (Sorell, 1994). Consumer acceptance of a new product, compatibility with existing systems and explicitness are said to make the implementation and commercialization processes a lot easier (Gruner & Homburg, 2000).

As a result, new knowledge becomes routine knowledge at a faster rate and with increased production of consumer focused products, there would be a reduction in product failure (Gruner & Homburg, 2000) hence, an increased quality of the process. Hypothesis 4: Market research activities positively influence the implementation and commercialization processes.

New knowledge and Institutionalization agents: The role of Professions

The new knowledge (new ideas, new techniques, problem solution and product prototypes) realized from the knowledge creating process is often faced with mixed feelings within a typical organization, much less an MNC. Institutionalization agents can be influential in determining the outcome of the knowledge creating process. Institutionalization is a mechanism that can create structure within an organization (Greenwood & Hinings, 1996; Sewell, 1992). It is also the coordination of a system of unique behavior collectively prescribed as a solution to particular problems in an area of social life (Eisenstadt, 1964). Governments, schools and professions are institutionalization agents but this paper focuses on the role of professions in the implementation and commercialization processes (Lawrence, Winn, & Jennings, 2001; Royston, Suddaby, & Hinings, 2002; Scott, 2008b).

Organizations like to think of themselves as entities of individuals working together with a homogenous goal or objective (Scott, 2004), but this in reality may not always be the case as there could be sub groups (Haveman & Rao, 1997) within the organization with different goals, referred to as 'users' by Aldrich (2006). In a typical MNC, there are several departments in several countries and several professions working together with different professional norms and cultures that are sometimes in conflict with organizational norms (Scott, 2008b). Within some groups, there could be some resistance in the acceptance or assimilation of new knowledge because some groups or individuals are more prone to inertia than others based on their profession (Aldrich & Ruef, 2006b; Lippmann, 2005). Also is the fact that old practices could become too ingrained and institutionalized to the extent that some individuals form their identity around it and therefore it becomes difficult for them to change (Scott, 2008a, 2008b).

Diversity is a force that can be clearly observed in MNCs not only at firm level but also at individual level (Scott, 2004). An organizational schema is the way an organization sees itself and this is a view that is often imprinted from the founding of the organization (Johnson, 2007). It is usually deeply rooted and difficult to change (Aldrich & Ruef, 2006a). Similarly, the individuals who work as employees in an MNC possess unique schemata that affect their view of their position in the organization based on their profession.

Accountants, engineers and medical doctors may differ in terms of adaptability to new techniques or procedures. However, despite inertial pressures, organizations are still seen as constantly changing from an evolutionary perspective. The variation,

selection, retention and struggle processes that organizations go through in their existence ensure that individual and firm level inertia may not always survive too long (Aldrich & Ruef, 2006a; Hannan & Freeman, 1984). People are also able to adapt to changes that are not too radical but rather appear incremental (Hannan & Freeman, 1984; Welford, 1974) but professions could either speed up or slow down the implementation and commercialization processes. Hypothesis 5: Institutionalization agents influence the implementation and commercialization processes in the new to routine knowledge conversion.

SUMMARY

Research on this topic would hopefully resolve the following issues; how R&D activity as defined by the paper leads to new knowledge, how market research activities as defined in the paper influences the knowledge creating process as well as the implementation and commercialization processes. It will also provide answers to how routine knowledge outcome is best achieved, in terms of quality, speed and effectiveness and details as to the impact of institutionalization agents on the implementation and commercialization processes. Differences between techniques and products in terms of speed and effectiveness of the implementation and commercialization processes may also be identified.

Research Methodology

The sample would consist of MNCs across various industries. Semi-structured interviews would first be used to obtain information from organizational members so as to fine-tune the research questions.

Empirical Measurements

R&D: Basic and Applied R&D would be measured in terms of financial, manpower investments (employed researchers) and patents filed (Mairesse & Mohnen, 2004).

New knowledge: number of product prototypes, new ideas and problem solutions as a result of engaging in R&D activities as defined.

Routine knowledge: number of successful products fully developed, number of new product introductions in the market and techniques adopted and practiced in the organization after embarking on a knowledge creating project.

Market research activities: to be measured in terms of aggregate financial and manpower investments in market research, cultural research and consumer behavior research activities (Churchill, 1979; Lanjouw & Schankerman, 1999).

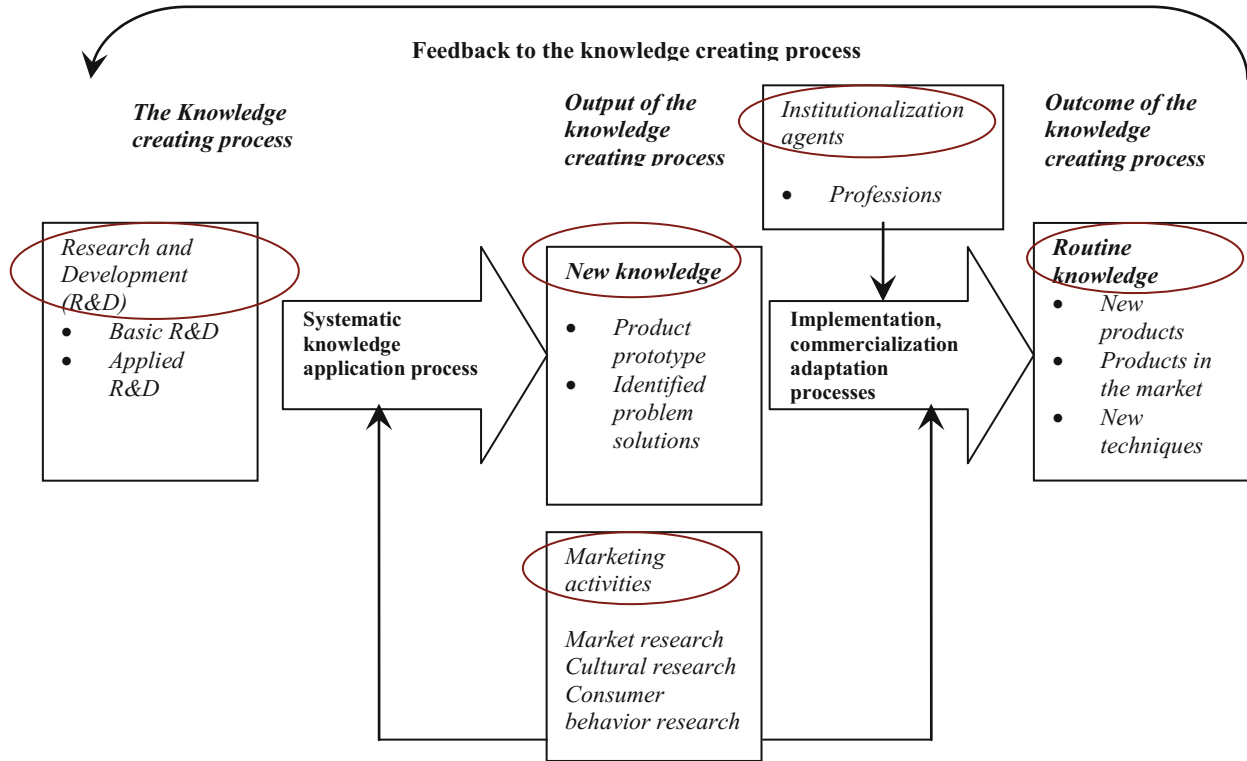
Institutionalization agents: With reference to the three dimensions of institutions: regulative, cultural-cognitive and normative, organization members would be asked to answer questions on a 7 point likert scale to measure professional diversity within the organization.

Data analysis

The study will use qualitative and quantitative techniques. Factor analysis and Structural equation modeling technique would be used to measure the interaction of the concepts

FIGURE

Figure 1: Conceptual Model



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THE ROLE OF ENTREPRENEURIAL AND NETWORKING ORIENTATIONS IN DEVELOPING MARKETING CAPABILITIES OF BORN GLOBAL FIRMS

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ABSTRACT

The large multinational enterprises rely on their size and significant resources to develop marketing capabilities. On the other hand, little is known about how resource-constrained born global firms develop necessary marketing capabilities to operate in multiple international markets. This paper attempts to fill this gap conceptually by discussing relationships between entrepreneurial orientation, networking orientation, marketing capabilities, and performance in the context of born global firms. To fulfill this objective, research propositions are presented based on an extensive literature review. Preliminary conclusions and suggestions for further research are also provided.

Keywords: born global, marketing capability, dynamic capabilities, entrepreneurial orientation, networking orientation, international performance

BACKGROUND

The shift in customer preferences towards customized products, developments in low-cost communication and transportation, and trends of global networking have allowed small companies with limited resources to operate successfully in multiple markets from early days (Knight & Cavusgil, 1996; Oviatt & McDougall, 1994; Rennie, 1993), without following the traditional incremental views of international business (e.g., Johanson & Vahlne, 1977). This phenomenon of rapidly internationalized firms is receiving significant scholarly attention. Such firms are called by various names, including 'international new ventures' (Oviatt & McDougall, 1994), 'born globals' (Rennie, 1993), 'born internationals' (Gabrielsson & Pelkonen, 2008), and 'instant exporters' (McAuley, 1999). This paper adopts the most commonly used term in the literature, and refers to these early international firms as born global. In accordance with Oviatt and McDougall, the born global firm is defined here as "a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries" (1994, p. 49). An increasing amount of research on this phenomenon draws our attention to the fact that competing internationally in multiple markets is no longer solely associated with large company operations.

The management of born global firms views the world as its marketplace, unlike traditional companies, which perceive foreign markets as an addition to the domestic market (Knight & Cavusgil, 1996). At the same time, contrasting large multinational enterprises, born global firms lack the sufficient resources needed to be devoted to their international operations (Oviatt & McDougall, 1994). Despite these resource disadvantages, born global firms appear to be emerging in increasing numbers worldwide. The literature provides empirical evidences on born global firms in different geographical contexts, including Australia (Rennie, 1993), Europe (Moen, 2002; Moen & Servais, 2002), the USA (Knight, Madsen, & Servais, 2004), Israel (Hashai & Almor, 2004), and India (Elango & Pattnaik, 2007). Research on born global firms also illustrates that the phenomenon is not limited to any specific industry; on the contrary, born global firms may appear in a wide range of industries (Madsen & Servais, 1997; Oviatt & McDougall, 1994).

Still, despite widespread academic efforts and the increasing emergence of born global firms, the phenomenon remains under-explained (Weerawardena et al., 2007). Moreover, little is known about born globals in the marketing context (Knight, et al., 2004). Large multinationals possess idiosyncratic resources which enable them to overcome marketing disadvantages in foreign markets (Graham, 1978), conversely, marketing-related resources are perceived as a main constraint to the born global firm.

This paper addresses marketing as a dynamic capability in the born global firm, and aims to fill the identified gap conceptually by developing a model which highlights relationships between entrepreneurial orientation, networking orientation, marketing capabilities, and performance in the context of born global firms. Such effort is done based on a literature review for the purpose of refining these key concepts and the linkages between them, as emerging from the literature.

The remainder of the paper is organized as follows. In the next section the dynamic capabilities view is introduced, and then the marketing capability construct is defined through a literature review. Later, the relationships between marketing

capability, international entrepreneurial orientation, international networking orientation, and international performance are discussed. Finally, preliminary conclusions are drawn.

THE DYNAMIC CAPABILITIES VIEW

The dynamic capabilities view was introduced as an extension of the resource-based view in dynamic markets. The resource based view focuses on internal organization of the firm and assumes that the firm can be conceptualized as bundles of resources (Barney, 1991; Penrose, 1959; Wernerfelt, 1984). However, this view fails to explain situations where firms face rapid and unpredictable change (Eisenhardt & Martin, 2000). On the other hand, the dynamic capabilities approach proposes that firm managers “integrate, build, and reconfigure internal and external competences to address rapidly changing environments” (Teece, Pisano, & Shuen, 1997, p. 516). The term ‘dynamic’ refers to the shifting character of the environment and the term ‘capabilities’ emphasizes the key role of strategic management in responding towards the changing environment (Teece & Pisano, 1994).

Makadok (2001) points out that the fundamental distinction of dynamic capabilities view is at the creation of economic rents. The resource-based view asserts that firms create economic rent by being more effective than their rivals at selecting resources (i.e. resource picking), while the dynamic capabilities view asserts that firms create economic rent by being more effective than their rivals at deploying resources (i.e. capability building). The dynamic capabilities view proposes capability building as the main driver behind value creation in the firm. Teece et al. highlight that “capabilities typically must be built because they cannot be bought” (1997, p. 518). When providing a literature review on dynamic capabilities, Wang and Ahmed (2007, p. 43) accordingly concluded that “a firm strengthens particular capabilities as directed by its own strategic goals; and when capability development and firm strategy are effectively aligned, a firm’s dynamic capabilities lead to better performance and hence sustained competitive advantage”.

The dynamic capabilities view is also discussed in the entrepreneurship context. For example, Teece (2007) states that entrepreneurial firms have strong dynamic capabilities, which are necessary to sustain enterprise performance in open economies with rapid technological change. The author concludes that “for open economies exposed to rapid technological change, the dynamic capabilities framework highlights organizational and strategic managerial competences that can enable an enterprise to achieve competitive advantage” (Teece, 2007, p. 1346). This argument provides a strong basis for examining the dynamic capabilities in born global firms with limited domestic markets.

In this paper the definition of dynamic capabilities is adopted from Eisenhardt and Martin as consisting of “specific strategic and organizational processes like product development, alliancing, and strategic decision making that create value for firms within dynamic markets by manipulating resources into new value creating activities” (2000, p. 1106). Such a definition is relevant for born global firms as they target niche markets by developing and offering unique products (Knight, et al., 2004; Moen, 2002; Rennie, 1993), and utilize high levels of networking, partnerships, and alliancing to reach their international objectives (Knight & Cavusgil, 1996; Madsen & Servais, 1997; Oviatt & McDougall, 1994). Consequently, the born global context offers prosperous opportunities to study dynamic capabilities view.

Teece et al. (1997) suggest that dynamic capabilities is potentially an integrative approach with research potential and can be used to understand newer sources of competitive advantage in increasingly demanding environments. Whereas the resource-based view claims that constraints inherent in the organization’s current portfolio of assets and capabilities limits the markets it can enter (Penrose, 1959), the development of dynamic capabilities enable the firm’s rapid market entry (Mort & Weerawardena, 2006). Accordingly, Karra, Philips, and Stacey (2008, p. 441) point out that “international entrepreneurship does not mean simply achieving early sales in international markets; it involves building competitive advantage through the development of complex international resource configurations”. Therefore, the dynamic capabilities view provides a good foundation for conceptualizing marketing capability in the born global firm.

MARKETING CAPABILITY

Marketing can be regarded as one of the critical factors in the success or failure of small companies (Moller & Anttila, 1987). Chorev and Anderson (2006) point out that the implementation of marketing in ambiguous environments with serious resource constraints and lack of marketing experience is a major challenge for start-up companies. Firstly, born global firms face the early challenge of serving customers that are situated at a distance from the home market. Secondly, many born global firms pursue gaining the first-mover advantage in international markets (Bell, McNaughton, & Young, 2001; Freeman, Edwards, & Schroder, 2006; Knight, et al., 2004), a fact which requires these firms to commercialize their products rapidly in

new international markets. Gaining this advantage becomes a crucial challenge, given that born globals have little or no experience in any market (Oviatt & McDougall, 1994). Even though many studies determined born global firms' marketing challenges, only a few attempted to study marketing capabilities.

The importance of distinctive marketing capabilities is well documented (e.g., Day, 1994). A growing body of research provides empirical evidence proposing that marketing capability is associated with competitive advantage (e.g., Srivastava, Fahey, & Christensen, 2001; Weerawardena, 2003) and financial performance (e.g., Dutta, Narasimhan, & Rajiv, 1999; Fang & Zou, 2009; Moller & Anttila, 1987; Morgan, Vorhies, & Mason 2009). On the other hand, the literature fails to provide a shared definition and dimensions for studying marketing capability. As illustrated in Table 1, the literature contains various definitions and operational dimensions of marketing capability in diverse contexts. Moreover, existing studies present inconsistent results regarding its impact on firm performance and competitive advantage.

The existing marketing capability literature mainly presents evidence from large companies with significant marketing-related resources. For instance, Dutta et al. (1999) point out that resources available to the firm, such as the customer base built up over a long period of time and the expenditure over years on marketing activities, are important dimensions of marketing capability. In the context of international joint ventures (IJV), Fang and Zou draw attention to importance of resource magnitude and argue that "adequate resources can buffer an IJV from environmental uncertainties and downside risks" (2009, p. 746). Drawing upon resource-based view of the firm, Srivastava et al. (2001) highlight that organizations require having considerable market-specific resources to deliver offerings to target markets. It is difficult to support these arguments in the born global firm context, because such idiosyncratic resources are usually non-existent. Consequently, when we look through the lenses of a resource-constrained born global firm, development of marketing capabilities becomes more complex.

In spite of this evident gap in the literature, only limited attention has been paid to marketing capability in the born global firm context. It is apparent that a firm planning to grow successfully through internationalization has to possess above average marketing capabilities (Kuivalainen et al., 2010). Born global firms need to create specific marketing related strategies to overcome early internationalization challenges, such as international competition, rapid changes in international markets, and financial resource limitations. Firms with strong marketing capabilities are able to create such specific marketing-related strategies in order to respond to market changes (Zhang, Tansuhaj, & McCullough 2009). This paper adopts the marketing capability definition from Weerawardena et al. (2007), who also draw their work upon dynamic capabilities in born global firm context. Accordingly, the marketing capability in the born global firm is defined as "the firm's capacity to formulate effective marketing mix strategies that are critical to identify and access international opportunities" (Weerawardena, et al., 2007, p. 301). Strong marketing capabilities enable the born global firm to identify opportunities emerging in the process of internationalization, as well as successfully commercialize new products to capture new business opportunities (Zhang, et al., 2009).

Born global firms are known to be targeting international niche markets with unique products, and as a result, rapid international commercialization of the products becomes crucial to make profit before the technology becomes obsolete (Moen, Gavlen, & Endresen, 2004). Moreover, reliance on sourcing options from firms with complementary competences is probably a more common picture in born global firms than in other exporting firms because the internal competences and routines in such firms are insufficient (Madsen & Servais, 1997). Knight and Cavusgil (2004, p. 132) point out that differentiation strategy allows the born global firm to produce unique products, which can allow the firm to serve niche markets more capably and minimize harmful interaction with competitors, giving rise to increased sales and other performance gains. Following these arguments, and in accordance with Weerawardena (2003), this paper suggests that marketing capability in the born global firm should be operationalized with strength of distribution networks, speed of new product introduction, and ability to differentiate products.

It is also important to note here the difference between marketing orientation and marketing capability. Marketing orientation refers to the posture and behavior of the firm about creation of superior value to customers, and can be reflected by customer orientation, competitor orientation, and interfunctional coordination (Narver & Slater, 1990). On the contrary, marketing capability enables a firm to create specific marketing-mix strategies to access international opportunities and respond to market changes. Such an approach echoes Fang and Zou (2009) who point out that a market oriented firm does not necessarily possess marketing capability, because the capabilities are idiosyncratic to the firm, and hard for competitors to imitate (Teece, et al., 1997).

Given the background on born global phenomenon and the definition of marketing capability, the paper proceeds with

discussions which link marketing capability to international entrepreneurial orientation, international network orientation, and international performance of the born global firm.

International Entrepreneurial Orientation and Marketing Capability

Lumpkin and Dess argue that the essential act of entrepreneurship is new entry, and the authors define entrepreneurial orientation as the “processes, practices, and decision making activities that lead to new entry” (1996, p. 136). Born global firms seek to obtain competitive advantage by positioning themselves in multiple markets earlier than their competitors. Small size of the domestic market is known to be an important factor for these firms to go international rapidly. Moreover, it is reported that being established in domestic market is not a precondition for export success (Bell, 1995). As a result, new entry is vital for born global firms, as operating and positioning internationally becomes crucial for survival and growth in the long term.

McDougall and Oviatt (2000, p. 903) defines international entrepreneurship as “a combination of innovative, proactive, and risk-seeking behavior that crosses national borders and is intended to create value in organizations”. This definition provides the basic dimensions to operationalize international entrepreneurial orientation in various studies. Furthermore, Knight and Cavusgil (2004) argue that international entrepreneurial orientation is associated with innovativeness, managerial vision, and proactive competitive posture, and Jantunen et al. (2005) conceptualize international entrepreneurial orientation with the dimensions of innovativeness, proactiveness, and risk-taking. In addition, Weerawardena et al. (2007) identify international entrepreneurial orientation as a part of the owner-manager profile in born global firms, and conceptualize it with the same three attributes. Accordingly, Mort and Weerawardena (2006) use proactiveness, innovativeness, and risk taking to conceptualize the behavioral characteristics of born global firms. Following the consistency in the literature, the operational dimensions of international entrepreneurial orientation in the born global firm are presented in this paper as innovativeness, proactiveness, and risk-taking propensity.

For clarifying the international entrepreneurial orientation construct, the three dimensions are also defined separately. Innovativeness reflects a firm's tendency to engage in and support new ideas, novelty, experimentation, and creative processes which may in turn result in new products, services, or technological processes (Lumpkin & Dess, 1996). Proactiveness implies taking initiative and being at the forefront of efforts to shape the environment in ways that benefit the firm (Weerawardena, 2003). Lastly, risk-taking propensity refers to the extent to which the firm is prepared to undertake significant and risky resource commitments in foreign markets (Dimitratos & Plakoyiannaki, 2003).

The literature sheds light on the relationship between international entrepreneurial orientation and marketing capability. Rizzoni (1991, p. 40) studied technological innovation in small firms and pointed out that innovative role of small firms are linked to development of distinctive competences and capabilities which distinguish the firm from its competitors. Through their studying of the internationalization of small computer software firms, Moen et al. (2004) draw attention to efforts of these firms in proactively seeking right partners and developing networks by attending trade shows and international conferences. Zhang et al. (2009) point out that international entrepreneurial firms with limited resources require innovativeness, proactiveness, and risk taking behavior in order to exploit opportunities in the international marketplace. Furthermore, Weerawardena (2003, p. 25) concluded that “firms that are innovative, proactive, and having a risk-seeking posture are more likely to possess distinctive marketing capabilities”. Consequently, international entrepreneurial orientation is necessary for the born global firm to integrate, build, and reconfigure internal and external marketing-related competences (Teece, et al., 1997). The first proposition is presented:

Proposition 1: International entrepreneurial orientation is positively related to development of marketing capabilities of born global firms.

International Networking Orientation and Marketing Capability

International networking orientation in the born global firm is conceptualized as the extent to which the firm obtains resources from the environment through alliance creation and social embeddedness to use in its activities in foreign markets (Dimitratos & Plakoyiannaki, 2003). The importance of networks in internationalization of born global firms is evident (Bell, 1995; Coviello & Munro, 1997; Knight & Cavusgil, 1996; Madsen & Servais, 1997; Oviatt & McDougall, 1994). Limited resources require small firms to leverage the skills and resources outside the firm for successful internationalization (Moen, et al., 2004) and born global firms seek partners to complement their own competences (Oviatt & McDougall, 1994). Moreover, Gabrielsson and Kirpalani (2004) point out that born global firms' risk is lessened as they use networks to reach

international markets. Accordingly, Coviello and Munro (1997) conclude that the small software firms in their study leveraged the resources of their partners to access new markets. Moreover, Hara and Kanai (1994) argue that successful internationalization requires the firm to leverage the resources of other organizations, especially when the firm is faced with sophisticated customers, volatile markets, as well as a product that is strategically important or unable to be standardized.

An interesting development in this context is presented in Shneor's study (forthcoming, 2011), highlighting the role of online communities as networking platforms with partners and customers of born global internet-based firms. These self-managed brand communities help spread the word for firms in cost-effective ways internationally, mainly through online fans.

Despite the increasing practice of networking and partnerships in many industries, the relationship between international networking orientation and marketing capability remains under-researched. Elango and Pattnaik (2007) conclude that born global firms in emerging markets build capabilities through their networks for international operations. Furthermore, Knight and Cavusgil (2004) point out that challenges in the foreign markets can be overcome by leveraging the localized market knowledge and competences of foreign partners. In addition, Rizzoni (1991) states that external relations allow small firms to overcome the problems connected with size and this co-operation also develops specific capabilities in its environment. Providing evidence from international small software firms, Moen et al. (2004) report that marketing activities were performed by the multinational partners of those firms. In addition, Coviello and Munro (1997) conclude that the small software firms in their study leveraged the resources of their partners to access new markets.

Marketing capability in the born global is nurtured by the international networking orientation, and as illustrated, this argument gains support from both manufacturing and non-manufacturing firms. Born global firms leverage external resources through networks into value creating activities in international dynamic markets (Eisenhardt & Martin, 2000). Thus, the next proposition is provided:

Proposition 2: International networking orientation is positively related to development of marketing capabilities of born global firms.

Marketing Capability and International Performance

International performance of born global firms remains paradoxical, as it is difficult to explain how firms with limited resources compete globally against larger and more experienced firms (Almor & Hashai, 2004). Born global phenomenon researchers have mainly focused on traditional financial measures such as market share, sales growth, and profitability to study international performance (e.g., Jantunen, et al., 2005; Knight & Cavusgil, 2004; Knight, et al., 2004). Moreover, research on marketing capabilities also provides evidence on their positive impact on firms' financial performance (e.g., Dutta, et al., 1999; Fang & Zou, 2009; Morgan, et al., 2009). However, how convenient these conventional financial indicators are when we are studying the born global firm context remains controversial.

Born global firms' main short-term objective is to enter and position themselves in multiple markets quickly. Therefore, the conventional measures of performance do not capture the early intent of these firms (Weerawardena, et al., 2007) and it is inappropriate to use traditional financial measures to evaluate born global firms' performance, because these firms did not reach the stage of sustained growth (Mort & Weerawardena, 2006). Accordingly, international performance of born global firms is defined here as accelerated entry into international markets to capture economic rents outside of the domestic market. Following Weerawardena et al. (2007), this paper suggests that the international performance construct should be measured with speed, extent, and scope of international activity. Speed refers to how quickly firm conducts its first international activity, extent indicates the percentage of exports in total revenues, and scope is the number of international markets that the firm entered. Given the dimensions of international performance, the impact of marketing capability is discussed next.

As illustrated earlier, born global firms seek early international expansion for their growth and survival. Weerawardena (2003, p. 26) reports that "organizations having distinctive marketing capabilities are likely to out-perform their competitors in creating superior value in their selected target markets". Knight and Cavusgil (2004) point out that the born global firms in their study possess distinctive international entrepreneurial orientation, that when combined with strong capabilities like marketing allows them to exploit opportunities in foreign markets. In addition, Freeman et al. (2006) argue that capabilities that are developed through networks give rise to early and rapid foreign market entry in born global firms. Accordingly, Kuivalainen et al. (2010), posit that marketing capabilities have a positive effect on the degree of internationalization in small firms. Marketing capabilities are nurtured by international entrepreneurial orientation and international networking orientation. Furthermore, these capabilities are difficult for competitors to imitate (Teece, et al., 1997) and they enable the

born global firm to access and position itself in international markets. Thus, the final proposition is presented:

Proposition 3: Marketing capability is positively related to international performance of born global firms.

Figure 1 illustrates the presented relationships in the paper. Existing literature suggests that marketing capability of born global firms is nurtured by firm management's entrepreneurial and networking orientation, subsequently having a positive impact on performance in terms of speed, extent, and scope of born global firms' international activity.

CONCLUSION

This paper attempts to extend the current knowledge by conceptualizing marketing capabilities in the born global firm. To fulfill this objective, three propositions are formulated capturing relationships between marketing capability and international entrepreneurial orientation, international networking orientation, and international performance. Drawing upon born global literature and the dynamic capabilities approach, the paper presents noteworthy linkages reflecting how born global firms develop marketing capabilities to exploit opportunities in international markets.

Based on a comprehensive literature review on the born global phenomenon, Rialp et al. (2005) criticize existing works for studying basically high-technology firm samples. On the other hand, there is evidence that the phenomenon may be prevalent in very traditional and not knowledge-intensive sectors (Knight, Bell, & McNaughton, 2001). For this reason, the paper's research propositions are not country or industry specific. As illustrated, the propositions developed here are based on findings from studies with evidence from both manufacturing and non-manufacturing born global firms. Arguably, this concern improves the generalizability of the research propositions.

In order to motivate further empirical research, this paper provides clear theoretical definitions and operational measures for each critical construct identified. Focusing on the entrepreneurial and networking orientation, this paper lacks insight on relationships with other capabilities. Linking marketing capability to other dynamic capabilities in the firm is suggested as being beneficial (Fang & Zou, 2009). Therefore, this can be regarded as another limitation of this work. Further studies should concentrate on relationships between marketing capability and other capabilities (e.g., financial capabilities, learning capabilities).

While the importance of born global firms for economies is growing, the research on this phenomenon is still at an infant stage. Knight and Cavusgil (2004, p. 137) argue that "increasing number of such firms are likely to reflect an emergent paradigm, with the potential to become a leading species in the ecosystem of international trade". Accordingly, Rialp, et al. (2005) point out that the phenomenon of early internationalization will undoubtedly increase in the future. These arguments engender a strong motivation to increase our knowledge of the born global phenomenon, especially by incorporating new frameworks. Dynamic capabilities is a comprehensive and integrative framework, but despite number of empirical and conceptual studies (e.g, Knight & Cavusgil, 2004; Weerawardena, et al., 2007), it has not been studied sufficiently in the context of born global phenomenon. As Mort and Weerawardena (2006, p. 567) put forward, "future research could adopt the dynamic capability approach as a unifying framework in studying the complete system of relationships leading to rapid and early internationalization in born globals".

As a final point, further research should concentrate on empirical verification of the relationships proposed in this paper. Particularly a cross-comparison of marketing capabilities with large multinational firms would greatly enhance both the born global phenomenon and dynamic capabilities view. This paper suggests that future research should also explore born global firms in various industries and geographical locations. Especially, empirical research in developing countries remains as a missing link in the born global phenomenon.

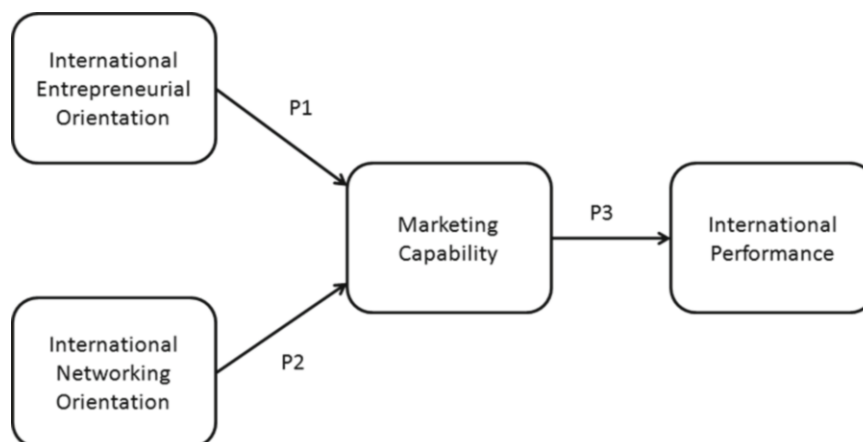
TABLES

Table 1: Overview of literature studying the marketing capability construct. (RBV= Resource-based view, DC= Dynamic Capabilities view)

Article	Marketing Capability Definition	Framework	Unit of Analysis	Summary of Results
Dutta, et al. (1999)	“Superiority in identifying customers’ needs and in understanding the factors that influence consumer choice behavior”	RBV	Semiconductor manufacturing firms	Marketing capability has impact on applicability of innovations and firm’s financial performance
Morgan, et al. (2009)	“Capabilities concerning individual marketing mix processes and processes of marketing strategy and development”	RBV and DC	Firms operating in consumer and business markets	Marketing capabilities have direct impact on firm’s financial performance
Fang and Zou (2009)	“The responsiveness and efficiency of cross-functional business processes for creating and delivering customer value in response to market changes”	DC	Equity based international joint ventures (IJV)	Marketing dynamic capabilities are found to be influenced by IJV resource magnitude, resource complementarity, organizational culture, and organizational structure
Weerawardena (2003)	“Integrative processes designed to apply the collective knowledge, skills, and resources of the firm to the market-related needs of the business, enabling the business to add value to its goods and services and meet competitive demands”	DC	Manufacturing Firms	Marketing capabilities influence both the innovation intensity and sustained competitive advantage of the firm.
Zhang, et al. (2009)	“The firm’s ability to develop and execute marketing strategies, using knowledge of competition to create superior value, via key marketing elements, for foreign customers”	RBV	Born global and traditional manufacturing exporters	Results indicate differences in international marketing capability for born globals and traditional exporters.
Kuivalainen, et al. (2010)	“The ability to learn customer needs and position the product successfully”	DC	Small and medium sized information and communication technology firms	Marketing capabilities are weaker in firms with a higher degree of internationalization
Weerawardena, et al. (2007)	“firm’s capacity to formulate effective marketing mix strategies that are critical to identify and access international opportunities”	DC	Born global firm	Marketing capability is proposed to be nurtured by entrepreneur, and have positive impact on firm’s accelerated internationalization

FIGURES

Figure 1: A conceptual model of marketing capability in the born global firm



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THE NEW FRONTIER IN BOUNDARY-SPANNING ROLES- IMPROVISATION AS A TOOL TO MANAGE ROLE STRESS

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INTRODUCTION

Frontline or boundary-spanning employees (BSEs) are the face of most companies. BSEs interact directly with the customer as representatives of the company and are often the sole point of contact for customers. At the same time however, BSEs need to be responsive to the directions of the firm. BSEs are sandwiched having to meet the multiple demands of two masters, the company and the customer. Bateson (1985) describes this as a three ring fight, with the company on one side, the customer on the other and the BSE in the middle. This ultimately results in BSE role stress and will have negative outcomes if not managed.

More recently, and compounding the already stressful role of the BSE, we have seen the emergence of co-creation business models which are touted as the next frontier in competitive advantage (Bendapudi and Leone 2003). Co-creation implies greater customer participation in both defining and creating value (Prahalad and Ramaswamy 2004). Often ignored, however, are the implications of increased customer participation for BSEs. Co-creation exposes the inadequacies of traditional role definitions and scripts of both the customer and the employee (Solomon, Surprenant, Czepiel and Gutman 1985).

In contrast to scripts, which are knowledge structures that fit predictable or frequently encountered situations (Gioia and Poole 1984), there has been a more recent emphasis on returning control to the employee through autonomy and empowerment. The foundation of autonomy is to provide the individual with choice in and control over their actions, whereas the foundation of empowerment is enabling and motivating individuals to make these choices and exercise this control. However, in this research I argue that autonomy and empowerment are not enough. Autonomy and empowerment, while providing latitude, do not provide individuals with a behavioral toolkit for the resolution of problems. Improvisation, I propose, provides this behavioral dimension as it is based on the premise of reacting spontaneously and creatively. Yet the line between the three concepts of autonomy, empowerment and improvisation has often been blurred. The purpose of this paper, therefore, is to provide a clearer understanding of the relationship between these concepts. This is an important stepping-stone on the way to better understanding how the notion of improvisation can help BSEs manage role stress.

CONCEPTUAL FRAMEWORK

Autonomy

Autonomy refers to specific mechanisms permitting the individual more or less choice in and control over situations and decisions. The element of choice is a critical defining characteristic of autonomy (Deci and Ryan 1987). Autonomy further implies an inner endorsement of one's actions: the sense that they emanate from oneself and are one's own and can be referred to as self-determined (Deci and Ryan 1987). In the workplace autonomy has been referred to as the degree to which a job provides the salesperson discretion in carrying out the work assignment (Becherer, Morgan and Richard 1982). These are the practices, policies and structures that grant employees choice, authority and accountability.

Autonomy can be further classified as either structural or strategic autonomy. Structural autonomy can be defined as the extent to which the individual has control over their actions but is acting towards a particular outcome not chosen or decided by them. Whereas strategic autonomy can be defined as the extent to which the individual has control over the means and the end, i.e., its goals (Lumpkin, Cogliser and Schneider 2009). Further, autonomy is often viewed on a hierarchical type scale varying from low to high depending on the type of actions or decisions that can be controlled (Gulowsen 1972). Based on this hierarchical scale, strategic autonomy would possess a superior (or higher) position relative to structural autonomy as the former implies control over *both* means and ends (Lumpkin, Cogliser and Schneider 2009). However, I view autonomy as structural latitude. The term structural latitude best represents the element of discretion based on the structures of choice and control, which are central to the concept of autonomy.

Autonomy is most frequently examined in terms of how it relates to job performance. The key findings are that: increased autonomy coupled with flexible role orientation results in increased performance (e.g. Parker 2007), increased autonomy results in increased entrepreneurial orientation (EO) (e.g. Lumpkin, Cogliser and Schneider 2009), and higher autonomy results in increased employee satisfaction in conditions of low interdependence (e.g. Spriggs, Jackson and Parker 2000). Studies on autonomy are primarily examined at the team level as autonomous teams or work groups (e.g. Fuller, Hester and

Cox 2010; Janz, Wetherbe, Davis and Noe 1997; Spriggs, Jackson and Parker 2000). However, autonomous teams or work groups are also often used interchangeably with empowered teams or work groups in much of the literature (e.g. Orsburn, Moran, Musselwhite, Zenger and Perrin 1990) so it is likely that there is overlap in terms of research findings based on which term, autonomy or empowerment, is used.

The concept of autonomy can be illustrated by a customer's encounter with a mobile broadband internet company. The customer's broadband internet had been very poor for a month. The customer was unhappy that she did not have access to the amount of internet that she was going to be billed for due to poor service issues so she telephoned the customer service department. After outlining the problem to the representative the customer was pleasantly surprised when the representative informed her that as a gesture of goodwill due to the service issues her balance for that month would be waived. The representative did not have to transfer the customer to another department or to a manager; he was able to fulfill the request and resolve the problem then and there without having to receive further authorization.

Empowerment

The construct of empowerment has progressed from the act of granting power (e.g. Kanter 1977), to the psychological experience of power (e.g. Conger and Kanungo 1988; Spreitzer 1995; Thomas and Velthouse 1990). Initially empowerment was defined as the granting of power and decision-making authority, known as the structural or relational approach (Kanter 1977). This conceptualization of empowerment focused on empowering management practices such as the delegation and sharing of resources from management to employees. However, empowering management practices may, but do not necessarily, empower employees. An individual can be granted control or choice (autonomy) but if they do not perceive this to be the case they will not *feel* empowered (Conger and Kanungo 1988). The more prevalent view of empowerment today is as a psychological construct or process, motivating, energizing and enhancing feelings of self-efficacy; enabling rather than simply delegating (Conger and Kanungo 1988). These feelings of motivation and the *perception* of autonomy enable the individual to act. As such, I view empowerment as psychological latitude.

The motivation drawn from empowerment results from a positive orientation an individual has towards his/her role and is achieved through a synthesis of meaning, competence, self-determination and impact (Spreitzer 1995; Thomas and Velthouse 1990). Meaning refers to the fit between an individual's beliefs and their work role. Competence refers to the self-efficacy or belief in one's ability to perform necessary actions. Self-determination reflects autonomy and is the sense of choice, or control one has over their actions. Impact is the degree to which an individual can influence outcomes (Spreitzer 1995). Taken together, these cognitions reflect an active orientation in which the individual desires and perceives that he or she is able to influence his or her work environment (Spreitzer 1995).

Empowerment is not a one-dimensional construct; it has varying degrees. Empowerment implies that employees are permitted to exercise a certain amount of discretion during the service delivery. This level of discretion often includes three points along a continuum, ranging from routine, to creative to deviant discretion (Kelley 1993), or from nonempowerment, to limited to full empowerment (Sparks, Bradley and Callan 1997). Each point on the continuum represents an increase in feelings of self-efficacy, motivation and perceived ability to act.

Empowerment is most frequently examined in terms of its effect on various work outcomes (e.g. Liden, Wayne and Sparrowe 2000; Spreitzer, Kizilos and Nason 1997). The key findings are that empowerment as a managerial tool positively affects the behavior, attitudinal dispositions, job satisfaction and self-efficacy of employees. Further, empowered employees result in more satisfied customers and greater service recovery from failure (e.g. Chebat and Kollias 2000; Hartline and Ferrell 1996; Spreitzer, Kizilos and Nason 1997).

The same example of the customer encounter with the mobile broadband internet company can be used to illustrate the concept of empowerment. When the customer telephoned the customer service department to complain about the lack of internet service it is clear that the representative had the autonomy to resolve my problem. This was evidenced by the fact that he offered the solution without receiving further authorization or referring to a supervisor. But why did he do it? Despite possessing the authority to make this decision the representative could have easily stated that there was nothing he could do, or he could have provided an easy excuse such as they were having problems in the area that they were working on fixing. However, the representative was motivated to make the customer happy and was clearly invested in the well being of the company. He recognized that he had the ability to make a decision that would make the customer happy and in turn be in the best interest of the company. As a result of this conversation the customer decided not to cancel her broadband internet contract as she was planning to do.

Improvisation

There is no clear definition of improvisation. However, most definitions of improvisation include a reference to time and behavior: “the conception of an action or behavior as it unfolds drawing on available cognitive, affective, social and material resources” (Kamoche, Cunha and Cunha 2003); “the degree to which composition and execution of an action converge in time” (Moorman and Miner 1998); “a situation in which an individual’s intuition guides his or her actions in a spontaneous way” (Crossan and Sorrenti 1997). As such, I view improvisation as behavioral latitude.

There are varying degrees of improvisation indicating the extent of departure from the initial model. These degrees include ‘interpretation’ where models are adhered to with very slight modification, ‘embellishment’ where models are still recognizable but altered, ‘variation’ where unplanned actions are carried out while still remaining clearly connected to the original model, and finally ‘improvisation’ which is a drastic departure from pre-arranged models (Berliner 1994; Moorman and Miner 1998; Weick 1998). In other words, activities towards the ‘interpretation’ end of the continuum are more dependent on the original model than activities towards the ‘improvisation’ end of the continuum.

Improvisation has come to the forefront of research in recent years, as it is particularly relevant to the dynamic environment in which organizations now compete. Improvisation allows organizations to be flexible and to anticipate and react to the current and changing needs of existing and potential customers (Dennis and Macaulay 2007). The majority of research done thus far in the area of improvisation within organizations relies on metaphors from areas such as theatre and especially jazz music (eg. Dennis and Macaulay 2007; Kamoche, Cunha and Cunha 2003; Vera and Crossan 2004). These studies highlight what the management realm can learn from jazz music and theatre, which have a long history of improvisation use. *Organization Science* even ran a special issue on Jazz Improvisation and the Organization in 1998, which stimulated much of this work. Some research has begun to bridge the gap between the metaphors of jazz music and theatre and improvisation in the workplace (Daly, Grove, Dorsch and Fisk 2009; John, Grove and Fisk 2006). This serves as a good jumping off point to examine improvisation at the individual level and its proposed specific utility in the context of BSE role stress.

A good example of improvisation is one given by Jan Carlzon, former CEO of Scandinavian Airlines Systems (SAS), in his book ‘Moments of Truth’. Mr. Peterson, an American businessman, was staying in Stockholm but needed to fly to Copenhagen for the day for a business meeting. Upon arriving at the airport Mr. Peterson realized he had left his ticket at the hotel. Much to his surprise the ticket agent told him not to worry and organized for a SAS limo to drive to his hotel where the driver met the hotel bellhop who had retrieved Mr. Peterson’s ticket from his room. The ticket arrived to the airport and to Mr. Peterson before the flight to Copenhagen departed enabling Mr. Peterson to make his flight and his business meeting. By reacting in the moment and thinking quickly the ticket agent was able to come up with an innovative solution, using resources at her disposal to help Mr. Peterson. This is the essence of improvisation

Synthesis of Concepts

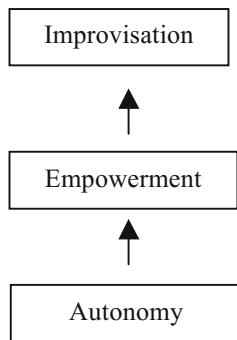
Having reviewed the relevant literature, a clearer picture of the relationship between autonomy, empowerment and improvisation can now be presented. These terms are distinguished based on the different forms of latitude they represent; structural, psychological, or behavioral. Autonomy provides structural latitude as it affords the individual choice in and control over their actions. Autonomy can be considered a state of being. If an individual has been granted choice in and control over their actions they are considered autonomous. But this does not necessarily mean they will do something about it or act a certain way because of it. In order for autonomy to be useful the individual must perceive it as such and be motivated by it.

The psychological latitude afforded by empowerment is necessary for individuals to perceive that they have choice in and control over their actions. Empowerment enables and motivates individuals to act. Empowerment is more purposeful than autonomy as it implies an action; one is empowered to do something. However, empowerment does not provide any guidance as to actions to take.

Improvisation provides behavioral latitude for individuals to use available resources to come up with a creative solution to the problem they are empowered to solve in real time. Improvisation occurs when an individual is motivated by the elements of control and choice. This granting of control and the element of choice form the basis of autonomy. The recognition/perception and motivation by the elements of control and choice form the basis of empowerment. This can be contrasted with the use of set scripts, where little or no empowerment or autonomy has been afforded resulting in the individual experiencing little control or choice in their actions or behaviors.

The relationship between autonomy, empowerment and improvisation can be represented as building blocks (see [figure 1](#)). Autonomy is required for empowerment and empowerment is required for improvisation. In other words, the structural level (autonomy) forms the foundation, the psychological level (empowerment) motivates and calls to action, and the behavioral level (improvisation) implements action.

Figure 1. The Building Blocks of the Concepts of Autonomy, Empowerment and Improvisation



CONCLUSIONS AND IMPLICATIONS FOR THEORY AND PRACTICE

The behavioral latitude afforded by improvisation is key to managing BSE role stress as it provides the individual with the opportunity and ability to adjust their actions and behaviors based on the demands of each unique situation. Employees must be autonomous and empowered in order to improvise, however, autonomy and empowerment on their own are not enough as they lack the crucial behavioral dimension. It is the behavioral latitude that forms the basis of the utility of improvisation in managing role stress for BSEs. As such, the discussion of autonomy, empowerment and improvisation in the current paper has viewed the three literatures through a different lens with the aim to position a future study on improvisation as a coping mechanism to manage BSE role stress. This is increasingly important as customers are more and more involved in the service encounter.

Clearly relevant to managers is how to incorporate improvisation into the workplace and routine of their employees. Strategic planning sessions could encourage individuals to engage in trial and error thinking, giving the individual practice in generating multiple alternatives to manage situations. From a leadership perspective setting goals beyond an individual's capacity will compel them to test their boundaries and improvise to resolve the problem. It is also important to acknowledge and reward individual's attempts to use their past experiences along with pragmatic reasoning to arrive at novel and unique responses to a problem as opposed to an over-reliance on pre-planned strategies and scripts (Barrett 1998).

References available upon request

HOW CONSUMERS PROCESS PREVENTION-ORIENTED DIRECT-TO-CONSUMER ADVERTISING MESSAGES: A CONCEPTUAL PAPER

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ABSTRACT

Today, one of the most prevailing ways to inform the public of available prevention methods is through Direct-to-Consumer (DTC) advertisements. As the debate among interested researchers and policymakers continues regarding the pros and cons of DTC advertising, understanding how consumers process these messages, in order to make them more effective, is necessary, if we ever hope to increase prevention behavior and potentially decrease disease cases.

Many attitude change and information processing models have been developed to explain how consumers process, interpret advertising messages, form/change attitudes and make decisions. However, there has been limited research on how consumers process prevention-oriented advertising messages, as most attitude change and information processing theories have been developed for products and services that usually contain a lower level of risk than health-related decisions. This paper aims to fill this gap in research by providing a conceptual framework for how consumers process prevention-oriented DTC messages.

Following an information-processing theory commonly used in the consumer behavior field, the *Elaboration Likelihood Model* (ELM), this proposed framework focuses on the cognitive and affective processes that occur after exposure to a stimulus and before the behavioral response to that stimulus. Past research has also applied the ELM on health-related topics, such as HIV prevention, but lacked the theoretical background of incorporating health related theories in their considerations. Thus, the inclusion of such theories is important in order to understand how attitudes are changed or formed and how they impact the likelihood of engaging in prevention behaviors.

Three health behavior theories provide the health-related constructs for the development of the proposed framework. These are: a) Rosenstock's (1988) *Health Belief Model* (HBM), b) Witte's et al. (1998) *Extended Parallel Process Model* (EPPM), and c) Prochaska's et al. (1992) *Transtheoretical model* (TTM). The TTM is used to combine the previously discussed theories (ELM, HBM and EPPM), by being interpreted as a hierarchy of effects model for changing or forming preventative behaviors. In doing so, the case of the HPV vaccine, as prevention method for Human Papillomavirus infection (also called HPV) is employed to give context to the conceptualization of the framework being proposed. The HPV vaccine is the first STD and cancer prevention vaccine.

The proposed framework provides a first step towards social change by explaining how prevention-oriented DTC advertising messages can influence the attitudes and behaviors of individuals towards their engagement in preventative actions, such as getting vaccinated against HPV. Apart from this framework's limitations, such as the criticism regarding the measurements that have been used in the past to examine some of the proposed constructs and the difficulty of validating frameworks that involve many constructs, this paper has much to offer to both academics and practitioners.

By combining a popular information processing model with health behavior theories, it does not only extend the knowledge of the two fields, but also provides some basic guidelines for advertisers regarding how to make prevention-oriented DTCA messages more persuasive, an issue that has certainly warranted attention from pharmaceutical companies and health communicators around the world. Additionally, it also provides a comprehensive review of the origins of this proposed model, by describing the meanings and logical adequacy of the proposed constructs and relationships, as well as it is generalizable to most prevention-oriented health issues. Future endeavors should focus on testing this theoretical model and applying it to the development and implementation of prevention-oriented DTC messages, in the hopes of becoming a prevention-oriented society.

References available upon request.

Friday, 22 July
Time: 3:30 PM

Session Number: **10.5: Market orientation: antedecence and consequences**

Session Chair: Haugvedt, Curtis, *Ohio State University*

A Five-country Study on the Curvilinear Performance Consequences of Responsive and Proactive Marketing Orientation

Oswald, Monika, *RWTH Aachen University*

Brettel, Malte, *RWTH Aachen University*

Analyzing the Mediating Effect of Learning Orientation on the Relationship of Marketing Orientation and Company Performance in Times of Market Turbulence

Becker, Niels, *RWTH Aachen University*

Brettel, Malte, *RWTH Aachen University*

Interaction Orientation: Do Corporate Culture, Organizational Structure, and Leadership Style Have an Impact on It?

Thalmann, Julia, *RWTH Aachen University*

The Impact of Employees' Workplace Interaction on Market-oriented Behavior

Zhu, Tao, *University of Groningen*

Leenders, Roger, *University of Groningen*

Dolfsma, Wilfred, *University of Groningen*

A FIVE-COUNTRY STUDY ON THE CURVILINEAR PERFORMANCE CONSEQUENCES OF RESPONSIVE AND PROACTIVE MARKET ORIENTATION

Monika Oswald, RWTH University Aachen, Germany
Malte Brettel, RWTH University Aachen, Germany

ABSTRACT

Recent research addresses one of the shortcomings of the traditional market orientation (MO) conceptualization – the missing inclusion of proactive search for latent customer needs – by adding the dimension of proactive MO (Narver, Slater, & MacLachlan, 2004). Extant empirical research on proactive MO validates its positive relationship with new product success (Narver et al., 2004; Atuahene-Gima, Slater, & Olson, 2005; Tsai, Chou, & Kuo, 2008) and from a customers' perspective with superior value (Blocker, Flint, Myers, & Slater, 2010). However, the positive perception of responsive and proactive MO's linear relationship with new product success might neglect the potential costs associated with each dimension of market orientation and contradictory results concerning the non-linearity of these effects remain (Atuahene-Gima et al., 2005; Tsai et al., 2008).

Therefore the present study poses the research questions: Does the combination of responsive and proactive market orientation lead to superior performance? How are the curvilinear relationships of both facets of MO with firm performance? And are these relationships influenced by different cultural contexts? A theoretical model that integrates responsive MO, proactive MO and firm performance is developed and empirically tested for interaction and curvilinear consequences of responsive and proactive MO.

Survey data was generated in five national contexts — Austria, Switzerland, Germany, Thailand, and the US — with strong differences in the major cultural dimensions from Hofstede (2001), to examine cross-cultural generalizability. Overall, 737 usable answers were generated: 51 from Austria, 98 from Switzerland, 183 from Germany, 257 from Thailand, and 148 from the US.

Hierarchical regression analysis reveals that both MO facets are positively related with firm performance. But beyond a certain level responsive MO may become detrimental to firm performance (inverse u-shaped relationship), while a substantial level of proactive MO may be necessary to contribute to performance (u-shaped relationship). Contrary to the presented arguments, the combination of both orientations is not positively related to firm performance. Results indicate that these relationships are not subject to national cultural influences.

References available upon request

ANALYZING THE MEDIATING EFFECT OF LEARNING ORIENTATION ON THE RELATIONSHIP OF MARKET ORIENTATION AND COMPANY PERFORMANCE IN TIMES OF TURBULENCE

Niels Becker, RWTH University of Aachen, Germany
Malte Brettel, RWTH University of Aachen, Germany

ABSTRACT

The marketing concept postulates that to achieve a competitive advantage firms should identify and satisfy customer needs more effectively than their competitors (Day 1994) and much of the extensive market orientation literature examines the extent to which firms adhere to this (Kohli et al. 1990, Narver et al. 1990). Much research has investigated the direct impact of market orientation on company performance and the majority of these studies indicate that market orientation is positively associated with company performance (Cano et al. 2004, Ellis 2006, Vieira 2010). Only few studies display negative or non-significant findings (Agarwal et al. 2003, Bhuian 1997, Sandvik et al. 2003). However, despite these relatively consistent, positive findings, there is little understanding of how market orientation should be deployed to achieve a competitive advantage (Han et al. 1998, Morgan et al. 2009).

In this context scholars suggest that market orientation must be accompanied by a strong learning orientation (Baker et al. 1999, Slater et al. 1995), as it enables firms to maintain a long-term competitive advantage by continuously improving the processing of market information. It helps companies to question long standing market assumptions or beliefs and to manage disruptive change (Day 1994, Christensen 1997). Moreover, as Dickson (1996) postulates, a strong market orientation can be readily copied, but the learning environment that organizes and translates the output of these behaviors into a comparative advantage cannot. Notably, in dynamic market environments, which are characterized by the high rate of change in the composition of customers and their preferences, the ability to learn faster than competitors might be the only source of competitive advantage (DeGeus 1988), as products and services are likely to have to be continuously modified to cater to customers' changing preferences. In particular, a strong learning orientation may facilitate required changes in the market offering and finally lead to improved performance (Fiol et al. 1985).

Though researchers have proposed that market orientation should be accompanied by a strong learning orientation, only few studies have empirically explored this relationship (Ali et al. 2010, Grinstein 2008a). Moreover, the impact of environmental conditions on this relationship has remained largely unaddressed (Cano et al. 2004, Lin et al. 2008, Santos-Vijande et al. 2005). Accordingly, the present paper investigates the direct effect of market and learning orientation on company performance. In addition, the mediating effect of learning orientation on the market orientation-performance link is examined. It is argued that market orientation provides the company with market information, on which learning can occur (Farrell 2000). Finally, the moderating effect of market dynamism on these relationships is investigated. In more dynamic market environments the market and learning orientation interface is assumed to be more important (Slater et al. 1995).

To conduct the research a cross-sectional online survey was conducted. The sample was obtained from the German Chamber of Industry and Commerce and covered companies in 12 different industries. In spring 2010, 290 qualified responses from managing directors or heads of marketing were received. Partial least squares, a broadly accepted variance-based structural equation modeling technique, was used to evaluate the proposed theoretical model (Wold 1985). It has already been used in studies similar to this one (O'Cass et al. 2007, Voola et al. 2010).

The empirical findings suggest that there is no direct, but an indirect effect of market orientation on company performance. Learning orientation mediates the relationship between market orientation and company performance. Hence, it can be concluded that in order for a company to achieve a superior performance, market orientation should be combined with a strong learning orientation. Market oriented companies are exceptional in gathering market information relevant to the company. However, they run the risk to limit their learning to current and expressed needs of their customers (La et al. 2004, Slater et al. 1995). Learning oriented companies challenge this market information and can assess effectively, how to act on it. They acknowledge that at times not all market information is useful and therefore firms sometimes need to unlearn. In addition, with regard to the moderating effect of market dynamism the results indicate no clear findings. Market dynamism positively moderates the relationship between market and learning orientation, but does not affect the relationship of learning orientation and company performance.

References available upon request

INTERACTION ORIENTATION: DO CORPORATE CULTURE, ORGANIZATIONAL STRUCTURE, AND LEADERSHIP STYLE HAVE AN IMPACT ON IT?

Julia Thalmann, RWTH Aachen University, Germany

ABSTRACT

The term “interaction orientation” refers to the ability of firms to interact with their individual customers in such a way that the firms can gather information on products and services and can develop long-term profitable relationships. In addition, firms need customer knowledge, close customer contact, customer-based IT systems, and a focus on customer profitability in order to organize and evaluate the information they collect correctly (Day 2003). Therefore, interaction orientation actually consists of four dimensions: the belief in the customer concept, customer empowerment, interaction response capacity, and customer value management. All four dimensions aim at building close relationships with individual customers in order to gain valuable knowledge about the products and services they need and desire (Ramani and Kumar 2006). As such, interaction orientation is a firm-level strategy that ensures, through various internal activities, that the individual customer and his or her wants and needs are the objective of analysis and success (Ramani and Kumar 2008).

Other than the work of Ramani and Kumar (2006, 2008), scarce research on interaction orientation has been undertaken, but the literature related to firms’ customer-centric thinking has called for further research on the individual customer framework (Raman et al. 2006; Shah et al. 2006). In particular, research on the organizational drivers of firms’ customer-related capabilities is surprisingly scarce (Jayachandran et al. 2004). Past research on orientations, such as market orientation, has extensively examined the influence of organizational and managerial characteristics of firm-level strategies (Deshpandé and Farley 1999; Jaworski and Kohli 1993; Kirca et al. 2005), so it is important, not only for researchers but also for practitioners, to know if and how organizational and managerial antecedents affect interaction orientation.

In line with contingency theory, which views organizations as social systems in which coordination is guided through management policies to achieve goals and objectives, we examine the antecedents of interaction orientation under the organizational and behavioral contexts, as both dimensions help to adapt and coordinate an overall strategy and policy (Luthans and Stewart 1978). In order to deepen the understanding of the antecedents of interaction orientation, this study investigates the impact of firm structure, corporate culture, and leadership behavior on interaction orientation. In doing so, we examine the internal relationships and their dependencies on overall policies to broaden the understanding of operations within a firm.

The survey was conducted on executive level because the managing directors and marketing managers have best overview about the firm. As an incentive for participation in the survey, a detailed analysis of the survey results was offered. Based on a three-wave-mailing approach, 381 qualified answers were received.

The results show that both organizational and leadership characteristics either help or hinder the successful implementation of interaction orientation thereby broadening the understanding of how to implement interaction orientation successfully.

In detail, an adhocratic organizational culture is the most effective in advancing interaction orientation, while a market culture has a negative impact on it. Neither the clan culture nor the hierarchy culture has a significant influence on interaction orientation. In general, less formalized structures and highly facilitative management behavior support interaction orientation.

This study reveals that the implementation of interaction orientation alone is not sufficient to guarantee a firm’s customer-centric focus. The results suggest that, to foster interaction orientation on an overall firm level, managers should align organizational and behavioral factors to interaction orientation.

References available upon request.

THE IMPACT OF EMPLOYEES' WORKPLACE INTERACTION ON MARKET-ORIENTED BEHAVIOR

Tao Zhu, University of Groningen, the Netherlands
Roger Leenders, University of Groningen, the Netherlands
Wilfred Dolfsma, University of Groningen, the Netherlands

ABSTRACT

This paper studies individual Market Orientation (MO): still considered inadequately addressed in the literature. Based on earlier arguments in MO theory, we propose that networked interactions are critical drivers of individual MO development. Since currently there is no literature in MO available for this genre of studies, our research contribution can be two fold: First, we provide a new perspective on the still under-studied issue of MO implementation at individual level. Second, this study can also generate direct normative implications for managers. We expected to evaluate a potential driver that is not yet revealed in the MO adapting process as compared with explicit management commitment and financial reward.

We use a data set of 60 firms with 1175 nested individuals of different functions from frontline employees to top managers to test our theoretical proposal. We find that social network effect plays a critical role in the implementation of MO at individual level, more effective than management commitment, financial reward and organizational structure in boosting market information generating and sharing.

References available upon request

Friday, 22 July
Time: 3:30 PM

Session Number: **10.6: Influencing consumer decision making through online promotions and reviews**

Session Chair: Hanna, Richard C., (*Northeastern University*)

How Online Consumer Reviews Influence Brand Preferences: Differences Between Lurkers and Posters

Bartikowski, Boris, *Euromed Management*

Walsh, Gianfranco, *University of Koblenz-Landau*

Consumer Responses to Promotional Games in Social Media

Hanna, Richard C., *Northeastern University*

Swain, Scott D., *Northeastern University*

Hibbard, Jonathan, *Boston University*

HOW ONLINE CONSUMER REVIEWS INFLUENCE BLOG USERS' PRODUCT- AND BRAND PREFERENCES: DIFFERENCES BETWEEN LURKERS AND POSTERS

Boris Bartikowski, Euromed Management, France
Gianfranco Walsh, University of Koblenz-Landau, Germany

ABSTRACT

The study investigates how consumer generated product reviews influence other consumers' product and brand preferences. The authors build on the Theory of Reasoned Action and theories of self-identification to conceptualize how product-related opinions of a blog community relate to the individual blog user's product- and brand attitudes, and ultimately to the blog user's brand purchasing intentions. A study with 270 online blog users shows that the opinions of the blog community are positively related to brand intentions via two mediating variables, the blog user's attitudes about the product and the brand. Moreover, the study shows that these mediated relationships are moderated by the type of blog users which may be active or passive. Implications for theory and practice are discussed.

References available upon request

CONSUMER RESPONSES TO PROMOTIONAL GAMES IN SOCIAL MEDIA

Richard C. Hanna, Northeastern University, USA
Scott D. Swain, Northeastern University, USA
Jonathan Hibbard, Boston University, USA

ABSTRACT

Increasingly, companies are using social media websites such as Facebook and Twitter to distribute promotions. A particularly popular tactic involves merging promotional distributions, such as coupon giveaways, with social games. This use of game play mechanics in non-game applications has been used in a variety of situations including promotions, training programs, goal achievement programs, and others. While consumer responses to these games are generally positive, little is known about how the characteristics of games influence redemption, entertainment value, attitudes toward the firm, and future repurchase. In this research, we examine consumer responses to two types of games: games of chance (e.g., scratch tickets) and games of skill (e.g., treasure hunts). We first present results from data collected from a website that runs promotional games tied to social media. We then explore alternative explanations for these findings using a laboratory setting.

Friday, 22 July
Time: 3:30 PM

Session Number: **10.7: Marketing and Finance**

Session Chair: Lindquist, Jay, *Western Michigan University - Retired*

The Relationship of Advertising and, Research and Development with Capital Market Risk: Do Firms with Higher Risk to have Different Relationship with these Risks?

Chen, Miao-Ling, *National Sun Yat-sen University, Taiwan*

Peng, Chi-Lu, *National Sun Yat-sen University, Taiwan*

Customer Involvement, Retail Mix Elements and Customer Loyalty

Terblanche, Nic, *Stellenbosch University*

**THE RELATIONSHIPS OF ADVERTISING, AND RESEARCH AND DEVELOPMENT WITH CAPITAL
MARKET RISK: DO FIRMS WITH HIGHER RISK TO HAVE DIFFERENT RELATIONSHIP WITH THESE
RISK?**

Miao-Ling Chen, National Sun Yat-sen University, Kaohsiung, Taiwan
Chi-Lu Peng, National Sun Yat-sen University, Kaohsiung, Taiwan

ABSTRACT

In this study, we examine how a firm's advertising and R&D affects the firm's β -risk and idiosyncratic risk, which are metrics of interest to both finance executives and senior management. Due to the existence of non-normal finance data and heteroscedasticity, this study uses quantile regression to analyze the sample in order to avoid estimation bias. We generate six empirical generalizations. (1) Advertising is significantly associated with lower β -risk for firms with lower, median and higher β -risk. (2) R&D is significantly higher β -risk for firms with median and higher β -risk firms. (3) Advertising is significantly associated with lower idiosyncratic risk for firms with higher idiosyncratic risk. (4) R&D is significantly associated with higher idiosyncratic risk for firms with median and higher idiosyncratic risk. (5) Our evidence shows that both advertising and R&D have a stronger effect on firms with higher β -risk (idiosyncratic risk) than on those with lower β -risk (idiosyncratic risk). (6) Moreover, our evidence suggests that advertising and R&D tests resoundingly support our hypothesis that the coefficients vary across the quantiles.

References available upon request

CUSTOMER INVOLVEMENT, RETAIL MIX ELEMENTS AND CUSTOMER LOYALTY IN TWO DIVERSE RETAIL ENVIRONMENTS

Nic S. Terblanche, University of Stellenbosch, South Africa

ABSTRACT

Customer loyalty has remained a managerial issue of particular concern in recent times. As consumers demonstrate differing levels of involvement in their buying decisions depending on the nature and characteristics of the product or service they are considering buying, the type of retailer (retail format) and the in-store retail mix on offer may become important drivers of loyalty. It can thus be expected that retailers would attempt to provide in-store retail mixes that not only address the involvement expectations of customers but also enhance customer loyalty. The primary purpose of this study was to empirically assess the validity of this contention. The empirical results revealed that customer loyalty at retail level is influenced by the nature of the different retail formats where they shop and the different in-store retail mixes on offer at each type of retailer. In-store retail mixes are, in turn, a result of customer involvement needs. In other words, customer loyalty is not driven by the same variables in all types of retail stores.

INTRODUCTION

The role of involvement in marketing has been studied from various perspectives such as, for instance, customer involvement, product involvement, cognitive involvement and affective involvement. The focus of this study is on the in-store retail mix elements a retailer must provide to address the involvement needs of its customers in a manner that could enhance loyalty amongst their customers. In particular the differences in in-store retail mix elements that customers demand and that can assist them in their in-store shopping decision-making, in respect of low and high involvement products, are investigated. In essence, a customer's involvement with a particular product or product category relates to the importance of the product to the customer, as well as the amount of risks or uncertainty that the purchase decision holds. Research by Mano and Oliver (1993) has shown that as the relevance of a purchasing issue increases for a customer, it leads to higher levels of customer involvement which in turn leads to higher motivation, heightened arousal and increased cognitive elaborations. Retailers therefore have to understand which in-store retail mix elements their customers require to enable them to make an informed decision when they attempt to enhance customer loyalty. It is thus likely that, as far as low involvement products are concerned, customers' needs are minimal whereas the opposite could be true of high involvement products. When the amount of information that a customer needs to make a buying decision is very low, their involvement with the particular product or service is also low (Hidalgo, Manzur, Olavarrieta and Farías 2008). In a similar vein, in industries where low brand differentiation and low customer involvement are the norm (e.g. private pension schemes), brand choices are responses to inertia (Assael, 2004). The opposite, namely high involvement needs require more information and other cues to address involvement needs, is also true. In the retail store environment one can thus expect that low/high involvement needs must be appropriately catered for to enhance loyalty.

PROBLEM INVESTIGATED

Customer involvement varies for different types of product and services, depending on the type of merchandise and/or services the customer is shopping for. Moore (2005) state that the consumer-side offering that retailers employ to appeal to their target markets is generally referred to as the retail mix. Levy and Weitz (2007) define "the retail mix as the variables retailers use to satisfy customer needs and influence their purchase decisions. Elements in the retail mix include the types of merchandise and services offered, merchandise pricing, advertising and promotional programs, store design, merchandise display, assistance to customers provided by salespeople, and convenience of the store's location." Certain products, because of their role as status symbols or importance for the physical or psychological wellbeing of a customer, cause customers to spend more time in a shop, they require more information, they require the assistance of sales staff for advice and they want an opportunity to complain should the need arise. The store environment, and in particular stores such as a clothing store, should also be pleasant and conducive to browsing. These are typical characteristics of retail stores marketing high involvement products. On the other hand, most customers want supermarkets to be laid out in a way to enhance the speed and efficiency of grocery shopping. These are typical customer expectations for low involvement products and stores selling low involvement products. The extent to which a retail store provides facilities, staff, information, and the like to address the involvement expectations of their customers could, if properly executed, enhance the customer's shopping experience and satisfaction which should lead to higher levels of customer loyalty. Whether this contention is valid is the problem investigated in this study.

OBJECTIVES

The nature of a product or service or the combinations thereof determines the extent to which a consumer will become involved during a shopping experience. Retailers respond to these different involvement needs by designing their in-store retail mixes to address the involvement needs of shoppers. In other words, a low involvement product will be retailed in a different environment/format than a high involvement product, depending on the needs of customers and the characteristics of the product or service. Some retail store attributes are therefore more important to a customer in assisting him or her to address the demands of their level of involvement. The primary objective of this study is to ascertain which in-store retail mix elements must be in place to satisfy customer involvement needs in two diverse retailing environments namely a supermarket and a health, beauty and lifestyle (HBL) retailer. A secondary objective is to determine whether and which in-store retail mix elements (the independent variables) impact on customer loyalty (the dependent variable) in the two retailing environments. The assertion is that different in-store retail elements in the two retailing environments impact differentially on customer loyalty in these two retailing environments. In that case, one can conclude that a particular blend of in-store retail mix elements should be in place to address both the involvement needs of customers and the needs of retailers to enhance the loyalty of its customers. The literature review aimed to identify those in-store retail mix elements that should be in place to address the involvement needs of customers in two different retail formats. The empirical study consisted of a structural equation modeling analysis to determine whether specific elements of the in-store retail mix impact on loyalty to a particular retail format.

CUSTOMER INVOLVEMENT

Beharrell and Denison (1995) state that the concept of involvement initially developed in the field of social psychology where involvement was viewed as “the association between ego and an object”. This initial view was followed by a period where the emphasis was placed on the motivational power of involvement in influencing consumer behaviour. Later the antecedents or sources that influenced the different types of involvement namely, “enduring”, “situational” and “response” gained prominence. Beharrell and Denison (1995) regard special promotional prices and merchandising displays and unusual states of anxiety to “be situation specific, while time available and store knowledge would be globally relevant situational factors”. Park, Iyer, and Smith (1989) have, in line with the afore-mentioned examples of situational factors, highlighted how in-store stimuli can influence decisions in a shopping situation with varying degrees of involvement. [Table 1](#) contains a summary of the characteristics of the involvement concept as it developed over time and that are relevant for this study. More recently James (2009) used customer involvement as a basis to propose an alternative system which can be used to classify products. Instead of classifying the products themselves, James proposed a classification based on consumer involvement which distinguishes between low, medium and high consumer involvement. In the case of low involvement the consumer will employ simple identification to make a purchase - as soon as the consumer comes across a product that can satisfy the need, it is selected. Medium-level involvement with a product demands a consumer to search for more information to make a well-informed decision to meet a minimally developed mental schema. A highly involved customer would search for information until satisfied that the information required by a completely developed mental schema of the product is met. James’s proposed method recognises the social feature of purchases by permitting involvement to fluctuate based upon the nature of the person and the situation where the purchase takes place. A further advantage when products are classified in accordance with consumer involvement “is that it accounts for effort and time in a more realistic way through consumer perceptions rather than product characteristics.” (James, 2009). [Table 2](#) contains a summary of James’s proposed classification system.

Risk and involvement

The *raison d'être* why customers engage at different levels of involvement, is related to the risk customers perceive in any given shopping situation. According to Dholakia (2001) an extensive volume of research has explored the relationship between product involvement and consumer risk perception (Richins, Bloch, and McQuarrie 1992). Several reasons have been suggested why the study of and an understanding of the relationship between risk and involvement are of importance. If the underlying links amongst the diverse dimensions of involvement and risk are understood it will enable one to grasp “the psychological mechanisms by which these motivational states occur and influence subsequent cognitive and behavioral responses as well as volitional processes that activate persistence in the case of difficult behaviors” (Dholakia 2001). This knowledge and insight also have practical meaning and value in the sense that knowledge of the motivational states of consumers can serve as building blocks to guide strategic initiatives. Generally speaking, one can assume that the higher the risk perceived by a customer is, the more in-store elements the customer will employ to guide him or her in the shopping

process. If a retailer succeeds in providing all the inputs necessary for a customer to reduce the risk involved in a purchasing decision, it is also likely to lead to behavioural and attitudinal loyalty.

Product involvement as a customer-defined construct

Traylor (1981) argues that it is inaccurate to present products as either high or low involvement products, seeing that “strictly speaking, no product is inherently ego involving or uninvolved” and the characteristics of high or low involvement are based on the perceptions of consumers. Nevertheless, researchers usually refer to high or low involvement products when the extent of the endeavour demonstrated is of a little magnitude (low involvement) or substantial magnitude (high involvement). Martin (1998) suggested that particular products lead to higher levels of involvement than other products because “the characteristics of the products/brands themselves or their usage contexts may systematically act to arouse consumers’ involvement.” Traylor (1981) believes that involvement and commitment is “a continuum along which consumers are distributed”. Laurent and Kapferer (1985) in turn, maintained that involvement is a multi-dimensional construct and as a result suggested that an involvement profile might be more appropriate than a continuum to explain the construct. Quester, Karunaratna and Lim (2001) studied the relationship between product involvement and brand loyalty. They found a relationship between the two constructs and that the dimensions of involvement varied in accordance with the product category under consideration. The findings of Quester et al. (2001) concurred with the views of Kapferer and Laurent (1993) who contend that “some consumers may attribute high scores to some facets and low scores to others depending on the product”. Consequently, the findings of Quester et al (2001) and Kapferer et al (1993) confirm Traylor’s, earlier view that product involvement is a consumer defined concept (1981).

CUSTOMER LOYALTY

Customer loyalty has been defined in various ways, ranging from a probability of repurchase to a proportion of purchase (Sivadas and Baker-Prewitt 2000). At a general level, customer loyalty is a positive propensity toward a store or brand (East, Hammond, Harris, and Lomax 2000). Jacoby and Chestnut (1978) identified over fifty operational definitions of loyalty and found that the idea that is central to many of these definitions is that the extent of loyalty is determined by the proportion of expenditure devoted to a specific brand or store (East, Harris, Willson, and Lomax 1995). Dick and Basu (1994) and Mellens, Dekimpe and Steenkamp (1996) have reviewed different measures of propensity towards brands and stores. The general conclusion from these and other studies is that loyalty is both a cognitive construct (attitude) and a shopping behavior. A number of authors have also suggested that loyalty is a relational phenomenon (Sheth and Parvatiyar 1995). The key antecedent, from a relationship marketing perspective, would appear to be the affective component including variables such as satisfaction and emotions or feelings about a brand or a store. Bloemer and de Ruyter (1998), in line with the relational approach, define store loyalty as the biased (i.e. non random) behavioural response (i.e. revisit), expressed over time, by some decision-making unit with respect to one store out of a set of competing stores, which is a function of psychological (decision-making and evaluative) processes resulting in store commitment. The critical part of this definition is store commitment, the absence of which makes visits by a customer to a store spurious. Loyal customers can be regarded as a competitive asset to a business organisation (Dekimpe, Steenkamp, Mellens, and Vanden Abeele 1997). Aaker (1991) has argued that customer loyalty represents a basis for charging price premiums, and serves as a barrier to competitive entry. Customer loyalty is also a key determinant in predicting market share (Baldinger and Robinson 1996; Jacoby and Chestnut 1978) and profit levels (Reichheld 1996). The dynamics of evolving business trends (such as competitive intensity combined with limited product differentiation), have led to an increase in the perceived importance of customer retention from a managerial perspective (Perrien and Ricard 1995). Knox and Denison (2000) found that store-loyal customers in the grocery sector spend larger budgets and larger proportions of budgets. They term this double leveraging effect in grocery retailing as the ‘double indemnity effect’. It signifies that customers loyal to a particular grocery store tend to spend up to four times as much as switchers. Furthermore, as these loyal customers are likely to be no more expensive to serve than others, one can realistically conclude that loyal customers are potentially more profitable to retailers than switchers. Increased customer retention has two further important effects for retail firms. In the first instance it can lead to a gradual increase in the firm's customer base which is of particular importance in an era of low sales growth. Secondly, as the profits earned from each individual customer grows the longer the customer remains loyal to the firm (Sirohi, McLaughlin, and Wittink 1998). Existing customers also tend to purchase more than new customers do (Rose 1990). It is important to realise that the repetitive behaviours of consumers form the basis for the development of a measure such as store loyalty. Such repetitive behaviour is likely to be due to a psychological predisposition, conditioned by environmental and personal factors such as store location, store atmospherics, product range, service quality, value for money, store quality, store accessibility and the shopper’s general tendency to be controlled by routines. These factors contribute to the development of a multi-causal account of store loyalty and indicate that the intangible benefits associated with store selection have a significant part to play

in building shopper loyalty. This contention has been illustrated by the studies of Zeithaml, Berry, and Parasuraman (1996), Sirohi et al. (1998) and Boulding, Kalra, Staelin, and Zeithaml (1993). This reasoning is also in line with the principal factors that Enis and Paul (1970) identified as being the main determinants of store loyalty, namely environmental conditions; consumer socio-economic characteristics; consumer psychological characteristics; and retailer marketing strategies.

THE IN-STORE RETAIL MIX

This study focus on the in-store retail mix elements available to customers to assist them in addressing their involvement concerns. The initial set of in-store retail mix elements that were identified as the factors that consumers perceived as important to address their in-store involvement needs were the following: all five dimensions of the SERVQUAL instrument (responsiveness, reliability, empathy, assurance and tangibles), perceived product quality, product variety and assortment, internal store environment, product prices and store policies. The final in-store retail mix elements (dimensions) found to be reliable and valid to address in-store involvement needs are the following (Terblanche and Boshoff, 2001):

- Personal interaction – this is represented by items that includes all the face-to-face interactions between retail employees and customers such as staff giving personal attention, staff's willingness to help, staff being courteous, staff's provision of prompt service and that the staff is never too busy to assist customers.
- Merchandise value – this is measured by items that includes the quality of products, prices that offer value for money, products that functions properly and products that are free from defects.
- Complaint handling – is measured by items that measure whether the retailer has an effective and fair system to deal with customer complaints.
- Internal store environment – this dimension relates to all the elements that play a part in an acceptable shopping atmosphere such as attractive décor, attractive physical facilities (check-out counters, shelves, well spaced product and promotional displays) and attractive materials associated with the retailer's service (shopping bags and catalogues).
- Merchandise variety – this dimension deals with the choice that customers have in respect of different brand names as well as a selection of well-known brands and the variety of brand names that are available in many different sizes.

These five in-store retail mix elements capture the essential elements of customer-based store involvement and address the psychological, physical and situational dimensions of involvement discussed earlier. These elements (constructs) are also suitable to measure customer involvement for different types of retailers and served as independent variables in predicting store loyalty in this study.

THE TYPICAL BEHAVIOUR AND EXPECTATIONS OF SHOPPERS IN RESPECT OF DIFFERENT RETAIL STORE TYPES

This section reviews the typical behaviour and expectations of shoppers in two distinct types of retail stores, namely a supermarket and a store selling health, beauty and lifestyle products. The products and services mix offered by these two stores not only differ between the retail types, but the level of customer involvement also varies from limited to extensive involvement. The intention is to highlight distinctive behaviour and expectations that are unique to a particular group of shoppers and which determines each group's distinctive in-store retail mix requirements to meet their needs for a particular level of involvement.

Supermarket shoppers

Grocery shopping might be a rewarding experience for some consumers, but it is probably safe to say that grocery shopping is boring and a chore for most people. Over time researchers have managed to identify similarities amongst supermarket shoppers: they typically dislike crowding (East, Lomax, Wilson, and Harris 1994); undertake a fair amount of search (Petrevu and Lord 2001); regard queuing as undesirable (Bennett 1998); require consistency in service delivery (Hare, Kirk, and Lang 1999) and use service quality as an extrinsic cue in the formation of overall merchandise quality (Sirohi, McLaughlin, and Wittink 1998). Supermarkets more often than not use the straight (gridiron) layout pattern to enhance the image of an efficient atmosphere which makes shopping and self-service uncomplicated. The speed of shopping made possible by a gridiron layout in combination with price, usually combines to appeal to most supermarket shoppers (Davies, Goode, Moutinho, and Ogbonna 2001). Price, as an extrinsic cue, is essential to supermarket shoppers as they generally do not regard the time and effort required to evaluate intrinsic cues as meaningful (Sirohi et al 1998). It has been suggested that the multiplicity of extrinsic cues readily available in a supermarket (e.g. cleanliness, assortment and variety), price and quality perceptions could co-vary and that consumers "get what they pay for" (Kerin, Jain, and Howard 1992). Based on the discussion above, the following proposition is suggested:

P1 : In a supermarket environment merchandise value will be related to consumer loyalty

Health, beauty and lifestyle product shoppers

The variety and assortment of products offered by the typical health, beauty and lifestyle (HBL) retailer are wide-ranging. It offers, apart from a diverse range of health, beauty and lifestyle products, also a deep and wide product assortment in respect of many products. Some consumers might purchase products from all three categories (health, beauty and lifestyle) during one shopping trip. The latter necessitates careful planning and execution of product/service offerings by the HBL retailer because the product category involvement differs across consumers and this could be particularly true for HBL shoppers (Bloch 1981). Often a wide selection is the most important reason why consumers purchase at a particular store (Mendelson 1998). Maline (1995) found that for drug store shoppers in America the most important factors in the decision to patronise a particular store (apart from convenient location), were the following:

- Knowledgeable staff
- Competitive pricing
- Fast check out times
- Store layout that enhances shopping convenience and speed
- One-stop shopping

Another unique HBL shopping characteristic is that consumers spend most of their shopping time in-store reading health/nutrition information to help them in their food-buying decisions, compared to any other product categories (Nayga, Lipinski, and Savur 1998). Consumers also collect and study information from various sources to be better informed to take part in decisions regarding their health care. Research confirmed that the conventional relationships in the cosmetic industry are shifting and that the sustained marketing campaigns and increased product knowledge are changing consumer buying behaviour (Croft 1999). Various sources such as beauty magazines, radio programmes and television shows (i.e. non-retailer sponsored information sources) are typically all consulted by consumers to empower them to spend their money wisely (Prior 2004). Given the amount of information collected preceding the HBL buying-decision and particularly the importance of knowledgeable staff (Maline, 1995: 101) one can expect that the dimension termed Personal Interaction will be a particularly important dimension in influencing consumers' long term loyalty to a HBL-retailer.

P2 : In a HBL-store environment personal interaction, merchandise variety, complaint handling and merchandise value will be related to customer loyalty

Figure 1 is a summary of the in-store retail mix elements that are likely to address customers' involvement needs and in doing so, contribute to the formation of store loyalty. A distinction is drawn between store type and store involvement measures that are expected to lead to low or high involvement. The essential elements of competition also differ for low and high involvement: it is expected that those products that demand more involvement, will also be caught up in value-added competition as opposed to price competition only in the case of low involvement products as illustrated in Figure 1.

METHODOLOGY

Sampling

A combination of convenience and random sampling was used for collecting the data. For the supermarket, respondents were drawn from the customers of eight supermarket branches of a retailer that operates nationally. The data collection was spread over two days. Some 1244 supermarket customers were interviewed. The supermarket company confirmed that the customers patronising the relevant stores, are representative of the national customer profile of their customers. For the HBL-store, the questionnaire was administered to a sample of customers on the database of the retailer.

Data collection and measurement scale

Data were collected by means of personal interviews using a structured questionnaire for the supermarket. For the HBL-store a total of 3181 usable questionnaires were returned. All the respondents were requested to register their level of satisfaction with the in-store retail mix elements offered by the particular retailer on a 7-point Likert-type scale. The questionnaire used in the surveys consisted of 22 items, measuring the following five in-store retail mix elements: Personal interaction (5 items), Merchandise value (5 items), Merchandise variety (4 items), Internal store environment (5 items), and Complaint handling (3 items) (Terblanche and Boshoff 2001). Loyalty was measured with 3 items based on the work of Zeithaml et al 1996; Sirohi et al 1998 and East et al 2000. The Cronbach Alpha values for the scale used to measure the in-store retail mix (Table 3) were ,951 and ,950 for the supermarket and HBL-retailers respectively. These indices confirm that the instruments used in the study were reliable irrespective of the retail type under consideration. The in-store retail mix measure was then subjected to a series of confirmatory factor analyses to test the measurement model as recommended by Gerbing and Anderson (1988). The

results of the confirmatory factor analyses are set out in Table 4. The absolute fit measures reported in Table 4 meet or exceed the minimum levels normally regarded as cut-off points. Both the LISREL Goodness of Fit Index and the Adjusted Goodness of Fit Index are either very close to or exceed the customary cut-off point of 0,90, providing additional support for the conclusion that the data fits the theoretical model reasonably well.

EMPIRICAL FINDINGS AND CONCLUSIONS

To address the propositions formulated above, the relationships between the five in-store retail mix elements (personal interaction, merchandise value, merchandise variety, internal store environment and customer complaints) and the dependent variable, namely loyalty, were assessed by means of a structural equation modeling analysis. Loyalty was measured with a three-item scale. Figure 2 shows the different impacts of the five involvement dimensions on loyalty. In the supermarket study the only significant relationship was that between merchandise value and loyalty. Proposition 1 is thus accepted. The impact of merchandise value on loyalty is highly significant. Supermarket consumers are typically inclined to be price sensitive and this study once more confirmed this price sensitivity. The particular supermarket group's merchandise variety and assortment offering meets diverse demands in the sense that they offer a wide selection of national and store brands. The store brands appeal to price sensitive shoppers whereas the national brands appeal to other more brand-conscious customer segments. In the HBL sample four of the five independent in-store retail mix elements, namely personal interaction, merchandise variety, merchandise value and customer complaint handling all had a relationship with loyalty. Proposition 2 is thus accepted.

MANAGERIAL IMPLICATIONS

The empirical results reported here provide considerable support for the store involvement literature. In other words, the product mix a retailer offers will produce differing levels of consumer involvement which will lead to a differential impact on customer loyalty. In other words, what generates loyalty will be different for different types of retailers. In a supermarket and environment managerial attention must be focused on merchandise value because that is what brings customer back again and again. In other words: "What I get for what I pay" is thus important for customer loyalty. In the HBL shopping environment loyalty is driven by merchandise value, personal interaction, product variety and assortment and customer complaint handling. It thus appears as if HBL-shoppers, because of the high involvement characteristics of its products, are influenced in their loyalty intentions in a different manner compared to other types of retailer types. HBL-stores has gained prominence to assist customers with their endeavours to live healthier lives and the vast variety of health and other products offered by HBL-stores require competent and knowledgeable staff to help customers make informed decisions. What is clear from the study is that once a retailer has the appropriate retail mix elements to address involvement concerns in place, it is likely that customer loyalty will follow. The results reported here suggest that a retailer that wishes to enhance its customer loyalty will have to pay close attention to how its customers view its products and services and how they make shopping decisions.

TABLES

Table 1. Characteristics of the involvement concept.

Involvement is a motivating force
Involvement is an internal state variable with a goal objective
There is a clear separation of involvement from behavioural effects
Different antecedents impact on different products – and purchase-level involvement
The importance of products is subsumed in a general involvement scale
Involvement is an arousal capacity, not an activation level at a particular point in time
Involvement is a mindset about an anticipated purchase decision
Situational factors serve as qualifiers to purchase-level involvement.

Source: Beharrell and Denison, 1995.

Table 2. Product classification based on consumer involvement.

LOW INVOLVEMENT PURCHASE	MEDIUM INVOLVEMENT PURCHASE	HIGH INVOLVEMENT PURCHASE
Recognition heuristic or stored rule Limited effort to develop mental	Some level of detailed mental schemata developed: to allow for	Purchaser has a completely developed mental schemata

<p>schemata</p> <p>Low social influence</p> <p>Seeks little information</p> <p>Typically convenience goods but could include preference goods depending on social influence</p>	<p>informed decision making</p> <p>If social influence exists, may drive purchaser to seek out more information: turn typical convenience good into a medium involvement good</p> <p>Alternatively, if low social influence exists, then could turn specialty good into a medium involvement good</p>	<p>toward the purchase at hand</p> <p>Purchaser feels socially compelled to have up to date knowledge</p> <p>Typically specialty goods but could also include shopping goods depending upon the social influence associated with the purchase</p>
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Source: James, 2009.

Table 3. Reliability results: Cronbach alpha co-efficients

Retail mix elements and loyalty	Supermarket	HBL-store
Personal interaction	,87	,93
Merchandise value	,84	,85
Complaint handling	,82	,89
Internal store environment	,86	,88
Merchandise variety and assortment	,86	,89
Retail mix scale	,95	,95
Loyalty	,88	,90

Table 4. Fit indices of the in-store retail mix and loyalty model for the different retailers

Fit indices	Supermarket	HBL retailer
Degrees of freedom	199	199
Satorra-Bentler scaled chi-square	508,26 (p=0.0)	819.75 (p=0.0)
Root mean square error of approximation (RMSEA)	0,035	0.031
Goodness of fit index (GFI)	0,92	0.91
Adjusted goodness of fit index (AGFI)	0,89	0.89

FIGURES

Figure 1. Continuum of likely in-store retail mix elements to address customer involvement needs for different retailer types

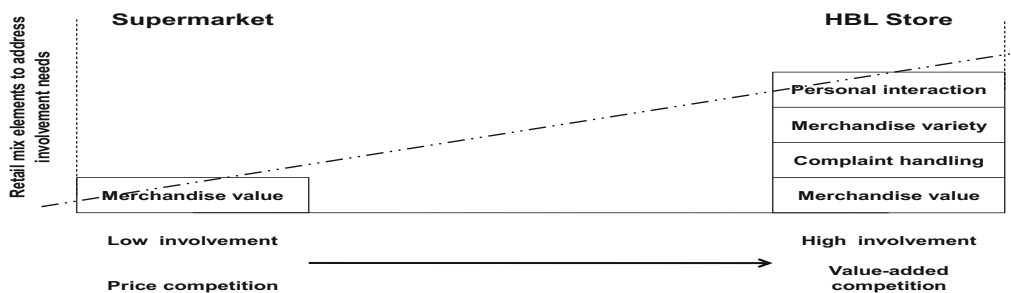
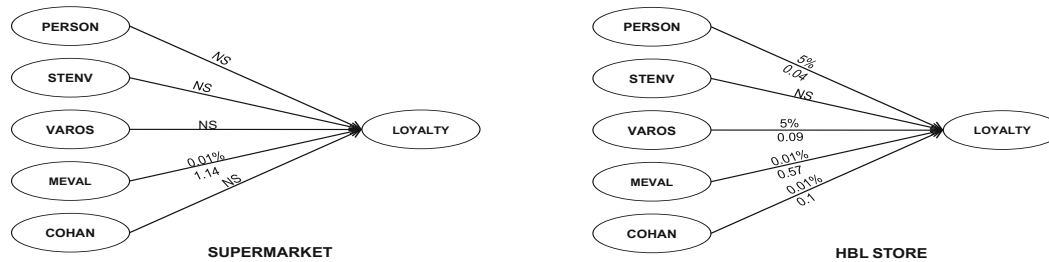


Figure 2. Relationships between the in-store retail mix elements and loyalty for different retail stores



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Friday, 22 July
Time: 3:30 PM

Session Number: **10.8: Franchising, Internet and Loyalty**

Session Chair: Cliquet, Gérard, *University of Rennes 1*

The Optimal Design of the Internet Common Retailer: A Game-Theoretic Analysis for Priceline

Wu, I-Huei, *National Taiwan Normal University*

Chen, Chyi-Mei, *National Taiwan Normal University*

Chou, Shan-Yu, *National Taiwan Normal University*

Efficacy of Franchisee Autonomy: An Examination of Boundary Conditions

Evanschitzky, Heiner, *Aston Business School*

Backhaus, Christof, *TU Dortmund University*

Blut, Markus, *TU Dortmund University*

Woisetschlaeger, David, *TU Braunschweig University*

Shifting the Standardisation/Adaptation Debate to National Franchising: Empirical Evidence from Germany

Backhaus, Christof, *TU Dortmund University*

Blut, Markus, *TU Dortmund University*

Heussler, Tobias, *University of Muenster*

THE OPTIMAL DESIGN OF THE INTERNET COMMON RETAILER: A GAME-THEORETIC ANALYSIS FOR PRICELINE

I-Huei Wu, National Taiwan Normal University, Taiwan, R.O.C.
Chyi-Mei Chen, National Taiwan University, Taiwan, R.O.C.
Shan-Yu Chou, National Taiwan University, Taiwan, R.O.C.

ABSTRACT

In this paper, we attempt to analyze the optimal design of the internet common retailer by considering the roles of opaque products and the ownership in channel coordination. The existing research generally regards the internet common outlets like priceline.com as the types of encroachment that online retailers employ to hurt service providers such as airlines and hotels. In contrast, this paper applies a different perspective that suggests service providers may benefit by joining an internet common outlet as a shareholder instead of developing their own online channel. We build a game-theoretic model to show the impacts of the internet common outlet and derive the following main results: (i) The presence of the internet common outlet allows service providers to adopt the optimal pricing strategies that mimic a perfectly colluded cartel's pricing strategy. The internet common outlet can help service providers to discriminate different consumers much better and to serve more consumers because the products traded on this new channel are opaque. Surprisingly, the internet common outlet may improve service providers' profits, the whole channel efficiency, and even the total social welfare without reducing the consumer's welfare. (ii) The mismatching problem becomes more serious with the size of an internet common outlet. Three kinds of consumers, the high-valuation consumers with strong brand preference, the medium-valuation consumers with weak brand preference, and the low-valuation consumers with no brand preference will be served respectively at the physical travel agency, small-sized internet common outlet, and large-sized internet common outlet. (iii) Both of the ownership and the bidding system, "Name-Your-Own-Price," facilitate service providers to adopt the optimal pricing strategies that mimic a perfectly colluded cartel's pricing strategy, and make them earn even greater than in the cartel case without the internet common outlet. (iv) The service providers hard to develop a whole new product can create new opaque goods on the internet common outlet to extend their product lines downward.

References available upon request

EFFICACY OF FRANCHISEE AUTONOMY: AN EXAMINATION OF BOUNDARY CONDITIONS

Heiner Evanschitzky, Aston University, UK
Christof Backhaus, University of Bochum, Germany
Markus Blut, University of Dortmund, Germany
David Woisetschläger, University Braunschweig, Germany

ABSTRACT

Franchise systems operate properly under the key condition of franchisees having the right to take some decisions in an entrepreneurial manner. Hence, several studies have assessed the association between autonomy and performance outcome. However, the autonomy-performance link has shown to differ substantially contingent upon operating conditions. Therefore, our research attempts to explain how and when autonomy impacts franchisee performance.

Inspired by interactional psychology and based mainly on research in work psychology, we proposed that increased motivation (motivational mechanisms), capitalization on information asymmetries (informational mechanisms), and better alignment with organizational structures (structural mechanisms) impact the link between autonomy and performance. More precisely, we test the following hypotheses against a dyadic matched sample consisting of 52 franchise systems and 2,724 franchise partners:

- H1a-b: The autonomy-performance link is positively moderated by the motivational mechanisms (a) duration of the franchise relationship (DUR) as well as (b) prior self employment (SELFEMP).
- H2a-d: The autonomy-performance link is positively moderated by the informational mechanisms as characterized by (a) inseparability (INSEP), (b) heterogeneity (HETERO), (c) perishability (PERISH), and (d) intangibility (INTANG) within a given industry.
- H3a-b: The autonomy-performance link is positively moderated by the structural mechanisms (a) age of system (S_AGE) and (b) length of the contract (L_CON).
- H3c: The autonomy-performance link is negatively moderated by the structural mechanism (c) franchise fee (FEE).
- H3d: The autonomy-performance link is positively moderated by the structural mechanism (d) exchanges within the franchise system (EXCH).

Results using hierarchical multilevel analysis indicate that motivational mechanisms negatively moderate the autonomy-performance link, while informational mechanisms largely show positive moderations. Structural mechanisms which are related to fees weaken the impact of autonomy on performance, while experience-related structural mechanisms allow autonomy to have its full impact on performance. Results have important implications for the management of franchise systems as well as for the acquisition of new franchisees.

References Available on Request.

SHIFTING THE STANDARDISATION/ADAPTATION DEBATE TO NATIONAL FRANCHISING: EMPIRICAL EVIDENCE FROM GERMANY

Christof Backhaus, Ruhr-Universität Bochum, Germany
Markus Blut, TU Dortmund University, Germany
Tobias Heussler, Marketing Center Münster, Germany

ABSTRACT

While the issue of standardisation versus adaptation has dominated the field of international marketing for the last few decades, it has been largely neglected in the area of domestic marketing, and especially in retailing. Yet, in franchise management, the standardization/adaptation dilemma remains one of the core challenges. However, while there is strong *theoretical* consensus in the literature on the issue, there is a lack of empirical research on standardization and adaptation in franchising. Against this background, the main objective of the paper is to gain insight into standardization in franchising and its potential effects on various performance outcomes. Specifically, the study investigates the following research questions: (1) What variables are critical to standardisation in franchising? (2) To what extent does the standardisation of such variables as pricing, uniqueness of the stores, or employee qualification convert into performance outcomes?

In accordance with the findings from the international marketing literature, a conceptual model is developed that is based on the assumption that the degree of standardization versus adaptation affects performance. It is suggested that standardisation issues determine consumer performance, franchisee performance, financial performance and market performance.

To test our conceptual model, we collected data from 61 franchise systems. The sample covered the following service areas: retailing (28.2%), hotel and restaurant services (6.7%), wholesale (15.6%), and other services (49.5%). The results of a regression analysis showed that – depending on the dimension of performance considered – standardisation can affect performance in a number of different ways. While pricing standardisation affects financial performance and franchisee performance negatively, it seems to be positively related to market performance. Furthermore, a positive impact of the standardisation of advertising and store appearance on financial and market performance was confirmed. The positive effect of advertising standardisation on franchisee performance might be related to the fact that franchisees expect centralized coordination and support of advertising, rather than taking responsibility for local advertising by themselves. The negative effect of standardising employee qualification on financial performance can be explained in terms of the relatively high costs of employee training measures.

In contrast to our hypotheses, the results of the study did not reveal a trade-off situation when optimizing standardization degrees in relation to different performance outcomes. Rather, standardization of store design, advertising and pricing did not point out be antagonistically related to economic performance (market performance and financial performance) on the one hand and franchisee performance on the other hand. Thus, the clear implication can be derived that further standardization of store design and advertising does not lead to performance losses in terms of franchisee performance. Similarly, further adaptation of pricing contributes to both economic performance and franchisee performance.

References available on request.

Friday, 22 July
Time: 3:30 PM

Session Number: **10.9: Behavior change in Social Marketing**

Session Chair: Rundle-Thiele, Sharyn, *Griffith University*

Bystander Intervention in Domestic Violence: Evaluating Social Marketing Campaigns

Cismaru, Magdalena, *University of Regina*

Jensen, Gitte, *University of Regina*

Lavack, Anne, *Kwantlen Polytechnic University*

Social Marketing: The Lifeblood of Blood Donation?

Healy, John, *Cork Institute of Technology*

Murphy, Maurice, *Cork Institute of Technology*

**BYSTANDER INTERVENTION IN DOMESTIC VIOLENCE:
EVALUATING SOCIAL MARKETING CAMPAIGNS**

Magdalena Cismaru, University of Regina, Canada
Gitte Jensen, University of Regina, Canada
Anne M. Lavack, Kwantlen Polytechnic University, Canada

ABSTRACT

Up to one-third of domestic violence incidents involve witnesses. Bystanders play a significant role when it comes to reporting the incidents to authorities, but are often hesitant to get involved in domestic disputes. In this review paper, 11 social marketing campaigns that encourage bystander intervention against domestic violence are evaluated in relation to Latané and Darley's (1970) model of the bystander decision making process. The evaluation shows that these social marketing campaigns are sometimes contradictory or ambiguous, which may limit their effectiveness.

References Available Upon Request

SOCIAL MARKETING: THE LIFEBLOOD OF BLOOD DONATION?

John Healy, Cork Institute of Technology, Ireland
Maurice Murphy, Cork Institute of Technology, Ireland

ABSTRACT

In today's society, blood donation is dependent on the goodwill of people to voluntarily donate blood without financial reward. There is a continuous need for new blood donors, because the demand for donor blood is increasing, whereas the supply of blood is declining. Three thousand blood donations are needed in the Republic of Ireland every week. Maintaining an adequate supply is the biggest challenge. Only 3.6% of the eligible population in the Republic of Ireland donate blood. This leaves an enormous potential blood donor base, which if tapped into and maintained could lead to an adequate reserve of donations to meet the transfusion needs of Ireland (Harrington *et al.* 2007). Research results from the Council of Europe (Van der Poel *et al.* 2007) found that the average number of donors in relation to the general population in Europe is 25 per 1,000 inhabitants. Ireland is slightly above this with 29.7 donors per 1,000 inhabitants. Repeat donors are the key individuals to maintaining a safe and sufficient blood supply (Schreiber *et al.* 2003), which is paramount as one in four individuals will require a blood transfusion at some stage in their lives (IBTS, 2007). Glynn *et al.* (2002) have identified several motivators for blood donation including altruism, awareness of the need for blood in the community, a sense of social obligation or duty, personal social pressure, the need to replace blood used by a friend or relative, and increased self esteem. Various reasons have been cited for avoiding blood donation. Fears about the collection process are the most prevalent (Gillespie and Hillyer, 2002). These include fear of needles, general apprehension, negative feelings about the sight of blood, concern about pain or bruising and anxiety that mistakes could be made during donation. Fear of adverse physiological reactions such as weakness or fatigue, dizziness, nausea, or fainting complicate the blood collection process, and are a significant disincentive for repeat donation (France *et al.* 2005). Kolins and Herron, (2003) propose that the way forward to achieve growth in blood donor numbers lies with a market-type approach with targeted marketing campaigns to profiled young people.

The main research question in this paper is to ascertain what social marketing advertising messages should contain in order to increase the supply of blood among young donors and non-donors. The specific research objectives were as follows: (1) What is the level of awareness of blood, the blood donation process and the importance of blood among young people? (2) What are the motivations/beliefs/expectancies of donors/non-donors? (3) What needs to be done to encourage blood donation among this group? (4) Are emotional-based advertisements more effective than rational appeal based advertisements? Seven focus groups were conducted during March 2010 among young people at a university in Cork, Ireland. College students were chosen due to their life-time value to the blood donation process. The students were chosen using a convenience sample. Focus groups consisted of a mixture of donors and non-donors. Participants were asked about their level of knowledge of the blood donation area and were then shown twelve television advertisements encouraging donation. Seven interviews were also conducted for the purposes of this research between January and April 2010. The interviews were held with leading personnel from the Irish Blood Transfusion Service (IBTS) and the Northern Ireland Blood Transfusion Service (NIBTS).

This paper reveals that altruism is still the biggest reason why young people donate blood. These people have high pro-social motives, having been encouraged to donate blood by their parents and friends. The key role of donors as recruitment agents for the blood sector is highlighted. For donors, donating blood is an intrinsic motivation and any attempt to compensate donors for this donation should be avoided. Advertisements that this segment found effective were ones that stressed the altruistic nature of donating blood. Non-donor participants were unaware of the whole area of blood and were not aware of its uses or the process of donation. This extended from a lack of knowledge of what their own blood type was, to where they could donate. They were characterised by complacency regarding possible blood shortages and a lack of knowledge of blood that blood organisations should find worrying, as they assumed that blood would always be available. The advertisements that they found effective to potentially alter behaviour, were the rational-based fear advertisements that challenged their excuses and their complacency and urged them to donate. Blood service organisations should target the youth segment (donors and non-donors) as they represent the future of blood donation due to their life-time value and potential to donate blood. They also have high pro-social tendencies. Advertising alone can not increase blood donation and waiting times, queues, location of fixed clinics and promotion of mobile blood clinic visits were all still cited as pivotal factors to increase donation. This will all aid in the recruitment, reward and retention of blood donors.

References available upon request

Saturday, 23 July
Time: 8:30 AM

Session Number: **11.1: Consumer Behavior VI**

Session Chair: Maille, Virginie, *SKEMA-Univ. Lille Nord de France*

The Role of National Cultural Values Within the Theory of Planned Behaviour

Hassan, Louise, *Lancaster University*

Shiu, Edward, *Bangor University*

An Alternative Model of Schwartz's Basic Human Values in Consumer Research

Strasheim, Arien *University of Pretoria*

Ungerer, Leona, *University of South Africa*

Exploring Consumer Motivation in Online Social Lending for Development

Mittelman, Robert, *Carleton University*

Rojas-Méndez, José I, *Carleton University*

THE ROLE OF NATIONAL CULTURAL VALUES WITHIN THE THEORY OF PLANNED BEHAVIOUR

Louise M. Hassan, Lancaster University, U.K.
Edward Shiu, Bangor University, U.K.

ABSTRACT

The theory of planned behaviour (TPB; Ajzen 1991) has received substantial research interest with a large number of reviews and meta-analyses concluding favourably on the ability of the TPB to explain intention and behaviour across a wide spectrum of contexts (e.g. Albarracín et al. 2001; Armitage and Conner 2001; Conner and Armitage 1998; Godin and Kok 1996; Sheppard et al. 1988). The TPB is an expectancy value model which states that human behaviour is a consequence of one's behavioural intention, which is in turn explained by one's attitude, subjective norm and perceived behavioural control regarding the behaviour.

One important area of interest which has not been adequately researched concerns the impact of national culture on the TPB constructs and the TPB relationships. Culture has been defined as 'the collective programming of the mind which distinguishes the members of one human group from another' (Hofstede 1980, p.25). Beyond individual differences, human dispositions and behaviours are influenced by the norms, beliefs and values of their cultural environment (Triandis 1989). Furthermore, cultural values shape not only one's behaviour but also one's perceptions of the self and of the social environment (Triandis 1989). To date, no systematic assessment of the impact of culture on the TPB has been undertaken. The present research examined the TPB in the context of smoking cessation with samples across 23 European Union Member States based on multi-level data analysis (hierarchical linear modelling) method.

At the individual level of analysis, our results showed that attitude ($B = -0.13$, $t = -5.11$, $p < .001$), subjective norm ($B = 0.05$, $t = 3.64$, $p < .01$) and self-efficacy ($B = 0.33$, $t = 10.83$, $p < .001$) each had a significant ($p < .01$) impact on intention. Examination of the variance components showed that there was significant variation across the 23 EU countries for the attitude – intention slope (variance component = 0.010, $\chi^2(22) = 66.07$, $p < .001$) and the self-efficacy – intention slope (variance component = 0.016, $\chi^2(22) = 115.86$, $p < .001$). However there was no evidence of a slope effect for subjective norm (variance component = 0.001, $\chi^2(22) = 32.40$, $p = .070$). Finally, examination of the variation in intercept, i.e. mean intention level across the 23 EU countries, showed that significant variation existed (variance component = .090, $\chi^2(22) = 184.85$, $p < .001$). Hofstede's cultural framework was used to assess between-country variation via cross level analysis. Hofstede's dimension of power distance explained 25% of variance in the attitude – intention slope while 53% of variance in the self-efficacy – intention slope was accounted for by both power distance and uncertainty avoidance.

Despite numerous meta-analyses on the TPB reported in the literature, few have considered the potential moderating effect of culture. For example, Albarracín et al. (2001) in their meta-analysis of the TRA and the TPB noted the country of each study but did not use this information to explain possible differences across the studies. Schepers and Wetzels (2007) considered culture as a moderator variable in their meta-analysis of the technology acceptance model and suggested but did not test the role of the Hofstede dimensions on the relationship between subjective norm and intention. As far as we are aware, our study marks a milestone in systematically assessing the impact of national culture on the TPB relationships. This research is thus important in addressing the central question as to whether the TPB can be considered to apply universally to humans (i.e. etic). The universal acceptance and application of the TPB has remained largely unchallenged, yet anecdotal evidence are accumulating to suggest that the TPB might be culture bound (i.e. emic). Our study has evidenced significant cross-national variations in the mean values of the TPB constructs and in the set of TPB relationships.

References Available Upon Request

AN ALTERNATIVE MODEL OF SCHWARTZ'S BASIC HUMAN VALUES IN CONSUMER RESEARCH

Arien Strasheim, University of Pretoria, South Africa
Leona Ungerer, University of South Africa, South Africa

ABSTRACT

Previous studies of Schwartz's theory of basic human values assessed whether the measurement part of the model is invariant across cultural groups by mainly considering the covariances between the values, modelled as first order latent variables in order to describe the structural relationship postulated in the theory. The proposed model is a second-order confirmatory factor analysis model which is more parsimonious and provides stronger support for the applicability and rigour of Schwartz' theory of basic human values. The proposed model specifies the structural relationships postulated in the theory as relationships between first-order latent variables representing the different basic human value constructs. The major advantage of the model lies in its simplicity – it provides an approach that is more parsimonious than the traditional confirmatory factor analysis and a few higher-order models used so far in the literature representing the relationships between opposing basic human values. Based on the sample, it seems that the model provides a more accurate reflection of what the theory postulates. In addition, our finding suggest that some aspects of the theory of basic human values may need to be revisited. The model was applied to a nationally representative sample of 2 566 consumers representative of major ethnic groups in South Africa.

References available upon request

EXPLORING CONSUMER MOTIVATION IN ONLINE SOCIAL LENDING FOR DEVELOPMENT

Robert Mittelman, Carleton University, Canada
José I. Rojas-Méndez, Carleton University, Canada

ABSTRACT

This study introduces the emerging concept of Online Social Lending for Development (OSL4D) and explores the motivations of those who participate in it. OSL4D is a social phenomenon that has materialized at the intersection of the consumer behavior, non-profit management, information technology, and international development disciplines. At the core of OSL4D is the idea that the internet can facilitate small-scale lending by socially-minded investors from around the globe to micro-entrepreneurs in developing countries in an effort to alleviate poverty. It has raised numerous important theoretical issues about the evolving nature of charitable giving, the motivation of consumers, as well as the portrayal of the working poor in developing countries. The authors consider the different theoretical motivations to participate in social lending and, through content analysis of consumer statements, conclude that OSL4D consumers are principally intrinsically motivated to make a small difference in the lives of the working poor.

INTRODUCTION

Asking the question why consumers make the choices they do when it comes to charitable giving has interested a diverse group of research scholars from management, marketing, economics, psychology, and sociology to name but a few of the many applicable disciplines (Sargeant and Woodliffe 2007). Research that contributes to explain this phenomenon in the marketing sub-discipline of consumer behavior has been scant, and most of the time has been focused on donor behavior as the outcome of a decision making process, or as a way to increase efficiency of fund-raising techniques (Jas, 2000).

The word motivation is coined from the Latin word "movere", which means to be moved to do something (Ryan and Deci, 2000). Motivation is defined as an internal drive that activates behavior and gives it direction. For many charities and non-profit organizations, faced with a growing demand for their services, increased competition for scarce financial resources, and reduced support from government, the need to understand the motivation of donors is of crucial importance (Sargeant, et al. 2004; Bendapudi et al. 1996).

A new, innovative model of charitable giving has emerged which not only challenges the existing understanding of donor motivation but the entire donor/recipient paradigm. This study introduces the emerging concept of Online Social Lending for Development (OSL4D) and explores the motivations of those who participate in it. OSL4D is a social phenomenon that has materialized at the intersection of the consumer behavior, non-profit management, information technology, and international development disciplines. It has raised numerous important theoretical issues about the evolving nature of charitable giving, the motivation of consumers, as well as the portrayal of the working poor in developing countries. In addition to introducing the concept of OSL4D to consumer behavior research, the empirical portion of this study is an examination of the motivations of a sample of consumers from Kiva.org, an American-based non-profit organization that facilitates OSL4D. Thus, the objective of this paper is to improve the understanding of the influence of different motivations on OSL4D. We contribute to the consumer behavior and charitable giving literatures by documenting and assessing consumer motivations in this burgeoning area. Further, to the best of our knowledge, this research represents one of the first attempts to deal with online social lending in the marketing literature.

In the following sections we describe OSL4D, review the different theoretical motivations from the literature, present the organization Kiva.org, and outline our methodology including a description of the data. A discussion of the findings, limitations and future research, and a conclusion finish up the paper.

ONLINE SOCIAL LENDING FOR DEVELOPMENT

At the core of OSL4D is the idea that the internet can facilitate small-scale lending by socially-minded investors from around the globe to micro-entrepreneurs in developing countries in an effort to alleviate poverty. This is accomplished using one of a number of competing websites where lenders (or "consumers of charitable giving") are given the choice of who they would like to support by making a small loan after reviewing an entrepreneur's profile, which includes information on their particular story, their family and economic situation, as well as the proposed use of the funds. OSL4D differs from the traditional financing of microfinance in that it represents a democratization of international development funding. No longer

does an individual have to work for a large institution or have a large private foundation to directly fund microfinance efforts but can participate for as little as \$25. Through OSL4D, individual contributions are pooled to fully fund loans to entrepreneurs in developing countries. The OSL4D organization works in partnership with microfinance institutions, attracts the online lender, and transfers the funds between the lenders and borrowers. OSL4D generates source capital for microloans in the developing world where people do not have access to or qualify for financial services.

For example, a potential lender enters an OSL4D website where they are able to review the profiles of hundreds of working poor in need of funding to start or grow their business. The lenders could read about a baker in the Dominican Republic who needs \$220 to buy a new flour mixer, a group of used clothing sellers in Uganda who need \$330 each to buy more clothes, a pig farmer in the Philippines who needs \$150 to buy livestock, or a restaurateur in the Peru who needs \$725 for new tables and chairs. A loan made online to the borrower of the lender's choice is distributed by a local microfinance partner and used to run a small business. The lenders decide how much to lend, whether the total amount of the requested loan or just a portion. When the total amount of the loan is raised on the OSL4D site, it gets distributed in the developing country. Every month, as the instalments on the original loan are paid back locally, the lender receives their share into their online account. Upon repayment, the lender is free to lend again to another deserving entrepreneur in the same or different country. It is said to be a powerful and sustainable approach to empower someone to lift themselves out of poverty.

OSL4D is a new conceptualization of charitable giving, not as a traditional donation but as a loan which is repaid. It is the provision of a hand-up instead of a hand-out. The consumer is transformed from a passive, financial donor with little choice or knowledge as to who specifically their contribution helps, to an active and invested participant in enabling a chosen individual's efforts at improving their quality of life through entrepreneurship. Simultaneously, the perception of the borrower in the developing country is transformed from a helpless recipient of aid to a micro entrepreneur, active in their own efforts at breaking the cycle of poverty. It is a move away from traditional sponsorship of the poor by the rich used by many charities towards a new dignified model of peer-to-peer empowerment. As such, engagement with the lender by those organizations facilitating OSL4D may not use the same approaches and theories traditionally used by charitable organizations to raise funds.

A consumer interested in financially supporting international development efforts must choose between supporting an institution or a person, and making a donation or making an investment. See [Figure 1](#) for a matrix of the different value propositions. For those interested in supporting an institution via donation, there are traditional charities and for those interested in supporting an individual via donation, there are sponsorship programs. For those who would rather make an investment or a purchase, at the institutional level, there are socially responsible investment funds focused on emerging markets or socially responsible shopping choices such as buying fair trade products. For the consumer interested in a personal and sustainable option, before OSL4D, nothing existed in the personal and sustainable quadrant. [Figure 1](#) clearly indicates how the value propositions for consumers in each of the quadrants are different and why OSL4D must be treated differently. The approaches used by organizations in each of the quadrants are as different as the value they provide to the consumers.

The current conceptualizations of either charitable giving or online consumer behavior may be insufficient to describe behavior in this area, thus calling for specific research. Theory does not yet exist to explain the consumer's behavior or participation in the OSL4D process. In this pre-paradigmatic stage, the theories and models still need to be built to explain the motivations and behavior of consumers in OSL4D, in other words, the *why* and the *how* of this emerging phenomenon.

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

Focusing on an individual's reason for social lending involves the domain of motivation theory. Ryan and Deci (2000) argue that motivation is hardly a unitary phenomenon because individuals not only have different *levels* (i.e. amounts) of motivation but also different *orientations* (i.e. kinds of motivation). In line with this, motivation theorists distinguish two types of motivation: *intrinsic* and *extrinsic* (Deci, 1975; Deci and Ryan, 1985). In general, they explain that a person is described as being intrinsically motivated if he or she embraces an activity for personal enjoyment and satisfaction. In this case, motivation is driven by an interest or enjoyment in the task itself, and exists within the individual rather than relying on any external source. In addition, intrinsic motivation also exists in the relation between individuals and activities (Ryan and Deci, 2000). Frey and Goette (1999) posit that intrinsic motivation may play an important role in institutions characterized by personal relations such as non-profit organizations, where it is expected that volunteers experience satisfaction from the action in itself. This type of motivation has been recognized as a critical element in individuals' cognitive, social, and physical development (Ryan and Deci, 2000).

Alternatively, extrinsic motivation comes from outside of the individual, or whenever an activity is done for the interest of obtaining a separable outcome. Thus a person who is extrinsically motivated will perform an activity based on his/her interest in receiving compensation or recognition by participating or supporting a particular action. For instance, in the context of charities, donors may be attracted by the social recognition derived from donations (Meier and Stutzer, 2008), the opportunity to increase his/her social network (Meier and Stutzer, 2008; Prouteau and Wolff, 2004), or even for a more utilitarian motivation such as receiving tax benefits for their contribution (Russell III 2008; Auten *et al.* 2002; Randolph 2005).

Further to the previous classification, Self-Determination Theory (SDT; Deci and Ryan, 1985) proposes that there are several types of extrinsic motivations varying from impoverished forms to those that represent active, agentic states. Extrinsic motivation may vary in the relative autonomy: some extrinsic motivators entail some personal endorsement and a feeling of choice, and others may involve mere compliance with an external control. More recently, Ryan and Deci (2000) offer the related Organismic Integration Theory (OIT) to illustrate the taxonomy of human motivation in a kind of continuum from the point of view of the perceived locus of causality. They classify *extrinsic* motivation in four types of regulatory styles with different associated processes: *external regulation* (salience of extrinsic rewards or punishments, compliance, reactance), *introjections* (ego involvement, focus on approval from self or others), *identification* (conscious valuing of activity, self-endorsement of goals), and *integration* (hierarchical synthesis of goals, congruence). For these four styles, the perceived locus of causality moves gradually from external in the case of “external regulation” to internal for “integration”. Lastly, they include the *intrinsic* motivation which is absolutely internal in its locus of causality.

To date, there has been relatively little research done specifically in social lending for development, either from academia or industry. Hulme and Wright (2006) call OSL4D “a direct response to social trends and a demand for new forms of relationship”, and Bonbright *et al.* (2008) say that it is turning donors into real investors in sustainable social change rather than providers of occasional short-term relief. In the first academic work in the area, Galak, Small, and Stephen (2010) conclude that lenders prefer individual borrowers over groups and prefer to give to those who are more like themselves. However, as the first two studies are focused on the phenomenon and the third on lender preferences, the subject of lender’s motivation has yet to be explored.

CONSUMER MOTIVATION FOR ONLINE SOCIAL LENDING

As the charitable giving literature is the most closely aligned with OSL4D, we look here for possible lender motivations. There is an acknowledged multiplicity of motivations for making a donation within the charitable giving literature (e.g. Bendapudi *et al.* 1996; Burnett and Wood 1988; Sargeant and Woodliffe 2007). Researchers have identified various complementary and/or competing motivations including altruism, egoism, empathy, sympathy, guilt, social justice theory, tax benefit, religious obligation, prestige, and the desire to make a difference.

Altruism and Egoism

Altruism or “other-benefit” involves a person’s behavior that voluntarily benefits a needy person without the expectation of reward, even at the expense of a person’s own welfare (Bendapudi *et al.* 1996). The basic need to help others has been argued to be the strongest motivating force in giving to charity (Guy and Patton 1989). There has been much debate about whether or not a purely altruistic motive truly exists (Batson 1990; Andreoni 1990). Batson (1990) posits that an altruistic motive would have the relief of other’s suffering as its ultimate goal and that the resulting self-benefit for the giver is an unintended consequence. Humanitarian issues, such as the focus on poverty alleviation in the developing world, are evermore central to consumers and altruism offers a theoretical foundation for understanding these motivations that consumers may possess (Powers and Hopkins 2006).

Egoism or ‘self-benefit’ reflects a person’s motivation where they primarily give because the act of giving brings about benefits to the donor first (Harbaugh 1998). When egoism is the primary motivation, the ultimate goal of giving is the benefit that the donor receives while the relief of someone else’s suffering is merely the instrument used to achieve it (i.e. produces a pleasurable feeling) (Batson, 1990). This has also been referred to as warm-glow giving (Andreoni 1990).

Empathy and Sympathy

Gruen and Mendelsohn (1986: 609) explained the difference between empathy and sympathy as follows:

“Empathy as an emotional response entails a correspondence of positive or negative tone, or a matching of affect, between an observer and the person being observed. Sympathy, on the other hand, does not involve a reproduction of the emotion perceived in another but is, rather, a response of compassion or concern evoked by the plight of another”

Both states illustrate an emotional concern for the wellbeing of others, however with sympathy one feel *for* the person while with empathy one feel *with* the person. As such, empathy requires a deeper understanding of the particular context of the other person. As consumers travel more and have experiences in other countries or learn about the living conditions in the developing world through the Internet or the media, awareness and understanding of the plight of those stricken by poverty grows (Nijssen and Douglas 2008). Sympathy requires less knowledge of the particular contexts but maintains a personal connection. People are more empathetic towards members of their in-group, who are similar to them, or where they have been close to someone else’s personal experience with misfortune (Small and Simonsohn 2008).

Guilt

Guilt is another motive often mentioned in the charitable giving literature (Huhmann and Brotherton 1997). Feelings of guilt are the result of a person holding the belief or knowledge that they have violated some social custom or ethical principle (Basil et al. 2006). The recognition of differences in the well-being between two people can cause feelings of guilt and can spur an individual on to help those less fortunate (Basil et al. 2006). Guilt can be separated into three types: reactive, anticipatory, or existential (Huhmann and Brotherton 1997). Reactive guilt implies that the person has violated their own standard of acceptable behavior whereas anticipatory guilt occurs when a person is considering violating said standard of behavior (Coulter et al. 1999). Existential guilt is a result of the aforementioned recognition in differences between the individual and those less fortunate. Huhmann and Brotherton (1997) posit that charities often use feelings of existential guilt to drive donations to relieve the suffering of victims of poverty.

Social Justice

The motivation to make a charitable contribution can also be influenced by a person’s desire to believe in a just world (Lerner 1975). The contention is that for people to function in their environment they must believe that their ‘world’ is a just place (Miller 1977). Therefore if people witness undue suffering or inequality, they would be motivated to re-establish ‘justice’ (Miller 1977). This just world might represent either an equality of opportunity or an equality of result (Basil, 2007). The equality of opportunity speaks to everyone having the same chance at success, happiness, money, etcetera, but what they do with that opportunity is up to them. Having the same opportunities is ‘just’. Equality of results, on the other hand, speaks to the lack of disparity among individuals’ actual situations (Basil, 2007). Donors motivated by social justice would be more likely to support those who had little or no responsibility for their situation as opposed to supporting those who may have caused their own suffering (Bendapudi et al. 1996). An example of this difference amongst those who are motivated by social justice may be the support demonstrated for those suffering from breast cancer as opposed to those suffering from lung cancer. Social justice theory would motivate support for breast cancer as the sufferer bears no responsibility in contracting the disease whereas lung cancer may be the result of the individuals smoking habit and thus are partially responsible for their own situation.

Tax Benefits

From a utilitarian point of view, that charitable contributions may be used against a donor’s income to lower income taxes may be a motivation for some donors. This motivation has been studied with respect to incomes levels (Auten et al. 2002; Randolph 1995) as well as with respect to financial planning for both the afterlife as well as during the donor’s lifetime (Russell III 2008). This compensatory financial return for a donation is an important motive for charitable giving however it must be noted that, in a strictly financial sense, not making a charitable donation will leave the donor in a better position (Sargeant and Woodliffe, 2007).

Religious Obligation

The examination of religious obligations and motivations may complicate the general study of charitable giving. While it may be tempting to ignore these motivations and reduce the complexity of the study, religious donations represent the largest and most widespread form of charitable giving (Statistics Canada 2009). Two main theoretical approaches attempt to incorporate religious motivations into models of charitable giving: (a) salvation motivation or motivation for the afterlife; and

(b) motivations for the here and now. Salvation motivation extends the reciprocal benefits of giving to charity to include afterlife (Azzi and Ehrenberg 1975; Hrung 2004). When considering the here and now, Iannaccone (1998) posits that expectations for the afterlife are replaced with benefits such mutual aid, social support, group identity, moral instruction and other more tangible results.

Prestige

Prestige is a motive for charitable giving when the donor is motivated by the recognition their contribution brings (Sargeant and Woodliffe 2007). The benefit from the donation, while it is a self-benefit, is not the same as the warm-glow motivation as described by Andreoni (1990) and Harbaugh (1998). Prestige is only acquired when the donation is made public (Harbaugh 1998). The prestige motive has been shown to be very prevalent among young professional men who search out the public recognition for their donations through invitations to exclusive galas and black tie events (Kottasz 2004).

Desire to make a difference

Duncan (2004) describes the donor who personally wants to make a difference as an impact philanthropist. The motivation of an impact philanthropist is such that he may refuse to pay for organizational overhead costs or contribute to a general fund. He would prefer to target his donation to a very specific person or part of the process as this would increase the overall impact of his contribution. The desire to make a difference and impact philanthropy is one of the newest motivations to be identified and as a construct lacks empirical testing (Sargeant and Woodliffe 2007). It seems that this motive should be intimately related to OSL4D.

Weick (1984: 40) argues that the large scale upon which social problems are conceived often stifles action because “the limits of bounded rationality are exceeded and arousal is raised to dysfunctionally high levels”. He posits that by recasting large problems into smaller, more manageable problems, people can identify opportunities and solutions that may achieve ‘small wins’ (Weick, 1984). For example, eradicating global poverty may seem insurmountable and a contribution of \$25 or \$100 may seem insignificant. Even a \$1 million contribution will not solve this social problem. However, if a small donation can help one person, while that may seem unimportant, once a small win like this is accomplished, momentum begins to build for another small win (Weick, 1984). For an impact philanthropist who wants to make a difference, the concept of small wins is a strategy worth supporting.

By using the OIT (Ryan and Deci, 2000) as a framework, we are able to categorize existing motives for charitable giving found in the literature with their associated motivations in the OIT taxonomy (see [Table 1](#)).

INTRODUCTION TO KIVA.ORG

Founded in 2005 by Matt Flannery and Jessica Jackley, Kiva (<http://www.kiva.org>) is an American non-profit organization that allows individuals, with as little as \$25 USD, to lend money via the internet to microfinance institutions around the world, which in turn lend the money to micro-entrepreneurs in their communities. Kiva.org currently connects more than 890,000 lenders from around the world who have lent more than \$198,000,000 USD to approximately 561,000 borrowers in 58 countries (Kiva 2011). The average Kiva lender has made 6.34 loans and the average total amount loaned per Kiva lender is \$214, while the average Kiva borrower requires a loan of \$382 (Kiva 2011). Flannery claims that when it came to lenders, he wanted to appeal to their “interests, not their compassion” (Flannery 2007: 40). Flannery goes on to say that “Lenders show unambiguous preferences according to region, gender, and business type. Africans first, women first, and agriculture first. A female African fruit seller? Funded in hours. Nicaraguan retail stand? Funded in days. A Bulgarian taxi driver? Funded in weeks” (Flannery 2007). According to Gerard Neimira, Kiva’s Customer Service Manager, “some see themselves as a patron, in the spirit of the child-sponsorship model. Others see themselves as a business partner. Most just want to help in some way” (Carlman 2010: 98).

METHODOLOGY

Kiva lenders create online, public profiles when they sign up to become a lender. Part of this profile includes the opportunity to complete the sentence “I loan because”, which is used as a proxy for motivation in this study. To accomplish our research objective, we conducted a content analysis of 100 “I loan because” statements from Kiva lenders in the Ottawa, Canada region. Content analysis has been described as a ‘research technique for the objective, systematic, and quantitative description of the manifest content of communication’ (Berelson 1952: 55 as cited in Kassirjian 1977). This method has

proven to be a valuable technique for understanding consumer motives with respect to social issues (Schneider et al. 2010; Essoussi and Zahaf 2008).

Based on our review of the literature and previous research into charitable giving (e.g. Sargeant and Woodliffe 2007), we examined the “I loan because” statements for the following motivations: **Altruism** (other benefit); **Egoism** (self-benefit); **Empathy** (feel with the person); **Sympathy** (feel for the person); **Guilt** (violation of principles); **Social Justice** (fairness); **Tax Benefit** (financial compensation); **Religious Obligation** (duty to community or higher power); **Prestige** (recognition); and **Make a difference** (impact, small wins) with a purpose of using the OIT to explain OSL4D behavior.

The lead author acted as the primary coder of the data. An initial coding of a subset of statements was conducted and then reviewed by the research team to ensure consistency in coding. Where more than one motivation was apparent in the statement it was given multiple codes, therefore the total of the frequencies goes over 100. The individual words were also counted for frequency as well.

DISCUSSION OF FINDINGS

The literature predicted various motivations for consumers’ participation in the OSL4D process. Before exploring the actual motives for social lending, we analyzed the words used by lenders when completing the sentence “I loan because”. The most popular words used in the statements were variations of the following words (i.e. in the form of verbs, adjectives, nouns, etc.): help (56 times); can (36 times); life (34 times); people (26 times); others (21 times); make (20 times); small (16 times); believe (15 times); better (13 times); and world (12 times).

This preliminary analysis gives an objective approximation to the types of motives people have when lending money for social development. Clearly they seem to be more intrinsically motivated. As a second stage we performed content analysis, which clearly reveals that seven of the ten motivations established in the literature were found in the list of “I loan because” statements. Despite the fact that OSL4D is an innovation in both the non-profit and charity marketplace and challenges the traditional relationship between the donor, the organization, and the recipient, the authors were able to classify all of the consumers’ motivations for lending within the recognized charitable giving motivations.

The most popular motive for participating in OSL4D was also the newest motive to be identified in the academic literature, the desire to make a difference. A total of 39 of the 100 consumer statements were found to be motivated by the impact of their donation and the small wins that result from OSL4D loans. Examples of these statements include “the impact of my small donation has the power to be life changing” or “I know where this money is going, and I can lend it over and over again”. This is consistent with the limited research on OSL4D which claims that OSL4D is a “direct response to social trends and a demand for new forms of relationship” (Hulme and Wright 2006).

While Kiva’s strategy is to appeal to their consumers’ interests and not compassion (Flannery 2007), many lenders appear to be motivated by various emotional states. The second most popular motive was guilt. 22 statements contained elements of guilt and, more precisely, existential guilt. Examples of these statements include “I have way more than I need” and “I want others to have the good life I have”. As the relationship between lender and borrower (or classically donor and recipient) in OSL4D becomes more of an exchange between equals, the feelings of guilt from having more than your peer and wanting to share with them are becoming more pronounced. Following closely behind guilt were altruism with 20 statements (“I want to help other people”) and social justice with 18 statements (“We’re all connected and people deserve a chance to make a better life for themselves and their families regardless of where they are born”). There were much fewer mentions of egoism (11 statements), empathy (7), or sympathy (6). There were no mentions of tax benefits or religious obligations in the “I loan because” statements. These null results are not surprising as the majority of the funds on Kiva are loans and returned, therefore not a traditional charitable contribution and thus there is no tax benefit. While there is the opportunity to give directly to Kiva to support organizational operations and goals and not to an entrepreneur, Kiva is an American organization and Canadians, who are the sample in this study, would not receive any tax benefits from their donation. Kiva is also a secular organization with no religious or political affiliation, although religious obligation may still motivate donors, this motivation may be stronger and expressed more explicitly when making contributions to religious organizations. There were no mentions of prestige either despite Kiva’s marketing efforts at promoting individual lenders and their portfolios on their home page.

When revisiting the Organismic Integration Theory taxonomy of types of motivations and placing the OSL4D lender’s motivation in the appropriate categories (see [Figure 2](#)), a pronounced pattern emerges as the continuum is heavily weighted

towards the right side indicating that the majority of motivations of OSL4D lenders are internalized or intrinsic. There seems to be a large amount of congruence between OSL4D and the lenders' personal values. According to Ryan and Deci (2000), this kind of internalization by lenders, or donors in the general charitable giving space, indicates a sense of belongingness, connectedness, and relatedness to the goals of the organization and to those they serve. At a time when charities and nonprofit organizations are competing for scarce financial resources, this kind of alignment between organizational and donors' personal values will prove critical in retaining these lenders and getting them to lend again.

LIMITATIONS AND FUTURE RESEARCH

There are a number of limitations to this study. Firstly, the analysis of motivations is based on one organization. Would the motivation of lenders from other facilitators of OSL4D be similar? Secondly, the analysis is based on a group of lenders from one geographic region. As a response to this study, more studies involving lenders in different geographical regions would be useful to determine whether lender motivations change based on nationality or cultural differences. Furthermore, the analysis of motivation is based on one written statement. Future qualitative and quantitative research should involve in-depth interviews, focus groups, and surveys to dig a deeper into consumers' motivation and behavior.

The authors have proposed a definition of OSL4D and examined the motivations of those who participate in it. With the *why* consumers participate in OSL4D addressed, the next question is the *how*. How do consumers choose to whom they should lend? What are the factors involved in the OSL4D decision making process? The authors call for further empirical studies involving OSL4D in order to refine the concept and to further inform both consumer behavior and development practice.

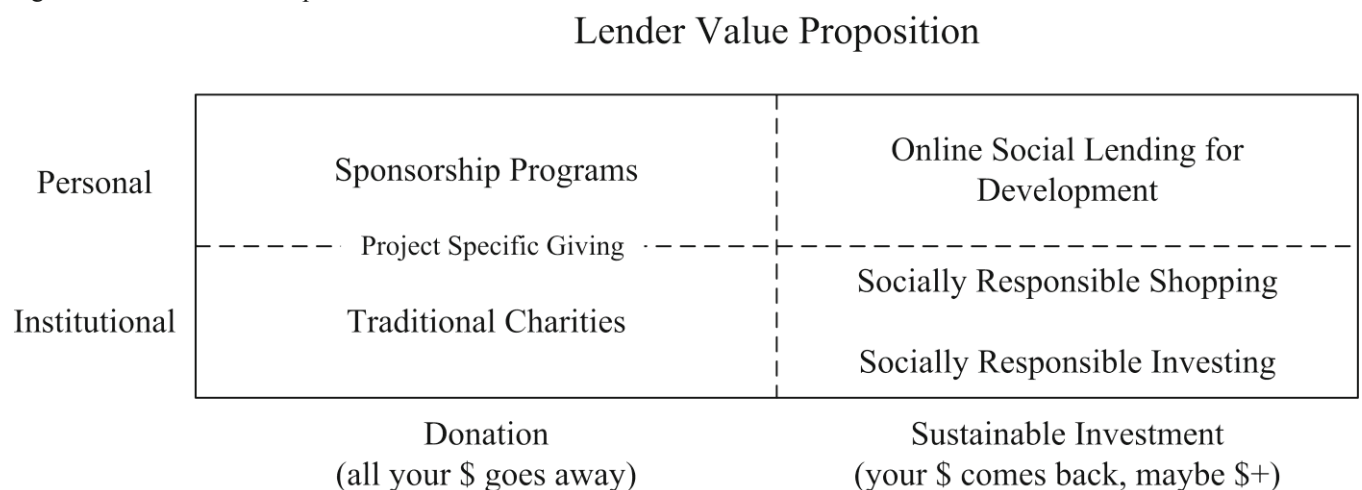
CONCLUSION

This paper examined consumer motivations in online social lending for development. The concept of OSL4D was first explained and descriptions of the 'typical' consumer motivations in charitable giving were provided. Where possible, differences between OSL4D and traditional charities were highlighted.

It was determined, through content analysis, that despite the novel approach taken by OSL4D to fill an unsatisfied consumer value proposition, the motivations of consumers of OSL4D could be classified according to existing charitable giving motivations as described in the extant literature. Additionally, the Organismic Integration Theory proves helpful in explaining motivation in OSL4D. There was, however, a shift away from extrinsic motivations such as prestige or tax benefits towards more intrinsic motivations. It was further concluded that OSL4D consumers are principally intrinsically motivated to make a small difference in the lives of the working poor

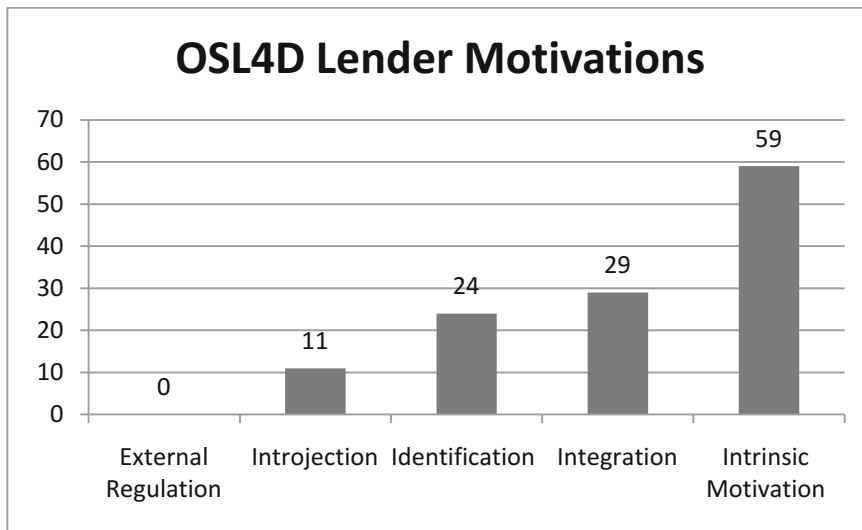
FIGURES

Figure 1: Lender Value Proposition



Source: Adapted from Aaker et al. 2010

Figure 2: OSL4D Lender Motivation by OIT Taxonomy



TABLES

Table 1: Organismic Integration Theory (OIT) Taxonomy of Motivations

Regulatory Styles	Extrinsic Motivation				Intrinsic Motivation
	External Regulation	Introjection	Identification	Integration	
Perceived Locus of Causality	External	Somewhat External	Somewhat Internal	Internal	Internal
Associated Motives	- Tax Benefit - Religious Obligation	-Egoism - Anticipatory Guilt - Prestige	- Sympathy - Reactive guilt - Social justice	- Empathy - Existential Guilt	- Altruism - Desire to make a difference

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Saturday, 23 July
Time: 8:30 AM

Session Number: **11.2: Writing, Teaching and Using Case Studies in Marketing**
Session Chair: Mills, Adam, *Simon Fraser University*

The Strategy and Tactics of Cases in Marketing Education
Harker, Michael, *University of Strathclyde*

Discussion Leader: Boon, Edward, *Lulea University of Technology*

THE STRATEGY AND TACTICS OF CASES IN MARKETING EDUCATION

Michael John Harker, University of Strathclyde, UK
Ross Bennan, Middlesex University, UK

ABSTRACT

To what degree have you considered your use of cases within your teaching? This paper suggests more and better planning and organisation at all levels from the individual and tactical through to the programme, group and academy is required if the method is to be used more effectively. It contains suggestions and criteria by which such planning and decision making could be carried out, before reflecting on the value possible in producing case studies as a useful by-product of research projects large and small.

CONTEXT

“At undergraduate, postgraduate and practitioner level, the case study is a well-accepted and widely used learning tool. The established popularity of case studies in marketing management education is primarily linked to the technique’s ability to bridge the gap between marketing theory and practical situations. This capacity to make the connection between standard textbooks and real business problems allows students to practise applying the theoretical concepts they have learnt. This is achieved by providing students with appropriate background and market information, then asking them to take responsibility for making key marketing decisions.” Dibb and Simkin (1994:11)

To expand a little, the orthodox view of case studies is that they are a useful, possibly an indispensable component of a managerially orientated marketing education. The success of a marketing education depends, it is implicitly assumed, upon how well students are prepared to enter graduate marketing jobs. Therefore, in order to achieve this, bridges must be built between the “less real” worlds of the classroom and marketing theory, and the “more real” world of marketing practice. That case studies are an excellent piece of bridge-building equipment with which students can engage with the type of problems that face marketing managers, can explore and develop solutions, can put into practice analytical techniques, can engage in constructive debate about alternative courses of action, and can do all of this without endangering the economic success of any real business is widely accepted. Furthermore, a range of generic business skills, such as working in teams, making presentations and writing reports can be practised using the medium of the case study. Some equally important but less clearly defined learning goals may also be achieved through the use of the case method. Since there is usually no clear-cut “right” answer to a case study, students may be prepared for the ambiguous, shades-of-grey managerial reality for which they are presumed to be destined. Case studies may be written to contain a superfluity of irrelevant information, and to lack certain key pieces of information; again, the presumption is that the ability to sort good information from bad, and to exercise good judgement when one lacks crucial information, are excellent preparation for work in marketing management.

Furthermore, and here is perhaps the clincher for anyone sceptical about the use of case studies in marketing education, the educational approach at the Harvard Business School – by some margin the biggest brand in management education – is built around the case study method. The orthodoxy thus described is essentially a pragmatic one. Clearly the case study method remains hugely popular in marketing education (witness the liberal sprinkling of case studies in any textbook of marketing). Our purpose with paper therefore is to consider how cases might be used more effectively in marketing education by considering their use *tactically* – within a specific class and even session but also *strategically* – at a programme or other macro-level across classes, topics and educational objectives.

THE TACTICS OF USING CASES IN MARKETING EDUCATION

Let us first consider the opinion of those for whom cases are selected and integrated – successfully, thoughtfully or otherwise – into a marketing class. Whilst reservations have been expressed, generally speaking students on marketing and strategy courses, when you ask them, tend towards the opinion that the use of case studies helps them to learn valuable analytical and communications skills, and to bring the real world of business into the classroom. There is some evidence that there are important differences between different categories of student in terms of attitudes towards case studies—for example, between students with different types of entry qualifications, between more and less mature students, and between students from different ethnic backgrounds (Brennan & Ahmad 2005). But in general case studies are a learning approach that is fairly well-liked by students, and one which they think is effective.

Regrettably, few marketing educators have given much thought to any underlying theory of learning that might justify the use of the case study method (for anyone interested in investigating the subject, Mumford (2005) provides a few pointers) in their own teaching or of the teaching of programmes with which they are connected. The esteemed psychologist and learning theorist Chris Argyris (1980) studied the Harvard case study method in action and found that the implementation of the method was substantially at odds with the “espoused theory” of the faculty members involved (for example, professors asserted that there were no right or wrong answers, but then guided the case study discussion in the direction of a solution that they clearly seemed to prefer). It seems worthwhile then to consider the tactical situation – what factors and issues should impact upon the selection of a case?

We suggest that there are four key elements to consider:

1. Characteristics of the students
2. The focus and objectives of the class
3. Characteristics of the case
4. Characteristics of the educator

Let us take each of these in turn. Students of marketing are a varied bunch. How do they vary? Demographically they might be a group of young people from a similar background or a real mix of ages – especially on a part-time or professionally orientated class. Personal experience suggests that there is a slight imbalance in favour of women. Ethnicity and social background can be enormously varied as in many metropolitan institutions – or be limited to a relatively narrow range, Strathclyde draws three-quarters of its Business School intake from the south-west of Scotland and it may interest readers to know that it is usual to have more Scandinavians than English students in any given class. Educationally and in terms of experience the variance might be enormous. On an undergraduate programme, it is likely that any previous encounter with marketing issues would be limited in scope and scale. We might also consider the regrettable level of innumeracy amongst business school undergraduates. On an ‘executive MBA’ each learner might have the facility to draw on decades of significant experience in a range of positions and industries.

What implications might these factors have on selection of a case? Even final year undergraduates in marketing are often relatively unfamiliar with certain aspects of marketing – especially those involving planning and measuring. The tutor selecting a case study on mobile phone retailing is a brave soul who needs to ensure that the case study reflects the most recent developments in the market, or run the risk that the classroom session will descend into a lengthy critique of the case study itself. The tutor selecting a case study on the industrial selling process in heavy construction, for an undergraduate class, has rather different selection criteria; perhaps most important is that the case study should clearly illuminate the basic processes of business-to-business buying and selling for the students.

The focus and characteristics of the class being taught also affect the selection of appropriate case studies. To some extent this overlaps with the prior experience and education of the students. Generally, as one moves through the levels of higher education from undergraduate to postgraduate to post-experience, one can also expect to encounter more experienced students. In some relevant respects the many overseas students who are found on postgraduate courses may be considered “less experienced”; indeed, such students may well present particular challenges to the tutor when selecting appropriate case studies, if their cognitive development is of a high order, while their grasp of the background context to the case studies used is fairly limited. In addition to the academic level of the course, one should consider the related issues of subject matter and degree of managerial orientation when selecting teaching case studies. It is a reasonable assumption that the majority of marketing education in North America and Europe has a managerial orientation. However, non-managerial approaches to marketing education are also to be found, including macromarketing and critical marketing theory. Should the tutor who intends to deliver a macromarketing or critical marketing course forswear case studies? It is not obvious that there is anything intrinsic to the case study teaching method that makes it unsuitable for non-managerial courses. The difficulty, of course, is that the great majority of marketing case studies have been developed using a managerial perspective. In principle at least, the use of case studies in macromarketing courses (for example, historical case studies to illustrate comparative marketing systems, and case studies in marketing ethics) and critical marketing (for example, case studies illuminating feminist or Marxist critiques of marketing orthodoxy) seems feasible.

Turning now to the characteristics of the case studies themselves. The nature and structure of cases is nearly as diverse as the order coleopteran. Nevertheless, we recognise them when we see them. What is the nature of the variety? Setting aside such basics as language – and it seems safe to assume the vast majority of cases are written [and learned?] in English and length/detail - it is also worth considering content. Narrative text or formal report? Primary and/or secondary data – numbers

or words or images? Does the case implicitly ask for decisions or plans? Does it develop understanding of concepts or processes? Perhaps it allows the application of skills and knowledge? Any case study is a combination of the real and the hypothetical. Some are clearly closer to a description of reality than others. However, even a “made-up” case study must be based on some life experience of the author, while the most “real” of case studies must clearly be written from a particular perspective. No doubt the “reality” of the organisation would look different from other perspectives.

And what of the educator? Is there personal experience of the context of case from prior or current research or employment? Can all aspects and content of the case – e.g. numerical data – be properly commented upon? If the case must be credible, so must the tutor it is supporting.

THE STRATEGY OF CASES IN MARKETING EDUCATION

The previous sections have considered aspects of use in tactical situations – one or a few educators selecting a case or cases for a specific group of students in a specific class. Whilst this process of selection and use of cases is less explicit and planned than is perhaps ideal, disasters are thankfully rare – instinct and malleability usually allow at least a partial success at the tactical level. However, at the strategic level the use of cases in marketing education is much less accomplished.

In considering strategic issues we suggest that there are levels – programme team, academic group, business school and academy – and that for each of those it is worth considering not just the ways and means of case-consumption, but also of case production. Further, we suggest that better planning and exploitation at each of these levels would result in better outcomes for all involved.

Let us begin by imagining a teaching team. Our tactical portion considered individual case selection and suggested criteria and guidelines, but what else must be done at the first step-back from the front line? To judge each case individually in the context of the class and students is one thing – but what of considering a set of cases to be used over the course of the class? Is their harmony and synergy in the set? What is meant by this? Are concepts and ideas introduced in cases in early sessions required to be applied in those towards the end? Is a different issue within a similar industry examined by each case in the set? Perhaps the same issue across several sectors? At the level of programme is there any direction and control over the use of cases? Certainly individual colleagues must have tactical control, but are checks in place to make sure duplication and repetition is avoided and that programme themes [e.g. ‘international marketing’] are reflected strongly by case-choice?

At the level of the academic group similar issues exist – the ‘mix and match’ nature of many programmes and the complexity of departmental teaching portfolios means that as with knowledge and skills and assessments, there is a need for group-wide planning. One criticism of business research is that each strand – marketing, HR, management, entrepreneurship etc – operates within its own silo. This seems to also be true for teaching on business programmes within which students have classes across several strands. Outwith the scope of this paper is consideration of the argument that integration between strands at a business school is risible at best and absent at worst and that the extreme specialisation of most business school academics makes them unable – even if willing – to integrate other strands into their teaching. This lack of integration surely reduces the overall effectiveness of business education. If cases are useful for the real world situations they present, then surely cases which incorporate more than one strand – e.g. marketing and HR – would better resemble managerial reality and would therefore be a step towards better integration?

This brings us onto our other strategic perspective – case production. At each of these levels, to what extent will case-materials be produced internally or sourced externally?

Young colleagues, serving their tutor/researcher apprenticeship are under pressure to produce significant publications even before they submit a thesis. Whilst not wishing to argue that the production of a good quality case study would be preferable to a formal journal article, it can be argued that it is a piece of writing that could be done early on in a doctoral research project and could be efficiently produced by-product of collecting secondary data and a set of investigative relationships in preparation for forming research questions. Additionally, it would be a thesis-topic related paper and a case on a fresh, up-to-date topic almost certainly of genuine use to others. It might also be said, given the relative simplicity of writing a case compared to other forms of output that if that was beyond the researcher then it is a clear sign that the larger project is perhaps inadvisable. This task could be made less intimidating by working with a supervisor or doctoral programme manager.

Individually or collectively, academics have defined and specific research projects. As with our apprentices, there is a requirement to publish-or-perish, especially when external sources of funding have been obtained. The primary objective – as

with PhD students – is one or more publications in appropriate journals. That being said, it seems certain that any project of this nature would have stories appropriate for conversion into a case. The statistics on reader-numbers for a typical paper being what they are, a case-paper might be a useful means of dissemination and of incorporating leading-edge research into teaching. It would also be intelligible to groups outside the academic community – government agencies and media spring to mind.

At the group and school level, it seems obvious that more could be done to encourage the development of a local case library to supplement any resources bought in. Not only is there a cost saving – and the ECCH model allows it to be revenue generating for a contributing group - it would also be a method of strengthening identity and rebalancing topics towards local specialities and needs. At the level of the academy, work needs to be done to identify areas of over-supply [fashionable or easily interesting topics] and under-supply [unfashionable and hard topics] and corrective action taken – perhaps even the development of a case-library. Better recognition of cases as a valid and parallel stream of output to conventional articles would also be of great help.

CONCLUSION

The goal of this short article has been to encourage marketing educators – individually and collectively - to think about the ‘how and why’ of case studies on their courses – to make informed and deliberate choices rather than guesses. We hope that this paper will generate further discussion and better planning and organisation. Case studies should be used because they are considered to be an effective method of promoting student learning, not because “that’s the way we have always done it”, or “that’s the way it’s done everywhere else”. Rather, explicit thought and planning is required.

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Saturday, 23 July
Time: 8:30 AM

Session Number: **11.3: Organizational Learning, Pricing and Simulations**

Session Chair: Konstatin, Krotov, *St. Petersburg State University (Russia)*

The effects of organizational learning on innovation and performance in KIBS: an empirical examination

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López Sánchez, José Ángel, *University of Extremadura*

THE EFFECTS OF ORGANIZATIONAL LEARNING ON INNOVATION AND PERFORMANCE IN KIBS: AN EMPIRICAL EXAMINATION

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INTRODUCTION

The present study examines how OL influences both technical and administrative innovation efforts. It also looks at the relationship between OL and innovative business culture, or innovativeness, and the effect of the latter on innovation activity. There is little evidence available that would allow one to establish the background of the innovative business culture (Rhee et al., 2010). We shall therefore analyze whether OL allows an innovative business culture to be created that will ensure the development of innovations in business practice, and whether, in turn, the two resources (OL and innovativeness) have a joint effect on the firm's innovation capacity. In order to establish the contribution of OL and innovativeness to the attainment of competitive advantages in the field of innovation, we assess firms' innovative efforts in terms of both the intensity and the degree of novelty of the innovations adopted relative to the competition.

The study also attempts to contribute to the literature by analyzing in greater depth how the effects of OL and innovativeness move through technical and administrative innovation to the firm's performance. The performance resulting from innovative effort (promoted by OL and innovativeness) is examined at two parallel levels: (i) at the business level, considering the mediating role of customer-related outcomes on overall business performance indicators; and (ii) at the service innovation level, examining again how a firm's greater innovative capability (technical and administrative, promoted by OL and innovativeness) impacts on the performance of new services developed in the last three years (also using customer and overall performance indicators at the service level). In this way, in the same study we can determine the effects of a firm's capacity for organizational innovation on both its overall competitive performance and on the improved performance of the innovations it has implemented.

Organizational learning and technical and administrative innovation

There is consensus in the literature that as a firm promotes the learning process it will develop a greater number of innovations incorporating a greater degree of novelty. This logically affects product/service innovation since learning organizations are unlikely to miss opportunities created by emerging demand. More recent work, such as that by Aragón-Correa et al. (2007) has confirmed the positive relationship between OL and technical innovation. Although it has been argued conceptually that OL should affect administrative innovation, as would be logical in the connection between OL and innovation given the complementary nature of administrative and technical innovation, previous studies have not examined this possibility. However, taking into account the unlearning dimension of OL (Santos et al., 2009) according to which firms question their prevailing mental models to redefine how they should behave and do things, it is reasonable to think that firms with more efficient learning processes should experience greater innovations in their administrative processes. Therefore, H1: OL positively influences the intensity and novelty of technical innovation. H2: OL positively influences the intensity and novelty of administrative innovation.

Organizational learning and innovativeness

Various researchers have identified OL as one of the possible antecedents of innovativeness (Hult et al., 2004), precisely because of its positive effects on innovation. These scholars understand that OL enhances the development of innovations, so it would seem consistent that there should be a close relationship between greater OL and the development of an innovative business culture. Learning processes reinforce the need for constant adaptation and evolution, so that it is reasonable to think that the firm's values underpin its willingness to change and its acceptance of new ideas. Therefore, H3: OL positively influences innovativeness.

Innovativeness and technical and administrative innovation

Innovativeness, through support of innovative initiatives, creates an environment conducive to the participation and involvement of employees, which ultimately promotes a sense of autonomy and commitment to the firm (Gumusluoglu and Ilsev, 2009). It is also reasonable to think that organizations in which individuals perceive greater openness to change and to the processes of trial and error achieve greater employee creativity, with the result that a greater number of technical and

administrative innovations are eventually developed. Therefore, H4: Innovativeness positively influences the intensity and novelty of technical innovation. H5: Innovativeness positively influences the intensity and novelty of administrative innovation.

Organizational innovation, organizational performance, and new service performance

There is still a need for progress at both the academic and business levels in understanding the relationship between innovation and performance. In the study of the connection between organizational innovation (OI) and organizational performance, it is explicitly recognized that the best results come from the creation of value, and it is reasonable to think that the primary effect of the new market offer and productive and/or market-oriented administrative processes (developed to adapt to the market as a result of the firm's learning processes and innovative culture) will be customers' greater satisfaction, loyalty, and value added perceptions (Terziovski, 2007). Therefore, H6: Technical innovation positively influences customer performance at the organizational level. H7: Administrative innovation positively influences customer performance at the organizational level.

Undoubtedly, the existence of more satisfied, loyal customers who are also aware of the added value provided by the firm has to be reflected in improved business performance. Therefore, H8: Customer performance at the organizational level positively influences business performance.

So far, we have argued that a greater capacity to innovate should place the firm in a better position competitively as it allows the firm to adapt to the environment and create value. The question now is whether greater overall innovative intensity improves the performance of individual innovation. The literature provides little evidence in this regard, the more recently exceptions being work such as that of Prajago and Ahmed (2006) which argue that firms use their capacity to innovate as part of their effort to provide a unique value experience to each of their customers. The starting hypothesis in the present study is that regular OI is a capacity which accumulates the effects of experience, allowing the firm to incorporate successful innovations into its services portfolio, and thereby providing added value to its customers that exceeds the competition's offerings. Therefore, H₉: Technical innovation positively influences customer performance at the new service level. H₁₀: Administrative innovation positively influences customer performance at the new service level.

It is also reasonable to think that, when a firm is working with customers who are satisfied, who project loyal behaviour and attitudes, and who recognize the added value they receive from the specific service innovations that the firm is making available to them, this will necessarily lead to better commercial performance at the new service level. Therefore, H₁₁: Customer performance at the new service level positively influences commercial performance at the new service level.

METHODOLOGY

Sample and data collection

The study was carried out among knowledge intensive business services (KIBS). The SABI database was used to establish the study population. Companies with more than ten employees were selected, giving an a priori population of 1587 firms. Prior to the submission of the questionnaire, each of these firms was contacted by telephone. The objective was to verify their contact information, their availability to participate in academic studies, their preferred form of receiving the survey, and the accuracy of the data on the key informant. The outcome was that 1236 surveys were finally sent by postal mail, e-mail, or fax to the key informant. The fieldwork required two waves of mailings: (i) from May to September 2009, and (ii) from November 2009 to March 2010. It also seemed appropriate that the key informant was the firm's highest ranking manager (chief executive officer or equivalent).

The final sample consisted of 246 firms (19.90% response rate). Of these, 17.07% belonged to the computer and related activities sector (NACE code 72), 11.38% were legal, accounting, and management consultancy companies (NACE codes 74.11, 74.12, and 74.14), 40.65% were engineering, architecture, and environmental consultancy companies (NACE code 74.20), 7.72% were market research, advertising, and recruitment and training of personnel companies (NACE codes 74.13, 74.4, and 74.5), and 23.18% were companies in other business activities (NACE code 74.8). The absence in the sample of firms from the research and development sector (code 73) is due to the reduced weight they have in the economy of Spain.

Measures

OL is based on the scale presented in Santos et al. (2009), which study describes and explains the procedure used to construct this measuring instrument. Innovativeness is measured with the scale proposed by Hurley and Hult (1998). Technical and administrative innovations were measured using the scale proposed by Weerawardena (2003). With respect to the customer and business performance scales, we followed the approach of Theoharakis and Hooley (2003). Finally, to measure new service performance, we requested the firms to cite a specific innovation project which had been an important milestone for them, and that had been developed and marketed in the last three years, following Paladino's (2007) approach to measure customer performance and commercial performance at the new service level.

RESULTS AND DISCUSSION

Measurement testing

The results were analyzed in two stages: (i) we evaluated the psychometric properties (reliability, and convergent and discriminant validity); and (ii) we tested the hypotheses contained in the conceptual model by means of a structural equation modeling approach. To this end we used the statistical package EQS 6.1 which employs polychoric correlations (Lee et al., 1995) together with a maximum likelihood robust estimation procedure in order to examine categorical variables. There were no statistical problems with the measurement scales used in the survey. Length limits make it difficult to give a more thorough discussion of each measurement model, but a full report is available from the authors.

Model testing

A structural equation model was developed and tested using polychoric correlations (Lee et al., 1995), together with a robust methodological approach designed to examine categorical variables in structural equation systems in EQS, for assessing Structural Model I, H1–H8, and Structural Model II, H9–H11 (the table with the empirical results is available upon request). For Structural Model I, the quality of the fit was acceptable ($S-B \chi^2(291) = 607.12$ NFI = 0.88 NNFI = 0.92 CFI = 0.93 IFI = 0.93 RMSEA = 0.07), and all the hypothesized relationships were supported with the exception of H1. A plausible explanation may be the mediation of innovativeness, with the effect thus being indirect: Organizational Learning→Innovativeness→Technical Innovation ($0.66 \times 0.46 = 0.30$). For Structural Model II, the fit indices showed that this model can also be considered an acceptable representation of the sample data ($S-B \chi^2(244) = 540.23$ NFI = 0.88 NNFI = 0.92 CFI = 0.93 IFI = 0.93 RMSEA = 0.07). The three hypotheses were confirmed.

CONCLUSIONS AND IMPLICATIONS FOR THEORY AND PRACTICE

Despite the academic and professional recognition of OL and innovativeness as determinants of OI (in both its technical and its administrative aspects), there is no evidence in the literature to either support or reject the notion that the effect on OI is due at least in part to the two variables in combination. That the proposed conceptual model addressed this issue for the first time is in itself a contribution of the present study. It also raises the general question of whether it is necessary to consider mediating variables in studying the connection between OL and innovation, since attention until now has focused on the direct effect of OL on technical innovation (Aragón-Correa et al., 2007). A second contribution of the study was the analysis of OI's role as a precursor of the firm's results at the organizational and new service levels. With respect to organizational level performance, there was empirical confirmation of the importance the previous literature assigns to OI as a mechanism for fostering greater satisfaction, loyalty, and perceived customer value, with the consequent enhancement of overall business performance. With respect to performance at the new service level, OI was seen to play a vital role in providing customers with a unique experience through a specific innovation, which is reflected in a higher level of commercialization of the new service.

The findings provided here show that organizations may need to give priority in their management models to issues such as OL, Organizational Innovation (OI), and innovativeness. These findings are consistent with the growing body of work that assigns a prominent role to OI as a key factor in shaping customers' expectations and meeting their demands in accordance with their changing experiences and behaviour.

References available upon request

Saturday, 23 July
Time: 8:30 AM

Session Number: **11.4: New Media, New Customers? Understanding what Works**

Session Chair: Nikolaeva, Ralitza, *ISCTE-Instituto Universitário de Lisboa*

The Customer is NOT Always Right? A Study on the Trustworthiness of eWOM Senders

Munzel, Andreas, *Ludwig-Maximilians-University Munich*

Meyer, Anton, *Ludwig-Maximilians-University Munich*

Feigl, Kathrin, *Ludwig-Maximilians-University Munich*

Website Interactivity and User Involvement: the Moderating Effects of Need for Cognition

Wu, Ling-ling, *National Taiwan University*

Yu-ying, Rita Lee, *National Taiwan University*

Yeh, Ming-Yih, *National Taiwan University*

A Longitudinal Analysis of Trust in a Fast Growth Technology-Based Company

Palmer, Adrian, *ESC Rennes*

Huo, Qunying, *ESC Rennes*

**THE CUSTOMER IS NOT ALWAYS RIGHT?
A STUDY ON THE TRUSTWORTHINESS OF EWOM SENDERS**

Andreas Munzel, Ludwig Maximilians University Munich, Germany
Anton Meyer, Ludwig Maximilians University Munich, Germany
Kathrin Feigl, Ludwig Maximilians University Munich, Germany

ABSTRACT

Since the increasing importance of the Internet, consumer interactions have been moving from offline to online, from personal to stranger interactions. Thus the shift of traditional word-of-mouth to the web comes with new challenges for companies and consumers. Seekers of electronic word-of-mouth – as opposed to traditional word-of-mouth – only have limited information on the sender of the message and hence have to derive the value of the message and trustworthiness of the sender from cues available in the written text. In spite of an increasing amount of empirical research on (electronic) word-of-mouth so far, research lacks of investigating how consumers communicate and how this communication style influences the receiver.

We conducted a 2x2x2 online experiment with 768 participants, in order to investigate the effects of the communication style applied by the sender, as well as the motives of the sender, on the sender's trustworthiness and purchase intention of the receiver, in consumer online reviews. Results show that an informational review has a higher effect on purchase intention than an emotional review. Furthermore, we found a moderating effect of the perceived motive on the sender's trustworthiness.

References available upon request.

WEBSITE INTERACTIVITY AND USER INVOLVEMENT: THE MODERATING EFFECTS OF NEED FOR COGNITION

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ABSTRACT

This study investigated the relationships between consumer involvement and each of the three facets of interactivity: control, communication direction, and synchronicity, as well as the moderating effect of need for cognition on these relationships. An experiment was designed to test the proposed hypotheses and 320 volunteers participated in this experiment. The empirical results show that all three facets of interactivity positively affect consumer involvement, and that the need for cognition moderates such positive relationships in various ways. The effects of control and communication direction on involvement are stronger for consumers with a high degree of need for cognition than for those with a low degree of need for cognition. On the other hand, the effect of synchronicity on involvement is more conspicuous when the degree of need for cognition is low. These results suggest the active nature of control and two-way communication compared to the passive nature of synchronicity. Finally, managerial implications, limitations, and future research are discussed.

INTRODUCTION

Interactivity, the most prominent characteristic of the Internet, has been highly appraised in the literature for its potentially positive effects on consumers, in terms of satisfaction, attitudes, decision making quality, and involvement (Fortin & Dholakia, 2005; Stewart & Pavlou, 2002; Coyle & Thorson, 2001; Haubl & Trifts, 2000). Previous research defines interactivity as “the degree to which two or more communication parties can act on each other, on the communication medium, and on the messages and the degree to which such influences are synchronized (Liu & Shrum, 2002)”. This definition implies that interactivity can engage consumers more deeply in information seeking and sharing activities, which in turn results in a higher level of cognitive elaboration, i.e. *cognitive involvement*, and more favorable consumer attitudes.

However, there are two issues regarding the research of interactivity. First, empirical findings of the effects of interactivity are mixed (Amichai-Hamburger, Fine, & Goldstein, 2004; Liu & Shrum, 2009; Sohn, Ci, & Lee, 2006; Wu & Lin, 2006; Lustria, 2007). Therefore, recent research has focused on possible contingencies for the effects of interactivity, such as the *need for cognition* (Lustria, 2007; Sicilia, Ruiz & Munuera, 2005). The second issue concerns interactivity conception. The literature argues that interactivity is a composite concept, which can be further decomposed into three facets: active control, two-way communication, and synchronicity (Liu & Shrum, 2002; Lustria, 2007; McMillan & Hwang, 2002; Yadav & Varadarajan, 2005). These three facets have not been investigated for their possible diverse effects on consumers. The inconsistent findings of interactivity effects could be due to either ignorance of contingencies, or distinctive influences of the three facets of interactivity. Therefore, this study addressed these two issues simultaneously, to better understand the process and effects of interactivity. The goal was to investigate the individual effects of the three dimensions of interactivity as well as their interactions with the contingency of cognition need on consumer involvement.

The following sections first review related works on interactivity, involvement, and the need for cognition and use them to construct hypotheses. An experiment is designed to test the hypotheses, followed by reporting the empirical results of the experiment. The findings of this research help us understanding how various aspects of interactivity affect consumer involvement and guide website designers or e-commerce practitioners to design efficient online communication channels to fit the needs of consumers with various levels of cognition need. Finally, this paper discusses the limitations of this research and directions for future research.

LITERATURE REVIEW

Interactivity and information processing online

Interactivity increases user ability to engage in information processing and communication. Interactive media provides consumers with a powerful channel to voice their opinions, so that they are no longer passive receivers of product information disseminated by advertisers. Hence, consumers using interactive media are more likely to be cognitively involved than their counterparts using traditional media (Liu & Shrum, 2002; Lustria, 2007) due to various levels of engagement in these information activities. Cognitive involvement refers to the extent of cognitive elaboration that occurs in

a communication process (Petty, Cacioppo, & Schumann, 1983).

As stated above, interactivity has three dimensions: active control, two-way communication, and synchronicity. Active control is the degree of control over information content, display order, and display time (Ariely, 2000). A high degree of control gives people the freedom to decide what information they want to read, as well as how long and in what order to read it. High control allows users to actively browse and digest information at will and “pull” relevant information according to personal preferences and needs. In other words, high control provides users with opportunities to locate relevant information in an active manner. In contrast, low control, as in the case of pop-up ads, only provides consumers the choice of passively avoiding unwanted information, but does not allow them to actively search information based on their needs. Active control, or a high level of control, requires users to give closer attention to content and allows them to make choices. As a result, consumers become more engaged and cognitively active in those tasks (Bezjian-Avery, Calder, & Iacobucci, 1998; Rodgers2000; Thorson 2001). Therefore, we proposed that consumers who are given a high degree of information control should be more cognitively involved than consumers given low control, as stated in Hypothesis 1.

H1: The level of consumer involvement in a high control condition is higher than that in a low control condition.

The second facet of interactivity, communication direction, describes the possibility of reciprocal communication between the two parties of communication (Liu & Shrum, 2002; McMillan & Hwang, 2002). Two-way communication channels, such as chat rooms, online communities, or e-mail, facilitate feedback mechanisms and interaction between the information sender and receiver. However, one-way communication, as in the case of banner ads or news on portal sites, only allows users to browse posted material without the possibility of providing any feedback in the form of a query or returning opinions to the information sender. Consumers provided with the chance of feedback are more likely to process the information that they receive in depth and to think through the ideas that they want to convey. Therefore, two-way communication induces a higher level of cognitive involvement than one-way communication channels, proposed in Hypothesis 2.

H2: The level of consumer involvement in two-way communication is higher than that in one-way communication.

The last facet of interactivity, synchronicity, originating from telecommunication, is used to represent “no delay.” In two-way communication, synchronicity refers to responsiveness in terms of the speed of response after making a request. For example, instant messengers have a higher degree of synchronicity than blogs because of real time response from the former channel but not the latter. However, such a definition only applies to two-way communication because of the feedback requirement. In one-way communication, “no delay” refers to the timeliness of information, or the time interval between occurrence of an event and the time it is reported (Doll & Torkzadeh, 1988; Gelderman, 1998; Bailey & Pearson 1983). When synchronicity of information exists, users might become more interested in the information received because of its responsiveness or timeliness and hence become more willing to process and more cognitively involved in processing or communicating information (Weiss, Lurie & MacInnis, 2008; Liu, 2003). Therefore, we hypothesize that a high degree of synchronicity will increase cognitive involvement.

H3: The level of consumer involvement in high synchronicity is higher than that in low synchronicity.

The three facets of interactivity have positive effect on consumer involvement, but do such effects work the same for everyone? For instance, the effects of these technological features will not be as effective if consumers do not have enough motivation to use them. The empirical results of previous research suggest that interactivity is not always a good thing if users lack essential characteristics, such as the need for closure (Amichai-Hamburger, Fine, & Goldstein, 2004), the desire for control (Liu & Shrum, 2002), expectations (Sohn, Ci, & Lee, 2006), expertise (Wu & Lin, 2006), motivation (Wu & Lin, in press), and the need for cognition (Lustria, 2007). Involvement refers to the level of cognitive elaboration; therefore, the motivation construct for effortful thinking, i.e. the need for cognition, should play a critical role.

Need for cognition as the moderator

The need for cognition (abbreviated as NFC hereafter) refers to the degree to which consumers enjoy effortful thinking (Cacioppo, Petty and Kao, 1984). Individuals who are high in NFC are predisposed to thinking, such as solving puzzles, extensive deliberation, and abstract thinking (Cacioppo, Petty and Kao, 1984). In contrast, individuals who are low in NFC avoid effortful thinking. Petty, Cacioppo, and Schumann (1983) mentioned that individuals who score high in NFC are more likely to generate inferences and elaborations in response to persuasive messages than those who score low in NFC. Previous research has shown that high-NFC individuals tend to process and evaluate advertising information more thoroughly than

low-NFC individuals (Batra & Stayman 1990; Mantel & Kardes 1999; Martin, Sherrard, & Wentzel, 2005).

As defined previously, information control involves decisions regarding information content, the length of and the order, channel users choose to read. The more decisions consumers make, the more cognitive resources are demanded, such that individuals who are not willing to allocate sufficient cognitive resources will be less likely to use active control to its potential in communication channels. The study of Wu & Lin (in press) shows that the degree of control and motivation has to be matched to help consumers improve their decision making quality. Consumers with high motivation can make better decisions given high control, whereas low-motivators benefit more from low control. Individuals with high NFC should enjoy a high degree of control because they need it to actively search information they need. On the contrary, forcing individuals of low NFC to make choices may overwhelm them and thus decrease their effortful thinking. Therefore, it is hypothesized that for individuals of high-NFC, control will engage them in information processing, which in turn deepens their cognitive involvement; whereas for individuals of low-NFC, control will decrease their level of cognitive involvement.

H4: For high-NFC individuals, control has a positive effect on involvement; whereas for low-NFC individuals, control has a negative effect on involvement.

Consumers with higher NFC have a stronger motivation to collect product information from various sources, including other consumers. Therefore, two-way communication can provide a tool that fits the cognitive needs of consumers with high NFC. Consequently, two-way communication can induce a higher degree of involvement than one-way communication for those consumers. In contrast, low-NFC individuals are reluctant to seek information or to give opinions, which ultimately lead to interaction avoidance (Petty, Cacioppo, and Schumann 1983; Batra & Stayman 1990; Mantel & Kardes 1999). Under such circumstances, weak cognitive motivation might attenuate the advantages of two way communication, resulting in no difference in involvement under two-way and one-way communication.

H5: For high-NFC individuals, two-way communication induces a higher level of involvement than one-way communication; whereas for low-NFC individuals, two-way and one-way communications show no difference in involvement.

Unlike the features of active control and two-way communication, the feature of synchronicity does not provide consumers the opportunity to actively seek information according to their needs or preferences. Therefore, a high degree of synchronicity does not fulfill the cognitive needs of consumers with high NFC. However, a high degree of synchronicity can push information to consumers without requiring them to do further information search. Such a “push” mode of synchronicity might work better for individuals of low NFC because they are more likely to rely on the guidance or advice of others rather than find the answer by themselves (Cacioppo, Petty & Kao 1984). Therefore, it is logical to infer that synchronicity has no effect on the level of involvement for consumers of high NFC, but positively influences the involvement of consumers with low NFC, as stated in Hypothesis 6.

H6: For high-NFC individuals, synchronicity has no effect on involvement; whereas for low-NFC individuals, synchronicity has positive effect on involvement.

RESEARCH METHODS

Experimental design

This research consists of a 2 (control: high vs. low) * 2 (direction of communication: one way vs. two way) * 2 (synchronicity: high vs. low) factorial design. All independent variables were between-subjects, totaling eight conditions. Each of the eight conditions was presented by one type of online communication channel, shown in [Table 1](#). The manipulation of the three independent variables was conducted using information presentation characterized in the eight channels. For instance, the high level of control allows users to decide what messages to see, in what order, and for how long. Therefore, product information in high control channels was presented in text and graph, which allows participants to browse the information at will and at their own pace. Information in low control channels was presented in video format, which displays exactly the same product information as that in the high control condition, only with a pre-determined pace. For the dimension of communication direction, two-way communication channels, such as Instant Messenger and e-mail, provide consumers a feedback mechanism to request information, whereas channels without feedback mechanisms are one-way communication, such as real-time news. The last dimension of interactivity, synchronicity, refers to updated messages, which means timeliness in a one-way communication channel (e.g. real-time ads), and responsiveness in two-way communication

channels (e.g. Instant Messenger), whereas low synchronicity does not provide updated, instant information or responses (e.g. FAQ, blog).

Stimuli

The experiment used four products as the testing material, chosen based on the following principles. First, they were all search goods, because these products have well-defined product specifications. Secondly, the products were familiar to our potential subjects. Thirdly, the prices of products were affordable to potential subjects. After screening many products, we chose netbook, running shoes, folding bicycle, and electronic dictionary as the test products.

In the experiment, product information was the same across the eight conditions such that differences between the eight conditions can be construed as interactivity effects, instead of the possible confounding effect of information content. Information content included product information of the four tested products. In the condition of high control, product information was displayed in text and graph whereas in the condition of low control, product information was displayed in predetermined-paced video. In one-way communication channels, all product information was displayed. In two-way communication channels, some product information was reserved as answers to consumer requests. Presenting controlled content to participants can prevent possible information overload that is normally encountered by online consumers. More importantly, information content was controlled for the benefit of internal validity in this study.

The constructs of NFC and involvement were measured with scales developed in previous research. An 18-item scale developed by Cacioppo, Petty, and Kao (1984) measured NFC. The five-item measure adapted by Laczniaak & Muehling (1993) was used to measure the dependent variable, namely, cognitive involvement of product information. Independent variables were checked for manipulation success with scales developed by Liu (2003) for the constructs of control and communication direction, and by Doll & Torkzadeh (1988) and Gelderman (1998) for the synchronicity construct. All measurements used the seven-point Likert scale, ranging from 1 to 7, with 1 representing “highly disagree” and 7 representing “highly agree.” The empirical results were analyzed by ANOVA.

Participants

Participants in the experiment included 320 volunteers, recruited from the campus of National Taiwan University, with 40 subjects in each condition. Among the participants, there were 163(51%) male, and 157(49%) female. Even though participant recruitment was conducted on campus, the advertisement still attracted a relatively small portion of non-students (45, 14%) in addition to students (275, 86%). Non-students were included in the experiment for the purpose of external validity and KS (Kolmogorov–Smirnov) analysis was used to examine possible differences between these two groups. Participants conducting the lab experiment were allowed to complete it at their own pace, taking an average of approximately 40 minutes to finish the experiment. After finishing the task, they were paid NT\$100 as an incentive for participation.

Experimental procedure

Participants were invited to our lab for conducting the experiment task. Each was first asked to fill out a consent form and then was seated in front of a computer terminal, where all the instructions and testing material were presented. Before the real experiment started, participants were asked to answer questions in the NFC scale. Participants who obtained NFC scores higher than 70 were categorized as high NFC, and those who obtained scores lower than 60 were low NFC. Note that participants were not notified of their NFC level. Participants who scored in between high and low were not valid and were instructed that the experiment was finished. Each of those who stayed was randomly assigned to one of the eight conditions and was accordingly shown one of the eight channels illustrated in [Table 1](#). The participants were instructed that they needed to buy four products, including an electronic dictionary, a netbook, a pair of running shoes, and a folding bicycle, and their tasks were to seek product information illustrated via the given channel. To control order effect, the presentation sequence of the four products was arranged into two random orders, with each participant randomly assigned to one of the two random orders. After seeking information for each product, they were asked to evaluate their involvement level for each product. Then they were required to answer questions about their perceptions of control, two-way communication, and synchronicity regarding the channel assigned to them. Finally, they were asked to answer questions about their demographic background.

EMPIRICAL RESULTS

The results suggest that the manipulation of all independent variables was successful. On average, participants in the high

control condition perceived a significantly higher level of control (5.42) than those in the low control condition (3.93; $F(1, 312) = 95.54$, $MSe = 1.86$, $p < .0001$). Participants in the two way communication condition reported a significantly higher level of easiness to give and receive feedback (5.15) than their counter-parts in the one way communication channel (3.38; $F(1, 312) = 235.64$, $MSe = 1.07$, $p < .0001$). Finally, participants in the high synchronicity condition perceived a significantly higher level of updatedness and responsiveness (4.82) than those in the low synchronicity condition (4.00; $F(1, 312) = 26.98$, $MSe = 1.98$, $p < .0001$). On average, the involvement level of the high NFC (4.61) was significantly higher than that of low NFC (3.65, $F(1, 304) = 143.92$, $MSe = 2.06$, $p < .001$), showing that the need for cognition has an effect on cognitive involvement. Such a result also suggests that the categorization of high vs. low degree of NFC is valid in this study. According to our expectations, there was no significant difference between the two random orders in terms of their involvement ($F(1, 1) = 2.95$, $MSe = 0.099$, ns). Therefore, the data of these two random orders were combined together for further analysis.

Consistent with the hypotheses, the average level of involvement in the high control, 4.33, was higher than that in the low control condition, 3.93. However, the difference was not statistically significant ($F(1, 2) = 1.59$, $MSe = 32.89$, ns). Similarly, participants in the two way communication conditions were more involved in processing product information (4.76) than those in the one way communication condition (3.78), and the difference was statistically significant ($F(1, 19) = 4.91$, $MSe = 28.71$, $p < 0.05$). Lastly, participants in the high synchronicity condition exhibited a significantly higher degree of involvement (4.45) in processing information than those in the low synchronicity condition (3.81; $F(1, 43) = 6.63$, $MSe = 20.11$, $p < 0.05$). In conclusion, Hypothesis 1 is not supported, whereas Hypotheses 2 and 3 are empirically supported by the results.

Consistent with previous research, the main effects of the three facets of interactivity are mixed. Even though the facets of communication direction and synchronicity induce a higher level of involvement, the facet of control does not. Therefore, we proceeded to test the contingency effect of NFC to see if it moderated the effects of these three facets. As shown in [Figure 1](#), the effect of control on involvement was significant for participants of high NFC, but not for their counter partners of low NFC. In the high NFC condition, consumers of high control were more involved (4.98) than consumers of low control (4.24; $F(1, 152) = 42.34$, $MSe = 2.07$, $p < .001$). Such an effect of control did not exist for consumers of low NFC (3.68 vs. 3.62, $F(1, 152) = 0.36$, $MSe = 2.06$, ns). The interaction effect of control and NFC on consumer involvement was highly significant ($F(1, 304) = 17.54$, $MSe = 2.06$, $p < .001$) suggesting that NFC moderates the effect of control on cognitive involvement to the point of diluting the main effect of control. Even though low control did not decrease cognitive involvement as stated in Hypothesis 4, the empirical results still partially support hypothesis 4 because of the positive effects of high control. Similar to the facet of control, two-way communication works better for consumers of high NFC than for consumers of low NFC, as illustrated in [Figure 2](#). For consumers with high NFC, consumers who use two-way communication have a higher level of involvement (5.10) than those who use one-way communication (4.12; $F(1, 152) = 74.06$, $MSe = 2.07$, $p < .0001$). When NFC is low, the difference decreases, even though it is still significant (3.82 vs. 3.48, $F(1, 152) = 9.47$, $MSe = 2.06$, $p < 0.002$). Most importantly, the interaction between communication direction and NFC is highly significant ($F(1, 304) = 15.4$, $MSe = 2.06$, $p < .0001$). That is, Hypothesis 5 is still partially supported by the empirical results.

The effects of control and communication direction on involvement are stronger for consumers with high NFC than for consumers with low NFC. On the contrary, the empirical results demonstrate that the third dimension of interactivity, synchronicity, has stronger effect on involvement when consumer NFC is low. As demonstrated in [Figure 3](#), when NFC is low, the involvement level for high synchronicity channels is significantly higher than that of low synchronicity (4.09 vs. 3.21; $F(1, 152) = 60.63$, $MSe = 2.06$, $p < .0001$). Similarly, in the high NFC condition, a high level of synchronicity also induces a significantly higher level of involvement than low synchronicity (high synchronicity: 4.80 vs. low synchronicity 4.42; $F(1, 152) = 11.68$, $MSe = 2.07$, $p < .001$). However, the effect of synchronicity on involvement becomes more conspicuous in low NFC conditions, and the interaction effect of synchronicity and NFC is highly significant ($F(1, 304) = 9.46$, $MSe = 2.06$, $p < .01$). Even though synchronicity is still effective for subjects of high NFC, the interaction pattern is in accordance with the prediction of Hypothesis 6, such that Hypothesis 6 is partially supported.

CONCLUSION, MANAGERIAL IMPLICATIONS, LIMITATIONS, AND FUTURE WORK

This study investigates how Internet interactivity affects consumer involvement when searching for product information online. The empirical results show that all three facets of interactivity, namely control, two-way communication, and synchronicity, increase consumer level of involvement in processing product information online, although the effect of control is not statistically significant. Most interestingly, consumer need for cognition moderates the influence of three interactivity facets on consumer involvement differently. In particular, control and two-way communication have stronger

effect on consumer involvement for consumers with high NFC than for their counter-parts with low NFC. On the contrary, the effect of synchronicity on involvement is stronger for consumers with low NFC than for consumers with high NFC. This research assesses individual effects of the three facets of interactivity, and demonstrates how NFC moderates their influences differently.

Based on our results, designers of online shops can customize the degree of interactivity of the three facets to fit personal information needs of consumers, i.e. the need for cognition. As mentioned in Crain (2004), interactivity potential has not been fully exploited in practice. Peters & Hessian (2003) estimated that the ratio of “talking” of online advertisers to the “listening” of consumers is surprisingly high (non-interactive vs. interactive: 50:1). Such a gap can be attributed to a lack of understanding of what makes interactivity potentially effective for online consumers. The empirical results of this research provide a useful guideline for website designers to offer personalized interactivity for persons of varying degrees of NFC, through effectively managing the three facets of interactivity.

One limitation of this study is, that to test our hypotheses, we modified some website designs to present the experimental conditions, for which there are no readily available website designs. Such modification might not follow typical practices in online shops. For example, for combining low control, two-way communication, and high synchronicity, we used a commercial website with Instant Messenger, but with responses only presented in video instead of text. Emerging website designs in the future might include new designs which fit the above condition. Given the popularity of online social communities, it will be interesting to see how Internet interactivity affects the way online consumers exert social influence with each other. Hence, future studies can investigate the influence of various social roles, such as opinion leaders, and opinion seekers, for consumers when collecting and evaluating product information via interactive media. Lastly, other contingency factors such as age cohorts and perceived risks should also be closely investigated to obtain a comprehensive understanding of the effects of interactivity.

TABLES

Table 1: Communication channels corresponding to the eight experimental conditions

Control	Communication Direction	Synchronicity	Channels corresponding to each of the eight experimental conditions
High	Two way	High	Commercial website with Instant Messenger (words and graph)
High	Two way	Low	Blog
High	One way	High	Real time news (words and graph marked with updated time)
High	One way	Low	FAQ (of commercial website)
Low	Two way	High	Commercial website with Instant Messenger (video marked with updated time)
Low	Two way	Low	E-mail sent by commercial website (video)
Low	One way	High	Real time ads (video marked with updated time)
Low	One way	Low	Pop up ads (video)

FIGURES

Figure 1: Effect of control and NFC on involvement

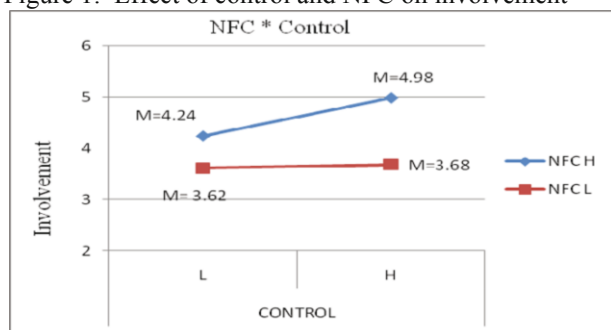


Figure 2: Effect of communication direction and NFC on involvement

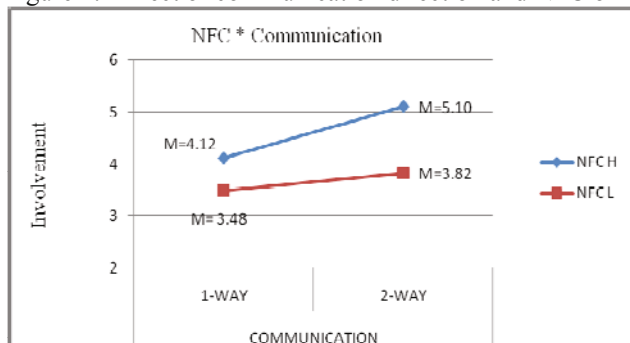
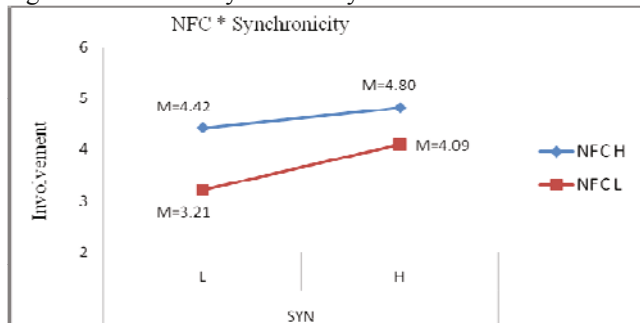


Figure 3: Effect of synchronicity and NFC on involvement



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A LONGITUDINAL ANALYSIS OF TRUST IN A FAST GROWTH TECHNOLOGY-BASED COMPANY

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INTRODUCTION

Trust has been at the heart of many models of marketing, for example trust has been shown to be a key the reason for buyers' continued preference for a brand (de Chernatony and McDonald, 2003) and has been seen as central to the sustainability of buyer seller relationships (Morgan and Hunt 1994). The importance of trust has been reflected in a wide literature that has sought to conceptualise the construct and to assess its causes and consequences in a wide variety of market based situations. This study addresses a significant weakness of much of the literature, which has tended to take a static, cross-sectional approach to the measurement of trust. Although a large body of conceptual literature and empirical research has suggested that the development of trust is a gradual process over time, there have been relatively few long-term longitudinal studies that have sought to measure the development of trust in a brand or organisation (Christopher et al., 2008; Zuo and Panda, 2008), or how it can be undermined (Dimoka, 2010; Charki and Josserand, 2008). Many longitudinal approaches to the study of trust have used retrospective recall of trust and such measures may be influenced by subsequent performance, or have used relatively simple uni-dimensional quantitative measures of trust over time (Larzelere and Huston, 1980).

The aim of this study is to contribute to our understanding of the long term development of trust in a brand and to identify how different dimensions of trust change over time. The context for this study is an environment in which social network media can allow trust to be rapidly developed and undermined on the basis of peer to peer comments

Conceptualising Trust

One widely accepted conceptualisation of trust is that trust has four dimensions - ability, benevolence, integrity and predictability (Büttner and Göritz, 2008; McKnight and Cheveny, 2002). Ability refers to the competence that enables trustees to have certain power in a specific domain or area. Benevolence means that trustees are caring and would like to do good to trustors. Integrity explains that trustees, who are honest, will not tell a lie and will keep their promises. Predictability means one can forecast trustees' actions in a consistent way.

Previous research has indicated that trust is a gradual process to build up (Li et al., 2008), and to undermine (Charki and Josserand, 2008). According to Dimoka (2010), trust building is associated with the brain's cognition areas, while distrust is strongly linked with the brain's processing of emotions, particularly relating to deception, fear of loss and unethical behaviour.

Although trust has been studied in various disciplines (Ferrin and Dirks, 2006; McKnight et al., 2002; Ridings et al., 2002), and is studied in different contexts (Luo, 2006; Pavlou and Gefen, 2004; McKnight and Chervany, 2002), empirical study of trust in computer mediated peer-to-peer environments remains limited (Vance et al., 2008). Furthermore, most studies of trust have taken a cross sectional approach (Gupta et al., 2009; Massey and Dawes, 2007; Kassim and Ahmed Abdulla, 2006), with comparatively few longitudinal studies of trust (Searle and Ball, 2004; Zolin et al., 2004).

METHODOLOGY

The epistemological perspective of this exploratory study is inductive and it seeks to build a theory of trust on the basis of comments left by users of a service based organization on a publicly accessible review site.

Observation of blogs and social network websites with a view to obtaining meaning has led to the development of a range of techniques, such as transaction log analysis (Jansen et al., 2000) and verbal protocol analysis (Nahl and Tenopir, 1996), and "webnography" or "virtual ethnography" (Morton, 2001). Morton (2001: 6) noted two principal methods for conducting ethnographic research on the internet – distanced or involved. The approach adopted here was distanced, implying evaluation of texts and observation of social interaction in online environments, but not participation in them.

The form of analysis was based on the principles proposed by Miles and Hubermann (1994) and Strauss and Corbin (1998), and was iterative in nature. Data collection and analysis were consciously combined, and initial data analysis was used to guide ongoing data coding.

The initial analysis was based on comments provided by 132 reviewers on 3 peer review websites (www.dooyoo.co.uk; www.ciao.co.uk; www.reviewcentre.com). These are peer-to-peer moderated sites which are not tied to a particular company being reviewed, and the owner of the site generates income from advertising and “click throughs”. To build a theory, a brand was sought which had grown virally through social network media, and had the capacity to be undermined through those same media. In order to explore the dynamics of trust, the researchers sought a brand which at first sight appeared to have gone through a life cycle of trust over a period of 5-10 years. The focal organization should be one that is widely known and for which large volumes of comments would be available. After considerable review and discussion with experts in the field, Skype was chosen as the focal brand. Skype is an Internet telephony based business which was founded in 2003 and experienced considerable growth, based largely on word of mouth recommendation. However as it has grown and been acquired by larger corporations, there is a suggestion that trust in the brand has been undermined.

The contents of reviews posted on the chosen sites between 2004-2010 were analysed. The reviews were coded and analysed using nVivo software. This allows the researcher to identify associations between themes of comments, and to supplement this with contextual data introduced by the researcher.

To develop initial themes, free nodes were coded using themes derived from the first 10 randomly selected reviews. Free nodes that shared common underlying ideas were merged into tree nodes. The list of tree nodes gradually expanded as more reviews were analysed and represented the list of categories and themes that emerged from the coding. Following the recommendation of Gibbs, coded nodes were arranged into a node tree. Tree nodes were located at the top, representing emerged themes, beneath which were lists of child nodes and sub-tree nodes (Gibbs, 2002). Each node was scored on a scale appropriate to that node, for example comments relating to the item of ease of use were rated on a scale from 1 (very negative comments about the ease of use of the service) to 5 (very positive comments about the ease of use of the service). The score of the node of ability is the mean score of its sub- dimensions. It should be recognised that the node hierarchy structure is subject to the researcher's subjective interpretations and should be seen not as a means for rigorous counting and testing, but for structuring recurring concepts within a framework that allows new insights into the role of trust in an organisation.

RESULTS AND DISCUSSION

Four themes emerged from the process of initial free coding and subsequent development of tree codes. These were: ability; benevolence, integrity and predictability. In addition, the dimension of “overall trust” was identified. These themes are consistent with those identified by Büttner and Göritz (2008).

Ability was understood here as the competence of satisfying users’ needs. It includes themes that have been identified in the literature such as perceived ease of use, perceived usefulness (Koufaris and Hampton-Sosa, 2004; Davis et al., 1989), and perceived quality (Delone and McLean, 2003). Benevolence is understood as the willingness to help users solve problems and obtain maximum benefits from the service. Integrity is understood as the willingness of the focal organization to keep a promise. Predictability is understood as the ability of the focal organization to reduce perceived risks.

The ratings of each reviewer’s comments using initially the free nodes and subsequently the tree nodes are summarised in figure one, which plots scores for each tree node for each year.

The results show that users’ trust in Skype increased gradually from 2005 to 2008, and is undermined from 2009 to 2010. It is understood that trust building encompasses numbers of cognition processes, which takes time. While the path to distrust is shorter, this could occur after several experiences of deception. In addition, ability and benevolence are two main factors that play essential roles in users’ initial trust. However, in the late stage of trust development, predictability and integrity have an increasing impact on users’ trust development. These are elements that are associated with human emotions and which the literature has suggested are principal causes for the undermining of trust. This result is in accordance with the Technology Acceptance Model (TAM) (Davis, 1989), which advocates that perceived ease of use and perceived usefulness are the cognitive factors that invite users to employ a relative new technology, and they play less important role once the technology is accepted. In the second stage, other affective factors such as the fear of exposing too much personal information, may determine users’ intention to use a new technology.

CONCLUSIONS AND IMPLICATIONS FOR THEORY AND PRACTICE

This exploratory study has made a contribution to knowledge by analysing users’ perceptions of a brand over a long period of time and to identify how the components of trust change over time. By using comments that were reported throughout a six

year period, the problem of retrospective recall of trust is overcome. The findings are consistent with Davis's (1989) technology diffusion model and can be applied to an online community environment. "Ability" was seen to play a key role in initial trust in a technology-based start-up company.

The second contribution of this study is to add to our understanding of the factors that have an impact on the second stage of trust development. These factors, which influence trusting intention, are mostly linked with the brain's emotion areas. Thirdly, the findings show that the road to distrust is shorter than that of initial trust forming, which highlights the importance of relational investments for a young company who has long-term developing ambitions.

This exploratory study has limitations in its method. The reviews are confined to one company which has been associated with predominantly positive rather than negative comments. The methodology is now being applied to further organisations to investigate the existence of replicated patterns of trust development and these results will be available for presentation at the Congress.

FIGURES

Figure 1 Static Tree Model : Example of the year 2009

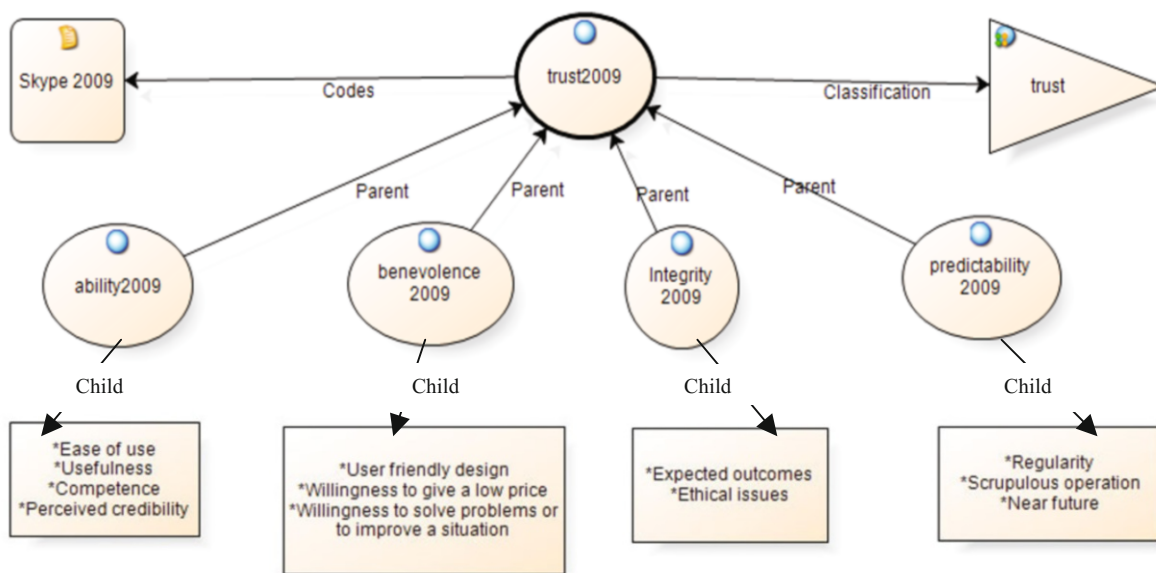


Figure 2 The Importance of Dimensions: Frequencies of emerged components of trust mentioned by reviewers

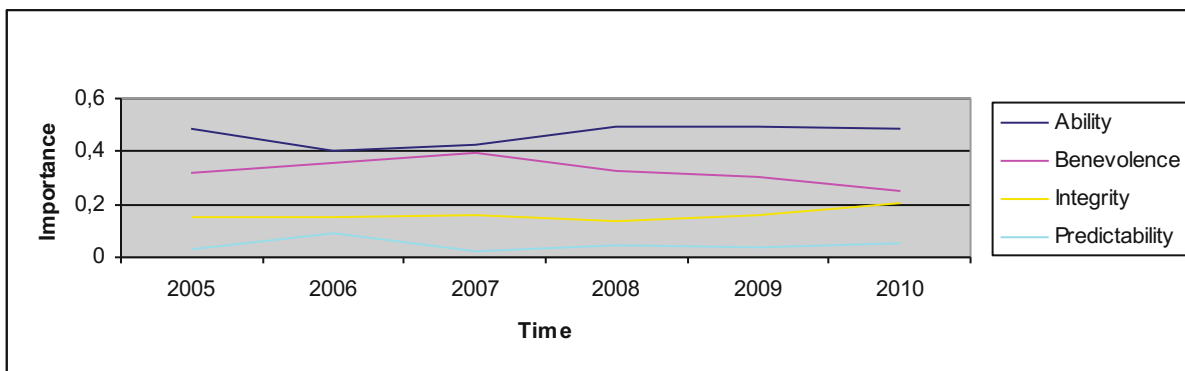
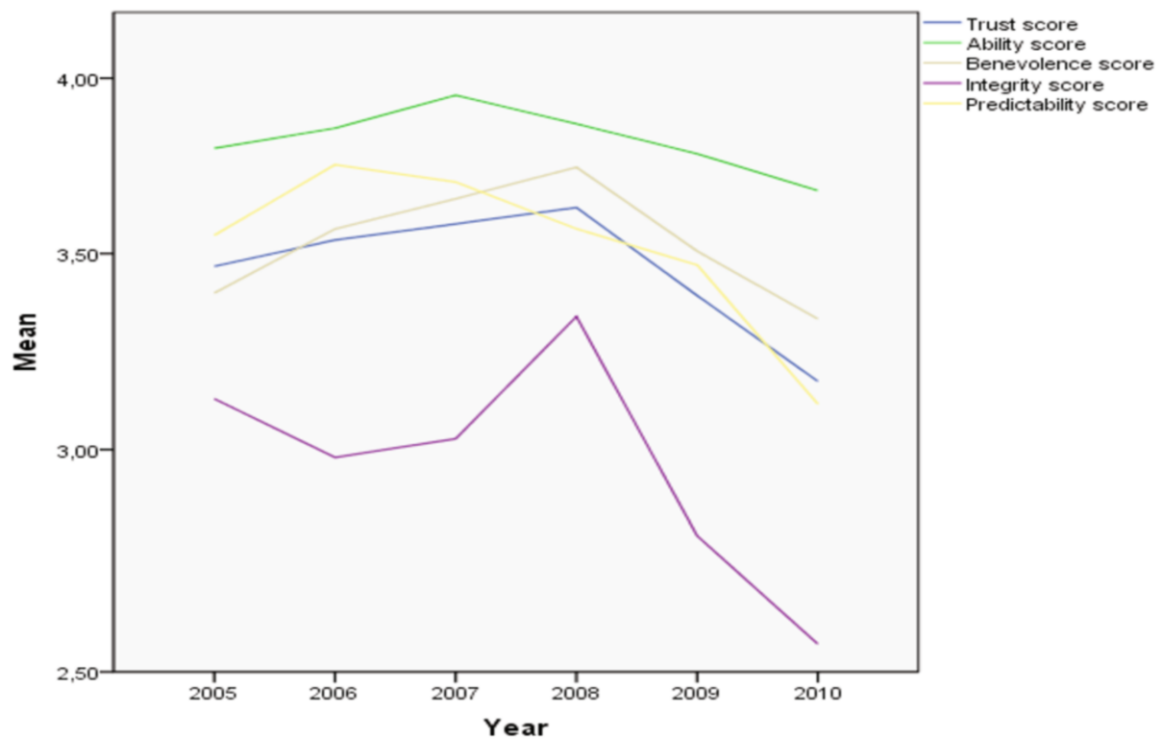


Figure 3 The evolution of Trust and it's dimensions: Scores for reviewers rating of trust and emerged components of trust



References Available Upon Request

Saturday, 23 July
Time: 8:30 AM

Session Number: **11.5: Teaching and Innovation I**

Session Chair: Svensson, Goran, *Oslo School of Management*

Clickers are Dynamic Assessment Tools in Marketing Education

Bicen, Pelin, *Penn State University, Erie*

Pinto, Mary Beth, *Penn State University, Erie*

Western Marketing Education in the Arab World: Where are We in the 'Adapt' Versus 'Standardize' Debate?

Madichie, Nnamdi, *University of Sharjah*

A Process and Model Of Business Sustainability: Case Study

Svensson, Goran, *Oslo School of Management*

Wagner, Beverly, *University of Strathclyde*

CLICKERS ARE DYNAMIC ASSESSMENT TOOLS IN MARKETING EDUCATION

Pelin Bicen, Penn State University, Erie, USA
Mary Beth Pinto, Penn State University, Erie, USA

INTRODUCTION

The main objective of this study is to introduce clickers (personal response system, PRS) as a *dynamic assessment tool*, and investigate the effect of clicker technology, as an effective intervention, on students' behaviors and motivation. Further, this study aims to offer a rationale for using clicker technology and suggest best practices for integrating the technology into marketing course curriculums. For that purpose, we will test the effectiveness of clicker technology in a study with undergraduate students using a one group pretest-posttest quasi experimental design. The study will measure, in general, the effect of clicker technology on students' intrinsic motivation, self-regulated learning strategies, perceived autonomy, perceived competence, and task-mastery orientation.

THEORETICAL BACKGROUND

Time changes so quickly. It certainly could be used to characterize current marketing practices. Today's marketing problems require marketing professionals to be equipped with critical thinking abilities and creative skills that will allow them to have an innovative and solution-centered approach. Amid this firestorm of change, old methods and long-held assumptions in marketing education will no longer apply; therefore, marketing education is at a defining point in its history. Several questions arise: (1) What are our responsibilities as marketing scholars when we prepare them to constantly changing marketing environment? and (2) How can we provide their assurance of learning?

One way to assure student learning is *assessment*. In today's business education, the primary focus of assessment is not simply what students learn but rather the knowledge and creative skills that they possess. As a testimony to this statement, one of the standards that AACSB, the premier accrediting agency for collegiate business programs, requires business programs to meet is to link learning objectives with learning outcomes through effective assessment tools. AACSB demands business programs to adopt the assessment *for* learning approach rather than the assessment *of* learning approach. Indeed, one-third of the AACSB standards are assessment-related requiring assessment to be part of the learning process rather than an outcome itself. This is a paradigm shift in business education. Briefly, we argue that effective assessment tools should measure not only what students learn, but also their propensity to learn. Therefore, drawing from the Dynamic Assessment Theory (Feurstein 1990; Vygotsky 1978), we propose that clickers can be used as dynamic assessment tools in marketing education.

CONCLUSIONS AND IMPLICATIONS

This study is an ongoing research project. Therefore, we propose that clickers will fit into the new learning paradigm (e.g., assessment *for* learning) and transform both the marketing educators' and students' approach to assessment. With an instant critical feedback, clickers inform marketing scholars about not only what students learn but also how they learn and their propensity to learn. Further, as a dynamic assessment tool, clickers are expected to increase students' participatory learning.

Students have more quality learning experience when the in-class activities are intellectually stimulating and challenging. With today's technologically savvy students, we believe that the implementation of clicker technology represents an example of discontinuous innovation in learning. Thereby, clickers, as a dynamic assessment tool, will provide students with positive attitudes toward learning and facilitate their critical thinking.

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WESTERN MARKETING EDUCATION IN THE ARAB WORLD: WHERE ARE WE IN THE ‘ADAPT’ VERSUS ‘STANDARDIZE’ DEBATE?

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ABSTRACT

The purpose of this paper is to report on the findings of an exploratory study undertaken by undergraduate marketing students confronted with the task of investigating the relevance of western business and management textbooks for the Arab world. The research questions arose out of the need to understand the reality behind the contention that “western business and management textbooks may not be suited to the Arab world context.”

As marketing practitioners and/ or publishers grapple to balance the act of standardization versus adaptation of management textbooks, the tilt towards the latter may have little relevance for the real needs of consumers in the target markets. This may be especially the case in the Arab world business schools where American textbooks seem to be the preferred choice. Two main research questions were posed – (i) what benefits are western textbooks for undergraduate business & management students and their faculty members? (ii) to what extent is the urgency for context relevant (i.e. adapted) textbooks to the Arab world? Based on a survey of 55 students and faculty members in a business school in the United Arab Emirates, the study highlights gaps between the expectations of publishers and the perceptions of the students and faculty on the suitability of western textbooks for the region. Although the overall findings from the survey shows mixed results, the study nonetheless has wider implications for publishers’ intent on developing textbook adaptations specific for the region. Overall there are indications of ‘polycentric tendencies’ in locally adapted textbooks.

Two broad implications arise from the study - the first is primarily practical geared towards cautioning publishers to engage more with their target audience in order to establish the real needs of their target markets before considering commissioning regionally adapted texts. The second implication is pedagogical and couched upon the methodological orientation of the study - originally inspired by student researchers getting acquainted with practical marketing research protocols. Consequently the paper contributes to the student pastoral support (McChlery and Wilkie, 2009) needs and motivation by rewarding achievements (Buff and Devasagayam, 2008). In the latter case in particular, the importance of student conferences as a means of rewarding “... Business students [in the hope] that [they] will invest more time in a project knowing they have an opportunity to have their work considered for acceptance” (p. 40). Indeed such events brought about such outcomes that are not only motivational, but also cognitive and social, as they “encourage other students to undertake undergraduate research upon witnessing the success and accomplishments of their peers.” Overall, the paper would have implications for not only business students and faculty, but also authors, textbook publishers, universities and their libraries, as well as practitioners and potential employers.

INTRODUCTION

The purpose of this paper is to report on the findings of a preliminary survey undertaken by undergraduate students who were confronted with the task of investigating the relevance of western business and management textbooks for the Arab world context. The research questions arose out of the need to understand the reality behind the contention that “*western business and management textbooks may not be suited to the Arab context.*” Three main research questions warrant answering in a bid attempt to verify or falsify such claims – (i) what benefits are western textbooks for undergraduate business & management students and faculty members? (ii) how difficult is it for students to comprehend the material in their current textbooks? And (iii) to what extent is the urgency for context relevant (i.e. adapted) textbooks to the Arab world? Overall, the paper would have implications for not only business students and faculty, but also authors, textbook publishers, universities and their libraries, as well as practitioners and potential employers.

LITERATURE REVIEW

This paper is mapped against Brennan’s (2004) study on the “academic-practitioner divide” in marketing. However rather than going the full circle, the ‘divide’ ascribed to in this study is purely based on a situation where is ‘East’ supposedly meets ‘West’ - i.e. Arab students using western business textbooks. The paper also reviews equally relevant papers such as the

Global Text Project (Pitt *et al.*, 2009); *Bridging the relevance gap* (Starkey and Madan, 2001); *A call to arms for applied marketing academics* (Tapp, 2004a); and *The changing face of marketing academia* (Tapp, 2004b).

Taking a cue from the first aforementioned paper, Brennan (2004) argued that researchers needed to move away from single-discipline abstract research towards a trans-disciplinary, problem-centred research endeavour. This implies a transition from 'mode 1' to 'mode 2' knowledge production identified by Gibbons *et al.* (1994). In making their work more relevant, academic researchers have certain barriers to overcome. For example, researchers like Starkey and Madan (2001) and Ankers and Brennan (2002) long identified that the academic incentive structure did not favour applied research, and that academic institutions were not perceived by businesses as reliable partners. Furthermore, standard academic modes of written expression seemed profoundly unattractive to managers (see Brennan, 2004). It follows, therefore, that academic researchers will have to develop new competencies (Hodgkinson *et al.*, 2001), greater familiarity with the managerial world (Das, 2003), with research that will be judged against the double hurdle of rigour and relevance (Varadarajan, 2003) in order to qualify as 'pragmatic science' rather than descending to the sad depths of 'puerile science' (Hodgkinson *et al.*, 2001). Increasingly, the validity of academic research will be defined in terms of usefulness, and the gap between theory and practice will gradually diminish bringing about greater 'synchrony' (Aram and Salipante, 2003; O'Driscoll and Murray, 1998). Tapp (2004b, p. 492) seemed to agree on the need to bridge the growing disconnect thus:

All in all, it seems there is a strength of feeling that all is not right with the academic-practitioner interface in marketing and management. Judging by the lack of readership of our journals, academic research agendas do not seem to engage practitioners.

In any case it is worth stating that while all these papers highlight the gaps between academia and practice, they do not investigate any gaps – real or perceived – between theory and practice in the light of cultural differences. However they provide a sound spring-board for this study.

METHODOLOGY

The paper draws upon a sample of 55 respondents using a convenience sample of faculty and students in an Arab higher education institution within a two-week period in the Fall 2009/2010 semester. The sample was split into 48 business students (i.e. n=48) and seven faculty members (n=7). The participants were conveniently selected from around the college of business (or business school) spreading across majors and departments (i.e. accounting & finance, management, marketing, and MIS). It is also worth stating that the survey was put together by a group of undergraduate students (straddling majors) as part of their marketing research group project for the Fall 2009/ 2010 semester, where they were initially required to develop a marketing research design/ framework for investigating the suitability of western textbooks to their specific needs in the region. The findings may be useful fodder for decision makers at colleges/ schools of businesses in the Middle East and North African (MENA) region - before considering the options of developing textbook adaptations with extensive local content.

The study is not, however, free of limitations. There are two clear grounds for interpreting the findings with caution. The first is based on the argument that this study may not lend itself to any scientific generalisation considering the nature of the convenience sampling protocol adopted. This is largely because students in other colleges such as the College of Communications, College of Science and especially Colleges of Engineering, Health Science and Medicine were excluded. Second, the research was not initially primarily driven by the need to achieve publication status but in order to test the students' ability to undertake research surveys as part of their deep and reflective learning (see Kolb, 1984; Mezirow, 1990; Moon, 1999) experience. Thus there are no explicit claims to research validity and reliability in this study. Be that as it may, this paper provides some very interesting insights – based on reflexivity (another powerful pedagogical aspect of learning in the global context). Considering that the project was initially developed in order to have an 'initial feel' for what business students and faculty members thought about their current western textbook provisions and to what extent the allure/ appeal of regionally adapted versions of these textbooks were, we can safely argue that the research has been objective (i.e. free of any bias real or perceived).

FINDINGS/ RESULTS

The results of the survey seem to suggest that students were not disposed to reading their textbooks enough even though many had the conviction of the relevance of such textbooks (almost exclusively western) to their needs. It was also found that certain students were faced with difficulties in 'understanding and/ or comprehending' the content of western textbooks (especially with the 'verbials' and other expressions used) and contexts (e.g. case examples and other illustrations) in these

largely ‘Americanised’ or ‘Europeanised’ textbooks. This partially explains the ‘lack of commitment’ towards the use (i.e. reading) of such texts for general knowledge development and preparation for examinations and other forms of assessment.

Consequently any attempt to verify either whether the texts were useful or to what extent they may require adaptation, may be jeopardised by what Malhotra (2007) ascribed to as “inability to answer.” However, any prospects of introducing fully adapted textbooks with local content that includes cases and examples from within their own ‘Arab’ environment seems appealing to some of these students as evidenced in the paradox - with mean scores of above three in both extremes – *understanding* (3.31) and *difficulty in comprehending* (3.06), as well as the relationship to the fact that students hardly read their textbooks (2.50). In the first case, a sample mean of 3.31 suggests that students don’t find it very difficult ‘understanding’ materials from their current ‘western’ textbooks. However, with a mean of 3.06, there is also a suggestion that there were some difficulties experienced.

A readily observable problem arising from this is the duality of opinions. On the one hand there are students who were concerned that there aren’t much cases and examples from the Arab world context to illustrate the workings of different concepts in business and management in the region. For others on the other hand, there was a perception that western textbooks tended to cover many different topics and issues in a simple and clear manner to the appreciation of some students. However, certain other students may not be well versed in noting this as they do not even seem to bother with reading their assigned textbooks (as indicated by the mean of 2.50).

Responses from the faculty members suggest a consensual level of satisfaction with the current western textbooks provision. Indeed faculty members expressed reservations over the appeal of adapted textbooks and locally inspired case studies (both with mean scores of just above average at 2.57). They also find these textbooks very useful for their teaching needs. Regarding the introduction of ‘new’ textbooks tailor-made for the region, faculty members, while appreciating that it wouldn’t be hard to develop such textbooks, still seemed to argue that there was not an urgent need for this as the current textbooks still get the job done.

Overall, it seems that the business faculty members were more satisfied than their students in terms of the current coverage of western textbooks. For those faculty members who seemed receptive to adapted editions of western textbooks, they only seemed keen on seeing ‘only marginal modifications’ in the form of updating case studies for local-fit rather than going for the full adaptation option anticipated by some of their students.

CONCLUSIONS

This paper has been centred on understanding the extent of the suitability of western textbooks for business and management in the Arab world higher education context. The results of the study were mixed. While some students appreciated the relevance of western textbooks for their local contexts, they found the idea of textbooks with cases, examples and illustrations from their own local culture equally appealing. On the part of faculty members, however, most seemed quite satisfied with the current textbooks in use, and tend to believe that the development of ‘*regiocentric*’ texts (i.e. adaptations to the Arab world context) was not an urgent requirement. This seems consistent with the observation made by Pitt *et al.*, (2009, p. 297) that “[...] most university professors can identify with the hours spent searching for the appropriate textbook just to find that nothing is suitable for their course.”

In the end, the ‘inconclusiveness’ of this survey is suggestive of the need for a much broader and more in-depth study drawing upon a more representative sample size – especially one that includes students from the natural sciences as well as the social sciences, arts & humanities disciplines.

IMPLICATIONS

This paper has two broad implications. The first is primarily practical geared towards cautioning publishers to engage more with their target audience in order to establish the real needs of their target markets before considering commissioning regionally adapted texts. To buttress this point further, it is also worth stating that faculty be more creative in their teaching using western textbooks by providing regionally inspired case illustrations in a pastoral capacity. This is what McChlery and Wilkie (2009, p. 23) once described as a contribution to the student support debate that it should be focused ‘*primarily at improving retention and progression metrics*’ through pastoral support.

The second implication is pedagogical and arises from the methodological orientation of this paper. Considering that it was

originally inspired by student researchers getting acquainted with the tools of the marketing research trade, the paper consequently contributes to the student support debate advocated by McChlery and Wilkie (2009) as well as the motivation of students by rewarding achievements through student conferences (Buff and Devasagayam, 2008). In the latter case in particular, the importance of student conferences as a means of rewarding "... Business students that are creating high quality work [in the hope] that some students will invest more time in a project knowing they have an opportunity to have their work considered for acceptance" (Buff and Devasagayam, 2008, p. 40).

Indeed these authors go on to state that such events brought about such outcomes that are not only motivational, but also cognitive and social. Buff and Devasagayam (2008, p. 40) stated that such conference were motivational considering that they "encourage other students to undertake undergraduate research upon witnessing the success and accomplishments of their peers." Consequently, this paper provides three key implications for all stakeholders in higher education and especially those in the Arab world.

1. First, undergraduate-inspired research papers of this kind could also serve as a form of 'pastoral support.' This distinct from McChlery and Wilkie's (2009) paper which is more about holding hands (and changing diapers) in order to ensure student retention and perhaps continued HEFCE funding;
2. Second, opening up business and management conferences to a wider audience including undergraduates (see Buff and Devasagayam, 2008) rather than restricting these to doctoral students - as is currently the case in the plethora of Doctoral Colloquiums of most business and management conferences – increases student motivation; and
3. Third, the paper reinforces the importance of a blend between teaching and research and closing the loop (i.e. vice versa) in such endeavours. In this case students applied the key marketing research concepts picked up in class and took this a step further by not only developing questionnaires but actually distributing and analysing these.

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A PROCESS AND MODEL OF BUSINESS SUSTAINABILITY: CASE STUDY

Göran Svensson, Oslo School of Management, Norway
Beverly Wagner, University of Strathclyde, UK

ABSTRACT

The objective is to describe: (i) a process to achieve sustainable business operations, and (ii) a sustainable business model' of carbon footprint on Earth. A Swedish fast food chain selling hamburger meals is examined in a case study.

Data was collected from available corporate internal and external documentation, by site observations as well as from non-structured interviews with top managers and company employees. The findings stress the importance of addressing corporate carbon footprints from a business perspective, rather than relying on political or governmental legislation and regulation. It also opens opportunities for further research.

The findings stress the importance of addressing corporate carbon footprints from a business perspective, rather than relying on political or governmental legislation and regulation. It also opens opportunities for further research.

The case shows the possibility of implementing successful sustainable operations and sustainable business models in national 'for-profit' organisations without governmental subsidies in a highly competitive market, dominated by powerful multinational fast food chains.

Changing consumer behaviour and purchasing patterns, as well as governmental intervention imposed at top political levels worldwide, will most likely increase the necessity for companies to create sustainable business models linked to carbon footprint.

The principal contributions based upon the presented case study are illustrations of how one can achieve sustainable business operations and create a sustainable business model in an industry that often has been heavily criticized in the past for harming the natural environment. It also shows how to create awareness of the carbon footprint of a company's products so that in turn customers may be able to make conscious and deliberate product choices.

Saturday, 23 July
Time: 8:30 AM

Session Number: **11.6: Bank Marketing II**

Session Chair: Julien, Anne, *Reims Management School*

The Quality of Customer Relationship in Different Clusters of Italian Banks: Evidence and Implications

Modina, Michele, *Università del Molise*

Cavallone, Mauro, *Università di Bergamo*

The Application of Market Orientation in Banking Industry

Bernal Turnes, Paloma, *Universidad Rey Juan Carlos*

Carmelo Mercado, Idoeta, *Universidad Rey Juan Carlos*

Julien, Anne, *Reims Management School*

Advertising, Risk Tolerance and Investor's Behaviors: Theory and Evidence from the Mutual Fund Industry

Peng, Chi-Lu, *National Sun Yat-sen University, Taiwan*

Chen, Miao-Ling, *National Sun Yat-sen University, Taiwan*

Wei, An-Pin, *National Sun Yat-sen University, Taiwan*

THE QUALITY OF CUSTOMER RELATIONSHIPS IN DIFFERENT CLUSTERS OF ITALIAN BANKS: EVIDENCE AND IMPLICATIONS (*)

Mauro Cavallone, University of Bergamo, Italy
Michele Modina, University of Molise, Italy

ABSTRACT

The M&A process, the financial crisis and regulatory and technical innovations have made the competition in the banking market more severe. The level of service and competence are now the key criteria of the banking offer where the long-term content of customer relationship is a critical factor of every bank's success. Drawing on available literature, the aim of this paper is to verify customers' perceptions and experiences relating to banks that still operate on a stand-alone basis or have merged into another bank in order to emphasize if and to what extent a strong relationship with their customers is promoted or guaranteed. The data were collected through different focus groups and during one-to-one interviews. The results highlight important differences in the two clusters of customers. Results are discussed and managerial implications are drawn.

INTRODUCTION

In many countries, the majority of banks is characterized by a local dimension, making the importance of the relationship with customers perceivable on a local basis. However, the current concentration process in the banking sector has gradually reduced the number of local banks, leaving more space and market quota to banks of greater dimensions. At the same time, the financial crisis and new regulatory innovations have made the competition between banks even more critical. The morphological evolution has created a condition for which the position of local banks in the bank market appears risky (Berger et al., 2005; 2007). Moreover, the customer base has shown a greater disaffection with regard to the quality and trustworthiness of banking services. This latter element constitutes a fundamental aspect since the competition between banks will turn from the activities and products to the relationship with and the defence of the customer base. The business model will have to be re-thought (Tumper-Gugerell, 2009). The level of service and competence will be the key criteria of the banking offer. Banks will have to strengthen the long-term content of customer relationship. Against such a background, it seems appropriate to investigate the banking services of different clusters of Italian banks in order to verify if and to what extent they promote or guarantee a strong relationship with their customers.

Starting from an analysis of the relationship between banks and customers, the contribution examines the standards of quality and characteristics of banking services more closely, observing service traits and changes following the cited metamorphosis. More specifically, the paper aims to verify customers' perceptions and experiences relating to banks that still operate on a stand-alone basis or have merged with another (larger) bank. In this sense, the research project tries to answer two main questions: a) Are customers of a stand-alone local bank more or less satisfied than customers of a larger bank? b) Is there an effective organizational structure capable of leveraging customer satisfaction and the quality of banking services?

This article proceeds as follows. First of all the relevant literature is reviewed. The methodology and results are then presented. Managerial implications are discussed and finally conclusions are drawn.

LITERATURE REVIEW

In recent years, the banking sector has been shaken by structural changes. The banks have reacted in different ways; the big financial institutions have moved into the direction of external growth both on a national and international scale, while local banks have tried to find the best strategy to maintain their competitive advantage.

The deregulation of the banking industry, the increasing competition of the market, the macroeconomic conditions and the impulse given by innovation and technology should have relegated local banks to a secondary role. These banks were considered unable to control their own destiny. In the new banking arena, local banks would have found it more difficult to acquire and manage the customer base. Bigger banks would have maximized their financial, human and technological resources such as the CRM system design in order to choose the more profitable market segments to serve.

The recent economic crisis has changed the above-mentioned perception. As stated in a recent report of The Boston Consulting Group (2010), small and local banks have not lost any ground, but instead they have gained new market share. What have they done? They have leveraged their strengths such as the higher degree of person-to-person interaction with retail customers, the lower turnover of branch managers, the ability to give a rapid response to customers' questions and problems – and the support to SMEs and families in the lending segment of the market. One of the reasons for the different paths taken by local banks and large banks over time is probably related to the process of concentration. The effects of the M&A wave have produced some inefficiencies in the organizational structure determining a less intense relationship with

(*) Although the paper is the combined result of the job of the two authors, the first paragraph of the literature review and the section dedicated to managerial implications are referred to Mauro Cavallone, while the second paragraph of the literature review and the section dedicated to empirical results are referred to Michele Modina.

customers and weakening the ability to solve customers' needs. Some large banks have noted the success of local banks and are trying to re-focus on the local factor. In this context, the designing of a new organizational system aims to improve the operating processes and to become closer to customers. Nevertheless it will not be easy to recover the gap.

Customer satisfaction, customer relationship and engagement: a conceptual background

Various authors (Bowden, 2009; Gustafsson, Johnson and Roos, 2005; Aldlaigan and Buttle 2005) have examined the relationships between satisfaction, affectivity and customer retention. In particular, Bowden pointed out that satisfaction alone does not express the depth of the relationship as attested by the different degree of importance of the attributes in the relationship with new customers and with loyal customers. The concept of affectivity is expressed as an engagement in which the feelings of confidence, integrity, a sense of belonging and passion encapsulated within a logo rise above other technical attributes. Gustafsson et al. (2005) describe the difference between engagement and loyalty and, subsequently, explain the concepts of affective commitment and calculative commitment defining the former as "created through personal interaction, reciprocity, and trust" and the latter as "created through switching costs". The same concepts are taken up by Cavallone (2008) who understands involvement both as awareness and as involvement. In this context, these factors become drivers that go beyond customer loyalty marketing. Aldlaigan and Buttle (2005) investigate the reason why there is retention even in situations of customer discontent. Examining the banking market, they note that "banks had been reporting a high-level of customer dissatisfaction, yet also experiencing a high-level of customer retention". They identify six drivers: three have positive connotations (organisational credibility, relational values, value congruency) and encourage the attachment dimension, while three (alienation, inertia, familiarity) move in the opposite direction.

Customer relationship as the main driver of customer satisfaction in banking services

Under their literature's review (among others, Levesque and McDougall, 1996; Winstantley, 1997; Lassar et al., 2000; Jamal and Naser, 2002; Manrai and Manrai, 2007), Arbore and Busacca (2009) provides evidence to identify the six drivers of customer satisfaction in retail banking: functional quality (reliability, speed, accuracy, security, functionality), relational quality (responsiveness, assurance, friendliness, courtesy, commitment, communication), convenience (opening hours, travel distance, queuing time, parking and ATM availability), economics (charges/interest rates, price-quality ratio, price fairness), tangibles (physical layout and facilities, décor and atmosphere of branch environment, size of customer space), problem-handling skills (capacity to avoid conflicts, efficient problem-solving, handling of complaints). Except for the controversial impact of the "tangibles" dimension, all the others are key factors affecting the customer satisfaction of banking customers. The ability of a bank to handle these drivers allows the firm to increase its marketing efforts and its overall profitability. However, research on customer satisfaction argues that the above-mentioned factors may affect overall satisfaction in a non-linear way. Kano (1984) was the first to formalize this intuition and create a model that pinpoints three categories of attributes: basic factors (that generate disaffection if they are not fulfilled), excitement factors (that foster satisfaction if delivered) and performance factors (that affect satisfaction and dissatisfaction in proportion to their level of fulfillment). Following the three-factor model, Arbore and Busacca confirm a non-linear and asymmetric relationship between attribute performances and overall customer satisfaction. For them reputation is a critical basic attribute, while the availability of a wide range of suitable investments and the technical quality of the informative materials are essential for increasing the customer satisfaction of more sophisticated consumers. But the most tremendous driver that affects both customer satisfaction and dissatisfaction are interpersonal relationships.

EMPIRICAL ANALYSIS

Methodology

The field research has been conducted through a qualitative analysis that aims to base the first empirical verification on experience and obtain information. Following Hutchby et al's (1999) and Marbach's (2000) recommendations, the modality has been a customer focus research on clients belonging to two different clusters of banks (i.e. stand-alone banks, banks acquired by larger banks or merged banks). The elements analyzed have involved tangible aspects (i.e. economic conditions and product/service assortment) and intangible aspects (i.e. image, membership, consideration). The research proposes to highlight and describe a set of positive and negative factors that characterize the different groups of banking customers. In particular, the analysis of the main aspects of the relationship between customers and different banking clusters contributes towards addressing these questions: Which of the two bank clusters is considered more as "my bank" by customers? For banks acquired by larger banks as well as for stand-alone banks, is the customer still a major customer (in the same way and for the same reasons as in the ex-ante situation)?

A total of two focus groups and 15 one-to-one interviews were undertaken. Transcriptions were produced and the data analysed. The comparison of the independent content analysis resulted in the following major themes: experience with the bank, a sense of belonging, customer satisfaction, comparison with the past. These themes have been examined through key elements such as habits and methods of using banking products and services, acquaintance, level of adhesion to the bank's proposals, level of affection and relationship, tangible and relational aspects.

Results

In correspondence with a common involvement of the matter in question, the two clusters of customers show different attitudes in relation to their bank of reference: the customers of "merged" banks are more polemic and aggressive while the customers of "stand alone" banks are more objective and calm. Their experiences with the bank also highlights differences. The "merged" customers have an extremely negative and disillusioned outlook on the present. They have perceived substantial changes towards which they show they are powerless. As a reaction to this, they demonstrate a significant idealization of the past. The breaking point is not identified immediately with the change of corporate trademark, although it is possible to hypothesise that it coincides with changes in the organisational structure. The "stand alone" cluster manages to conserve a more objective view of present-day reality, underlining more precisely the strong and weak points of the relationship with the bank. Generally, the view of the future with regard to the banking world is also a consequence of these attitudes: the "merged" customers see the chronicity of the negative aspects; the "stand alone" customers have a more optimistic and positive attitude, considering the disservices of the bank to be a consequence of the transition logic.

None of the sample seems to have a particularly deep understanding of the bank or of its business. Both of the clusters demonstrate a low level involvement and interest in the indicators pinpointed for the understanding (organisation, offer, human resources, initiatives, cooperation), although for the "merged" customers this interest is even poorer. In fact, the relationship with the bank is implied as instrumental and as such does not provide for an in-depth reciprocal understanding. With regard to the level of adhesion to offers, in general the two clusters make use of services that they have chosen and requested by themselves. In fact, a feeling of diffidence deriving from past experience weighs heavily on bank proposals due to a perception of poor customer orientation and the bank manager's accentuated tendency to look after the interests of the bank. However, it should be pointed out that a part of the "stand alone" cluster acknowledges that the managers of their banks, with whom they have usually set up a good personal relationship, show a certain degree of sincerity when making offers capable of satisfying the customers' needs; the customers of "merged" banks, on the other hand, consider the bank staff to be mere executors only of the bank's interests.

The trademark of the bank (whether it has changed or remained the same) does not seem to influence the perception of trust which depends strongly on the relationship between the customer and the manager, where the personality of the latter plays an important role. The "merged" customers complain that they are unable to benefit from this dimension owing to the high level of staff turnover in the bank. The bank's promotion activity is considered by the customers of "merged" banks to be extremely "pushy" and, therefore, it is perceived negatively; on the other hand, the "stand alone" cluster find it less invasive and, at times, even bordering on inertia. The level of involvement and affection towards the bank appears on the whole to be quite contained. For both clusters, there is an instinctive and strong tendency to contrast the present with the past when, "the bank was the family bank and helped the family". In both groups a feeling of disillusionment can be detected towards the current value proposition of the bank. The customers of merged banks are significantly more pessimistic and hypercritical.

With regard to the relationship with the bank, the perceptions of the two targets are different and reflect their overall attitudes. The "merged" cluster finds it difficult to form a concrete view of the bank as a person: the relationship is viewed as an entity connected to the commercial aspect, without any humanity, in which the personal element is missing (a consequence of the fact that the "merged" customer feels that the bank considers them more as a number than as a person). The "stand alone" cluster believes it has a stronger relationship with its bank, to which it is able to attribute human connotations and recognise the strong and weak points.

The comparison of some tangible aspects (e.g. competence, handling of problems, clarity of the language, reliability of the offer) highlights some significant differences in the customers' experience. In particular, the experience of the "merged" cluster is characterised by a perception that is more positive confirming the trend to idealise the past.

Very wide differences are pinpointed with regard to the handling of problems/unexpected circumstances/complaints and the speed of the answers. Given the perception that the staff have very little freedom to act and that there is a lack of standardisation in the procedures, the customers of merged banks report a low level of satisfaction as far as these matters are concerned and, in general, regarding the bank's customer orientation. The clarity of the language shows a countertrend datum: the "merged" cluster acknowledges that perhaps, due to greater standardisation, the information received is clear and overall effective. For them, the managers of merged banks are obliged to adhere strictly to the regulations imposed by the head office which exercises a control over the quantity and the quality of the communications. A comparison of the relational indicators (welcome, kindness, proactivity, quality of personal relations, courtesy, confidentiality, trust) shows that the aspect

for which there are greater differences between the two clusters is that concerning personal relations. The change is marked by the presence/absence of personal relations: the “merged” cluster demonstrates greater suffering with regard to interpersonal relations due to a loss of contact with the manager who used to be in charge of the relations before the merger. The question of trust is discriminating. The scores, which overall were low, are the result of the sense of disillusionment compared with the distant past as manifested by both clusters. The negativity of the “merged” customers is worsened by their feelings of suspicion and their experiences of poor customer orientation. The scores regarding the matter of “providing alternative solutions” and the aspect “courtesy/ethicity”, which were low overall, show how the customers perceive the bank as an institution that provides services (rather than assistance/consultancy) and is more careful of its own interests rather than those of the customers. These trends are more marked amongst the “merged” cluster.

MANAGERIAL IMPLICATIONS

The study provides both theoretical and practical insights into the advantageousness for a bank to follow the more effective strategy for enhancing the relationship with its customers. The customers represent the main wealth of a bank, bearing in mind that the competition is active in trying to attract customers to increase their market quota. The results of the research show how interpersonal relationships are a key factor to success and, therefore, it provides clear indications of the fact that the bank management must pay attention to the quality of the people in charge of these relations.

The first point where action must be taken is the competence and capacity to provide consultation, the expectations of which are high for both clusters of customers and the solution requires specific training courses given to bank staff before they are introduced into the branches. A proper knowledge of the products/services offered by the bank represents a first “visiting card” for setting up a relation of trust with the customers. Both for the deposit and savings products and the investment products, a knowledge of what is being sold demonstrates competence to the customer and this will then be followed by trust and peace of mind with regard to the choices made.

A second fundamental element is linked to the capacity to solve problems, to handle unexpected circumstances and to reduce the time required for an answer. To the eyes of the customer, these aspects represent immediate elements for assessment; staff training and the formation of managerial and organisational skills are levers that the bank management must apply and maintain continuously. The presence of a strong interpersonal relationship represents a further element which should be invested in. When the customer feels that he is being acknowledged and taken into consideration, he perceives the advantages of maintaining relations with one bank rather than another. Also in this case, training on matters of interpersonal communication and on the centrality of the customer must represent a fundamental step. At the same time, when selecting new colleagues to work in close contact with the customers, the people in charge of the human resources office must look for and give preference to hetero-referred people, those who get on well with others in order to set up personal relationships on equal terms and to teach the ability to listen to customers’ expectations and requirements with the “one up one up” method.

If the competence and ability of the staff are fundamental drivers for establishing a worthwhile and long-lasting relationship, the question of the staff’s operating autonomy assumes particular importance in this context. For the bank management, selecting the quantity and type of delegations of responsibility is essential to increase the contact staff’s capacity to answer customers’ problems/complaints and to provide fast solutions. By so doing, the customer has an increased perception of the bank as an institution that is actually customer oriented and which provides assistance and consultancy and not only standard products/services. Excessive centralisation of the functions and a high level staff turnover (which, from the research, appears to be one of the most critical aspects of the relationship) do not lead in the direction required.

The courses and continuous training of staff are critical factors in defining the success of the personal relationship area, but they involve costs. However, the author believes that the training courses must be considered on one hand as a long-term investment (leading to competence and motivation of the bank’s human resources) and, on the other hand, as a functional instrument for retaining the wealth of customers (which firstly has the effect of making the customers more loyal and, then, improves the economic performance of the bank).

CONCLUSIONS

This study provides evidence of how a bank can pursue a successful strategy to improve the relationship with its customer base and uphold its competitive advantage in the modern banking system. Findings show that the level of satisfaction of bank customers is not very high, taken as a whole. In particular, the customers of merged banks show strong criticism of their reference bank. The change in the organisational structure (more than the change of the trademark) has led to negative consequences for the tangible aspects and, above all for the relational aspects of their dealings with the bank. Overall, the perceptions of the “stand alone” cluster are less negative demonstrating that this category of banks, which is typically of a local dimension, has managed to maintain a more optimistic and positive relationship with its customers despite the changes, including those of an economic nature, that the banking industry has experienced.

Considering the importance of strengthening the long-term content of customer relationships, it is necessary to further explore how the making of a bank strategy could foster the level of customer satisfaction and engagement. In particular, the link between customer relationship and improvement in the organizational process should be assessed. Future research should investigate into the effectiveness of a banking structure in strengthening the quality of service and satisfaction of their customers. Some limitations of this study should be underlined. First of all, the results may have been influenced by the setting in which the research was carried out (Italian banks). Therefore, attention should be paid when the results are generalized to contexts characterized by different levels of competition. Moreover, given the limited sample size and the qualitative nature of the analysis, a quantitative analysis will be necessary to extend the validity of the results.

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THE APPLICATION OF MARKET ORIENTATION IN BANKING INDUSTRY

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INTRODUCTION

The sustainable competitive advantages search that allows to the firms to maintain themselves in the market and improve the business results, has led to develop new business strategies based mainly on Market Orientation (Kohli y Jaworski, 1990; Narver y Slater, 1990). Market Orientation strategy has shown higher business results and success in markets than other strategies as Business Orientation (Covin y Slevin, 1989; Lumpkin y Dess, 1996), Learning Orientation (Sinkula, 1994; Slater y Narver, 1995), and Innovation Capacity (Baker y Sinkula, 1999a; Henard y Szymanski, 2001; Hult et al, 2004). For this reason, the concept of market orientation has consolidated throughout time.

We can extract that in a previous stage marketing and market orientation were synonymous (Doyle et al., 1984, 1986; Brown, 1987; Payne, 1988; Lichtenthal and Wilson, 1992; Golden et al., 1995). But in following works, the scientists realized that market orientation is a part of the concept of marketing orientation (Walker and Ruekert, 1987; Slater and Narver, 1994; Shapiro, 1988; Webster, 1988; Kohli and Jaworski, 1990; Sharp, 1991; Mazaira, et al., 2005). Market Orientation could be considered as a culture (Narver and Slater, 1990) and as an information system (Kohli and Jaworski, 1990). Indeed, it is possible to integrate both approaches to give a new definition of Market Orientation, saying that is the organizational culture that use market information through the organization, to elaborate the strategy which satisfies present and future of clients, providing more valuable offerings than competitors and giving to the organizations higher performance results (Bernal, 2009).

The objective of this paper is to analyze the influence of market orientation on business performance and its market share in commercial bank sector considering the long and short-term effects. The research's intended contribution is to explore the retail banking sector in some countries of the European Union, which is on the way of creating a single market for financial services, but hiding several levels of integration and development.

METHODOLOGY

Upon completion of a formal critique of current and relevant literature, an empirical analysis of bank market orientation was implemented using a questionnaire-based survey that was administered to marketing managers asking about the marketing orientation dimensions. The survey was constructed; mainly using propositions measured by 7-point Likert scales, and was pre-tested on academics and industry experts.

We measured Market Orientation with Mazaira's scale (Mazaira et al. 2005), because it is a parsimonious measure of market orientation with a higher robustness than MKTOR (Narver and Slater, 1990) and MARKOR (Kohli, Jaworski and Kumar, 1993) scales. The convergent, discriminant and nomological validity was provided for every scale of the model.

Selection of the participating commercial banks was carried out using the convenience sampling method. For the collection of market orientation data, a telephone survey supported by fax, email and telephone was designed and applied to the banks in four different countries, obtaining a total of 229 completed surveys, with the participation of banks of all sizes, located in France, Poland, Hungary and Spain. The Market Orientation survey was conducted in 2006, before the consequences of economic and financial crisis took effect in Europe. The survey comprised three sections namely customer orientation, competitors orientation, and inter-functional coordination. The customer orientation section contained ten questions to assess what sample marketing directors in banks believe about:

- 1) the client satisfaction as a main factor to know what to offer to the clients,
- 2) the competitors actions as a main factor to improve our offerings, and
- 3) the information use as a key resource to give an answer to the market.

A total of 478 emails were delivered and 229 market orientation completed surveys were returned representing an effective rate of 47.91%.

The study also was completed with the objective data gathered from the bookkeeping records of the banks which form the

sample based on Business performance and Growth/Market Share data from 2006 to 2008 to check ahead the long-term effects on performance and growth. For this reason, in this second source of information we only use the information of 219 market orientation surveys, because we could not get the bookkeeping records of 11 commercial banks, from which we collected the market orientation data.

The contrast of the hypotheses suggested, direct and indirect relationships, was carried out through the Structural Equation Model (SEM), considering the statistical as well as the practical significance in the various analyses. Primary data that is derived from the survey will be entered, along with the secondary data, into SPSS17 and Amos17, and will be analysed using a range of descriptive and statistical techniques (factor analysis and SEM, among others).

RESULTS AND DISCUSSION

The contrast of the hypotheses suggested, direct and indirect relationships, was carried out through the Structural Equation Model (SEM), considering the statistical as well as the practical significance in the various analyses.

The thesis shows the following as primary results/contributions: a) analysis of the relationship between market orientation and business performance in commercial bank sector in Poland, Hungary, France and Spain; b) by structural equation model, constructs that are significantly related to business performance are development and market share; the SEM suggest that market orientation is directly and indirectly related to business performance; c) the findings suggest the existence of positive and significant relationship between market orientation and business performance; and market orientation and development/market share; e) the results obtained can be generalized to the population studied.

CONCLUSIONS AND IMPLICATIONS FOR THEORY AND PRACTICE

The findings of this research test each of the hypotheses and answer the research questions, about what is the effect of Market Orientation in performance? Is there any influence between Market Orientation and sales in banks?, Is there any indirect effect between Market Orientation and sales to performance?.

Firstly, we found that the two new members of European Union of 27 (EU27), France and Spain, have significantly higher levels of Market Orientation than the two old members of EU27, Poland and Hungary.

Secondly, we found that Market Orientation does have a positive effect on performance, if we consider the complete sample, but it is higher in Hungary and Poland, than in France and Spain.

Thirdly, we found that the effect of Market Orientation in market share growth is positive and significant for all markets, however if we divide the sample, it is no significant in France and Spain.

Fourthly, it is probed that market share growth does not have a significant effect on performance. Indeed, in a sample of commercial banks of the 27 members of the European Union medium size banks has bigger results in terms of performance than big and small size banks (Bernal et al. 2006)

The findings of this study have contributed to existing theory with a new definition of Market Orientation, that could be considered as the organizational culture that allows gather information from the micro and macro environment, disseminates and analyses the information through the organization, to elaborate the strategy which satisfies present and future needs and desires of clients, providing more valuable offerings than competitors and giving to the organizations higher performance results.

The relationship between Market Orientation and performance, within the context of the bank industry in a multicountry context has not been previously investigated. Other advantages of this research are that performance and growth/market share is measured with objective data and with a long-term approach to check the effects of market orientation strategy at present and future scenarios.

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ADVERTISING, RISK TOLERANCE AND INVESTOR'S BEHAVIORS: THEORY AND EVIDENCE FROM THE MUTUAL FUND INDUSTRY

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ABSTRACT

This study modifies the risk tolerance parameter in cumulative prospect theory (CPT) as a risk tolerance function of advertising to explain investors' behaviors under uncertainty environment. Our model indicates that advertising would influence investors' redemptions because advertising reduce the speed of CPT investors' diminishing marginal sensitivity to their monetary outcomes when moving away from the reference point. Using mutual fund cash flows data set, this study finds that advertising changes the pattern of existing asymmetric redemption-performance relation, showing that investors are less willing to sell winning funds with high fund family advertising than those with low fund family advertising, and are more reluctant to redeem losing mutual funds with high fund family advertising than those with low fund family advertising.

References available upon request

Saturday, 23 July
Time: 8:30 AM

Session Number: **11.7: Value, Alliance and Dynamics**

Session Chair: Sudharshan, Devanathan, *University of Kentucky*

Orchestration of the Marketing Strategy under Competitive Dynamics

Rajagopal, *Monterrey Institute of Technology and Higher Education*

Dynamics of Value Creation, Value Capture, and Value Erosion: Towards a Theory of Firm Sustainability

Kashyap, Rajiv, *William Paterson University*

Mir, Raza, *William Paterson University*

Iyer, Easwar, *University of Massachusetts Amherst*

Marketing Manager's Intention to Enter into Strategic Alliances: An Exploration of the Theory of Planned Behavior and Institutional Theory Perspectives

Cavazos-olson, Carmina, *University of St. Thomas*

Varadarajan, Rajan, *Texas A&M University*

Plugging Social Responsibility into Shopper Marketing Dan Flint, Proffitt's, Inc.

Flint, Dan, *University of Tennessee*

Schumann, David, *University of Tennessee*

ORCHESTRATION OF THE MARKETING STRATEGY UNDER COMPETITIVE DYNAMICS

Rajagopal, EGADE Business School, Mexico

ABSTRACT

Constructing suitable marketing strategy and its effective implementing are art and science both, like the orchestration of a symphony. This paper blends this analogy with the science of marketing demonstrating the levels of strategy development in a competitive marketplace. The paper presents marketing-mix in contemporary context and argues that performance of a marketing firm can be maximized, by developing a creative marketing strategy and achieving marketing strategy implementation effectiveness. The discussion in the paper reveals that marketing managers of different levels operate simultaneously within the firm and perceive the need for strategy development with varied preferences.

INTRODUCTION

Systems thinking and planned layout of business strategies developed by firms to enhance growth and competitiveness drive managerial symphony. Firms apply a variety of self-construction measures to achieve business growth in short time. These measures are oriented to overcome economic and social risk, and develop cross-cultural marketing expertise through building brand image, competitive management, sharing and analyzing market information, and developing intimacy with customers to lead in the market (*e.g.* O'Sullivan, 2010). Organizing and planning management ideas in a schematic manner leads to systems thinking and is said to hold great promise. The systems approach which is also synonymous to managerial symphony is also viewed as taxonomy that provides the order of various operational activities in a firm to be performed to gain sustainable growth in the competitive marketplace. For a manager to become a systems thinker and symphony organizer, he or she needs to spend years learning competitive strategies and apply them appropriately to witness transformative results (Cabrera *et al*, 2008). Considering that corporate growth is a challenging task for most firms, this paper addresses how firms can effectively coordinate the evolution of their growth initiatives. The orchestration of planning and management is divided into three ideal modes that firms can adopt as a means to dealing with their growth ambitions. These modes include agenda-setting, strategic direction and routes to market, which are networked around top managers and managers at functional levels. This paper aims to contribute to art of management of the firms engaged in manufacturing and marketing by guiding integrated interaction in their planning, communication and management strategies and ensure sustainable growth and competitive advantage in the marketplace.

AGENDA SETTING

In order to build an effective business organization it is essential that three stages are properly set and functional variables are defined at each stage. These include centre stage, backstage and front stage as exhibited in the [Figure 1](#). Front stage is directed by the managers and performed by the teams at their best subject to collateral conditions that allow them to manage themselves effectively. Managers should apply a concise set of guiding principles to each group. Based on extensive research and using compelling examples ranging from orchestras to strategic business units, leading teams identify five essential conditions- a sustainable business growth led planning, a clear and engaging direction, an enabling team structure, a supportive organizational context, and the availability of competent coaching, that greatly enhance customer value. The business planning process linked to periodical growth of the company offers strategists a fresh way to consider competitive options in uncertain, fast-moving, and unpredictable environments. Such planning strategies, unlike conventional strategies that emphasize analysis to explore new business models, must engage in significant experimentation in reinventing marketing-mix and learning a 'discovery driven' brand value of the organization (McGrath, 2010). In order to fine tune the orchestration process of business growth firms should choose 'logic of value creation and value capture' in an appropriate business model, and make tactical adjustments guided by their priority of goals such as customer and stakeholder value maximization. (Masanell and Ricart, 2010)

Amidst increasing competition in the global business, emerging firms should refine their strategies in specific disciplines such as marketing, finance or operations. It has been argued by many marketing leaders from diverse firms that marketing should be developed as a pivot of growth and profitability for the organization. Linking insights from the market with the strategies of the firm would help in driving the creation of customer and stakeholder values. Marketing strategies should aim to create and build leadership brands that consumers love and lead to the continued transformation of the company (Wind *et al*, 2004). The need for marketing perspectives is not limited to making strategic decisions, it is also important for the development and use of concepts and tools, such as total quality and data mining. These can be developed outside the

purview of marketing like quality issues are driven by operations and data mining is driven by information technology. Thus marketing is not typically a *place at the table* in pursuing the business growth in an organization but it is also a driving force to win the market competition (Wind, 2005).

Growth Bound Architecture

Marketing mix strategy plays an important role in establishing a brand identity. There are 11Ps comprising product, price, place, promotion, packaging, pace (competitive dynamics), people, performance, psychodynamics, posture of the firm, and proliferation of brands that play an important role in this process. The top managers, strategists, market specialists and brand analysts in a business organization need to develop sustainable strategies in association with functional managers on 11-P factors (Rajagopal, 2008). Besides conventional 4Ps comprising product, price, place, and promotion, pace which may also be referred as market dynamics, plays crucial role in sustaining competitive dynamics of rival firms in the market. One major issue to be pondered over is the attitude and strength of long standing firms in a given marketplace towards cannibalization and slowing the speed of entry of new firms while other factors include organizational inertia and *competence-destroying* strategies. Such problems may cause delay in acquiring core capabilities and competence among firms in the competitive marketplace (Hannan and Freeman, 1984).

Performance of a business organization can be viewed from many perspectives. Financial performance of a firm may unveil a different scenario of growth as compared to the performance of various brands with a product category in the overall product-mix. Achieving good organizational performance requires more than the will of a single person; indeed, it requires the united commitment of an organization's members. This commitment must also move beyond mere talk and encompass concrete action (Adler, 2010). The top management of the firm needs to evolve the true definition of performance and its relevance in the competitive market environment. Performance expectations, which are fundamentally a manager's expectations envisaging the competitive stand of the firm in a marketplace have a big impact on decision making in firms (e.g. Stone, 1994), particularly in relation to investment decisions. The strategists may contribute towards improving the performance of the firm by linking expectations to the capability and competence of managers and employees of the firm, and providing necessary support to improve the capability and competency at the first stance.

Strategic posture is conceptualized as a firm's market value along the customer loyalty continuum. Market value of a firm may be determined to a large extent by its unique value proposition (UVP). For example UVP may be the technology for Sony Corporation and the quality of service for American Express (Covin and Slevin, 2002). Managers should be aware of the factors that cause market uncertainty for the firms in global marketplace in reference to consumption culture, distribution, services and innovation. Accordingly, firms need to choose a strategic posture to tailor a portfolio of actions comprising big stakes, options and no-regrets moves. As an important and timely addition to the strategy arsenal, firms should develop systems thinking on driving the firm competitive. Product innovation and the trend towards globalization are two important dimensions driving business today, and a firm's global competitive strategy is a primary determinant of performance. Succeeding in this competitive and complex market arena requires corporate resources and strategies by which firms can effectively tackle the challenges and opportunities associated with developing UVP of the firm. As the UVP helps in building an organizational posture, it adds to values innovation to lead the market and pursue globalization more vigorously. However, the executives of top management should be meticulous in making choices to develop strategic posture of the firm that is focused on augmenting global competitiveness in terms of both market coverage and product offering (de Brentani et al, 2010). A good posture of the firm would help in market proliferation. Firms can expand their business horizontally across spatial locations and also vertically by introducing diversification in production. However, business proliferation can be a successful subject for evaluation of key sources of differentiation, profit pools, capabilities, and organizational culture of core business in a firm. The next step towards market proliferation is strategic regeneration.

Marketplace Management

Globalization thrust in the market has increased competition on one hand and behavioral complexities of consumers on the other. The traditional marketing and branding strategies of multinational firms are gradually refined in reference to changing business dimensions to gain competitive advantage. It is observed that marketing-mix strategies considerably influence branding strategies in different types of markets in current times. Marketing-mix has now stretched beyond product, place, price and promotion dimensions to packaging, pace (competitive dynamics), people (sales front liners), performance of previous brands, psychodynamics (consumer pull), posture (brand and corporate reputation) and proliferation (brand extension and market expansion). Management of competitive marketing by emerging firms requires developing business paradigm beyond 11Ps discussed above and also involves strategy development considering behavioral factors including

brand personality, brand image, corporate reputation and customer trust. The concepts of image and reputation have been increasingly emphasized in the fields of public relations and marketing. It is argued that consumer creativity, identification with the brand community, brand-specific emotions, and cognitive attributes drive the brand passion among consumers. In this process brand knowledge is also considered as an important determinant of consumers' willingness to share their knowledge with the fellow consumers and firms (Füller *et al*, 2008).

Successful firms in the competitive marketplace always try to gain a distinct place among competing firms and focus on acquiring new customers and retaining the existing ones. Repeat buying behavior of customers is largely determined by the values acquired on the product. The attributes, awareness, trial, availability and repeat (AATAR) factors influence the customers towards making repeat buying decisions in reference to the marketing strategies of the firm. The perception on repeat buying is affected by the level of satisfaction derived from the buying experience of customers. Among growing competition in retailing consumer products, innovative point of sales promotions offered by super markets are aimed at boosting sales and augmenting the store brand value. Purchase acceleration and product trial are found to be the two most influential variables of retail point of sales promotions. Analysis of five essential qualities of customer value judgment in terms of *interest, subjectivity, exclusivity, thoughtfulness, and internality*, need to be carried out in order to make the firm customer-centric and its strategies touching bottom of the pyramid (Dobson, 2007).

STRATEGIC DIRECTIONS

Firms entering into the market competition need to develop competence in building strategic integration, which involves the task of exploring and creating new business opportunities. Such task can be performed by combining resources from various divisions within the firm to develop the corporate strategy in new directions. Only a few multinational firms have developed the competence of strategic integration, however, the challenges and imperatives for all firms are the same. Firms need to manage the market uncertainties by way of reinforcing the core business strategies, redirecting them in new directions, and sharing and transferring of resources to meet new competitive challenges in the marketplace. In addition, managers have to develop a corporate context that facilitates strategic integration process as an ongoing institutionalized process emphasizing the development of appropriate organizational structures, control systems, and performance linked incentives.

Customer centric research aims at developing pro-customer strategies to focus on better ways to communicate value propositions and deliver the complete experience to real customers. Learning about customers and experimentation with different segmentations, value propositions, and effective delivery of services associate customer in business and help frontline employees acquire and retain customers with increasing satisfaction in sales and services of the firm (Seldon and Macmillan, 2006). The new value paradigm may be vertical as firms explore opportunities in the upstream or downstream markets. On the contrary, the horizontal value paradigm may be determined by identifying opportunities from spanning similar tiers in multiple value chains among all functionaries and customers (Pil and Holweg, 2006). Firms need to clearly understand the term 'value chain' that suggests an orderly progression of activities allowing managers to formulate profitable strategies and coordinate operations with suppliers and customers. The value-chain should be integrated within a 'value grid'. The grid approach allows firms to identify opportunities and threats in the competitive marketplace. It drives managers to understand the power balance between suppliers and manufacturers.

A meticulously designed multi-channel set-up enables consumers to examine goods at one channel, buy them at another channel, and finally pick them up at a third channel. Multichannel retailing offers synergies as it results into an enhancement of customer portfolios, revenue augmentation, and growth in the market share. Common attributes of a multichannel retail strategy include highly-integrated promotions, product consistency across channels, an integrated information system that shares customer, pricing and inventory data across multiple channels, an appropriate order processing system that enables customers to purchase products on e-portals or through a catalog used for direct marketing, and lower search cost to buy products from available multi-channel retailing opportunities. Firms following multi-channel retailing usually vary in their level of customer focus, or towards the magnitude of fulfilling customer needs and delivering customer satisfaction. This difference may be due to the attributes of the route to shopping through the channel and associated services of the channel. A firm with strong customer-focus strives in catering to the customer needs and delivering maximum satisfaction by ensuring a pleasant, positive, and value-adding purchase experience, which requires the commitment and support of the channel managers in integration with the corporate philosophy of the retailing firm (Rajagopal, 2010).

Strategy Orchestration

In the strategy orchestration process firms should not overlook the customers at the cost of profit maximization. Managers

can capitalize on the variation in customers' requirements by providing flexible market offerings instead of homogenizing the marketing policies across markets, consumer segments and product categories. However, using value models managers may demonstrate how a new product or service being offered will provide greater value and accordingly plan to deliver higher value propositions. The effect of strategy integration may either result into achieving consumer loyalty towards a firm and its brands or may have adverse effect on consumers who may develop switching attitude (Hirschman, 1970). Such strategy effects can be expressed as exit-voice-loyalty (EVL). The strategic integration needs to be developed within the components of 11Ps, 4Cs, 4Vs, and 4Es to derive a sustainable impact of the marketing policies of the firm in the competitive marketplace. Firms may sustain market competition provided they stretch their role with consumers and spread consumer segments across high - and low end segments. Many multinational companies are enhancing their products to serve mass market segments and multi-sided platforms that include organizational clients. Managers may consider designing the cost structure in reference to costs associated with the designing, production, logistics, marketing and administration of sales. Convenience to customers is one of the critical determinants for firms to sustain and lead the market competition. Convenience to customers that motivates them in developing inclination towards the products and services of the firms is broadly built around routes to market, financial support, and perceived experience.

The validity of products and services is linked with perceived use value of consumers and routes to market that determine venue for buying. In a competitive marketplace firms may drive functional awareness by offering training to distributors and customers on innovative products, technology and their use value. This helps in developing awareness and comprehension about products and services among channel partners and consumers. A firm may expand its marketing activities by developing more routes to market such as retail stores, company outlets, virtual shops, mobile marketing, lifestyle centers, shopping malls, and catalogue stores across the markets. Firms should also manage 'vogue', which is an endorsement to market communication and need to be tailored for developing market specific strategies. The communication of the company should be driven in a strategic manner to be well conceived by the consumers and strategic partners. It would be an advantage to have a creative division in a company, which would help in taking its customers in to confidence in co-designing the products and services to develop effective unilateral response. Consumer experience is a major driver of the performance of firm and should be developed through integrated marketing communication (IMC) and product access to consumers for developing perceptions. IMC is capable of enhancing the holistic consumer experience and creating a holistic brand value structure, which can unite the consumer's sensory, emotional, social, and intellectual experiences in a new and positive way (Tsai, 2005).

CONCLUSION

Development of marketing strategy and its integration is the organizational process, which involves fair amount of knowledge sharing and maintaining intellectual capital of the organization. It is important for the firms to continue towards investing in knowledge management practices but at the same time remain flexible enough to source new expertise and knowledge from the external sources within the marketplace ambience. However, creating, maintaining, measuring and leveraging intellectual capital is currently considered one of the principal and complex tasks in business organizations. A key method of achieving this is through panel discussion, brainstorming exercises, and applications that enable single personalized access points designed for generating organizational dynamics.

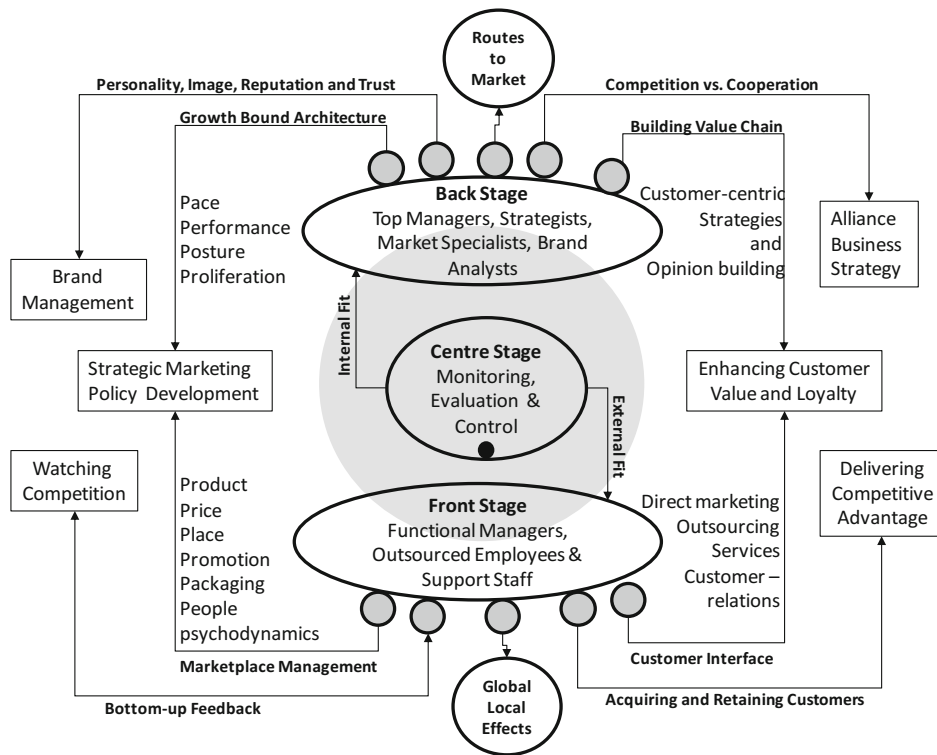
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FIGURE

Figure 1: The Symphony Paradigm of Business Growth



DYNAMICS OF VALUE CREATION, CAPTURE, AND EROSION: TOWARDS A THEORY OF FIRM SUSTAINABILITY

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ABSTRACT

Wikipedia defines sustainability as “the capacity to endure.” In this paper, we propose a conceptual framework to provide a basis for a theory of firm sustainability. Our framework is premised on three fundamental assumptions: 1) Firm sustainability is a function of value creation (+), value capture (+), and value erosion (-) in served markets, 2) Value creation, value capture, and value erosion are dynamic, related, and interdependent processes 3) a theory of firm sustainability is interdisciplinary. Value is the cornerstone of modern market analysis. Hence our framework is rooted in three interrelated, yet distinct processes that comprise the foundation of all business activity: value creation, value capture, and value erosion. *A firm's capacity to sustain is determined by its ability to create value, capture value, and counter value erosion in its served markets.* In this paper, we meld research streams from marketing, organizational theory, and strategic management to forge an understanding of value and initiate a broader discussion and research on firm sustainability.

Vargo and Lusch's (2004) seminal discourse on Service Dominant Logic (SDL) proposed that value is created in the interactions between firms and customers (as opposed to within) so that the customer is always a co-producer of value (2006). The most significant implication of SDL is that it directs resources towards garnering knowledge about how consumers use firm offerings to create value. Such knowledge can provide firms with a refined appreciation for key attributes and their relative importance in customers' demand functions. Value captured by a firm is the net benefits accrued which represents a fraction of total value it creates. Brandenburger and Stuart (1996) show how a firm's share amounts to the value it can capture *relative to* competitors, with the amount of value it creates being a boundary condition. Research indicates that a fine grained understanding of customer ability to create value from the firm's *and* competitive offerings is also critical to the amount of value the firm can capture (Chatain 2010). Therefore, it is clear that 1) appropriate market definition is necessary to determine the relevant set of competitors, and 2) approaches aimed at estimating differential value capture hold the key to understanding how firms compete for value. Value erosion refers to loss of value relative to the amount previously captured by a firm. Value erosion occurs due to changes in customer preferences, technology, regulations, competitor activity, and economic conditions. firms that are sustainability focused are more likely to withstand value erosion (Neilson, March 2009) in their stock prices. However the process of value erosion is less well understood than value creation and capture and deserves attention. A good starting point might be the extant research on firm ability to withstand financial (Sascha, Wilczynski, Schloderer, and Schwaiger 2010) and product crises (Chen, Ganesan, and Liu 2009). How important are value creation and capture relative to erosion for firm sustainability? How does market turbulence moderate this relationship? Such investigation has important consequences for resource allocation and importance accorded to the role of innovation and customer relationship management in firms. Recognizing the importance of value as a consumption process has additional benefits for marketers. It not only bestows legitimacy on brand building efforts and consumption research (see Arnould and Thompson 2005 for a review) but also elevates the importance of metrics (e.g., brand awareness, customer retention rates) to inform managers about levels of sustainability. We suggest that sustainability metrics include not only standard financial reports but also a dashboard of indicators that can inform managers about firm performance with respect to value creation, capture, and erosion.

References Available Upon Request

PLUGGING SOCIAL RESPONSIBILITY INTO SHOPPER MARKETING

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The topic of in-store marketing has a long academic and practice history dating back to the early 20th century (Schumann & Davidson 2007; Schumann et al. 2008). Numerous papers have reflected aspects of the in-store environment and strategy. So it is interesting to note the resurgence of “shopper marketing” over the past ten years. Shopper marketing has been defined as “understanding how one’s target consumers behave as shoppers and leveraging this intelligence to benefit the company or brand, consumers, retailers and shoppers” (Flint, 2009). Shopper marketing includes examining the way shoppers are influenced by various promotional activities such as couponing, packaging, in-store media, brand promotions and signage. Shopper marketing strategy addresses how retailers and brand manufacturers are trying to collaborate in new ways, supply chain execution of more engaging shopper marketing programs, and ways of engaging the consumer along the path to purchase and at that point of purchase while in a shopping “mode.”

Many companies are moving to stress shopper marketing (Ad Age, 2009). The University of Tennessee has initiated the first academic/business forum on the topic. Initial partners include a number of the Fortune 500 major CPG companies, research groups, retailers, and the well-known practitioner based association, the In-Store Marketing Institute. One topic recently raised at a meeting of the members of this group was the importance of considering the strategic implications of shopper marketing on social responsibility.

This paper begins to address this concern by considering the means by which shopper marketing strategy can contribute to corporate social responsibility (CSR). As the figure and table reflect, CRS strategies must address both strategic planning and implementation. As one considers the benefit of shopper marketing programs, one must also consider the consequences of those programs as they reflect upon various aspects of social responsibility (e.g., environmental concerns, consumer health concerns, reinforcing economies in developing communities and nations). The ideas captured in the figure and table will be addressed in some detail and opportunities for discussion among participants will be encouraged.

References available upon request.

Saturday, 23 July
Time: 8:30 AM

Session Number: **11.8: Retail Strategy**

Session Chair: Michaud-Trévinat, Aurélia, *U. La Rochelle, France*

Trust and Satisfaction as Mediators of Premium Prices

Chaudhuri, Arjun, *Fairfield University*

Ligas, Mark, *Fairfield University*

Switching Consumers from Store Brands to National Brands: Is Product Innovation Effective?

Abril, Carmen, *Complutense University*

Sanchez, Joaquin, *Complutense University*

Garcia-Madariaga, Jesus, *Complutense University*

Adaptive Spending in an Economic Crisis: Segmentation by Adaptation Patterns

Hampson, Daniel, *University of Manchester*

McGoldrick, Peter J, *MBS, Manchester University*

TRUST AND SATISFACTION AS MEDIATORS OF PREMIUM PRICES

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Mark Ligas, Fairfield University, U.S.A.

ABSTRACT

We hypothesize that store trust will mediate the effect of merchandise value on shoppers' willingness to pay a higher price (WTPHP) but store satisfaction will not. WTPHP represents the surplus that arises from merchandise value which itself is derived from notions of perceived quality and actual price paid. When perceived quality is considered to be greater than the actual price paid, a surplus (merchandise value) is generated in the consumer's mind and results in WTPHP as long as the surplus exists (Monroe 2003). Although prior research (Chaudhuri and Ligas 2009) has found no direct linkage between these variables, it is feasible that such a relationship does exist and is mediated by other constructs such as store trust. We propose that value that is considered to be a good deal (consistent in terms of quality and price) leads to WTPHP indirectly via perceived trust but not via satisfaction. Merchandise value accounts for the "credibility" of the quality-price tradeoff, and trust is a logical outcome of a credible exchange (Moorman, Deshpandé and Zaltman 1993). Hence, we chose trust as the appropriate evaluation instead of satisfaction, etc. We expect that greater perceived value will indeed lead to greater satisfaction but that satisfaction will not lead to a willingness to pay a higher price. This is because satisfaction, unlike trust, is not necessarily indicative of a willingness to sacrifice resources to maintain a valued relationship. Trust indicates an alignment of mutually beneficial goals, and it is a stronger motivational state than satisfaction (Johnson and Selnes 2004).

We collected data from two retail establishments in northeastern U.S.A. Store A was a "traditional" grocery store while Store B was a "specialty" grocer, due to the limited amount of higher-priced and higher-quality items in the store. These stores were chosen to represent two different types of merchandise value (Grewal, Monroe and Krishnan 1998). One hundred and fifty questionnaires were collected from each store (N=300). We further developed and/or modified measures for our constructs of interest largely from items utilized in prior marketing research studies. All items for each construct were measured on 7-point scales, where 1= "completely disagree" and 7= "completely agree."

We conducted formal tests of mediation using regression analysis as per the four steps recommended by Baron and Kenny (1986). We found in the first step that the effect of perceived value on WTPHP was positive and significant ($\beta = .284$; $p < .01$). In the second step, we found that the effect of perceived value on trust (mediator) was positive and significant ($\beta = .511$; $p < .01$). In the third step, we found that the effect of trust (mediator) on WTPHP was positive and significant ($\beta = .395$; $p < .01$). In the fourth step, we once again examined the effect of perceived value on WTPHP but this time we introduced trust into the equation as well. We found that when trust was in the equation, the effect of perceived value on WTPHP diminished in effect ($\beta = .117$; $p > .05$) and became non-significant. Forty five percent of the variance in WTPHP was explained. We also tested satisfaction to see if it was a better mediator on perceived value leading to WTPHP than trust. When we regressed WTPHP on satisfaction we found that satisfaction (mediator) was significantly related to WTPHP ($\beta = .261$; $p < .01$). We also found that perceived value was significantly related to satisfaction ($\beta = .557$; $p < .01$). However, when both perceived value and satisfaction were in the model with WTPHP as the dependent variable, only the effect of perceived value was significant ($\beta = .211$; $p < .01$). The effect of satisfaction reduced in size and became non-significant ($\beta = .132$; $p > .05$). Thus, trust mediated the effect of perceived value on WTPHP but satisfaction did not. We also tested the effect of quadratic and cubic forms of satisfaction and found no evidence that any of these forms mediated the effect of perceived value on WTPHP.

The importance of understanding mediating influences should not be understated for practical purposes of managerial success. Evidence of a mediator in any relationship could be very helpful in potential cost effectiveness. For example, if managers know that trust mediates the effect of value on commitment, then they can take steps to find more cost effective means of producing trust since that is the actual and direct source of higher prices leading to profitable marketing outcomes. Managers could experiment with other sources of trust such as better service, advertising etc. and consider the effect of these alternatives to merchandise value. Obviously, any alternative strategies should only be implemented after careful understanding of what effect the removal of "good deals" or merchandise value would have on sales and other variables as well. For instance, the "lack" of a good deal may concurrently have deleterious effects that negate the positive effect of alternative strategies.

References Available Upon Request

CONSUMERS SWITCHING TO STORE BRANDS: IS PRODUCT INNOVATION EFFECTIVE TO PREVENT IT?

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ABSTRACT

Product innovation is a critical activity for CPG companies to add value to consumers, enhance the equity of their brands and also to fight store brands. The purpose of this paper is to better understand whether product innovation is an effective strategy to prevent consumers switching to store brands and compare its effects to other marketing tools as promotion and price gap management.

In terms of managerial implications the ideas offered herein suggest different degrees of success of product innovation as a tool to prevent switching. We highlight also differences compared to promotional and pricing gap management that could help to better understand the store brands dynamics and will contribute to the development of more efficient national brand manufacturers in the market place.

References available upon request

ADAPTIVE SPENDING IN AN ECONOMIC CRISIS: SEGMENTATION BY ADAPTATION PATTERNS.

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ABSTRACT

There exists a very limited academic research base regarding consumer behavior in economic crises. Consequently, important lessons have either not been learned or have been quickly forgotten. Baker (2009) attributes the dearth of recessionary research in marketing to 'research myopia', specifically, that marketers tend not to perceive similarities between present events and past experience. However, though some consumer adaptations are transient, research suggests many more endure economic recovery (e.g., Lamey et al. 2007). The limited research base that does exist has several fundamental limitations. These include a focus on very broad categories of products and services (e.g., McDaniel et al. 1986); a tendency to measure changes at only one point in time during what are very turbulent phenomena (e.g., Ang 2001); and, analyses that focus on aggregate change rather than on a spectrum of adaptive responses (e.g., Zurawicki and Braidot 2005). Based upon these limitations, this research seeks a more robust understanding of how consumers adjust their spending patterns during an economic crisis. The researchers build hypotheses regarding the types and causes of spending adaptations, likely consumer differentials in adaptive behaviors, and the dynamic nature of consumer adaptations over the course of an economic crisis.

A mixed method research design was employed. An online panel company was employed to administer a questionnaire survey in September 2008 (n = 1205) and September 2009 (n = 1177). Both samples are representative of the Great Britain population in terms of income, gender, age and region. The 2008 survey was conducted a time where the crisis was approaching its nadir, whereas the 2009 survey was conducted as the economy was about to leave the recession. To measure changes in spending patterns, respondents were asked the extent to which they changed their spending on 27 product-types, plus scales of economic confidence and other relevant measures. Focus groups, each with 7+ retail/brand managers, were conducted before and after both of the surveys, to explore the congruity (or lack thereof) between the actual changes in consumer spending during this period and the marketing strategies actually adopted by retail firms during this period.

Principal components analysis identified four categories of adaptations: food staples; major products/services; discretionary food items; and non-foods. Differences between these categories relate to the magnitude of change, the causes of these changes and fluctuations during the crisis. Food staples were the least negatively affected category and exhibited no significant changes between 2008 and 2009. Conversely, there is a less negative decline in spending on *major*s in 2009 but the cutbacks in spending on *discretionary foods* and *non-foods* were greater in 2009 than in 2008. Regression models indicate that not only do consumers curtail their spending to differing degrees across the four categories, but also these spending differentials reflect different barriers to spending. For example, unlike for *discretionary foods*, the *increased cost of living* is a poor predictor of changes in spending on *food staples*. Cluster analysis was based on changes in spending across all 27 major and non-major categories. The K-means clustering procedure, with multiple iterations, produced a customer typology of relevance to retailers, manufacturers and researchers. While existing studies emphasize the aggregate decline in spending during crises, a salient finding here is that almost half of all respondents - the *modest changers* - actually make very minor adjustments. Moreover, a significant minority actually reported spending more than they did before the recession.

These results have significant theoretical and managerial implications. Importantly, they suggest that marketers must be wary of focusing their adaptive strategies towards one specific cluster – specifically the *maximum adapters*. Illustratively, excessive price promotions may not reflect most consumers' actual ability and willingness to pay, contributing to a self-fulfilling vicious cycle of spending cuts. Further, the results demonstrate that consumer adaptations in recessions are neither static nor consistent across product categories. These specific results have implications for the debate concerning whether marketing strategy should be proactive or reactive during an economic crisis. Given the changeability and volatility in consumer behavior, expensive, proactive marketing efforts initiated prior to or at the onset of a recession may become inappropriate as conditions change and governments intervene. Though proactive marketing may indeed provide early benefits for retailers through first mover advantage (Srinivasan et al. 2005), it is a potentially risky strategy. This study provides some support for Grewal and Tansuhaj (2001) who assert that, due to the unpredictability of how crises develop, firms should pursue reactive strategic flexibility. While most firms have the capacity to be flexible, as reflected in dynamic promotional cycles and range changes, this should be used sparingly. Excessive changing of product offerings, prices and communications may dilute brand meaning and a potentially perplex, even alienate target audiences.

References available on request.

Saturday, 23 July
Time: 8:30 AM

Session Number: **11.9: Social Marketing and Harmful Behavior**

Session Chair: Binney, Wayne, *Victoria University*

Materialism and Aggressive Driving: An Israeli Study

Efrat, Kalanit, *Ruppin Academic Center*

Shoham, Aviv, *Haifa University*

Benchmarking Alcohol Literacy: A Multi-country Study

Rundle-Thiele, Sharyn, *Griffith University*

Siemieniako, Dariusz, *Bialystok University of Technology*

Kubacki, Krzysztof, *Keele University*

Deshpande, Sameer, *University of Lethbridge*

Is the Glass still Half Full? Can Social Marketing still have a role in Reducing Binge Drinking among Female College Students?

Murphy, Fergus, *Cork Institute of Technology*

Murphy, Maurice, *Cork Institute of Technology*

MATERIALISM AND AGGRESSIVE DRIVING: AN ISRAELI STUDY

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

ABSTRACT

Aggressive driving is a growing problem that has been identified as a major risk factor for car accidents. Previous research has provided some insights about the characteristics of drivers prone to aggressiveness on the road, as well as external triggers of road aggressiveness. However, little is known of the personality traits of aggressive drivers. This study employs the theory of planned behavior (TPB) to consider the role of materialism in aggressive driving, and particularly its three source traits: envy, possessiveness, and non-generosity. Our findings show that envy and non-generosity have an impact on aggressive driving.

BENCHMARKING ALCOHOL LITERACY: A MULTI-COUNTRY STUDY

Sharyn Rundle-Thiele, Griffith University, Australia
Dariusz Siemieniako, Bialystok University of Technology, Poland
Krzysztof Kubacki, Keele University, United Kingdom
Sameer Deshpande, University of Lethbridge, Canada

ABSTRACT

Prior studies suggest that people have poor health literacy and moreover individuals with limited health literacy have a significantly worse health status. Further, research suggests that high and appropriate levels of alcohol literacy are a prerequisite for moderate alcohol consumption, yet people are not adequately informed about alcohol. This paper seeks to benchmark alcohol literacy in three countries, namely Australia, Canada and Poland. Consideration of alcohol literacy requires that we use the same set of measures, some of which are contextualised, across countries. Following this approach convenience samples were used to collect data with over 400 in each sample.

The results of this study are consistent with prior alcohol knowledge studies who also noted knowledge gaps. Inspection of the knowledge questions indicate that a large proportion of adults were not able to correctly state the number of standard drinks in a glass of wine, or a bottle of full strength beer. Some adults were unable to correctly specify factors such as the number of standard drinks to safely drink and drive, daily drinking guidelines specified by national health bodies and the legal blood alcohol limit for adults. Implications for public policy are outlined.

References available upon request

IS THE GLASS STILL HALF FULL? CAN SOCIAL MARKETING THREAT APPEALS STILL HAVE A ROLE IN REDUCING BINGE DRINKING AMONG FEMALE COLLEGE STUDENTS?

Fergus Murphy, Cork Institute of Technology, Ireland
Maurice Murphy, Cork Institute of Technology, Ireland

ABSTRACT

Ireland has one of the highest levels of alcohol consumption in the EU, consuming 10.6 litres of pure alcohol per person in 2003, and increasing to 13.4 litres in 2006. This rise in consumption has led to increases in alcohol-related harm and disease, and has resulted in more than 1,775 deaths according to the Health Research Board (Mongan, *et al.* 2007). In general, increases in overall consumption are accompanied by a greater incidence of health and social problems. In addition to the high volume of alcohol consumed by people in Ireland, drinking occasions appear to be strongly related to heavy episodic or “binge” drinking patterns. Binge drinking is defined as drinking five or more drinks in a row for men and four or more drinks in a row for women, at least once in the previous two weeks (Dantzer, *et al.* 2006). The prevalence of alcohol use and associated problems is higher in college populations than in the general public (Evans and Dunn, 1995). In fact, binge drinking has been identified as the number one substance abuse problem in university life (Syre, *et al.* 1997). A recent international study of drinking among university students in 21 countries found that Ireland had the highest proportions of male and female heavy or binge drinkers (Dantzer, *et al.* 2006). Women are at an increased risk from alcohol use because they need less alcohol per kilogram of body weight than men to attain the same peak blood alcohol level and level of impairment (Rohsenow, 1998). In their recent report, The Health Research Board (2007) in Ireland state that “if current trends continue, we will see significantly higher numbers of middle-aged women experiencing alcohol-related morbidity or greater premature mortality”.

This study focuses on Irish female university students and their attitudes towards binge drinking, public service announcements and a harm reduction approach. Its main question is - how can social marketing advertising best reduce the amount of binge drinking among university female students? The research objectives are as follows: (1) How do university female students binge drink? (2) How do they respond in terms of coping strategies to binge drinking? (3) Are social threat appeals more powerful than physical threat appeals in preventing binge drinking among female university students? Five focus groups were conducted between March and April 2009, involving female students at a university in Cork, Ireland. All participants were young female college students aged between 18 and 24 years of age, recruited using a convenience sample. Having completed a discussion on their drinking history, participants were then shown six physical fear advertisements and five social fear advertisements. Reactions to each advertisement were gauged after they were shown. Two leading public health experts in the area of alcohol-related harm in Ireland were also interviewed in April and May 2009. Both individuals were chosen on the basis that they had extensive knowledge of the health effects that binge drinking was causing the Irish public and also on the basis that their own personal opinions and views would be very insightful in gaining an overall view of how serious the public health community viewed binge drinking, especially amongst females. Data was analysed for themes running through both the interviews and the focus groups.

Results show that Ireland has a culture that is immersed and revolves around the consumption of alcohol and this has led to a substantial increase in alcohol related harm in our society. While attending college, this normative behaviour of consuming substantial or excessive amounts of alcohol becomes more regular and sustained. Respondents view their current alcohol consumption as a rite of passage to adulthood and that it will lessen once they attain more responsibilities in adult life. They underestimate the long-term damage that is being done to their health and over-estimate the body’s capability to withstand the effects of alcohol. There is an over-reliance on friends to take care of them when drunk as a coping mechanism and therefore a consequent under-estimation of how drunk they actually are. Social marketing messages need to contain images and statistics that will result in shock and fear among the target group of female college students. The advertisements which proved most effective among the participants proved to be physical threat appeals which dealt with the serious issues of sexual assault and rape. Every advertisement shown to the participants dealing with these issues resulted in fear. Sexual assault was never considered a serious threat by students until it was shown in the advertisements. Social marketers should also be aware of the maladaptive coping response of “I would never get like that” or “my friend would take care of me” and devise advertisements that negate this coping response. Therefore, raising awareness about how to drink more safely rather than insisting on abstinence may be a better strategy for health promotion bodies to adopt.

References available upon request

Saturday, 23 July
Time: 10:30 AM

Session Number: **12.11: Tourism Marketing**

Session Chair: Petr-Huerou, Christina, *Tour University*

The UK as an Educational Tourist Destination: Young Chinese' Experiences of the UK

Cockrill, Antje, *Swansea University*

Lifen Zhao, Anita, *Swansea University*

Segmenting Pleasure-Seeking Tourists: A Research Agenda

Horrigan, David, *Glion Institute of Higher Education and LRG University of Applied Sciences*

Murphy, Jamie, *Murdoch Business School*

The Paradoxes of Tourism

Callot, Philippe, *ESCEM Group*

THE UK AS AN EDUCATIONAL TOURIST DESTINATION: YOUNG CHINESE' EXPERIENCES OF THE UK

Antje Cockrill, Swansea University, United Kingdom
Anita Zhao, Swansea University, United Kingdom

ABSTRACT

The growing number of Chinese students is a significant contributor to the UK economy in general and higher education in particular. These students do not simply come to the UK to obtain a degree; they also wish to gain experience of life in the UK. In many ways, their objectives are comparable to those of long stay tourists - whilst they have an educational goal, they also visit the UK as a tourist destination. The academic experiences of international students have been extensively studied, but much less is known about their perceptions of the UK as a study and living destination, and how their experiences match up against their initial expectations.

Five group interviews with 4-5 Chinese postgraduate students each were conducted at a middle ranking UK university in the spring of 2010. The discussions were conducted in Mandarin by an experienced researcher. The findings indicate that particularly for students targeting non-elite universities, other factors than educational quality are much more important. A unique contribution here is the importance of the motivators placed by the respondents. Short postgraduate courses which act as a differentiator in a crowded job market at home without 'aging' the student significantly seem to be one of the main attractions for studying at 'average' UK universities and experiencing the UK. The findings also suggest some gender differences as young Chinese women might view this differentiator as more important and advantageous than males. Furthermore, the opportunities to improve language skills and easy access to travelling opportunities across Europe are important motivators and these findings give support to previous studies. (e.g. Llewellyn-Smith and McCabe 2008).

On arrival, many of these young people are relatively ill prepared for their stay in the UK. Coming from a very protective home environment, they have never learned how to take decisions for themselves or how to cope in difficult circumstances. Consequently, their (rather vague) expectations of their stay in the UK are disappointed because they find themselves unable to integrate with their British peers or British society more generally, especially when they arrive as part of a group and then 'stick' with this group (Zhou and Todman 2009). This leads to negative perceptions of the UK as a destination country for travelling and leisure.

The UK has, for Chinese students and tourists alike, a distinctive and unique image capital, which is comprised of its history, landscape, customs and traditions which influences destination choice and travel behavior (Tasci and Gartner 2007). It is a challenge for universities and communities alike to harness this image and ensure that Chinese educational tourists either confirm their image or deepen their understanding of the UK in a positive way. This is even more important in view of the fact that the role of university students in attracting their family and friends to visit them is often underestimated (Bischoff and Koenig-Lewis 2007). Our respondents are young people highly influenced by a collectivistic culture and therefore very likely to share their experience and stories with their family and friends, who may seek advice on visiting the UK as a study destination and/or generic travel destination. Thus it is a challenge for practitioners to turn these educational tourists into advocates of the UK.

References available upon request.

SEGMENTING PLEASURE-SEEKING TOURISTS: A RESEARCH AGENDA

David Horrigan, LRG University of Applied Sciences, and Glion Institute of Higher Education, Switzerland
Jamie Murphy, Murdoch Business School, Western Australia

INTRODUCTION

This paper outlines a research agenda for the development of a pleasure-seeking market segmentation database for destination marketing organizations that will provide better organized tourism market knowledge for more effective marketing and communications planning. The proposed research agenda also suggests a strategy for the comprehensive collection of market data that will provide academics and professionals with valuable, competitive market insight. A research agenda for a tourism pleasure-seeking segmentation strategy is proposed to investigate three major areas: (1) tourism markets, (2) destination services and products, and (3) destination marketing and communications strategy. Driving this research agenda is the position that tourists ultimately plan and assess their tourism experiences by the level of pleasure they plan to derive during their vacations.

Pleasure-seeking behavior has been treated with a wide range of definitions in the literature. Le Bel (2005) segments pleasure by emotional, social, intellectual and sensory pleasures. These four categories of pleasure are intriguing for market researchers, but his definitions for each are limited. For example, he suggests that sensory pleasures are sometimes erotic, but he gives little attention to the five human senses. Sight, smell, touch, taste and sound can be individual experiences or varying combinations depending upon the stimulus and activity (Cazeaux 2002). How individuals understand, label and characterize senses can provide useful information for understanding how the pleasure-seeking marketplace perceives its needs.

Social pleasure differs from sensory pleasure because an individual desires to spend time enjoying the company of their family and friends rather than seeking an erotic or physiologically pleasing experience. The desire to meet new people is also considered social pleasure. Hazel (2005) goes beyond Le Bel's (2005) definition and suggests that a focus to socialize and spend time with family and friends or meet new people on vacation is a source of well-being with six benefits: relief and renewal, mental health, social interaction (new people), broadening experiences, independence development, and strengthening family relationships.

Emotional pleasure can regulate or manage moods. Moods and emotions can be difficult to distinguish (Larsen 2000). However, Koole (2009) suggests that emotion management or regulation helps satisfy hedonic needs, supports goal pursuits, and facilitates the global personality systems. As specific emotions change between positive and negative feelings, people will seek activities and experiences that provide the desired emotion or affect. In effect, individuals attempt to manipulate their emotional response in order to create specific moods.

Intellectual pleasure or discovery can stem from activities such as travelling to museums, historical sites and other geographical areas. In addition, educational travel opportunities consist of both formal and non-formal learning structures (Conceicao and Skibba 2007). Nature and wildlife experiences, a form of niche tourism, provide discovery experiences and intellectual pleasure (Connell 2009). Learning is a strong motivator for many individuals to travel that crosses all demographic boundaries (Poria, Atzaba-Poria and Barrett 2005).

The psychology of pleasure is complex and is difficult to manage within a market-oriented perspective. Although Le Bel (2005) has provided an interesting pleasure-seeking behavior outline for marketers, there are definition gaps in his matrix which need to be addressed through market research. In addition, there is a need to determine the most effective segmentation strategy for pleasure-seeking behavior that provides destination marketing organizations with appropriate information for their marketing and communications strategies. How many pleasure-seeking segments are actually needed to properly define the market for strategic purposes? For example, could segmenting experienced pleasure simply by higher (intellect) or lower (instincts) pleasures be adequate for the purpose of tourism marketing (Ainslie 2009). Also, should marketers simply define pleasure-seeking behavior in the positive, or should the definition include its opposite, pain, in order for marketers to consider negative aspects of products and services they wish to account for in their strategic planning?

There are many questions that need answering with regards to a pleasure-seeking segmentation strategy for tourism marketing. The proposed methodology is meant to illuminate the areas of strategic marketing where such a pleasure-seeking segmentation strategy may be useful, and to begin to determine the level of complexity needed for the definition of pleasure in marketing and communications planning.

METHODOLOGY

The proposed methodology represents three major tourism marketing areas for investigation: (1) tourism market analysis, (2) destination services and product analysis, and (3) destination marketing and communications strategy audit. Each of these three research areas will be developed based on the assumption that tourists' ultimate goal is to attain some form of pleasure during their vacations. The proposed research areas are described by study design and potential scale of research.

Study Design 1: Tourism Market Pleasure Analysis

An exploratory research design is proposed to identify the most effective definition and segmentation strategy for tourist pleasure-seeking behavior. A further literature review on pleasure in the psychology discipline will be conducted to identify and organize a list of pleasure variables to assess tourists' perception of different types of pleasurable experiences. An online survey will invite respondents to associate different tourist activities with types of pleasure they expect to attain during each activity. Invitations to fill out the survey will be coordinated with various tourism organizations. The tourist activities selected for evaluation will be a combination of activities from various studies as well as WTO performance indicators (Park and Jamieson 2009). A factor analysis will identify similarities and differences for the pleasure variables and organize them into pleasure-seeking behavior segments. The pleasure factors will take demographic variables such as age, gender and culture, as well as geographical variables into consideration. Once these factors (segments) are determined, a follow-up study will be designed and conducted to test the validity of the factors. The scope of the research is variable due to the online delivery method for data collection. The scale will be dependent upon the number and size of tourism organizations utilized and their relevant customer database.

Study Design 2: Destination Services and Product Pleasure Analysis

A content analysis is proposed to assess official destination country, region, and city websites. The goal of the study is to identify a destination competitiveness model and to correlate destinations' competitiveness by their potential for delivering particular types of pleasurable experiences. Destination services and product offerings for ten to fifteen destinations will be assessed using a destination competitiveness matrix. The matrix will include dimensions and indicators of typical destination tourism services and products and be modeled after Park and Jamieson's (2009) study of tourism destination monitoring systems. Destination indicators will be tested for reliability, and unreliable indicators will be removed from the matrix. Criteria for each destination dimension will be measured by the quantity and diversity for each dimension. A destination tourism profile will be developed for each destination measured, and each profile will be assessed against the pleasure-seeking behavior segments identified from the tourism market pleasure analysis to assess each destination's potential in various pleasure-seeking tourist markets. The potential scale of this research design has a wide range depending upon the type and number of destinations selected for study.

Study Design 3: Destination Marketing and Communications Strategy Audit

Four to eight individual destinations will be selected to be included in a marketing and communications audit to determine the level of persuasiveness of their marketing and communications campaigns for pleasure-seeking tourists. The level of marketing and communications persuasiveness will be correlated with the different types of pleasure-seeking behavior segments identified in study 1. Destination marketing and communications materials for each destination will be collected for one of the destination's marketing campaigns. The campaigns will be categorized by annual, seasonal or promotional campaign in order to accurately compare each campaign's effectiveness as well as to include it in a comparative analysis with similar campaign strategies. A panel of experts made up of professionals from marketing and communications agencies and scholars of tourism marketing will evaluate the destination campaigns based on type of message, message meaning, message effectiveness, campaign consistency, brand value, and destination pleasure type. Individual analysis of each campaign will provide insight into destination message strategy. Analysis across destination campaigns will provide a group representation of the use of pleasure-seeking marketing strategies by destination marketing organizations.

Timeline

The three proposed studies represent a research agenda for pleasure-seeking tourist markets and destination marketing communications strategy. The initial launch of the studies is planned for the third quarter of 2011 with study 1: tourism market pleasure analysis, in order to identify the pleasure-seeking behavior segments that will be needed for the study 2

correlation. The online survey will be ready by the end of quarter three, 2011, invitations to participate in the study will be delivered in quarter four, and data collection will begin at the start of quarter one, 2012. Study 2: destination services and product pleasure analysis, will begin during the data collection phase of study 1 with a second research team during the first quarter of 2012. During 2011 and the beginning of 2012, destination marketing organizations will be identified and chosen for study 3: destination marketing and communications strategy audit. Marketing and communications materials will be collected during the first two quarters of 2012. During this time, the panel of experts will be chosen to evaluate the destination marketing and communications campaigns in quarter three of 2012. Final analysis of study 3 will be conducted in the fourth quarter of 2012.

RESULTS AND DISCUSSION

The results of each study will contribute to a greater understanding of pleasure's role in tourist motivation, destinations' tourism development, and destination marketing and communications. One assumption of the proposed research agenda is by measuring tourists' expectations, planning and satisfaction levels based on their need to experience pleasure while vacationing, researchers and destination marketing organizations can better understand tourist psychology and develop more effective tourism infrastructures and communication strategies.

Segmentation is a proven and effective marketing strategy that provides a guide to determining similarities and differences within a seemingly homogeneous group in order to tailor products, services and messages to that group's differing needs (Bailey, Baines, Wilson and Clark 2009). Psychology variables such as motivation, desire and emotion are complex to understand, but segmentation is a useful technique for marketers to define and organize markets. The need for pleasure in individual's lives has a long, historical presence in the psychology literature with conflicting and complex positions taken. Yet there is agreement across many disciplines including psychology, marketing, and economics that pleasurable feelings which are managed responsibly, lead to positive outcomes and results (Erginel 2006). Tourism strategies that focus on, and appeal to, different types of pleasure tourists' seek are providing clarity and order to the tourism market.

Pleasure-Seeking Behavior Matrix

One of the critical questions the proposed research agenda asks is how complex does pleasure need to be segmented in order for the market to understand and manage its needs for pleasurable experiences. Le Bel (2005) proposes four types of pleasure that is a useful start for this discussion, yet there seems to be gaps in his presentation for the tourism industry as a whole. A more detailed investigation of pleasure is needed in order to fully assess pleasure's role as a major variable in destination marketing. Study 1: tourism market pleasure analysis, will offer important knowledge regarding the simplicity or complexity of the market's understanding of pleasure and its descriptive properties for tourist activities. The results of this study will provide researchers and tourism professionals with insight regarding the amount of shared meaning that pleasure has within the tourism market.

Destination Services and Pleasure

Destination services and product pleasure analysis' results will be organized to identify how well a destination's infrastructure is designed to attract different types of pleasure-seekers. The results will provide detailed insight into how well each of the destination's services and products satisfy specific pleasure-seeker's needs by analyzing the quantity and diversity of the destination's offerings against pleasure-seeking behavior. After all the destination tourism profiles are assessed as a group against the pleasure-seeking behavior segment matrix, a better understanding will be achieved of pleasure's potential as a strategic market driver for the tourism industry. The more correlations between tourist activity and pleasure-seeking behavior across destinations then the stronger the potential becomes for pleasure as a market driver.

Marketing Communications Legitimacy

The level of consistency within a destination's marketing communications campaign is an indicator of the campaign's quality and effectiveness. Similar message meaning across different destination's marketing communications campaigns is an indicator of market awareness and market demand. The results of study 3 will illuminate the professionalism of particular destination's marketing communications campaigns. In addition, when analyzed as a group, as pleasurable experience use increases as message appeal, industry understanding of pleasure's strength as attractive to the tourist market increases. The absence of pleasurable experience will indicate either pleasure is not in demand by the market or that industry has not recognized its potential as message appeal. Also, the results of this study will provide a window of knowledge regarding the

types of pleasurable experiences the industry has identified as appealing to various tourist markets.

The three studies represent a research agenda that will provide results illustrating that pleasure is both a legitimate and complex benefit sought after by the tourist market or a less important piece of the tourism industry. Either result is important for the development of tourism marketing research. The standard research limitations of how generalizable the studies are, control and bias apply to the proposed research agenda presented in this paper, but overtime, as the studies are replicated, the hope is that these limitations will be minimized.

CONCLUSIONS AND IMPLICATIONS FOR THEORY AND PRACTICE

Segmenting pleasure-seeking tourist behavior as a research agenda has important implications for both scholarly research and industry practice. One of the ubiquitous questions heard from many friends and family on return from vacation is “did you have a good time” and the answers can be very diverse. But this familiar question asks to confirm that the vacation offered some type of pleasure. This question is easy to ask, sometimes difficult to answer, and is anything but simple. There is so much that affects how a vacation is perceived at its end, from planning - to expectations - to each destination’s service touch point - to the flight home, that it is difficult to measure why and how each vacation is considered good or bad. All the experiences totaled give a tourist an impression, and this impression is expressed in many ways. This proposed research agenda’s direction is to organize these impressions, and to identify whether or not pleasure can be defined and segmented in order to provide a shared meaning among tourists, destinations, and marketing strategists.

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THE PARADOXES OF TOURISM

Philippe Callot, ESCEM Group, France

ABSTRACT

The paradoxes of tourism are multiple. Although it is the subject of repeated criticism, the tourist phenomenon prevails, mankind and his limited rationality does not seem to want to change his behavior. We introduce here the term *aporia*, stronger than that of paradox which remained unanswered, and as well as the following terms: migratory offensive, ecocide, rampant normality, ghetto, carbon footprint and planetary confinement. What kind of tourism should there be in these conditions? Should we not review our priorities here and now? People are faced with a wide choice. Regulated access, carbon taxes (in a system of “polluter pays”), CO₂ card with its educational and citizenship ideals and the lure of the self-discipline to finally act responsibly? It remains to be seen, as on Easter Island, if man is not the victim of unsolvable problems (Diamond, 2006: 49) created by himself. This is where the whole question of *aporia* lies.

INTRODUCTION

It would appear that tourism has lost its meaning. For some it is a synonym of free time, leisure and *farniente* or idleness, for others it signifies economic hope; but the purpose of tourism was not meant to amount to the production of people traveling in an anonymous mass. However, this is what we have achieved and with the tangible results there for all to see. The increasing number of methods of transport (ever growing in size, such as the Airbus 380 or the floating palace ferries) and types of accommodation, growing to huge proportions, has helped to establish this era of mass tourism. Where it was Benidorm and Las Vegas yesterday, Saida and Dubai have now taken over as the outdated materialization of the tourist landscape, the new theme parks, and true artificial paradises. We introduce, here, the term of *aporia*. The *aporias* or “logics” problems with no solution are multiplying around and with the players on a path that was promised to lead to such a bright future.

AMBIVALENCE SURROUNDING THE GEOGRAPHY OF TOURISM

Climate change and its impacts, whose detailed hypotheses are greatly feared, raise in particular the question of alterations to the coastlines. Where today every other person lives in an urban environment, these climate disruptions will lead, in the short term, to the displacement of hundreds of thousands of people. There are already several tourist destinations that are deeply concerned about the danger of rising waters (Fiji, the Maldives, Thailand, etc.). The *migratory offensive* is being prepared under our noses.

Technical progress “turns us into a new species of deportee leading straight not to extermination through genocide, but to geocide” (Virilio, 2009). This could be interpreted in the sense that the revolution in transmission mechanisms together with transport facilities are leading to a planisphere that could become a substitute for the five continents. “Going to see other places and watching the advances [...] of this alternative movement seem to be notions that are constantly accelerating between the urge to travel to exotic destinations and the deportation of those rejected in this form of globalization that is terminal and no longer inaugural” (Virilio, 2009). Such are the parameters of all that is brewing up in the beacon tourist destinations. “The exoticism of misfortune thus meets up with the exoticism of tourist happiness” (Virilio, 2009)

How should this new order of events be approached?

How can an invention of something without use (Boyer, 1999), tourism, be discussed when populations are being uprooted to form tribes of nomads searching for a destiny? Where can they go? What can we do to meet the needs of this “surge of almost a billion exiles who cannot be decently re-housed by anyone in less than half a century”? (Virilio, 2009). Where our population was 1.5 billion in 1900, there will be six times that amount in 2050. These billion exiles equate to ten thousand towns of 100 000 inhabitants in each. How can this equation be solved?

These so-called modern times have their phases of population movements. The roots of the cause’s changes, but the consequences are practically the same. “Deportation yesterday, delocalization or exclusion today; there is a profusion of semantic terms to describe, if not an exodus, at least enforced exile” (Virilio, 2009).

Some of the lost paradises in the ultimate *terra incognita* will become accessible tomorrow because of these transport capacities (*low cost* or large capacity craft) and the combined efforts of adventurers, followed by travel agencies in search of novelty destinations. Pollution, attacks and disease stamp a dimension of risk on tourist resorts, now added to by the dangers linked to climate change. Transcending geopolitics, this is now a question of aeropolitics (Virilio, 2009). Unfortunately terrorism is a clear example of the meaning of countries at risk when tourism is being discussed. The aim of the terrorist attacks is to “cut the ties of reciprocal dependency uniting the Muslim Arab world and the West” (Dénécé & Meyer, 2006).

Hence “catastrophes cover more areas than they did previously”, but the authors quickly qualify that “we are gradually becoming accustomed to a certain degree of fear that is rising without us being really aware of the fact” (Babou & Callot, 2007). Is high risk tourism becoming the latest trend to be followed? This is where we should learn to ask questions of ourselves.

REASONS FOR DOUBT

For some, these reasons are clearly identified. “Four calamities are pressing down on the entire planet: economic development, spiritual entertainment, mass tourism and generalized defiance” (Bardolle, 2008: 19). Apart from the awareness that seems to be becoming more acute, these highly controversial remarks put at risk the a fortiori hedonistic economic package leading to the expansion of tourism. Hence, with proven climate warming leaving absolutely no room for doubt, it is not “a natural catastrophe but an anthropological catastrophe” (Lebeau, 2008: 206). It is the *geocide* mentioned by Virilio, “the exhaustion of the geo-diverse resources of planet Earth” (Virilio, 2009: 29). Sharpley confirms: “As a major global activity, tourism consumes resources, creates waste and requires significant infrastructural development” (2009: 65). For his part, Diamond evokes the hypothesis of an ecological suicide called *ecocide* (Diamond, 2006: 18). We have to change! But in this respect, it is yet again doubt that prevails. For some, changing the addictive behavior of consumers is a delusion. Indeed, there cannot be “any chance of the genetic bases of human behavior transforming in the foreseeable future” (Lebeau, 2008: 227). Moreover, some authors have highlighted the limitations of each group in society when it comes to taking (or not taking) decisions and of simply acting.

“The inability to anticipate a problem before it arises, the inability to resolve, or even to attempt to resolve a problem when it surfaces, the inability to realize that there is a problem when one is present and, finally, the maintenance of a system of social values that are ill adapted to the new situation” (Lebeau, 2008: 185). The summary given by this author is, moreover, much clearer than the (poor?) translation of the French version of the work by Diamond (2006: 651). Here we find characteristics of both limited rationality and of the Titanic syndrome. Simon describes the individual as being restricted “by his ability, his habits and his reactions [...], restricted by his values and the objectives that direct his decisions [...] Finally the individual is restricted by the scope of his knowledge of elements relating to his work” (Dupuy & al, 1989: 26). The tale of the Titanic, being more than a metaphor, but above all an example not to be repeated, shows the importance of cognitive tendencies in collective and individual reasoning. Because the cognitive ability of each individual is limited, he/she may not have an understanding of all the possible options. “It would appear that, when possible solutions to a problem are being considered, this is done sequentially (the solutions are considered one after the other rather than simultaneously) until a satisfactory solution is found (and not the best possible solution)” (Dayan, 2004: 103). Because, out of 89 000 similar ocean crossings, only 13 collisions had been recorded and these without any casualties at all, the crew of the sadly famous liner refused to consider the messages suggesting they change their course or reduce their speed. The rapidly developing events surrounding climate change (rises in temperatures, CO₂ emissions, etc.) bear an uncanny resemblance to this fateful journey.

The “*rampant normality*” (slow developments that are not perceived by humans) leading up to *landscape amnesia* (Diamond, 2006: 659), the persistence in errors, the unwillingness to do anything, the refusal to accept the evidence, the reasoning through analogy, the illusion of correlation and the lack of mental agility leading to using solutions from the past (and instantly preferred), are examples of cognitive tendencies reflecting our restricted rationality. Another reason for doubt is our relationship with risk. As the organizers plotting geocide and ecocide, are people no longer frightening each other? Where we are fearful of cataclysmic events, it would appear that when humans are involved – conflicts, wars, terrorist attacks – as visitors they do not hesitate to take the side that will present no risk to themselves. Irrationality is at its height with actions that they are involved in. This is a new and highly significant aporia. The pirate raids off the coast of Somalia, the hostage taking or tourist attacks in Yemen, Pakistan or Niger, the political tension (Iran, Thailand) or the presence of terrorist groups (Algeria) with the occasional attacks (9 killed in Jakarta in 2009 after Bali in 2002 with 202 dead) all testify to this paradoxical attitude. Fear is expressed for the known climatic occurrences (hurricanes, cyclones, flooding, fires, etc.), but less so for the consequences relating to human actions. In the case of global warming, what should our attitude be? In the eyes of tourists, the routine of these risks should become bearable (Dénécé & Meyer, 2006). The market will therefore become accustomed to potential risks; will it get used to the risk of geocide or ecocide? Herein lay the principles of consented sacrifice so cherished by Virilio.

THE PARADOX OF WATER

We are not playing the role of Cassandra. As we are reminded, “saturation and pollution, extinction, exhaustion: these are the three great man-made mechanisms that alter the environment” (Lebeau, 2008: 79). Water and the way it is squandered in areas without it, together with sex tourism, are without doubt the greatest of contradictions that tourism can no longer cater

for. Can the “resorts”, complete with golf courses and monstrous levels of consumption, have any meaning when a quarter of the world population has no access to drinking water? How about these *condominiums* in Spain, in which the water can no longer reach the upper floors because its consumption is so high? Tourism in the Mediterranean alone represents 32.5% of the world tourist destinations. The waters associated with heliotropism are the motivation for these flows, which have an effect on urbanism, since 40% of the 46 000 km of coastal land is developed! In Sousse (Tunisia), water consumption has reached 1 000 liters per day in the tourist complexes. The Tunisians themselves consume 27 liters per person per day. Unfortunately there is one permanently established rule when considering tourism: no water, no tourism! Indeed, over-consumption even forms part of the tourist symbol. Plans for new Moroccan resorts promote this rare commodity in this country, to a targeted and often affluent, unappreciative public. All this is derisory luxury in comparison with the real stress felt by the natives through lack of water.

“Tourism, yes, but not always and not everywhere”² (Lozato-Giotart, 2006) should be considered as the wisest of precautions. Are we ready to make these sacrifices? Some would recall that, “by comparing a resource considered to be stable with demographic projections, the United Nations has reached the conclusion that in 2050, 42% of a population of 9.4 billion will be facing a chronic water shortage”. Here too, the *migratory offensive* could be on a worryingly large scale. As for the fourth Millenium Development Goal (MDG), reduction of the child mortality rate, the United Nations Development Program reminds us that “1.8 million children under the age of 5 years die each year through diarrhea caused by poor water quality” (Babou & Callot, 2007: 123). Other MDGs respond to this water paradox: the improvement of maternal health (through better hygiene and access to clean water) or, more simply, the reduction of extreme poverty and hunger thanks to last chance efforts: wells, drip systems, irrigation systems of all kinds, etc. This resource that is synonymous of life is sometimes placed at the top of the list of ten commandments for responsible tourists: “you will not use water in excess (especially in countries where it is scarce) by taking too many showers, washing clothes, etc. or staying in hotels that waste water (with swimming pools or lawn sprinkling)” (Allemand, 2005: 193). Beyond the increasing scarcity of oil, water now appears to be the critical resource of mankind in search of solidarity.

ENVIRONMENTAL CONTRADICTIONS

The fourth report of the GIEC working group indicates that we should expect “the deterioration of coastal conditions, for example through beach erosion and coral bleaching, to affect local resources such as fishing and reduce the value of these destinations in the eyes of tourism” (GIEC, 2007: 11). As a global, multi-sectoral industry, tourism is impossible to control (Sharpley, 2009: 66) and in the same time the planet is not a theme park (Babou & Callot, 2007). Beyond the man-made, declining neon creations of this name (resorts, tourist enclaves, leisure centers, casinos in the middle of the desert, urban beaches with artificial waves, etc.), our concern is even greater with regard to natural treasures. The highest mountains (climbed and litter-strewn), the most beautiful waterfalls (exploited for tourist activities), melting icebergs and disappearing coral reefs are a few examples of conquests and therefore encroachments of expanding tourism. In this case, tourism is a place of life; depending on how interesting it appears as material for the travel organizers and the tourists yearning for the exotic, the place quickly becomes exploitable territory. Theme parks on the one hand or protected areas on the other both show this ambivalence with regard to the space they occupy; territory for creating a tourist area (resort, base, camp, purpose-built village, club, theme park, etc.) or a natural reserve. The possible ways of limiting these territorial marks (the term footprint will be used afterwards) are intended to be dissuasive. For example, leaving paths to overgrow, requiring a tax payment, imposing spatial zoning and implementing regulations to adapt to the environment (Lamic, 2008) are some of the methods suggested.

For each site, this will therefore lead to “increasing regulations in order to protect the site, after having increased the number of access routes and facilities in order to enhance it [...] An alternative solution could consist [...] in not increasing the number of roads, tunnels, car parks, accommodation units, etc.” (Christin, 2008: 118). Here we have a significant paradox! To protect by creating a *ghetto* or to make marvelous sites accessible under the pretext of helping local populations. In this case, tourist groups such as wildlife-spotting groups or hunting parties will establish themselves, each time bringing with them the potential side-effects of expanding the site and creating mass tourism where originally it was exclusive.

We are seeing this drama being acted out on the principle of development, economy and employment, the perfect aporia. “One job in twelve in the world already relies on tourism [...] and all those who are and who will be tied to this industry of festive devastation will also prove to be the fiercest guard dogs protecting it” (Bardolle, 2008: 101). The paradox has reached its height, making tourism manna for investors. “If the journey is philosophy, tourism is economics” (Christin, 2008: 36). The author exposes this democratization of tourism presented as a source of enrichment – but the real question we should dare to ask is, for whom? Virilio has the same observations when mentioning “the forward flow of the affluent, whose obsession with traveling and tourism is only ever the clinical symptom of a loss of perspective, a sudden feeling of disorientation” (2009: 26). Will this brighter period in the sector just boil down to mass consumption or the pleasure of the wealthy few? “Is this not what democracy is all about: the right to consume?” (Christin, 2008: 37). There are those who are even more

categorical and state that “we cannot rely on tourism to save developing countries, nor even to help them” (Rasera, 2005: 6). This hypothesis is also based on the observation that “economy that is only built on the development of tourism or low-skilled services condemns itself in the long term to seeing the overall standard of living drop, as is the case in Spain” (Artus & al, 2008: 58). To lay such high bets on the economic future based on tourism alone contributes to the paradox of the country in question. It is necessary to diversify the economy by encouraging “competence in many areas so as not to become reliant on tourism” (Christin, 2008: 105). This is a cry as well as a warning, a plea to eradicate the touristification of the world in places where the attractive environment is transformed into ethnic stereotype and, above all, into money. The “tourist devastation” described here highlights a new paradox of modern times: the carbon footprint.

CARBON FOOTPRINT: TOURIST ECONOMY: NEW PARADOX OF MODERN TIMES

The concept of the *carbon footprint* (or ecological footprint) dates back to 1996 (Rees & Wackernagel, 1996). This concept refers to the balance between the consumption of each human being and the resources required to supply these consumer goods (accommodation, food, public amenities, and transport). The footprint describes “the space used by people to produce the resources required for their way of life and to dispose of their waste” (Noualhat, 2008: 26). This amounts to an area of 1.78 hectares per person (based on 6.3 billion people in 2009). Now, since people, or at least a portion of the population, live beyond the means at our disposal, “mankind’s carbon footprint is the equivalent of 125% of the planet’s biocapacity” (Noualhat, 2008: 27). This concept relates to another known element within the tourist industry, that of the carrying capacity. Both attempt to provide an answer to the question which is no longer “how many people can we feed, but how many people can maintain their life styles and consumption levels in a way that is ecologically sustainable?” (Codur & Véron, 2005: 168). The carbon footprint can be included in this measurement system. “In this case, it is a question of calculating each individual’s main environmental impact in terms of land occupation” (Codur & Véron, 2005: 169). We see the paradox emerging at a demographic rate of 50% between now and 2050. “Man’s carbon footprint can no longer guarantee the lives of future generations” (Virilio, 59) who are coming to the point where, in less than 9 months people will be consuming “all the resources that people can produce in one year” (Virilio, 84). We can compare the respective footprints in relation to the type of consumption ([table no.1](#)).

Insert table 1

The alarm, as on board the Titanic, is ringing since this “means that between 1950 and 2000, the arable area available to feed an individual has dropped from 0.57 to 0.24 hectares” (Lebeau, 2008: 73), with the author reminding us that these are known figures which have been updated by the UNO³. Now, humanity is *the equity of the heart* as stated by Confucius. By what right are these wealthy few able to sign away the good of humanity? Where is the equity, where are the ethics and, quite simply, where is the good sense in these conditions?

REACHING A CONCLUSION

The definition of climate change given by the GIEC is as follows: it is “a change attributed directly or indirectly to human activity that alters the composition of the atmosphere and which is in addition to the natural climate variability observed over comparable time periods” (GIEC, 2007). The poor weather and natural events that we are currently experiencing thus fall beyond “normal” variability and are tangible demonstrations of this movement. We can sense the limits of our actions and behavior that some deplore. “We are no longer consuming, we are accumulating [...] we must find another way of saving and organizing society, a new way of dealing with our lands” (Denhez, 2009). The iceberg is getting bigger and our ship is still traveling at the same speed. As for the principle of sustainable development, should we be tempted through seeking economic gain to push the engines and increase the speed?

CONCLUSION

The paradoxes of these so-called modern times, as we have seen, are multiplying. It “remains to be seen what routes the actions will follow, even though it is hardly sure, nor even probable, that the actions will leave room for choice” (Lebeau, 2008: 256)

The challenge lies in the key question, being “can we attempt to conceive what the reaction of people will be to this conflict between the intentions that determine their activities and nature’s reactions?” (Lebeau, 2008: 128). Or more simply put, how many new catastrophes do we need before we take the equitable and firm decisions that we should be taking? We have already been alerted to the iceberg, but can we change course? Do we reduce our speed (especially in the West)? Do we show developing countries another less risky route to follow? What then are the possible routes? The tourist camp, as Bardolle calls it (2008: 101), already has so many detractors that in fact only the timid defenders of virtuous tourism, (does this exist?) even

if not sustainable (surely a contradiction in terms?), will be those, we fear, who have prospered in the past. One road to follow is through corporate change procedures. Research on ethics (in business) and corporate social responsibility (CSR), starting from scratch, are presumably elements of a reaction that are finally positive, as mentioned by Lebeau.

Once the paradoxes of tourism described here have been resolved, could they help us to achieve a “collective conscience-free” state of mind, a feeling of serenity in reducing our carbon footprint, in assessing and in controlling our gas emissions? Carbon taxes hurried through, emergency measures, clean cars, an accumulation of charters, and labels attesting authenticity (often true), are some of the reactions to warnings from scientists and “major protagonists”. But behind these gestures, as we fear from the current financial “games”, the natural will surely return at a charge. The main fear because of an addiction to growth (profits, salaries, possessions) is this short-term vision that supplants the challenges of defining a sustainable outlook. So the demons of the past will raise their ugly heads. The *migratory offensive* requiring drastic flow management and the falsely natural catastrophes (since they are man-made) will demand the establishment of highly coercive rules that will bully private society out of its bulimia and use all its strength to preserve that which it believes to be essential: outdated materialism. Latent fascism is to be feared since, by confronting the poor with the rich, obesity with famine and ostentatious luxury with ever-expanding shanty towns, there could be a resurgence of corrupt powers, liberticidal approaches and continuous political tension. Gaia's revenge (Lovelock, 2006) will also be enacted through us; our *planetary confinement* (Lebeau, 2008) will thus have revealed all the limitations of human beings, capable of anything and of nothing, to the point of their demise (Diamond, 2006). What kind of tourism should there be in these conditions? Should we not review our priorities here and now? The logics of restrictions, coercion and banning appear with their wave of constraints. Regulated access, carbon taxes (in a system of “polluter pays”), CO₂ card with its educational and citizenship ideals and the lure of the self-discipline to finally act responsibly? People are faced with a wide choice. It remains to be seen, as on Easter Island, if man is not the victim of unsolvable problems (Diamond, 2006: 49) created by himself. This is where the whole question of paradox lies.

TABLE

Table 1: Comparison of footprints in relation to the life style (<http://www.wwf.fr/pdf/fracturecolo.pdf>)

	USA	France	Morocco	India
No. planets	5.40	2.92	0.61	0.43
IDH 2000	0.939	0.928	0.602	0.577
No. hectares	9.7 ha	5.26 ha	1.1 ha	0.77 ha

Example: The surface area required for the life style of an American is 9.7 ha and 0.7 ha for an Indian. In terms of planets, this corresponds to 5.40 and 0.43 planets respectively.

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Carbon footprint calculation sites

WWF site : <http://www.wwf.fr/s-informer/calculer-votre-empreinte-ecologique>

Excellent educational website where everyone can learn to review their attitudes with regard to food and travel: <http://www.footprintnetwork.org/en/index.php/GFN/page/calculators/>

The carbon footprint with a provision of services aimed at local authorities and companies, for example: <http://ee.ingenius.net>

Saturday, 23 July
Time: 10:30 AM

Session Number: **12.3: Becoming Green**

Session Chair: Feinberg, Richard, *Purdue University*

Predicting Consumer Intentions to Purchase Energy-Efficient Products

Ha, Hong-Youl, *Kangwon National University*

Janda, Swinder, *Kansas State University*

It's Not Easy Being Green: Why Consumer Behaviors Don't Match Their Attitudes

Gabler, Colin, *University of Alabama*

Butler, Timothy, *University of Alabama*

PREDICTING CONSUMER INTENTIONS TO PURCHASE ENERGY-EFFICIENT PRODUCTS

Hong-Youl Ha, Kangwon National University, South Korea
Swinder Janda, Kansas State University, USA

ABSTRACT

An enhanced sense of concern related to global climate change and increasing media coverage attributed to this issue has led to an increase in number of consumers actively seeking out and adopting energy-efficient products. Moreover, research indicates that the increasing environmental concern and a greater emphasis on global sustainability issues have been important priorities of global organizations such as the OECD and the UN. Several prior studies have also found, however, that environmentally-conscious people do not show a consistent preference for purchasing environmentally-friendly products or in many cases are not willing to pay a premium for such products.

A good understanding of consumer attitudes toward environmental issues and behavioral intentions toward consumption of green products may be particularly important due to the above outlined discrepancy between consumer opinions about environmental issues and actual purchase behavior. This forms the basic premise behind the current research which examines behavioral intentions toward purchase of energy-efficient products utilizing the theory of reasoned action framework. The model proposed is tested utilizing survey data from 202 consumers. The main finding is that indicate that attitude toward energy-efficient product has a stronger effect on intentions compared to the subjective norm component. Among other results, this study finds that eagerness of environmental engagement has a positive effect on intentions. These findings have several implications for both researchers and practitioners, which are discussed in this paper.

References available upon request

IT'S NOT EASY BEING GREEN: WHY CONSUMER BEHAVIORS DON'T MATCH THEIR ATTITUDES

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Timothy D. Butler, University of Alabama, United States

Environmental concern has been growing in the social consciousness over the past several decades, driving firms to offer more and more green products. But while consumers claim to care about how their daily habits impact the environment, that desire has not translated into sales. This presents a frustrating paradox for managers as a society seemingly bent on making a change has yet to follow through in practice.

By conducting depth interviews with 16 undergraduate students, the authors investigate why so many consumers call themselves environmentally conscious, but so few live in a way that is good for the planet. Two main themes emerge. First, while green may be ingrained into our culture, consumers do not feel enough pressure or influence from society to act on their positive attitudes. We call this lack of environmental societal norms. Secondly, consumers feel as if they can make little difference in the big picture. With the problem so overwhelming, they do not believe one person can make an impact. We call this low environmental locus of control. The findings could help policy-makers and managers create strategies that move consumers from attitudes to action.

References Available upon request.

Saturday, 23 July
Time: 10:30 AM

Session Number: **12.4: BRIC Markets I**

Session Chair: Sharma, Dheeraj, *Athabasca University*

The Determinants of the Quality of the Sales-marketing Interface in a Multinational Customer Brand Focused Company: The Latin American Branches

Cometto, Teresa, *Universidad ORT Uruguay*

Labadie, Gaston J, *Universidad ORT Uruguay*

Palacios, Miguel, *Universidad Politecnica de Madrid*

Does Country of Origin (COO) Matter for Consumers in Emerging Country? A Study on Influence of COO at the time of Product Evaluation of Mobile Phones by Indian Consumers

Banerjee, Dr Saikat, *Indian Institute of Foreign Trade*

Chaudhuri, Bibek Ray, *Indian Institute of Foreign Trade*

How Customer Involvement Influence Loyalty of Credit Card Holders in India?

Liu, Matthew, *University of Macau*

James L. Brock, *Pacific Lutheran University, USA*

Singh, Ramendra, *Indian Insitute of Management Culcutta, India*

Christopher Rong Wei Chu, *Fudan University, China*

Joseph Sy-changco, *University of Macau, Macao*

THE DETERMINANTS OF THE QUALITY OF THE SALES-MARKETING INTERFACE IN A MULTINATIONAL CUSTOMER BRAND FOCUSED COMPANY: THE LATIN AMERICAN BRANCHES

Teresa Cometto, Universidad ORT Uruguay, Uruguay
Gaston J. Labadie, Universidad ORT Uruguay, Uruguay
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ABSTRACT

Customer evolution and changes in consumers, determine the fact that the quality of the interface between marketing and sales may represent a true competitive advantage for the firm.

Building on multidimensional theoretical and empirical models developed in Europe and on social network analysis, the organizational interface between the marketing and sales departments of a multinational high-growth company with operations in Argentina, Uruguay and Paraguay is studied. Both, attitudinal and social network measures of information exchange are used to make operational the nature and quality of the interface and its impact on performance.

Results show the existence of a positive relationship of formalization, joint planning, teamwork, trust and information transfer on interface quality, as well as a positive relationship between interface quality and business performance. We conclude that efficient design and organizational management of the exchange network are essential for the successful performance of consumer goods companies that seek to develop distinctive capabilities to adapt to markets that experience vertiginous changes.

INTRODUCTION

This paper studies the factors which influence the quality of marketing and sales departments' interface and its effect on business performance within the context of a post-crisis Latin American market, characterized by profound changes in consumers, competitors and clients.

Homburg and Jensen (2007), use the term "quality of cooperation" between marketing and sales (instead of "integration"), defined as the extension where there is systematic collaboration between marketing and sales, characterized by a unity of efforts. Rouziès et al. (2005) define the marketing and sales interface as a dynamic process by which two functional areas create more value for the firm by working together than they would if they worked separately. However, considering the criticisms made to and the ambiguity of the term "integration" (Homburg and Jensen 2007), the terms "quality of marketing-sales interface" will be used herein.

While extensive research has been conducted on interdepartmental relations between Marketing and Production, Research and Development, Finance and Logistics, research on the interface between the marketing and sales function has only been done recently (Homburg et al. 2008) particularly in terms of its impact on business performance (Le Meunier-FitzHugh and Piercy 2007). The theoretical and empirical literature that has treated marketing and sales as separate units has either considered typologies of the interface and the management issues related to different stages within the organization (Webster 1997; Day and Montgomery 1999; Kotler et al. 2006; Homburg et al. 2008) or examined the integrative mechanisms and their relationship with business performance (Dewsnap and Jobber 2000; Dewsnap et al. 2004; Rouziès et al. 2005). From a theoretical point of view these integration mechanisms can be examined considering structure, processes or systems, culture and people. Homburg, Jensen and Krohmer (2008) have carried out one of the most recent and comprehensive empirical study which develops a taxonomy of interfaces, creating a multidimensional model which integrates simultaneously dimensions which had previously been studied as isolated elements: power (Homburg, Workman and Krohmer 1999), shared information and integrative mechanisms (Cespedes 1995), cognitive orientation and knowledge (Cespedes 1995; Montgomery and Webster 1997). The above mentioned multidimensional model studies those five domains and identifies superior configurations called "Brand-focused Professionals" (consumer goods companies with differentiated marketing and sales functions), characterized by top quality collaboration systems and market performance.

The present study performs, to our knowledge for the first time in the literature, an empirical analysis of the above mentioned model within one of the most effective configurations in terms of interface quality, the "Brand Focused Professional" companies, and examines the factors affecting the marketing and sales interface and the network information exchange dynamics. It tests the model in a multinational packaged consumer goods company, operating in the Latin America's

Southern Cone, with a record of outstanding performance and a global recognition for its excellence in execution, extending the original model with a relational or social network component.

Interface as an information transfer network

Up till now, the marketing and sales interface has not been considered from a relational view point and barely considered in the social network literature (Betts and Stouder 2004), although this approach has been used to analyze supply chain interfaces (Carter et al. 2007).

A network is a set of actors who are connected with one another through arches which carry out transactions. Mutual profitability is only possible if resources are joined (coordination) and the parties agree to give up the right to follow their own interests at the expense of general interests (collaboration). Networks include three critical components: knowledge, trust (cooperation and reciprocity of a long term continuous exchange relationship), speed and the ability to disseminate new information (Powell 1990; Wasserman and Faust 2008). To understand economic exchange, “embeddedness” is a key concept in network theory (Granovetter, 1985), which implies that every economic behavior is necessarily embedded in a larger social context and the results are affected by dyadic relationships between actors and the relationship network structure. Relational “embeddedness” is the dimensional extension of relationship quality (centrality and power) and it is an indicator of how actors connect with each other and how much influence they exert on economic performance (Uzzi 1996). Structural “embeddedness” is an analytical concept which examines how resource or information flow is organized in terms of structure within the structure of ties between actors (density). Considering findings resulting from research on other interfaces, particularly supply chain management (Carter et al. 2007; Borgatti and Li 2009) and the configuration of Japanese “keiretsu” networks (Wakabayashi 2003), we examine how marketing and sales can develop relational trust, fostering cooperation and coordination (Rodríguez and Wilson 1999), limiting opportunistic behavior and reducing transaction costs (Uzzi 1997).

The network approach then, provides a natural conceptual complement and a way to make operational some of the concepts developed in Rouziès et al. (2005) framework and Homburg et al. (2008) model.

THEORETICAL MODEL AND HYPOTHESIS

Our model includes two sets of relationships. The first set of relationships describes the effects of network variables on trust and performance, analyzing network variables such as density, centrality and power. Power is best understood from a network approach since it is inherently relational. If a system has low density, not much power can be exerted, while the opposite is true for high density systems. Network position (Bonacich 1991) is linked to the ability to absorb knowledge and loosen-up perspective, and at the same time it is related to intensive knowledge task performance which to a certain degree depend on the collection of proper information to solve new and challenging problems. According to the “embeddedness” approach on organizational control, trust enabled by relational proximity (Hess 2004), fosters the network learning process through a complex social phenomenon which includes knowledge, emotions, reputation, appearance, identities, institutions and power relationships (Glückler 2005).

In the case of the marketing and sales interface, trust is built upon social interactions, cultural integration between individuals with different “thought worlds” (Homburg and Jensen 2007) and the support of regulatory frameworks and institutional processes (Child and Faulkner 1998), that is to say, a combination of trust based on the institution and trust based on interaction. Wakabayashi (2003) develops and proves empirically that a high number of relationships or ties (relational “embeddedness”) promote a positive assessment of relational trust (reciprocity) just as the density of the network (structural embeddedness) expands this effect (trust in skills and performance, reputation). Rodríguez and Wilson (1999) prove that a high level of structural union determines a high level of trust in inter-company partnerships and Dawes and Massey (2006, 2007) indicate a positive relationship between trust and the perception of interface quality. Summarizing the above:

H1 Organizational trust is positively associated with a firm’s network: (a) density; (b) centrality; (c) power.

H2 Organizational trust is positively associated with the firm quality of marketing and sales interface

The second set of relationships is based on the multidimensional model developed empirically in Europe by Homburg and his colleagues (2008) which defines the dimensions affecting marketing and sales interface in the different taxonomies. Knowledge and orientation differentiates these firms and establish them as consumer and customer experts respectively,

while structural unions (teamwork) are integrative mechanisms (Workman et al. 1998). Summarizing the above:

H3 (a) Teamwork skills are positively associated with the firm's quality of marketing and sales interface

H3 (b) Market and product knowledge of marketing and sales are positively associated with the firm's quality of marketing and sales interface

Data dissemination and communication is a dimension described by Homburg et al. (2008) as a key factor to organizational learning (Kotler et al. 2006). The hypothesis established by Rouziès and his colleagues (2005) shows the existence of a positive relationship between formal and informal communication and integration. In fact, bidirectional communication has a strong negative effect on conflict (Dawes and Massey 2005; Kotler et al. 2006). Summarizing the above:

H4 (a) Information sharing is positively associated with the firm's quality of marketing and sales interface

H4 (b) Joint planning is positively associated with the firm's quality of marketing and sales interface

H4 (c) Formalization is positively associated with the firm's quality of marketing and sales interface

Power is another domain which reflects how the influence over market-related activities is divided amongst the marketing and sales functions (Homburg et al., 1999). In the organization under study marketing and sales department have equal weight, hierarchical level and participation in the Company Board. Within this structure, power is probably more dependent on exchange relationships, thus it is measured using the network approach (Hypothesis H1c).

Finally, there is empirical evidence that relates the quality of cooperation between the marketing and sales functions and business performance (Dewsnap et al. 2000, 2004, Rouziès et al. 2005; Le Meunier-FitzHugh and Piercy 2007; Homburg et al. 2008). Summarizing the above:

H5 the firm's quality of marketing and sales interface is positively associated with market business performance, achieving better competitive results.

COMPANY SELECTION AND DATA COLLECTION

The empirical study is conducted at a multinational consumer goods company in one of its Latin America's southern cone branches (Argentina, Uruguay and Paraguay). The company has a worldwide presence and a large market share for participating categories.

In South America, the growth of the southern cone region stood out in 2006 (17%), 2007 (21%) and 2008 (26%), as one of highest growth rates in the world compared to other regions (America and the world 5-7%) affecting positively the market share performance in the most relevant categories where the firm occupies the first position with regard to its competitors. According to the study conducted by Homburg and his colleagues (2008), the taxonomic group to which this type of consumer goods companies belong ("Brand-Focused Professionals") is characterized by the highest levels of formalization, joint planning, team work and shared information, as well as the highest levels of market and product knowledge. This industry has a strong strategic focus on brands, but also an intense development of the sales function (Homburg et al. 2000). The research surveyed managers within both - sales and marketing departments - of the same firm in different countries, Argentina, Uruguay and Paraguay, based on a data base supplied by the firm. A self-administered questionnaire was used as the data collection instrument, and it was sent via e-mail to each of the people included in each country's data base. Every person contacted received an introduction on the project's objective, as well as an information confidentiality clause. The questionnaire and its rating scales were based on literature review and were previously assessed through semi-structured qualitative interviews. The questionnaire had 3 modules: characterization of the firm's respondent, marketing and sales network within work teams and the assessment of marketing and sales interaction within work teams. In order to evaluate the network hypothesis, reciprocal information transfer relationships (who is information required from? Or, who goes in search of information?) were collected using a positional chart (Krackhardt 1990).

After quality control of the data, 43 valid answers were received out of a total of 75 from all three countries, over a period of less than 10 days, with similar quotas for marketing and sales. These cases represent a high rate 57% response and enough cases to enable the use of statistical analysis techniques (Homburg et al. 2007; Mertler and Vannata 2005). The marketing

and sales responses came from a population with the same distribution (Z de Kolmogorov Smirnov's Non-Parametric Test) and non-significant differences (Non-parametric Test from the U of Mann-Whitney), all of which enabled us to unite all marketing and sales responses under one unique sample.

VARIABLES VALIDATION AND MEASUREMENT

Factor consistency evaluation was carried out in a first stage using Exploratory Factor Analysis (principal axis factoring for non-normal data, Costello and Osborne 2005). Ordinal factor reliability was estimated applying SEM (Structural Equation Modeling) polychoric correlations (non-continuous ordinal data on the Likert scale) (Oliden and Zumbo 2008).

Business performance was assessed using 3 items. Informants were asked to indicate the extent to which the business unit's profit, growth and market share outcomes had occurred over the past year, based on 5-point scales (anchors: "1 = "Strongly disagree", 5 = "strongly agree") (Homburg and Jensen 2007; Homburg et al. 2008; Trade audits Nielsen/CCR). All three items show low convergence ($\alpha = 0.76$). This result is due to the fact that the respondents are aware of the firm's growth and profitability but they don't have this information on competitors'. Considering high factor loading (> 0.6 , Costello and Osborne, 2005), the performance construct is substituted by the market share growth variable which is consistent with the marketing and sales managers' objectives and is verified through the Nielsen/CCR trade audits information (2008).

The quality of the interface was assessed using seven items (Ellinger 2000; Homburg and Jensen 2007; Homburg et al. 2008). All seven items show high convergence ($\alpha = 0.91$). Team working was assessed using six items (Cespedes 1996; Homburg et al. 2008). All six items show high convergence ($\alpha = 0.85$). Information sharing was assessed using three items (Jaworski and Kohli 1993; Homburg et al. 2008). All three items show high convergence ($\alpha = 0.94$). Formalization was assessed using seven items (Ruekert and Walker 1987; Dewsnap and Jobber 2002; Homburg et al. 2008), showing high convergence ($\alpha = 0.85$). Joint planning was assessed using four items (Piercy 1989, Homburg et al. 2008), showing high convergence ($\alpha = 0.87$). Market and product knowledge was assessed using six items (Homburg et al 2008), showing both low convergence (marketing knowledge $\alpha = 0.60$, sales knowledge $\alpha = 0.75$). Sales knowledge can be improved by eliminating the customer knowledge variable ($\alpha = 0.81$); however, due to the fact that it is an extremely relevant variable, this would not be feasible. Additionally, other indexes composed of the difference between marketing and sales knowledge were tested (Homburg and Jensen 2007), but convergence remained inferior to 0.8. This construct's weakness disables hypothesis validation or rejection.

Network variables are calculated considering the relationship between pairs of individuals who work in the marketing and sales functions (dyadics) in each country as units of analysis. For each pair, we measured the extension in which the individual in position i looks for and sends information on the individual in position j , using a matrix $N \times N$, (0.1). In order to reduce response accuracy problems, the reciprocal path was considered (giving and receiving information) and then the average was calculated (Borgatti et al. 2009). Density (number of ties related to total possible network ties $[n(n-1)/2]$, centrality (biggest tie quantity, lowest distance, exposure index, strategic influence opportunity and leadership) and power (centrality negatively weighted with strong ties and positively weighted with weak ties) were calculated using Ucinet 6 software (Borgatti et al. 2002; Hanneman 2002). Trust was assessed using three items (Wakabayashi 2003), showing high convergence ($\alpha = 0.85$).

Data Analysis

Results confirmed the specialization in marketing and sales knowledge (>4 knowledge of clients through sales and knowledge of brands through marketing) as well as in team work, joint planning, mutual support, trust and performance, which are typical of "brand focused professional" firms and are consistent with the taxonomy defined by Homburg et al. (2008) and empirically validated in Europe.

The analysis of interface networks by country enables us to describe and understand information flow and allow us to make any necessary structural corrections. In the smaller countries, Uruguay and Paraguay, networks show high density levels close to their highest potential, and a high level of variation (Standard deviation close to 0.5). Higher density roles have a higher level of hierarchy and play an integrative role between the two departments (customer marketing). In terms of centrality, actors within the Argentine network have more ties to other actors, and are therefore less dependent on other individuals since they have alternative ways of satisfying needs or obtaining more resources. Centralization is low in all networks, displaying low heterogeneity. The most influential positions are once again those with a higher hierarchy level and they play a coordinating role between the two departments (customer marketing, visibility and trade category specializations). Once the concepts were made operational, we were able to test the relationship between them in the model, against the

obtained measurement data, to determine how well the model fits the data. A confirmatory factor analysis was conducted using SEM (Structural Equation Modeling) in order to understand the relationship between studied variables and latent variables which are the unobserved cause of the aforementioned ones. In this study, SEM (Fox 2006) is applied using R software, a package that provides basic structural equation modeling facilities, including the ability to fit structural equations in observed variable models by two-stage least squares (assuming multinormality). As a result we obtained a more strict analysis of the researched model, using the most common measures of fit: Chi-Square, Root Mean Square Error of Approximation (RMSEA), Comparative Fit Index (CFI), Tucker-Lewis, Bentler and Bentler-Bonnet (Tucker and Lewis 1973; Bentler and Bonnet 1980; Bentler 1990). Because different measures of fit capture different elements of the fit of the model, it is appropriate to report a selection of different fit measures. Individual parameters of the model were examined using R package and polychoric correlations within the estimated model in order to see how well the proposed model fits the driving theory. Due to resulting non-convergence problems, structural equation models were estimated based on Pearson's correlation matrix (considering items as being continuous) given that parametric methods show the interaction between variables more strongly.

FINDINGS AND HYPOTHESES TESTING

The results obtained from software R enabled the validation of 6 out of the 8 hypotheses that had been originally posed. Hypotheses with a high and statistically significant structural coefficient (beta) and goodness-of-fit indicators close to 1, with an RMSEA close to 0,05, are validated.

As hypothesized, trust (β z value=4.8 $\Pr(>|z|)$ 1,6e-06) has a significant and positive effect on interface quality (H2). However, contrary to our expectations, other network variables, density, centrality and power (H1 a, b, c) have no significant effect on trust. Knowledge construct either considered directly, squared (Tsui et al. 1992) or taken from difference index (Homburg and Jensen 2007), does not show any significant relationship with the quality of marketing and sales interface. Although it is not possible to conclude that there is not any significant relationship between knowledge and interface quality, it is readily apparent that when a high level of knowledge specialization is attained, the interface will have developed integrative tools that minimize this effect (Workman 1993). As hypothesized, teamwork (β z value=3.3 $\Pr(>|z|)$ 8.9869e-04), information sharing (β z value=3.1 $\Pr(>|z|)$ 2.5222e-03), formalization (β z value=2.9 $\Pr(>|z|)$ 3.9e-03) and joint planning (β z value=2.7 $\Pr(>|z|)$ 7.6684e-03) have a significant and positive effect on interface quality (H3a, H4a,b,c). As hypothesized, quality of the interface (β z value=2.2 $\Pr(>|z|)$ 2.7528e-02), has a significant and positive effect on firm performance (H5).

CONCLUSION

This study focuses on marketing and sales since these two functions play a key role in the company's performance. Our findings suggest that the quality of the marketing and sales interface is positively associated with business performance, and is consistent with empirical evidence and previous studies (Dewsnap et al. 2000, 2004; Rouziès et al. 2005; Le Meunier-FitzHugh and Piercy 2007; Homburg and Jensen 2007; Homburg et al. 2008) conducted in Europe. They also enhance the importance of interface management on the firm's successful achievement of goals in Latin America. Our results also validate teamwork, information sharing, formalization, joint planning and quality of the interface dimensions, which have already been found to be relevant in the literature (Ruekert and Walker 1987; Piercy 1989; Jaworski and Kohli 1993; Cespedes 1996; Ellinger 2000; Dewsnap and Jobber 2004; Homburg and Jensen 2007; Homburg et al. 2007; Homburg et al. 2008) as dimensions playing a key role. Additionally, information exchange network variables are examined, characterizing network density, power and centrality, validating the trust construct and its positive relationship with interface quality (Wakabayashi, 2003). We believe that a significant contribution has been made to the existing literature, by combining two approaches which have not appeared simultaneously in any previous study: the multidimensional factor model related to the quality of interface and information exchange network approach variables. Since our analysis rests on a small number of respondents (although they represent 60% of the sample) and limited to survey data provided by a firm operating in the consumer goods industry, the applicability of our findings to other industries needs to be tested. Additional studies, using better measures of knowledge (sales and marketing) would yield more insights. Future research could also examine other network variables and study the way in which different organizational network mechanisms operate according to different cultural norms and market mechanisms. Despite these limitations, our study integrates the information exchange network approach to the marketing and sales interface management and validates models for Latin America, which have been previously tested in other continents. Our findings suggest that the main challenge for senior executives in charge of managing the value of a social network interface is to make sure marketing and sales teams continue to improve the quality of interface, building trust and developing planning, information transfer and teamwork skills.

TABLES

Table 1: Descriptive statistics by construct

Construct	Variables	M	SD	Alpha Cronbach	Source
Relational Embeddedness	Centrality Argentina	14,2	4,7		Borgatti, Everett and Freeman (2002)
	Centrality Uruguay	12,2	3,0		
	Centrality Paraguay	11,0	2,1		
	Power Argentina	16,8	22,7		
	Power Uruguay	4,6	4,1		
	Power Paraguay	3,3	2,5		
Structural Embeddedness	Density (%) Argentina	42	0,49		
	Density (%) Uruguay	78	0,41		
	Density (%) Paraguay	75	0,43		
Trust	Mutual trust	3,91	0,84	0,85	Wakabayashi (2003)
	Long term mutual trust	4,05	0,79		
	Mutual support	4,33	0,71		
Knowledge of marketing	Knowledge of clients	2,77	0,81	0,60	Homburg et al. (2008)
	Knowledge of competitors	3,91	0,78		
	Knowledge of brands	4,44	0,63		
Knowledge of sales	Knowledge of clients	4,35	0,72	0,75	Homburg et al. (2008)
	Knowledge of competitors	3,95	0,62		
	Knowledge of brands	3,81	0,91		
Teamwork	Teamwork skills marketing	4,09	0,84	0,85	Cespedes (1996) Homburg et al. (2008)
	Teamwork skills sales	4,12	0,70		
	Communication skills marketing	3,91	0,90		
	Communication skills sales	3,88	0,66		
	Persuading skills marketing	3,74	0,66		
	Persuading skills sales	3,74	0,73		
	Conflict tolerance marketing	3,28	0,70		
	Conflict tolerance sales	3,47	0,83		
Information Sharing	High speed information	3,55	0,80	0,94	Jaworski y Kohli (1993) Homburg et al. (2008)
	Proactive information	3,14	0,94		
	Relevant information	3,42	0,91		
Formalization	Process trust	3,88	0,70	0,85	Ruekert and Walker (1987) Dewsnap and Jobber (2002) Homburg et al. (2008)
	Written formalized process	3,81	0,73		
	Process development	3,40	0,70		
	Rules compliance	3,84	0,62		
	Rules effectiveness	3,77	0,61		
	Knowledge of process marketing	3,86	0,70		
Joint planning	Knowledge of process sales	3,81	0,84	0,87	Piercy (1989) Homburg et al. (2008)
	Joint planning	4,05	0,49		
	Joint decision	3,93	0,51		
	Joint implementation	3,67	0,68		
Interface quality	Joint resolution	3,56	0,91	0,91	Ellinger (2000) Homburg and Jensen (2007) Homburg et al. (2008)
	Frictionless collaboration	3,56	0,91		
	Coordinated decision	3,91	0,65		
	Coordinated activities	3,81	0,76		
	Common objectives	4,02	0,60		
	Agreements compliance by sales	3,88	0,73		
	Agreements compliance by mktg	3,74	0,66		
	Relationship satisfaction	3,91	0,90		
Business performance	Profitability result vs competitors	3,63	1,07	0,76	Homburg and Jensen (2007) Homburg et al. (2008) Trade audits (Nielsen, CCR)
	Turnover growth vs competitors	4,00	0,85		
	Market share vs competitors	3,65	0,95		

Table 2: Effects of network embeddedness, structural linkages, information and knowledge on Interface Quality and Business Performance

Construct effect	Null Model	Model							Hypotheses
	Chi-square	Chi-square	Beta Z value	Beta Pr(> z)	Goodness of fit	RMSEA	BB NFI	Tucker Lewis NNFI	
Network embeddedness	185,53	40,52	<2						H1 (a, b, c)
Trust	250,30	34,72	4,8	1,6e-06	0,874	0,074	0,861	0,957	H2
Teamwork	407,52	128,47	3,3	8,9e-04	0,749	0,137	0,685	0,775	H3a
Information	300,36	38,94	3,1	2,5e-03	0,874	0	0,870	1,000	H4a
Joint planning	284,30	46,42	2,7	7,7e-03	0,857	0	0,837	1,016	H4b
Formalization	385,91	89,68	2,9	3,9e-03	0,805	0,044	0,768	0,970	H4c
Interface quality	176,07	16,40	2,2	2,8e-02	0,925	0	0,907	1,081	H5

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DOES COUNTRY OF ORIGIN (COO) MATTER FOR CONSUMERS IN EMERGING COUNTRY? A STUDY ON INFLUENCE OF COO AT THE TIME OF PRODUCT EVALUATION OF MOBILE PHONES BY INDIAN CONSUMERS

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INTRODUCTION

Effect of product's country of origin (COO) on consumers' attitudes, preferences and buying behavior, as an upcoming area of study, has gained momentum over the years (Verlegh and Steenkamp, 1999). There is an increasing trend among firms using positive association with the COO to chart the marketing strategy of brands (Papadoupoulos et al., 1993). Peterson and Jolibert (1995) propagated that favorable country perceptions lead to favorable perceptions of associated attributes of a product. As a result, the impact of COO behind product evaluation may have a strong impact on various strategic decisions in the functional domain of marketing and brand management. Although the COO theme has long formed the object of continuing investigation in marketing literature, the major studies have often been carried out with reference to the United States (Bertoli, Busacca, Molteni 2005). Due to rapid globalization and reduction in trade barriers, in recent past, major emerging economies from Asia witnessed entry of cross border brands in their markets. India, as an emerging economy, has also followed the trend. However, there is a serious lack of India-specific research study in the area of effect of COO on product evaluation. For a better understanding of the same, the present study is proposed. In this study an attempt has been made to address the effect of COO from three different dimensions namely country image effect, COO image effect and awareness level about the COO of the brand and its resultant effect on product evaluation. Further, the brand awareness, level of involvement and the COO interaction effect on consumer product evaluation has also been studied to indicate the intensity of COO impact.

METHODOLOGY

Based on the issues raised from the secondary literature survey, the hypothetical model is proposed for this study. We are using seven theoretical constructs to test the relationship between country of origin and consumer product evaluation for the selected product. Appropriate method for estimating the model would be Structural Equation Modeling (SEM) [Wright (1921), Haavelmo (1943), Simon (1953) and Pearl (2000)]. To capture what a respondent thinks about a certain country, Country Image Scale of Martin and Eroglu (1993) is used. Sixteen measurable characteristics from Consumer Involvement Profile (Jain & Srinivasan, 1990) are used to understand product evaluation and involvement level of respondents. To understand product image key characteristics of a set of countries, the scale proposed by Roth and Romeo (1992) has been used. Based on the theoretical contribution of Usunier (1993) and Usunier, Lee (2005), views of respondents about country product relevance have been captured. To understand the opinion about COO behind buying decision, 13 country-of-origin statements, drawn from Lascu and Babb's (1995) study have been used.

Data & Sample

The present study is based on primary data. The study has been conducted in the city of Kolkata, India and the mobile phone market has been taken as the hub of the study because of the presence of many cross border companies in India. Data has been collected from user of mobile phones in the age group 20-40 in the city of Kolkata in India (as they are the prime segment for usage of this type of product). In this study, random sampling method is adopted and participation is voluntary.

RESULTS AND DISCUSSION

Data on the constructs were first tested for reliability and internal consistency using Cronbach's alpha (Cronbach, 1951 and Peter, 1979). It basically tests the suitability of using the data for further analysis. On an average indicators used in our study had alpha values of 0.61. Hence the responses were found to be suitable for further analysis. The estimation was carried out using the Maximum-Likelihood Method. The Chi-square/degrees of Freedom value of 2.44 which is less than 3 showed a good model fit (Carmines and McIver, 1981). In addition we got the comparative fit index value of 0.70 which is less than the commonly accepted 0.90 (Anderson et al.). The measure reflecting the difference between the proposed model and the population covariance matrix, as measured by the Root Mean Square Error of Approximation (RMSEA), is obtained as 0.08 which is at an acceptable level (Byrne, 1998). Out of the ten paths four path coefficients are found to be statistically significant. Given our interest in finding the influence of different constructs on product evaluation of mobile phones we find that out of the five paths leading to this construct three are significant. Awareness about brands (Aware) seems to positively

covary with product evaluation whereas COO and brand image have significant negative influence on the same. The results show that the mobile phone users (in the particular price segment we have studied) are not influenced by their perceptions about brand image of the mobiles while evaluating the product.

CONCLUSIONS AND IMPLICATIONS FOR THEORY AND PRACTICE

The study is built on existing literature on influence of COO, brand image, awareness about brands, country image and product image on consumer's evaluation of mobile phones. To our knowledge it is one of the first attempts to analyze consumers' product evaluation of mobile phones in an emerging market. Existing scales measuring these constructs have been used to test the proposed theory. Results show that for this particular price segment (below US\$100) and the age group which covers bulk of the mobile phone users in India, COO and brand image negatively influences consumers product evaluation of mobile phones. This implies that for the brands which got higher consumer rating from the respondents is not perceived to be worthy buying by the same consumers. In this segment since all the brands are having hand-sets made in China both brand image and COO has no influence on product evaluation. But general awareness about brands and features of their hand-sets seem to have a positive influence on product evaluation. Thus the findings of this study may be pointing towards the fact that marketing professionals may concentrate more on branding and advertising the number of features relative to the price of the hand-set in these segments in emerging markets.

REFERENCES

“References Available Upon Request”

HOW CUSTOMER INVOLVEMENT INFLUENCE LOYALTY OF CREDIT CARD HOLDERS IN INDIA

Matthew Tingchi Liu, University of Macau, Macao

ABSTRACT

The effects of loyalty programs on consumer purchase behaviour have been extensively studied, albeit with mixed results (Meyer-Waarden, 2008; Dowling & Uncles, 1997). A recent study by Liu (2007) on the long-term impact of loyalty programs on consumer purchase behaviour and loyalty found that loyalty programs do not affect the purchasing behaviour of heavy users, although it increased the purchase behaviour of light users. Similarly, few other studies (e.g. Lara & De Madrariaga, 2007) have looked at the importance of rewards vis-à-vis the profile of the consumers, and the impact of loyalty programs under different conditions of market saturation, market share, and category expandability (Liu & Yang, 2009). Some of the key loyalty-marketing trends have been already identified and explored in detail (Capizzi & Ferguson, 2005).

Loyalty reward point programs have been in operation in the credit card market for several decades now. Liu and Yang (2009) reported that in the credit card industry, half of general-purpose credit cards offer a reward program. Mägi (2003) notes that despite the customer loyalty reward programs in this industry reaching a stage maturity, the multiplicity of the loyalty program memberships may also allow having fair judgement to individual programs. Reflecting this concern, academic research also has expressed doubts about the value of such loyalty programs to firms (e.g., Dowling & Uncles, 1997; Shugan, 2005). Several scholars have also suggested that delayed rewards in a loyalty program have a significantly different impact on customer loyalty (e.g., Leenheer & Bijmolt, 2008).

According to Bolton, Kannan, and Bramlett (2000), credit card users belonging to any reward programs spend more using their cards than non-members, but were not more likely to retain their accounts over time, i.e., the programs increase usage but do not appear to build loyalty. There are essentially three types of rewards programs for credit card users: point-based, cash back, and airline miles, with some cards offering combinations of these. The current research focuses on point-based programs. Benefits of reward points from using a credit card are dependent on the program selected by the customer, but can include free flights, free accommodation, electronic equipment, vouchers and gift certificates to major retailers, magazine subscriptions, passes to major theme parks, etc. Despite its higher returns, consumers find the redemption procedure of point-based rewards to be too much trouble - instead preferring the simplicity of automatic cash back credit (Liu, 2009). For example, unlike cash back cards, point-based reward cards usually require card holders to keep track of their points and submit requests when they qualify for point redemption. Point-based rewards usually expire if not redeemed within a fixed time period. Further, the rate of return ("redemption ratio") of some point-based reward programs varies considerably depending on what is redeemed; retailer vouchers may carry a higher return than gasoline, for example. Compared with the complexity of point-based reward programs, and the implicit need for customers to manage their accounts, customers with cash back credit cards automatically get a portion of their purchases back as statement credits or a cash back checks after a certain period of time. Besides, Van et al. (2004) and O'Brien and Jones (1995) have found that the manner in which the structure of the point reward system also impacts redemption behaviour by consumers.

However, past research has dealt with issues related to characteristics of rewards and their impact, mostly in the developed countries. However, there is limited empirical research in emerging markets that explores whether credit card reward point programs enhance customer loyalty. Moreover, there is also little understanding of the degree to which credit card users actually value reward point programs in emerging markets such as India. The early 1990s witnessed a quantum growth in the Indian credit card industry. Not surprisingly, credit cards have found greater acceptance and usage in major metropolitan cities of India. Increased competition has helped accelerate growth of the Indian credit card market, one result of which is more options for Indian customers. Collectively, credit card companies have also helped increase the overall acceptability of plastic, and hence usage. In 2009, the total number of credit cards in India was estimated to be 24.4 millions (Schulz, 2009) with 14 major banks and financial institutions providing credit card products and services. With increasing numbers of credit card issuers and increasing competition, several Indian banks are entering into joint ventures with international brands such as MasterCard and Visa (Mukherjee, 2006). According to Visa, the largest credit card type in India, India is one of the fastest growing markets worldwide, and it is estimated to be the fourth largest market in the Asia Pacific region (The Economic Times, 2006). In such growing and vibrant credit card market in India, it is important to understand if loyalty programs offered by the credit card companies actually work, and to what extent. This paper studies the impact of credit card loyalty reward point programs on the purchasing behaviour of Indian credit card users. A total of over 100 valid responses were collected using an online survey of Indian credit card users.

REFERENCE AVAILABLE UPON REQUEST

Saturday, 23 July
Time: 10:30 AM

Session Number: **12.5: Understanding Social Marketing: Where are we now?**

Session Chair: Lavack, Anne, *University of Regina*

No Place to Hide: Is the Cigarette a Potential Cessation Tool?

Hassan, Louise, *Lancaster University*

Shiu, Edward, *Bangor University*

Is Social Marketing Just Smoke and Mirrors?: The Case of Adolescent Female Smoking

Griffin, Barry, *Cork Institute of Technology*

Murphy, Maurice, *Cork Institute of Technology*

Implementing Sustainability: Are Universities Leading the Way?

Linda , Brennan, *RMIT University*

Binney, Wayne, *Victoria University*

NO PLACE TO HIDE: IS THE CIGARETTE A POTENTIAL CESSATION TOOL?

Louise M. Hassan, Lancaster University, U.K.
Edward Shiu, Bangor University, U.K.

ABSTRACT

The present paper makes two contributions to the literature, firstly by investigating whether or not three potential changes to the appearance of cigarettes would lead to positive benefits in increasing intentions to quit smoking. Secondly, by assessing which message would potentially work best on the cigarette. A scenario based field experiment with 125 current smokers was conducted. Smokers were randomly assigned into one of four conditions. Thirty seven smokers saw a cigarette which was completely black. A black cigarette was intended to convey a message of tar and disease as black is often associated with death and fear. However black can also be associated with elegance, authority and power. Thirty four smokers saw a cigarette which was printed with a message about the number of minutes that each inhalation of tobacco smoke would reduce the life expectancy of the smoker. The final experimental condition contained thirty smokers who saw a cigarette with the chemicals contained in cigarettes printed on it. Twenty four smokers were in a control condition. Smokers were not given the opportunity to handle the cigarettes but saw a photograph of the cigarette in an ash tray. Prior to the smokers seeing the photograph of the cigarette intention to quit smoking was solicited. After viewing the photograph the smokers were asked questions relating to the persuasiveness of the messages contained on the cigarette and intention to quit smoking.

It was expected that a significant increase in intention to quit post against pre exposure would occur in the experimental conditions but not in the control condition. Examining the change pre and post exposure revealed a significant main effect on intention to quit ($F = 13.56$; $P < 0.001$) and a significant interaction between exposure and condition ($F = 6.17$; $P < 0.01$) on intention to quit. Significant differences were found for both the minute ($t = -3.81$; $P < 0.01$) and chemicals ($t = -2.25$; $P < 0.05$) conditions, with increases in intention to quit smoking found post exposure for both conditions (minute: $M_{\text{pre}} = 3.26$ vs. $M_{\text{post}} = 3.94$; chemicals: $M_{\text{pre}} = 3.83$ vs. $M_{\text{post}} = 4.07$). Results revealed that only persuasiveness ($\chi^2 = 14.45$; $P < 0.001$; from analyses including persuasiveness, refutations, believability, and perceived value) and the interaction between persuasiveness and condition ($\chi^2 = 4.03$; $P < 0.05$) were significant. Respondents in the minute condition exhibit a stronger effect of persuasion on intention than those in the chemicals condition. These results suggest that changing the appearance of the cigarette by including the display of health information may result in higher intentions to quit smoking. Furthermore those strategies which make concrete the temporal effect of smoking, particularly relating to minutes of life lost, work best in this situation.

References Available Upon Request

IS SOCIAL MARKETING JUST SMOKE AND MIRRORS? ADOLESCENT FEMALE SMOKING

Barry Griffin, Cork Institute of Technology, Ireland
Maurice Murphy, Cork Institute of Technology, Ireland

ABSTRACT

It is estimated that tobacco use is responsible for more than 500,000 deaths every year across the EU (Ryan, 2000). In adolescence, higher rates of smoking are reported among girls than boys in an increasing number of European countries (Currie *et al.* 2004). Estimates by the World Health Organisation calculate that the number of women who smoke is set to almost triple on a global scale by the year 2025. This trend has also been confirmed in Europe. While men's smoking is slowly on the decline, smoking rates among women increased in 11 of the 25 EU member states between 1985 and 2003 (European Network for Smoking Prevention, 2007). The Irish Office of Tobacco Control's research has confirmed that initiation into smoking is largely a childhood phenomenon. More than 75% of all smokers in Ireland started to smoke before they reached the age of 18 (HBSC Ireland, 2006). The tobacco industry needs 50 Irish children to start smoking every day in order to maintain the size of its current Irish customer base (Office of Tobacco Control, 2007). The Irish National Health and Lifestyle survey 2002 states that almost half of Irish children have tried a cigarette. By the age of 15 to 17 years, one third of all boys and girls are smoking between three and six cigarettes a day. By the age of 15 years, more girls smoke than boys and by the age of 16 years, 80% of all smokers have become addicted. Smoking plays an important role in the social and physical environment of young people. Often young smokers, although aware of the health risks, minimise these risks for themselves, underestimate the risk of becoming addicted and do not relate their personal smoking to adult smoking behaviours (Lambert *et al.* 2002). The use of fear appeals is perhaps the most common tactic for social marketing, with threats of physical harm including injury and death used more frequently than social threats. The prevailing anti-tobacco appeal attempts to scare the target group into attitude and behaviour changes through the use of physical or social threat messages. According to the theory, people can be motivated to engage in desirable health behaviours not only to avoid health risks (physical threats) but also to avoid social or interpersonal risks (Dijkstra, *et al.* 1998). In a smoking context, studies have shown that an overall decline in smoking behaviour was noticed by adolescents who viewed an anti-smoking advertisement as opposed to adolescents who did not view an anti-smoking advertisement (Smith and Stutts, 2003).

This paper's main question is what should social marketing messages contain in order to reduce the amount of teenage female smokers? The research objectives were as follows: (1) What is the attitude of adolescents towards the health effects of smoking? (2) Are physical threat appeals more powerful than social threat appeals in preventing smoking among teenage girls? (3) How do high sensation seekers respond to anti-smoking communication versus low sensation seekers? Six focus groups were conducted between January and March 2010. The focus groups were held in secondary schools in Cork, Ireland. These schools were chosen in a convenient sample. The sample frame was female adolescents, aged between 15 and 16. These girls could be either smokers or non-smokers. The girls were shown anti-smoking advertisements from Ireland and abroad as well as 6 actual boxes of cigarettes, which depicted pictures on the packets showing the effects of smoking. Telephone interviews were also held with six leading public health experts/social marketing experts in Ireland and the UK, in the area of tobacco control.

Public service announcements should contain physical threat appeals which deal with the physical, visual appearance of the smoker as this study has highlighted that these were the most effective, at potentially initiating behaviour change among this target group. Images of rotting lungs and clogged arteries were less effective as a deterrent for smoking. This age group valued their appearance and thus images of rotting gums and teeth, yellowing teeth and bad skin as a result of smoking were more effective at prevention efforts. Packaging on the cigarettes was found to be a key promotional vehicle for health messages. Policy makers are increasingly valuing packaging by placing more graphic images on packets or avoiding all brand references and opting for plain packaging. An integrated marketing campaign should be initiated to reinforce this message, with images on packets of cigarettes of the physical, cosmetic effects of smoking. Price increases do not necessarily reduce demand among this age group as adolescents share their cigarettes and the powerful addictive effect of the cigarettes begins to take hold. Smoking has become a peer bonding exercise and has less to do with peer pressure. High-sensation seeking individuals congregate and share cigarettes and alcohol at certain agreed locations; this has to be incorporated into the design of public service announcements.

References available upon request

IMPLEMENTING SUSTAINABILITY: ARE UNIVERSITIES LEADING THE WAY?

Linda Brennan, RMIT University, Australia
Wayne Binney, Victoria University, Australia

ABSTRACT

This paper argues for a systematic consideration of environmental sustainability from a behaviour change perspective. As there are so many approaches to 'sustainability' that there are easy excuses for those unwilling to be inconvenienced. It is our contention that environmental sustainability will not simply occur by changing attitudes. Behaviour change theory suggests that for change to occur whether it is at a societal, group and individual level individuals require a code of conduct for the desired behaviour. This paper discusses the survey results from a study of university web pages to ascertain the level of development of guidelines to enable ethical-decision-making for this micro community. It is found that very few universities are providing the effective communication about expected behaviours for this influential community.

References available upon request

Saturday, 23 July
Time: 10:30 AM

Session Number: **12.6: Reaching Consumers in the 21st Century through Advertising and Social Media**

Session Chair: Rohm, Andrew, *(Northeastern University)*

Time Lags and Synergies of Online Advertising

Breuer, Ralph, *RWTH Aachen University*

Brettel, Malte, *RWTH Aachen University*

The Effects of Consumer Weight Level on Attitude Towards Food and Advertisements

Wei, Jack, *University of West Georgia*

Rickard, Mimi, *University of West Georgia*

Brown, Cheryl, *University of West Georgia*

Connecting Social Media and Traditional Media: Best & Worst Practices

Rohm, Andrew, *Loyola Marymount University*

Hanna, Richard C., *Northeastern University*

Crittenden, Victoria, *Boston College*

TIME LAGS AND SYNERGIES OF ONLINE ADVERTISING

Ralph Breuer, RWTH Aachen University, Germany
Malte Brettel, RWTH Aachen University, Germany

ABSTRACT

With the advent of the Internet, online advertising has become a topic of increasing interest to academic research (e.g., Ha 2008; Kim and McMillan 2008). In the past decade, Internet advertising has grown beyond simple banner advertising to include new advertising models and online channels (e.g., on-demand advertising like advertisements on search engines and advertising on price-comparison websites) that make better use of the Internet's unique potential for interaction between consumer and advertiser (Rappaport 2007). However, research on the effectiveness of these online advertising channels is still rare; even though online shops are available 24/7 with no more than a click between online advertisement and online shop, it remains unclear whether online advertising leads to immediate purchases or has an effect only in the long run. In addition, the synergies between the various online advertising channels are important since those channels are much closer together than are traditional ad channels (e.g., one click separates a banner ad on a web page and a search ad on a search page); ads can even appear simultaneously on a screen.

To shed light on this interesting research area, our study aims at answering the following questions:
What are the long-term and short-term effects of online advertising channels on sales?
In what way do synergies between these channels influence the effectiveness of online advertising?

We look at the sales effect of search engine marketing (SEM), banner advertising, and price-comparison advertising (PCA) using a sample of 2.8 million purchases and over 1.1 million individual costumers. The data spans a period of 365 days and was obtained from the .com-website of a leading online-platform for used and antiquarian books.

The model used to estimate carryover effects of advertising is based on the direct aggregation approach derived from Srinivasan and Weir (1988) and works as described in Herrington and Dempsey (2005). It delivers a separate λ -value for the carryover effect of each advertising channel and is complemented by a structural equation model. The estimation is done with Stata 11 using Generalized Least Squares (GLS) and is complemented by AMOS 18.

The results show that SEM has the longest carryover effect ($\lambda=0.70$) and PCA the shortest ($\lambda=0.05$). The λ -value of SEM corresponds to a 90% duration interval of 6.5 days; in other words, 90% of the cumulative effect of a unit impulse of SEM (banner, PCA) advertising takes place within 6.5 (1.7, 0.8) days.

Users who have been exposed to a banner ad tend to purchase the product or visit search engines or price-comparison pages. This means that the Internet user is exposed to advertising in the form of SEM or PCA *after* watching a banner advertisement, which is a strong indication of the existence of synergy effects. Moreover we find that SEM is almost useless without the support of other forms of online advertising since its direct sales effect is negligible compared to the synergies it facilitates.

The structural equation model used in this stud is the key element to estimate the synergies, which exist between the analyzed advertising channels. It shows that PCA has the largest total effect on sales, followed by clicks on SEM and, finally, banner clicks, which have the smallest impact. Each advertising channel has a positive total effect on sales. The importance of advertising synergies is impressive because, for banner advertising, ~70% and, for SEM, ~100% of the total effect can be attributed to synergies—that is, indirect effects.

All in all our research yields important insights for theory and practice since it shows how to model synergies and long-term effects of online advertising and provides meaningful insights into how to improve the allocation of advertising budgets.

References available upon request

THE EFFECTS OF CONSUMER WEIGHT LEVEL ON ATTITUDE TOWARDS FOOD AND ADVERTISEMENTS

Yujie Wei, University of West Georgia, USA
Mimi Rickard, University of West Georgia, USA
Cheryl Brown, University of West Georgia, USA

ABSTRACT

This study examines the link between consumer weight level, food types (meat and fruit/ vegetables), and consumer attitude towards both food and food ads. Further, we intend to examine how food advertisements containing emotional or informational claims influence the attitude of both overweight and normal-weight consumers. Two experiments were conducted to study the interaction between food types (meat vs. vegetables), weight levels (normal-weight and overweight), and ad claims (emotional vs. informational). The results showed mixed support for the ten hypotheses. Our findings indicate that consumer weight level interacts with food types, which impact food evaluation and attitude towards food advertisements. Also, weight level interacts with emotional/information appeals affecting food evaluation and attitudes toward food advertisements. Managerial implications for advertisers are discussed.

References Available upon Request

CONNECTING SOCIAL MEDIA AND TRADITIONAL MEDIA: BEST & WORST PRACTICES

Andy Rohm, Loyola Marymount University, USA

Richard Hanna, Northeastern University, USA

Victoria Crittenden, Boston College, USA

ABSTRACT

Companies today seeking to establish closer customer relationships face a daunting task: how to develop and manage their social media marketing platforms and align them with traditional media. However, there is little agreement on what performance metrics should be used to evaluate social media campaigns. Furthermore, questions remain regarding the role social media plays in the firm's overall marketing campaign. While consumers are adopting increasingly active roles in co-creating marketing content along with companies and their respective brands, many firms still are less comfortable relinquishing control of their brand message within the unstructured social media environment. The challenge facing companies is that, although they recognize the need to be active in social media, they don't truly understand how to do it effectively, what performance indicators they should be measuring, and how they should be measured. In this paper, we examine different approaches by firms to use social media in conjunction with their traditional media. We apply different performance metrics to these campaigns and measure consumer reaction. We highlight best practices across several firms' efforts to leverage social media in order to reach the important youth audience, and we conclude with insights and lessons related to the strategic integration of social media into firms' existing marketing communications strategies.

Saturday, 23 July
Time: 10:30 AM

Session Number: **12.7: Pricing Behavior and CRM**

Session Chair: Mottner, Sandra, *Western Washington University*

To Punish or to Forgive: Examining the Effects of Monetary Penalties on Consumers' Perceptions and Behavioral Intentions

Xia, Lan, *Bentley University*

Kukar-Kinney, Monika, *University of Richmond*

An Exploration of Rule Familiarity in the Context of a Capacity Constrained Service Industry

McMahon-Beattie, Una, *University of Ulster*

Palmer, Adrian, *Swansea University*

Where to Search for Price Knowledge? The Influence of Lifestyle on Price Knowledge

Linzmajer, Marc, *Zeppelin University*

Eberhardt, Tim, *Zeppelin University*

Kenning, Peter, *Zeppelin University*

TO PUNISH OR TO FORGIVE: EXAMINING THE EFFECTS OF MONETARY PENALTIES ON CONSUMERS' PERCEPTIONS AND BEHAVIORAL INTENTIONS

Lan Xia, Bentley University, USA
Monika Kukar-Kinney, University of Richmond, USA

INTRODUCTION

Monetary penalties are imposed on consumers in various industries, particularly services. For example, retailers typically charge a restocking fee when consumers return unwanted products and banks usually charge a late payment fee when consumers fail to pay their credit card bills on time. Research showed that there is a prevalent feeling among consumers that these penalties are unfair, leading consumers to develop negative emotions and vengeful feelings toward the provider as well as negative behavioral consequences such as switching service providers and negative word-of-mouth (Fram and Callahan 2001, Kim and Smith 2005).

However, not all penalties result in negative consequences for the consumer, as the provider may decide to lift the penalty upon the consumer request. In addition, the way in which service providers handle the interactions with customers who challenge the penalties may also significantly influence subsequent consumer behaviors. Penalties also create opportunities for service providers to interact with their customers. Therefore, the long-term effect of penalties may depend on such interactions. In this research, we investigate the potential positive impact of resolving consumer complaints following the penalty. We contribute to the research on consumer penalties by building a model that examines the effects of monetary penalties on consumer perceptions and behavioral intentions. We propose that gratitude, in addition to fairness, is an important mediating factor. Consumer background factors, penalty characteristics, as well as interactions between the firm and the consumer influence consumers' perception of fairness and feeling of gratitude, which further drive their behavioral intentions (see [Figure 1](#)).

A typical consumer reaction to penalties is an outcry of unfairness. Unfairness has been identified as an important mediating factor for the effects of penalty on subsequent behaviors (Kim and Smith 2005). To assess whether a punishment is fair, people consider both flaw and fault (Finkel 2001). Flaw refers to background factors, for example, whether the victim is a good person. Consumers who have a good standing with the company may feel entitled to a different standard or being forgiven when violating the policy. When they get penalized, their feeling of entitlement is violated and they will perceive the penalty as less fair than those who are feeling less entitled. Fault refers to the blame factors, i.e., whether the consumer directly influences the outcome that is being penalized. A penalty is perceived as more fair when it results from a situation under the consumers' control. In addition, feeling of entitlement should also influence gratitude. People are more grateful when receiving something undeserved, rather than something they already expect and feel entitled to (Steindl-Rast 2004).

Adding to above, when consumers contact the service provider, based on the firm-customer interaction process and its outcome for the consumer, consumers would revise their judgment of the penalty fairness and likely experience a change in their emotions. When the penalty is lifted, consumers may appreciate the firm's flexibility in handling the penalty, and as a result experience the emotion of gratitude. Gratitude is defined as the emotion arising when an individual (beneficiary) perceives that another person (benefactor) or source (e.g., God, luck, and fate) has intentionally acted to improve the beneficiary's well being (Fredrickson 2004). The emotion of gratitude arises from two cognitions: (a) that one has obtained a benefit and (b) that an external agent is responsible for it (McCullough, Emmons, and Tsang 2002). The experience of gratitude leads people to become more trusting toward third parties and more likely to return the benefit received (Komter 2004), both of which are essential ingredients in relationship building and maintenance (Dunn and Schweitzer 2005). We expect that lifting the penalty as well as being flexible by considering consumers' specific background factors will induce feeling of gratitude. Together with fairness perceptions, gratitude plays an important role in shaping consumers' future behaviors including purchase intention and advocacy (positive word-of-mouth). Further, although fairness and gratitude both mediate the effect of penalties on loyalty, we propose that gratitude plays a more important role, especially on advocacy due to its stronger motivating force in repaying the other party.

METHODOLOGY

We conducted two studies. In the first study, we used the context of credit card late payment penalty in a scenario-based approach. It had a 2x2x2 between-subjects experimental design. We manipulated a consumer flaw factor (whether the consumer was a long-term or a recently acquired customer), a consumer fault factor (whether the penalty was imposed due to

consumer controllable or non-controllable factor), and the firm-customer interaction outcome (whether the penalty was lifted after contacting the provider or not). Study 2 was a 2x2x2 between subjects experimental design applied to the context of a retail restocking fee for product (laptop computer) returns. We manipulated a different consumer flaw factor (whether the customer has frequent product returns in the last 12 months), the penalty outcome (whether the restocking fee was lifted upon contact), and the service provider procedure factor (whether the representative is flexible in terms of considering the customers' previous record with the retailer). Both experiments were administered online via Qualtrics software. Respondents accessed the study through a link and were randomly assigned to one of the experimental conditions. Participants first read a scenario involving the penalty, then the customer service interaction scenario. After the scenario, we measured participants' gratitude, feeling of entitlement, fairness perceptions, and behavioral intentions. Participants were students, staff members, and parents of students in two different universities for studies 1 ($n = 290$) and 2 ($n = 270$).

RESULTS AND DISCUSSION

The causal model was assessed using latent variable structural equation modeling in AMOS. The overall fit of the model was significant in both studies (study 1: chi-square = 413, d.f. = 215, $p < .01$; study 2: chi-square = 362, d.f. = 215, $p < .01$). However, since the chi-square statistic is sensitive to sample size, additional goodness-of-fit indices were evaluated (Bagozzi and Yi 1988). The indices (study 1: TLI = .973, CFI = .979, and RMSEA = .056; study 2: TLI = .974, CFI = .980, and RMSEA = .050) all meet the recommended levels and provide evidence that the model fits the data well (Hu and Bentler 1999). Summary results for the tested model and the standardized structural path parameter estimates are in [Table 1](#).

Overall, results supported our model and demonstrated that both fairness and gratitude mediate the effects of consumer penalties on behavioral intentions. Different factors contribute to fairness perceptions and feeling of gratitude. Comparing the relative strength of path parameters between fairness \rightarrow advocacy and gratitude \rightarrow advocacy, results showed that the effect of gratitude is significantly stronger. Examination of percentage of variances explained and total effect also support this conclusion. Finally, we also conducted multi-group analysis to examine the moderating effects of outcome. In study 1, results showed that in a negative outcome condition compared to a positive condition, feeling of entitlement had a stronger impact reducing fairness perceptions, perceived fairness had a more positive effect on purchase intention, and gratitude also had a stronger positive impact on advocacy. Study 2 had similar findings.

CONCLUSIONS AND IMPLICATIONS FOR THEORY AND PRACTICE

The results are largely consistent across the two studies. In each study, all but one direct relationship between the variables are supported. Both studies also provide evidence that gratitude plays a more important role in influencing important consumer outcomes, such as consumer loyalty, than perceived fairness. The relative contribution of gratitude to both purchase intentions and advocacy was consistently larger in comparison with the contribution of perceived penalty fairness.

Given the potential tensions, conflicts, and opportunities created by consumer penalties between service providers and their customers, it is important to fully understand the effects of these punishments on customers' evaluations in order to properly administer and manage these penalties. Our research provides important theoretical and empirical implications. Theoretically, we go beyond characteristics of the penalty and include in our model the dynamics of firm-customer interactions. We investigate the potential positive aspects that arise from the interactions by introducing the concept of gratitude. Finally, our contribution goes beyond penalty research and includes long-term customer relationship building and maintenance. Managerially, our research provide valuable information regarding the role of penalty in consumer compliance and loyalty intentions as well as implications on how companies handle interactions with consumers when they make the contact regarding the penalties.

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FIGURE 1: Proposed Conceptual Model

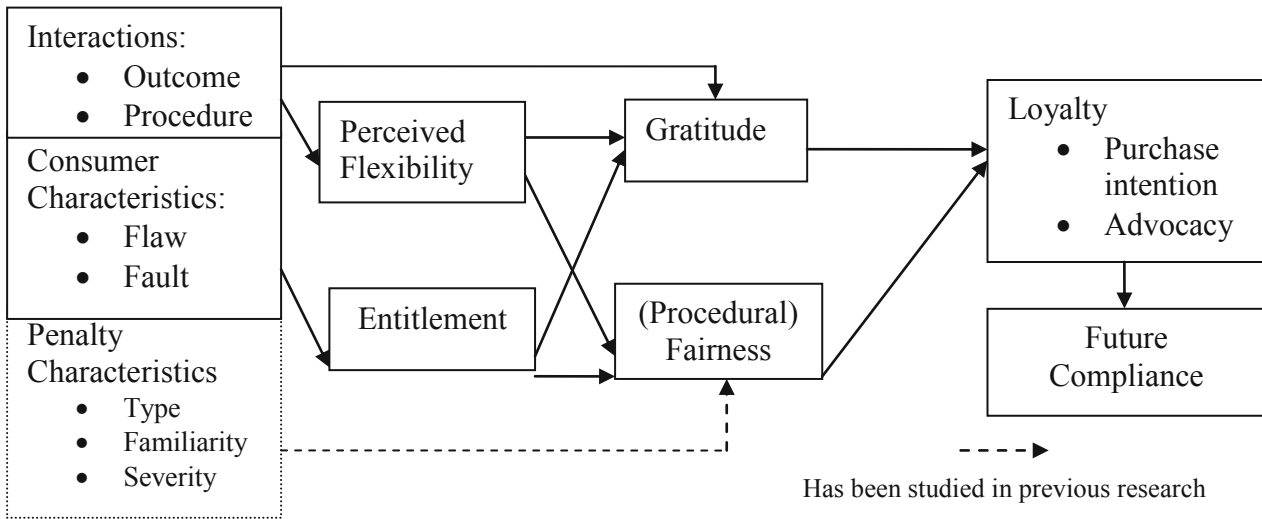


TABLE 1: Testing the Proposed Model Relationships

		Study 1 (N= 290)		Study 2 (N = 270)	
Hypothesis:		Standardized		Standardized	
Sign	Direct path from → to	estimate	t-value	estimate	t-value
H1: +	Previous relationship → Entitlement	.24	4.07**	.09	1.45
H2: -	Entitlement → Perceived fairness	-.30	-6.29**	-.22	-3.96**
H3: -	Customer fault → Entitlement	-.11	-1.84*	Not tested	
H4: -	Entitlement → Gratitude	-.04	-1.55	-.09	-3.45**
H5: +	Outcome → Gratitude	.35	7.61**	.51	10.13**
H6: +	Outcome → Perceived flexibility	.83	21.97**	.83	18.45**
H7: +	Perceived flexibility → Perceived fairness	.57	11.75**	.54	9.33**
H8: +	Perceived flexibility → Gratitude	.61	12.76**	.46	8.58**
H9: +	Service provider procedure → Flexibility	Not tested		.18	5.17**
H10a: +	Perceived fairness → Purchase intention	.32	6.69**	.30	6.52**
H10b: +	Perceived fairness → Advocacy	.24	4.88**	.33	7.05**
H11a: +	Gratitude → Purchase intention	.54	11.06**	.61	13.25**
H11b: +	Gratitude → Advocacy	.58	11.15**	.60	12.04**
H12: +	Purchase intention → Future compliance	.46	5.58**	.35	3.73**
Goodness-of-fit statistics					
Chi-square (d.f.)		413 (215)		362 (215)	
TLI		.973		.974	
CFI		.979		.980	
RMSEA		.056		.050	

* p < .05; ** p < .01

PRICE DISCRIMINATION, CONSUMER TRUST AND THE EMERGENCE OF THE CONCEPT OF RULE FAMILIARITY IN THE SERVICE INDUSTRIES

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INTRODUCTION

Trust is a complex relational construct which has received much attention in marketing literature in recent years. Indeed it has been seen to be at the philosophical heart of Relationship Marketing with its focus on establishing, developing and maintaining effective, ongoing relational exchanges (Morgan and Hunt, 1994; Takala and Uusitalo, 1996) and it has been positioned as an important antecedent, mediator and outcome of buyer seller relationships.

In the service industries where demand is variable and fixed costs are a high proportion of total costs, the practice of Revenue Management through variable pricing has become widely accepted as a method for maximising financial returns. Revenue Management can be defined in the context of the service industries as a 'revenue maximisation technique which aims to increase net revenue through the predicted allocation of available inventory capacity to predetermined market segments at optimum price' (Donaghy *et al.*, 1998:188). However, price discrimination which is implicit in Revenue Management systems may undermine trust in an organisation, when consumers' level of knowledge of the rules in which variable pricing operates is low or non-existent (McMahon-Beattie, 2009). Trust is at the heart of Relationship Marketing strategies, therefore there would appear to be a potential conflict between the aims and operation of Relationship Marketing/Customer Relationship Management and Revenue Management.

There is considerable evidence of a widespread lack of sophistication in pricing methods used within the services industries, with a suggestion that various forms of cost-based pricing predominate (Zeithaml *et al.*, 1985). This lack of sophistication implies lost profit opportunities. However Revenue Management tries to reconcile supply and demand through the price mechanism and exploit "consumer surplus". This is understood by economists as the difference between the price that a consumer actually pays for a product, and the highest price that they would actually be prepared to pay for it.

Research on the perceptions of price differentials remains fragmented, especially within the context of capacity constrained services industries, and little is known about the impact of types of policies that may influence perceptions of fairness or trust in pricing (Guiltinan, 2006). This becomes an issue where modern IT based systems of individual pricing allow multiple prices to be charged for ostensibly identical units of output, and the "rules" associated with price differentials may not be transparent and may only be compared indirectly. This lack of openness in pricing creates conditions for mistrust. Garbarino and Lee (2003) have noted that dynamic pricing that results in unexplained price differentials leads to diminished trust in the seller. Kahneman *et al.* (1986) have examined how consumers' perceptions of the "fairness" of price increases were influenced by the circumstances that led to them. In line with the theory of dual entitlement, they found that buyers typically perceive a given price increase as "fair" if it is a reaction to an increase in seller costs, but as unfair if it is a reaction to increased consumer demand. In relation to Revenue Management, Kimes (1994) noted that a lack of information regarding discounts was an issue of concern to buyers though this research did not specifically address either the broader issue of trust or customer perceptions of the rules associated with the purchase of hotel bedrooms. More recently Choi and Mattila (2006) have contended that the provision of an appropriate level of information on the hotels' pricing policy is believed to have a positive impact on customers' perceived fairness of Revenue Management. Rohlfs and Kimes (2005) indicate that consumers (in hotels) will accept the idea of variable prices as long as they understand that they are receiving the 'best-available-rate' for each night of a multiple night stay. Thus perceptions of fairness and trust seem to have a reciprocal relationship.

Connected to the concept of fairness is that of procedural justice. Thibaut and Walker (1975) found that the primary element of this, in terms of the law, was process control or influence. As the concept was extended to organisational research additional elements were added in relation to policies or procedures e.g. consistency of application across individuals and time and ensuring that accurate and complete information is exchanged (Colquitt *et al.*, 2001; Guiltinan, 2006). Inherent within procedural justice is the dimension of informational justice which is 'concerned with the communication of the process about the rules for obtaining a discount' such as the quality of the explanations' (Guiltinan, 2006:389). In relation to Revenue Management, Kimes (1994) found that customers perceive discounting unfair when they do not have the full

information about options available. There is a shortage of studies in the area of Revenue Management that seek to integrate operational efficiency with human perceptions and attitude change.

This research seeks to build on the theoretical foundations of social justice theories by exploring the inter-relationship between price discrimination and consumer trust. It investigates the apparent conflict between relationship marketing and Revenue Management in which producer imposed restrictions are an inherent part of pricing strategy.

METHODOLOGY, RESULTS AND DISCUSSION

Preliminary quasi-experimental research has been undertaken involving an ongoing longitudinal study in which manipulated price messages relating to a real service offer were sent to 2273 customers on a hotel chain's database. The results have indicated that variable pricing in itself does not cause consumer trust/distrust. The results indicate that consumers' level of knowledge of the "rules" in which variable pricing operates may well cause trust/distrust. A picture emerged of young, well educated frequent purchaser who was comfortable with variable pricing and recognised instrumental advantages which outweighed the perceived disadvantages. From experience of the benefits that variable pricing may bring to a consumer, and based on an understanding of how and why these benefits may be obtained (for example, low hotel prices to clear spare capacity at a quiet time of year), consumers may come to trust a business' use of variable pricing as a legitimate business practice. There was an observed tendency for older, less well educated female buyers to trust a hotel that practiced variable pricing less.

CONCLUSIONS AND IMPLICATIONS FOR THEORY AND PRACTICE

The effect of rule familiarity on the level of consumer trust remains under-researched and is the subject of this ongoing research. The initial quantitative research identified groups of buyers according to their apparent trust in variable pricing and the qualitative research, involving focus groups and webnography is exploring in greater depth the relationship between consumers' knowledge of the "rules" of variable pricing, their trust in an organisation that practices it, and their subsequent likelihood of purchase / repurchase / referral.

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WHERE TO SEARCH FOR PRICE KNOWLEDGE? THE INFLUENCE OF LIFESTYLE ON PRICE KNOWLEDGE

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ABSTRACT

Over the last decades of research, behavioral economics as well as consumer psychologists have yielded several fundamental findings relevant for marketing research and practice. While most of these findings were fruitful for many fields of economics, management, and marketing research, this holds true particularly for the field of behavioral pricing. Within this field, price knowledge became one of the most important themes. However, most of the research neglects the view that price knowledge should not depend solely on product-related or psychological factors, but should also take neurobiological factors into account. This neglect is astonishing, given the common understanding that price knowledge is stored in the memory system of the consumer's brain. Recognizing that this memory system is affected by individual lifestyle components, this study addresses the effect of individual lifestyle components on price knowledge.

Empirical evidence from psychological, neuroscientific, and neuroepidemiological studies served as a basis for hypothesis generation. Accordingly, we hypothesize, that lifestyle components (such as nutritional habits, smoking, etc.) have a similar effect on price knowledge as they have on other cognitive functions. The impact of healthier behavior on one of the proposed components should result in better memory performance and, hence, in better price knowledge. In this study, neuroscientific understandings of memory form the unifying groundwork for every hypothesis. Notably, because the memory process regarding prices relies on the same cellular mechanism as that of all other forms of memory, evidence regarding effect of different lifestyle components on "general" memory found in medical literature can also be effectively applied to price knowledge.

To determine the influence of lifestyle components on consumer price knowledge, we used an experimental approach. We assumed that price knowledge is associated with a specific form of information processing, and hypothesized that this processing is reflected by the consumer's ability to perform price-recall tasks. To accomplish this, we combined a memory performance test developed in neuropsychological literature with the consumer research concept of price recall. Participants had to complete two computer-based learning and testing sequences. The first sequence lasted about 45 minutes, and the second sequence repeated the learning and testing tasks for approximately 10 minutes. Additionally, a lifestyle questionnaire containing reviewed medical and socio-economic dimensions of the complex lifestyle construct was administered during a 30-minute break between the two sequences. On the basis of second-sequence behavioral test results, we computed a recall indicator regarding product-price memory performance of participants. The first step of statistical analysis used principal component analysis (PCA) to explore the dimensions of the lifestyle construct. In the second step, multiple linear regressions were used to reveal the influences of lifestyle components on the recall memory performance measure of study participants.

The empirical part of the study led to an interesting outcome: Price knowledge (price recall) of consumers is significantly influenced by lifestyle components. Participants, who report their health as being better, eat and drink healthier, engage in sports more frequently, have a more balanced stress level, do not smoke and are faced with mental challenges more often, have a significantly better price knowledge. As in previous studies of price knowledge and free recall tasks, age has a moderating influence on the results. Taking into account that lifestyle components are often neglected in studies of price knowledge, future studies in marketing and consumer research should control for these variables and/or use them as moderating variables. We assume that this might help consumer researchers to better understand the concept of price knowledge and the processes of price-memorization. From a theoretical perspective, one primary contribution of our study is that we can indicate that there is a need to analyze price knowledge with respect to the price-related memory systems in the brain. While this could be a complex undertaking, this study shows that it is nevertheless useful to integrate findings from memory investigation in (neuro)psychology into marketing research. From a managerial perspective, we recommend practitioners to build more differentiated price strategies, taking into account that different consumer groups depending on their lifestyle and age might have different reference points when shopping through the hallways.

References available upon request

Saturday, 23 July
Time: 10:30 AM

Session Number: **12.8: Retailing and Consumer Behavior**

Session Chair: Pillai, Kishore Gopalakrishna, *University of Leeds*

The Role of Listening in e-contact Center: Investigation for CRM Outcomes in Retailing Settings

Park, Jungkun, *University of Houston*

Chung, Te-Lin, *Purdue University*

Rutherford, Brian, *Purdue University*

The Effects of Customer Evaluations of Channel Integration: Does an Integrated Multichannel Strategy Pay Off?

Schramm-Klein, Hanna, *University of Siegen*

Wagner, Gerhard, *University of Siegen*

Steinmann, Sascha, *University of Siegen*

THE ROLE OF LISTENING IN E-CONTACT CENTER: INVESTIGATION FOR CRM OUTCOMES IN RETAILING SETTINGS

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Te-Lin Chung, Purdue University, USA
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ABSTRACT

As a part of the e-commerce transformation, contact centers have transformed to e-contact centers and offer more various channels for consumers to access. E-contact centers are now at the frontline to deal with not only the complaints but also requisitions of information about product information or order status instead of being a back supportive office (Anton, 2000). This transformation has also made it possible to guide different segment of consumers and making marketing more cost effective and efficient (Myers et al., 2004), and increased the value delivered to the consumers. However, companies are also facing issues of more effective management and service quality (Hart et al., 2006) while they invite more consumer-contacts through various channels in e-contact centers. Thus, managing service quality so as to maintain consumers' experiences is likely to have important implications for e-contact center success. Active empathetic listening (AEL) (Comer and Drollinger, 1999) have been supported with its important role between salespeople and customers (Comer and Drollinger, 1999; Drollinger et al., 2006), and provide this current study a theoretical framework of employee behavior. The purpose of this study is, first, to examine the effects of AEL on interpersonal service quality in e-contact center context and, second, to investigate the role of interpersonal service quality in building up customer relationship, specifically to scrutinize the relation between interpersonal service quality and perceived value, satisfaction, and loyalty.

The role of listening is considered crucial in business to consumer communication (Ramsey and Sohi, 1997; Drollinger et al., 2006). Instead of regarding listening as a physical internal process of hearing of spoken message and understanding the meaning (Goss, 1982), de Ruyter and Wetzels (2000) suggested listening a behavior that consists of affective and cognitive activities and thus could be perceived by others. Drollinger (1999) incorporated the three facets of listening (namely, sensing, evaluating, and responding) with empathy and redefined active listening as active empathy listening (AEL) as "a process in which the listener receives messages, processes them, and responds, so as to encourage further communication" (Comer and Drollinger, 1999). As AEL allows the contact center representatives to approach customers' utilitarian needs on a deeper level; it is very likely that consumers' utilitarian value would increase as well. Thus, this study hypothesized that e-listening is related to both interpersonal service quality and perceived value. Several studies have also shown that interpersonal service quality has an effect on consumers' satisfaction and purchase intention in online retailing context where the consumers don't have actual interaction with the salespersons (e.g. Grewal et al., 2003; Kim and Niehm, 2009). It is possible that interpersonal service quality is related to other customer relationship outcomes, namely, perceived value, satisfaction, and loyalty.

An online survey was conducted to a national panel purchased from an independent online research company. Two hundred and ten usable responses were collected. The measures in this study were adopted from previous studies. Confirmatory factor analysis and structural equation modeling were used to analyze the collected data. The results confirm that e-listening is highly related with interpersonal service quality and utilitarian value. In traditional face-to-face customer-company interactions, active listening has been playing an important role on generating customer satisfaction (Ramsey and Sohi, 1997; Castleberry and Shepherd, 1993). The results of this study indicated that when the interactions take place through an untraditional channel, active "listening" with representatives' empathy would increase consumers' perceived service quality as well as the utilitarian value delivered by the e-contact center service. The result for the interrelationships of customer relationship outcomes is consistent with previous studies (e.g. Cronin et al., 2000; Harris et al., 2006). Interpersonal service quality is positively related to satisfactions with e-contact center and e-retailer; utilitarian value is positively related to satisfaction with e-contact center; and satisfaction with e-retailers is positively related to consumers' loyalty. This study provides an additional evidence for the argument that value and quality lead to satisfaction and consequently lead to consumers' loyalty.

The study suggests several implications. First, this study indicated that e-listening is a possible way to enhance consumers' perceived interpersonal service quality and utilitarian value on the e-contact center and to make e-contact center an effective tool to build customer-company relationships. Second, this study extends the understanding of the interrelationship of value, quality, satisfaction and loyalty, and respond to the study of Park et al. (in press) which also examine the interrelationship in e-contact center but focused on social aspect.

References available upon request

THE EFFECTS OF CUSTOMER EVALUATIONS OF CHANNEL INTEGRATION: DOES AN INTEGRATED MULTICHANNEL STRATEGY PAY OFF?

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ABSTRACT

It has been common for retail companies to use multiple channels simultaneously (Rangaswamy and van Bruggen 2005). However, simultaneous use is only the first step in creating a customer-centric multichannel system that demands channel synergies rather than parallel retail formats (McGoldrick and Collins 2007). At issue is therefore not the degree of integration undertaken by a firm but rather the customer's perception of the extent of integration and how the channels allow a complementary and differentiated use of the multichannel system in purchase processes (Verhoef, Neslin, and Vroomen 2007). As such, cross-channel use of multichannel systems should offer customers more uses and new uses of retail channels than one-channel systems (Berman and Thelen 2004; Verhagen and van Dolen 2009).

In our study, an empirical survey using an online questionnaire was devised to target multichannel shoppers. We conducted an undirected addressing of participants on several independent internet pages and newsletters, to obtain a wide range of diverse target groups. Besides, a variety of sectors (apparel, books, groceries and cosmetics) were covered and multichannel systems with a range of differing characteristics were chosen. A sample of $N = 981$ customers who were familiar with the multichannel system of a retailer, i.e. at least three channel types (retail outlets, traditional catalogues and internet shops), were used in the data analysis.

We measured the evaluation of the individual channels of the multichannel system and the dimension of the evaluation of the perceived integration of the channels within the multichannel system separately for outlets, catalogues and internet shops. The overall evaluation of the individual retail channels was conceptualized as a formative construct based on customer's perception by calculating an index (weighted average of channel evaluations). We conceptualized the evaluation of perceived integration of the channels using the adequacy-importance model. Customer's likeability, i.e. the sympathy for a retailer (Keller 1998), and appreciation of a multichannel system were chosen as indicators of image (Dick and Basu 1994; de Ruyter, Wetzels, and Kleijnen 2001). Selnes (1998) suggests an one-dimensional global trust-assessment as the most reliable way to measure trust. Following this view, in this analysis trust was measured as a reflective approach using a direct assessment of customer's trust relating to each individual channel and the multichannel system as a whole (Sirdeshmukh, Singh, and Sabol 2002). Customer loyalty to the multichannel system was measured applying a formative approach. The intention to recommend a channel to family and friends was used as the indicator of loyalty (Andreassen and Lanseng 1997; Chaudhuri 1999). Customer's willingness of a differentiated use of a multichannel system, i.e. browsing and buying in different channels of a retailer's multichannel system was measured by using a formative approach. We employed one item to measure the participants' actual channel-using behavior, which includes the use/purchase frequency in each available channel, e.g. how often a customer uses a catalogue for buying or just for browsing. A second item measured the cross-channel usage in terms of using one channel to collect information but another one to purchase.

To test the hypotheses of our model we conducted Partial Least Squares (PLS) regression. The estimated path coefficients were all positive and significant. In particular, the findings show a relatively strong impact of customer's evaluation of individual channels on retailer's image ($\beta = .537$) as well as a smaller effect on customer's trust ($\beta = .277$) in the retailer. In contrary, customer's evaluation of perceived channel integration has a much stronger positive effect on trust ($\beta = .319$) towards the retailer compared to the impact of this construct on the retailer's image ($\beta = .140$). Overall, the results of our study indicate that linkages between retail channels positively affect customer loyalty (image \rightarrow loyalty: $\beta = .402$; trust \rightarrow loyalty: $\beta = .085$) and verify the importance of establishing a well-integrated multichannel system. These findings show also the high relevance of a customer oriented and well integrated multichannel strategy, as the positive effects of cognitive processes of trust and image formation have a direct positive effect on customer behavior (image \rightarrow differentiated use of multichannel system: $\beta = .395$; trust \rightarrow differentiated use of multichannel system: $\beta = .100$). Generally, the results of our study indicate that a retailer should have a strong focus on customers' perception and evaluation of individual channels as well as on the perception of channel integration for an effective and efficient multichannel system.

References available upon request

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Soza Juan C.
Hamzahoui Leila
Kwak Lynn Eun
Cleveland Mark
Martin Oscar
Castano Raquel
Mittelman Robert
Ritchie Robin
Michel Rod
Chumpitaz Ruben
Stephanie Slater
Whelan Susan
Von Wallpach Sylvia
Sangtani Vinita
Gao Yuhui
Fabrice Clerfeuille

Michel Desbordes
Leah Donlan
Angela Green
Dan Mason
Paul Pedersen
Elfriede Penz
Alan Seymour
Barbara Stoettinger
David Stotlar
Des Thwaites
Gladys Torres-Baumgarten
Karine Gallopel
Marie-Laure Gavard-Perret
Xavier Moinier
Dominique Crie
Eva Delacroix

AMS WMC Participant	Sessions					
Abbes, Molka	11.6					
Abdul-Muhmin, Alhassan	10.3					
Abril, Carmen	11.8					
Adams, Chris	7.2					
Albaum, Gerald S.	5.2					
Albinsson, Pia A	2.9					
Albrecht, Carmen-Maria	2.4	5.8				
Alden, Dana	3.4	7.6				
Ali, Haider	10.9					
Allaway, Arthur	7.7					
Amaro, Victor Valero	6.7					
Ammettler-Montes, Gisela	8.4					
Anderson, Alicia	1.6					
Andrews, Steven	4.11	9.1				
Andriopoulos, Constantine	7.6					
Anil, Nihat	3.5					
Anouk Mignot, Emilie	9.4					
Armenakyan, Anahit	3.6					
Armstrong-Soule, Catherine	4.11					
Arnold, Denis	5.7					
Arnott, Ian	1.9					
Ashwin, Marie	2.8					
Attaway, Jill	4.2	6.7				
Auh, Seigyoung	2.3	3.7	5.7			
Awanis, Sandra	5.7					
Babin, Barry J.	3.1	4.2	6.4	7.2	9.5	10.2
Babin, Laurie	3.3	4.3	6.3	9.10		
Babu, George	9.11					
Bacellar, Cristina	4.5					
Backhaus, Christof	10.8					
Bäckström, Lars	6.5					
Bakir, Aysen	6.3					
Bal, Anjali	4.1					
Balabanis, George	4.3	5.6	7.6	9.2		
Balazs, Anne	1.6	6.2				
Banerjee, Saikat	12.4					
Banikema, Annie Stéphanie	4.10					
Bargauan, Valentina Eleonora	2.7					
Barrales-Molina, Vanessa	3.7					

Brie, Joel	5.3				
Brock, Christian	3.5				
Brockett, P. L.	4.6				
Brodie, Roderick	9.2				
Brown, Cheryl	12.6				
Brucks, Merrie	7.1				
Brunk, Katja H	4.7				
Brusset, Xavier	7.4				
Buchanan-Oliver, Margo	9.2				
Burman, Bidisha	2.9				
Burmann, Christoph	8.15				
Butler, Timothy	12.3				
Cadogan, John	3.6	4.9			
Caemmerer, Barbara	3.5				
Callot, Philippe	12.11				
Camelis, Christèle	5.9				
Campbell, Colin	5.1				
Cantù, Chiara	8.15				
Carmelo Mercado, Idoeta	11.6				
Cattan-Jallet, Roxane	7.4				
Cavallone, Mauro	11.6				
Cavazos-olson, Carmina	11.7				
Cedrola, Elena	8.15				
Chabowski, Brian R.	1.5				
Chailan, Claude	8.5				
Chakrabarti, Ronika	7.9	8.1			
Chamberlin, Laura	6.10				
Chan, Anthony	1.2				
Chao, Emmanuel	10.4				
Chaudhuri, Arjun	11.8				
Chaudhuri, Bibek Ray	12.4				
Chebat, Jean-Charles	5.9	7.3	6.9	8.9	9.9
Chen, Cheng-Hsui	8.15				
Chen, Chyi-Mei	10.8				
Chen, Kuan-Jiun	10.7				
Chen, Miao-Ling	10.7	11.6			
Chen, Qimei	3.4	8.7			
Chen, Sen-Wen	9.9				
Chotekorakul, Warin	2.9	6.2			
Chou, Shan-Yu	10.8				
Chris Lin, Jiun-sheng	6.9	9.9	10.7		
Chung, Christina	3.3	9.10			
Chung, Te-Lin	12.8				
Cohen, Ron	2.1				

Ciorciari, Joseph	12.1		
Cismaru, Magdalena	10.9		
Clayson, Dennis	6.4		
Clemenzen, Julian	3.8		
Cleveland, Mark	5.6		
Cliquet, Gérard	4.3	10.8	
Cobbs, Joe	1.8	5.11	
Cockrill, Antje	8.3	12.11	
Collins, Nathalie	8.15		
Cometto, Teresa	12.4		
Connell, Kim Y. Hiller	2.6		
Connell, Paul	7.1		
Conway Dato-on, Mary	1.4	8.5	
Cook, Celeste Nicole	2.6		
Cornwell, Bettina T	6.10		
Corso, Ron	1.1		
Coulter, Robin	8.5		
Counsell, Natalie Kate Rebecca	8.3		
Crittenden, Vicky	2.1	4.1	12.6
Cronin, J Joseph	6.2		
Cross, Ian	8.1		
Cui, Charles	3.3	8.15	
Cullen, Carmen M.	3.2		
D. Groza, Mark	5.11		
Dagger, Tracey	2.5	4.8	
Dalela, Vivek	2.15		
D'Alessandro, Steven	2.2		
Dalla Pozza, Ilaria	4.8		
Dano, Florence	5.9		
Darrat, Mahmoud	9.5		
David, Meredith	4.8		
Davies, Fiona	5.11		
de Barnier, Virginie	4.5		
De Clercq, Dirk	3.2		
De Lassence, Grégoire	6.11		
Decoopman, Isabelle	5.3		
Dedeoglu, Ayla Ozhan	4.5		
Delecolle, Thierry	8.15		
Delvert, Mathilde	4.3		
Derbaix, Christian	5.3		
Derbaix, Maud	5.3		
Deshpande, Sameer	11.9		
Desmet, Pierre	8.15		
Devallet-Ezzanno, Delphine	5.3		

Dolfsma, Wilfred	10.5			
Dong, Yiren	6.10			
dos Santos, Cristiane Pizzutti	4.3			
Drengner, Jan	2.15	6.1		
Droulers, Olivier	6.5			
D'Souza, Giles	7.7			
Eadie, Douglas	10.9			
Eberhardt, Tim	12.7			
Efrat, Kalanit	11.9			
Eiting, Alexander	9.8			
Ernstreiter, Karin	2.15			
Esparza-Martinez, Laura	8.15			
Esteban, Águeda	2.15			
Ewing, Mike	8.10			
Evanschitzky, Heiner	3.5	8.8	9.8	10.8
Ezell, Shirley	9.8			
Fang, Wenchang	5.5			
Farrell, Andrew	2.8			
Farquhar, Jillian	4.11			
Fastoso, Fernando	3.6	8.11		
Fearne, Andrew	3.8			
Feigl, Kathrin	11.4			
Feinberg, Richard	12.3			
Ferguson, Jeffery	9.3			
Ferrell, O.C.	2.1	10.2		
Fleck, Nathalie	8.3			
Flint, Dan	4.10	11.7		
Flötotto, Dorothee	6.6			
Folse, Judith Anne	6.5			
Garretson				
Ford, John	8.11	10.4		
Forquer Gupta, Susan	8.3			
Foscht, Thomas	2.15	4.5		
Fosse-Gomez, Marie-Hélène	5.3			
Fraedrich, John P.	4.7			
Frank, Pons	1.8			
Freeman, Daniel	7.1			
Gabler, Colin	12.3			
Galan-Ladero, Mercedes	6.7			
Galera-Casquet, Clementina	6.7			
Gandy, Anthony	2.2			
Gao, Huachao	6.10			

Gannassali, S.	3.9			
Garcia-Madariaga, Jesus	11.8			
Garnida, Nita	6.6			
Garnier, Marion	9.4			
Gaur, Sanjaya	8.8			
Gaus, Hansjoerg	6.10			
Gauthier, Catherine	6.9			
Gauzente, Claire	8.15			
Gavinelli, Laura	8.15			
Gázquez-Abad, Juan Carlos	6.3	8.4		
Gázquez-Abad., Juan C.	3.7			
Gentina, Elodie	5.3			
Georgi, Dominik	9.7			
Germain, Richard	9.3			
Giannis, Kostopoulos	8.15			
Gilbert, Gilber L.	10.1			
Gilllin, Murray	1.1	6.6		
Gluth, Stuart	1.1			
Golden, Linda	4.6	5.2		
Goldsmith, Ronald	7.8			
Gómez, Mar	2.15			
Gomez-Meza, Marco Vinicio	8.15			
Gonzalez-padron, Tracy	9.3			
Gosain, Anuj	7.8			
Gotsi, Manto	7.6			
Goudrazi, Kiane	9.7			
Gounaris, Spiros	4.4	8.15	9.3	9.7
Gountas, John	12.1			
Gountas, Sandra	6.8	12.1		
Grewal, Dhruv	7.3			
Griffin, Barry	12.5			
Griffin, Mitch	4.2	8.7	12.2	
Golicic, Susan	5.9			
Grobler, Anske	2.15	8.2		
Grover, Aditi	7.1			
Groza, Mark D.	1.9			
Gruber, Verena	4.7			
Gunbegi, Zeynep	8.6			
Gurel-Atay, Eda	9.1			
Ha, Hong-Youl	12.3			
Haas-Kotzegger, Ursula	5.7			
Haefner, James	10.1			
Haefner, Margaret	10.1			
Hair, Joseph F.	7.2			

Halstrup, Dominik	6.9		
Halvorson, Wade	4.1		
Harker, Michael	11.2		
Hamon, Viviane	5.9		
Hampson, Daniel	11.8		
Handleman, Jay	5.1		
Hanna, Richard C.	10.6	11.6	12.6
Hannah, David	7.9		
Hanning, Debra	4.9		
Hansen, Jared M.	5.2		
Harrison, Mary	9.7		
Hassan, Louise	11.1	12.5	
Haudebert, Sandrine	4.9		
Hollett			
Haugvedt, Curtis	10.5		
Hazelton, Lois	1.1	8.6	
Healy, John	10.9		
Heinonen, Kristina	2.15	5.9	
Heinrich, Daniel	2.4	7.7	
Helgesson, Thomas	7.5		
Henke Jr, John	11.3		
Hennigs, Nadine	3.9	6.4	
Henriquez, Tatiana	4.4		
Henthorne, Tony	9.11		
Heptonstall, Barrie	8.7		
Heslop, Louise A.	3.6		
Heussler, Tobias	10.8		
Hibbard, Jonathan	10.6		
Hillenbrand, Carola	8.10		
Hirst, Alan	2.8		
Hofacker, Charles	6.1	2.1	
Holland, Chris	7.7	8.7	
Hollett, Sandrine	9.5		
Holloway, Betsy	9.7		
Holme, Ingrid	10.9		
Holzmüller, Hartmut	4.9		
Horrigan, David	6.1	12.11	
Hossain, M D Enayet	9.11		
Hsu, Maxwell	7.5		
Hudrasyah, Herry	8.15		
Hult, Tomas	1.5	3.7	
Hultman, Magnus	1.5		
Human, Gert	8.5		
Hung, Yuchen	9.9		
Huo, Qunying	11.4		
Iketani, Shingoh	7.4		

Indriani, Mia T. D	8.15	
Ingene, Charles A	7.4	12.2
Isberg, Sofia	5.4	
Islam, Nazrul	6.8	
Iyer, Easwar	11.7	
Iyer, Gopalkrishnan	7.3	
Izunwanne, Pamela	10.4	
Jahn, Steffen	2.15	6.1
Janda, Swinder	12.3	
Jang, Woan-Yuh	10.7	
Järvi, Pentti	4.4	
Jensen, Gitte	10.9	
Jiang, Lei	1.9	
Jin, Byounggho	8.15	
Joseph, Mathew	2.4	5.8
Julien, Anne	9.6	11.6
Juric, Biljana	9.2	
Kahle, Lynn	4.11	9.1
Kaigler-Walker	10.1	
Kaishev, Vladimir	9.6	
Kamins, Michael A.	7.1	
Kang, Ji Hye	8.15	
Kanitz, Christopher	8.15	
Kanstanakis, Minas	9.2	
Karakaya, Fahri	5.6	
Karaosmanoglu, Elif	8.6	
Kashyap, Rajiv	11.7	
Kassubek, Martin	6.4	
Katsikeas, Constantine S.	1.5	
Kazeminia, Azedeh	6.5	
Kenning, Peter	2.5	12.7
Kes, Isabelle	7.3	
Kessous, Aurélie	5.3	
Kim, Namwoon	9.9	
Kivenzor, Gregory	10.1	
Klopper, HB	5.4	
Koenig, Tatjana	1.8	
Koenig-Lewis, Nicole	4.8	
Koetz, Clara Isabel	4.3	
Koku, Paul Sergius	9.6	
Kolbe, Richard	6.3	
Konstatin, Krotov	11.3	
Kostopoulos, Giannis	4.4	9.7
Kotzé, Theuns	8.2	

Kozar, Joy M.	2.6			
Kropp, Frederic	1.1	3.5	5.5	9.1
Krueger, Franziska	1.4			
Krush, Michael	9.5			
Kubacki, Krzysztof	11.9			
Kubota, Kazuki	4.3			
Kuennen, Rob	1.7			
Kuester, Sabine	6.6			
Kuhn, Marc	8.7			
Kukar-Kinney, Monika	12.7			
Kuntze, Ronald	8.9			
Labadie, Gaston J	12.4			
Laffey, Des	2.2			
Lages, Cristiana	8.9			
Laroche, Michel	5.6			
Larsen, Jeff	5.2			
Lassk, Felicia	9.5			
Lavack, Anne	10.9	12.5		
Lavin, Marilyn	6.1			
Le Meunier-FitzHugh, Ken	4.9			
Le Meunier-FitzHugh, Leslie Caroline	4.9			
Lee, Chris	9.1			
Lee, Joong-Won	10.1			
Lee, Nick	4.9			
Leenders, Roger	10.5			
Lemaitre, Nathalie	7.3			
Lemarie, Linda	7.3			
Liang, Rong-da	9.11			
Liang, Yan	8.15			
Liao, Mei-Na	4.6			
Liao, Ziqi	9.4			
Lifen Zhao, Anita	12.11			
Ligas, Mark	11.8			
Limon, Yonca	1.3			
Lin, Cheng-Yu	6.9			
Lin, Tingling	5.5			
Linda , Brennan	12.5			
Lindridge, Andrew	10.9			
Lindsay, Noel	1.1			
Lindquist, Jay	10.7			
Ling, I-Ling	8.15			
Linzmajer, Marc	12.7			
Lionel, Maltese	1.8			
Liu, Hui-Ling	8.15			

Liu, Matthew	8.4	9.4	12.4
Livat, Florine	1.7	3.9	
Llosa, Sylvie	5.9		
Lo, Eric	5.5		
Locander, William	5.7	9.5	
López Sánchez, José Ángel	11.3		
Lopez, Carmen	7.6		
Lopez, Francisco Martinez	8.4		
Lord, John	1.9		
Lowe, Ben	2.2		
Luca Petruzzellis,	5.8		
Lukina, Anastasia V	2.15		
Lunardo, Renaud	6.10		
Luomala, Harri	10.3		
MacAskil, Susan	10.9		
Macedo, Isabel	4.6		
MacInnis, Debbie	2.1		
Madichie, Nnamdi	11.5		
Magnoni, Fanny	2.7		
Maher, Amro	7.6		
Mahon, Jon (aka Ham Rambler)	4.1		
Maille, Virginie	8.3	11.1	
Malas, Ziad	8.15		
Malone, Sheila	2.5	6.5	
Malshe, Avinash	9.5		
Malthouse, Edward	6.8		
Manika, Danae	4.6	10.4	
Maria Jose Quero,	9.8		
Mariani, Angela	1.6		
Marshall, Pablo	7.7		
Martin, Ingrid	6.2	7.1	
Martin, Wade	6.2		
Martínez-López, Francisco J	3.7	6.3	8.4
Mason, Daniel	1.9		
Matsuno, Ken	3.5		
Mau, Gunnar	3.3		
Mbengue, Ababacar	6.10		
McBride, Jennifer	2.6		
McCarthy, Ian	5.1		
McGoldrick, Peter J	11.8		
McKechnie, Sally	9.2		
McMahon-Beattie, Una	12.7		
Mehdi, Mourali	1.8		

Meintjes, Corne	5.4		
Mena, Jeannette A.	3.7	12.2	
Menguc, Bulent	2.3		
Meyer, Anton	11.4		
Michaud-Trévinat, Aurélia	11.8		
Milliman, John	9.3		
Mills, Adam	1.2		
Minival, David	1.7		
Mir, Raza	11.7		
Mitchell, Ted	8.15		
Mittelman, Robert	11.1		
Mo, Tingting	4.5		
Modina, Michele	11.6		
Mogos-Descotes, Raluca	3.8		
Mohan Pisharodi,	7.8		
Molina, Arturo	2.15		
Money, Arthur	4.1	8.2	
Money, Kevin	8.10		
Monferrer, Diego	3.5		
Mora, Pierre	1.7	3.9	
Moriuchi, Emi	8.15		
Moscarola, J.	3.9		
Mostafa, Rania	8.9		
Mottner, Sandra	2.9	12.7	
Mueller, Stephen	1.4		
Muk, Alexander	3.3		
Mukherjee, Sayantani	7.1		
Muller, Leanne	8.15		
Munnukka, Juha	4.4		
Munzel, Andreas	11.4		
Murphy, Fergus	11.9		
Murphy, James	6.1		
Murphy, Jamie	6.1	8.15	12.11
Murphy, Maurice	10.9	11.9	12.5
Na Lim, Jay	1.1		
Nadeau, John	3.6		
Naghavi, Parastoo	5.6		
Nariswari, Ange	7.6		
Narongsak, Thongpapanl	3.2		
Nasir Uddin, Mohammad	6.8		
Naude, Peter	8.7		
Nel, Deon	1.2	11.2	
Nelson, James	2.9	6.2	
Ng, Sandy	4.8		

Ngobo, Paul-Valentin	5.3				
Nichols, Bridget	1.3	2.3	4.1		
Nield, Geoffrey	12.1				
Nielsen, Jens Perch	9.6				
Niemann-Struweg, Ilse	5.4				
Nikolaeva, Ralitza	3.7	8.4	11.4		
Northington, William	7.7	9.7			
Nuttall, Peter	2.15				
Oakley, James	5.7				
Öberseder, Magdalena	4.7				
Ocal, Yasmine	2.5	4.2			
O'Connor, Thomas	2.8				
Oeberseder, Magdalena	4.7				
Olsen, Howard	8.15				
Omneya Yacout,	4.8				
Ono, Akinori	7.4				
Opitz, Christian	2.5				
Opoku, Robert	10.3				
O'Reilly, Norm	3.6				
Orth, Ulrich	1.2	2.3	6.3		
Ortinau, David J.	1.3	3.1	12.2		
Osburg, Dr Thomas	11.5				
Oswald, Monika	8.6	10.5			
Ozen, Hilal	4.6				
Paasovaara, Rami	10.3				
Pabelin, Stephen	8.10				
Page, Tom	11.3				
Palacios, Miguel	12.4				
Palan, Kay	6.3				
Palmer, Adrian	2.4	4.8	9.8	11.4	12.7
Palmer, Karen	5.11				
Pankalla, Lars	6.4				
Papaoikonomou, Eleni	2.15				
Parameswaran, Ravi	11.3				
Parent, Michael	8.1				
PARK, Joohyung	9.8				
Park, Jungkun	9.8	12.8			
Pauwels-Delassus, Véronique	3.8				
Payan, Janice	3.4				
Peng, Chi-Lu	10.7	11.6			
Pennanen, Kyösti	10.3				
Penz, Elfriede	1.8				
Pesämaa, Ossi	1.1	8.6			
Petrescu, Maria	1.6				

Petr-Huerou, Christina	9.11	12.11						
Petrovici, Dan	3.8	8.11						
Petruzzellis, Luca	5.8							
Pfajfar, Gregor	5.5							
Phau, Ian	5.8	8.15						
Pick, Doreen	6.8							
Pierrick, Gomez	4.6							
Pillai, Kishore	12.8							
Gopalakrishna								
Pinho, José Carlos	4.6							
Pinto, Mary Beth	11.5							
Pirouz, Dante	8.15							
Pisharodi, R Mohan	11.3							
Pitt, Leyland	5.1	6.5	7.9	11.2				
Plangger, Kirk	1.2							
Plewa, Carolin	5.11							
Poncin, Ingrid	2.4	4.10	6.5	6.10	8.3	9.4	12.3	
Popescu, Maria-Lavinia	7.5							
Poster	2.15							
Pounders, Kate	4.5	6.5	12.2					
Pratt, Marlene	4.10							
Price, Linda	8.5							
Pronschinske, Mya	5.11							
Quaddus, Mohammed	6.8	9.11						
Quero, Maria José	7.8							
Quester, Pascale	3.6	5.11						
Quintal, Vanessa	2.15	5.8	8.15					
Raghubir, Priya	8.3							
Rajagopal	11.7							
Rajwani, Tajeeb	2.2							
Ramdani, Ben	2.2							
Rampl, Linn Viktoria	2.5							
Reardon, James	3.4							
Reimann, Martin	6.3							
Reniou, Fanny	8.15							
Revest, Pauline	5.9							
Reyneke, Mignon	1.2	8.2						
Rice, Mark	3.5							
Richelieu, André	1.8							
Richelsen, Verena	9.8							
Rickard, Mimi	12.6							
Rinehart, Lloyd	11.3							
Ring, Karen	9.1							
Ripollés, María	3.5							
Robin, Donald P.	10.2							
Robson, Matthew J.	1.5							

Rodríguez-Ardura, Inma	8.4			
Rodrigues, Carmen Santos	3.9			
Rohm, Andrew	12.6			
Rojas-Méndez, José I	3.6	5.6	7.6	11.1
Rose, Gregory	2.3			
Rose, Susan	8.10			
Rosenbaum, Mark	8.9			
Rosenbloom, Al	10.1			
Rossiter, Catherine A.	5.2			
Ross-Woolridge, Barbara	8.9			
Rothenberger, Sandra	7.3			
Roulet, Bernard	6.5			
Roux, Elyette	2.7	4.5	5.3	
Roy, Toffoli	9.4			
Roy, Yves	8.15			
Rundle-Thiele, Sharyn	6.7	7.9	10.9	11.9
Rutherford, Brian	12.8			
Ruvio, Ayalla	8.6			
Rychalski, Aude	2.4			
Sagara, Namika	9.1			
Saintives, Camille	4.5			
Samiee, Saaed	1.5			
Sanchez, Joaquin	11.8			
Sánchez-Franco, Manuel J	6.3			
Sanjaya Gaur,	6.8			
Santagostino, Maria Rita	2.7			
Schaefer, Tobias	5.11			
Schellhase, Ralf	2.8			
Schlegelmilch, Bodo B	4.7	5.7	6.7	
Schlegelmilch, Wirtschaftsuniversität Wien	1.5			
Schnöring, Marc	8.8			
Schramm-Klein, Hanna	3.3	12.8		
Schultmann, Frank	1.1			
Schultz, Don	6.8			
Schumann, David	11.7			
Schuhmacher, Monika C.	6.6			
Seegebarth, Barbara	6.4			
Seo, Yuri	9.2			
Seock, Yoo-Kyoung	2.6			
Sezgin, Selime	8.6			
Shafia, Mohammad Ali	5.6			

Shainesh, G	7.8	8.8		
Shanka, Tekle	9.11			
Sharma, Dheeraj	8.5	12.4		
Sharma, Piyush	9.9			
Shepherd, C. David	9.5			
Shi, Tiebing	5.1			
Shih, Eric	2.3			
Shiu, Edward	11.1	12.5		
Shoham, Aviv	3.5	5.5	8.6	11.9
Siemieniako, Dariusz	11.9			
Silberstein, Richard	12.1			
Simmons, Mike	3.1			
Siu, Wai-sum	5.5			
Skarmetas, Dionysis	1.5			
Slater, Stephanie	4.11			
Smith, Brent	1.9	5.11		
Smith, Jeff	6.2			
Smith, Scott	5.2			
Smith, Shane	1.3			
Snyder, Clayton	5.5			
Soebbing, Brian	1.9			
Sohi, Ravpreet	9.5			
Solovjova, Julia	10.3			
Soule, Cat Armstrong	9.1			
Spake, Deborah	5.8			
Spielmann, Nathalie	1.7	4.3		
Spyropoulou, Stavroula	1.5			
Steffen, Celina	3.3			
Steinmann, Sascha	3.3	12.8		
Steve Charters	1.7			
Stock, Ruth	6.6			
Stoettinger, Barbara	1.8			
Stokes, Peter	8.3			
St-onge, Anik	9.4			
Story, Vicky	3.6			
Strandvik, Tore	2.15	5.9		
Strasheim, Arien	8.2			
Strasheim, Catharina	11.1			
Strizhakova, Yuliya	8.5	8.9		
Sudharshain, Devanathan	11.7			
Sufiati Purwanegara, Mustika	6.6			
Sullivan-Mort, Gillian	12.1			
Sun, Gong	3.4			
Sundqvist, Sanna	4.9			
Svensson, Goran	2.1	7.5	11.5	

Swain, Scott D.	10.6		
Swilley, Esther	2.15		
Szöcs, Ilona	6.7		
Takahashi, Ikuo	7.4		
Takata, Hidesuke	7.4		
Tam, Jackie L M	9.9		
Tang, Chris	9.7		
Tang, Tiffany	9.2		
Tarkiainen, Anssi	4.9		
Terblanche, Nic	3.1	7.3	8.1
Thalmann, Julia	1.4	10.5	
Thalmann, Julia Kristin	3.4		
Thomas, Ben	8.15		
Thongpapanl, Narongsak	3.2		
Thuring, Fredrik	9.6		
Tinson, Julie	2.15		
Trévinal, Aurélia Michaud	12.8		
Tsarenko, Yelena	8.9		
Tseng, Ting-hsiang	5.6		
Tsiotsou, Rodoula	4.11	7.8	
Tunca, Burak	10.4		
Tynan, Caroline	9.2		
Tzannis, Alessandra	8.15		
Tzempelikos, Nektarios	9.3		
Ungerer, Leona	11.1		
Uusitalo, Outi	4.4		
Van Niekerk, Andre	10.1		
Vandenberghe, Christian	6.9		
Varadarajan, Rajan	11.7		
Vasquez, Arturo	4.7	10.2	
Vastola, Antonella P	1.6		
Veale, Roberta	1.2	3.6	
Ventura, Ketí	4.5		
Ventura, Rafael	7.8		
Vijande, M ^a Leticia Santos	11.3		
Vivek, Shiri	2.15		
Vogel, Bernd	8.10		
Voima, Päivi	2.15	5.9	
Voronov, Maxim	3.2		
Vorster, Tessa	8.15		
Vredenburg, Jessica	10.4		

Wagner, Beverly	11.5					
Wagner, Gerhard	12.8					
Walsh, Gianfranco	6.9	10.6				
Walton, Bryn	3.8					
Wang, Sijun	9.7					
Wang, Wei-Lin	6.9					
Wang, Weisha	3.3					
Wang, Yonggui	6.10					
Ward, Philippa	8.15					
Wei, An-Pin	11.6					
Wei, Jack	12.6					
Weisenbach Keller, Eileen	8.5					
Welppe, Isabell M	2.5					
West, Douglass	11.2					
Whitlock, Jeryl	3.6	8.11				
Whitwell, Gregory	10.4					
Wiedmann, Klaus-Peter	3.9	6.4	8.10			
Wiley, James B.	5.2					
Williams, Michael	4.2					
Winkleman, Bryce	7.2					
Winzar, Hume	2.2	3.4				
Wirtz, Jochen	9.7					
Woisetschläger, David	4.9	7.3	7.8	8.8	9.8	10.8
Wolff, Birgitta	1.4					
Wolter, Jeremy	6.2					
Wood, Denise	1.1					
Worthington, Steve	4.8	8.8				
Wright, Barry	3.2					
Wu, I-Huei	2.15	10.8				
Wu, Ling-ling	11.4					
Wymer, Walter	4.7	6.7				
Xia, Lan	12.7					
Xiao, Ping	9.7					
Xiao, Qian	7.5					
Yacout, Omneya	6.8					
Yamashita, Yuko	5.4					
Yannopoulos, Peter	5.6					
Yao, Hui-Hsin	2.15					
Yasin, Bahar	4.6					
Yeh, Ming-Yih	11.4					
Yeung, Catherine	9.9					
Yitshaki, Ronit	5.5					
Young, Lorna	4.11					
Yu, Jae Gu	9.1					

Yu-ying, Rita Lee	11.4				
Zacharias, Nicolas	6.6				
Zanger, Cornelia	2.15				
Zeitoun, Helen	5.3				
Zhang, Jun-Shu	9.11				
Zhao, Anita Lifen	8.15				
Zhao, Xin	3.4				
Zhao, Xinshu	8.7				
Zhu, Pinghui	7.5				
Zhu, Tao	10.5				
Zhu, Zhen	3.5				
Zhuang, Weiling	3.1	4.4	5.4	6.4	7.5
Zielke, Stephan	2.9				