Preface and Acknowledgments

Boston was the setting for the 2004 AMA Summer Educators’ Conference. Both the conference program and the city provided a stimulating environment for attendees. The conference theme, “Enhancing Knowledge Development in Marketing,” encouraged the examination of new approaches to marketing to help both academics and practitioners keep pace with a fast-changing global business environment. The competitive sessions and the large number of special sessions, from both the Special Interest Groups (SIGs) and tracks, helped ensure that the conference accomplished this task.

The task of organizing a conference with 80 sessions and hundreds of participants is daunting. To accomplish this, the dedicated efforts of a large number of people are required. First, there are the individuals who submitted papers and developed special sessions. Then, there are the hundreds of reviewers who gave their time and shared their knowledge to enhance the quality of the program. Without their efforts, the papers and special sessions would not have been nearly as beneficial to conference attendees. It goes without saying that the efforts of presenters, discussants, and session chairs in the competitive and special sessions are invaluable. We would be remiss if we did not also acknowledge the efforts that resulted in the special sessions proposed by the SIGs. These sessions represent some of the most informative and useful sessions of the conference. Finally, we wish to acknowledge the work of our conference “Best Paper” committee, which was headed by Tom Kinnear, University of Michigan.

Anyone who has worked closely with an AMA Educators’ Conference knows that the track chairs are responsible for accomplishing the lion’s share of the work. The chairs and cochairs of the 14 tracks have worked for more than a year to encourage submissions, coordinate the review process, build the sessions, and provide support and encouragement for the special sessions included in the program. We thank them for their tireless efforts. By track, the chairs are as follows:

- **Consumer Behavior**
  - Peter A. Dacin, Queens University

- **Global and Cross-Cultural Marketing**
  - Jerome Williams, University of Texas at Austin

- **Societal, Public Policy and Ethical Issues**
  - Debra J. Ringold, Willamette University

- **Marketing Communications as Integrated Brand Building**
  - Chris T. Allen, University of Cincinnati

- **E-Commerce and Technology**
  - V. Kumar, University of Connecticut

- **Product Management/New Product Development/Entrepreneurship**
  - Rajkumar Venkatesan, University of Connecticut

- **Channels of Distribution/Retailing/Supply Chain Management**
  - Anthony Di Benedetto, Temple University

- **Business-to-Business Marketing and Organizational Buying Behavior**
  - David Gilliland, Colorado State University

- **Marketing Research/Marketing Intelligence**
  - Stephen Kim, Oregon State University

- **Marketing Strategy/Marketing Management**
  - Michael D. Hutt, Arizona State University

- **Sales and Sales Management**
  - Beth Walker, Arizona State University

- **Services Marketing**
  - Charlotte Mason, University of North Carolina

- **Marketing Education/Teaching Innovation**
  - Rohit Deshpandé, Harvard Business School

- **SIG Session Coordinators**
  - Scott Kelley, University of Kentucky

- **Sales and Sales Management**
  - William D. Perreault, University of North Carolina – Chapel Hill

We thank Greg Marshall, AMA Academic Council President, for asking us to chair the conference and for his encouragement and support during that process. We also acknowledge the help of previous conference chairs Randy L. Rose, Bruce Money, William Keohoe and Bill Lindgren for their help in bringing us up to speed and launching this year’s program. The AMA staff also deserve thanks for their help and professionalism. In particular, Clara Nelson, Lynn Brown, Charles Chandler, and Pat Goodrich have kept us on task and on time. Thanks also to Marie Steinhoff for typesetting the proceedings.

It was a great conference experience as represented by these proceedings!

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Pam Scholder
Georgia State University

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Best Papers by Track

**Business-to-Business Marketing and Organizational Buying Behavior**
“Investigating the Antecedents and Outcomes of Customer Firm Transaction Cost Savings in a Buyer–Supplier Relationship”
  Neeraj Bharadway, University of Texas at Austin
  Ken Matsuno, Babson College

**Channels of Distribution/Retailing/Supply Chain Management**
“Exploring Biaxial Agency Relationships and Their Performance Implications Under Relational Governance”
  Andrew T. Stephen, University of Queensland
  Leonard V. Coote, University of Queensland

**E-Commerce and Technology**
“Outsourcing of Customer Relationship Management: Antecedents and Consequences”
  Kartik Kalaignanam, Texas A&M University
  P. Rajan Varadarajan, Texas A&M University

**Product Management/New Product Development/Entrepreneurship**
“Product Newness and the Stage-Gate Process for New Product Development”
  Zafar Iqbal, DePaul University
  Rajeth Sethi, Clarkson University

**Marketing Education/Teaching Innovation**
“An Assessment of the Consumer Behavior Seminar in Doctoral Programs”
  Ronald J. Bauerly, Western Illinois University
  Don T. Johnson, Western Illinois University

**Marketing Strategy/Marketing Management**
“Return on Measurement: Relating Marketing Metrics Practices to Strategic Performance”
  Bruce H. Clark, Northeastern University
  Andrew V. Abela, Catholic University of America
  Tim Ambler, London Business School

**Sales and Sales Management**
“The Digitization of Selling Capability”
  Sundar Bharadarwaj, Emory University
  Devon Johnson, Emory University

**Services Marketing**
“Penalty Decade: Examining Customer Responses to Service Organization’s Penalties”
  Young K. Kim, Shenandoah University
  Amy K. Smith, George Washington University

**Societal, Public Policy, and Ethical Issues**
“The Strategic Role of Corporate Social Responsibility Programs in Generating Customer Loyalty and Brand Trial”
  Julie Pirsch, Villanova University
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The following papers were presented at the Winter Educators’ Conference, but were not included in the proceedings.

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COMPLEXITY IN AN ONLINE ENVIRONMENT: THE ROLE OF MOTIVES IN INFLUENCING TELEPRESENCE

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Sucheta Nadkarni, University of Nebraska – Lincoln

SUMMARY

With the growth of the Internet, businesses are spending billions of dollars to add a wide range of features such as animated pictures, sophisticated icons and links at a web site. However, managing this wide variety of presentation cues such as text, graphics, animation (i.e., complexity) is a challenge for Internet marketers. The multitude of information and design cues can create a rich environment leading to a positive browsing experience. On the other hand, these cues can be superfluous and inefficient, leading to a negative browsing experience. In other words, complexity may not appeal to everyone. That is, any positive or negative effect of complexity might depend on whether individuals have a goal directed or experiential motive. In this paper, we test the interaction between online user motives and complexity in influencing the telepresence experienced in an online environment.

There is research to suggest that motives such as goal directed and experiential persuade individuals to adopt separate mechanisms that guide attitudes (Hoffman and Novak 1996); suggesting that individuals belonging to these two different groups will have varying perceptions of complexity in an online environment. The goal directed individual visits a web site to perform a predetermined task such as seeking specific information or engaging in a specific transaction, whereas individuals with an experiential motive are more interested in undirected surfing, focusing on getting entertained than looking for specific information (Hoffman and Novak 1996; Novak, Hoffman, and Duhacheck 2002). In this paper, we focus on understanding how user motives influence the relationship between web site complexity and telepresence. Telepresence has been defined as “the mediated perception of an environment” (Steuer 1992). Telepresence is especially important in an online context because the interactive capabilities of the online media can create an environment in which an individual experiences a feeling of presence. We propose that since goal directed and experiential individuals differ in their environmental needs, it results in two distinct patterns of relationship between complexity and telepresence. More specifically, we show that experiential individuals who are looking for entertainment at the web site will find a complex environment engaging enough to support their goal and result in a favorable telepresence. However, the goal directed individual, who is focused on looking for specific information, may perceive the multitude of information and design cues superfluous and inefficient, especially as compared to a less complex web site; leading to a lower level of telepresence.

The experiment was conducted among 162 undergraduate students (57% male, 67% belonging to the 19-24 age-group) across a wide array of web sites. The study included two basic conditions: goal-directed and experiential. Subjects in the goal-directed condition were asked to “efficiently finding something specific within that site,” whereas those assigned to the experiential condition were asked to “have fun, looking at whatever you consider interesting and/or entertaining” (Schossler 2003). We measured telepresence by the 8-item scale developed by Kim and Biocca (1997). We also collected information of relevant individual characteristics including age, education and gender. We tested the hypotheses specifying the moderating effect of online user motives (experiential and goal-directed) on the relationship between website complexity and the telepresence experienced by goal directed individuals; and the inverted-U relationship between complexity and telepresence, among experiential individuals.

There are two major contributions to the complexity literature. First, most existing research has overlooked the varying underlying mechanisms of complexity that guide user outcomes. In this research, we formally compare the effects of complexity across two motives – goal directed and experiential; to show that the effects of complexity vary across these two motives due to the distinct underlying mechanisms. Second, most of the previous research on complexity has focused on the attitudes and intentions that ensue in an online environment (Stevenson, Bruner, and Kumar 2000; Geissler, Zinkhan, and Watson 2001); ignoring its effect on telepresence. Research on media richness (Steuer 1992; Klein 2003) suggests that complexity characterized by a wide array of environmental cues create a sensorally rich environment which positively influences the telepresence experienced in the environment. On the other hand, if the environmental cues are superfluous to the individual, they adversely affect their telepresence experience. Moreover, telepresence is espe-
cially important in an online environment because it drives user attitudes and satisfaction by providing a real and direct experience (Steuer 1992; Hoffman and Novak 1996; Klein 2003). From a practical standpoint, this research implies that web designers can improve the telepresence experience of goal directed and experiential individuals by providing them the level of complexity that best suits their motives. References available from author

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SEGMENTING THE ONLINE EMAVEN INFORMATION DISSEMINATOR

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SUMMARY

Access to Internet information has an impact on the manner in which consumers acquire and use product information (e.g., Ratchford et al. 2001; Szymanski and Hise 2000) and since peer sharing of information affects consumers’ behavior, recent work has begun to examine the influence of “electronic word-of-mouth” (e.g., Hennig-Thurau et al. 2004; Gwinner et al. 2003; Stauss 2000), but has not attempted to identify specific online consumer communicators, such as market mavens. Despite a growing number of studies on market mavens, research in this area is limited in several respects. First, although the maven concept has been examined in online users (e.g., Walsh et al. 2002; Krentler et al. 2003), little is known about the demographic and psychographic profile of eMavens; something which is crucial if marketers are to use the concept. Since demographic profiles offer relatively little psychological insight for targeting eMavens, they might be targeted more appropriately using other characteristics. Targeting and profiling market mavens in an online context suggests that Internet-related characteristics should be used. Before marketers can use eMavens, they first need to be identified and it is likely that they are most likely to be found in areas of the Internet that enjoy great popularity among Internet users. On such area is downloading music files over the Internet. The first objective was to identify eMavens among users visiting Internet music sites through an online-survey.

A validated version of the original six-item Market Maven Scale was used and the phrasing slightly modified to take account for the special e-context. The online questionnaire was accessible through a banner link on the homepage of the participating German companies’ websites, through pop-up windows as well as through individualized e-mails. More than 2,530 people answered the section of the questionnaire that contained the items from the eMaven scale and other profiling questions. All items had high factor loadings and the scale’s Cronbach’s alpha was 0.90, indicating that the eMaven Scale is reliable and generalizable to Internet populations. A comparison of eMavens and non-eMavens shows that both groups differ with regard to some demographic traits. These results are consistent with previous work conducted in offline contexts. Music eMavens and non-eMavens show some differences, with eMavens being slightly younger and more likely to be less educated and have lower incomes.

Previous studies have tended to view market mavens as a relatively homogeneous group. This assumption has never been tested and it is unlikely that it is the case. To identify segments of eMavens, a hierarchical cluster analysis was performed. The hit rate (or proportion of customers correctly classified) was highest for the four-cluster solution according to the confusion matrices. These were: music wallower; senior e-mavens, utilitarian e-mavens and young information hungry e-mavens. All four clusters were relatively similar in terms of demographic characteristics, however other differences mean that the four distinct eMavens sub-groups could serve e-market- ers in different ways. For example, advertisements targeting consumers from the first segment (Music Wallower), could offer free music or product trials because this group wants to “experience” music. eMavens from all four clusters interested in music and Internet music sites are desirable target groups because they use the Internet more frequently than non-eMavens and they visit music sites more often. Marketplace influencers, like eMavens, could be useful in enhancing the effectiveness of message and product diffusion. Indeed, the Internet was originally designed as a social space where consumer-to-consumer communication takes place (Evans et al. 2001). Traditional word-of-mouth is a hidden communication, restricted to a small circle of associates and friends, whereas Internet word-of-mouse is a boundless dialogue with a potentially unlimited number of net-users, which means eMavens can influence a greater number of consumers than in dyadic communication. The results may have limited generalizability, but replications could test the music eMaven scale in other countries and contexts, e.g., travel or financial services. References are available upon request.
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ONLINE PRIVACY: THE IMPACT OF SELF PERCEIVED TECHNOLOGICAL COMPETENCE

Pushkala Raman, Florida State University, Tallahassee
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SUMMARY

The emergence of the Internet and web-based technologies has enabled many marketers to use data mining techniques to customize their offers to individual consumers. In order to do this, however, marketers need to acquire data about current and potential customers. The ease with which such data can be acquired and disseminated across the Internet has led to growing concerns about whether consumers can safeguard their personal data and protect their privacy online. While substantial efforts have been made to define the dimensions of consumers’ privacy concerns (Smith, Milberg, and Burke 1996) and outline responses to these concerns (Phelps, Nowak, and Ferrell 2000), we do not have a good idea of how different populations react to an invasion of their privacy.

In sum, the literature tells us that consumers are indeed concerned about their online privacy. While they are not willing to give up online activities altogether, concerns about the security of personal information cause some consumers to curtail such activities. In this paper, we explore whether there are variations in the levels of consumer concerns about privacy between specific demographic groups. In the literature so far, some efforts have been made to distinguish between the concerns of high and low risk consumers. However, we feel that the study described here extends our understanding by exploring the differences in the concerns of privacy between various age and gender segments.

Consumers have developed several strategies for coping with these technological paradoxes, which at the broadest level are classified into two levels: (1) avoidance strategies (these include ignoring technology or refusing to use it) and (2) confrontative strategies (these include accommodation of the technology, and attempting to master it). This study focuses on exploring the avoidance and confrontative strategies used by consumers with respect to one specific consequence of the use of Internet technology, namely, the threat to privacy of personal information. The type of technology-related coping strategy that an individual adopts is likely to be influenced by several variables.

We posit that one of those variables is the individual’s self-perceived level of technological competence (SPTC), i.e., how comfortable do consumers feel about their technological skills. Consumers with higher levels of technological competence may feel confident about adopting “confrontative” technological solutions to protect their privacy (such as firewalls and Spam-blocking software) – while at the same time being aware of the limits of the protection provided by such technology. In contrast, consumers who perceive themselves to be low in technological competence might be unsure about how to install firewalls or other software, and therefore might be more likely to engage in avoidance strategies. In order to explore these issues in depth, we propose the first research question:

RQ1: What is the impact of consumers’ self-perceived level of technological competence on their level of concerns about privacy, and their perceived self-efficacy in protecting their privacy?

While the primary focus of research has been on delineating the scope of privacy and identifying the influences on consumer privacy concern, there has been little attempt to see if there are any differences across different segments of the population with respect to their concern for and reactions to privacy invasion. The literature on consumers’ relationship with technology suggests that there are notable differences between age and gender groups with respect to technology acceptance (Morris and Venkatesh 2000). This in turn can affect how they cope with the threat of privacy invasion. Accordingly, our second research question is:

RQ2: Are there differences in consumers’ coping strategies with respect to online privacy invasion across various age and gender segments?

A series of eight focus groups were used to investigate the research questions. The groups were divided by gender and age. The gender grouping of the respondents was guided by research suggesting that men and women have different comfort levels with respect to technology (Venkatesh and Morris 2000). In terms of age groups, we expected that people in the 18–25 segment would be much more familiar with computers and the Internet since they use it for school work, and hence, their technological competence levels would differ from the other respondents.
In summary, when confronted with the loss of personal privacy, focus group participants adopted a variety of coping strategies ranging from risk avoidance to risk acceptance. These strategies clearly corresponded to self perceived level of technological competence. People who had low levels of comfort and SPTC were also those with the greatest levels of concern for their privacy. It turns out that in our sample, most of these people were non-student women – both older and younger. (However, this does not provide sufficient foundation to say that there is a gender difference in SPTC. The gender differences observed in our focus groups may be an artifact of our sample, which consisted of women who spent far less time on the Internet, and therefore did not have as much online experience as the others.) Avoidance, denial, and transference of responsibility were some of the coping strategies adopted by people with low SPTC. These coping strategies result in limiting and/or restricting online usage. On the higher SPTC end, consumers were cognizant of their risk exposure, and expressed greater caution in their online dealings. However, they did not reduce their online activity. The coping strategies exhibited by these people included an acceptance of the risk of being online. Resulting from this acceptance is a greater emphasis on personal responsibility, which includes being careful about giving out information, reading privacy policies, using third party evaluations of websites, and some use of protective software. References available upon request.

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DETERMINANTS OF E-BUSINESS POTENTIAL: EVIDENCE FROM GLOBAL COUNTRY-LEVEL DATA

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SUMMARY

For firms operating in today’s truly global environment, an integration of the spatial dimension in diffusion research would help evaluate alternative strategies across geographically dispersed national markets (Mahajan et al. 1990; Putsis et al. 1997). Very few studies on innovation diffusion, however, have focused outside the U.S. and still fewer have considered two or more countries simultaneously (Gatignon et al. 1989). Thus we understand far less about the factors influencing and shaping cross-country diffusion patterns than we do about single-country diffusion patterns (Putsis et al. 1997).

This paper attempts to fill these research gaps by analyzing the Internet diffusion data in a range of developing and developed countries. To test the effects of various explanatory variables on diffusion speed and location effect, a version of Griliches (1957) logistic model (1) was estimated by using nonlinear least square (NLS) technique for 1994–1999. Let \( y_{it} \) denote the total number of adopters and \( y^*_{it} \) the total number of potential adopters of the Internet in the country \( i \) at time \( t \). Then,

\[
\frac{y^*_{it}}{1 + \exp(-a_{it} - b_{it})} = \beta_{ia} + \sum_{k=2}^{K} \beta_{iak}x_{kt} + \epsilon_{it}
\]

where \( a_{it} \) is the location or timing variable that shifts the S-shaped diffusion function forwards or backwards and \( b_{it} \) is a measure of diffusion speed. It is clear from equation 1 that as \( t \to \infty \), \( y_{it} \to y^*_{it} \). Furthermore, the proportion of potential adopters that have adopted the Internet in the country \( i \) at a point of time, \( \frac{y_{it}}{y^*_{it}} \), is positively related to location effect \( a_{it} \) and diffusion speed \( b_{it} \). \( a_{it} \) and \( b_{it} \) in equation 1 are specified as linear functions of several demand and supply variables.

Equation (1) is then estimated by adding error term (Gruber and Verboven 2001). The Griliches model, however, has some limitations in the context of global data on Internet diffusion. First, because of the unavailability of relevant data on explanatory and dependent variables, we could include only 21 countries in this model. Second, because of the lack of relevant data many developing countries could not be included in the model. Third, the NLS technique used to estimate the parameters of the model does not guarantee convergence and hence does not ensure the estimation of best values of the parameters (Greene 1999; SAS Institute 1999).

To overcome some of the limitations of Griliches diffusion function, we estimated alternative forms of time series cross-section (TSCS) models for the same period, that is, 1994–1999. We took Internet penetration level as measured by the number of Internet hosts per 1000 people and the number of Internet users per 1000 people as the dependent variables in the TSCS models. Complete data were available for 51 economies to estimate the TSCS models.

The following TSCS models were employed:

\[
\frac{IHPKit}{1000 - IHPKit} = \beta_{ia} + \sum_{k=2}^{K} \beta_{iak}x_{kt} + \epsilon_{it} \tag{2}
\]

\[
\frac{IUPKit}{1000 - IUPKit} = \beta_{ia} + \sum_{k=2}^{K} \beta_{iak}x_{kt} + \epsilon_{it} \tag{3}
\]

where, \( IHPKit \) is the number of Internet hosts per 1000 people, \( IUPKit \) is the number of Internet users per 1000 people, \( \beta_{ia} \) is the dummy variable for the \( i \)th country for the \( t \)th time period and \( \beta_{iak} (k \geq 2) \) are the slopes. \( x_{kt} \) (\( k \leq 2 \)) is the value of the factor \( X_k \) for the \( i \)th country in time \( t \).

Data related to the dependent and explanatory variables were collected from Euromonitor Publications, the UN system, Freedom House, Central Intelligence Agency (CIA), and other sources such as Statistical Abstracts of the U.S. (1997–2001).

The analysis indicated that income and political freedom variables influence the penetration rate and diffusion speed of the Internet. Telecom investment as a proportion of GDP has a significant effect on Internet penetration in the TSCS model. We also found that the random effect TSCS model is more appropriate than the fixed effect model to study the global diffusion of the Internet.
REFERENCES


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DO SOCIAL NETWORKS (GUANXI) MEDIATE THE INTERNATIONALIZATION-PERFORMANCE LINK?

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SUMMARY

The emergence of entrepreneurial SMEs as a major player in the global markets has attracted increasing attention in the international marketing literature (Boisot and Child 1996; Welch and Luostarinen 1993). In the Chinese business context, guanxi networks have been widely considered an important cultural and social governance mechanism that has significant influence on business performance (Park and Luo 2001; Peng and Luo 2000). As a firm’s growth is increasingly reliant on internationalization efforts, we are uncertain as to whether or not guanxi utilization remains predominant among internationalizing Chinese SMEs.

This study, representing an initial step in this direction, demonstrates the mediating effects of guanxi networks on the relationship between internationalization orientations and firm performance. We argue that the strategic choice of internationalization prompts firms to rely on local guanxi networks, defined here as the social ties between the firm and local government agencies and local communities (Park and Luo 2001). Guanxi networks in turn contribute to the improvement of business performance of SMEs. We also make the distinction between outward internationalization (e.g., seeking and selling in foreign markets and developing alliances with foreign businesses) and inward internationalization (e.g., utilizing management skills, new technology, and direct investment from foreign countries) (Welch and Luostarinen 1993). This study specifically tests the mediating role of guanxi in the association between internationalization (e.g., outward and inward orientations) and SMEs’ firm performance (e.g., export growth, sales growth, profitability).

Results indicate that guanxi utilization is likely to contribute to the success of newly internationalizing rural Chinese SMEs. Notably, we found that guanxi networks indeed mediate the influence of both inward and outward internationalization orientations on export growth and profitability. This suggests that guanxi networks are applicable to not only inward internationalization but outward internationalization as well in affecting SMEs’ performance. However, the mediating effect of guanxi networks does not seem to be associated with sales growth. This implies that the utilization of guanxi networks for a firm’s sales growth through (either inward or outward) internationalization has been limited among rural Chinese SMEs. In terms of direct effects, outward internationalization orientation has a significant impact on a firm’s export growth, whereas inward internationalization orientation is significantly associated with sales growth. Nevertheless, neither inward nor outward internationalization orientations impacts directly on a firm’s profitability. This can be explained by the fact that the internationalization process involves substantial resources and financial costs that are likely to make SMEs less profitable especially in the short run. Overall, this study shows that guanxi networks, though locally rooted, can extend their impact globally to a firm’s growth in the process of internationalization.

Further research is needed to validate the theoretical framework and findings with more comprehensive measures and, perhaps, in a broader research setting. The importance of guanxi network (Peng and Luo 2000) in the internationalization process of Chinese entrepreneurial firms may not represent a typical phenomenon. However, we hope this study offers some interesting insights by developing and testing a model of the mediating role of social networks in the internationalization process (Welch and Luostarinen 1993) of SMEs in a transitional economy.

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THE IMPACT OF INTERCONNECTEDNESS FOR BETTER PERFORMANCE IN MULTINATIONAL CORPORATIONS: CONCEPTUAL EXAMINATION

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SUMMARY

Designing effective transnational organizations depend on the effective deployment of advanced information technologies. Because globalization requires employees and business partners to be geographically and temporally distant from one another, deploying information technologies with a virtual organization is an obvious choice for overcoming spatial and temporal boundaries. An MNC consists of a group of geographically dispersed subsidiaries with a wide range of goals (Luo 2001). Given the increasing importance of globalization for the competitive environment, the dual imperatives of global integration and local responsiveness are becoming more critical than ever before for the survival and growth of MNCs (Bartlett and Ghoshal 1989; Doz and Prahalad 1991; Roth et al. 1991). Global integration concentrates on the coordination of activities overseas in an attempt to provide efficient network operations and to take maximum advantage of similarities across locations.

While global interconnectedness is certainly an important strategic issue for many MNCs, it has attracted very little research interest among researchers in the field of both International Business and Information Systems. Thus, existing research on importance of interconnectedness provides very limited insights. In fact, best of my knowledge, there is no study specifically examines global interconnectedness and business performance in one study. Most existing research seems to be descriptive in nature in a sense that, without examining the performance.

Therefore, the purpose of this paper is to broaden understanding about strategies for achieving real interconnectedness in Multinational Companies (MNC), which impacts firm performance. Thus, this study tries to answer questions:

- How do multinational companies achieve successful interconnectedness?
- What is the role of Information Technology in MNCs to facilitate the integration?
- How does successful interconnectedness help to increase performance?

The model of Interconnectedness Capability comprises of three dimensions: Environmental antecedents (internal as well as external), factors that contribute to better performance, and better market outcome. The model includes National Culture as a moderating factor to Interconnectedness Capability. In the model, Competition Intensity and Technological Change are the external factors whereas IT Infrastructure and Corporate Culture are regarded as internal factors that affect the Interconnectedness Capability. The ultimate goal of Interconnectedness Capability is to improve performance.

This conceptual study indicates that effective global interconnectedness has a positive impact on the business performance of MNCs. In order to obtain effective interconnectedness, firms should study the national culture of country, analyze the competition intensity, and be aware of technological changes. IT Infrastructure and corporate culture of the company should also need to be examined for efficient and effective interconnectedness among global branches.

The studies reviewed here point out a need to consider methodological issues when conducting global integration research. Longitudinal studies are necessary to gain understanding of how global integration is impacted by IT infrastructure and how global integration constructs influence performance over time. Additional studies using industry samples is important to gaining face validity and in providing research results that will be given serious consideration by practitioners. Further research is needed to understand why and how strong global integration affects competitive advantage in MNCs. Moreover, global integration can be examined at two levels. One stream of research can focus on the firm level whereas the other stream research can deal with the functional level. In this study, my concentration will be on the functional level. Thus, research at the firm level may be an attractive segment to investigate. Finally, this research is conceptual. It does not empirically examine the global interconnectedness on firm’s business performance. Future research studies should come up with empirical tests. References available upon request.
EXPLORING MULTI-DIMENSIONAL PERCEPTUAL RANKING OF MARKETING JOURNALS BY NORTH AMERICAN ACADEMICS

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ABSTRACT

This paper develops a weighted multi-dimensional perceptual rankings based on respondents evaluation of a journals prestige, contribution to theory, contribution to practice and contribution to teaching. Comparisons are made between rankings of individual criteria and composite rankings. Comparisons are also made to recent single dimension perceptual-based rankings and citation-based rankings.

INTRODUCTION

For over 25 years there has been an ongoing interest in measuring the value/importance of published work and publishing outlets in the marketing discipline (Luke and Doke 1987). Much of the interest in this area suggests that evaluating research activity is needed to assist in measure individual or institutional performance (Baumgarter and Pieters 2003; Easton and Easton 2003; Mort et al. 2004; Theoharakis and Hirst 2002). The question of how one measures the value of an academic’s work as been examined in a range of ways (Baumgarter and Pieters 2003; Hawes and Keiller 2002).

Two main approaches to measuring the importance of journals (i.e., rankings) have been used; (1) the evaluation of citations of one journal in others (Baumgarter and Pieters 2003; Zinkhan and Leigh 1999); and (2) evaluations of individuals perceptions of journals’ worth (Hult et al. 1997; Luke and Doke 1987; Mort et al. 2004; Polonsky and Waller 1993; Theoharakis and Hirst 2002).

The degree of agreement between studies, using the various approaches seems somewhat equivocal (Hawes and Keiller 2002; Mort et al. 2004; Polonsky et al. 1999). The inconsistency, especially within the perceptual rankings, occurs because of the impact of moderators such as: respondent’s location (Theoharakis and Hirst 2002), focus of the institution (Hawes and Keiller 2002; Hult et al. 1997); and the individuals’ demographic characteristics (Hult et al. 1997; Luke and Doke 1987). The existence of moderating variables suggests that developing a worldwide global ranking of journals may be unrealistic and rankings possible should vary depending on the reason for ranking. However, to date the complexity of perceptions has mostly been ignored in the journal ranking literature. Although some, such as Shugan (2003) have identified potential problems with relying on one-dimensional journal rankings. Although others, such as Baumgarter and Pieters’ (2003), have suggested that even single dimensional perceptions of journal rankings are in fact complex as they capture multiple attributes. It is somewhat surprising that no research has focused on understanding the composition of these complex perceptual rankings.

This study seeks to partially fill this gap by examining how a sample of North American marketing academics evaluate journals that they are familiar with on four criteria – prestige, contribution to theory, contribution to practice, contribution to teaching. The evaluations are weighted, based on individuals’ identification of the overall importance of these four criteria for themselves and their institutions when evaluating a journal’s ranking. The composite scores are also adjusted to reflect familiarity (i.e., the number of individuals who evaluated the journal). The final weightings take into consideration the complexities of perceptions and thus move beyond simple “single item” measures of a journal’s contribution. The analysis then examines the ordinal ranking of journals on the four individual criteria and the two composite scores. The composite rankings are also compared to recent perceptual rankings of U.S. academics (Theharakis and Hirst 2002) and citation based rankings (Baumgartner and Pieters 2003).

BACKGROUND

The discussion of rankings is something that can potentially cause tension within academic departments (Polonsky et al. 1997; Shagan 2003). Many of us have had discussions within our departments or with broader peers in regards to “what counts,” which can vary in extremes from only “A’s” count to institutions where any publication is seen as positive. Knowing what “counts” is not of passing importance in an academics career. For those new to the job market they may have very specific publishing expectations in terms of A and B outlets in order to receive tenure. For example, the AMA DocSig (2003) reported that the average tenure requirements for State Teaching/Balanced focused institutions in 2003 was 2.7 A’s and 5.5 B’s. Knowing what makes the cut, as an A & B is increasingly important, especially given that this may differ across institutions. Hawes and Keiller (2002) have suggested that if a department following the AACBS accreditation process should define the journals that “count” based on the institution’s mission statement.
As was mentioned in the introduction, the literature on ranking journals using perceptual evaluations has varied in its focus. This has included issues such as who is asked their opinion? Many studies have focused on heads of schools, senior academics or possibly those at “leading” institutions (Mort et al. 2004; Theoharakis and Hirst 2002). Would these people’s views reflect the perceptions of the wider academic community (Hult et al. 1997)? While heads of school may be appropriate because they are actively involved in hiring and tenure decisions, would those at leading research institutions be relevant, especially if not everyone aspires to work at “leading” research institutions. Previous research seems to have not especially if not everyone aspires to work at “leading” research institutions. Previous research seems to have not considered how leading teaching and industry-focused institutions would consider publishing outlets. Thus, to be considered how leading teaching and industry-focused research institutions. Previous research seems to have not considered how leading teaching and industry-focused institutions would consider publishing outlets. Thus, to be generalisable across all academic settings it may be necessary to undertake perceptions of journal rankings from a cross-section of academics, rather than focusing on views of a “selected” few.

There has not been extensive discussion of what criteria should be used to evaluate journals, within ranking literature (Hawes and Keiller 2002; Polonsky and Waller 1993; Polonsky et al. 1999; Shugan 2003). The only academic multiple evaluation of journals that we could identify was in a work by Polonsky and Waller (1993) who asked marketers in the Asia Pacific to evaluate journals on several criteria, although the publisher based ANBAR group compiles an evaluation of journals (and individual articles) on multiple criteria (ANBAR 2003).

Within academia generally there is a suggestion that “Universities” are responsible to students, industry as well as the broader academic community (Polonsky and Waller 1998). Any time there are multiple constituents there are difficulties developing appropriate performance measures that are satisfactory to all stakeholders. For example, it has been suggested that teaching and research within business schools may have differing impacts on how these institutions are perceived (Armstrong 1994). It is our contention that it is therefore critical to develop appropriate multi-dimensional evaluative criteria for journals.

**METHODODOLOGY**

The qualitative phase of the study focused on defining the evaluative criteria that might be used to examine journals. Given that the literature has not previously defined such criteria in-depth interviews were undertaken to define these criteria and also discussed various methodological issues associated with the study. Eleven senior academics, who had extensive publishing records and global teaching experience, were invited to participate. Interviews were completed with six of the eleven potential participants. Interviews were summarised and checked by participants. The four most salient criteria identified by respondents were (1) prestige, (2) contribution to theory, (3) contribution to practice and (4) contribution to teaching, which each could be matched to a constituent of academia – i.e., administrators (prestige), peers (knowledge), students (teaching) and business (practice). The four criterion are also consistent with the potential rationales for ranking journals discussed in the ranking literature (for example, Armstrong 1994; Baumgarter and Pieters 2003; Hawes and Keiller 2002; Zinkhan and Leigh 1999).

While interview participants all agreed that these four criteria could be used to evaluate journals; there was a strong view that these criteria would not have equal weight, and the importance might vary depending on who or why the evaluation was taking place. This latter point was incorporated into the study, as final survey respondents were asked to identify the relative importance of the evaluative criteria for themselves and to evaluate the perceived importance of the criteria for their institutions.

The survey that was developed had to also address several critical methodological issues. The first was whether the survey should ask people to list journals they could rank (similar to Theoharakis and Hirst 2002) or to ask people to evaluate a prepared broader set of journals (similar to Hult et al. 1997) responding only for those that they were familiar with? Based on discussions in the in-depth interviews it determined that respondents would be provided a list of marketing journals rather than rely on their “recall” journals. The journals included for evaluation were “pure” marketing journals and multi-disciplinary journals were explicitly excluded. The list of 93 journals was sourced from an electronic list of marketing focused journals (see Tilburg University 2003), and supplemented by journals included in another recent perceptual ranking studies (Mort et al. 2004).

The second methodological issue related to the evaluative scale that should be used. Several in-depth interview respondents suggested that adopting something along the A, B, C type of scale would be most appropriate as this is what was used by individuals in evaluating journals already. This type of approach was used and included a 7 point scale A+, A, B+, B, C+, C, D, for each of the four criteria. Respondents were also given the option of not responding.

The development of an appropriate weighting schema to calculate composite rankings was the third methodological issue to be addressed. Based on the in-depth interviews, two 100-point summed scaled questions where used to identify the relative importance of the four evaluation criteria in regards to the individual’s weighting and the individual’s perception of their institution’s weighting.
The survey also included a range of background and demographic questions about the individual and their institution. These were designed to ensure that the sample was representative of the wider academic marketing community in terms of levels and academic research interests.

The draft instrument was distributed to the original 11 professors for feedback and resulted in a range of improvements to the instrument. The survey was distributed on-line through Elmar, which unfortunately does not have a way of identifying demographic or institutional information of Elmar subscribers. After three weeks was 117 responses were received of whom 74 were based in the U.S. and Canada, i.e., North America, although only 65 of these completed the two 100 point summed weighting portions of the study and comprise the sample.

Technology constraints may have resulted in some potential respondents being unable to complete the web-based survey, but it not possible to identify how many people had this problem, which may be a limitation of the study. Those who indicated they had a problem, where send an electronic copy of the survey.

The first step of the data analysis identified which journals respondents most frequently evaluated and the substantive analysis was limited to the top 20 journals. The response numbers were also used to calculate a familiarity index (# of respondents evaluating Journal X/65). The second stage determined the mean ranking for each evaluative criteria for these “top 20” journals. Rankings across the 4 criteria were then compared undertaken using Kendall’s W test. Differences in rankings would suggest that the criteria used to rank journals matters. Pearson correlations were also examined for the criteria’s mean scores.

The third phase of the analysis calculated the two weighted composite evaluations (individual and institutional), by multiplying the relevant criteria weighting by the individual’s evaluation of each criteria, which were then aggregated for each journal. These scores were also adjusted by the familiarity index and the composite rankings (individual and institutional) were compared using Kendall’s W test to determine if the ordinal rankings varied. Pearson correlations were also examined for the criteria’s mean scores.

The last phase of the analysis involved comparing the composite rankings identified within this study to rankings that have been previously undertaken based on perceptual evaluations of journal rankings (Theoharakis and Hirst 2002) and citation based rankings (Baumgartner and Pieters 2003). For these comparisons to take place only the 18 journals common to all three studies were used. The composite rankings developed with the data in this study and the rankings in the two additional studies were adjusted to reflect the 1–18 ordering. Spearman correlations were taken across all rankings (individual, composite, Theoharakis and Hirst (2002) perceptual and Baumgartner and Pieters (2003) based citation based.

SAMPLE

The response rate for the study is unknown, as there is no “list” of marketing academics in North America and there are no demographic data available on Elmar members. The use of e-survey methods has advantages in breadth of reach, but issues such as sample issues are one potential limitation (Chittenden and Rettie 2003). The critical issue with any study is that the sample, even if it has a low response rate, is representative of the targeted population (Berdie 1989). We believe that the 65 complete responses are representative, as the broad demographic characteristics seem to suggest that this is the case, however the low response rate may be a limitation of the study.

The distribution of individuals by rank covers a cross section of academic levels, 91 percent have a Doctorate, 25 percent are female and the average age is 44.22 years. Individuals have 12.2 years in academia on average, 9.1 years of industry experience, and 41 percent work at institutions that offer DBA’s or PhD’s. In addition their research interests cover a range of areas, thus suggesting that there is no “topic” imbalance, within might impact on the type of journals evaluated.

ANALYSIS

The first aspect of the study involved the examination of which journals individuals evaluated, i.e., familiarity. The journal evaluated by all 65 usable respondents was the Journal of Marketing Research and in regards to the familiarity index this represents 1.00 (see Table 1 for a list of journals included – C1 – and the familiarity index – C2). The 20th most evaluated journal had a familiarity index of .52 (i.e., 34 evaluators).

The dispersion indicated that the top 20 journals were familiar to more than half the respondents on average. The journals included were not limited to U.S. journals, even though European journals have tended to be less represented in U.S. based ranking studies. In addition one e-journal was also included as was one conference proceeding, thus possible highlighting the changing nature of knowledge dissemination (Polonsky et al. 1999).

The second step of the analysis was to examine the unweighted individual evaluative criteria. The mean scores and ordinal rankings are provided in Table 1 Column 3 – Column 6. The maximum score on any one criterion was 7
<table>
<thead>
<tr>
<th>JOURNAL</th>
<th>C1</th>
<th>C2</th>
<th>C3</th>
<th>C4</th>
<th>C5</th>
<th>C6</th>
<th>C7</th>
<th>C8</th>
<th>C9</th>
<th>C10</th>
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<td>1.00</td>
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<td>6.35 (2)</td>
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<td>5.78 (2)</td>
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<td>1</td>
<td>2</td>
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<td>6.45 (1)</td>
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<td>4.67 (10)</td>
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<td>4.45 (5)</td>
<td>4.57 (5)</td>
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<td>4.03 (9) [8]</td>
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<td>3.05 (11)</td>
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<td>3.33 (16) [15]</td>
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<td>2.42 (15)</td>
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<tr>
<td>Industrial Marketing Management</td>
<td>0.58</td>
<td>4.42 (15)</td>
<td>3.95 (17)</td>
<td>4.71 (9)</td>
<td>4.08 (6) [5]</td>
<td>2.54 (14)</td>
<td>2.60 (14)</td>
<td>17</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>Journal of Marketing Education</td>
<td>0.58</td>
<td>4.11 (18) [NR]</td>
<td>3.74 (18) [NR]</td>
<td>3.61 (18) [NR]</td>
<td>5.39 (1) [NR]</td>
<td>2.36 (18) [NR]</td>
<td>2.39 (18) [NR]</td>
<td>Not Ranked</td>
<td>Not Ranked</td>
<td></td>
</tr>
<tr>
<td>Academy of Marketing Science Review</td>
<td>0.58</td>
<td>3.16 (20) [NR]</td>
<td>3.55 (20) [NR]</td>
<td>2.84 (20) [NR]</td>
<td>2.08 (20) [NR]</td>
<td>1.80 (20) [NR]</td>
<td>1.78 (20) [NR]</td>
<td>Not ranked</td>
<td>Not Ranked</td>
<td></td>
</tr>
<tr>
<td>Journal of Personal Selling &amp; Sales Management</td>
<td>0.54</td>
<td>4.43 (14)</td>
<td>4.43 (15)</td>
<td>4.86 (6)</td>
<td>4.09 (5) [4]</td>
<td>2.42 (16)</td>
<td>2.40 (17)</td>
<td>16</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td>Journal of Consumer Marketing</td>
<td>0.54</td>
<td>3.69 (19) [18]</td>
<td>3.71 (19) [18]</td>
<td>3.66 (17) [18]</td>
<td>2.94 (19) [18]</td>
<td>1.92 (19) [18]</td>
<td>1.95 (19) [18]</td>
<td>18</td>
<td>17</td>
<td></td>
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<tr>
<td>International Journal of Research in Marketing</td>
<td>0.52</td>
<td>4.79 (11)</td>
<td>4.82 (9)</td>
<td>4.18 (13)</td>
<td>3.68 (13) [12]</td>
<td>2.40 (17)</td>
<td>2.42 (16)</td>
<td>7</td>
<td>14</td>
<td></td>
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</tbody>
</table>
The scores of the top 20 journals for Prestige range from 6.58 to 3.16; Contribution to Theory 6.45 to 3.55; Contribution to Practice 5.47 to 2.84; and Contribution to Teaching 5.39 to 2.08. It is unclear why teaching was deemed to relatively lowest and respondents may have considered this to focus on teaching methodology, rather than the use of journals in class. The criterion results indicate there is a wide dispersion for each journal across the 4 criteria and there were statistical differences in mean values of the four evaluative criteria overall.

The Kendall’s W test indicated that there were however, no statistically differences in ranks of criteria across the various pairs of combinations. Thus, any apparent differences in ranking of individual journals is not sufficient to statistically effect overall rankings. Table 2 examines the correlations between the mean criteria scores and rankings across individual and composite criteria.

In terms of ranks (mean values) the Pearson correlations are statistically significant for all pairs of criteria other than Theory-Teaching and in this case the criteria move independently. However, for the other pairs there is a statistically significant relationship between the criteria. The magnitude of the Pearson correlation for the individual criteria varies between .972 for theory and prestige to .358 for theory and teaching. In regards to absolute values, theory and prestige are also not statistically correlated. Teaching rank and rank based on both individual and institutional criteria are also not statistically different. Thus while one might suggest that ranking based on theory and prestige would not result in the same outcome, other criteria are also less strongly related (teaching-prestige .517; theory-practice .590; and practice and teaching .608), even though they are statistically significant. This suggests that understanding the specific focus of the perceptual criteria and the composition of the criteria may therefore still be important in developing a composite ranking.

An examination of the adjusted weighted composite criteria for individuals and their institutions is provided in Column 7 and Column 8 of Table 1. The composite scores are determined based on multiplying each individual’s overall evaluation of the relative importance of the criteria, times their evaluation of that criteria for each journal evaluated, which are aggregated across respondents and

![TABLE 2](image-url)

**Correlation Matrix**

<table>
<thead>
<tr>
<th></th>
<th>Prestige</th>
<th>Theory</th>
<th>Practice</th>
<th>Teaching</th>
<th>Adjusted Weighted Individual</th>
<th>Adjusted Weighted Institutional</th>
<th>Theoharakis &amp; Hirst Perceptual Rank (2002)</th>
<th>Baumgartner &amp; Pieters Citation Rank (2003)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prestige</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Theory</td>
<td>.972*</td>
<td>1.00</td>
<td></td>
<td></td>
<td>.900*</td>
<td>.906*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Practice</td>
<td>.716*</td>
<td>.590*</td>
<td>1.00</td>
<td></td>
<td>.560*</td>
<td>.590*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Teaching</td>
<td>.517*</td>
<td>.358</td>
<td>.608*</td>
<td>1.00</td>
<td>.426</td>
<td>.535*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted Weighted Individual</td>
<td>.900*</td>
<td>.906*</td>
<td>.589*</td>
<td>.426</td>
<td>.999*</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted Weighted Institutional</td>
<td>.868*</td>
<td>.878*</td>
<td>.567*</td>
<td>.489*</td>
<td>.993*</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted Perceptual Rank #</td>
<td>.891*</td>
<td>.911*</td>
<td>.411</td>
<td>.372</td>
<td>.743*</td>
<td>.773*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted Citation Rank #</td>
<td>(571*)</td>
<td>(653*)</td>
<td>(570*)</td>
<td>(570*)</td>
<td>(749*)</td>
<td>(765*)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Pearsons correlations where not undertaken, as only rank were used.
then adjusted by the familiarity index. The individual composite score varies 5.78–1.80, whereas the institutional composite score varies between 6.05–1.78.

It is worth noting that the average weightings for the four criteria are: Prestige – Individual 28.05 (16.82 std), Institutional 57.70 (29.37 std); Contribution to theory – Individual 32.85 (12.73 std), Institutional 17.72 (13.63 std); Contribution to practice- Individual 23.98 (11.08 std), Institutional 12.07 (11.26 std); and Contribution to teaching- Individual 12.41 (9.59 std), Institutional 7.24 (10.91 std). In all cases there are statistical differences between the individual and institutional weightings for each individual criteria. It is also interesting to also note that individuals perceive contribution to theory to be most important criteria (32.85%), but they believe their institutions evaluate prestige most highly (57.70%).

The Kendall’s W Test indicates that the rankings across the two composite scores do not vary statistically. That is the ordinal ranking of journals does not change whether the individual’s weighting is used or the institutional weighting is used. This is further confirmed in the correlation analysis (Table 2), where both the mean value and rank correlations statistically significant. In addition the Pearson correlation, raw score and rankings are exceptionally high, i.e., .999 and this indicates that both move together. Thus even though the weightings differed between individuals and institutions this did not effect the overall evaluation or ordering of journals. It should be mentioned that the composite scores correlations with teaching were not statistically significant.

The last phase of the analysis was to undertake a comparison of the two composite rankings developed in this study with rankings developed in Baumgartner and Pieters (2003) citations based ranking and Theoharakis and Hirst 2002 perceptual ranking using Spearman correlations, these are also undertaken for the other variables as well using the 18 journals common to all three studies, i.e., the Journal of Marketing Education and Academy of Marketing Science Review were removed (see Table 2). The Spearman correlations identify that Teaching and Theory are still not statistically significantly related, although Teaching is now significantly related to the two composite weightings. This may have happened as the Journal of Marketing Education, which was raked, first using the teaching criteria, has been removed. In regards to comparisons of the rankings in previous studies and those in this study, it is found that the two composite rankings are correlated in a statistically significant fashion. Interestingly the rankings in the two other studies are only correlated at the, 525 level, even though it is statistically significant. The Hult et al. (1997) perceptual rankings are not correlated in a statistically significant fashion to the practice or theory rankings. This might suggest that while there are some relationships between ranking approaches there are differences as well. In addition it is unclear if correlations between approaches holds across the set of journals. As authors such as Hult et al. (1997) and Hawes and Keiffer (2002), have suggested that there appear to be greater variations in ranking as one moves down the pecking order, i.e., ranking are not stable across the set of journals.

**IMPLICATIONS AND CONCLUSION**

The interest in ranking journals is something that will most likely continue into the future, especially with the ongoing high tenure expectations (DocSig 2003). Given that this is the case, it would make “academic” sense that those undertaking the rankings more explicitly consider what they want to measure. If the sole reason for rankings in journals is to identify which university or individual is most published or cited in the literature, so be it. If, on the other hand rankings are designed to capture multifaceted aspects of the value of publishing, then one ranking might be less desirable. The equivocal ranking results in the past research, including the works that identify various moderating factors affect how individuals evaluate journals, would suggest that developing some “universal” world ranking of journals is even more difficult. This issue is one that may even be more complicated by the changing nature of technology in terms of research. For example, one colleague has indicated that they now look at which databases carry the journals they are considering, rather than consider any rankings. The rational being that they want to ensure their information is accessible to the widest set of individuals, academic, student, and practitioners.

We believe the key issue of rankings revolves around the questions – Why are we ranking journals and are the underlying rational communicated to individuals who are being evaluated? The second part of the question is critical, as this is what staff, new and established, needs to know in order to succeed within their institutions.

It is interesting that in this study there were at least three fully three non-U.S. (editor and publisher) journals in the top 20 journals, whereas some U.S.-based rankings have only included U.S. journals. There is also one e-journal included in the “top” 20, even though it is the lowest ranked journal. As such, U.S. marketers might be broadening their perspectives in terms of the acceptability of outlets. This particular e-journal is actively promoted through Elmar, which may have bias the results. The growing development of “e-journals” and journal databases, is something that might impact on journal rankings, both from a dissemination of information and quality issues (Polonsky et al. 1999) and is something that needs to be examined further (Bar-Ilan et al. 2003). It will indeed be interesting to see how this changes the overall ranking.
process in the future. Another point of interest is that there is one “journal” listed, is in fact a conference proceeding (Advances in Consumer Research). While in some other ranking studies conference proceedings were seen as important publishing outlets (Theoharakis and Hirst 2002; Luke and Doke 1987). It is interesting to note that fewer full papers appear seem to be appearing in proceedings and thus more might need to be considered on the role of proceedings in terms of academic contribution.

**LIMITATIONS AND FUTURE RESEARCH**

Given this is one of the first attempts to examine the dimensionality of journal rankings substantially more qualitative and empirical work needs to be undertaken. Not only do the evaluative criteria need to be confirmed in other studies, but also more needs to consider how various potential moderating factors impact when complex evalu-

**REFERENCES**


Tilburg University (2003), *Academic Marketing Jour-


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AN ASSESSMENT OF THE CONSUMER BEHAVIOR SEMINAR IN DOCTORAL PROGRAMS

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Don T. Johnson, Western Illinois University, Macomb

SUMMARY

This article examines the consumer behavior (CB) seminar in doctoral programs through a review of course syllabi. We explore the required readings, top books, journals, and articles being assigned. We also examine the most prolific authors, course objectives, and the topical approaches followed.

Despite the 1988 AMA Task Force’s call for sharing doctoral course information, few studies have been conducted on doctoral seminars. Kurtz et al. (1997) examined syllabi from the doctoral seminar in theory, but no study of the CB seminar has been published. This is true despite the fact that CB is the most frequently offered doctoral seminar in marketing (Daneels and Lilien 1998).

CB seminar syllabi were obtained from AACSB doctoral programs. Usable responses were received from 22 programs for a response rate of 22.9 percent. Results showed that the most commonly assigned book was the *Handbook of Consumer Behavior* (Robertson and Kassarjian, eds. 1991, Prentice-Hall). The most popular reading from this book was “Memory and Decision Making,” by Alba and Hutchinson (p. 1–49), assigned by half the respondent schools. In total, respondent schools cited articles from 91 different journals. The top three journals provided nearly 70 percent of the total citations. The *Journal of Consumer Research (JCR)* dominated with (53.7%), followed by the *Journal of Marketing Research* (10.2%), and the *Journal of Personality and Social Psychology* (5.7%). Of the top ten most frequently cited journals, four were from marketing, five were from psychology, and one was from management.

There was remarkable diversity among the journal articles assigned. A set of 955 different articles were cited a total of 1,708 times. Only three of the articles were cited by as many as half (11) of the schools. A total of 46 articles were cited by five or more programs, which accounted for 18.9 percent of all the citations. Table 1 provides a list of some of the most frequently cited articles. Given the

<table>
<thead>
<tr>
<th>Article</th>
<th>Cites</th>
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*TABLE 1*  
Most Frequently Cited Articles*
<table>
<thead>
<tr>
<th>Article</th>
<th>Cites</th>
</tr>
</thead>
</table>

*JCR = Journal of Consumer Research; JMR = Journal of Marketing Research; MS = Marketing Science; AP = American Psychologist*

The dominant role of *JCR*, it is surprising how little agreement there is when it comes to article selection in CB seminars. Bettencourt and Houston (2001) found that *JCR* was the most diverse journal compared with *JM* and *JMR* in terms of drawing knowledge outside of marketing and business. Perhaps *JCR* provides an unusually broad base upon which to build the scaffolding of the CB seminar.

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SUMMARY

The Taxonomy of Educational Objectives developed by Bloom (1956) suggests six stages of comprehension and learning in the cognitive learning school of thought. The six stages in Bloom’s taxonomy are (arranged in hierarchical order):

1. Knowledge
2. Comprehension
3. Application
4. Analysis
5. Synthesis
6. Evaluation

Following Bloom’s hierarchy, students gain knowledge by taking basic fundamental courses. These students then move from knowledge to comprehension to application by taking higher level functional courses (e.g., functional electives, functional capstone). However, students must then pass through higher order cognitive levels that allow them to reach the analysis, synthesis, and evaluation stages of the taxonomy.

It is at this juncture between application and analysis in which sensemaking is likely to occur. In the words of March and Olsen (1976, p. 56), “individuals and organizations make sense of their experiences and modify behavior in terms of their interpretations.” As an example, consider the question, “What’s really happening?” For a student or an executive, this question generally contains four sub-issues:

- What actions being done now help improve the organization’s performance?
- What actions are wasted motions (e.g., what actions are we taking that do not contribute and waste our time)?
- What actions harm the organization’s performance (e.g., what actions are counterproductive in helping the organization achieve what really needs to be accomplished)?
- What actions are we not doing now but really should be doing to improve the organization’s performance?

More importantly, however, is that there is a fifth sub-issue that tends to be overlooked in this process. That is, how does one go about the process of finding out what is really happening? An “implicit mental model” often used by decision-makers is one in which the person believes that what comes to mind first is accurate (Senge 1990). “It seems that the process of interpretation is so reflexive and immediate that we often overlook it. This, combined with the widespread assumption that there is but one objective reality, is what may lead people to overlook the possibility that others may be responding to a very different situation” (Gilovich 1991, p. 117).

Improving the Quality of Decisions

Formal training in meta-thinking has not traditionally been a part of the core (or even elective) business school curriculum. Academic programs, including those in executive education, have not included courses in “thinking about thinking” or in “thinking about deciding.” Nor, unfortunately, are there effective prescriptive tools to facilitate levels of thinking and deciding. Two reasons may be responsible for this lack of educational focus and training. First, overconfidence bias is widespread – most executives tend to rely too often on their unconsciously driven automatic thoughts (Bargh, Gollwitzer, Lee-Chai, Barndollar, and Troetschel 2001; Wegner 2002). There is a natural tendency to assume that intuitive beliefs are accurate and that relying on external heuristics (e.g., written checklists, explicit protocols, etc.) is unnecessary. Even when presented with hard evidence that formal external searching of relevant information sources and the use of explicit decision rules result in more accurate decisions than intuitive judgment alone, the student’s or executive’s first response is often one of disbelief and resentment. Such resentment is attributable to an implicit loss of authority to evaluate and decide (e.g., Gaither 2002). Second, as a scientific field of study, research in the area is relatively new. Unlike related fields of study (e.g., biology, sociology, psychology), formal research on meta-thinking and meta-evaluation became recognized as a field of study only recently (e.g., see the landmark work by Shadish, Cook, and Leviton 1991).

Classroom-Oriented, Experiential Exercises in Meta-Thinking

The paper presents two experiential exercises and one tool (decision tree analysis) that have been useful in training programs designed to improve meta-thinking process and the creation of “heuristics that make us smart” (Gigerenzer, Todd, and the ABC Research Group 1999).
Differences Between Scientific and Executive Thinking

The recognition and acceptance of distinct thinking paradigms facilitates the design of prescriptive decision-making tools. Being “mindful” requires training and, while highly valuable, it is most often an unnatural mental process. In the words of Karl Weick (1995), decision-makers should “complicate yourself.” In marketing, this suggests that meta-thinking offers the opportunity for improved decision outcomes. References available on request.

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PRODUCT NEWNESS AND THE STAGE-GATE PROCESS FOR NEW PRODUCT DEVELOPMENT

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Rajesh Sethi, Clarkson University, Potsdam

SUMMARY

The new product development process within firms is increasingly coming under scrutiny in order to help decrease cycle times, reduce costs, improve quality, and increase overall success of products. One manifestation of the increased scrutiny is the adoption of stage-gate processes for new product development by a number of firms. The stage-gate process breaks new product development into a set of discrete stages, each stage consisting of a set of prescribed activities. The entrance to each stage is a gate, which serves as the quality control and go/no-go check point.

While stage-gate processes have helped introduce discipline and planning into previously chaotic new product development activities, there is some concern that stage-gate processes may be favoring the development of incremental new products over the development of really new products within the firm. This concern stems from the realization that new product development, particularly new-to-the-firm product development, is an inherently variance-inducing activity, whereas the stage-gate processes have been designed to inhibit variance in order to successfully manage product development for cost, quality, and cycle-time reasons.

We found evidence of the above criticisms in one-on-one interviews that we conducted with 20 product development managers who were responsible for getting their new product projects through stage-gate processes in a variety of firms. These managers stated that they found it more difficult to get approval at gates for really new products that involved either newer technologies and infrastructure (i.e., had supply-side newness) or targeted newer customers and competitors (i.e., had demand-side newness). Given these concerns, we examine whether the stage-gate process for new product development hinders the approval of or resists products that have supply-side or demand-side newness.

If the answer to the above question is in the affirmative, then an interesting question that arises is: How do managers that have really new ideas and want them translated into new products negotiate their way through the stage-gate process. Our concern here is that the resistance at stage-gates at times can drive managers to make serious compromises to let the idea see the light of day and such compromises can adversely affect the fit of the product with customer needs. Thus, another objective of this study is to examine how the difficulty in getting approval for really new products affects the extent to which managers compromise the product, and how this compromise influences the product’s eventual fit with targeted customer needs.

We found in our interviews that, in many of these cases, product development managers in charge of the product tend to play a major role in getting the new product successfully through stage gates. The logical question that then arises is: What are some of the key actions that reduce resistance to very new ideas? Our interviews revealed two actions that may have a role in reducing resistance. The first action has been called, coalition building, i.e., building support for and consensus around the product idea. The second action has been termed, framing, i.e., strategically linking the product idea to existing strategy, values, and operations. However, how effective a role these two actions play in minimizing resistance to new product ideas during stage gate evaluation has not been systematically examined. Nor is it known if these actions are equally suitable for both supply-side and demand-side newness. As such, our research also examines how coalition building and framing influence the effects of supply-side and demand-side newness on resistance generated during the stage gate process for product development.

Method and Results

A survey of new product development projects was conducted and 120 usable responses were received (a response rate of 60%). The standard procedure for scale development was followed, and multiple item measures were included for each construct. Moderated regression analysis was used for examining the effects of supply-side and demand-side newness on resistance encountered by the project and how these effects are moderated by coalition building and framing. Regression analysis was used to examine the effect of resistance on project compromise and, in turn, the effect of project compromise on the product’s eventual fit with targeted customer needs.

Our results suggest that the stage-gate process of new product development creates resistance to new product ideas that exhibit demand-side and supply-side newness.
The project resistance created at gate reviews leads product managers to compromise the product definition significantly to gain approval. Eventually the project compromise results in a lack of fit with customer needs for the final project when it is launched. The results also show that activities like coalition building and framing of the product idea carried out by savvy product managers can selectively help overcome project resistance and hence avoid project compromise. Specifically, coalition building reduces project resistance when the product idea exhibits demand-side newness, but increases resistance when the idea exhibits supply-side newness. Framing, on the other hand, reduces resistance when the product idea exhibits supply-side newness.

**Implications**

Our study suggests that an overemphasis on process management activities like the stage-gate process favor products that are exploitative (i.e., incremental) rather than exploratory in nature (i.e., really innovative). While there is nothing negative about launching exploitative products such as line extensions, managers need to realize that blockbuster growth is rarely likely to result from solely relying on the stage-gate process. Our study also highlights the important role that middle managers play in developing and launching really new products in organizations through the judicious use of coalition building and framing.

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THE NATURE OF NEW PRODUCT DEVELOPMENT IN NONPROFIT ORGANIZATIONS

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SUMMARY

There are over 1.2 million nonprofit organizations in the U.S., representing 6.7 percent of U.S. income with revenues in the range of $664.8 billion (Nonprofit Almanac 2001). Given the significance of these numbers, it is surprising that little research has examined how nonprofits manage “products,” and in particular, how such organizations manage new product development (NPD). Indeed, the evolution of nonprofit organizations has created even greater pressure for improved and more professional management, especially the management of new offerings (Andreasen and Kotler 2003).

Given the void in understanding how nonprofits manage new product development, a study was undertaken to examine NPD practices within large national non-profit organizations and compare these practices to what is known about new product development (NPD) in profit organizations. Results suggest that differences in NPD behavior between profit and non-profit organizations exist and that because of distinctive characteristics of nonprofit organizations, best practices from profit organizations are not always directly applicable to nonprofit contexts.

Methodology

The top 25 organizations listed on the Nonprofit Times List of the Top 100 Non-Profit Organizations were initially considered, and only those public organizations filing IRS Form 990 contacted. The focus on large nonprofit organizations was based on the assumption that such organizations would have the infrastructure, size, and resources to undertake new product/program/service development.

Telephone calls were made to each organization to identify a contact person. The result of solicitation efforts resulted in six national organizations agreeing to participate in the study: AARP, American Cancer Society, American Heart Association, American Red Cross, Boys & Girls Club of America, and Goodwill Industries.

Multiple respondents within each organization were interviewed to yield a well-rounded, diverse view of new product development management practice. Interviews were based on a semi-structured interview protocol comprising a set of open-ended questions focused on the following six dimensions: strategy, portfolio management, process, people, metrics, and market research. Interviews were conducted over a two-month time frame by the two authors and lasted approximately one hour. A total of 40 respondents were interviewed across the six organizations.

Case studies on each respective organization’s new product development practices were developed by combining the comments from all respondents within an organization on each of the six themes. Case studies were then analyzed and compared to yield cross-organization results and tentative conclusions.

Conclusions

Nonprofits typically do not have a consistent NPD process that is used across the organization, but rather each department has its own informal and undocumented process. Because there is no accepted universal process, there is little, if any, consistency in the activities undertaken during the development of a new product or program. Ideation and product definition are given heavy emphasis in all the nonprofit organizations studied, while concept development and testing, project evaluation, and business analysis are typically either ignored or performed haphazardly. All this said, results suggest that NPD processes within nonprofits have some of the same weaknesses as those of profit organizations (Cooper, Edgett, and Kleinschmidt 2002).

In contrast to profit organizations, nonprofits seem very good at embodying their mission/strategic plan and using it to identify and select NPD projects. Yet, measuring the long-term success of NPD efforts is very difficult due to the lack of time and resources needed to actually track behavior change in members/users. The type of new product/programs developed by nonprofit organizations seem to influence their view of NPD as a tactical endeavor. In other words, NPD is seen as a means to an end (the mission). By contrast, profit organizations tend to view NPD as more strategic in nature, which may account for the greater use of portfolio management by such firms.

Based on our study and the best practices identified in previous research, we recommend the following to nonprofit organizations:
• Adopt greater discipline when it comes to NPD, utilizing a process more consistently and conceivably making the effort strategic in nature.

• Use a common framework that departments can then adapt to their specific project needs and use as their development process.

• Use common guiding principles for project evaluation. Such guiding principles further cohesively tie departments across the organization.

• Employ multi-functional and cross-functional teams, where possible, as they help the organization focus its NPD activities.

• Apply portfolio management to track new product projects and to facilitate the allocation of limited resources.

• Spend more time upfront in the early phases of NPD conducting environmental scanning and needs assessment in order to more effectively evaluate projects and to be more future oriented than they are at the present time. References available upon request.

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EXPLORING THE ROLE OF RISK IN NEW PRODUCT DEVELOPMENT

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SUMMARY

The marketing literature suggests that one of the roles of top managers is to provide an environment in which innovative behavior is encouraged and new ideas and risk-taking are acceptable (Menon et al. 1997). Menon et al. (1997) contend that a certain level of risk-taking by senior managers and a willingness to accept occasional failures in organizational processes should be a normal part of business. In the absence of an openness to take calculated risks, employees are reluctant to try innovative ideas and are more likely to stay within their individual risk comfort levels. This should suggest to NPD managers that accepting risk and encouraging innovativeness in the NPD process is an essential requirement for achieving high performance gains in the NPD process. In this paper we examine the role of risk in the outcomes of new product development; performance, marketing competences and innovativeness.

Through its strategic posture, a firm selects and interprets its environment, responds to those elements it considers fixed, and adapts its strategy to the requirements of the environment (Bourgeois 1985). How well it “fits” its strategy to the environment determines its performance (Gresov 1989; Venkatraman 1989). Our primary goal is to evaluate the contingent role of marketing turbulence and technological turbulence on the outcomes of the new product development process particularly when should NPD managers encourage risk-taking.

Encouraging Risk in Innovation

Hurley and Hult (1998) examine innovation as part of a broader framework that links cultural aspects of the firm’s receptivity to new ideas and innovations (which they term organizational innovativeness) to the firm’s innovative capacity (an organizational outcome). They found that the innovativeness of a group’s culture has a significant and positive effect on innovative capacity. Consistent with these literatures in this area, we treat innovativeness as a firm’s receptivity to new ideas and innovations as part of an organization’s culture (Hurley and Hult 1998) with the intent of inventing new products.

In exploring the role of risk in the NPD process questions that arise are: what environmental conditions is it best to undertake riskier projects in NPD? What impact does the environment have on changing this NPD strategy? But, the first question that needs to be asked is: Does a higher risk-taking propensity even lead to higher NPD performance outcomes?

In our theoretical model, we contend that in a new product development program in which managers encourage risk-taking and accept occasional new product failures as being a normal part of business creates higher innovativeness in new product development, higher firm competences and higher new product performance outcomes. We test our model to empirically validate these relationships. The two moderators – marketing turbulence and technological turbulence – are discussed subsequently, and hypotheses about the moderating impact of their interaction are proposed. As such we develop three different models that we evaluate; (A) a baseline model, (B) a model with the contingency, marketing turbulence, and (C) a model with the contingency, technological turbulence.

Discussion

We first evaluated a baseline model using the entire sample. Overall, we concluded that the model was a sufficiently valid “baseline” model as all our hypotheses were supported. There is a positive relationship between a firm’s risk-taking propensity and the outcomes of the new product development process; namely, innovativeness, new product performance, and marketing competences. Thus, firms should encourage risk-taking in their new product development processes if they wish to increase innovativeness and performance. In evaluating the contingent environments (marketing and technological turbulence) in which risk should be encouraged, we found:

- Risk-taking is positively related to innovativeness in all environments. Firm’s should always encourage risk-taking and accept failures as part of the innovation process. Turbulence (high/low marketing or technological) did not affect the outcomes.

- Risk-taking also leads to greater marketing competences in all environments, but especially in low marketing turbulence. This was contrary to our hypothesis; based on field studies, we suggested that in highly turbulent market environments risk would increase marketing competences.

- Risk-taking leads to greater NP program performance in all environments.
Managing risk has traditionally focused on reducing or mitigating the probability of the occurrence of an adverse effect and/or the magnitude of a negative situation. In this paper, we have found that reducing risk should not necessarily be the primary goal of new product managers. Encouraging risk-taking and the inherent failures that accompany it, also provides the potential for greater rewards. Firms can learn through their failures but only if failures are approached as being a normal course of business. Failure can lead to improved product and process improvements. It has been said that Thomas Edison came up with 400 different ways of not making a light bulb. His failures eventually lead to great rewards.

We also concluded that risk-taking is not contingent upon marketing or technological turbulence. Even in stable environments where status quo is often encouraged, firms can reap greater rewards with trying riskier marketing and technological projects in the new product development process. For managers that believe that risk aversion is best in turbulent environments, we suggest that this is not necessarily the best strategy. Seeking out some risky projects can lead to greater new product development performance. References available upon request.

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COUNTRY OF ORIGIN EFFECTS AND FOREIGN PRODUCT EVALUATIONS: DOES INVOLVEMENT HAVE A MODERATING ROLE?

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SUMMARY

In an era of global business, international competitiveness has become a necessity for the survival of many firms. In order to acquire such competitiveness, firms that sell products internationally need to have a thorough understanding of how consumers around the world evaluate the quality of their offerings. Every product or service that is sold globally has a “made in” image that is attached to it. This “made in” label or country of origin; could have a potential significance in the evaluation of the product or service attributes.

Nations can be viewed as brands, as each country has a common set of perceived attributes that characterize it and carry over into the products or services that originate from such country. For example, Swiss watches, French perfumes, and Japanese electronics (O’Schaughnessy 2000). In this ever more competitive international marketplace, country of origin effects play an increasingly important role in the process of product or service evaluations ranging from simple awareness to attitude formation and purchase decisions for many consumers (Papadopoulos and Heslop 1993). However, there have been some inconsistencies in the literature regarding the effects of country of origin on product evaluations. According to previous published results, country of origin could be important to some consumers but not to others (Johansson 1989).

Based on the Elaboration Likelihood Model, we propose that the level of involvement and the strength of product attributes moderate the relationship between country of origin and perceptions of quality of foreign made products. Product involvement has been described as a long-term interest in a product. This interest is based on the centrality of this product to personal needs, values and is basically a function of differences among individuals (Bearden and Netemeyer 1999). The Elaboration Likelihood Model suggests that as the personal relevance or consequence of a product or issue increase, it becomes more important to form a reasoned and rational opinion (Petty and Cacioppo 1981). In the context of evaluating foreign made products, we argue that the amount of cognitive processing that occurs in evaluating a product will depend on the level of involvement. In addition variables that need an extensive use of cognition to be effective will have a bigger influence under cases of high involvement rather than cases of low involvement (Petty, Cacioppo, and Schumann 1983).

Results offer support to our arguments by suggesting that highly involved individuals base their judgments on the desirability of product attribute information despite the country of origin while individuals with lower involvement may use country of origin cues as the basis for their quality perceptions regardless of product attribute information. Results also pointed out that under high involvement conditions; the processing of stereotyping information is different from under low involvement. Low involvement individuals used the country of origin stereotype as a substitute for the actual product attribute information. In this case country of origin was used as a dominant product attribute in itself. References available on request.

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SUMMARY

The effects of country-of-origin (COO) on product evaluations have been studied extensively but mostly among consumers in developed markets (Papadopoulos and Heslop 2002; Verlegh and Steenkamp 1999), wherein consumers are shown to prefer products from countries with advanced R&D and manufacturing infrastructure, because of better perceived quality. Recent research has also shown that consumers’ attitudes towards foreign products in emerging markets are significantly different from those in developed countries (Cannon and Yaprak 2002; Mooij 2003). However, the reasons for these differences are not clear and hence, there is a need to use more comprehensive theoretical frameworks to extend the knowledge in this field.

In this paper, we first develop a conceptual framework incorporating two distinct constructs – consumer ethnocentrism and materialism, to explain differences in COO effects between consumers from developed and emerging markets, in terms of their attitudes and behaviors towards foreign products. We develop several hypotheses based on this framework and then test these empirically using a survey-based approach. Most hypotheses were supported at p < 0.01 level, showing that both consumer ethnocentrism and materialism traits affect perceptions about foreign products but in opposite directions. We also show that the impact of these two constructs on COO is significantly different between consumers in developed versus emerging markets.

Conceptual Framework

Consumers in many emerging markets perceive imported products from developed markets to be of superior quality whereas they may perceive products from other emerging markets to be of similar or even inferior quality compared to their domestic products (Ettenson 1993). On the other hand, consumers in developed markets perceive products from less developed markets to be of inferior quality whereas they may perceive products from other developed markets to be of similar or even superior quality compared to their domestic products (Gurhan-Canli and Maheswaran 2000). However, due to the wide economic gap between them, we hypothesize consumers in emerging markets to have greater positive perceptions about products imported from developed markets, as compared to consumers in developed markets. Similarly, we suggest that consumers in developed markets would have greater negative perceptions about products imported from emerging markets, as compared to consumers in emerging markets.

Prior research has shown highly ethnocentric consumers to have greater negative perceptions about imported products in general. We argue that this effect would be more pronounced among emerging versus developed markets. Hence, we hypothesize that highly ethnocentric consumers in emerging markets have greater negative perceptions about imported products in general, as compared to consumers from developed markets. Similarly, we suggest that low ethnocentric consumers in emerging markets would have greater positive perceptions about imported products, as compared to consumers from developed markets. We also hypothesize that high ethnocentric consumers have greater negative perceptions about products imported from emerging markets, as compared to low ethnocentric consumers. We also hypothesize that low ethnocentric consumers would have greater positive perceptions about products imported from developed market, as compared to high ethnocentric consumers.

On the other hand, highly materialistic consumers are more concerned about displaying their status and possessions in their relevant social groups and hence, buying and possession of imported products would help them make a positive impression on others. Therefore, we hypothesize highly materialistic consumers to have greater positive perceptions about imported products, as compared to consumers low on materialism. Again, we argue this effect to be more pronounced among consumers in emerging vs. developed markets. Hence, we hypothesize highly materialistic consumers in emerging markets to have greater positive perceptions about imported products in general, compared to those in developed markets.

Methodology

A survey-based approach was used with 120 student subjects in a major Singaporean university. A basic questionnaire was developed with scales to measure
traits consumer ethnocentrism (CETSCALE, Sharma et al. 1995) and materialism (Richins and Dawson 1992) on the first page and attitude scales to measure consumer perceptions about a relevant product, a PC from three different countries of origin: home country, an emerging market, and a developed market. Three different versions of this questionnaire were developed first and administered to 40 local Singaporean students to capture the perspective of consumers in a developed market and the other two were used with 40 expat students each from India and China, to gauge the perspective of consumers from emerging markets. Copies of the questionnaires are available upon request.

Data Analysis and Discussion

All the scales showed good psychometric properties with high reliability ( > 0.80) and factor-loadings ( > 0.60). The perception scores for each country of origin were averaged and these were compared using T-tests. For all the three groups, there were significant differences in their perceptions about products from developed versus emerging markets in the expected directions. Next, all the subjects were divided into high vs. low materialist and ethnocentric groups based on median split of their scores on these traits. We then used Multivariate ANOVA to test the interaction between each of these traits, the home country, and the country of origin. Most hypotheses were supported at p < 0.01 level and some at p < 0.05 level. Further details and references are available upon request.

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EXPLORING THE ROLE OF SALIENCE IN THE EXPRESSION OF FEELINGS OF NATIONAL IDENTITY IN CONSUMPTION PATTERNS

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SUMMARY

The significance of the interaction between national identity and the associated behavioral manifestations has been extensively studied in sociology, psychology, social psychology, and political science. However, aside from the measurement of consumer ethnocentric tendencies and consumer animosity in different countries, little has been done in the marketing field to increase the understanding of the behavioral manifestations of national identity and their effects on international business. Given the recent increase in conflicts between nations and the nationalistic sentiments to which they give rise, it is vital to understand the attitudes, feelings and behaviors that may be prompted by national identity. Managers need to be able to identify the messages that may be associated in consumers’ perceptions with national identity cues and to anticipate reactions to these cues. Managers need to understand the national identity perceptual environment in which advertising and product messages are received and interpreted.

This paper uses Carvalho’s (2003) integrated model of national identity as the conceptual frame for analyzing consumption patterns that may arise from such identity. The theoretical model, drawn from theories of self-concept, social identity, and intergroup relations, seeks to understand how consumers make sense of, interpret and negotiate the personal expression of their nation and their national identity, not only in ordinary times but also in times of crisis when national identity seems to be threatened by outsiders. The model proposes four distinct levels of national identity: patriotism, ethnocentrism, animosity, and nationalism. This paper builds upon the conceptual relationships proposed in the model by introducing salience as a mediating variable in the expression of feelings of national identity in consumption patterns. It studies citizens as consumers by proposing distinct behavior and attitude patterns at each of the four levels of national identity as mediated by the salience of the identity level. It explores the concepts of consumer patriotism, consumer ethnocentrism, consumer animosity, and consumer nationalism as different responses to stimuli linked to national identity at three different levels of identity salience.

Concepts proposed in this paper have several theoretical implications: First, consumer feelings, attitudes and behavioral manifestations linked to national identity are not trivial. They are prompted by a basic human need for the maintenance of a positive personal self-concept. Second, reactions to nationalistic feelings may be divided into two conceptual domains: First, feelings and actions that are focused on the home nation (consumer patriotism and consumer ethnocentrism) and, secondly, those that are focused on a foreign nation (consumer animosity and consumer nationalism). In addition, different levels of national identity salience are expected to prompt different responses on the part of consumers.

The conceptualizations presented in this paper provide marketers with fruitful areas of exploration to help manage their businesses more effectively. Managers of international products may be able to improve the accuracy of risk assessments for sales of goods easily identifiable with the parent country by using the schemas presented in the paper. This paper proposes that levels of antagonism against a foreign product may vary directly with the salience of the expression of the national identity and the perception of the magnitude of possible threat the country represents.

Similarly, managers of domestic businesses may be able to enhance marketing communications programs after a close look how association of a brand with home nation symbols at different levels of national identity salience affects consumer behavior and attitudes. These managers continue to strive to create a closer personal relationship with customers. One option managers may consider in achieving this goal might be to associate products with national symbols and national rhetoric messages. However, when improper framing implies that commercial motives are exploitive of patriotic themes or symbols, messages may be expected to produce negative results. References available upon request.
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THE COMPUTERIZED BEER DISTRIBUTION GAME: A POWERFUL TOOL FOR TEACHING COLLABORATIVE RELATIONS IN THE MARKETING CURRICULUM

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SUMMARY

Academic and practitioner interest in the topic of supply chain continues to increase. In the academic literature, we see more research on the topic and more texts that now devote chapters to it (Coughlan, Anderson, Stern, and El-Ansary 2001). The topic of supply chain receives greater attention in the popular press (Fisher 1997).

Given the increasing importance of supply chain topics, including them in the curriculum will soon become a pedagogical imperative for marketing educators. However, the complexity of the supply chain concept does not lend itself fully to traditional teaching methods, such as classroom lectures or field trips. That is, it is almost impossible to walk students through the entire supply chain of retailers, wholesalers, distributors, and manufacturers in a field trip. This situation warrants the integration of computer simulation games into the marketing curriculum. Simulation games allow students to experience the key decisions in an entire supply chain over several transactional periods not otherwise feasible in the real world.

One of the most widely used simulation games for demonstrating the dynamics of a supply chain is the Beer Distribution Game, developed by the System Dynamics Groups at the Massachusetts Institute of Technology in the 1960s (cf., Simchi-Levi, Kaminsky, and Simchi-Levi 2000). Over the years, the Beer Game has been used in many operations and production classes. Although various versions now exist including the traditional board version, the Internet version, and the CD version, they all contain the similar simplifications of the supply chain. First, the chain is reduced to a single retailer, single wholesaler, a single distributor, and a single factory. Each institution has unlimited storage capacity.

Second, demand is on a weekly basis from downstream institutions. Institutions must try to meet demand from downstream institutions or back order at a cost of $1.00 per unit per week. Each institution owns the inventory at its facility and is charged a holding cost of $0.50 per unit. Orders from downstream institutions take a week to reach the upstream supplier. After orders are filled, they take two weeks to reach the downstream customer. The third simplification is that all institutions have a common goal: to minimize total cost for their institution or the entire distribution system. These simplifications should allow for the use of the game to demonstrate other business or management situations in the supply chain, especially collaboration on chain wide-goals. However, many of the classroom exercises have been devoted to demonstrating relationships that revolve around inventory management. In the past four years we have developed a pedagogical approach for demonstrating collaborative relationships among supply chain members using the CD version of the Computerized Beer Game instead of the manual or online version, and play the game in two main scenarios. To replicate the traditional supply chain with no collaboration, we instruct players to use the local information option (i.e., to turn off the global information option). In addition, we instruct them not to discuss their decisions with team members from other institutions in the chain. To replicate the collaborative scenario, we instruct players to activate the global information option. In addition, we encourage them to discuss their decisions with team members from other institutions.

At the end of the game, students summarize cost and service performance data for the institutions and the supply chain. They then complete a short questionnaire that requires them to evaluate various types of attributions about performance outcomes. We also observe the groups to see how they collaborate on chain wide decision-making.

In nearly all cases, the most common attributions about performance outcomes apply to relational norms and collaborative efforts. The winning groups report higher ratings for collaborative efforts of group members and individual members, while groups that performed poorly reported lower ratings on collaborative efforts. Additionally, among groups whose performance expectations were not met, the nature of future relational norms tends to be described as lacking commitment.

Students’ comments and feedback suggests the following take aways from the game: (1) coordinating collaboration across the supply chain system is critical to
attaining the least cost along the supply chain, and (2) chain members’ interpretation of supply chain performance outcome discrepancies can significantly impact future relational norms in the supply chain. The students also seem to enjoy competing for the bonus points we promise to the Game winner and runner-up.

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SUMMARY

Marketing education is currently faced with a business environment that is becoming increasingly global. New technologies are not only influencing global marketing practice, but also education in this field (Bell et al. 2001). Thus, teaching mediated by information technology (IT) is becoming an important option within marketing education, because it facilitates the sharing of costs, information, and expertise among multiple sites while providing additional educational opportunities in a multicultural context (Meier and Simon 2000; Webster and Hackley 1997). As many of these technologies are being rapidly adopted by businesses, exposure to them provides the added advantage to improve the levels of technical competence and communication skills of learners (Bell et al. 2001).

The integration of IT into marketing education is by no means trivial, and it is not simply a matter of providing computer access and training. Effective use and integration of IT into the classroom requires a departure from traditional interaction modes so that a technology-mediated learning environment becomes pedagogically effective and even superior to alternative modes of learning and instruction (Alavi, Yoo, and Vogel 1997). This paper focuses on investigating the antecedents of computer-based marketing simulations. The main question raised is how the effectiveness of marketing simulations can be enhanced. Specifically, this paper examines the learners' satisfaction with marketing simulations used for the purpose of enriching global marketing education in traditional universities and other campus-based training institutions.

Computer-based marketing simulations refer to software, which implements an interactive model of a firm in a marketplace. Marketing simulations allow experience to be gained in handling new situations in an artificial world. Learners are forced to analyze and understand data and take rational decisions regarding a number of opposing aspects through time (Klassen, Keith, and Willoughby 2003). After this, they receive results on their performance.

The objective of this study was to examine the relationships between learners' satisfaction and key influence factors. The following hypotheses were examined:

H1: A high degree of involvement of the learner will be associated positively with learners' satisfaction with marketing simulations.
H2: A high level of motivation of the learner will be positively associated with learners' satisfaction with marketing simulations.
H3: A positive attitude towards information technology will be associated positively with learners' satisfaction with marketing simulations.
H4: A high quality level of simulation technology will be associated positively with learners' satisfaction with marketing simulations.
H5: High quality of the simulation content will be positively associated with learners' satisfaction with marketing simulations.
H6: A high degree of interaction will be positively associated with learners' satisfaction with marketing simulations.
H7: A high degree of empathy by the instructor will be positively associated with learners' satisfaction with marketing simulations.
H8: Positively perceived teaching skills of the instructor will be associated positively with students' satisfaction of a marketing simulation.

The investigation is based on the integration of an international marketing simulation being taught in three different courses with three lecturers. The survey was conducted over a one-year period during which 120 students were interviewed. All measures were assessed via a 5-point-Likert-type scale ranging from “strongly disagree” to “strongly agree.”

Evidence in support of hypotheses 1, 2, 3, and 6 could not be observed. Significant relationships (at a .05 level) were observed between quality of technology, content of simulation, interaction, empathy by the instructor and learners' satisfaction. A regression analysis indicates that technology, content and perceived teaching skills have a dominant influence on the learners' satisfaction with marketing simulations used in global marketing teaching.
Learner-related influencing factors, such as involvement in education, motivation and attitudes towards technology, seem to have no impact on the learners’ satisfaction with marketing simulations. This is surprising, as scientific literature (Piccoli, Ahmad, and Ives 2001; Hiltz 1993) suggests that both involvement and attitudes towards technology would make a positive impact on satisfaction. The content and the technology of the computer simulation must provide a sufficient level of quality in order to make the usage of computer simulations effective. Due to their significant level of influence on learners’ satisfaction they both can be seen as necessary preconditions for successful teaching with the help of electronic media.

Furthermore, the results appear to suggest that the perceived teaching skills of the instructors by far outweigh the importance of technology, which can be achieved by allowing plenty of discussion and, whenever possible, create an emotional involvement among the learners. References available on request.

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EXPLORING RELATIONSHIPS AMONG STUDENT LEARNING STYLES, COURSE DELIVERY METHOD, AND STUDENT OUTCOMES

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SUMMARY

This study examines the relationship among student learning styles and student outcomes within the context of courses that use case method versus other course delivery techniques. The specific teaching-learning issues under consideration in this research are twofold. First, a goal of this research is to gather evidence regarding the efficacy of one pedagogy (case methodology) for delivering course content in senior-level marketing courses as compared to other course designs. In addition, the research seeks to determine if a student’s particular learning style is associated with a student’s preference for various pedagogies. The project is based on the argument that there is a lack of research supporting the efficacy of the case method in achieving targeted student outcomes. Furthermore, there is a dearth of knowledge in the marketing discipline regarding the learning styles of its majors and if those learning styles are conducive to how courses are taught. Examining these issues can be the basis for improving educational quality and student attitudes by matching student learning style with course design in marketing courses.

Student Learning Styles and Preferences

Many business schools are actively embracing the research paradigm of quality improvement and assessment that now pervades higher education. That is, goals and objectives are being developed that address student-centered learning and its enhancement based on principles of continual improvement (e.g., Adrian and Palmer 1999; Morris and Morris 1999). To that end, a Task Force on Effective and Inclusive Learning Environments (1998) sponsored by the AACSB recognized the need for university professors to match teaching styles with their students’ learning style differences. The AACSB task force’s report affirms that student learning experiences should be the central focus of higher education efforts and that to enhance those efforts instructors need to recognize the potential for students to exhibit diverse learning styles.

Research has long supported the notion that when students are taught in a manner consistent with the way they learn, they not only have a favorable attitude toward the learning experience but they also perform better. For instance, some students prefer to learn alone while others prefer learning in group or team settings. In an experimen-

tal study where teaching style was matched and mismatched with learning style, it was found that students (1) performed significantly better when the teaching style matched the learning style, and (2) also had significantly more favorable attitudes in that condition (Dunn et al. 1990). However, despite such results, in business education it is notable that a lack of attention to student learning style still persists.

A review of the literature on learning styles reveals differences as to whether one is referring to preferences a learner has for different pedagogies or the actual process of acquiring and processing information while engaged in a learning activity (Davis, Misra, and Van Auken 2000). The former view of learning style concerns how the content of a course is delivered while the latter view of learning style is defined as the student’s particular manner of acquiring knowledge, skills, and attitudes through study and/or experience (Canfield 1994; Curry 1991; Stewart and Felicetti 1992). The manner of acquiring knowledge displayed by students is influenced by individual differences in how people absorb information, think, and solve problems (Garger and Guild 1984; Witkin et al. 1977).

Case Method and Course Design

In the United States, case usage in education was pioneered at Harvard University’s law and business schools during the late nineteenth century and early twentieth century (Calkins 2001; Jennings 2002). Since then, case studies have assumed a major role in business education and are highly valued as an active learning tool because they yield a variety of desirable learning experiences and outcomes, including: (1) relating theory to practice, (2) illustrating specific points, issues, and managerial principles, (3) developing critical-thinking and analytical skills through synthesis, (4) confronting “real-world” situations and complexities, (5) developing interpersonal skills, communication and listening, and (6) mastering course concepts through application (Jennings 2002; Rees and Porter 2002).

Despite the wide-spread acceptance and use of the case method in business education and the benefits associated with such active learning tools, surprisingly little research has actually examined and provided empirical support for the connection between case application and
student outcomes. Consequently, it seems that programmatic research is needed to examine and support empirically the potential relationships between case method and the student experience. In addition, we believe that this research agenda must expand to encompass the more complex context of the classroom setting. This includes examining the relative effectiveness of specific course pedagogies in the context of student learning styles to explore if course designs and teaching techniques may vary in their effectiveness depending on learning styles.

Model Testing, Results, and Implications

The relationships among course delivery method (including case pedagogy), learning style, and student outcomes (e.g., student performance; attitude toward course) were examined empirically with a sample of undergraduate students enrolled in upper-level marketing classes using both anova and correlation analysis. The scales utilized for this study were taken from extant literature. Results indicated that case method pedagogy was highly ranked as means of achieving student outcomes and was one of only two teaching methods that produced statistically significant differences in those outcomes. In addition, several interesting correlations among the different learning styles explored in this study and the students’ preferred teaching methods were discovered. Conclusions, implications, and directions for future research will be elaborated upon at the conference.

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THE ROLE OF ORGANIZATIONAL CULTURE IN INTERORGANIZATIONAL NETWORK ORIENTATION – SOME EMPIRICAL EVIDENCE

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SUMMARY

A growing stream of contemporary marketing literature shows a heightened interest in studying the enabling conditions and implications of the new marketing phenomenon cited as interorganizational networking (Gulati, Nohria, and Zaheer 2000). On the ground of this research it is well documented that organizations of today develop long-terms relationships with other actors in their business network, as a proactive strategy that leads to competitive advantage (Gadde, Huemer, and Hakansson 2003). To the extent that strategic decision making involves highly unstructured and complex messages, such strategic interactions among organizations may be accommodated only through rich, interpersonal and bi-directional communicational flows, which underpin their relational nature (Daft and Lengel 1986; Mintzberg, Raisinghani, and Theoret 1976). In this sense, the relational information and social exchanges among a firm’s members with other members in a business network may denote the firm’s orientation towards interorganizational networking. Similarly, there is a growing consensus about the interrelationships among organizational contextual factors (i.e., structure and culture), marketing strategy and performance. For example, Deshpande, Farley, and Webster (1993) have found that a firm’s culture is related to a strategy that is oriented towards innovation and performance, though in the field of marketing orientation research. However, empirical research has not yet examined the role of organizational culture in the development of an interorganizational network oriented strategy. This research addresses this issue. The purpose of this study is to examine the relationship of organizational culture with interorganizational network orientation. Specifically, the objectives of this study are:

a. To provide a valid model of interorganizational network orientation, comprising antecedents (i.e., network relational communication exchanges) and consequences (i.e., interorganizational network effects and business performance), and,

b. To test the role of organizational culture as a predictor of the interorganizational network antecedents and, thereafter, of an interorganizational network orientation.

Towards these ends, we build upon existing marketing literature pertaining to organizational culture, relationship marketing and the network theory and develop the research constructs and hypotheses, as briefly outlined along the following.

Organizational Culture. The 16-item scale was adapted by the Competing Values Model that Campbell and Freeman (1991) used to measure organizational culture. This model depicts two key dimensions that define four distinct culture types. One dimension describes the bipolar continuum of organic-mechanistic structure, whereas, the other describes the second pair of competing values, internal maintenance versus external positioning. Along these two dimensions, various combinations between uncertainty, ambiguity, and goal congruence entail the adoption of different organizational forms, in terms of decision making, directing, and controlling. These may be codified under four generic categories, namely, markets, hierarchies, clans, and adhocracies. We anticipate that the entrepreneurial, interdependent, flexible, and oriented towards innovation and growth, adhocracies will be the highest performers in exchanging relational communication with other organizations in their business network. At the other extreme, we expect that the internally focused, bureaucratic, slow to change, hierarchies will be the lowest of all the rest culture types in making relational communication exchanges with other actors in their business network. Finally, we anticipate, that the members of both the internally focussed, efficiency-oriented clan and the adversarial, goal-oriented market culture types will be lower than average in exchanging relational communication with other organizational members in their business network.

Antecedents of Interorganizational Networking. The relational communication exchanges were captured by an eleven-item Likert scale that was developed to agree with the existing relationship marketing and network theory on interorganizational information and social exchanges that may take place among members of various organizations (i.e., customers, partners, suppliers, and even competitors) in a business network that imply strategic intent.

Consequences of Interorganizational Networking. Two Likert scales, four-item each, were used to capture
the interorganizational networking effects, reflecting cooperation and adaptability, respectively. They were developed to agree with existing marketing literature that defines functional areas for strategic cooperation and adaptability.

**Business Performance.** Finally, we tested the influence of the interorganizational networking effects upon productivity and efficiency, regarded as business performance measures. These were tapped using a two and a three-item construct, respectively, developed to agree with theoretical research on the effects of interorganizational networking.

A random sample of 850 U.S. companies was drawn from the Dun and Bradstreet Million Dollar Directory. After two waves of personally addressed e-mailed questionnaires, totally 220 companies responded, producing a total response rate 25.8 percent. Unidimensionality of the four culture scales was assessed using multidimensional scaling. Moreover, reliability, convergent, and discriminant validity of the measures was assessed through a series of Cronbach alpha reliability analyses and inter-item and construct correlations. As a next step, we tested a causal model of interorganizational networking, using Structural Equation Modeling, which produced adequate fit indices. Finally, we tested our hypotheses using a discriminant function to classify high and low relational communication exchangers on the basis of culture, interorganizational networking effects and business performance.

Overall, research findings largely supported the initial hypotheses. Six of eight measures have significant differences for high and low relational communication exchanges – two of four culture types and the cooperation, adaptability, productivity, and efficiency measures. Specifically, adhocracies were found to be the highest performers, whereas hierarchies were the lowest performers in relational communication exchanges in their network, as anticipated. On the other hand, both the market and the clan culture type were below average in exchanging relational communication with other market actors, though that they barely missed significance. Furthermore, research findings showed that network communication exchanges strongly affect both cooperation and adaptability. Indeed, a basic tenet of networking is that it may lead to synergistic effects (stemming from cooperation which takes place among the various market actors, i.e., customers, competitors, strategic partners). This, in turn, facilitates the successful implementation of adaptability (i.e., response to new market needs and acceleration of innovations) which is another strategic motive of interorganizational networking. Finally, as supported by the analysis of direct and total effects, these network consequences (i.e., cooperation and adaptability) may lead to enhanced productivity and efficiency. It appears that interorganizational communication exchanges may be regarded as antecedents of interorganizational networking, which mirrors an interorganizational network orientation. Accordingly, they should be embedded within the strategic plan of any modern business organization. Furthermore, interpersonal, informal and relational communication skills should be among the highest ranked criteria for hiring and promoting corporate executives. As a matter of course, organizations of today should adopt this strategic imperative, regardless of size, or field of endeavour. Notwithstanding, as research results showed, the successful implementation of interorganizational networking prerequisites the adaptation of corporate values that emphasize the adhocratic culture archetype. References available on request.
INTERORGANIZATIONAL TEAMS AS BOUNDARY SPANNERS BETWEEN SUPPLIER AND CUSTOMER COMPANIES

Ruth Maria Stock, University of Karlsruhe, Germany

SUMMARY

Today, companies in business-to-business markets are faced with powerful and more demanding customers. In many personal interaction, or consulting services (Cardozo, Shipp, and Roaring 1992).

These changed customer demands raise an organizational design problem for many suppliers. In this context, many supplier companies are shifting towards team-based structures to manage the boundary to their customers (e.g., Moon and Gupta 1997; Perry, Pearce, and Sims 1999). Teams are seen as an adequate response to growing demands of a broad expertise of boundary spanning employees within business-to-business relationships.

The growing importance of teams in the practice of business-to-business marketing has led to significant team-related research activities. Marketing research related to teams at the boundary between supplier and customer companies exists mainly in two fields – the sales management literature (e.g., Moon and Armstrong 1994; Moon and Gupta 1997; Perry, Pearce, and Sims 1999) and the literature on product innovation (e.g., Keller 2001; Olson, Walker, and Ruekert 1995; Sarin and Mahajan 2001; Sethi 2000a, 2000b; Sethi, Smith, and Park 2001).

However, previous research on teams at the boundary between supplier and customer companies has largely ignored an interesting and increasingly important phenomenon: It can be observed in business practice that supplier companies increasingly use interorganizational teams (i.e., teams involving members from both the supplier and the customer company) at the boundaries to their customers. Examples include joint new product development teams with important customers and joint project teams with customers dealing with the implementation of new systems in the customer company’s operations.

This study examines the performance implications of the use of interorganizational teams in a business-to-business context. Interorganizational teams consist of members from at least two companies, i.e., the supplier and the customer company. Besides the main effect of the use of interorganizational teams on team effectiveness this study examines the role of uncertainty factors (com-

FIGURE 1
Framework of the Study

Company-Related Uncertainty
- Task-Related Complexity (H3a)
- Supplier Adaptation (H3b)

Market-Related Uncertainty
- Market-Related Dynamism (H4a)
- Competitive Intensity (H4b)

Technological Uncertainty
- Technological Dynamism (H5)

Team Interorganizationality with Respect to Team Composition

Customer Power within the Team

Control Variables

Team Performance

H1

H2
pany-related uncertainty, market-related uncertainty, technological uncertainty) which moderate the relationship between these two constructs.

Theoretical reasoning for the hypotheses of this study is based on resource dependence theory and boundary theory. The research is conducted by surveying 245 teams across multiple manufacturing and services industries. The Framework of the study is shown in Figure 1.

**ENDNOTE**

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SUMMARY

Pressure for financial accountability has led to a focus on showing that marketing practices have positive effects on financial performance, and demonstrating the best ways to document those links. The presumption of a focus on marketing metrics, however, is that better measurement will lead to better results. There is little documented evidence to support that presumption. This study explores how excellence in marketing measurement might influence performance.

At a basic level, the presumption is that firms who measure outperform those who do not. Any measurement may be better than no measurement.

H1: The greater the measurement of marketing performance, the greater the performance of the firm.

At a deeper level, measurement allows a firm to understand the nature and impact of its marketing activities across different products and markets. All organizations know their marketing budget, but there are different levels of marketing activities and correspondingly different possible levels of detail within that budget. More importantly, the detailed costs may not be set against the detailed outcomes of those costs.

H2: The greater the ability to account for marketing spending in detail, the greater the performance of the firm.

Moving from knowing budgets to knowing net outcomes has also been a perennial goal of marketers. This is also the area that has driven much recent interest in marketing metrics, and research in this area has continued to this day (e.g., Bahadir and Tuli 2002).

H3: The greater the ability to measure a financial return from marketing activities, the greater the performance of the firm.

Finally, measurement of brand equity has attracted research, and has led to important accounting changes in both the U.S. and Europe. While important difficulties with definition remain (Abela 2003; Ambler and Barwise 1998; Barwise 1993), the presumption is that brand equity measurement is worthwhile.

H4: The greater the ability to measure brand equity, the greater the performance of the firm.

We collected the data under the auspices of the Marketing Leadership Council, a Washington, DC-based research program serving chief marketing officers. Fax-back surveys were sent to 437 Council members. Individual members are usually senior marketing or general managers in very large U.S. corporations. A total of 139 surveys were returned, for a response rate of 32 percent. A time trend analysis of survey responses (Armstrong and Overton 1977) suggested that there was no substantial non-response bias in the data. We collected the following measures:

Intensity of marketing performance measurement (H1): two dummy variables, (1) whether the firm regularly measured marketing performance and (2) whether the firm used a “dashboard” to measure marketing performance.

Ability to account for marketing spending (H2): a six-item scale asking the respondent how proficient the organization was at accounting for marketing spending at various levels of product, market, and organization.

Ability to measure financial returns (H3): a three-item scale asking the respondent how satisfied he or she was with the organization’s ability to measure returns on marketing investments, and the degree to which the marketing metrics the firm tracks help determine (item two) the financial impact of marketing and (item three) predict future financial performance.

Ability to measure brand equity (H4). Respondents were asked to check as many as applied of six different methods of assessing brand equity.

We look at the impact of measurement practices and abilities on four different performance measures: revenue and profit change over the previous year, success relative to competitors, and the degree to which marketing efforts exceeded important goals.
Following a reviewer’s suggestion, we examined three mediating constructs between practices and performance: alignment of goals with strategy, firm orientation, and adaptability. We used linear regression, seemingly unrelated regression, multivariate regression, and multivariate analysis of covariance (MANCOVA) to test our hypotheses. Multivariate test results indicate that measurement practices as a whole do positively influence firm performance, but only indirectly through the mediating variables. More detailed path analyses suggest that ability to measure financial returns has positive effects on three of the four performance measures, supporting H3. Ability to account for marketing spending and measurement of brand equity also have some positive effects, while results for measurement intensity are more mixed. References available upon request.

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ABSTRACT

This research sets a conceptual base for further empirical work on cyber-identity theft, or identity theft associated with the Internet. To do this, we introduce three classification schemes: (1) methods used by the thieves, (2) time frame of the theft, and (3) behavioral responses by victims. Together, these schemes synthesize and illustrate major problems in hopes of increasing awareness regarding the reality of cyber-identity theft. Our schemes purport to stimulate empirical work done on the increasing public policy and consumer welfare issues embedded by the Internet and its key role in identity theft.

INTRODUCTION

“As a man was arrested in Greenwood, IN, putting a halt to his identity-theft business. He was caught because, three times in a three-day period, he aroused suspicion by approaching a certain ATM on foot, carrying a motorcycle helmet, donning the helmet as he neared the ATM’s camera, making a withdrawal (with someone else’s ID), walking away, and then removing the helmet,” [WISH-TV (Indianapolis), 8-5-03].

As can be seen by the news blurb above, some individuals have attempted (with varying degrees of success) to enter the identity theft “business.” Yet, many identity thieves are not as inept as the helmet-donning identity thief mentioned above; identity thieves are often inconspicuous – especially those thieves who use the Internet in hopes of victimizing consumers. Identity thieves increasingly hide behind computers and other forms of electronic exchange. “In this era of faceless business transactions enabled by information technology (IT), identity can no longer be taken for granted as a fundamental physical characteristic.Rather, identity has become a database entity that can be disconnected from physical recognition – even bought and sold as a commodity – and as such is subject to easy theft and widespread misuse” (Thompson 2002, p. 64).

Identity theft is the most common classification of consumer complaints; approximately 42 percent of all complaints to the FTC report identity theft (www.consumer.gov/idtheft). The complaints often total the amount of financial losses incurred, yet, the costs of victimization are beyond monetary repair. For instance, in order to eliminate $17,000 of fraudulent charges from one’s credit history, victims typically part with over $200, 175 hours of lost productivity, and up to four years in their “normal lives” (Burnett 2003). It is not a surprise that identity theft is a growing problem, and, to some extent, this problem can be attributed to the emergence of the electronic marketplace. As Internet usage continues to increase, the use of the Internet an identity theft vehicle will increase proportionally (Saliba 2000). Identity theft is becoming more common, more costly, and more sophisticated – mainly due to the Internet. And at present, identity theft is the top online fraud (FBI 2003). Given this situation, re-appraisals of both research and public policy are needed.

We define cyber-identity theft as the online or electronic acquisition of personal information with the purpose of utilizing such information for deceitful activity either on the Internet or offline. In other words, cyber-identity theft is using electronic (i.e., web-based) means to carry out any form of identity theft. We focus on cyber-identity theft (i.e., e-identity theft); however, many issues discussed may be relevant to on-ground identity theft as well.

Research Objectives

In light of the need for further academic research on the Internet and the risk of identity theft, we set a conceptual groundwork, which combines consumer issues surrounding the Internet and identity theft. Two distinct objectives guide the current study: (1) to introduce three classification schemes for further empirical study, which synthesize conceptualizations of identity theft and the Internet. Together, these schemes provide an inventory of the main areas of cyber-identity theft, by analyzing the following components of cyber-identity theft: (a) methods, (b) time-frame, and (c) the behavioral responses by victims. Furthermore, we aim: (2) to recognize key issues and regulations related to public policy and consumer welfare.

CYBER-IDENTITY THEFT PROCESS

In the Figure 1, we show a basic model of the cyber-identity theft process. We likewise illustrate how we explicate these processes (e.g., through our various Tables and Figures). The cyber-identity theft process, on
the simplest level, proceeds as follows: initially, the cyber thief selects the areas and the method of cyber identity theft (Table 1). Then, the identity theft actually occurs. Next, the cyber identity theft recurs, in some cases (Figure 2). Finally, the victim reacts to the cyber identity theft (Table 2). All along the way, public policy and consumer-welfare issues emerge from the cycle (as described in Table 3).

**CYBER-IDENTITY THEFT SCHEMES**

Regardless of the type(s) of information the thieves target, there are many methods for carrying out cyber-identity theft (Table 1).

We briefly describe some of the methods of cyber-identity theft below.

### a. Methods of Cyber-Identity Theft

**Hacking.** Hacking, or entering another’s computer, is a common method of the cyber-identity thief. Saunders and Zucker (1999) note that the most common (cyber) identity theft tactic is to hack into a computerized database and take personal information. Hacking has evolved to “phishing.”

**Phishing.** With phishing, identity thieves establish a fake web site designed to look like a company’s actual site; unsuspecting customers are drawn to the site and asked to disclose personal information.

**Employee Abuse.** Employees, especially those employees who believe that they are treated unjustly, may provide the data necessary for cyber-identity theft. With email and databases full of consumer information, an employee or other insider can pass spreadsheets along to thieves. Employees may divulge personal information unintentionally, or intentionally. Also related to cyber-identity theft and the workplace, is the possibility of phony job-listings online in order to obtain consumer information (Sullivan 2003).

**Mass Rebellion.** Cyber-identity thieves may use decentralized, mass rebellion sites. These peer-to-peer environments (e.g., Kazaa Media Desktop) allow individuals to share files over the Internet. Cyber-identity thieves may use such peer-to-peer networks to install virus software, which records data such as website visitation and any information that is entered to a non-secure site.

**Disposal.** Even disconnected computers may lead to cyber-identity theft. Careless handling or disposal of
<table>
<thead>
<tr>
<th>Method</th>
<th>Definition</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Broad Scope</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hacking</td>
<td>Breaking into a computer database personal or business/organization/government</td>
<td>Wiring another’s funds</td>
</tr>
<tr>
<td>Employee Theft</td>
<td>Employees utilizing or selling their company database for fraudulent means or without permission</td>
<td>Pilfering office files</td>
</tr>
<tr>
<td>Dictionary Programs</td>
<td>Automatically search all dictionary words for a possible password</td>
<td>Checking all works A to Z;</td>
</tr>
<tr>
<td>Spyware</td>
<td>Software, often disguised, that may install itself with other legitimate or free downloads, to collect personal information</td>
<td>Weather-bug; Gator</td>
</tr>
<tr>
<td>Skimming</td>
<td>Copying information from a magnetic strip, and subsequently using the information to create a duplicate.</td>
<td>Credit cards</td>
</tr>
<tr>
<td>Tapping</td>
<td>Monitoring computer systems to extract key information.</td>
<td>Restaurant computers for credit card #s</td>
</tr>
<tr>
<td>Pre-Approved</td>
<td>Taking another’s per-approved credit and SSN to open an unauthorized account</td>
<td>Mailed credit card offers</td>
</tr>
<tr>
<td>Mass Rebellion</td>
<td>Peer-to-peer networks built to exchange music or media files. At present, the future of such sites is unclear, and some users are being taken to court (e.g., by the music and film industry)</td>
<td>Peer-to-peer sites (e.g., Kazaa, Napster)</td>
</tr>
<tr>
<td><strong>Narrow Scope</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carelessness</td>
<td>Prowling for users who use their computer or Internet access carelessly</td>
<td>Saved Passwords, logoff may not go through</td>
</tr>
<tr>
<td>Disposal Abuse</td>
<td>Obtaining information from another's disposed/old hardware or software</td>
<td>Dumpster-diving, leaving personal information behind on old computer via junk-yard, garage sale</td>
</tr>
<tr>
<td>Autofill Abuse</td>
<td>Obtaining information from computer programs that “memorize” and complete typing on another’s machine</td>
<td>Type in a few letters until cleared</td>
</tr>
<tr>
<td>Phishing</td>
<td>Establishing a fake web site designed to look like a company’s actual site or sending official-looking messages</td>
<td>“Official” request for SSN</td>
</tr>
<tr>
<td>Phony</td>
<td>A phony machine that copies personal information</td>
<td>ATM</td>
</tr>
<tr>
<td>Pre-text</td>
<td>Calling a prospective victim, posing in an attempt to obtain personal information</td>
<td>Bank; Credit card company</td>
</tr>
<tr>
<td>Posing</td>
<td>Unrightfully representing another individual</td>
<td>Bank rep.; computer exams</td>
</tr>
<tr>
<td>Pranking</td>
<td>Posing as another online to play a joke or for fun</td>
<td>e-dating</td>
</tr>
<tr>
<td>Fraudulent job posting</td>
<td>Posting a job that does not exist to collect personal information</td>
<td>“Manager Wanted”</td>
</tr>
<tr>
<td>Shoulder Surfing</td>
<td>Peeking for information as another enters it on a computer screen; physically watching passwords</td>
<td>Passwords; account numbers</td>
</tr>
<tr>
<td>Intercepting IMs</td>
<td>Receiving online traffic intended for another</td>
<td>IMs; e-mail</td>
</tr>
</tbody>
</table>

* Scope refers to whether the method is more likely to gather data from several consumers at once (i.e., broad) or from one consumer at a time (i.e., narrow).
FIGURE 2
Time Frame of Cyber-Identity Theft and Examples

Identity-Theft Time Frames

One-time
- One-time Prank E-mail
- One-time use of stolen photo (e.g., for e-dating)

Multi-time
- Using stolen credit card #, until reported
- Unauthorized use of another’s e-mail account
- Consistent use of SSN to obtain new, fraudulent document(s)
- Consistent use of Photo to impersonate

Recurring

TABLE 2
Behavioral Responses to Identity Theft

<table>
<thead>
<tr>
<th>Victim’s Behavior May Change (via):</th>
<th>Online Example</th>
<th>Offline Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lessened (correct) disclosure of personal information</td>
<td>e-mail addresses</td>
<td>Home or work addresses</td>
</tr>
<tr>
<td>Change in selection/use of exchange partners</td>
<td>e-tailers</td>
<td>Retailers</td>
</tr>
<tr>
<td>Change in frequency/extent of transactions</td>
<td>e-commerce; e-dating</td>
<td>Shopping; credit card use</td>
</tr>
<tr>
<td>Change in general shopping and purchasing behavior</td>
<td>Security checks</td>
<td>Requesting to check identification for credit card purchases</td>
</tr>
</tbody>
</table>

discarded computers can lead to identity theft. Furthermore, disposed hardware and software may lead to cyber-identity theft. If a user fails to take precautions such as data deletion or physical destruction of a machine, the data are readily accessible for the next user — whoever may find it.
**Pranking/Posing.** Cyber-identity theft may also include seemingly “lighthearted” pranks, a less sinister form of identity theft. Such instances have occurred where the e-prankster registers (complete with photograph) a friend or colleague to an e-dating site (e.g., match.com) (Close and Zinkhan 2003). Phony e-dating profiles may be a result of an online prank, causing false expectations for interested e-daters. Posing as another on Instant Messenger (IM) is another prank where users misidentify themselves—often to obtain information not privy to the cyber-identity thief.

**Spyware.** Personal information is sometimes collected via spyware. Spyware is a group of programs that are (sometimes inadvertently) downloaded along with legitimate or free programs (e.g., Weatherbug, Gator). Spyware then runs in the background and functions whenever the Internet-user is online for market research purposes.

**Scam Within a Scam.** Our final mention of methods of cyber-identity theft involves a scam within a scam. For example, a cyber thief may pose as an attorney or a governmental employee and mass email a database of past identity theft victims, requesting personal information for evidence to assist them in a potential court case. In this way, some theft victims may be victimized in more ways than one.

b. **Time Frame of Cyber-Identity Theft**

Time frame is an important construct to consider when understanding cyber-identity theft. Many may think of cyber-identity theft as a lengthy process, yet we note here that many forms of identity theft are just one single transaction. Identity theft may have a short-term or long-term duration. That is, the security may range from a one-time theft, to a recurring theft, to an ongoing assumed impersonation (see Figure 2).

Time and the frequency of occurrence both are important constructs to consider. In an online environment, consumers may not be immediately aware that their identity has been compromised. The smaller-scale transactions (e.g., deducting five dollars) may repeat at intervals, in hopes of escaping the victim’s attention. In contrast, in the off-line environment, a physical “event” (e.g., stolen wallet) may make the theft more apparent.

c. **Behavioral Responses to Cyber-Identity Theft**

Consumer responses to cyber-identity theft may be psychological (e.g., feeling foolish, ignorant, naive) or behavioral (e.g., complaining, changing credit-card companies, altering purchase patterns). Here, we focus attention on the behavioral response—showing how consumer behavior may change, following an Internet-based identity theft (see Table 2).

**Online Behavioral Responses.** Victims’ online behavioral changes may include: the extent of future personal information disclosure, selection/use of e-tailers, and the general nature of online shopping.

i. information disclosure online

After an Internet-related identity theft, the victim may significantly limit, or even cease the disclosure of personal information online. This behavior would be inconsistent with offline fraud victimization theory, which claims that some consumers are unable to distinguish legitimate transactions from illegitimate ones (AARP); similarly, Langenderfer and Shimp (2001) find that fraud victims often cannot tell whether an offer is legitimate. When victims are not aware of cyber theft and its consequences, they may continue with the original behaviors that lead to their victimization. In a situation where the consequences of identity theft are severe (e.g., financial losses, hassles, or other setbacks), then behavioral change may be drastic, including:

ii. change in the selection/use of e-tailers;

iii. change in frequency/extent of online transactions; or

iv. change in online shopping and purchasing behavior.

**PUBLIC POLICY AND CONSUMER WELFARE**

Table 3 lists a group of public policy issues relating to cyber-identity theft.

To date, one of the largest identity theft cases in U.S. history involves cyber-theft; a software employee affiliated with credit-reporting bureaus and accomplices e-copied over 30,000 credit records and sold them for $60 each, causing a minimum of $2.7 million in losses. “With a few keystrokes, these people were able to pick the pockets of millions of Americans” (Delio qtd. Comey 2002). Given the high stakes for cyber theft victims, one may question to what extent should companies be held responsible for unwarily employing a cyber-identity thief?

Another issue concerns the types of personal data that businesses may legally buy, sell and post online. To what extent should the government regulate the proliferation of marketing databases and the uses of the databases? Since 1998, Congress has attempted to limit the manner in which financial institutions may use customer information (Electronic Commerce News 2003).
A further public policy issue concerns the **role that business should play** in helping identity theft victims recover their “good names.” What role do businesses need to have in assisting cyber-identity theft victims? Critics allege that credit-reporting agencies contribute to identity theft through “liberal disclosure of credit reports” (Lee 2001). Moreover, consumer advocates allege that the poor service at credit-reporting agencies makes it exceedingly difficult for victims to clear their names. To support their argument, these critics point out that in the past, firms such as Equifax, Experian, and TransUnion have agreed to pay fines to the Federal Government due to poor customer service practices (ftc.gov).

Another set of public policy considerations arise from the **risks** associated with identity theft. Risk analysis and risk assessment programs should be addressed. How is the consumer to know the risk of giving a certain firm or individual (even employer or professor) personal information, such as a social security number? Where can the

### TABLE 3
**Public Policy and Consumer Welfare Issues**

| I. | Dissemination of cyber-identity theft methods (so that potential victims can protect themselves). |
| II. | Employee access to data and associated potential for misuse. |
| III. | Credit-reporting bureaus:  
   a) Is it necessary to revise procedures so that victims can “set the record straight”?  
   b) How to safeguard the information that credit bureaus provide to third parties?  
   c) Disclosure of credit reports and privacy issues. |
| IV. | The inherent difficult associated with proving you did not commit acts (e.g., make specific charges to a credit card). |
| V. | Regulation of data exchanges. |
| VI. | Uses of marketing databases:  
   a) Selling databases to third parties.  
   b) Telemarketing and no-call lists. |
| VII. | Use of data by financial institutions. |
| VIII. | Liability issues:  
   a) Who is responsible for the loss of information & privacy?  
   b) Who will pay the costs of “restoring” identify and paying associated costs (e.g., related to credit card fraud).  
   c) Assessment of fault.  
   d) To what extent do criminal statutes need to be revised?  
   e) Are current laws and regulations sufficient to deal with cyber identity-theft? |
| IX. | Assisting cyber-identity theft victims. |
| X. | Expanding public education/awareness (e.g., about theft methods, remedies). |
| XI. | Educating the populace so that overall crime rates decline (e.g., so that less people have an interest in perpetrating identity thefts). |
| XII. | Effective criminal enforcement |
| XIII. | Risk analysis & risk assessment:  
   a) What are the costs and benefits associated with preventing identify theft?  
   b) What would be the costs associated with reducing identity theft to zero?  
   c) Who will bear these costs?  
   d) What aspects of identify theft pose the largest risks for society or specific industries or specific consumers?  
   e) Assessment of damages. |
| XIV. | What are the specific costs for consumers (e.g., social, financial, psychological)? How can these costs be alleviated? |
| XV. | What are the costs for business (both at the firm level and the industry level)? What are the threats to our economic system? |
| XVI. | What are the best ways to promote safety tips and improved technologies? |
| XVII. | What are the best media (e.g., Internet, class-room setting, one-on-one instruction, brochures) for implementing education or remedial programs? |
| XVIII. | What are the best ways to “reform” identity thieves? |
consumer turn to find a risk-assessment tool, either online or offline?

Similar considerations involve the costs associated with identity theft. Consumers should have access to a cost-assessment program or specialist to assist identity-theft victims in the legal process. As identity theft imposes multiple costs (e.g., social, financial, psychological), there should be a systematic way to assess and alleviate such costs. Such costs arise for both consumers and businesses. To some extent, the phenomenon of identity theft poses a threat to entire economic systems.

The roles of government need to be specified and effectively communicated to the public. For example, what is the role of the Office of Homeland Security? To what extent should the FTC be involved? What media (e.g., Internet, brochures) are best for implementing programs? How can cyber-identity theft instances be reduced in both scale and scope?

**REGULATION**

Regulatory matters are noteworthy for future study, as well. We discuss two responses to identity theft of note: The Identity Theft and Assumption Deterrence Act (a governmental act), and The Coalition on Online Identity Theft (a corporate-based group). First, the Federal Government has responded to this problem with The Identity Theft and Assumption Deterrence Act (ITADA) of 1998. ITADA has three major goals; specifically, the Act: (1) allows victims of identity theft to recover financial damages, (2) imposes criminal penalties of up to 15 years imprisonment and fines of up to $250,000 for those convicted of identity theft, and (3) directs the Federal Trade Commission to enforce the act (Saunders and Zucker 1999). Although the act imposes criminal penalties of up to 15 years imprisonment and fines of up to $250,000 for those convicted, many consumer advocates believe that ITADA does not go far enough. Critics contend that, in drafting ITADA, lawmakers failed to realize that financial losses are often not the greatest losses incurred by a cyber-identity theft victim. Furthermore, it is questionable whether Congress has provided the FTC with the resources to enforce ITADA adequately.

A second response to the growing instances of Internet-related identity theft is the Coalition on Online Identity Theft. The group consists of e-tailers, online auctioneers, software companies, online security companies, and credit card providers. The coalition maintains three objectives: (1) expanding public education campaigns, promoting technology and tips for preventing and dealing with online theft, (2) documenting and sharing non-personal information about emerging online fraudulent activity to prevent future scams, and (3) working with the government to ensure effective enforcement of criminal penalties against cyber thieves (CIOL News 2003). Such is a noteworthy start of a community, which unites otherwise market competitors, against a greater societal and economic threat.

**CONCLUSION**

The rising incidence of cyber-identity theft is part of a broader change in the nature of human identity. A person’s physical identity is now often entirely separate from many other forms of identity (Thompson 2002). Thus, consumers can harness the power of the Internet to multiply their identities on chat rooms, e-dating services, email, and other virtual spaces. And, should the user choose to do so, he or she may have a unique identity for each contact.

At the same time, organizations are trading information pertaining to individuals’ purchasing habits and lifestyles. The era of CRM has lead to a greater emphasis on maintaining up-to-date, information on their target consumer. Hence, public policy makers have an arduous task ahead of them. First, authorities are attempting to regulate a moving (often international) target. The number of cyber-scams is limited only by the considerable imagination of the cyber-thieves. And, policy makers cannot count on technology to provide the means of catching cyber-crooks; as the government takes advantage of improved technologies to catch cyber thieves, the crooks use the same technology to invent improved schemes. Indeed, the “arms race” between the crooks and the regulators brings to mind the Spy vs. Spy cartoons in the old Mad Magazine: as one spy increases his deceit and artifice, so does the other. In the end, they are doomed to keep fighting, because neither spy can gain a meaningful victory.

In the end, all technology users must be mindful of the potential downside of going online. The costs to cyber identity theft victims are real; clearly, an ounce of prevention (not becoming a victim) beats a pound of cure (trying to regain one’s “lost” identity). Researchers have an important role to play in suppressing cyber-identity theft in the future. It is hoped that this beginning conceptual piece will spark researchers to study identity theft and its relation to the Internet. In turn, we hope that such academic research will to lead to further attention to identity theft and to improved public policy both in the U.S. and abroad. By documenting the means employed by cyber crooks, the effects of such schemes on victims, and the public policy issues facing our society, we can begin to reclaim cyberspace as a means of enhancing and enriching (our own) human experiences.
ENDNOTE

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PROTECTING THE RIGHT TO INTELLECTUAL PROPERTY IN THE DIGITAL AGE: THE VULNERABILITY OF COPYRIGHTS

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ABSTRACT

The issue of rights preservation on the Internet has reappeared with the filing of a number of lawsuits by the Recording Industry Association of America (RIAA). These suits have created a complex order of issues relating to the extent of the liability of a site owner for the actions of others who may use that site, the liability growing out of such use, and ultimately whether the law can prevent dissemination of the performances involved. This paper examines the marketing implications that reside in the maze of interrelationships and involvements among copyright owners, Internet users, and the public at large.

INTRODUCTION: COPYRIGHTS, GRANTS OF MONOPOLY BY GOVERNMENT

The concept of reservation by an author of the exclusive right to copy his or her written work, the “copyright,” harks back to at least the fifteenth century and the invention of the printing press, when the possibility of producing a large number of copies of a document in short order vastly increased the value – to someone – of popular written works. The issue of who that someone was to be – author or printer – was the prime question. (Association of Research Libraries 2003) Authors claimed it was their creativity that made their work popular, while printers claimed it was their ability to print and distribute large numbers of copies of the work that made the difference between a work’s obscurity and its success. It took over a century to enact an initial statute. The British Licensing Act of 1662 favored the printers, but that law lapsed in 1695 (Association of Research Libraries 2003).

The first English law explicitly reserving the right of copy to the author of a work dates to the year 1710, during the reign of Queen Anne, and was called the “Statute of Anne” (Swarbrick 2003). The concept of author’s ownership of copy rights was subsequently recognized in the U.S. Constitution as part of Article I, Section 8, Clause 8. The first Copyright Act in U.S. history was passed on May 31, 1790, covering maps, charts, and books, providing for a term of copyright of fourteen years renewable if the author remained alive (1 Stat. 124). The Act was subsequently amended and coverage extended to the engraving, designing, and etching of historical and other prints in 1802 (2 Stat. 171). It was ultimately replaced in 1831 (4 Stat. 436). Despite minor procedural changes in 1856 and 1867, the next major revision of the copyright law took place in 1870, extending copyright coverage to printings, drawings, chromoprints, statues, and models or designs intended as works of fine art (16 Stat. 198). This same law extended the term of copyright to twenty-eight years renewable for another fourteen years. The 1909 revision of the law (61 Stat. 652) added fourteen years to the coverage provided by renewal and established the office of Register of Copyrights. All of the above laws served to amend or replace sections of the Copyright Law (17 USC Chs. 1–10, §§1–1010).

EXPANSION OF COPYRIGHT COVERAGE

Revisions of the U.S. Copyright Act (17 USC Chs. 1–13) during most of the twentieth century were minor and modest – until technological change and anticipation of adoption of the Berne Convention for the Protection of Literary and Artistic Works [September 9, 1886; UNTS 221 (1979)], the pre-eminent international treaty on copyright issues, by the United States in the latter part of the period created an atmosphere of change. Duration of copyright was lengthened from a total of twenty-eight years at the turn of the twentieth century; to the life of the last-living author of a work plus fifty years, or seventy-five years for a work for hire, in 1976 (consistent with the Berne Convention). Then it was lengthened to the life of the last-living author of the work plus seventy years or, alternatively, up to 120 years for an anonymous work or work-for-hire under the terms of the Sonny Bono Copyright Term Extension Act of 1998 (replacing previous versions of 17 USC Ch. 3, §§302–304). This law provides coverage well beyond the limits of the Berne Convention.

Copyrights are now of such duration that the creators of the copyrighted work will be dead seventy years before their protection runs out. What is the logic of this point of view? Has the law lost sight of its original purpose of protecting a work’s creators? The change in the duration of protection has had the effect, certainly not of reducing the protection accorded the work’s creators, but of protecting the work’s value to whomever might ultimately become its owners during the term of copyright. The creation is, after all, entirely on the table once it has been published. Once a work is printed for distribution, recorded, or performed, there is nothing about it that is not known to those who wish to know it.
A lengthy duration of copyright on a work of great creative merit creates a highly merchantable product on which substantial sums can be made – provided the work retains some popularity – for a very long time without the threat of public domain publication. In other words, a book that has become a classic can still draw royalties for many, many years after the death of its last surviving author. The owners of the copyright, whether estate, corporation, family, or of some other nature, still have something of value. Thus, what is protected is the market value of the creation.

There exist many recorded performances – films, sound recordings, and combinations of the two that are well above sixty years of age and still going strong. Birth of a Nation was made in 1914 and, recognized as a classic, is still shown today. It is easy to imagine films like The Wizard of Oz or television series like The Honeymooners being shown fifty years from now – a hundred years from their making. While none of the performances mentioned are covered by the new law because they were made well before its effective date, their persistence is indicative of what may happen to future “classic” performances. Here, too, it is obvious who the beneficiaries of the extension will most likely be – corporations and estates owning the rights to these old performances, quite likely significantly more than the performers who appeared in them.

The expansion of copyright coverage in recent years has not only lengthened the period of coverage, but broadened it. Copyright coverage was expanded by the Copyright Act of 1976 (new 17 USC Ch. 1, §§101–120) to cover not merely the written word or printable pseudolanguage such as musical notation and drawn, painted, or photographic representations reproduced on paper, but mechanically recorded (which covers practically any type of recording medium) performances. Subsequent legislation, specifically the Digital Performance Rights in Sound Recordings Acts of 1995 (amending USC 17 and 18, various sections), and the “No Electronic Theft” Act of 1997, which also amends several sections of USC 17 and 18 further expanded copyright coverage (as will be further discussed later). It is in the areas covered by these last two Acts that the changes in the law may be having their most significant effect – and possibly face their greatest challenge. Notably, the Berne Convention remains mute on the issue of digital files.

Among the problems not yet totally resolved under the copyright laws are rights to computer software. In the early going of applications software – such as the word processor on which this document was composed, it was not at all unusual for competitors to access the source code of the products of others and reverse-engineer a clone of the copyrighted program. Thus for Lotus 1-2-3 there were the identical-appearing As Easy As, Quattro, and several other clones. The underlying issue with these “carbon-copies” was the issue of what was copyrighted – the appearance of the program when run or the underlying computer code that allowed it to run – or both. Obviously, Ashton-Tate, the proprietors of Lotus, would have preferred that it be both. The developers of the clones would have vastly preferred that it be the source code, the computer language that they had modified with the intention of avoiding accusations of copyright violation, which was protected. The Copyright Law allows for protection of “original works of authorship that are fixed in a tangible form of expression” (U.S. Copyright Office 2000). Eight categories of copyrightable work are allowed, with computer programs being considered “literary works.” As such, the appearance of the program on a monitor appears to be devoid of protection! Further, one cannot protect ideas, procedures, methods, systems, processes, concepts, or principles by copyright. Thus, the technology of the computer seems to have created a type of form of expression that is essentially “virtual” rather than tangible and, for the present, must remain in some of its aspects intellectual property that cannot be protected by traditional means.

The decades since 1976, when recorded performances became copyrightable in the United States, saw massive improvements in digital technology, including the development and popularization of the compact disc. The vastly increased sophistication of the microcomputer has made it possible to create, store, and reproduce the very large digital files required for audio and video. Digital files fail the test of “tangibility.” Their structure, unlike an analog structure, does not physically replicate the material being recorded. Without a computer, digital files remain simply a series of zeroes and ones.

In recognition of this technological loophole in the law, the U.S. Congress passed, in 1995, the Digital Performance Rights in Sound Recordings Act (PL 104–39), the essential purposes of which were to recognize that audio information could be digitized and to clarify and codify the specifics of how and when radio stations and “interactive services” could digitize musical performances for transmission purposes. This law amended the Copyright Law (17 USC §106, §114)). Two years later, Congress enacted the “No Electronic Theft” Act (PL 105–147) to amend the Copyright Law further, in this case creating criminal penalties for infringement of a copyright for financial gain, and defining “financial gain” to include “receipt, or expectation of receipt, of anything of value, including the receipt of other copyrighted works” (17 USC §101).

Under this law, violators may be imprisoned for up to six years and fined in an amount commensurate with the extent of their involvement in the illegal acts they have committed. In addition, they are subject to civil liability
for damages suffered by persons or organizations that have lost revenue due to their actions.

**IS THERE A GENESIS OF THE FILE SHARING CRAZE?**

As we will discuss later, there appear to be, without hard proof to hand at present for the first two, three an underlying motive and two “enablers” behind “file sharing,” that is, the up- and downloading of digital files containing copyrighted data. The motive, stated simply, is the issue of cost versus availability of performed works. There is research (Marmaduke 2003) that indicates that consumers resent paying fifteen to seventeen dollars for a CD that contains only one song they like. Historically, when single cut records were sold, as was the case with 45 RPM records versus 33 – 1/3 RPM Long Playing records, the price of the so-called “single” was in the range of ten to twenty percent of the LP price. In that era, an artist would record a “single” which would be issued as a 45, then, if the single sold well, subsequently record an LP that the single would headline. This process seems to have been abandoned at present, to some people’s significant displeasure. The two enablers can initially be combined and rendered as “because we can.” More formally, the context of this assertion is that broadband Internet technology and increased CPU capacity means files can be uploaded and downloaded very fast. The time required to share files has been almost unbelievably shortened from what it was just a few short years ago. The 56.6 Kbaud modem is obsolescent, soon to be totally obsolete, and there are some of us who remember when 9.6 Kbaud was the modem standard. The current technology features cable and SDL connections running at an effective 2.5 Mbaud. In addition, the increase in available CPU speeds to more than 3 Gigahertz from around 200 Megahertz just a few years ago has also remarkably speeded the file sharing process.

**THE INTERNET AS AN AREA OF COPYRIGHT INFRINGEMENT**

In 1987, a German research organization called the Fraunhofer Institute for Integrated Circuits (IIS) at Erlangen, part of the Fraunhofer Gesellschaft, an organization of 63 research establishments, began work on a complex system of algorithms to reduce the size of a digitally encoded audio signal. (Fraunhofer 2004; see also linked sites for information on the MP family of audio and multimedia algorithms). The theory behind their work was that a low bit-rate encoding technique could be developed addressing the perceptual interpretation of sound waves by the human ear and mind. Human hearing has a normal range of some 20 Hz (cycles per second) to approximately 20KHz (kilocycles per second). The Fraunhofer researchers developed a technique to digitally “cut out” the parts of audio signals humans cannot hear and compress the remaining parts to yield what is now known as the Moving Picture Experts Group (MPEG) Layer-3 Encoded file, or MP3 file for short (see www.chiariglione.org/mpeg; also Koerner 2001). The use of this encoding method allows song files and other wide-range audio files that would average 60 megabytes in size to be reduced by a factor of twelve – to around 5 megabytes – while still retaining almost all of their perceived sound quality. Downloading the MP3 version of such a file using a 56.6 Kbaud dial-up modem takes approximately 12 minutes rather than the 2.5 hours required by the original digital file, a savings of ninety-two percent of the time originally required.

Even in the earliest days of the Internet, there were FTP (file transfer protocol) servers, Websites, and other services that enabled friends (or at least people with common interests) to share files with one another. Such services quickly became non-viable when they were sued for violations of copyright. They were active participants in copyright “piracy,” themselves storing and disseminating copyrighted works without permission. Slow download speeds and direct access processes made them easy to spot and attack, and litigation against the services on which they were domiciled soon ended the careers of most of these sites.

The dramatic reduction in download time provided by the MP3 file stimulated great interest in file-sharing among music aficionados. In 1999, Napster made its appearance on the World Wide Web. It was a server that provided a repository of freely downloadable and distributable MP3 files, providing Web users with a centralized and virtually anonymous vehicle by which to share encoded music. When a user signed on to Napster, the site uploaded a list of the song files stored on the user’s computer to its remote server where the file lists of others were also domiciled. Napster stored and made accessible this huge list of files and the Web users who were making them available for sharing. It was essentially a matchmaking service for song sharers. A would-be user signed up for the Napster service, uploading to Napster’s database a list of files stored on his or her computer. The user could then poll or search the Napster system for a file that they were interested in downloading and the Napster service matched the searcher with those users that had the desired file.

*Napster* was in violation of the U.S. Copyright Law because they were actively aiding “pirates” of copyrighted material distribute their illegally acquired products. They were actively intermediating between pirates and receivers of the pirated “goods,” thus becoming accessories to the act. The Recoding Industry Association of America (RIAA), a trade group, sued *Napster* in Federal Court in the United States [See A and M Records et al. (RIAA) vs. *Napster, Inc.* and *DOES 1–100* (USDC,
super-nodes, and through them, to their leaf-nodes. Fi-
distributes" the search to its leaf-nodes and to other
computers on which files are stored. This super-node
and also to its “leaf-nodes,” less powerful participating
nodes. The super-node is connected to other super-nodes
with which the seeking computer is con-
ected. The super-node is connected to other super-nodes
available computer. This computer is called a “super-
node,” ordinarily a fast, powerful desktop unit. The super-
node is the key to the speed of the matching process. In
phase two of the process, the user initiates a search for the
particular file they are seeking. This method rivals the speed
of former file sharing services because the super-node
process breaks down the service into manageable “chunks”
or satellites that quickly and efficiently send and receive
messages.

The KaZaA software, for example, “touches” the Sharman Network for only a brief moment to download a list of computers that are also using the KaZaA software. Then the software connects to the initial super-node, and so forth. A recent look at activity on the Sharman Network – and that network only, for there are certainly others – revealed that, at the instant of interface, 3,683,878 users were transferring 668 million files amounting to a whopping 5,057 terabytes of shared data. This is more data than most supercomputers and the storage networks of large corporations are capable of handling. In short, it is an enormous amount. And, as was mentioned before, ANY kind of file may be transferred – books, software, music, anything. Tracking down this nearly four million users – and the unnumbered additional millions of other users performing the same kinds of actions day after day, week after week – seems extraordinarily unlikely. In February, 2004, KaZaA reported having distributed over 22 million copies of their software.

SO IS KAZAA IN TROUBLE WITH U.S. ENFORCERS?

KaZaA (or Sharman Networks) appears to be immune from prosecution in any venue for three reasons:

1. It is domiciled in Estonia. Though Estonia is a signatory of the Berne Convention (www.copyrightaid.co.uk/berne_convention__signatories.htm), it should be remembered that the last revision of the Convention took place in 1979, so it does not cover the concept of copyright of digitized data. The technology simply was not an issue at that time. Hence, the firm and its software are not in violation of that body of law. Moreover, it does not appear that either is in violation of any Estonian laws (or that the Estonian government desires to prosecute, even were they to be in violation). The Berne Convention provides that, while foreign materials that are copyrighted in the in country of origin are protected in other countries as well, they are protected only to the extent that host country law extends that protection to domestically copyrighted materials.

2. KaZaA’s products are immune to the domestic legal process of the United States because, even under U.S. law, they are not engaged in copyright piracy. The firm has no direct involvement with any acts by which files are exchanged.
3. They have no access to the files their users transfer (www.KaZaA.com). This situation raises the ultimate concern of copyright owners. Can intellectual property rights be protected against an almost ghost-like presence that simply facilitates the sharing of files among peer computers? The answer, at this time, must approximate “no.” That is to say, it appears that the technology of file sharing has taken a lead on the technology of file protection. This leaves the possibility of protecting the files themselves through built-in means. Our examination of file-protecting systems has revealed that most rely upon encryption, and that encrypting algorithms can usually be stripped from the protected files with reasonable ease.

There is, however, a safety valve of sorts associated with KaZaA’s invulnerability, and that is that, while the Sharman Network itself may be protected from prosecution by the absence of international or domestic Estonian law, American end-users of the KaZaA service may be in violation of U.S. law. Persons living elsewhere may also be in violation of their own domestic statutes. Assuming that everyone in the U.S. who uses KaZaA is in violation of U.S. statutes, it has already been noted that there may be as many as several million computers firing files back and forth simultaneously at any given point in time. From a practical point of view, the question that that brings up is “What kind of ‘policing scheme’ would allow apprehension of ‘electronic criminals’ at reasonable cost and in a reasonably even-handed (nondiscriminatory) manner?”

RIAA’s recent suit-filing against a broad array of people ranging from pre-teens to grandmothers under the “No Electronic Theft” Act (17 USC §101, 506, 507, 2319, and 2320) was stunningly arbitrary and, from the point of view of the average student of criminal behavior, rather ludicrous. What this spate of warrants illustrates is that the risk of getting arrested for copyright violation due to file sharing behavior is vanishingly small. Approximately 1,000 subpoenas were issued, yet we know that millions of people are engaged in file sharing. The threat of being caught is not significant. It is even less so since a recent District of Columbia federal appeals court decision has stated that Internet Service Providers need not provide the RIAA with lists of their subscribers who exchange files using P2P networks (Rasch 2003).

As a result of the low probability of being apprehended, the threat of a federal arrest is not an effective deterrent. Certainly, previous efforts to block the spread of technology by legislation or civil action have not been very successful. The Association of Licensed Automobile Manufacturers (ALAM), an organization founded in 1903 on the basis of George Selden’s patent of an internal combustion engine, lasted only eight years, primarily because the threat of suit was much less daunting than the threat of losing money in the booming automobile business of the early twentieth century (www.aaca.org/history/cars_19th.html). It left behind it, on the other hand, a legacy of ill-will between former association members and successful auto makers who had not been party of the association. By contrast, Louis Hazeltine’s decision in 1924 to freely license his patent on the neutrodyne radio circuit to all comers through his Hazeltine Corporation brought the commercial radio industry in the United States to full flower more quickly – actually, in less than three years – and with none of the baggage left by the ALAM’s maneuvering (Wheeler 1993). Moreover, the availability of Hazeltine’s electronic architecture speeded the development of the heterodyne and superheterodyne circuits in use in broadcast reception even today.

**DOES COPYRIGHT PROTECTION REMAIN AVAILABLE FOR PERFORMERS, WRITERS, AND COMPOSERS?**

The concept of the copyright – fair return to the craftsperson – must be stipulated to be desirable before this discussion can reasonably be continued. If it is declared no longer desirable, for whatever reason, then this argument is meaningless. If, on the other hand, the concept remains desirable, then it is appropriate to continue. On its face, the ethical concept of fair return to the skills, talents, and efforts of the artists who create books, music, and performance art argues for something if not identical to, then analogous to the copyright. Some might argue that the term of protection is too long. In excess of a century does seem a lot, but few copyrighted works have any value that long after authorship and those that do, such as Robert Louis Stevenson’s *Treasure Island* and Mark Twain’s *Tom Sawyer*, for example, clearly deserve any reward they can secure in the marketplace.

Preservation of the right to reward for one’s creative work has, until now, been possible primarily because violation of copyright was, first, deemed to be ethically and morally improper, and second, the illicit product was traceable to a source. In order to produce and sell counterfeit records, videotapes, compact discs, or even money, there had to be physical plant in which the ersatz goods were manufactured, a channel of distribution through which they moved on their way from manufacturer to the consumer market, and in many cases a paper trail of sales records along the way. Distribution of computer files seems to suffer less from the stricture of the first limitation – the ethical – because of the reported perception that distributors of recorded music and video products have overpriced their goods. As to the second, there is, for all practical purposes, no product to trace – only the virtual file bouncing around in cyberspace.

Digitization is new technology, and new technology presents new problems – but new technology also creates new solutions. In the short run, one way of preserving copy rights might be the technological one of turning to
“soft-copy only” versions of copyrighted works. Copies could only be accessed through the Internet, and then only by registration using a unique access code. In essence, the copyright holder would become a “Mini-Napster.” This system may possess a fatal flaw, however, involving the necessity to re-access and re-initiate the recording every time the listener (or viewer or reader) wishes to see or hear it. An alternative to this approach might be a “tag” attached to all downloads identifying them, their source, and their copyright owner and linked to some kind of fee bill. This alternative assumes that all users of copyrighted material have access to the Internet and would be amenable to a limitation of their access to and right to possess “hard-copy” files of copyrighted materials, and furthermore, their acceptance of being identified in a database of users of whatever kinds of copyrighted materials they might access. This option obviously possesses major flaws related to these assumptions.

The traditional copyright for printed-only text and graphic materials would appear to have serious flaws as a general means of rights protection because any type of information now rendered on the printed page can be digitized, condensed, and transmitted with a facility equal to that of the MP3, DVD, or any other digital file. The “manufacturing plant” can be any home computer. Such copyrights will certainly be continued to be applied for and granted, quite possibly on the assumption that most such publications will not receive sufficient notice by the public to warrant their conversion to a digitized file, but materials that find themselves in great demand will, through digitization, unavoidably find their way into many hands not known to the copyright owners.

Absent a huge, persistent, and intrusive cadre of “Internet Police,” seeking to catch copyright violators by becoming involved in the complex process of tracking down file traders in their millions, an economically and physically tedious and seemingly impossible process, there appears to be no way, using the technology currently available, to protect materials from dissemination in digital form and to bring any significant proportion of miscreants to book. Digitization and software/hardware combinations such as Napster and KaZaA may have sounded the death knell for the traditional concept of the copyright.

Suffice it to say that there will have to be changes in the mechanics and techniques of copyright protection in recognition of the speed, accessibility, and versatility of Internet file transfer. What those changes will ultimately be, it is too early to tell.

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AN EMPIRICAL EXAMINATION OF THE ROLES OF TEAM INNOVATIVENESS AND PRODUCT NEWNESS IN NEW PRODUCT PERFORMANCE

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SUMMARY

The importance of innovation for organizational competitiveness and effectiveness has been well documented (e.g., Wolfe 1994; West and Anderson 1996). Organizations that generate and implement more good ideas about better, more efficient ways of working are said to have a distinct advantage in a competitive environment (Monge, Cozzens, and Contractor 1992). For a new product development team, innovation can come in the form of product innovation (i.e., a new product), or process innovation (i.e., new technology, process, organizational structure, etc. the team applies to come up with a new product). While the innovativeness or the newness of the product has received much attention from new product development researchers, only a couple of studies (e.g., Lovelace, Shapiro, and Weingart 2001) have been identified that tackle the issue of team innovativeness. The innovativeness of the teams (or process innovativeness) remains underexplored.

The objective of this study was to examine the respective roles of team innovativeness and product newness, as well as their inter-relationship in the success of new product development efforts. Furthermore, since a review of related literature revealed no measurement appropriate for gauging the innovativeness of project teams, this paper also provides a measurement scale of team innovativeness.

NPD Team Innovativeness Conceptualized

According to Wolfe (1994), organization innovativeness is an organization’s propensity to innovate. In this paper, team innovativeness is defined as “a team’s propensity to import and develop new ways of doing things” (e.g., new process, new procedures, new use of equipment, etc. that do not previously exist in the company or SBU) during the process of new product development. Thus, the definition suggests two important aspects of team innovativeness. First, the domain of the concept of team innovativeness is in the process instead of the outcome of the new product development endeavor. In other words, the domain of the concept includes the teams’ innovation behaviors (using new technologies, new forms of organizational structure, or using existing equipment in totally new ways to achieve the goals, etc.) during the new product development process and excludes the innovativeness of the outcome of process (i.e., the newness of the product).

Second, team innovativeness is conceptually different from team creativity. As Amibile (1988) pointed out, creativity is only the first step in innovation and the challenge lies in the transformation of creative ideas into the various new processes and new products, etc. (Rosenfeld and Servo 1984). Moreover, creativity is not the necessary condition for teams to be innovative since ideas can emerge within the team or be imported into the team from outside of the team (Anderson 1989).

Hypotheses, Research Methods, and Results

In this study, team innovativeness was hypothesized to be positively related to new product performance and this relationship was moderated by the newness or innovativeness of the product. Moreover, it was also hypothesized that there was no direct link between product newness and product performance, or between team innovativeness and product newness. The hypotheses were tested using structural equation modeling with AMOS with data collected from a survey of the team leaders of 124 on-going or recently dismissed cross-national new product development teams from China and the U.S.

As part of the study, a 7-item Likert scale of team innovativeness was developed through in-depth interviews with executives experienced in new product development and a subsequent Internet survey among new product development professionals. The scale had a Cronbach alpha of .85. The measurement structure appropriateness was verified using confirmatory factors analysis with AMOS.

Results from the study indicated that the 11 items used to measure product performance represented three separate dimensions of the construct: meeting financial objectives, adhering to constraints, and opening up opportunities. Positive main effects of team innovativeness were found on all the three dimensions of product performance, indicating that in general, team innovativeness enhanced product performance. This relationship was moderated by product newness in that the relationships
among team innovativeness and performance was strong for radical new products yet became non-significant for incremental new products. Meanwhile, product newness had differential impact on the three dimensions of product performance. While product newness was not related to meeting financial performance, it had positive relationship with opening up opportunities and adhering to constraints. Last, there was no significant relationship between product newness and team innovativeness, supporting our point that product newness (or product innovativeness) and team innovative are conceptual different.

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THE EFFECTS OF MARKET INTELLIGENCE AND ORGANIZATIONAL FACTORS ON NEW PRODUCT SUCCESS: EXPLORING THE COMPLEXITY OF THE RELATIONSHIPS

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SUMMARY

Previous research in new product development has recognized market intelligence and organizational factors such as top management commitment and multidisciplinary cooperation as key factors contributing to new product success. However, not enough attention has been paid to the mechanisms through which these factors affect new product performance and the interrelationships between these factors. The objectives of this study are: (1) to develop a integrated model incorporating market intelligence and organizational factors in new product development and investigate the mechanisms through which market intelligence and organizational factors affect new product success; (2) to examine the total effects of market intelligence and organizational factors on new product performance, and compare their relative influence; (3) to investigate the interrelationships among the antecedental factors of new product success.

We develop an integrated model with market intelligence and organizational factors as key antecedents of new product performance. The model depicts the direct and indirect effects of market intelligence and organizational factors on new product performance in terms of both technical success and profitability. The relationship between market intelligence and new product performance is proposed to be mediated by product-market match and marketing effort. Organizational factors are proposed to affect new product profitability directly and indirectly through market intelligence and technical success. The model focuses on factors from marketing aspects, not considering factors related to technology and R&D.

After demonstrating the validity of the measures with confirmatory factor analysis, we tested the proposed model with (EQS) path analysis. In general, the proposed model was supported. The results not only supported extant research on the key contributing factors of new product success, but more importantly, revealed the complex nature that market intelligence and organizational factors affect new product performance. Investigating the complexity of the relationships contributes to a better understanding of new product success.

Market intelligence was found not to affect new product performance directly but contributes to new product performance through two paths: by improving product-market match in new product development and by enhancing marketing effort in new product launch. Directly related to technical success and profitability, product-market match contributes a very strong effect to new product success, which confirms the mediating role of product-market match in the relationship between market intelligence and new product performance. Market intelligence leads to better product performance only when it is transferred into effective product design that meets customer needs.

The effect of marketing effort on new product profitability is found to be insignificant. Although marketing activities improve product sales, high costs of marketing programs might reduce profitability in the end. Marketing effort has always been recognized as an important contributing factor to new product success, but considering the costs incurred, the effect of marketing effort on profitability is more complex than a positive linear relationship. The finding suggests the need of more investigation in the relationship between marketing and profitability.

Organizational factors were found to not only directly affect new product profitability but also increase profitability through market intelligence and new product technical success. They contribute to new product success at different stages of new product development and commercialization. Organizational factors showed the strongest effect on market intelligence, which indicates that organizational factors contribute most to market assessment and understanding customer need in the process of new product development.

A comparison of the total effects of market intelligence and organizational factors showed that organizational factors contribute a much stronger effect to new product performance than market intelligence, in terms of both technical success and profitability. This is because organizational factors have both direct and indirect effects on new product performance, contributing to new product performance at different stage of new product development process. The effect of market intelligence is relatively low.
because it only indirectly affects new product performance through product-market match and marketing effort, and marketing effort does not show a significant effect on profitability. Market intelligence and marketing effort concerns input of new product development and involves substantial cost. They only drive top-line (sales) efficiency not bottom-line (profit) efficiency. How much to invest in market intelligence activities is a necessary and important consideration in making new product development decisions.

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SENIOR MANAGEMENT STYLES AND MARKETING-MANUFACTURING INVOLVEMENT IN U.S. AND JAPANESE FIRMS

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SUMMARY

To date, little research has focused on either the marketing/manufacturing (MM) interface or the role of senior management in enhancing their integration. Furthermore, as might be expected given the dearth of empirical studies in the area, researchers have not yet explored cross-national issues relative to MM integration. In this study, using a theoretical framework based on Adler and Borys’ (1996) organizational structure theory, this study developed a model that explores the relationship between senior management style, MM involvement, and innovation performance. We test a conceptual model using a sample of 331 U.S. and Japanese marketing managers.

Hypotheses

Adler and Borys (1996) suggest that researchers have taken a level-of-formalization approach when they should have considered a type-of-formalization perspective. They conceptualize two types of formalization, coercive and enabling, based on Weber’s explanation of the two sources of authority within bureaucracies, legally defined office and employee knowledge. The key difference between the coercive and enabling styles is that coercive style emphasizes specific rules and procedures (such as formalization, specific reward systems, etc.) to influence employees’ actions while enabling style focuses on developing “big pictures” (such as setting goals, choosing team leaders, etc.) but gives the implementation of the rules and procedures to the people who carry out the activities. For this study, we classified six important management styles into coercive style (formal policy, job rotation, and team rewards) and enabling style (goal clarity, promoting teamwork, and autonomy).

We develop a model to predict the relationships anticipated among senior management style, MM involvement, and performance with the following five specific hypotheses:

H₁: There is a positive relationship between marketing-manufacturing involvement and innovation performance.

H₂: A coercive senior management style (formal policy, job rotation, and team rewards) has a positive effect on the level of marketing-manufacturing involvement.

H₃: An enabling senior management style (goal clarity, promoting teamwork, and autonomy) has a positive effect on the level of marketing-manufacturing involvement.

H₄: A coercive senior management style (formal policy, job rotation, and team rewards) has a stronger impact on the level of marketing-manufacturing involvement in U.S. than in Japanese companies.

H₅: An enabling senior management style (goal clarity, promoting teamwork, and autonomy) has a stronger impact on the level of marketing-manufacturing involvement in Japanese than in U.S. companies.

Data and Results

Our overall research design, which combined case studies and survey research, followed the procedure for conducting cross-national comparative research outlined in Douglas and Craig (1983) and extended by Song and Parry (1996). We followed a procedure adapted from the Total Design Method to administer the survey (Dillman 1978). After four follow-up letters and multiple faxes, we received usable questionnaires from 146 U.S. and 185 Japanese marketing managers.

To assess metric equivalence between the United States and Japan, we performed all of the three steps recommended by Durvasula et al. (1993). The empirical results suggest that all constructs possess cross-national construct equivalence. The detailed results are available upon request from the authors.

To test hypotheses, we employed structural equation modeling analyses. The empirical results suggest that MM involvement (MMI) has a positive effect on innovation performance for both the U.S. and Japanese samples. Therefore, H₁ is supported. In terms of a coercive senior
management style, the paths from formal policy, job rotation, team rewards to MMI are positive and significant for the U.S. sample. Thus, H2 is supported for the U.S. sample. For the Japanese sample, only the path from formal policy to MMI is significant. The results also indicate that autonomy has a positive effect on MMI in the United States and goal clarity and promoting teamwork have positive influences on MMI in Japan. H3 is partially supported in the U.S. and Japan samples. The results also indicate that the effect of job rotation on MMI and the effect of team rewards on MMI are stronger in the U.S. than in Japan, suggesting that H4 is supported. However, we find mixed results on the cross-cultural differences of the effect of an enabling style on MMI (i.e., H5). The empirical results indicate that the effect of promoting teamwork on MMI is weaker in the United States than in Japan. However, counter to our hypothesis, we find that the effect of autonomy on MMI is stronger in the U.S. than in Japan.

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OUTSOURCING OF CUSTOMER RELATIONSHIP MANAGEMENT: ANTECEDENTS AND CONSEQUENCES

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SUMMARY

Customer relationship management outsourcing refers to a firm contracting with outside firms to perform activities relating to the establishment and/or maintenance of relationships with customers. As a consequence of recent advances in information technology and telecommunications, customer relationship management (CRM) activities are increasingly being outsourced to firms located in countries at a comparative advantage in respect of important factor costs, rather than being based in countries in which a firm’s customers are primarily based. The rise in CRM outsourcing is underscored in a recent research report forecasting the global market for business process outsourcing at about $240 billion by 2005 (PR Newswire 2003). The management of customer relationship, an activity erstwhile viewed as an activity that must be effectively managed by the personnel of a firm’s marketing, is being outsourced to external organizational entities represents a fundamental shift, and merits further inquiry.

Building on multiple theoretical perspectives from accounting, information technology, manufacturing, marketing, and supply chain management, we present a conceptual model delineating the antecedents and consequences of CRM outsourcing intensity. Specifically, (1) macro environmental characteristics, (2) industry characteristics, (3) firm characteristics, (4) product market characteristics, (5) customer characteristics and (6) transaction characteristics are modeled as antecedents of CRM outsourcing intensity. As regards consequences of CRM outsourcing intensity, we limit our focus to outcomes that are germane to marketing, namely: (1) organizational memory, (2) customer orientation, (3) competitor orientation, (4) departmentalization and (5) potential for vendor acquisition. While the focus of this paper is limited to consequences of CRM outsourcing in specific reference to issues germane to marketing, additional issues also warrant further research. The growing interest in the financial consequences of marketing actions as evidenced in the Marketing Science Institute’s (MSI) list of research priorities highlights the need for an empirical scrutiny of the long-term financial impact of CRM outsourcing. In this regard, incorporating additional market performance measures (e.g., customer satisfaction and customer complaining behaviors) along with financial performance measures is likely to provide a more comprehensive and richer picture of the overall impact of CRM outsourcing.

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THE ROLE OF ORGANIZATIONAL CAPABILITIES IN SUCCESSFUL CRM ADOPTION

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SUMMARY

Customer Relationship Management (CRM) is one of the fastest growing business practices in today’s environment. Despite the significance of CRM and its competitive advantages, the failure rate for CRM adoption is between 40-60 percent (Gillies, Rigby, and Reichheld 2002). Companies face significant barriers when implementing and adopting CRM as an innovation. Our interest, therefore, lies in exploring the barriers to CRM adoption and implementation as experienced by the users in the private sector industry.

In this paper, we use the resource-based view of the firm as a theoretical foundation to address the question of how companies can effectively remove the barriers to CRM adoption. Following an extensive literature review and an exploratory investigation, this paper offers a framework of four organizational capabilities that may influence CRM adoption within existing company infrastructures. These capabilities are organizational learning (team, systems, learning, and memory orientation), customer-centric orientation, business process orientation, and task-technology fit (TTF). In order to develop a framework that is generalizable across industries, our research uses qualitative methods which include in-depth interviews with CRM experts, followed by an analysis of open ended comments from 65 CRM users.

Organizational Capabilities and CRM Adoption

CRM is a technology enabled business management tool for developing and leveraging customer knowledge to nurture, maintain, and strengthen profitable relationships (Sue and Morin 2001). We posit that CRM is a “radical innovation,” because it produces fundamental changes in the activities and practices of organizations (Dewar and Dutton 1986; Ettlie, Bridges, and O’Keefe 1984). The resource-based view theory posits that firms compete on the basis of unique corporate resources and capabilities that are valuable, rare, difficult to imitate and non-substitutable (Barney 1991; Michalisin, Smith, and Kline 1997). Barney (1991) includes organizational capabilities controlled by a firm as part of the set of unique corporate resources. In considering organizational learning, customer-centric orientation, business process orientation, and task-technology fit as capabilities for this study, it is important to define “capabilities” in terms of the resource-based view theory. Distinctive capabilities are those that set an organization apart from the competition and help speed up the organization’s adaptation to environmental change (Day and Wensley 1988; Day 1994). The four capabilities that we identify are proposed to influence an organization’s ability to create a sustained competitive advantage, in the context of CRM as a radical innovation.

A shift from a traditional business to a CRM model requires fundamental changes in management thinking and behavior. While there is an increasing slope of CRM adoption, it is relatively slow because companies struggle to fit CRM into their processes. In searching for capabilities to overcome CRM barriers, it was found that the literature places more emphasis on the technical and operational aspects of technologies, rather than the organizational behaviors and skills exhibited by best-practice CRM companies. However, the marketing, management, and technology literature extend the notion of organizational learning, customer-centric orientation, business process orientation, and task-technology fit as capabilities necessary for twenty-first century organizations (e.g., Achrol and Kotler 1999; Deshpande and Farley 1999). Drawing from these literature bases, this paper suggests that the four organizational capabilities can help existing companies make the transition from traditional business models to CRM models.

This paper adopts a grounded theory approach where we match perspectives drawn from the literature review with insights from our qualitative research. Respondents were solicited through a third party survey run on a popular website which serves as a forum for CRM users, developers, and consultants. Responses were content analyzed to develop the framework.

Our results indicate that managers need to engage in business process re-engineering prior to the implementation of CRM (Orman 1998). This will enable standardization of data formats, fields, and entries. Second, managers need to focus on building a team orientation, and bringing various units of the company together. Specifically, management needs to involve end-users in this process during the early stages so that they can specify their needs as well as gain a better understanding of the system. Comments from our respondents suggest that very often, the system promised more than it was capable of delivering. Also, our
results and reports in the literature indicate that when CRM efforts are led by the IT department and then thrust upon the rest of the organization, the implementation is often doomed to failure (Taschek 2001). This again highlights the importance of organizational learning and a customer centric orientation.

CRM technology incorporates operational and analytical capabilities of the system. For successful CRM usage, the analytics should provide rules to guide strategic decision making, such as identification of profitable customers, and potential for cross-selling (Shani and Chalasani 1990). The barriers to successful deployment of CRM technology include lack of flexibility in the software, and lack of skills in end-users. This points directly to the role of task-technology fit in enabling successful CRM adoption. To overcome the flexibility problem, managers need to choose the software that comes with adequate technical support and the ability to customize to the firm’s needs. Second, training of users is critical for the success of any CRM system. Again, commitment of resources by senior management can ensure that the necessary skill sets are acquired by the end-users. References available upon request.

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ASSESSING THE IMPACT OF INFORMATION COMMUNICATIONS TECHNOLOGY (ICT) ON CUSTOMER RELATIONSHIP MANAGEMENT (CRM)

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SUMMARY

This paper focuses on the CRM component of a broader multidisciplinary study assessing the impact of e-business on business process models. It describes the rationale for the structure and content of the CRM research instrument, an on-line questionnaire, to be incorporated into the larger study. The objectives of this paper are to identify the key issues emerging from extant CRM literature worthy of further empirical investigation and to demonstrate how these have been incorporated into the research instrument focused on assessing the impact of ICT on CRM. The questionnaire design and content is illustrated within the presentation.

Section one deals with defining CRM. A difficulty with CRM is that it means different things to different people, even the meaning of the abbreviation is contested (Buttle 2004). Confusion arises as the term is used in differing ways between and within academic and industry environments. Viewed as an enterprise-wide customer centric business model that must be built around the customer (Chen and Popovich 2003) CRM is often described as a 360 degrees customer centric view covering the entire business cycle (Xu et al. 2002). From a company and industry perspective consensus is less forthcoming, for some CRM is limited to sales force automation for others it is marketing campaign management. To ascertain exactly what companies perceive CRM to be they are questioned on the actual CRM activities they are currently engaged in. Respondents are also asked to define what CRM means to them through open-ended questions. The objective of this section is to move from anecdotal evidence of what companies perceive CRM to be to factual evidence.

The next section examines the reasons why companies adopt CRM. CRM initiatives have resulted in increased competitiveness for many companies and other acknowledged benefits focus on superior levels of customer service (Chen and Popovich 2003) opportunities for up selling and cross selling (Nairn 2002; Xu et al. 2002) improved customer satisfaction and retention rates (Reichheld 1996) and improved measurement and targeting of profitable customers (McKim and Hughes 2001). This section attempts to gauge the core objectives of the companies CRM initiatives and the advantages and organisational benefits, both strategic and operational, sought through CRM adoption and implementation.

Section three addresses implementation and organisational issues. Though CRM systems are proving an incredibly popular choice for implementation, success is proving illusive (Bull 2003). Practitioner evidence suggests that implementation often takes longer and is far more costly and problematic that initially thought. Many organisations have rushed to implement CRM without understanding the enormity and complexity of organisational restructuring required for successful implementation (Kotorov 2003) or the planning needed to prepare the organisation to deploy new CRM capabilities (Almquist et al. 2002). Companies are questioned on who initiated and monitored the implementation of CRM technology and methods within the organisation and how this is managed and assessed. Related questions deal with the organisation, management and co-ordination of CRM activities either as a co-ordinated enterprise-wide effort or as a separate departmental/channel effort. The issues of project groups and the formation of cross-functional teams are also examined.

A problematic issue in CRM implementation has been the data collection and integration challenges facing companies, questions are also included on this topic. In a CRM world traditional financial and market based indicators of performance have to be updated and increased emphasis is being placed on developing measures that are customer centric and that give managers a better idea of how their CRM policies and programs are working. Section four of the questionnaire attempts to find out what measurement techniques, if any, companies are applying to their CRM strategies. Questions seek to assess if companies have a strategic measurement system for their CRM strategy, what measures they use to assess the impact of CRM initiatives, such as acquisition/retention rates, share of wallet, customer satisfaction ratings etc. and how they deal with the issue of assessing Return on Investment (ROI) from CRM initiatives.

Section five focuses on technology issues surrounding CRM. In relation to software issues there is anecdotal evidence that companies are overwhelmed by the vast array of product offerings and new applications currently on the market under the umbrella term of CRM. McKim
(2002) cites as one of the biggest problems with CRM the fact that companies fail to identify the business problem accurately enough before buying the CRM software. This research questions companies on software issues dealing with the development of technological initiatives, the level and type of resources involved in the implementation, the degree of customisation of software employed, and also the use of consultants for various aspects of CRM projects and resultant levels of satisfaction/dissatisfaction.

The final section examines the human element of CRM. While both technology and business processes are critical to successful CRM implementation it is individual employees who are the building blocks of customer relationships (Chen and Popovich 2003). Employees may avoid CRM because they find it too confusing, lack confidence in the direction it provides, or fail to see its relevance (Crosby 2002). Companies are questioned on the impact of CRM initiatives on the HR function in terms of changes such as empowerment of frontline staff, training, cross-functional cooperation, restructuring of reward systems to reflect CRM objectives etc. Performance measures for customer facing employees and the effectiveness and efficiency of the leadership provided throughout the CRM project are also investigated.

Other issues examined in this research include perceived barriers to CRM implementation encountered by respondent companies and perceived obstacles to further usage whether strategic, organisational or technical in nature. Drivers of CRM adoption were also examined. The first iteration of the on-line questionnaire was administered to a sample of 5000 SMEs in February 2004 as part of the longitudinal design of the broader study and the data analysis is currently underway. References are available on request.

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MEMORY DISTORTION AND CONSUMER PRICE KNOWLEDGE

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SUMMARY

Product price is an important element of the marketing mix and marketers need to be concerned with whether the price information is clearly communicated to the consumers. Therefore, consumer encoding and memory of product price information (i.e., consumer price knowledge) has been an ongoing research topic in marketing (Dickson and Sawyer 1990; Monroe and Lee 1999; Vanhuele and Dreze 2002).

In this paper, we suggest that price information may be processed and stored in different “forms” depending on consumers’ focus of attention at encoding (i.e., internal factors) and characteristics of the price information (i.e., external factors). By “forms” of price information we refer to different representations of price information formed during encodings and stored in memory. The representation could be simply the numerical value of the price or other potential interpretations can be developed based on the numerical values. For example, upon seeing prices of two different brands from a product category, one may remember the two prices (e.g., $5 and $4 for two shampoo brands). In addition, one may further form evaluations of the two prices (e.g., both are good prices) as well as judgments of the relative product prices (e.g., brand A is more expensive than Brand B). One or more forms of price information may be encoded and remembered. When asked to retrieve one form of price information later (e.g., how much does brand A cost?), consumers may either directly retrieve the numerical value from memory (if $5 is readily available) or reconstruct the price based on other forms of information. If they don’t remember the exact price but remember that both are good prices, they may further infer what a good price means to them and reconstruct a price (e.g., $3.50 for a bottle of shampoo is pretty good). This reconstructed price may or may not be the exact numerical value that they were exposed to at an earlier time. Hence, whether such constructions or conversions are accurate and the degree of potential memory distortion is the major focus of this research. It should be noted that consumers do not necessarily make purchase decisions based on price recall. So the major contribution of this paper is theoretical in that it demonstrated the degree of memory distortion when consumer recall or reconstruct on form of price information based on other forms of price information.

Using one experiment we examined the influence of three encoding conditions on price recall: “remember,” “evaluate,” or “compare.” “Remember” asked participants to simply pay attention to the numerals. “Evaluate” required participants to focus attention on each individual prices. “Compare” focused on relative price information. First, relative information (i.e., compare) is more subject to distortion compared to absolute information (i.e., evaluate) when participants have to reconstruct the exact price information from other forms. In addition, “evaluate” involves both sensory (exposure to the numerals) and semantic processing (judgment) while “remember” involves only sensory encoding (especially when there is no incentive for further processing). Therefore, we expect that “evaluate” should lead the least distortion in price recall. Second, we further manipulated relative price difference between paired products (high vs. low relative to normal price differences) as the price characteristic. When a piece of specific price information is not readily available, consumers’ general knowledge regarding prices of that particular product may be activated to help them recall a specific price. When the actual price deviates from consumers’ general knowledge regarding that product price (i.e., the normal price of a product), further price distortion in recall may occur. Hence the degree of price distortion is greater when the true price greatly deviates from a normal price that consumers derived from their general knowledge. Therefore, we expect that the recalled price difference between two brands will be larger (smaller) than the true price difference when the true difference is smaller (larger) than the consumers’ normal standard. Finally, we manipulated price presentation (single price vs. paired prices). When a pair of product prices are presented side by side, the relativity of the prices are more salient compared to when the prices are presented one by one with other product prices cluttered in the middle. Hence, consumers may be less susceptible to the influence of a normal price standard when they can directly assess the true price difference at encoding. Therefore, it is hypothesized that paired presentation will enhance price recall accuracy after exposure in the “remember” condition. However, when participants were asked to focus on valuating each individual price, the paired presentation may promote processing of relative price information which may interfere with the individual price processing. Hence, we hypothesize an interaction effect between price presentation and encoding instruction on degree of price recall distortion.

The study was a 2 (exposure: single vs. paired brands) × 2 (encoding instruction: remember vs. evaluate) × 2 (relative price difference: large vs. small) mixed factorial design with replications using two groups of products with different price levels (within factor). A third encod-
ing instruction “compare” is included but only in the “paired brands” presentation. We used a national brand and store brand contrast as the basis for manipulating price differences since it is commonly known that store brands are relatively lower priced than national brands. The stimuli were organized in a power point slideshow. Each participant was exposed to 16 (or 8 pairs) brands. They were asked to either just look at the prices and remember, or evaluate whether the price is “expensive” or “cheap,” or compare which brand is more expensive (or cheaper) between the pairs. Then after a 15 minutes distractor task, they were asked to recall the exact product prices. The major dependent variables are deviation of recall from true price and the recalled deviation of recalled price differences between the paired brands from the true price difference. Analyses showed that results were largely consistent with the three predictions made.

Overall, the results shed further light on our understanding of consumer price information processing and retrieval. Consumer price knowledge is multi-dimensional and both internal and external encoding conditions may influence what can be retrieved later and the degree of distortion in retrieval or reconstruction. This research only examined consumer price recall. Other retrieval variables, including price evaluations or price rankings, may be examined. These variables may be more relevant in consumer decision making. Moreover, it will be interesting to examine the effect of memory distortion on consumers choice behaviors. References available on request.

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HOW TODAY’S PROMOTION AFFECTS TOMORROW’S PURCHASE: 
PRICE DISCOUNTS AND PRICE EXPECTATIONS

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SUMMARY

As a result of their ability to stimulate sales in the short-run, the use of price-based promotions has risen steadily (Kahn and McAlister 1997; Mela, Gupta, and Lehman 1997). Despite their popularity, price promotions are not without a potential downside. To be effective, a given promotion must draw choice yet not lower consumers’ expectations of future prices. A common practice of drawing consumer choice is to offer a particularly deep price reduction (e.g., Leone and Srinivasan 1996). However, as the depth of a price promotion increases, consumers’ future price expectations decrease (e.g., Niedrich, Sharma, and Wedell 2001). In turn, as price expectations decrease, choice of the brand at non-promoted prices in future periods is threatened (Lattin and Bucklin 1989; Papatla and Krishnamurthi 1996; Winer 1986).

Previous research has examined how the depth of a price promotion affects consumers’ expectations of future price (e.g., Alba et al. 1999; Slonim and Garbarino 1999) and has linked price expectations to choice (Niedrich, Sharma, and Wedell 2001; Winer 1986). However, in addition to the size of price reduction, promotions are characterized by the manner in which the discount is conveyed (Della Bitta, Monroe, and McGinnis 1981). We argue that the effects of promotion depth on future price expectations cannot be fully understood without considering how the promotion is framed. The impact of framing on information processing has been studied as a general phenomenon (e.g., Kahneman and Tversky 1979; Gigerenzer and Hoffrage 1995), to compare price discounts to bonus packs (e.g., Diamond 1989; Hardesty and Bearden 2003; Sinha and Smith 2000) and the specific context of price discount framing (e.g., Chen, Monroe, and Lou 1998; Heath, Chatterjee, and France 1995). However, the effect of price promotion framing on future price expectations is a nascent area. This study considers how promotional frames affect consumers’ perceptions of the promoted price of the product the weight placed on the promoted price, and the resulting price expectation. Furthermore, we consider that the extent to which frame effects occur is likely to differ across promotions of greater and lesser value.

Study 1: Expected Price Revision

Study 1 tests the effect of framing a promotion in either cents or percentage terms on future price expectations for the promoted brand. This test was conducted via an experiment in which subjects viewed simulated store shelves containing hypothetical brands of shampoo on a computer monitor. Promotion depth (13% and 43%) and frame (cents-off, percentage-off) for a focal promotion were manipulated using shelf tags. Mean price expectations were lower following a high depth promotion (.888, or 88.8% of the regular price) than following a low depth promotion (.967, F1,195 = 11.68, p < .001). Revised price expectations were also lower in the cents-off frame condition (.902) than the percentage-off condition (.954, F1,195 = 5.93, p < .01). However, these main effects are qualified by the emergence of a depth x frame interaction (F1,195 = 3.47, p < .05). The revised price expectation does not differ across the cents-off (.961) and percentage-off (.972) frame conditions when promotion depth is low (t = 0.63, p > .25). When promotion depth is high, price expectations are significantly lower when the promotion is framed in cents (.844) rather than percent (.934, t = 2.44, p < .05).

Study 2: Future Choice

Price expectations are important to the extent that they influence choice. Study 2 tests whether the manner in which a promotion is framed at time t affects choice at time t+1. Price expectations affect future choice such that a positive (negative) expected-observed price discrepancy increases (decreases) the likelihood of brand choice (Lattin and Bucklin 1989; Papatla and Krishnamurthi 1996; Winer 1986). Thus, the effect of promotional frame on future choice should mirror that of its effect on price expectations. Following a methodology similar to Study 1, in Study 2 we find that choice of the focal brand after the promotion is revoked is sensitive to promotional frame. Choice share following retraction of the low depth cents-off and percentage-off promotion is 32.8 percent and 34.9 percent respectively (Z = 0.25, ns). Post-promotion choice share following the high-depth percentage-off promotion (44.6%) was greater than that following the high-depth cents-off promotion (25.0%; Z = 2.11, p < .05).
Studies 3 and 4: the Process of Price Expectation Revision

Study 1 demonstrates that a deep cents-off promotion leads to a lower price expectation than a deep percentage-off promotion. However, this result may arise due to the effect of frame on the perceived price and/or the weight place on the perceived price when updating price expectations. Studies 3 and 4 test the effect of promotion frame on the perceived promoted price and the weight placed on the perceived price when updating price expectations. In so doing, the effects of promotion depth and frame on price expectations and future choice are found to be driven primarily by consumers’ perceptions of the price resulting from a promotion. Perceptions of the promoted price display the same depth x frame interaction observed in Studies 1 and 2. Price perceptions are lower when a promotion is framed in cents-off rather than percentage-off terms when promotion depth is high (t = 2.28, p < .05) but not when depth is low depth (t = 1.11, p > .10) conditions (depth x frame interaction $F_{1,137} = 5.03$, $p < .05$).

Discussion

The results suggest that the cognitive costs of processing percentage-off promotions leads to stickier price expectations and, in turn, greater share retention following the retraction of a high depth promotion framed in percentage-off rather than in absolute dollar terms. An obvious managerial implication is that future price expectations and thus future choice can best be protected when offering a deep discount by framing the discount on percentage terms. More generally, accounting for the manner in which price information is presented is vital to accurately predict the effects of price changes on price expectations. References available upon request

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THE ROLES OF ANTICIPATED REGRET AND URGENCY IN EXPLAINING HOW DISCOUNT LEVEL AND TIME RESTRICTION AFFECT PURCHASE INTENTIONS

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SUMMARY

Restrictions have been applied in promotions to create a scarcity effect and motivate consumers to act sooner rather than later. Studies that have examined the impact of varying promotional restrictions, such as time and quantity, have found that promotional restrictions increase purchase intentions and that this effect is mediated by overall deal evaluation. However, studies have also shown that highly restricted promotions can hurt deal evaluations, thus leading to lower purchase intentions. In this paper, we propose that restrictions also impact perceptions of urgency as well as anticipated regret and that these constructs help explain variance in purchase intentions not uniquely accounted for by deal evaluations.

We define urgency as the state of experiencing immediate (or near immediate) need to complete an act (Hanna, Berger, and Abendroth 2004). Thus, if a promotional deal is evaluated highly and a promotional restriction, such as a time restriction (e.g., expires in 5 days), is in effect, a consumer will have a greater sense of perceived urgency to act on the deal. As consumers experience greater urgency to act upon a promotion, their anticipated regret of losing the opportunity may also increase, thus spurring them to purchase. This suggests a positive role for time restrictions independent of the effect on deal evaluations since time restrictions should also impact urgency directly.

We conducted two studies in order to test a model incorporating promotional parameters, deal evaluation, perceived, urgency, anticipated regret, purchase intentions, and actual purchase behavior. In study 1, we used a 2 (Discount Level: Low, High) by 3 (Time Restriction: None, Low, High) between subjects design. One hundred and seventy students sampled from a large introductory level course received course credit to participate in the experiment. The promotional context was a simulated coupon for admission to one movie at a nearby theater. This product category was chosen because it was deemed relevant to college students and because similar promotions are commonly targeted at this population. The low and high discount levels were operationalized at 15 percent and 50 percent, respectively. The low and high time restrictions were operationalized at 21 days and 5 days, respectively.

Study 2 was a combination lab experiment and field experiment involving real coupons (participants viewed real coupons and responded to attitudinal measures in a lab setting and then received the coupons for use at a local sandwich shop). The manipulations were similar to those in study 1 except that we eliminated the indefinite time restriction since we found no differences between long and indefinite time restrictions in that study. Thus we used a 2 (Discount Level: Low, High) by 2 (Time Restriction: Short, Long) between subjects design. One hundred and sixty-six students sampled from a large introductory level course received course credit to participate in the experiment. The low and high discount levels were operationalized at 5 percent and 25 percent, respectively. The low and high time restrictions were operationalized at 3 days and 10 days, respectively. The operationalizations for study 2 reflect, in part, limits placed by the manager of the sandwich shop on the parameters of the promotion. However, we regard the manipulations as theoretically equivalent in the sense that we are interested in relative differences within studies. If anything, the manipulations are weaker in study 2, which would tend to work against our predictions. However, this concern is allayed since the results were highly similar across the two studies.

Consistent with prior literature, we found that discount level had a positive impact on deal evaluations while restrictive time limits had a negative impact. However, time restriction did increase purchase intent through perceived urgency and anticipated regret. In study 2, purchase intentions predicted actual behavior, and, as expected, actual purchases were higher for higher discount levels and shorter time restrictions. References available upon request.
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THE STRATEGIC ROLE OF CORPORATE SOCIAL RESPONSIBILITY PROGRAMS IN GENERATING CUSTOMER LOYALTY AND BRAND TRIAL

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SUMMARY

Corporate Social Responsibility (CSR) programs are becoming increasingly popular elements of corporate marketing strategies, in part due to emerging public standards for social performance (e.g., the United Nations Global Compact), in part due to the proliferation of independent evaluations and rankings that make social performance more transparent (e.g., Fortune’s Most Admired Companies), and in part due to the recent scandals associated with prominent branded companies (e.g., Enron, Worldcom).

This paper argues that CSR programs can be classified into two categories: institutionalized programs and tactical consumer-action-oriented programs. Institutionalized CSR programs, such as improving employee diversity, are argued to be most effective at solidifying existing relationships with current customers and increasing customer loyalty. Tactical CSR programs like cause-related marketing should be more effective at targeting non-customers, and generating immediate purchase. We argue that these relationships are moderated by the consumer’s level of involvement with the company, the consumer’s level of awareness of the company’s CSR program, and skepticism toward the company’s motivation for developing the CSR program.

Institutional vs. Tactical CSR: We first argue that CSR should be identified as consisting of two major categories of programs: institutionalized CSR programs and tactical CSR programs. Institutionalized CSR programs include a stated commitment to environmental responsibility, community involvement (Brown and Dacin 1997; www.kld.com), programmed corporate giving (Brown and Dacin 1997), commitment to diversity in hiring, a commitment to developing positive overall employee relations, the presence or absence of controversial business lines (www.kld.com) and stated human rights activism. In contrast, we define tactical, consumer-action-oriented CSR programs as a cause-related marketing sponsorship of one of the company’s products where the firm agrees to contribute a specific amount to a particular cause in exchange for a consumer purchase of a designated product (Varadarajan and Menon 1988), or as a one-time donation to a cause.

Customers versus Non-Customers: We argue that different consumers will respond differently to institutionalized and tactical programs. We propose that present customers, due to previous contact with the company through purchase, will be more susceptible to influence from the institutionalized CSR programs presented by the company through their corporate communications. Non-customers will be less likely to notice these communications since they have not purchased the company’s products, are less interested in company communications regarding CSR programs, and will be more susceptible to tactical CSR at point of purchase.

Purchase Intent vs. Customer Loyalty: We propose that outcomes of CSR programs can be categorized into two major groups: outcomes that result in enhancing customer loyalty toward the company, and outcomes that result in generating immediate purchase of the company’s products. We conceptualize loyalty for this paper in terms of the attitude towards the company and its resultant patronage behavior, defining loyalty as:

“a deeply held commitment to rebuy or repatronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior” (Oliver 1999, p. 34).

Involvement with the Company: We argue that the level of customer involvement with the company will moderate the effects of institutional and tactical CSR programs on customer loyalty and on brand trial. Based on Social Identity Theory (SIT), which suggests that people form relationships with groups that reflect their own beliefs and value systems (Tajfel and Turner 1979), we argue that a high level of involvement with a company (and thus its CSR programs) may be more likely to stimulate a response than a low level of involvement.
Skepticism of the Company’s Motivations for the CSR Program: Consumers are often likely to express skepticism about a company’s motivation for generating a CSR program, particularly when the company publicizes their efforts (Webb and Mohr 1998). Specifically, consumers must make a judgment about whether cause-related marketing programs are cause-beneficial or cause exploitative (Ross, Stutts, and Patterson 1990–1991). We argue that CSR programs can be effective in realizing consumer-related goals only when consumer skepticism of firm motivation is low, and customers and non-customers believe that company motivation behind CSR programs is driven by altruistic intentions.

This paper contributes to the literature on corporate social responsibility in three important ways: it classifies CSR programs into two major categories, institutional and tactical, it recognizes that consumers respond differently to institutional and tactical programs, and these relationships are expected to be moderated by two factors, customer level of involvement with the company, and the customer’s level of skepticism toward the company’s motivation for developing a CSR program.

REFERENCES

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SUMMARY

The emerging marketplace poses challenges for even the strong and well-established companies, necessitating them to cope with the cultural, societal, and technological changes that confront them today in the markets they aim to serve (Martin 2002; Hutter and Power 2002; Business and Human Rights Resource Center 2004). While the implications of market forces have always been profound and complex, the twenty-first century marketplace presents managers with some unique sets of challenges. As scientific and communication advances identify and illuminate previously unrecognized causes of societal problems (Martin 2002; Colborn 1997), as public perceptions of human rights, environmental threats, and a multitude of other issues become more tangible and emergent (Moore 2003; Smith 2003; Kemp 2001), and as an electronically networked global society provides an increasingly effective means for energetic citizens to disseminate information worldwide (Baron 2003; Manheim 2001), companies are finding that their underlying assumptions about their market relationships—including fundamental issues of business practices and/or product value propositions—can be called into question (Hollender 2004). The resulting scrutiny and challenges can irreversibly and unexpectedly alter a company’s market dynamics and relationships, necessitating such actions as changes in management practices, product transformation, and even product abandonment.

Few, if any, frameworks and models exist in the marketing literature that can be used to analyze, explain and predict the preceding dynamics of the emerging marketplace. Often, contemporary studies of market exchanges and relationships are characterized by a decompositional approach—whereby one set of market relationships (e.g., firm–customer) is examined separately from another set of market relationships (e.g., firm–society). This separation is evident in different models, methodologies, and motivations of research and researchers, and is perpetuated by institutional (e.g., separate SIGs, conferences) and inertial forces (e.g., separate bodies of literature). Rarely, if ever, does one find efforts to examine and model how these apparently separate market relationships intersect and interplay to create the dynamics of the emerging marketplace (e.g., Maignan and Ferrell 2004; Menon and Menon 1997; Hutt et al. 1986; Dixon 1984).

The aim of this paper is to take an initial step toward a more holistic study of the complexity and interconnectedness of market relationships. Three aspects of our study are noteworthy. First, we utilize a common theoretical approach to examine a firm’s diverse market relationships. Specifically, we draw from relationship marketing theory, which has emerged as a key organizing framework for much academic and managerial discourse in recent years (Dwyer, Schurr, and Oh 1987; Anderson and Narus 1990; Morgan and Hunt 1994; Doney and Cannon 1997). Within this theory, and to provide a common foundation for the study of a firm’s diverse market relationships, we lean on relationship marketing notions that relational exchanges differ from transactional exchanges due to their long-term orientation (Berry 1995), are motivated by mutual value gains through cooperation (Dwyer, Schurr, and Oh 1987; Anderson and Narus 1990; Morgan and Hunt 1994; Doney and Cannon 1997). Second, we approach a firm’s diverse market relationships through a lens of simultaneity and interactivity. Specifically, we simultaneously focus on a firm’s four key market relationships involving its (a) consumers and customers who are, have been, or will be end-users and/or buyers of a firm’s products/services, (b) regulatory and institutional agencies who are entrusted by society to act as “guardians” of the marketplace, (c) market intermediaries who are committed to vertical arrangements with the firm to create time and place utilities for the latter’s products/services, and (d) consumer/customer intermediaries who act as independent (of the firm) gatekeepers and/or activists controlling access (e.g., parents) and/or providing information (e.g., consumerist groups) to end-
users and buyers. A distinctive aspect of our study is that we explicitly examine how a firm’s market relationships across the preceding four nodes intersect and interact.

Third, we use a case study approach to examine how the preceding market relationships and their interactions evolve dynamically over time. In the tradition of grounded research and to facilitate theory building, we systematically document, analyze, and interpret the longitudinal evolution and interconnectedness among the four key market relationships of a firm – The Coca Cola Company – as it responds to market events related to its marketing of soft drinks to school-going children especially on school premises, and over a period of time – 1997 to date – and focus specifically on the events leading up to the Los Angeles Unified School District’s decision to ban the sale of soft drinks on its campuses in 2002.

Data from public, secondary and industry sources is analyzed using relationship marketing theory principles to develop the case study. A discussion of the complexity and interconnectedness of a firm’s relationships and implications for relationship marketing theory in general and trust and value dynamics that a firm has to deal with in particular, concludes the paper. References available upon request.

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ORGANIZATIONAL BUYERS’ CHOICES AMONG INDEPENDENT SUPPLIERS: A TRANSACTION GOVERNANCE PERSPECTIVE

Tao Gao, Hofstra University, Hempstead

ABSTRACT

Although the transaction cost analysis (TCA) has long been used by marketing scholars to study organizational buyers’ make-or-buy decisions, it sheds limited light on choices beyond the make-or-buy trade-off. Many organizational purchase decisions are structured around which independent supplier to buy from, rather than a typical make-or-buy decision. This study extends existing research by applying TCA to explore why organizational buyers make purchases from certain independent suppliers but not others.

INTRODUCTION

Marketing and management scholars have made many attempts at applying the transaction cost analysis (Coase 1937; Williamson 1985) to the study of firms’ make-or-buy decision (e.g., Anderson 1985; John and Weitz 1988; Levy 1985; Lieberman 1991; Masten 1984; Monteverde and Teece 1982; Walker and Weber 1984, 1987; Weiss and Anderson 1992). Typically, these studies focus on a manufacturing firm’s decision to backward integrate into the supply of production inputs or forward integrate into distribution and sales (Rindfleisch and Heide 1997). On the other hand, many outsourcing decisions faced by organizational buyers are structured around which independent supplier to buy from, rather than a typical make-or-buy decision. Notwithstanding its explanatory power, the transaction governance perspective sheds limited light on organizations’ buying behaviors beyond the make-or-buy choice (cf., Rindfleisch and Heide 1997). Separately, the issue of supplier selection has received an increased amount of scholarly attention in the organizational buying and supply chain management literatures (Ellram 1990; Weber et al. 1991). Existing research on supplier selections in organizational purchasing and supply chain management literatures generally falls short of explaining why very different buyer costs and benefits are associated with purchasing from various suppliers. The current study integrates the two streams of research (transaction governance and supplier selection) by applying the transaction governance perspective to the choice among independent suppliers. It adopts a governance perspective to propose that the presence of two alternative forms of transaction governance, trust and relative dependence, help explain organizational buyers’ varying perceptions of decision-making uncertainty and outsourcing benefits in purchasing from independent suppliers.

THE CONCEPTUAL FRAMEWORK

Effect of Uncertainty on Buyer Purchase Propensity

Organizational buyers regularly face uncertainty in business purchases, which comes from various product, firm-related, external environment, and relational sources (e.g., Heide and Weiss 1995; Henthorne, LaTour, and Williams 1990). Decision-making uncertainty may affect the outcome of buyers’ purchasing decisions in various ways. When coupled with high levels of purchase importance, uncertainty amounts to perceived risk (Bauer 1960), which prompts delays in decision-making and motivates buyers to reduce risk. Additionally, even if buyers decide to enter into a transaction characterized by high levels of DMU, they may react to uncertainty by investing heavily in transaction governance to safeguard their interests (Williamson 1985; Heide 1994). Given the negative role of uncertainty in affecting buyer perceptions of both the benefits and costs of the purchases, the following hypothesis will be empirically tested:

H1: An organizational buyer’s propensity to purchases from an independent supplier is negatively influenced by the buyer’s perceived decision-making uncertainty the in purchasing from the supplier.

Trust and market are two important governance forms organizational buyers can employ in outsourcing from independent sellers (Bradach and Eccles 1989; Heide 1994; Williamson 1985). The primary interest in this paper is on how buyers purchase items from independent suppliers, rather than their own subsidiaries. Thus, ownership, the other conventional form of governance, is excluded as a governance form from the conceptual framework.

Effects of Trust on Buyer Uncertainty and Purchase Propensity

Trust is defined as perceived reliability and integrity of an exchange partner and viewed it in terms of three dimensions: competence, consistency, and benevolence (cf., Morgan and Hunt 1994). When an organizational buyer perceives a supplier to be benevolent and trustworthy, it will worry less about the seller’s tendency to engage in opportunistic behavior (Stump and Heide 1996). Furthermore, because the supplier is believed to have the capability to deliver capable, satisfying performance, the purchase outcome is likely to be more predictable, less
uncertain, and more positive. Trusting reflects reliance on the other partner because the trustor perceives the purchase situation as less uncertain. Thus, the following hypotheses were proposed for empirical testing:

H2: An organizational buyer’s trust in an independent supplier has a negative effect on the decision-making uncertainty as perceived by the buyer in purchasing from the supplier.

H3: An organizational buyer’s trust in an independent supplier has a positive effect on the buyer’s propensity to purchase from the supplier.

Effects of Relative Dependence on Buyer Uncertainty and Purchase Decision

The power of the market as a governance form lies in the competition (i.e., the availability of alternative players) it embraces (Williamson 1985). Market fails to work for the buyer if the small number problem exists, or when the buyer is asymmetrically more dependent on the seller. Dependence is the extent to which a trade partner provides important and critical resources for which there are few alternative sources of supply (Buchanan 1992). Relative dependence is determined by the relative urgency of cooperation, available resources, commitments, other alternatives, and the strengths and weaknesses of each partner. The greater the relative dependence of the supplier upon the buyer, the more the buyer can influence the supplier (Anderson and Narus 1990). Greater control and bargaining power can put the actions of the supplier in check, thus the outcome of the purchase becomes more predictable. The supplier’s high level of dependence may also promote its relationship commitment in the exchange with the buyer, which, in turn, may improve its ability to meet the buyer’s needs. The above discussions suggest the following hypotheses:

H4: An organizational buyer’s relative dependence on an independent supplier has a positive effect on the decision-making uncertainty as perceived by the buyer in purchasing from the supplier.

H5: An organizational buyer’s relative dependence on an independent supplier has a possible effect on the buyer’s propensity to purchase from the supplier.

METHOD

Research Setting

The conceptual model was tested with data collected from a national survey of 2,000 members of the National Association of Purchasing Management (NAPM). The respondents were asked to report a recent, important purchase from an independent supplier that the organization had just made. After two rounds of survey mailings, 436 returned questionnaires were received, among which 432 contained complete data on all survey items. Excluding undeliverable mails, the data collection process generated a response rate of 25.4 percent.

Measures

Decision-making uncertainty was measured with multiple indicators tapping organizational buyers’ information sufficiency and their ability to make judgment about the outcome of the focal purchase decision (cf., Duncan 1972; Heide and Weiss 1995). Buyer trust was measured with four indicators (cf., Doney and Cannon 1997; Ganesan 1994; Morgan and Hunt 1994). The items chosen for this variable measured the extent to which the buyer views the supplier as be capable, trustworthy, and caring. Buyer dependence and buyer perceived seller dependence were each measured with three similar indicators tapping the availability of alternative business partners and the size of transaction specific assets, which limits the availability of alternative partners (cf., Heide and John 1988). This measurement practice has been used in previous studies (cf., Heide and John 1988; Ganesan 1994). Finally, we measured the buyer’s purchase propensity with one question about the actual outcome of the purchase decision, i.e., whether there was actual purchase. All measures are shown in Table 1. Responses on all variables except the outcome of purchase decision were recorded on 5-point Likert scales (1 = strongly disagree; 5 = strongly agree).

Reliability and Validity

An across-construct confirmatory factor analysis was performed to examine the convergent and discriminant validity of the construct measures (see Table 1). All of the overall goodness-of-fit and incremental fit indices show that the model reasonably fits the data. All path coefficients from latent constructs to their corresponding indicators were high and significant at p < .05. The construct reliability indices were all above the benchmark level of .60. In all but one case, the average variance extracted was higher than the recommended level of .50 (Fornell and Larcker 1981). All these results ensured an acceptable level of convergent validity. Finally, the correlation coefficients between factors were significantly different from 1 (the correlation coefficients plus two times of standard errors were smaller than 1), providing evidence of discriminant validity (Anderson and Gerbing 1988).

Results

The overall latent structural model with all hypothesized relationships among constructs and respective
Table 1: Across-Construct Confirmatory Factor Analysis

<table>
<thead>
<tr>
<th>Constructs and Indicators</th>
<th>Standardized Loading</th>
<th>Average Variance Extracted</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Buyer Trust (BTRUST)</strong> <em>(Alpha = .82; CR = .86)</em></td>
<td></td>
<td>.67</td>
</tr>
<tr>
<td>The supplier is capable of providing quality products and services to us.</td>
<td>.76</td>
<td></td>
</tr>
<tr>
<td>Generally speaking, this supplier is trustworthy.</td>
<td>.95</td>
<td></td>
</tr>
<tr>
<td>When making important decisions, this supplier considers our best interests as well its own.</td>
<td>.76</td>
<td></td>
</tr>
<tr>
<td>Sometimes the supplier does not follow through on commitments to us (R).</td>
<td>.73</td>
<td></td>
</tr>
<tr>
<td><strong>Buyer Dependence (BDEP)</strong> <em>(Alpha = .75; CR = .78)</em></td>
<td></td>
<td>.55</td>
</tr>
<tr>
<td>We are dependent on this supplier.</td>
<td>.79</td>
<td></td>
</tr>
<tr>
<td>This supplier would be difficult for us to replace.</td>
<td>.83</td>
<td></td>
</tr>
<tr>
<td>If we switched to a competing supplier, we would have lost a lot of the investment we have made in this supplier.</td>
<td>.59</td>
<td></td>
</tr>
<tr>
<td><strong>Buyer Perceived Supplier Dependence (SDEP)</strong> <em>(Alpha = .78; CR = .80)</em></td>
<td></td>
<td>.59</td>
</tr>
<tr>
<td>This supplier is dependent on us.</td>
<td>.83</td>
<td></td>
</tr>
<tr>
<td>This supplier would find it difficult to replace us.</td>
<td>.87</td>
<td></td>
</tr>
<tr>
<td>This supplier has made long-term investments in working with us that are not easily transferable to other relationships.</td>
<td>.56</td>
<td></td>
</tr>
<tr>
<td><strong>Buyer Decision-Making Uncertainty (DMU)</strong> <em>(Alpha = .83; CR = .80)</em></td>
<td></td>
<td>.45</td>
</tr>
<tr>
<td>We knew little about the possible performance of this supplier’s product and whether it would really meet our purchase goals.</td>
<td>.52</td>
<td></td>
</tr>
<tr>
<td>We had adequate information about the likely performance of this supplier’s products (R).</td>
<td>.58</td>
<td></td>
</tr>
<tr>
<td>We had limited amount of information about the likely outcomes of buying from this supplier.</td>
<td>.86</td>
<td></td>
</tr>
<tr>
<td>It was very hard to evaluate the future performance of this supplier’s products.</td>
<td>.69</td>
<td></td>
</tr>
<tr>
<td>It was very hard for us to make accurate judgments about the outcomes of buying from this supplier.</td>
<td>.64</td>
<td></td>
</tr>
<tr>
<td>All in all, we were able to make sound judgments in the purchase of this supplier’s product (R).</td>
<td>.61</td>
<td></td>
</tr>
</tbody>
</table>

Fit Indices: 
- \( \chi^2 = 224.09 \)
- \( df = 71 \)
- \( p = .00 \)
- \( GFI = .93 \)
- \( AGFI = .90 \)
- \( CFI = .93 \)
- \( IFI = .93 \)
- \( SRMR = .06 \)
- \( RMSEA = .06 \)

Notes:
- a: All factor loadings are significant at \( p = .05 \) (i.e., \( t > 2.0 \)).
- b: Items that were deleted as a result of across-construct CFA due to poor internal consistency with the construct.
- c: R represents reverse-scored questions.
- d: Alpha = Cronbach’s Alpha; CR = Composite construct reliability calculated using LISREL outputs.

Construct measures was analyzed using LISREL 8.30 (Joreskog and Sorbom 1999). Before estimating the model, we first obtained a composite score for each construct by computing the average of all factor loadings in the final confirmatory factor analysis for all the multiple indicators measuring the construct. The score on relative dependence of the organizational buyer on the supplier was calculated as the difference of the composite scores of buyer dependence and seller dependence (cf., Gundlach and Cadotte 1994). The test yielded acceptable fit indices,
suggesting an adequate fit between the model and data. The parameter estimates along with t-values are shown in Table 2.

The results show that decision-making uncertainty is a significant antecedent to the organizational buyer’s propensity to purchase from a supplier (H1: estimate = -.15, t = -2.09). The model testing results also suggest that buyer trust is important in reducing buyer DMU, as evidenced by the highly significant standardized coefficient representing this link (H2: estimate = -.64; t = -9.28). The path coefficients from trust to purchase propensity is also significant (H3: estimate = .21, t = 2.45), indicating that trust directly increases the probability of an organizational buyer’s purchase propensity. With regard to the effects of relative dependence, the results again confirm the modeled predications. First, the path coefficient from relative dependence to decision-making uncertainty is positive and significant, showing that a more relatively dependent buyer will perceive the exchange with the supplier as more uncertain (H4: estimate = .23, t = 2.72). Second, the effect of relative dependence on buying decision carries the correct sign and is significant at p = .05. (H5: estimate = -.18, t = -2.36), indicating that an organizational buyer’s relative dependence or the lack of relative power over the supplier directly reduces the probability of its purchase propensity.

**CONCLUSION**

The perspective of transaction governance (Williamson 1985), has long been used to study the make-or-buy decision of firms and empirical evidence in this regard is abundant (Rindfleisch and Heide 1997). Yet, limited empirical evidence exists as to the effects of existing transaction governance on organizational buyers’ choice behaviors among independent suppliers beyond the make-or-buy decision. The current study extends the literature on organizational buyers’ outsourcing decisions by applying the transaction governance perspective to investigate organizational buyers’ choices among different independent suppliers. The findings reported here provide strong evidence to the transaction cost reasoning of organizational buyers’ purchasing decisions involving independent suppliers. As such, this study represents an important contribution to the empirical validity of the transaction cost theory beyond the make-or-buy decision.

B2B marketers should pay careful attention to their clients’ existing decision-making styles and understand

<table>
<thead>
<tr>
<th>TABLE 2</th>
<th>Results of Lisrel Testing of the Structural Equations Model</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Independent Variables</strong></td>
<td><strong>Dependent Variables</strong></td>
</tr>
<tr>
<td></td>
<td>DMU</td>
</tr>
<tr>
<td><strong>BTRUST</strong></td>
<td>(-.64^{**})</td>
</tr>
<tr>
<td></td>
<td>((-9.28)^b)</td>
</tr>
<tr>
<td><strong>RDEP</strong></td>
<td>(.23^{*})</td>
</tr>
<tr>
<td></td>
<td>((2.72)^b)</td>
</tr>
<tr>
<td><strong>DMU</strong></td>
<td>(-.15^{*})</td>
</tr>
<tr>
<td></td>
<td>((-2.09)^b)</td>
</tr>
<tr>
<td><strong>R^2</strong></td>
<td>(.47)</td>
</tr>
</tbody>
</table>

**Fit Indices**

| χ^2 = 141.42 | df = 49 | p = .00 | GFI = .95 | AGFI = .92 |
| CFI = .94 | IFI = .94 | SRMR = .04 | RMSEA = .06 |

Notes:

a: Standardized path coefficients.
b: Numbers in parentheses are t-values.
*: Significant at p = 0.05
**: Significant at p = 0.01.
how to mitigate to buyer uncertainty and enhance their confidence in the capturing of outsourcing benefits. Given the key role of buyer trust in supplier in reducing buyer DMU and encouraging purchases, it is highly important to effectively build and maintain buyer trust. Marketers can also seek to balance buyer dependence with their own dependence on the buyer, thus reducing the buyer’s relative dependence. Ways of achieving this can include reducing the B2B marketer’s customer base, selling more items to a selected group trusted buyers, improving the communication amongst the contact persons from the exchange parties, and making some transaction specific investments in the exchange relationships. The B2B marketer can also improve the balance of bilateral dependence by selling more important items to its business to the selected buying firms. This latter practice would increase the dependence of the marketer on the buyer, thus balancing the dependence between two parties.

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INVESTIGATING THE ANTECEDENTS AND OUTCOMES OF CUSTOMER FIRM TRANSACTION COST SAVINGS IN A BUYER-SUPPLIER RELATIONSHIP

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Ken Matsuno, Babson College, Babson Park

SUMMARY

While researchers in marketing have largely been concerned with investigating factors that can influence top-line revenues, relatively limited attention has been devoted to managing cost of goods sold. Since reducing costs in the inbound supply chain is yet another means by which to enhance cash flows, this research examines cost reduction in a customer firm’s procurement process. More specifically, we study the antecedents and outcomes of customer firm transaction cost savings within an organizational buying context.

Based upon a close reading of the literature, we develop a theoretical model. As far as the antecedents of customer firm transaction cost savings, we explore the impact of such operational performance factors as order cycle time, accuracy in filling orders, and on-time delivery performance identified in the organizational buying literature as “key buying criteria.” These factors emanate from Shapiro, Rangan, and Sviokla’s (1992) Order Management Cycle, which refers to the critical activity sequence that a customer order follows from the time that the customer firm has placed an order through post-sales assistance. We also investigate the role of trust in predicting customer firm transaction cost savings. As far as the outcomes, previous research has reported a positive relationship between customer firm procurement costs and future intentions (Cannon and Homburg 2001). In light of the importance long ascribed to the customer satisfaction construct in marketing research, we also include that affective evaluation in conjunction with future intentions as outcomes in our conceptual model.

A cross-sectional survey methodology was deployed in this research. A questionnaire which contained items that tap into the conceptual domains of the respective constructs was mailed to purchasing managers belonging to a national organization for procurement professionals. The theoretical model was estimated using structural equation modeling in LISREL. The results suggest that both order management cycle performance and trust are antecedents of customer firm transaction cost savings, which in turn, affect customer satisfaction and future intentions.

The results from this research are theoretically meaningful as they address several gaps in marketing theory. For one, previous writings have articulated the importance that a vendor’s performance along the order management cycle plays in shaping a customer firm’s experience. To the best of our knowledge, this is one of the first efforts to formally explicate and test the order management cycle performance construct in empirical research. Second, this research empirically investigates the normative prescription of transaction cost theory: to examine factors that can give rise to costs caused by imperfect coordination in buyer-supplier relationships. The findings suggest that favorable performance along the order management cycle reduces behavioral uncertainty, thereby reducing costs associated with monitoring and evaluation. Lastly, relatively little research has examined the role of trust in buyer-supplier relationships. This research finds support for trust as being a domain-specific variable, and advances that trust must be studied as a limited phenomenon.

The results from this effort also offer practical insights for selling and buying firms alike. As far as the former, vendors are continually interested in learning what they must do in order to be retained by buyers. This research suggests that they must focus in on their order management cycle performance in order to reduce customer firm transaction costs. As far as the other side of the dyad, this research offers insight into the factors that buying firms can track in order to secure efficiency and effectiveness from each supplier interface. Attending to the operational criteria outlined here will enable buying firms to improve the efficiency of their procurement process.

Finally, future research can take a more holistic look at customer firm procurement costs (i.e., acquisition, possession, direct, and disposition) and can expand the scope beyond the dyad to explore customer firm costs that span across the inbound and outbound supply chain.
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CULTURAL INFLUENCE ON OPTIMAL MIX OF INDUSTRIAL MARKETING COMMUNICATION CHANNELS: A CROSS-CULTURAL CONJOINT ANALYSIS

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ABSTRACT

We studied the structure of compromise in business consumers’ preferences for marketing communication channels as information sources and made comparisons across 152 respondents from American and Japanese organizations. Using conjoint analysis, we verified that Japanese consumers show greater appreciation for channels that involve human interaction than their American counterparts do.

INTRODUCTION

Industrial consumers are professionals and as such are constantly under pressure to make the most adequate decisions, especially when faced with new tasks (Robinson, Faris, and Wind 1976). In such risky situations, they will go to great lengths to make sure they have all the right and relevant information before they come to a choice. For industrial marketers, the challenge lies in using the right marketing communication channels to make sure their potential customers come across their message. Yet although such a fit between consumers’ need for information and marketers’ need to communicate should come as a priority, temptation is high for industrial marketers to standardize their marketing communication activities around global programs, especially in a business context where budgets are tight and resources are limited (Rubinstein 1992). The compromise between fit of communication channels and respect of tight budgets thus may result in discrepancies that could gravely affect the performance of marketing firms.

One largely documented concern when selling goods overseas is making sure strategies are culturally congruent with the interests of target country nationals. In an industrial context, purchasing agents are also human beings and thus carry – at least partly – their individual backgrounds to work (Venkatesh, Kohli, and Zaltman 1995). It is therefore likely that individual purchasing agents with different cultural backgrounds differ in their ways to conduct their work.

By undertaking this project, we aimed at exploring the following question: do industrial consumers in different geographical markets differ significantly in their preferred mix of information sources? The project was sponsored by a medium-sized company in a high technology electronics sector and focused, as the first phase of a larger study, on two markets: the United States of America and Japan.

MARKETING COMMUNICATION IN BUSINESS-TO-BUSINESS CONTEXTS

Sources of Information and Industrial Marketing

Monumental work in the field of industrial purchasing is that of Robinson, Faris, and Wind (1976) which first introduced a typology of buying situations defined as new tasks – the riskiest of all –, modified rebuy, and straight rebuy. Especially in high-technology markets, products can present buyers with significant problems because the decision-making process is characterized by considerable risk and uncertainty, caused in part by the rapidly changing technologies and the fact that such products are expensive and have large amounts of scientific or knowledge content (Rhyne and Teagarden 1995).

The search for information is one very important phase in the organizational buying process (Sheth 1973). In high-technology markets, in which the process of purchasing products may require many months before finally selecting a supplier (Mehr 1994), this documentation phase can be extremely thorough and extensive making communication mix development – marketers’ controllable inputs to business consumers’ information search – a key concern for business marketers. “An information source mix is the set, or combination, of individual information sources used in a purchase decision” (Bunn and Clopton 1993, p. 458). Reviews of the sources of information used have been proposed by Bunn and Clopton (1993), Jackson et al. (1987), and Moriarty and Spekman (1984) and classify sources as either internal or external to the firm, personal and impersonal sources, and marketing and non-marketing sources. Yet from the company point of view, the question of marketing investments is often viewed in terms of a compromise between adding sales representatives or promotional efforts (Powers 1989). When considering only the latter, in order to address external search by consumers, industrial marketing literature proposes some six marketing communication (hereafter referred to as MARCOM) channels (Berthon et al. 2003; Parasuraman 1981; Rubinstein 1992; Traynor and Traynor 1989):
1. advertising (impersonal, marketing source);
2. direct-(e)mail (impersonal, marketing source);
3. symposia, presentations and technical conferences (personal, non-marketing source);
4. trade shows and fairs (personal, marketing source);
5. public relations (impersonal, non-marketing source); and
6. web sites (impersonal, marketing or non-marketing source).

All means are not considered by marketers as equally efficient (Morris, Pitt, and Honeycutt 2001). Public relations in the form of somewhat scientific articles published in specialized industrial publications are thought to be the most efficient, followed by trade shows, seminars and direct mail. Industrial firms typically spend almost a quarter of all marketing budgets in specialized advertising, while 18 percent is invested in trade shows, 10 percent in direct mail, 9 percent on internet and electronic media, and only 7 percent in public relations (Morris, Pitt, and Honeycutt 2001). Yet differences exist between American and European marketers, the latter spending significantly more in trade shows than their American counterparts. This suggests that cultural differences may exist across industrial buyers, who may attribute varying utility to trade shows according to cultural background and nationality.

Cross-Cultural Concerns

Communication has been the object of much research by business scholars, and the link between culture and communication has been clearly established (Samovar et al. 1981). Yet, no study has so far set out to finding out if cross-cultural factors might have an impact on the effectiveness of a given mix of MARCOM channels. Past research has shown preferences for individual information sources not to generally differ across buyers (Dempsey 1978; Jackson, Keith, and Burdick 1987), but these studies were realized within given cultural frames. Suggesting otherwise, a number of studies show that cultural-sensitive factors, such as aversion toward risk and individualism, do impact organizational purchasing behaviour. For example, perceived risk has been postulated to influence information searching behaviour (Gusemann 1981).

A number of business publications also hint that business consumers may not resort to the same tools to gather information on products and services. For example, in Japan, mutual confidence and care being a crucial aspect of business relationships (Alpert et al. 1997; Fukuyama 1995), consumers may very well prefer searching for information through trade shows and conferences, that is, sources involving personal contacts (Dawes, Dowling, and Patterson 1991).

Hofstede’s (1980) monumental work – with over 1,000 citations since 1980, as reported in Social Science Citation – also provides insight. Although it has suffered controversy (e.g., Oyserman, Coon, and Kemmelmeier 2003), it is still very much alive in industrial marketing as recent publications suggest (e.g., Rosenbloom and Larsen 2003). Hofstede’s (1980) approach to culture initially identified four underlying value dimensions: (1) individualism vs. collectivism (IDV index); (2) large vs. small power distance (PDI index); (3) strong vs. weak uncertainty avoidance (UAI index); and (4) masculinity vs. femininity (MAS index). A fifth dimension, long- vs. short-term orientation, was added later. Hofstede’s (1980) indexes for the two countries investigated in this study are individualism (IDV), and uncertainty avoidance (UAI).

IDV refers to the preference for behaviour that promotes one’s self-interest. High IDV cultures tend to encourage and reward individual initiative, while low IDV cultures reflect a mentality geared toward the group. Nationals from low IDV countries, such as Japan, strive for integration into cohesive groups (Hofstede 1980). In Hofstede’s (1980) study, the U.S. ranked first in IDV with a score of 91 while Japan was 22nd with a score of 46, thus indicating much stronger individualism in the U.S.

UAI explains intolerance to ambiguity and uncertainty. Nationals from high UAI countries are less willing to take risks and go to greater lengths to avoid or minimize risk-taking behaviour (Hofstede 1980). Relationship building is especially important in those countries (Triandis 1995). Japanese were described by Hofstede’s (1980) study as highly averse to risk, ranking 7th in UAI with a score of 92. U.S. nationals ranked 43rd with a score of 46, thus demonstrating a higher tolerance to risk.

HYPOTHESES

Given that individuals’ cultural backgrounds have been found to influence a variety of work-related behaviours (e.g., Hodgkinson 2003) and ways to communicate (Samovar, Porter, and Jain 1981), one can reasonably expect that culture will also impact industrial consumer search behaviour. Industrial consumers facing increased pressure for efficiency, they typically must make trade-offs to create the optimal mix that maximizes information and minimizes time and resources required to perform searching activities (Bunn and Clopton 1993; Patterson and Dawes 1999). Cultural background – especially sensitivity to risk and collectivism – is thus likely to influence their choices as to the sources of information they will favour resorting to.
Because they want to limit risk taking, are such a collectivistic people, and predominantly prefer face-to-face communication where context is easier to grasp, it is assumed that the Japanese will demonstrate preferences toward MARCOM channels that let them directly interact with marketers, such as trade shows (Dekimpe et al. 1997). A basic assumption behind this study is that MARCOM channels used as sources of information by consumers can be classified as being either personal or impersonal in nature. Personal sources are those that involve direct personal contacts in order to get access to information. Those include trade shows and fairs but also symposia, presentations, and technical conferences that also provide opportunities for direct face-to-face interaction. Impersonal sources are those that do not (necessarily) involve personal contacts in order to get access to information. Those include advertising, direct-(e)mail, public relations, and web sites. Hence two first hypotheses:

H1: Japanese nationals, on average, will attribute greater relative utility to personal MARCOM channels as sources of information in their optimal mix than American nationals will.

H2: More than American nationals, Japanese nationals, on average, will attribute greater relative utility to trade shows and fairs over conferences, symposia, and presentations.

Web sites also make bidirectional communication possible. However, not all web sites provide live chat with company technical or sales representatives. In order to maximize communication with marketers and thus limit risk-taking, it is assumed that low IDV and high UAI cultures such as the Japanese will attribute greater utility to such bidirectional communication possibilities in web sites. Hence a third hypothesis:

H3: More than American nationals, Japanese nationals, on average, will attribute greater relative utility to live chat capabilities in web sites.

**METHODOLOGY**

**Conjoint Choice Modelling**

Conjoint analysis is since long established as a proven method for investigating consumer structures of trade-off (Green and Rao 1971). A conjoint analysis methodology was chosen as it allows for trade-offs and true preference measurement. A more simple procedure based on scale scores comparisons proved unsuccessful in a pre-test as, when asked how useful they perceived different means of MARCOM to be as sources of information, respondents tended to rate every means as somewhat to very useful thus resulting in very low variance in responses and difficulties in truly assessing the actual trade-offs consumers are confronted with. As a result, conjoint modeling was preferred to more simple comparisons of scale scores by way of T-Tests.

**Stimuli**

Stimuli were developed jointly with the sponsoring company in order to reflect the ideal conditions of conjoint analysis – that is, stimuli were chosen that helped determine consumer choices, were independent from one another, described a marketing program as completely as possible, and were manageable by the company (Malhotra 1999). Based on this insight, the list of possible MARCOM channels was revisited and modifications were made. First, mass mailings being almost never used in the industry the study was to be conducted in (wireless digital telecommunications systems developers), it was changed into more common e-mailings. Second, trade shows and fairs were said to always be taking place alongside events such as symposia and technical conferences, but yet they differ in the costs and efforts to be deployed by the company. We decided to merge both channels, but activity levels for the resulting unique MARCOM channels were carefully devised so that their relative importance could be defined after conducting the experiment. A total of five MARCOM channels used as information sources by industrial consumers were to be used as stimuli. According to conjoint analysis principles, 4 levels of activity were defined for each MARCOM channels. These were devised to span from a null level of no activity at all to a very high, resource-intensive level of activity. Given 5 MARCOM channels and 4 levels for each, a total of 4^5, or 1024 mix profiles were possible. Literature however recommends an ideal between 15 and 20 profiles to be tested in any given conjoint analysis (Lambin 1998). The experimental plan was therefore reduced into an incomplete factorial plan through a hyper graeco-latin square design, thus lending a total of 16 profiles. A questionnaire was developed, asking subjects to rate their appreciation for each profile using 9-point Likert scales (to allow for slight yet significant cultural differences to be recorded) in terms of how likely each proposed mix was to reach them when searching for information (very likely – very unlikely). Additional demographic information was also recorded regarding company size, awareness of the sponsoring company, and of course nationality of respondents.

**Subjects and Procedure**

Before conducting the experiment, the questionnaire was pre-tested with eight respondents in the United States (6) and Japan (2), after which minor modifications were made. A total of 152 respondents were surveyed, either directly in face-to-face interviews (54.6%) or through e-mail (45.4%). In order to limit bias from respondent fatigue, the order of presentation of all designs was varied.
randomly across all subjects. Of all respondents, 46 (30.3%) were Japanese and 106 (69.7%) were Americans. After control for individual significance using $R^2$ statistics, two respondents were rejected, thus lending a final total of 150 valid respondents.

The sample was recruited on the basis of an industry database constituted from the sponsoring company’s own database (itself constituted from lists from specialized magazines, memberships of professional web sites, and visitors of trade shows and conferences), a third-party company that partners with the sponsoring company, as well as lists of participants to technical conferences and subscribers to related specialized magazines. It should be noted that no significant differences were found between subjects recruited from one source or another and that all respondents were electronics development engineers with a similar background of expertise (digital signal processing) – that is, the usual prescribers for the products of interest here.

**RESULTS**

In accordance with conjoint analysis procedures, answers to forms were recoded using dummy variables. Regression analyses were then completed for each respondent with overall 1–9 appreciation as the dependent variable and dummy variables as independent variables. Relative weights for each dummy variable allowed for calculation of part worths for each level of MARCOM activity. In turn, these part worths allowed for calculation of relative importance for each MARCOM channels. For these analyses, average $R^2$ and adjusted $R^2$ coefficients were 1.000 thus suggesting extreme internal validity.

A clustering analysis was then conducted in order to verify for the presence of (cultural) groups in the sample. Hierarchical clustering using Ward’s method and average linkage clustering using squared Euclidian distance were performed (Johnson and Wichern 1998). Solutions with 1 up to 10 groups were tested. Agglomeration schedules clearly suggested two groups which further tests (K-means clustering analysis) confirmed. Within-group variance to between-group ratios clearly suggested a total of 2 groups of 105 cases and 45 cases respectively.

Stepwise discriminant analysis was used to assess significance of between-group variance on the basis of subjects’ preferred MARCOM channels and their levels. Results showed generally insignificant correlation between the variables, ruling out multicollinearity problems. $F$ tests showed that, if taken individually, all variables were significant in discriminating between the two clusters. The eigenvalue of the generated discriminating function (high at 7.911, 100 percent of between-group variance explained) and Chi-squared (319.338 with 4 degrees of freedom, significant at the .005 level) indicated model validity and significance of the groups (Klastorin 1983). Respondents of group 1 were all Americans while respondents of group 2 were all Japanese. Group 1 could thus confidently be labelled as “American,” and the second group as “Japanese.” Such a clear result is however rather surprising given cultural studies typically show more within-group variance than between-group variance (Oyserman et al. 2002).

**Mix of MARCOM Channels as Information Sources**

Characterization of groups was performed based on the findings of conjoint analysis. Relative utilities of MARCOM channels were calculated for each group and reproduced in Figure 1, along with statistics about the country of respondents.

Conferences and other types of social events were clearly favoured more, on average, by Japanese nationals than by American nationals. U.S. nationals attributed Conferences and Expos less than half the relative utility Japanese attributed to the same MARCOM channels (35% vs. 17%). Because each MARCOM channel was established as significant in discriminating the two groups, Hypothesis 1 was supported: Japanese nationals, on average, do attribute greater relative utility to personal MARCOM channels as sources of information in their optimal mix than American nationals do.

**Conferences vs. Trade Shows**

Support for Hypothesis 2 was assessed through the different part worths of the 4 utility levels for that MARCOM channels. Part worths are produced in Table 1.

As can be seen, trade shows were clearly favoured more, on average, by Japanese nationals than by American nationals. U.S. nationals attributed their best part worth scores to a combination of conferences and trade shows while the Japanese’s top score was attributed to trade shows only (significant at the .01 level). Moreover, Japanese almost attributed no value to a program relying solely on conferences, as the small difference between this level of activity and the null level of activity reflects. Even after normalizing for the relative importance of this MARCOM channel for both cultures, the Japanese predilection for trade shows over conferences is still very much obvious. This provides backing for Hypothesis 2.

**Live Chat on Company Web Sites**

Hypothesis 3 was concerned with differences between American and Japanese preferences for live chat capabilities on web sites. As can be noted from the calculated part worths presented in Table 1, both Japanese and U.S. nationals attributed their highest average part worth scores to web sites offering daily live chat-
sessions with company representatives. However, differences in utilities between such dynamic web sites and static web sites showed that Japanese attributed more importance to site dynamism (a difference of .900 representing 46 percent of total best alternative-worst alternative variance) than did the Americans (a difference of .549 representing 20 percent of total best level-worst level variance). This difference being significant at the .05 level, Hypothesis 3 is deemed supported: More than American nationals, Japanese nationals, on average, attribute greater relative utility to live chat capabilities in web sites.

**DISCUSSION**

Much of the promise of global industrial marketing lies in the efficiency that can be gained by standardizing marketing plans and activities. This exploratory study suggests that such an approach may yield differences in marketing program efficiency across markets. Indeed,
having stemmed from a company’s managerial preoccupation with designing the most efficient marketing program for two markets – Japan and the U.S. – this project aimed at exploring whether or not culture could influence international industrial consumers in terms of their preferences for different marketing communication channels used as sources of information. For companies relatively new to markets, thus constantly having to do with industrial buyers faced with new tasks, making sure consumers get access to information is a key concern, and marketing communication programs must address this concern.

From the results presented, we were able to verify that nationals from the U.S. and Japan favoured different MARCOM channels as sources of information. The resulting optimal mix thus significantly differed between both countries. Cross-country differences were also found in the perceived usefulness of visiting trade shows and conferences. Japanese clearly favour visiting trade shows – which allow for more bidirectional, face-to-face communication – over conferences and symposia. We also found differences in perceived utilities for different types of web sites. Japanese clearly favoured web sites that featured live chat technologies that allow for direct communication. All hypotheses behind this study were supported, thus strongly signalling that cultural differences may impact the efficiency of globally standardized marketing communication programs. Moreover, this study was realized in a technology-driven market, believed to be more pragmatic and thus less subject to implicit factors such as culture.

Having analysed two countries only, it would be precipitated to assume the inherent influence of any given specific cultural factor. Moreover, the conjoint analysis methodology had never been used in such a context, making its findings delicate to generalize. The extreme reliability suggested by related statistics does hint however that differences exist between American and Japanese industrial consumers’ reaction toward given mixes of marketing communication channels. This study may also not be sufficient to conclude that global industrial marketing communication programs are inappropriate due to cultural differences. However, it does suggest that cultural differences may affect preferences toward different mixes of MARCOM channels used by consumers as sources of information. This should be taken into account by executives involved in the planning of international industrial marketing programs. They may expect better sales results in Japan if they focus on trade shows and make use of chat possibilities offered by the web. In the U.S., marketers are more likely to get more impact by investing in web-based delivery of information over trade shows or other physically live events. Considering the low relative costs of web-based promotion over in-person promotion, a prudent recommendation would be for managers to consider limiting investments in human sales resources in the U.S. to boost said resources in Japan.

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Building loyalty among customers continues to grow as an issue of importance among marketing professionals (e.g., Oliver 1999; Reichheld and Shefter 2000; Anderson and Srinivasan 2003, etc.). Underlying this burgeoning literature is the recognition that attaining loyalty among target customers produces significant strategic benefits, including repeat purchase, premium pricing (Reichheld and Shefter 2000), greater customer tolerance for service failures (Oliver 1999), and, ultimately, profitability and market share (Anderson and Srinivasan 2000). Consequently, customer loyalty has been studied extensively with various possible antecedents being suggested, primarily among which are satisfaction and trust.

Given the strategic benefits of loyalty, many firms are implementing various affinity programs with greater frequency on their online operations with the aim of increasing customer satisfaction and, ultimately, customer loyalty. However, little systematic research exists on the satisfaction effects on loyalty in the online environment, and certainly no research has addressed the question of whether firms can build customer loyalty toward their website without first building trust in the website. This question is critical because, unlike the physical world, the components of satisfaction-based loyalty programs can easily be replicated in the online environment with very low entry costs. This situation would suggest the prevalence of pure competition and an abundance of online firms with equal market share in various market segments, as is suggested by neoclassical economics. However, anecdotal evidence suggests that some online firms increasingly dominate the online market environment. We would, therefore, argue that factors other than satisfaction be considered when seeking to build loyalty towards websites.

We argue that, because of the inherent uncertainty of the online environment, building trust in the website may represent a more effective approach to building online loyalty than customer satisfaction. For example, customers often identify lack of trust in websites as the main reason for not buying online or for not repurchasing from the same site (Wang, Lee, and Wang 1998). Why is trust so important in the online environment? One reason may be the high level of uncertainty involved in online transactions as compared with transactions in the physical environment. For example, in physical transactions, the level of informational availability is high; hence, the level of uncertainty involved in a transaction is lower. In this environment the consumer can see, feel and experience the product. In contrast, these attributes of certainty are absent in online transactions.

Trust itself has been variously defined as consisting of the three constructs of credibility, benevolence and integrity. Recognizing that credibility reduces system dependent uncertainty, (i.e., uncertainty due to technological issues, site design, etc.), we posit that website attributes such as (1) accessibility and ease of use, (2) product information content, and (3) site vividness all serve to reduce this kind of uncertainty.

The constructs benevolence and integrity help in reducing transaction specific uncertainties. These uncertainties are more pervasive in nature and exist due to information asymmetry inherently present in the online environment. This type of uncertainty is generally more difficult to remove because the trustor (consumer) has no way of knowing what goes on in the mind of the trustee (website). In the context of a consumer transaction, we argue that perceived service quality offered by the online retailer can serve to reduce transaction specific uncertainty. Three such online service quality constructs that have been cited in literature are (1) in stock availability, (2) cycle time, and (3) service responsiveness.

In this study, we explored the nomological relationships between trust, customer satisfaction and loyalty in the online domain in two respects. Our first objective was to examine the antecedents of online trust and its linkage with loyalty. Our second objective was to examine the relative importance of satisfaction versus trust in building website loyalty.

We found partial support for our hypothesized relationships between the antecedents of trust and the website trust. In addition, we our results suggested a very significant relationship between perceived online trust and online loyalty. However, we found no difference in the relative influence of trust versus satisfaction on online loyalty.
Consequently, the relative influence of trust versus satisfaction on website loyalty remains a critical issue that should be addressed with other research techniques in future studies. References available on request.

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IS THERE ANYTHING DIFFERENT ABOUT RELATIONSHIPS IN CYBERSPACE? COMPARING THE IMPACT OF RELATIONSHIP QUALITY ON CUSTOMER RETENTION IN ONLINE AND OFFLINE ENVIRONMENTS FOR TWO SERVICES

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SUMMARY

Relationship marketing has blossomed over the last years and evolved into the most-intensively debated topic among Journal of Marketing publications in the 2000–2002 time frame (Stewart 2002). Customer retention has been recognized as a central theme of the relationship marketing concept, with the identification of the drivers of customer retention and the understanding of their effects on retention being considered as one of the most important avenues of future relationship marketing research (e.g., Lemon, White, and Winer 2002; Verhoef 2003). In the Marketing Science Institute’s 2002–2004 research priority listing, research on customer retention and its determinants is designated as a “top tier priority topic.”

Although no generally accepted framework exists, it is the quality of the relationship that dominates the literature on the determinants of customer retention (De Wulf, Odekerken-Schröder, and Iacobucci 2001; Hennig-Thurau, Gwinner, and Gremler 2002). Widely considered a higher-order concept, relationship quality consists of constructs such as satisfaction, trust, and commitment. Their relevance for maintaining successful relationships with customers has been discussed intensively in the offline (or “real-world”) environment. Parts of the relationship quality concept, especially trust, have been studied recently in an Internet environment (e.g., Schoenbachler and Gordon 2002; Castelfranchi and Tan 2002), however, studies that have transferred the overall concept into the online world are sparse. Instead, existing Internet-related studies have developed their own frameworks, probably because of the widespread belief that the Internet follows different rules and that lawlike generalizations which exist in the traditional marketplace cannot, hence, explain online activities.

This study challenges this view. Specifically, we argue that maintaining relationships is a largely context-free concept and that the quality of a relationship is a key determinant of customer retention in both the offline and the online environment. As online activities cannot be considered in isolation (Peterson, Balasubramanian, and Bronnenberg 1997), this study assumes that the dimensions that constitute relationship quality in traditional settings are identical to those on the Internet. At the same time, the intensity of the impact of the relationship quality dimensions on customers is argued to differ between the online and offline environment owing to context specifics.

In this paper, we present a conceptual model of relationship quality and customer retention, paying particular attention to the two-dimensional character of consumer trust (see Figure 1). Hypotheses addressing the similarities and differences between environments of relationship quality’s impact on retention are offered.

The hypotheses are then tested using structural equation modeling and multi-group analysis for two different service contexts – media retailers (books, CDs, DVDs) and travel agencies – against a sample of 587 online customers and 514 offline customers. Results show that (1) relationship quality is similarly important online and offline and (2) the differential impact of relationship quality dimensions strongly depends on the service industry.

A fundamental finding of this research is that the relationship-quality construct is a similarly powerful determinant of customer repurchasing behavior in both online and offline environments. With about 50 percent of customer retention explained by its dimensions in both environments, relationship quality and its dimensions of customer satisfaction, trust, and affective commitment deserve special attention from both offline and online service providers when developing and maintaining consumer relationships.

One of the most surprising and counterintuitive findings is the lack of a direct impact of customer satisfaction on retention in three subsamples. However, when taking also the indirect effects into account, different insights are offered, with customer satisfaction standing out as the most influential driver of customer retention in three subsamples and as the second most influential driver in one subsample (online media products). References are available upon request.
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THE EFFECT OF INTERNET CONFIDENCE ON WEB-BASED DATA COLLECTION AND CRM

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SUMMARY

As we enter the 21st century, technological innovations have enabled marketers to collect large amounts of information and build databases full of consumer profiles (Pardun and Lamb 1999). With corporate implementation and adoption of e-CRM ongoing, understanding when consumers are willing to comply with data requests, and their subsequent thought processes in providing personal information online, becomes increasingly important. Trust, privacy and security related issues remain top barriers to online data collection (Hoffman, Novak, and Peralta 1999), however other factors such as one’s personal understanding of technology can impact online behavior (LaRose and Eastin 2002). For example, individual beliefs formulated about one’s ability to effectively use this medium may reassure decision-making while also reinforcing actions online, ultimately serving as the basis for establishing a consumer’s level of Internet confidence. While there have been numerous studies investigating the impact of self-confidence on consumer decision-making and behavior (Bearden, Hardesty, and Rose 2001; Bagozzi 1993; Bettman, Johnson, and Payne 1991; Fleming and Courtney 1984; Locander and Hermann 1979), very little is known about the nature of self-confidence as it applies to e-commerce and especially one’s willingness to provide personal information online. Therefore, the purpose of this research is to expand our theoretical understanding of e-commerce by introducing Internet confidence within the realm of CRM.

With regard to using the Internet, personal confidence in one’s ability to successfully understand, navigate, and evaluate content should alleviate doubts when providing information online corresponding with heightened beliefs about data collection practices. Recently, Bandura’s (1986, 2001) Social Cognitive Theory has been posited as a means for understanding the use of information technology (Compeau, Higgins, and Huff 1999; Compeau and Higgins 1995; LaRose and Eastin 2002; Eastin and LaRose 2000). As a central component of Social Cognitive Theory, confidence represents the internal belief “in one’s capability to organize and execute the courses of action required to produce given attainments” (Bandura 1997, p. 3). To date, researchers have positively linked Internet confidence to online performance, prior experience, and Internet use (Eastin and LaRose 2000). As Internet confidence (i.e., beliefs) increases, attitudes toward the object of those beliefs should also increase (Ajzen and Sexton 1999, p. 118). However, behavior is more strongly associated with one’s attitude toward that action when deliberate cognitive processing is involved (Fazio and Towles-Schwen 1999, p. 99). Thus, the following hypothesis model for understanding Internet confidence is proposed:

H1: Internet confidence will be positively associated with a consumer’s attitude toward providing personal information online.

H2: Internet confidence will be positively associated with a consumer’s willingness to provide personal information online.

H3: Attitude toward online data collection will mediate the relationship between Internet confidence and a consumer’s willingness to provide personal information.

To test the hypotheses, 3, 350 adults were surveyed from an online panel for this study. The panel is an opt-in privacy protected subject pool recruited for Web-based research. A thirty-item questionnaire was developed and pre-tested on a small sample of academic professionals to insure clarity with established scales used to measure Internet confidence (LaRose, Eastin, and Gregg 2001), attitude (Bruner, James, and Hensel 2001, p. 84), and behavior intent (MacKenzie and Spreng 1992). Panelists were sent an email invitation explaining the estimated time to complete the survey, offered a monetary incentive in the form of a cash drawing, and provided with a URL to participate. Subsequently, a total of 1,035 completed questionnaires were collected resulting in a response rate of 31 percent.

Significant positive relationships were observed between participants’ reported Internet confidence and their attitude toward providing firms with personal information online (r = .38, p < .001), as well as their willingness to provide personal information online (r = .40, p < .001), supporting the first two hypotheses. Furthermore, hypothesis three was supported by conducting a mediation analysis (Baron and Kenny 1986) revealing that attitude toward providing information online intercedes the influ-
ence Internet confidence exerts on a respondent’s intent to comply with data requests ($\beta = .70$, $t(2,1032) = 32.99$, $p < .001$, $R^2 = .59$). Accordingly, the influence of Internet confidence on intent diminished when included in the analysis with attitude ($\beta = .13$, $t(2,1032) = 6.38$, $p < .01$).

The confirmation of the relationship between Internet confidence, attitude and behavior intent validates the hypothesized model and signifies the potential importance of these factors within e-CRM strategies. Furthermore, the results largely support the notion that enhancing confidence toward using the Internet could potentially impact one’s attitude toward online information requests and increase compliance for data requests. By recognizing the contribution of Internet confidence toward e-CRM implementation, marketers may be able to avoid data loss and improve strategic decision-making. The findings of this study represent an initial attempt to understand the relationship between Internet confidence and a consumer’s willingness to provide personal information online. However, additional paths of research may also lead to important findings in this new area. For instance, more theoretical research is needed designed to explore the unique and distinctive characteristics that distinguish between levels of Internet confidence. In addition, individual differences, such as personality characteristics, may not only enhance our understanding of how elevated levels of Internet confidence forms, but also identify the rate at which belief in one’s ability emerges. The bottom line is that we know very little about the intricacies of this construct and continued research in this area is not only essential to our understanding of e-CRM, but also significant for e-commerce in general. References available upon request.

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AN INVESTIGATION OF THE SIMULTANEOUS IMPACT OF PERCEIVED SERVICE QUALITY AND PERCEIVED PRODUCT QUALITY

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SUMMARY

Many services include physical products as part of service delivery (e.g., fast food restaurants, market research firms), yet very few studies integrate the physical product components of the offering into their studies of service quality. The common focus of these studies is perceived service quality (PSQ), defined as a customer’s judgment about the overall excellence of all business interactions with a service provider. PSQ is an important construct that is positively related to market share and return on investment (e.g., Anderson, Fornell, and Lehmann 1994) and service providers believe that delivering a higher level of PSQ is the key for effectively positioning themselves in the marketplace (Cronin and Taylor 1992). However, for services that include physical products as part of service delivery these studies leave an important issue unaddressed: What impact does perceived product quality (PPQ) have on customers’ intention to continue using the service provider? In this paper we address this issue by considering both PSQ and PPQ within a services setting characterized by a physical product as part of the value proposition of the service offering. Although there have been calls for systematic empirical research in this area (Parasuraman and Grewal 2000), to date, we are unaware of any study that investigates the simultaneous effect of PSQ and PPQ in this context.

To examine the influence of PSQ and PPQ on service outcomes, we develop and test a path model with associated hypotheses relating PSQ and PPQ to important service outcomes, namely customers’ perceived value and commitment to maintaining a relationship with a service provider. We investigate our hypothesized relationships in the context of business-to-business professional services. While research on the outcomes of quality perceptions tends to focus on consumer goods and services, Patterson, Johnson and Spreng (1997) suggest a need for more research in the area of business-to-business professional services (e.g., management and marketing consulting), given its economic prominence. Furthermore, in contrast to most consumers, managers make purchasing decisions based on their firm’s reward and measurement system (Anderson and Chambers 1985), and typically assume a more “rational” role where they are asked to maximize profits for their employer. Therefore, one would expect to see a difference between consumer-based and business-based studies.

The empirical study uses secondary data (the results of an annually administered customer satisfaction survey) from a large, North American syndicated research firm to empirically investigate the research hypotheses. The secondary data consists of responses from 47 survey participants. Consequently, the results of the path analysis should be treated as preliminary.

Among the tests of our hypotheses, we empirically investigate the relative influence of PSQ and PPQ on commitment and perceived value. The major finding in this study is that only PPQ has an impact on perceived value and commitment and that PSQ’s influence on perceived value and commitment is fully mediated by PPQ. This is counter to prior literature, which suggests that there is a direct relationship between PSQ and perceived value and commitment. There are a number of possible explanations for this finding. First, higher PSQ is typically associated with higher levels of communication, trust and respect between service providers and customers (Parasuraman, Zeithaml, and Berry 1985, 1988). Consequently, during productive exchanges a service provider has an opportunity to impart product knowledge to customers, increasing PPQ, as suggested by Sirohi, McLaughlin, and Wittink (1998). Second, in the context of the study, product quality may be the relevant target that customers assess to determine perceived value and commitment because a product is more tangible and therefore easier to evaluate. As a result, PPQ directly affects perceived value, but, because of the relationship between PPQ and PSQ, higher levels of PSQ help customers form that evaluation in a positive direction.

Other empirical tests in the study focus on the simultaneous influence of PSQ and PPQ on perceived value and commitment. Since PPQ fully mediates the impact of PSQ on the measured outcomes, the findings of the study clearly indicate that only PPQ had an impact on perceived value and commitment. This suggests that in the context of this study, (i.e., business-to-business relationships in which a service offering includes a physical product), managers appear to make purchase decisions based on the reward and performance measurement system of their firm, as suggested by Anderson and Chambers (1985).
That is, when measuring performance against a profit maximizing objective, managers’ assessments of perceived value and commitment are likely to attribute more weight to the quality of the product than service interactions, as the product is more tangible.

Although preliminary, the results of this study justify the need for further research to understand the impact of PSQ and PPQ on important service outcomes. As noted by Rust, Zahorik and Keiningham (1995), improvements in quality (be it product and/or service quality) are an investment, and expenditures for improving product and/or service quality must be financially accountable. Therefore, understanding the relative weight of PSQ and PPQ on customers’ perceived value and commitment in different service contexts provides management with an indication of whether product quality improvements or service quality improvements are more likely to positively impact a firm’s bottom line. Further research in this area is required to highlight how the product and service mix of a service offering may change the relative weights of PSQ and PPQ. This, in turn, would help managers in their predictions of the potential financial returns from product and/or service quality improvements within different industries. References available upon request.

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SUMMARY

Customers of today experience many different types of penalties, ranging from late return fees (e.g., movie rental), cancellation fees (e.g., doctor’s appointment, cancellation of hotel reservation), late payment fees (e.g., credit card late payment), and reticketing fees (e.g., airline) to restocking fees (e.g., return of merchandise).

Current trends seem to point toward an overall increase in the use of penalties by service organizations as well as an increase in penalty amounts. However, most organizations use penalties without fully understanding the effects on customers’ evaluations. Little is currently known about how customers view penalties. This study develops an integrated framework to explain customers’ responses to penalties. The study examines the effects of attribution (i.e., causal inference), perceived justice, disconfirmation, and emotion on customers’ evaluations of penalties. Figure 1 presents the conceptual framework used in this study.

The attribution literature shows that inferred reasons for events (e.g., locus of causality) influence customer responses and satisfaction judgments. Attribution theory can be helpful in explaining customers’ responses to penalties because studies show that negative events elicit more attributional search and longer survey of causal information. Two types of attributions are considered in this study: locus of causality (internal or external) and stability (likelihood that the same incident would occur again). Perceived justice is an important determinant to customers’ evaluations of an incident especially when the incident is involved with negative outcomes for the customers. Penalties often instigate conflicts between customers and organizations; therefore, customers’ perceptions of justice with respect to the penalty will have an influence on their penalty evaluations. Disconfirmation is a cognitive process whereby a customer evaluates a service organization’s performance against his/her expectations. We expect positive disconfirmation, whereby customers evaluate the service organization’s performance as better than their expectations, to have a positive influ-
ence on their penalty evaluations. Consistent with previous research, this study predicts that affective responses such as emotion will explain variances in customer evaluations of the organization. We also propose that interaction effects between attributions and perceptions of justice may occur because customers’ evaluations of penalties may differ depending on causality.

This research uses a cross-sectional survey design. The results show that attributions have significant direct effects on customers’ dissatisfaction judgments. Also, the significant moderating effects between perceived justice and attributions on dissatisfaction judgments suggest that the role of perceived justice differs depending on attributions that customers make. The study shows that disconfirmation, perceived justice and emotion have also direct influences on dissatisfaction. The study provides managers with useful information and managerial implications. References available on request.
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INNOVATION AND QUALITY IN SERVICE SECTOR: A MODEL FOR CONSUMER PERCEPTION AND EVALUATION

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SUMMARY

Two areas in marketing of services, namely innovation and quality, have been extensively researched. Innovation is defined as the degree to which a new product or service meaningfully differs from existing alternatives (Sethi et al. 2001). Consumer perception of service innovation (CPSI), thus is his/her evaluation of the extent to which the market-mix components of a service offering meaningfully differs from those of existing alternatives. Consumer evaluation of service quality (CESQ) is an attitude that results from the gap between customer’s expectations and firm’s performance (Parasuraman et al. 1985). This paper is an attempt to link CPSI and CESQ.

Some researchers (e.g., Parasuraman and Varadarajan 1988) report that service sector’s reliance on innovation is undeniable. Yet, others (e.g., Henard and Szymanski 2001) show a very weak association between innovation and quality. Taking these contradictory findings into account, service firms might wonder whether undertaking a service innovation plan is in fact justified. To clarify this point is to explore how valuable innovation is to service consumers. Two questions are relevant.

Question 1: What are the dimensions of service innovation? Literature does not suggest any particular set of dimension. One alternative is to use those specified for service quality (e.g., the dimensions proposed by Parasuraman et al. 1985 and 1988). However, focus groups used in this study found the use of service quality dimensions inappropriate for current purpose and pointed to the following new dimensionality: First, “administrative” is all activities that only indirectly relate to the basic service components (Damanpour 1988). Second, “interior facilities” encompasses those tangible items that a service firm can create a comfortable and convenient environment for consumers. Third, “exterior facilities” includes exterior design, parking lot, lightings around the property, etc. Fourth, “employees” defines how innovative the firm has been in recruiting the right people and assigning them to right positions as well as how innovatively employees help consumers consume the service. Fifth, “service core” contains activities that a consumer particularly desires and seeks when he/she purchases a service. Sixth, “technology” refers to the electronic and/or digital machines and devices that consumers readily distinguish from the rest of interior and exterior equipment. And seventh, “responsiveness” pertains to the availability of firm resources, customization of service to specific needs, etc. These dimensions were further evidenced by running a confirmatory factor analysis. As for service quality, the dimensions predictability, controllability, and desirability used by Lee and Allaway (2002) are adopted because they adequately cover consumer’s cognitive and affective responses.

Question 2: Do consumers use CPSI as a precursor of service quality? The author posited (1) that consumers, consciously or otherwise, do diagnose their perceptions of service innovation as relevant inputs when they evaluate the quality of a given service and (2) that the relations between each of these seven dimensions and each of predictability, controllability, and desirability are significant and positive. Using two types of service, namely fitness center and auto repair shop, as the study context, a set of 4 brainstorming/interview sessions helped develop and refine the CPSI multi-dimension multi-item scale (total of 34 items). The least internal reliability measure (Cronbach alpha) across the dimensions and service types was 0.81. Cronbach alphas for the dimensions of service quality ranged between 0.60 and 0.83. Respondents included 21 graduate and 238 undergraduate students, and 383 non-students in the southwestern part of the United States. The mean scores of CPSI dimensions across the two services ranged between 2.636 and 3.277 (5-point Likert). Therefore, consumers perceive and process innovative attributes differentially across items/dimensions. The correlation-covariance matrices evidenced sufficiently high convergent and discriminant validities for CPSI dimensions. The highest between-dimension correlation across service types was 0.50. A number of between-dimension correlations for CPSI appeared negative, implying that innovative efforts in a given dimension might potentially interfere with the extent to which other loci are perceived as innovative by consumers. CESQ dimensions were considerably correlated with one another with figures ranging from 0.39 to 0.49. Six OLS multiple regression tests revealed the following. Overall findings indicate that innovation has a role to play in consumer evaluations of service quality. However, this role is not constant across different components of a service. Innovation on interior facilities increases the predictability, controllability, and desirability of a service. Thus, it stands out as the most promising locus for innovation considerations. To make a service more predictable and controllable, service firms can innovate on the service core. To make it more controllable and desirable, they can innovate on adminis-
trative procedures and practices. Employee’s innovativeness has a greater impact on service quality where the consumer is highly involved in the production-consumption process (e.g., in a fitness center rather than an auto repair shop). In contrast, innovation on exterior facilities has a greater relation with service quality where that involvement is lower (e.g., in an auto repair shop rather than a fitness center).

An unexpected finding was the insignificance of technological innovations in explaining consumer evaluation of service quality. Technology is not as important as other dimensions of CPSI in the prediction of the dimensions of CESQ despite their observed significant correlations. Finally, the negative relations between some of CPSI dimensions are also noteworthy. Either service innovators fail to consider the global impact of their practices, or they do realize these impacts but inevitable trade-offs exist between innovative actions across service components. Although these trade-offs are substantially weak and insignificant, enough heed should be given to them.

Future research can extend these findings by providing answers to the following questions. First, is service innovation, today, a routine cost of doing business due to consumers’ growing innovation expectation? Second, can service quality act as a mediator between CPSI and consumer behavioral intentions? Third, what variables moderate the relation between CPSI and CESQ? And finally, how much a consumer would have to pay, or would be willing to pay, in premium for the marginal quality/value additions that he/she seeks through purchasing an innovated service.

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EXAMINING CUSTOMER-RELATED OUTCOMES AND ANTECEDENTS OF SERVICE EMPLOYEES’ EMOTIONAL LABOR STRATEGIES FOR INTERACTIVE AND INDIVIDUALIZED SERVICES

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SUMMARY

Recent research in marketing has increasingly focused on the role of emotions in service encounters (e.g., Mattila and Enz 2002; Lemmink and Mattson 2002). To develop and successfully maintain such relationships, service employees are expected to display certain emotions (e.g., friendliness) and suppress others (e.g., anger) as part of their job requirements. Such “emotional labor,” defined as the “effort, planning, and control needed to express organizationally desired emotions during interpersonal transactions” (Morris and Feldman 1996, p. 987), has been shown to influence employee well-being and other organizational variables.

According to Hochschild (1983), employees’ physical, mental, and semi-motor tasks are often well-documented, measured, and rewarded by organizations, while emotional labor often is an unacknowledged component of their work. Although emotional reactions to one’s organizational environment are an integral part of nearly every employee’s job, emotional labor is a distinct concept in that it focuses on emotions as a requirement of the job. In regards to specific emotion regulation strategies, most researchers have adopted Hochschild’s (1983) distinction of surface acting and deep acting as emotional labor strategies (e.g., Grandey 2003; Hochschild 1983). We then argue that the two strategies will have a differential impact on several customer outcome variables which have been shown to be crucial for a service firm’s economic success. Moreover, we also presume that a limited set of individual-level, dyadic-level, and firm-level factors exists that decide upon and influence the two emotional labor strategies differently. For both antecedents and outcomes, we offer propositions for individual and interactive services that offer insight into the antecedents and potential impact of emotional-labor strategies on consumer behavior.

Despite its importance, emotional labor has been scarcely researched in the marketing field. The aim of this paper is to explore the effects of different emotional labor strategies on customer outcomes as well as the effects of antecedents on service employees’ propensity to engage in either surface acting or deep acting. Toward that end a theoretical model is developed (Figure 1). We draw on the distinction of surface acting and deep acting as emotional labor strategies (e.g., Grandey 2003; Hochschild 1983). We then argue that the two strategies will have a differential impact on several customer outcome variables which have been shown to be crucial for a service firm’s economic success. Moreover, we also presume that a limited set of individual-level, dyadic-level, and firm-level factors exists that decide upon and influence the two emotional labor strategies differently. For both antecedents and outcomes, we offer propositions for individual and interactive services that offer insight into the antecedents and potential impact of emotional-labor strategies on consumer behavior.

Managerial and research implications are also discussed. Our conceptual model and the propositions derived from it support the notion that emotional labor is a relevant, yet somewhat neglected, phenomenon. We posit that emotional labor has an impact on important customer outcomes such as satisfaction, trust, and loyalty behavior and discuss how the model could be tested empirically. For most constructs of the model, existing scales validated in earlier studies exist which could be used as a starting point for scale development. References are available upon request.
FIGURE 1
Theoretical Model of Consequences and Antecedents of Different Emotional Labor Strategies

Antecedents
- job satisfaction
- organizational citizenship behavior
- relationship strength
- service scripts

Emotional Labor Strategies
- surface acting
- deep acting

Customer Outcomes
- customer orientation
- customer satisfaction
- customer retention
- customer trust
- customer social relational benefits

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THE MEDIATING ROLES OF INTERACTIVE COMMUNICATION AND SOCIAL INTERACTION ON THE TRUST-COMMITMENT RELATIONSHIP

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SUMMARY

This study examines two characteristics of business-intimate relationships — interactive communication and social interaction. Specifically, their impact on the trust-commitment relationship is considered. The context of this study is the professional service relationship, specifically the attorney-client relationship, because it offers both a high degree of customization and a high level of intangibility.

Literature Review

Social relationships are characterized by social interaction; persons engaged in such relationships are likely to discuss social or personal topics (Reynolds and Beatty 1999). Benefits of social interaction include the conversation, friendship, and company provided by the relationship (Reynolds and Beatty 1999). In a business setting, personal or social relationships that are established by employees are oftentimes the key to the business’s success (Czepiel 1990). Bendapudi and Berry (1997) suggest that customers may be more willing to maintain ongoing relationships with service providers when social bonds have developed with the provider.

The marketing literature supports the notion that a major requirement of delivering tailor-made products to customers is the establishment of open communication between buyer and seller. Interactive communication may be defined as the two-way sharing of meaningful and timely information between individuals. In order for interactive communication to occur properly, the service provider must engage in active listening in order to completely understand the customer’s needs and desires (Duncan and Moriarty 1998). Likewise, the customer must be willing to share thoughts and feelings that convey to the service provider exactly what is desired.

In a business context, trust is a key factor in separating economic exchanges from relational exchanges. Trust has been shown to have an influence on many constructs central to building and maintaining long term relationships with customers, such as long-term relationship orientation (Ganesan 1994), commitment (Dwyer, Schurr, and Oh 1987; Moorman, Zaltman, and Deshpande 1992; Morgan and Hunt 1994), and relationship success (Mohr and Spekman 1994; Morgan and Hunt 1994). Trust occurs as intimate relationships develop and become long term (Nielsen 1998; Zak, Collins, Harper, and Masher 1998). It seems logical, then, that a degree of trust must be present in order for interactive communication and social interaction to take place. Hypothesized relationships for this study are illustrated in Figure 1.

Method

For this study, the attorney-client relationship was chosen because it provides a clear example of a highly customized service (where customer intimacy becomes increasingly important). Respondents consisted of clients of attorneys throughout the state of Alabama. Seven-point scales ranging from “Strongly Disagree” to “Strongly Agree” were used to capture respondents’ opinions for all of the constructs. Of the 3,000 questionnaires mailed, 304 completed questionnaires were returned, which represents a 10 percent response rate.

Results

A correlation matrix along with the means and standard deviations for each of the items in the model is available upon request. The results for the measurement model provide evidence of construct validity. Figure 1 contains the path estimates and t-values for each of the hypothesized paths in the structural model. While the overall chi-square is significant (351.44, 161 df), the RMSEA of 0.06, the RMR of 0.06, and the GFI of 0.90 all indicate an acceptable fit. All of the hypothesized paths are significant, with the exception of the path from trust to commitment. This odd finding is discussed further in the following section.

Discussion

It is interesting to note the negative but statistically nonsignificant relationship between trust and commitment that appeared in this model. This finding is similar to Moore (1998), who found that there was no relationship between trust and commitment in logistics alliances. In his study, other variables were found to predict relationship commitment. While the hypothesized effect of trust on commitment was not supported here, a strong positive relationship between these constructs was found when tested in isolation post-hoc. Figure 2 shows the relationship that exists between trust and commitment.
when only these constructs are allowed in the model. As the relationship between trust and commitment is significant, but becomes non-significant when interactive communication and social interaction are included, this means that interactive communication and social interaction act as full mediators of the trust-commitment relationship.

**Conclusion**

Moorman and Rust (1999) call for researchers to consider the interface of marketing strategy and consumer behavior; they encourage research that examines the key strategic processes of a firm and the impact that these
processes have on customers. In a customer relationship management framework, the practice of customer intimacy is one way in which firms may deliver value to customers. This study conceptually and empirically established the importance of social interaction and interactive communication in the process of building such relationships with customers. Intimacy theory from social psychology was used as the basis for the model, rather than the typically used exchange theory. By borrowing from intimacy theory, this allowed for the affective nature of business-intimate relationships to be realized.
THE ROLE OF INTERPERSONAL COMMITMENT IN SERVICE FAILURES AND RELATIONSHIP FAILURES

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SUMMARY

Recent research has identified that, in service settings, consumers can become committed to many different targets or foci (Jones 2003). Consumer commitment in a service provider-consumer relationship may exist as commitment to the service provider as a person (i.e., a friendship), to the service provider as the primary contact with the service firm (i.e., he or she delivers the service), or to the service firm (i.e., the organization that employs the service provider). This begs the question, what happens when one aspect of the relationship (for example, the personal relationship between the consumer and service provider) falters? Does the consumer’s commitment to another target of the relationship (for example, the relationship with the branded service company) change?

The consequences of service failure (either attributed to the company or the person) or the consequences of a personal betrayal have typically been studied using the exit-voice-loyalty framework. It is commonly accepted that a service failure has a direct and negative effect on loyalty-related outcomes such as repurchase intentions (e.g., Kelley et al. 1993) and that a personal betrayal has a direct and negative effect on intentions to remain in a personal relationship (Finkel et al. 2002). Others have suggested that a failure begins the dissolution process, the first step of which is a lessening of commitment to the locus of the failure (Coulter and Ligas 2000). Thus, it appears that any relationship failure (service company, service employee, or personal betrayal) may impact two dependent variables; loyalty-related outcomes and subsequent commitment levels (i.e., the level of commitment after the failure has occurred).

To examine the effects of relationship failures on both commitment and loyalty, we conducted an scenario-based experiment manipulating both locus of failure and levels of interpersonal commitment. The experimental design was a 2 (high interpersonal commitment, low interpersonal commitment) x 4 (no failure, personal failure (betrayal), service provider failure, service company failure) between-subjects design using the dependent variables of: interpersonal commitment, service provider commitment, service company commitment, and three loyalty-related outcomes. The loyalty-related outcomes of repurchase intentions, strength of preference, and willingness to pay more were chosen to include representation from each of the three elements of loyalty (behavioral, attitudinal, and cognitive) advocated by loyalty researchers (e.g., Gremler and Brown 1996).

The results of this experiment produced two findings of interest. First, we found direct and negative effects of each failure condition (personal betrayal, service provider failure, and service company failure) on loyalty-related outcomes. Second, each failure condition’s effect on loyalty-related outcomes was mediated by post-failure levels of commitment. Thus, failures result in a reduction in commitment which then leads to a reduction in loyalty. A personal betrayal affects all three targets of commitment (interpersonal, service provider, and service company) whereas service provider failures and service company failures have no effect on any interpersonal commitment (i.e., a friendship) that may have developed between the provider and consumer.

The results of this study suggest that building commitment (i.e., interpersonal commitment, service provider commitment, or service company commitment) is a good strategy for firms because it does help to shield a service company from possible service failures – the effect of failures is buffered somewhat by initial levels of commitment. However, a service company could be at risk of losing customers due to actions of its employees both in the service relationship and outside of the service relationship – a service employee failure effects both commitment to the service provider and commitment to the service company and a personal betrayal has commitment-reducing effects at all levels of the relationship (interpersonal, service provider, and service company).

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GRUMPIER OLD MEN: SEX AND COHORT DIFFERENCES IN THE EVALUATION OF NEW PRODUCTS

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SUMMARY

Recent cultural and social shifts in men’s consumption patterns, along with an aging population, have caused marketers to increasingly target men and older shoppers. With the rise in working women, among other cultural changes, household and shopping duties are increasingly becoming a shared domain between women and men. Thus, it is more important now than ever to understand exactly what role sex plays in the consumption experience and if differences exist between men and women in how they evaluate products and services. Further, segmenting on the basis of age has long been a common practice for marketers. The aging population has brought this issue into the forefront for many companies. For example, older consumers’ expenditures are on the rise and currently constitute 1 in every 7 dollars of consumer spending. Thus, marketers cannot ignore the spending power of this important consumer group.

Though the growing importance of older consumers and men has been established, marketing research in these areas has lagged (Laroche et al. 2003) and there is little theory offered to understand how age and sex affect key consumer variables, such as evaluation of goods. Understanding if age and sex differences exist is important for the entire marketing process. In addition to better understanding buying behavior, gains in knowledge might increase understanding of customer satisfaction (post-consumption) as well as how to develop better new products. Yet we were unable to identify research that has addressed the questions of whether sex and age influence evaluations of new products.

In this study, we conducted analysis of variance (ANOVA) to test whether sex and age are associated with consumers’ evaluations of new products. More specifically, we utilized movie ratings during a 19-year period of over 2,000 movies which were reviewed by CinemaScore. This data represented over 2 million consumer exit interviews. The results of these interviews were published in CinemaScore magazine and previously were available on its website (www.CinemaScore.com). CinemaScore conducts marketing research on audience ratings of motion pictures released by the major studios (Warner Brothers, Fox, Sony, New Line, etc.). On opening night its researchers conduct interviews with about one thousand randomly selected consumers at theaters in about a dozen cities around the country. As viewers exit movies, they are asked to complete a short survey which requires them to “grade” the movie they just viewed on a typical A+ through-F scale. Additionally, they are asked to record their sex and the age by category (i.e., under 21 years, 21 through 34 years, and 35 years and older). For each movie, CinemaScore reports seven summary evaluations: an overall evaluation (not used in our study) and six other evaluations (2 sex x 3 age categories), which are included in this study. We built a database by combining CinemaScore data with data from AC Nielsen EDI (EDI), which specializes in collecting and disseminating market research data on motion pictures. We used CinemaScore ratings as the dependent variable in our analyses and sex of the evaluator and age category as independent variables.

Our results reveal there are significant effects for sex and cohort (p < .01). On average, women rated movies significantly higher than men ($\bar{x}_m = 9.2; \bar{x}_r = 8.8$) with women giving movies a little better than a “B” rating compared to men who gave a mean rating of a bit below a “B.” Furthermore, Duncan post-hoc tests indicate that older consumers rate movies significantly lower than younger consumers (p < .05). There was a clear ordering with consumers 35 years and older ranking movies significantly lower than those 21–34 years old, while those under 21 years of age ranked movies significantly higher than those in the middle cohort. There was no significant interaction between the six cell means indicating women consistently rated movies higher than men over the three cohorts studied. Also, there is a clear ordering with respect to MPAA rating. G-rated movies were rated highest, followed in order by PG, PG-13, and R-rated movies. In addition, there is a significant sex by genre interaction (p < .01). Interestingly, cell means show that women rated all genres of movies higher than men, though some were not significantly higher. One would expect perhaps that certain types of films (e.g., action and adventure) might be more appealing to males while other types have been generally thought of as more appealing to women (e.g., romantic comedy and drama).

The results of our study, though preliminary, make a contribution to the literature and suggest several issues that merit managerial attention and future research effort. First, this study is one of the few that have examined
consumers’ evaluations of new products. Furthermore, many past sex and age studies have focused on advertising and have used student populations and artificial settings. We were able to produce a large set of field data and test our predictions on a large, nationally representative sample over period of two decades. One interesting finding is that it appears that women evaluate at least some new products more favorably than men. One possible explanation could be that since women process information more holistically and therefore are able to perceive and appreciate more aspects of the product offering. Our second main finding suggests that as consumers age they are more critical of new products. There was a clear ordering effect with new product evaluations lower for each cohort. One possibility is due to the higher opportunity cost in terms of time and earnings potential. Older individuals, on average, have less time to live and are more cognizant of this fact typically. Moreover, they earn higher wages, on average. However, we believe we can eliminate this competing explanation. In additional analyses (unreported in this paper), we included the running time of the movie in the analysis and found that it was not a significant covariate. Better understanding the reasons for these findings is a key direction for future research.

In conclusion, our study suggests that cohort and sex effects can affect evaluations of new products. Consequently, researchers and decision-makers need to be cognizant of the types of participants being included during the new product development process. References available upon request.

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APPROACHING THE PROBLEM OF PROTOPYTICALITY: A CONSIDERATION OF DESIGN-AS-TEXT

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SUMMARY

Legendary automobile designer Harley Earl in 1938 wrote: “Art in industry is comparatively new. Only in recent years has the interest of manufacturer and user alike been expanded from the mere question of ‘Does it work?’ to include ‘How should it look?’ and ‘Why should it look that way?’ The artist and the engineer have joined hands to the end that articles of every day use may be beautiful as well as useful.” Sixty-five years later, research indicates that in fact, product design has taken a very important place in consumers’ product judgments: From the lauded iMac to Listerine’s PocketPaks, consumers have been drawn in droves to products that are immediately differentiated by their atypical designs (Bloom 2004). In addition, major packaged-goods marketers such as Procter and Gamble are also now focusing on design as an integral part of every new product development initiative (Neff 2004). Such attention to innovative design suggests that deviations from the prototypical are a necessary part of survival in competitive markets.

However, the bulk of research in product aesthetics forecasts a gloomy future for such efforts. In studies in perception (Boselie 1996) and in recent work in consumer aesthetics, (e.g., Veryzer 1995a, 1995b; Veryzer and Hutchinson 1998; Page and Herr 2000) consumers have demonstrated a robust preference for visual unity, symmetry and more generally, prototypicality. This preference for the familiar is particularly pronounced when products involve some risk, as do many technologically innovative offerings (Campbell and Goodstein 2001). In some cases, novelty and prototypicality have been shown to produce similar positive effects on consumers’ evaluations of a product, but to counteract one another’s impact (Hekkert, Snelders, and vanWierengen 2003).

Given industry’s emerging focus on product design, this apparent conflict is well worth academic attention. What theoretical tools can be used to approach the problem of prototypicality and innovation in design? Using these tools, can we determine the conditions under which designers use innovative design to their benefit, either to accommodate new technologies or to enrich the consumers’ experience of the product?

Based on common generalizations concerning the nature of design and text, this paper adopts a design-as-text approach. As such, we incorporate text analysis and visual rhetoric research from the marketing literature, primarily as found in Warlaumont (1995), McQuarrie and Mick (1992, 1999, 2003), Mick (1992) and Scott (1994a, 1994b). Further, by adapting Mick’s (1992) Model of Subjective Comprehension we are able to address design innovations that involve new functionalities (objectively atypical designs) as well as those which, through their metaphorical content, offer opportunities for ambiguity resolution and the positive aesthetic experience of resonance (subjectively atypical designs).

The following propositions are offered based on an application of textual principles to the domain of product design. First, however, it is important to note that the term “text” is used here in two distinct senses: verbal text, which might include product name, advertising text, or explanatory promotional material, and visual or design text, which refers to communication provided by the design itself. Also, note that “design rhetoric” refers to the use of design elements that are analogous to textual rhetorical devices. These elements (e.g., repetition, allusion, trope, and metaphor) have been studied in marketing literature under the heading of visual rhetoric (e.g., McQuarrie and Mick 1992, 1999, 2003; Scott 1994a).

P1: Text that resolves design ambiguity will generally increase preference for products deviating from the prototypical. The effect of explanatory text on design preference will be most significant when the consumer perceives two or more equally possible objective meanings of the design.

P2: If no additional textual cues are provided, the ambiguous design will be more difficult to categorize than will prototypical designs. Recall and affect for the design will both be low/negative.

P3: When textual cues attempt to create a new classification for an ambiguous/multifunction product, the aesthetic experience of the product will be more positive than for the prototype of either functional class to which it may belong to the extent that the textual cues are seen as compatible with the design itself.

P4: Use of either verbal text or design text (direct product comparison) can be used to resolve functional ambiguity. Use of visual text (allowance of comparison with other products of either functional class) will
create a greater positive impact on the consumer’s affect toward the non-prototypical product than will use of verbal text. Recall of individual aspects of the atypical design will also be stronger when visual direct comparison is used to resolve ambiguity.

P5: When subjective (nonfunctional) atypicality is experienced in a product incorporating visual rhetoric, that product will be more preferred than the prototype.

P6: When rhetorical figures are used to create resonance with an atypical design, product-internal design rhetoric will have a greater impact on product preference than will verbally presented rhetorical devices.

P7: When considering atypical designs, visual rhetoric that reinforces unity of design, such as repetition of elements, will create more elaboration and more positive affective responses than will visual rhetoric that disrupts unity.

P8: When encountering an atypical design, consumers will engage multiple sensory sources in order to gain additional information about the product with which they are presented. Accordingly, consumers engaging in multisensory experience of an innovative design will form stronger affective judgments than those who are limited to visual evaluation.

P9: Consumers engaging in multisensory exploration of atypical product designs will base preference judgments on the degree to which their product interpretation represents their own self-perceptions.

Bringing text theory to design applications in this way allows us to investigate ways in which nonprototypical design may be accepted, even preferred. Furthermore, extension of this framework guides the exploration of the potential uses and flaws of common design practices. For example, design may be experienced as plagiaristic, when designers copycat from established designs without acknowledging the source. As with any language, design may translate and be interpreted differently across cultures. In the marketplace, design may be received differently under conditions of environmental turbulence, just as text is experienced differently under varying degrees of reader distraction. Using text theory as a guide, consumer scholars may be able to integrate the consumer’s experience into the rich literature of new product design, and hopefully, enrich both theory and practice in the process.

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NETWORK EXTERNALITIES AND FREE PRODUCT PROMOTION: A POTENTIAL DIFFUSION TRADEOFF

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SUMMARY

Conventional wisdom suggests that the use of sales promotions will increase market size by encouraging consumer trial. This study investigates whether this proposition necessarily holds true across all product relationships. Prior research has theorized that the relationship between products can be complementary, substitutable, independent or contingent (Mahajan and Peterson 1978). Co-diffusion is the term used to describe investigations of the two-way interaction between the demands for products satisfying these relationships. Empirical findings have supported complementary effect (Bucklin and Sengupta 1993), substitution effect within generations of the same product line (Norton and Bass 1986; Mahajan and Muller 1996), time and space substitution effect (Mahajan and Peterson 1979), and contingent effect (Bayus 1987). Practitioners find the interaction involved in co-diffusion to be of increasing importance due to the potential for a firm to facilitate the diffusion of an innovation by commercializing related products. Despite the fact that managers are challenged to influence demand interactions between technologies without having direct control over the process of the secondary item (Bucklin and Sengupta 1993), the promotional effect of a free (non-priced) product on the diffusion on an existing product has received little attention in the diffusion literature.

In this study, the concept of network effects and the strategy of offering free products are considered within a co-diffusion framework to explain the impact of offering an indirect network product subsequent to the offering of free direct network product on the market potential and speed of diffusion. The goal of this investigation is to provide the reader with insight into the relationship between and the impact of the diffusion of a free direct network product on the subscription of paid service. The long-term effects of such a promotional strategy are particularly interesting as the offer of free products and services is a different situation than the offering of temporal promotional products.

In addition, the network effects inherent in interactive innovations are aspects of the co-diffusion process that require investigation. Products that are highly dependent on network effects are those for which the value of the innovation to each customer varies based on the number of current customers, as well as their relationship to the perspective user (Faulhaber 2002). For example, the first adopter of the telephone likely found little or no value in the innovation until other individuals bought into the new technology. Likewise, the value of the telephone increased as the number of adopters increased since the ability to phone multiple users offers a larger benefit than the facility to talk to only one other over the lines. Considering the cellular telephone as an innovation, one would see the impact of indirect network effects as the compatibility of cellular service with traditional phone lines, a fact that did not make adoption contingent on others’ adoption of the same product. To contrast, direct network effects, which occur when an individual’s adoption is contingent on others’ adoption of an innovation, exist in the absence of a technological standard for a new innovation. What has not been addressed with regard to such effects is cases in which a “base” of users is created through the automatic distribution of a product, as would be the case when a promotional product is distributed to established users of the target product before it is offered to the remainder of the potential market. This has interesting implications for increasing the initial speed of the diffusion process, while interoperability would be a case for a slower or faster process depending on its absence or presence due to the lack of an established technical standard (Rogers 1995; Mahler and Rogers 1999).

This study adds to the current diffusion literature the dimension of free and paid product relationship. While temporal price subsidies have been investigated in the diffusion literature (see Mahler and Rogers 1999), consideration has not been given to free promotional items designed to coexist with a focal innovation as related, yet independent products. The study also considers the link between direct and indirect network products. Additionally, it adds to the promotional literature in its investigation of network products associated with free promotional offers. Finally, the study addresses the effectiveness of firms’ strategies of using a “bait” technology to complement, sustain, and increase sales of its focal product. These relationships are demonstrated using subscriptions to AOL Internet service and AOL Instant Messaging (IM) service is used as input for the Bass diffusion model.
The empirical results of this study suggest the existence of a trade-off presented by offering free products as a promotional strategy for innovations, which are subject to the effect of network externalities. While having the potential to increase the speed by which a focal innovation is adopted, there is also the possibility that the overall market potential will be reduced. The results also reinforce the importance of network effects and demonstrate the first-to-market advantage for products fitting this classification. References available upon request.

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BUILDING BRANDS THROUGH BRAND ALLIANCES: 
THE MODERATING ROLE OF INVOLVEMENT 

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SUMMARY 

Brand alliances can be thought of as cooperative marketing activities involving short-term and or long-term combinations of two or more individual brands (Rao and Reukert 1994). Published research suggests a well-known, reputable brand ally improves consumer evaluation of an unknown brand. However, brand alliance research will benefit from a better understanding of how and when a brand alliance creates more positive evaluations (Keller 2003; Kirmani and Rao 2000). We extend this research by examining the effects of a brand ally at different levels of cognitive elaboration and message argument strength. Our investigation focuses on the most commonly researched situation – the appearance of a well-known and reputable brand name (the ally or partner brand) in the promotional messages of a new unknown brand name (the focal or primary brand). 

In concert with marketing’s long tradition of investigating advertising’s effects on consumers using persuasion frameworks and since brand alliances are generally part of persuasive messages (e.g., Samu, Krishnan, and Smith 1999), this research uses the Elaboration Likelihood Model (ELM) and the previous work within the brand alliance in generating our hypothesis regarding how the consumer processes brand alliance information at different levels of cognitive elaboration and message argument strength. We designed a study in which participating students (n = 209) were randomly assigned to one of the eight conditions. Specifically, the study is a 2 (involvement: high or low) × 2 (argument strength: strong or weak) × 2 (brand ally: yes or no) between-subjects design. 

Based on ELM research, which indicates that argument strength is not relevant under low cognitive elaboration, we hypothesized a positive ally effect on the hedonic dimension for low involvement participants regardless of argument strength. However, the brand alliance was effective under low elaboration only when strong arguments were given. The results suggest the possibility that subjects in the low involvement condition distinguished between strong and weak arguments, but were only able to judge the validity of the strong arguments when the brand ally was present. In other words, the ally acted as an endorser for the veracity of the strong claims. This is not to say that low involvement participants used the arguments to arrive at thoughtful, considered evaluations. Because the dependent variable is the hedonic dimension, the implication is that evaluations were based on more experiential, emotional aspects. Thus, the combination of strong arguments and brand ally apparently created the impression that using the focal brand would result in an interesting, emotional experience. 

Consistent with research in signaling with advertising (Kirmani 1990, 1997) but contrary to suggestions in the brand alliance literature (e.g., Rao and Reukert 1994), when enough information (strong arguments) were available high involvement participants had no reason to make inferences based on the signal, in this case the brand ally. Although this finding was marginally significant, our modest cell sizes and prior published research provide additional support. Since these findings occurred in the weak argument condition, we conclude that brand alliance signals serve as endorsements of product functionality/quality rather than product-related information as is sometimes suggested in the brand alliance literature. 

Results suggest that the ELM can be useful in understanding consumer evaluation of brand alliances. The ELM provides a useful framework for use in developing tactics for enhancing evaluations of new unknown brands. Depending on the consumers’ level of cognitive elaboration and the persuasive message content, the use of brand alliances to improve brand evaluations may be advantageous. Future research should focus on conducting studies that manipulate argument strength into three levels, no arguments, weak arguments, and strong arguments. Research of this type could confirm our findings and provide a more complete look at how and when subjects use brand alliances information in their brand evaluations. 

Prior research on brand alliances has tended to focus on establishing differences in mean quality evaluations when an ally is used. Our results suggest that while brand alliances are effective, the effects may differ depending on the context. We conclude that when cognitive elaboration is low and the ad contains strong arguments the ally
serves to attest for the veracity of the statements. On the other hand, the presence of a reputable ally tends to endorse product functionality when cognitive elaboration is high and the ad contains weak arguments. References are available on request.

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MOVING BRAND TRANSGRESSIONS BEYOND SERVICE FAILURES:
AN APPLICATION TO MARKETING COMMUNICATION

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SUMMARY

Akin to interpersonal relationships, the relationship that develops between a consumer and a brand is based on previous experiences and expectations about future actions. As such, actions that are inconsistent with these expectations have the potential to irreparably damage the relationship. These transgressions can be particularly problematic when they involve highly familiar brands that enjoy a well established relationship with the consumer.

In Marketing, transgressions and their consequences have largely been studied in the context of service failure and recovery efforts. In this stream of research, transgressions have been found to have an initially negative, but potentially recoverable, consequence. This paper begins to extend the definition of transgressions to include marketing communication. Like service interactions, marketing communications are an important occasion when consumers come in contact with the brand. As such, marketing communications offer numerous opportunities for marketers to transgress the rules of the consumer-brand relationship.

This paper reports results from two experiments that look at the concept of brand transgressions in the context of marketing communication, specifically celebrity spokespersons. The stimulus is comprised of known brands and celebrities paired in hypothetical spokesperson scenarios. Pairs that are judged as misfits (based on participant response to a three item fit measure) are considered a transgression. This alternative conception of brand transgressions may seem benign relative to service failures. However, it taps into the consumer-brand relationship by calling into question currently held beliefs about image and associations. As a result, spokesperson choices that are deemed inappropriate may challenge the consumer to reconsider continued usage of the brand.

In addition to addressing the general question of brand transgressions in a marketing communication context; this research also considers the differential effect of brand personality which has been discussed in other research. Specifically, the research hypotheses are (1) Brand attitude will be more positive when individuals judge the brand-celebrity pair to be a fit than when individuals judge the brand-celebrity pair to be a misfit (transgression), (2) Brand attitude will be more positive for a sincere brand when the brand-celebrity pair is judged to be a fit, and (3) Brand attitude will be more positive for an exciting brand when the brand-celebrity pair is judged to be a misfit (transgression).

Consistent with service related transgression research, these studies suggest that unexpected and inappropriate celebrity spokesperson choices can have a negative impact on the brand. In addition, because highly familiar brands were used as stimuli, the results also suggest that the consumer response is not explained by an important component of the brand’s perceived image: brand personality. Additional research is needed to validate the findings in these studies and explore alternative transgression scenarios within the context of marketing communication. For example, advertising executions, promotional events, and packaging changes all have the potential to create transgression situations. Once alternative marketing communication manipulations of brand transgression have been refined, examination of recovery efforts would be a natural next step for researchers.

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THE SPONSORSHIP ALIENATION EFFECT: IMPLICATIONS FOR BRAND EQUITY EROSION

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SUMMARY

Building strong brands through sports sponsorship is increasingly essential to marketing strategy for companies seeking alternatives to traditional brand building efforts such as advertising and promotion. Most empirical work on sport sponsorship has examined its influence on corporate image. However, the highly emotional if not somewhat volatile nature of fandom is well known as not only do avid fans have deep ties to their own team, they also have a strong disdain of their team’s rivals. While research suggests that fans are apt to reward sponsoring firms with marketplace support (Madrigal 2000, 2001), a critical question remains to be asked: do fans punish sponsors of rival teams by alienating these companies in the marketplace? Social identity theory postulates that people conceptualize themselves and others into mutually exclusive in-groups and out-groups. The purpose of this study is to fill the gaps in our knowledge of marketing communications concerning the alienation effect of sponsors of enemy teams from the social identity theory perspective of intergroup conflict.

Data for the study were collected in a classroom setting with 108 undergraduate students enrolled in business courses who participated in the study for extra credit. As a cover story, subjects were told that they were completing a survey examining people’s perceptions about corporate sponsorship of college football. A pretest demonstrated that an intense rivalry existed between the subjects’ university and the adversarial university.

Subjects were randomly assigned to a condition based on either in-group or out-group sponsors. Subjects first completed Wann and Branscombe’s (1993) Sports Spectator Identification Scale (SSIS) to determine level of fandom toward their university’s athletic teams. Subjects then were asked the extent to which they had favorable feelings towards fans of the in-group team and towards fans of the out-group team (Shah, Kruglanski, and Thompson 1998). Next, subjects were asked to assess the quality of the sponsors associated with the in-group (out-group) based on Yoo and Donthu’s (2001) brand equity scale. Then, subjects rated their perception of group norms of sponsorship support of in-group (out-group) sponsors based on the four-question scale utilized by Madrigal (2001). Finally, subjects rated their attitudes toward purchasing products from in-group (out-group) sponsors based on the three-question scale utilized by Madrigal (2001).

The first hypothesis successfully replicated Wann and Dolan’s (1994) finding that highly identified fans will view other in-group fans more favorably and derogate out-group fans to a greater extent than fans lower in identification. The second hypothesis confirmed that the evaluation of in-group sponsors is higher than the evaluation of out-group sponsors as measured by brand equity ratings and attitudes toward purchasing. To our surprise, high levels of fan identification were only marginally predictive of brand equity ratings and did not provide a significant prediction of attitudes toward purchasing in-group or out-group sponsored products. Our final hypothesis that perception of group norms to support (derogue) sponsors would be predictive of brand equity ratings and attitudes toward purchasing was strongly supported through regression analysis.

Our results suggest broad implications regarding brand equity. While prior studies on brand erosion and dilution show that over extending a brand in the form of brand extensions dilute and potentially erode the image of quality formally associated with the brand, our study represents one of the first to examine the role that sponsorship plays in eroding brands. The effects that team rivalry has on attitudes toward sponsors are not unlike the “spillover” effects that brand alliances can have on consumer’s brand attitudes (Simonin and Ruth 1998). Just as previous attitudes toward one partner affects attitudes toward a brand alliance, so do attitudes toward a team affect attitudes toward the sponsor.

The managerial implications of our work suggest that sponsorship of a given team may have a positive impact on that team’s fan base but may alienate fans of other teams leading to a negative marketplace reaction. An indirect implication of our work is that building a strong brand image (i.e., sport team sponsor) may attract some while alienating those who do not view themselves in accordance with that image. It is typically thought that a strong brand image is beneficial (cf., Fournier 1998), however as with sponsorship activities companies need to be mindful that they may be alienating a sizable amount of the potential market by having a highly salient brand image. The fact that attitudes rest on team rivalry, which is an environmental force largely uncontrollable by marketers,
signals a disquieting implication for management. When deciding what sponsorship activities to undertake a company should consider its own fan-base as well as that of the rival to determine whether or not the net effect of aligning itself with a team is positive. References available upon request.

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ABSTRACT

This article analyzes service research published in marketing journals from 1993 to 2003. Through a content analysis, we study the relationships between service marketing subfields. A MCA allows us to map keywords and authors, and track this literature over the past eleven years. A discussion of the future of service research is also provided.

INTRODUCTION

In 1993, Fisk, Brown, and Bitner and Berry and Parasuraman published two seminal articles on the early developments of a new academic field: service marketing. In these papers, the authors described how service marketing emerged and developed to become an autonomous academic field, independent from general marketing. Eleven years after the publication of these articles, the service marketing field has developed and matured (Grove, Fisk, and John 2003). More recently, Fisk, Grove, and John (2000; Grove, Fisk, and John 2003) have looked at the past, present, and future of service marketing research through the eyes of experts. The purpose of this paper is to study this evolution over the past eleven years of research published in 10 of the top academic journals from 1993 to 2003 to better understand the structure of the field and the direction it could take in the future.

The service marketing literature having now reached its maturity stage, it is important to identify the breadth and diversity of its content as well as the main directions and magnitude of progress in order to identify desirable directions for future research. The objective of this paper is therefore: first to map the structure of the service marketing field to identify the interconnections of its subfields; second, to examine the research current trends in order to better understand and foresee their impact on the development of the field; and third, based on the analysis of past research, to provide some clues about the future of this literature.

The paper is structured as follows. First, we present a brief overview of the development of service marketing before 1993 based on the papers by Fisk, Brown, and Bitner (1993) and Swartz, Bowen, and Brown (1992). This is followed by the description of the method used in the study. We then present the results of the analysis of the content of the service marketing literature published between 1993 and 2003 and its evolution over time. We also examine the most published authors and their position in the service marketing field. We conclude the paper with a discussion of some concerns about the future of the service marketing field.

DEVELOPMENT OF SERVICE MARKETING: AN OVERVIEW


During the Crawling Out stage (1953–1979), scholars in the service marketing field first fought to assert the discipline’s right to exist (Fisk, Brown, and Bitner 1993; Swartz, Bowen, and Brown 1992). This stage began in 1953 with the first service marketing scholars struggling to publish their work and culminated with the debate of how and why services were different from goods (e.g., Shostack 1977). From this early work came the identification of some of the distinctive characteristics of services, such as intangibility, inseparability, heterogeneity, and perishability (Shostack 1977).

The Scurrying About stage (1980–1985) was a bridging period where the services vs. goods debate began to wane (Fisk, Brown, and Bitner 1993). Attention then shifted from “Are services different from goods?” to “What are the implications of these differences?” (Swartz, Bowen, and Brown 1992). Christopher Lovelock tried to answer this question in a seminal article by classifying services (Lovelock 1983). This stage also saw the first papers in new areas of investigation, such as service design and mapping (Shostack 1984) and service encounter (Czepiel, Solomon, and Surprenant 1985), which flourished in the next period.

In the Walking Erect stage (1986–1993), scholars achieved a respected stance as service marketing became an established field within the marketing discipline (Fisk, Brown, and Bitner 1993). The publications on many of the primary topics matured considerably. These topics
include managing quality given the heterogeneity of the service experience, designing and controlling intangible processes, managing supply and demand in capacity constrained services, and organizational issues resulting from the overlap in marketing and operations functions (Fisk, Brown, and Bitner 1993; Swartz, Bowen, and Brown 1992).

Fisk, Brown, and Bitner (1993), documented the founding, emergence, and legitimization of the service marketing literature. They also asked: “What will the future of the internet be like?” and tried to answer this question based on documentation of the past and their positions as active researchers and participants in the field. In their reflectations about the future of service marketing research, they predicted a broadening, deepening, and sharpening of the field and identified key research topics for the future. These topics were: service design and delivery, service encounters and service experience, service quality and customer satisfaction, as well as service recovery, reverse marketing, internal marketing and support services, modeling and measurement, and technology infusion. More recently, Fisk, Brown, and John (2000; Brown, Fisk, and John 2003) asked ten service experts: “What directions would you like to see the services marketing field take in the future?” Their observations could be organized under three broad headings: the nature of services, the scope of services, and services and value creation.

Based on the content analysis of the papers published between 1993 and 2003 in key journals, we want to evaluate Fisk, Brown, and Bitner’s (1993) predictions and also want to estimate the likelihood of the service marketing field going in the direction wished by the expert interviewed by Brown, Fisk, and John (2003).

**METHOD**

To examine the content of the service marketing literature, trace its evolution, and identify main streams of research, we first performed a content analysis of the papers published in the top journals for service marketing research over the period 1993–2003. A content analysis provides a means for the objective, systematic, and quantitative consideration of published articles.

**Journals and Papers Selection**

Over the past eleven years, the number of articles on service marketing topics has exploded. Consequently, it was impossible for us to include all the papers published since 1993 in this study, we, therefore, decided to limit our investigation to the papers published in top service journals and the top general marketing journals. Three top service-oriented journals were selected: the *Journal of Services Marketing* (JSM), the *Journal of Service Research* (JSR), and the *International Journal of Service Industry Management* (IJSIM). Using Hult and Neese’s (1997) ranking to identify the leading general marketing journals, we selected: the *Journal of Marketing* (JM), the *Journal of Marketing Research* (JMR), the *Journal of Consumer Research* (JCR), the *Journal of Retailing* (JR), the *Journal of the Academy of Marketing Science* (JAMS), and *Marketing Science* (MS). To this list, we added the *International Journal of Research in Marketing* (IJRM) because of its international perspective.

The next step was to select the articles to be analyzed. For our analysis, we selected all research articles published in the service-oriented journals (JSM, JSR, and IJSIM). For the general marketing journals, we only retain articles on service marketing topics. Using the search engine of the ABI/Informs database, we preselected the articles including the keywords “service” or “services” in their titles, abstracts, or keywords. From this preselection, we excluded the articles, which content was not specifically on service marketing. We also chose to focus on those articles that were primarily involved with research issues. Therefore, the next step was to ensure that all the articles preselected had a research focus. This resulted in the elimination of articles written by editors and introductions to special issues. This process resulted in the selection of a total of 805 articles.

**Keywords Selection**

In order to code and analyze the content of the selected articles, we built a list of major themes or categories of keywords. The creation of such a list was made necessary by the large number of keywords issued by authors and found in the ABI/Informs database. To identify these major themes, we started with the list of key research topics developed by Swartz, Bowen, and Brown (1992) and Fisk, Brown, and Bitner (1993). We first allocated the keywords issued by authors and the ABI/Informs database into these major categories. Every time a keyword could not be allocated into one of these initial categories, a new one was created. This resulted in a list of more than 30 major themes. This list was then reviewed by independent service experts. After several rounds of discussion with these independent service experts, a final list of 27 major themes was obtained.

These 27 major themes are: (1) after-sale/customer service, (2) business-to-business services, (3) consumer behaviors, (4) service encounters, (5) e-service/technology, (6) typology of services, (7) innovation, new service development, (8) internationalization and export, (9) methodology and measurement, (10) operations and service design, (11) performance, (12) pricing and yield management, (13) service quality, (14) service failure and recovery, (15) relationship marketing and customer retention, (16) customer satisfaction, (17) strategy, (18)
servicescape and tangible cues, (19) communication/promotion/advertising, (20) service offering, (21) ethics, (22) internal marketing and service employee management, (23) competition, (24) non-profit and public services, (25) service distribution/delivery, (26) service usage/purchase, (27) environmental context.

**Coding Procedure**

Previous studies of journal content have generally classified articles in only one primary category (e.g., Inkpen and Beamish 1994). But, as noted by Inkpen and Beamish (1994) using only one category fails to acknowledge the cross-functional and interdisciplinary nature of an academic field such as service marketing; consequently, following the methodology used by Furrer, Schendel, and Thomas (2002), we decided to allocate articles across one or more keywords.

Each article was examined by two judges who reviewed all the 805 articles. To insure that each article was properly allocated, a two-step procedure was followed. First, the articles were allocated independently by both judges into the keywords based on a detailed examination of the abstracts. Second, the two judges solved their disagreements through discussion. If disagreement persisted between the judges, a detailed examination of the full-text of the article was made. The reliability of the coding procedure was assessed using Perreault and Leigh’s (1989) index. We obtained an index of .91, which is very satisfactory. For each of the 27 keywords, we coded a dichotomous variable: 1 if the paper was allocated into the keyword and 0 otherwise.

Among the 805 articles, 93 (11.5%) were allocated into only 1 keyword, 274 (34.0%) into two, 281 (34.9%) into three, 113 (14.0%) into four, 35 (4.4%) into five, 7 (0.9%) into six, and 2 (0.1%) into seven. The overall mean is 2.7 keywords per articles.

Service quality is the most frequent keyword with 231 papers. It is not surprising as service quality was already identified by Fisk, Brown, and Bitner (1993) as the single most researched area in service marketing in the previous period. Most of the work on service quality is still based on the pioneering articles by A. Parasuraman, Leonard Berry, and Valarie Zeithaml published in the 1980s. Service quality is followed by consumer behaviors (203) and customer satisfaction (195). These two themes are both closely related to service quality. The structural relationships between these three concepts have been the focus of several important papers during the 1990s. The next most important themes are performance (152) and strategy (123). These two related themes have emerged as important topics in the mid-1990s. Research on service performance and profitability has strongly been influenced by the work of Roland Rust on return on quality (e.g., Rust, Zahorik, and Keiningham 1995). The next important keywords are Relationship marketing and customer retention (109) and Employees (102). These themes were already identified as important by Fisk, Brown, and Bitner (1993), but only take off after 1995.

**ANALYSIS OF THE RESULTS**

To analyze the content of the articles, we first computed a cluster analysis to identify the keywords which “hang together,” and conversely, to determine where the gaps and clear break points were. Second, we computed a multiple correspondence analysis to complement the cluster analysis and obtain a richer representation of the relationships between keywords. Third, we studied the evolution over time of the relationships between keywords. This analysis gives us the idea of future directions in service marketing research. Finally, we studied the authors who have the most published during our period of study.

**Connections Among Keywords**

To study the connections among keywords, we ran a cluster analysis of the matrix of proximities between keywords. We focus our analysis on six clusters that are interpretable and substantively coherent and two isolated keywords. The first cluster consists of keywords concerned with service quality and customer satisfaction. It contains the following keywords: service quality, customer satisfaction, service employees, after-sales and customer services, consumer behaviors and behavioral intentions, service failure and recovery, service encounter, distribution, methodology. This cluster regroups topics studied from the customer perspective at the encounter level. Keywords in the second cluster are concerned with the strategic aspects of service marketing – strategy, competition, performance, international, innovation, operations. The third cluster consists of keywords concerned with relationship marketing and customer retention. It contains the following keywords: relationship marketing, B2B, and environment. Research in this cluster focuses on the long-term relationships and interactions between customers and their service providers. Keywords in the fourth cluster are concerned with technology and value – technology/e-service, usage/purchase, price/value. This cluster regroups research on the impact of technology in service marketing. The role of the Internet and the emergence of e-services are important topics within the cluster. The fifth cluster includes keywords that focus on communication and advertising – communication/promotion, tangible. This cluster regroups the relatively few studies on advertising and communication in service industries. The sixth cluster is concerned with the service offering and contains such keywords as: service offering and service typology. Research in this cluster focuses on the characteristics of services. Two keywords are isolated:
ethics and non-profit services. Even if these two themes have recently emerged as important research topics, they only regroup few studies and have not yet found their positions within the service marketing literature.

A richer representation of the relationships between keywords may be obtained using a multiple correspondence analysis. Multiple correspondence analysis (MCA) provides a more detailed and systematic representation of the distances among keywords than a simple cluster analysis. The results of the MCA are graphically presented in Figure 1. The size of the point for each of the keywords is proportional to its weight (i.e., the number of articles regrouped within the keyword). Proximity between keywords corresponds to shared substance.

The first, horizontal, dimension of the map represented in Figure 1 separates keywords emphasizing the management-side of service marketing (on the right hand-side) from those concerned with the customer-side of service marketing (on the left hand-side). The second, vertical dimension separates keywords, which are at a higher, more strategic level (at the top) from those focusing on a lower, more operational level (at the bottom). In short, the dimensions of the map reflect characteristic “poles” of topical orientation within the service marketing literature.

Evolution Over Time

To obtain a dynamic view of the evolution of the service marketing literature and to be able to speculate about its future developments, we divided the eleven years of the publication into two equal periods. The first period runs from 1993 to 1998 and the second one from 1999 to 2003. Based on a simple count of the number of papers published per period and per keyword, we can identify trends in service marketing research. The results show that the number of papers published on consumer behaviors, e-service/technology, internationalization and export, service failure and recovery, relationships marketing and customer retention, customer satisfaction, ethics, service usage/purchase, and environmental context is increasing, when the number papers published on operations and service design, service quality, internal marketing and service employee management, competition, and service distribution/delivery is decreasing. These trends show an increased interest for a customer-focused approach to service marketing opposed to a managerial approach.

For each of the two periods, the position of each keyword in the perceptual map was computed. The results permitted to evaluate the direction of the evolution of the interrelationships among the keywords. This evolution is presented in Figure 2, in which arrows represent the direction of evolution. Diamonds correspond to the position of the keyword during the first period (1993–1998) and the squares correspond to their position during the second period (1999–2003).

Figure 2 shows that most keywords evolve toward the upper left corner of the map, which is toward more strategic customer-side research. This evolution denotes a
movement of the service marketing literature departing from an encounter level of analysis toward a more strategic perspective and from a management-side toward a more customer-side approach. This movement is consistent with the changes in the number of papers published for each keyword. Few keywords are moving in a different direction. For example, customer service, operations, and tangible are moving toward the management-side of the map, and innovation is moving up toward a more strategic approach.

Contributing Authors

In their study of the evolution of the service marketing literature from 1953 to 1993, Fisk, Brown, and Bitner (1993) identified the 56 most prolific service marketing authors. It is interesting to compare this list with the list of the most prolific authors from 1993 to 2003. A representation of the positions of these authors on a perceptual map may also be compared to the position of the keywords presented in Figure 1. This analysis gives us some clues to interpret the contribution of the most frequently published authors to the different subfields of service marketing.

The 805 articles published in the selected journals have been written by 1048 different authors. Among these authors 1 (0.1%) published 15 articles, 1 (0.1%) published 11 articles, 2 (0.2%) published 10 articles, 4 (0.4%) published 9 articles, 3 (0.3%) published 8, 5 (0.5%) published 7, 8 (0.8%) published 6, 11 (1.0%) published 5, 26 (2.5%) published 4, 48 (4.6%) published 3, 181 (17.3%) published 2, and 758 (75.1%) published only one article.

Authors can be ranked on the total number of appearances or on adjusted appearances. We based our ranking on the adjusted appearances rather than the total appearances used by Fisk, Brown, and Bitner (1993), because it is the most frequently used (e.g., Furrer, Schendel, and Thomas 2002). The adjustment method is similar to the one used by Morrison and Inkpen (1991), Inkpen and Beamish (1994), and Furrer, Schendel, and Thomas (2002). The number of adjusted appearances reflects multiple authored articles. If an article was published by two authors, each received one-half of a credit; in the case of three authors, one third of a credit; and so on. one hundred ninety-four (24.1%) papers are single authored, 353 (43.9%) have 2 authors, 214 (26.6%) have 3 authors, 33 (4.1%) have 4 authors, 9 (1.1%) have 5 authors, 1 (0.1%) has 6 authors, and 1 (0.1%) has 7 authors.

The most prolific authors were Anna Mattila, with 7.83 adjusted appearances and 10 total appearances, Peter Danaher, with 5.67 adjusted appearances and 9 total appearances, Jochen Wirtz, with 5.50 adjusted appearances and 11 total appearances, Ko de Ruyter, with 5.20 adjusted appearances and 15 total appearances, Robert Johnston, with 5.20 adjusted appearances and 7 total appearances, and Leonard Berry, with 5.16 adjusted appearances and 10 total appearances.

Among the 56 most prolific authors during the 1953 to 1993 period, eleven are still in the top list during the next period of 1993–2003, they are: Leonard Berry, Valarie Zeithaml, Mary Jo Bitner, Stephen Brown, Christian Grönroos, A. Parasuraman, Evert Gummesson,
Raymond Fisk, Benjamin Schneider, Stephen Grove, and David Bowen. This denotes a certain stability of the field. In the last decade, the growing authors are Anna Mattila, Peter Danaher, Jochen Wirtz, Ko de Ruyter, Paul Patterson, Roland Rust, and Martin Wetzels.

These most prolific authors were also represented on a map. An author’s position of is represented as the average position of its published articles. Figure 3 represents this map. The comparison of the map of Figure 3 with the map of Figure 1 shows the topics that are the center of interest of the authors.

CONCLUSION

The analysis of the past eleven years of research in service marketing adopted a past-present orientation. To the extent that these papers reflect the evolution of the service marketing field as a whole, the trends we have observed raise an important question about future of the service marketing fields: “Is the field likely to further concentrate toward a dominant paradigm or to fragment itself into a myriad of subfields?” The results of our analysis show that most of the keywords are moving in the same direction, which is not the center of the map. This move is therefore neither supporting the fragmentation hypothesis, nor the concentration hypothesis. This trend in one dominant direction may mean that the service marketing literature has not yet reach its maturity and is still evolving. Further research is however needed to support this interpretation of our results.

One of the limitations of our study is the necessary limit in the number of selected journals. We only selected 10 of the top journals for service marketing research, but many other outlets also publish service marketing research papers. Conferences proceedings, books, and dissertations are also important sources of service marketing research. The actual profusion of service marketing make virtually impossible to include all publications in the type of analysis we used. We are, however, confident that our selection of the top journals makes our results valid and reliable. Due to space constraint, we also limited the number analyses we ran. The positioning of the different journals as well as the most influential papers in the map issued from the MCA could provide some interesting and insightful results. We should reserve these analyses for a full-length paper.
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THE ROLE OF SOCIAL FACTORS IN E-TAILING ATMOSPHERICS

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SUMMARY

Although social factors are influential atmospheric variables in physical stores, the absence of visible human elements on Internet stores raises questions concerning the existence of social factors in e-tailing atmospherics. The purpose of this study is to shed some light on this debate regarding the existence and influence of social factors in online retailing. Specifically, we address two research questions. First, can social responses generally reserved for human-human interaction become induced in an online retailing setting without the visible presence of humans through the use of more socially based online stimulus cues? Second, if present, will these social factors have impact on consumer interpersonal service quality perceptions, price expectations, service value perception and website patronage intentions in ways similar to those brought about by social factors in brick-and-mortar retailing?

Answers to these questions will provide academic researchers with empirical support to extend the existing research on social factors from brick-and-mortar stores to Internet stores or self-service technology service encounters. Further, this study introduces the four social cues from Computer As Social Actor (CASA) literature and demonstrates how to make websites more “social.” The results will provide practitioners with suggestions regarding what technologies to develop in order to enhance the influence of social factors in shopping environments that lack human presence.

CASA theory suggests that people treat computers as social actors when computers possess some human-like attributes (called social cues). Nass and Steuer (1993) suggest four human-like social cues that can induce consumers’ social responses to computers: language, human voice, interactivity and filling social roles. They argue that without the presence of humans on a computer, the use of these social cues could result in consumers’ exhibiting social responses toward the computer. Such social responses are termed “socialness” and capture characteristics such as friendliness, warmth, politeness, etc. (Nass and Moon 1996). Accordingly, we hypothesize that, given the same information, a website with more social cues should be perceived as having a higher level of socialness than a website with fewer social cues.

H1: Consumers’ social responses will be more positive on websites with more social cues than on websites with fewer social cues.

We next develop hypotheses that focus on the influences of these social responses on online consumers. CASA theory suggests that individuals often apply social rules generally reserved for human-human interactions when responding to a computer (Reeves and Nass 1996). Existing service and atmospherics research has found a number of social rules that occur in consumer-employee interactions and that can exert positive influences on consumers. For example, the friendliness, warmth, and politeness of employees and the perception of the quality of an employee-consumer interaction positively affect consumers’ assessments of service quality (e.g., Rafaeli 1993; Hartline and Ferrell 1996). Also, an employee’s ability to adapt to special needs and requests enhances customers’ perceptions of the service encounter (Bitner 1990). And finally, a recent study shows that the more favorably a consumer perceives the employees in a store, the higher the consumers’ perceptions of interpersonal service quality, price expectations, merchandise value and patronage intentions toward a store (Baker, Parasuraman, Grewal, and Voss 2002).

In our research, we examined whether social rules, such as those studied in consumer-employee interactions, will develop and exert similar influences in human-computer interactions. We hypothesize the following:

H2: Consumers’ perceptions of interpersonal service quality will be higher on websites with more social cues than on websites with fewer social cues.

H3: Consumers’ price expectations will be higher on websites with more social cues than on websites with fewer social cues.

H4: The higher consumers’ price expectations, the lower their perceptions of service value will be.

H5: The higher consumers’ interpersonal service quality perceptions, the higher their perceptions of service value will be.

H6: The higher consumers’ service value perceptions, the greater their website patronage intentions will be.
A total of 337 undergraduate students participated in a laboratory experiment using a between-subjects design and involving a simulated visit to a website for a fictitious travel company. Three social factors (voice, social role, and interactivity) were manipulated to create websites with either more or less socialness. Language, a fourth social cue, was present in all treatments in the form of printed text. The manipulations are briefly described in the Table below. ANOVA results of tests of H₁ – H₃ show support for H₁ and H₂, but not H₃. Further, SEM was used to test H₄ – H₆. The results of SEM analysis using AMOS support H₄ – H₆. The model (see Figure) produced a chi-square value of 790.945, a CFI of 0.875, and a RMSEA of 0.082.

The first contribution of this study is that it shows that consumers’ social responses can be elicited by online stimulus cues, without the visible presence of humans in online stores. Thus, our research provides empirical evidence that social factors should be considered as a part

### TABLE
Manipulation of Social Factors

<table>
<thead>
<tr>
<th>Type of Social Cue</th>
<th>More Social Website/ More Social Cues</th>
<th>Less Social Website/ Fewer Social Cues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Language</td>
<td>Identical printed text</td>
<td>Identical printed text</td>
</tr>
<tr>
<td>Social Role</td>
<td>A female interactive character portrayed the role of tour guide. Her human voice (accompanied by a likeness) greeted consumers on the homepage and said “good-bye” when respondents logged out.</td>
<td>Not included</td>
</tr>
<tr>
<td>Voice</td>
<td>A female voice gave a brief summary on each webpage.</td>
<td>Not included</td>
</tr>
<tr>
<td>Interactivity</td>
<td>Two interactive webpages inserted. (e.g., The tour guide asks, “Have you ever been to the Caribbean?” Independent of answer, the tour guide replies, “Thanks! That will help me provide you with the most appropriate travel information.”)</td>
<td>Not included</td>
</tr>
</tbody>
</table>

### FIGURE
The Proposed Model and Structural Coefficients

- $H_3 = -.01$
- $H_4 = .17^*$
- $H_5 = .97^*$
- $H_6 = .92^*$

$\chi^2 = 790.45, \text{ d.f.} = 244, p = 0.000$

CFI = 0.875; RMSEA = 0.82

* $p < .01$
of e-tailing atmospherics. Secondly, some of the social rules occurring in consumer-employee interactions were found in human-computer interactions. The results imply that social rules can be replicated in consumer-human interactions in the setting of an online store and that socialness affects consumer responses in an online context.

This study has several important implications for practitioners as well. It demonstrates how to make websites more or less social, using the four social cues borrowed from CASA research, and that a more social website may be perceived more favorably by consumers. These findings suggest support for the financial investment Internet marketers make in human-like technologies on websites. References available upon request.

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COMPARISON OF CONSUMER REACTIONS TO PRICE-MATCHING GUARANTEES IN THE INTERNET AND BRICKS-AND-MORTAR RETAIL ENVIRONMENTS

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SUMMARY

The importance of Internet retailing has been growing steadily in recent years, highlighting the need for understanding how consumers perceive and react to different Internet retail strategies. The present study investigates how consumers evaluate and respond to price-matching guarantees in the Internet environment and the traditional bricks-and-mortar retail environment. The moderating role of store reputation is also considered.

Price-matching guarantees (PMGs) are retail promises to meet or beat competitive prices at the time of purchase or within a specified period after the purchase. Prior research, based in the bricks-and-mortar environment, found consumers to use PMGs as signals of low store prices which in turn helps consumers cut the costly pre-purchase price search at competitive stores. However, due to lower cost of search on the Internet (as compared to bricks-and-mortar environment), the present study suggests that consumer response to PMGs should differ across the two environments. Additionally, retailer reputation is likely to moderate the responses across the two retail environments.

By drawing predominantly upon the existing research on consumer responses to price-matching policies and the Internet research, the goal of the present study is to investigate how consumer response to PMGs varies across the electronic and traditional bricks-and-mortar retail environments and across stores with different levels of reputation. In particular, the objectives of the present study are: (1) to determine the direct effects of the type of retailer and PMG presence on consumer response (i.e., store price perceptions, post-purchase price search and willingness to claim the refund); (2) to explore joint (i.e., interactive) effects of the type of retailer and PMG presence on the above mentioned consumer responses; and (3) to investigate the moderating effect of store reputation on the relationship between the presence of price-matching policy (and the retailer type, respectively) and consumer responses.

A 2 × 2 × 2 between-subjects experiment was conducted to test the proposed hypotheses. There were two levels of PMG presence (PMG present, PMG absent), two levels of retail environment (Internet retailer; bricks-and-mortar retailer), and two levels of store reputation (low; high). 160 student subjects participated in the experiment.

The research findings offer overall support for the proposed hypotheses. Both the type of the retailer and the presence of a PMG policy were found to importantly affect consumer perceptions of store prices, consumer willingness to price search after the purchase and willingness to claim the refund. In particular, store price perceptions were lower for Internet versus land-based retailers, and when the PMG policy was present (versus absent). The respondents also indicated that they would be less likely to conduct post-purchase price search or claim the refund when the purchase was made on the Internet as compared to a land-based store, or when the store did not have a PMG policy in place.

The significant interactions of the PMG presence and retailer type confirm that consumer response to price-matching policies varies across different retail environments. For the Internet retailer, PMG presence did not significantly increase post-purchase search intentions, indicating that potential cost of offering a PMG policy to the retailer may be relatively low, as consumers would not actively seek out much information about competitive prices after they have purchased the product, therefore making it unlikely that they would find a lower price and claim the refund. The findings pertaining to willingness to claim the refund further suggests that even though the cost of search may be smaller on the Internet, the Internet retailers, ceteris paribus, should face lower costs of offering PMGs than land-based stores, and should therefore be encouraged to offer PMG programs (if competitively priced) to reap the expected benefits associated with the PMG presence, such as lower store price perceptions.

Reputation of the retailer was found to moderate the effects of PMG presence and retailer type on consumer store price perceptions. In particular, highly reputable retailers were more successful than less reputable retailers in influencing consumer price perceptions by offering a PMG. Thus, a PMG seems to be an especially effective low price signal for reputable retailers, whose claims may be perceived as more credible. However, the move from the land-based environment to the Internet was more...
effective in lowering the store price perceptions for less reputable retailers, possibly because of lower cost perceptions. Thus, for Internet retailers who have yet to establish their reputation, offering additional guarantees such as a PMG, may be beneficial. References available on request.

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EXPLORING BIAXIAL AGENCY RELATIONSHIPS AND THEIR PERFORMANCE IMPLICATIONS UNDER RELATIONAL GOVERNANCE

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SUMMARY

Scholars and practitioners alike recognize the importance of agency relationships in understanding and explaining many types of marketing exchanges. A traditional perspective on agency relationships views them as discrete principal–agent dyads, with minimal linkages between relationships. This conceptualization represents a shortcoming in the literature and limits our ability to understand and analyze more complex arrangements. Agency relationships often are linked, integrated and interdependent, especially those that involve multiple principals and agents. Two issues in marketing agency relationships need to be explored further to enhance our understanding of agency relationships. Firstly, the development of a more comprehensive typology for agency relationships involving multiple parties is needed. The standard principal–agent dyadic typology is overly simplistic and does not capture the complexities inherent in agency relationships, especially ones in which several parties are engaged at multiple levels. Secondly, non-traditional approaches to managing agency relationships and mitigating agency problems can be explored further, such as the socialization or relational approaches (Bello et al. 2003; Mishra et al. 1998; Rodríguez and Wilson 2002; Wright et al. 2001). While past research has considered each of these issues separately, such as Mishra et al.’s (1998) multilevel approach to agency relationships, and the emerging socialization and relationalism work, these issues have not yet been considered together. Thus, this paper seeks to develop these areas further, and to integrate a relational governance-based approach to managing agency relationships into a more comprehensive, network-style typology of agency relationships.

This paper represents the first step towards achieving this objective, by introducing a “biaxial” typology of agency relationships. That is, exchange relationships in which there are multiple interdependent parties. For example, an advertising agency may have external and internal agency relationships, such as client–agency relationships (“external axis”) and agency–creative team relationships (“internal axis”). These agency relationships exist on a number of relational axes, and the outcomes on each axis can influence the overall performance of a focal firm or an integrated network of agency relationships. A rich conceptualization of relationship governance on each relational axis (i.e., internal agency relational axis, and external agency relational axis) is presented in the paper, and relationship performance on each relational axis is proposed to influence the overall performance of the focal firm. The moderating role of plural governance is also considered.

This paper makes two contributions to our understanding of the structure of agency relationships and the performance implications of more informal, relational mechanisms for governing agency relationships. Firstly, a biaxial agency relationships typology has been introduced. This network-type typology marks a point of departure from the long-held notion of discrete principal–agent dyads characterized by minimal linkages. Essentially, this new typology provides a more realistic conceptualization of networks of agency relationships and recognizes their interdependencies, particularly regarding firm performance. Secondly, it has been proposed that the overall performance of a focal firm (intermediary agent) is determined not only by the performance of its agents (sub-agents), but also by the performance of its relationships with its own principals. Other firms do not directly influence overall performance, per se. Performance is driven by the success of relationships with partners (intra- or inter-firm). To restate for emphasis, relationship performance on each relational axis influences overall performance. Therefore, it is important to actively manage relationships with all parties, not just relations with one’s agents (i.e., playing an active role in relationships where the focal firm is the agent themselves is also important).

The concepts and propositions presented in this paper have a number of implications for theory and practice. The biaxial agency relationships typology presented in this paper has significant implications. From a theoretical perspective, it challenges previously held (and overly simplistic) conceptualizations of agency relationships. Scholars are urged to consider this new typology and apply it to analyzing agency relationships. For practitioners, the biaxial typology provides a framework to aid their understandings of the interdependencies of the many inter- and intra-firm relationships in which they are engaged. Though this paper has focused specifically on
agency relationships, our propositions could also offer insights into managing other types of exchange relationships, such as lateral partnerships and alliances. References available on request.

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E-BUSINESS INFUSION IN MANUFACTURER-RESELLER RELATIONSHIPS: IMPACT ON CHANNEL EFFECTIVENESS

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SUMMARY

Manufacturer – reseller relationships are undergoing major transformations due to the proliferation of web-based software solutions, commonly referred to as eBusiness tools. This study attempts to make a contribution to knowledge by analyzing the impact that eBusiness infusion (eBI) in distribution functions has on marketing channel systems.

First, utilizing insights from the resource-based view of the firm (Wernerfelt 1984) two new constructs of eBI in demand and eBI in supply tasks are developed and operationalized. They are defined as the extent of use of eBusiness tools in each of the major distribution task categories and are hypothesized to have differential effects on reseller effectiveness. Second, the theory of organizational effectiveness (Quinn and Rohrbaugh 1983) is employed to investigate the sequence in which eBI affects internal and external channel effectiveness from the perspective of the reseller.

eBI is the extent to which a reseller uses eBusiness tools (i.e., web-based software performing distribution activities) in its interactions with a manufacturer. Channel interactions can be divided into demand and supply tasks (Frohlich and Westbrook 2002; Hekkila 2002). Demand tasks are activities that occur between the manufacturer and reseller and are intended to stimulate orders for the manufacturer’s products. Such demand-generation tasks cover promotional activities that are often performed by both reseller and manufacturer and thus constitute a relationship connector between them.

Another such connector is the performance of supply tasks, activities intended to ensure adequate supply of manufacturer’s products to end users. These supply-fulfillment tasks include logistical and supply management activities. This fundamental separation between tasks has been reflected in the scholarly discussions of Supply Chain Management (SCM) and Demand Chain Management (DCM) concepts (Frohlich and Westbrook 2002; Hekkila 2002).

The study examined the impact of infusing both task categories with eBusiness tools on four facets of channel performance: relationship coordination, conflict, reseller adaptation and reseller economic performance. Two hundred sixteen resellers of computer equipment participated in the study. Structural Equation Modeling was used to analyze responses to an online survey.

The results of the study suggest that eBusiness tools infused in supply tasks contribute very positively to the channel effectiveness, directly improving the state of coordination in the channel and indirectly affecting external facets of channel effectiveness. On the other hand, eBusiness infusion in demand tasks has a “dark” side. It does improve coordination in the channel but it simultaneously increases the conflict and thus may adversely influence the overall channel effectiveness. It is discovered that the eBI in supply tasks indirectly impacts channel external effectiveness, through relationship coordination, whereas eBI in demand tasks may impact both internal channel processes such as coordination and conflict as well as directly impacting reseller economic performance. References available on request.

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THE IMPACT OF ORGANIZATIONAL IDENTIFICATION AND COMMITMENT ON FIRM AND RELATIONSHIP OUTCOMES

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SUMMARY

In this study we argue that relational norms in buyer-supplier relationships are factors which affect both firms’ and relationships’ performance significantly. Referring to theories in relational exchange (Macneil 1980) and social identity (Taifel and Turner 1979; Ashforth and Mael 1989), we discuss supplier identification as one aspect of relational norms.

Organizational identification, as a specific form of social identification, occurs when individuals define themselves in terms of their membership in a specific organization (Mael and Ashforth 1992). Thus, individuals’ level of organizational identification indicates the degree to which individuals’ membership in an organization is tied to the context of their self-concept. Recent conceptual studies, proposed identification processes can even occur on an organizational level (e.g., Scott and Lane 2000; Steinman, Deshpandé, and Farley 2000). Therefore, theorists in social identification theory (Hogg and Terry 2000) suggest extending the framework to an organizational level in order to improve explanation and understanding of inter-group relations and inter-organizational phenomena.

Thus, the purpose of our study is first to examine what the antecedent factors of such organizational identification processes in supplier-buyer relationships are. Second, since the member’s organizational identification has been identified as having crucial impacts on the well-being of the organization and the individual (Ashforth and Mael 1989), we expect similar beneficial consequences of identification processes on an organizational level. Therefore, we investigate how supplier’s organizational identification with one particular customer affects both suppliers’ outcomes and the quality of the relationship. Moreover, we will investigate how suppliers’ and buyers’ affect and behavior in terms of commitment may strengthen or weaken the effects on firms’ and relationships’ outcomes.

Hypotheses were tested using data obtained from 346 suppliers of the German-speaking automotive industry. The questions in the survey pertained to the supplier’s relationship with one particular customer. The data collection took place between August and November 2002. We conducted exploratory factor analyses to purify the scales and developed acceptable measurement models prior to conducting tests of the hypothesized relationships between constructs. We assessed individual hypotheses by conducting multiple regression analyses.

Results revealed that suppliers do indeed identify with their customer organizations and thus to our knowledge, this is the first study that provides empirical evidence of the concept on an organisational level. In regards to the effects of suppliers’ identification, our main implication is further that the formerly assessed beneficial effects of individuals’ identification (e.g., Ashforth and Mael 1989; Dukerich, Golden, and Shortell 2002), are applicable to organizations if they are involved and engaged in relationships that are marked and strengthened by identification. Our results indicated that a firms’ objectives of their supplier’s social and economic satisfaction, as well as beneficial relationship outcomes in terms of trust and conflict reduction, are best achieved by high levels of the supplier’s identification with the customer.

Further, we sought to establish support for the hypothesis that there is a positive relationship between how suppliers perceive themselves in relation to the customer and the strength of their identification with this customer. We examined the consequences of high versus low customer reputation as well as inter-firm cooperation on supplier’s identification with the customer. The results indicated strong support for all hypothesized antecedents. Discussing the conditions under which organizations come to identify in more detail, our results revealed that the antecedents of inter-organizational identification are not entirely equal, but to a certain extent similar to those that were investigated earlier in the context of individuals’ identification. As such, several scholars in social identification argue that similarity and the reputation of the focused entity are seen as preconditions for individuals’ identification (e.g., Dutton, Dukerich, and Harquail 1994; Dukerich, Golden, and Harquail 2002). In addition, we found that firms’ close interaction has a significant impact on supplier’s level of identification. These findings are consistent with recent research in inter-organizational identification (Scott and Lane 2000; Dyer and Nobeoka 2000).
In addition, this study extended the understanding of organizational identification in vertical exchange relations by investigating moderating effects. Although research in commitment highlights the need for reciprocal commitment (e.g., Williamson 1985) our results differ from these prior assumptions. While a supplier’s commitment moderates all relations between supplier identification and the outcomes positively, a customer’s commitment has only positive interaction effect with supplier identification on trust. Counter to our intuition, however, a customer’s commitment has a negative moderation effect on supplier identification and economic satisfaction. As an explanation, theorists revealed the risk that suppliers can come to rely too much on the support services provided by the customer (MacDuffie and Helper 1997). Social identification research warns of the effects of focused identification or over-identification, resulting in the lost of the individual’s self (Dukerich, Kramer, and Parks 1998). From an organizational perspective, it is likely that the supplier will focus on only one particular costumer, which might be associated with resistance to change and an inability to adapt to new conditions (Peteraf and Shanley 1997). We recommend for reaping the full range of identification gains, it is better when the suppliers have a moderate degree of identification and are only partially dependent on customers’ assistance.

Finally, our study showed that developing organizational identification processes towards selected customers is not simply a sensible strategy; it may also be essential to the long-term survival of the supplier by providing a sustainable long-term competitive advantage for supplier firms without sacrificing their profitability. References available on request

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SYSTEMS SELLING IN INDUSTRIAL MARKETS: AN INVESTIGATION OF PERFORMANCE DRIVERS AND CONTINGENCY FACTORS

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SUMMARY

Although systems selling is a prominent business practice, systematic theory-driven research exploring this phenomenon is scare. This is quite surprising as systems selling, which entails the provision of an integrated solution that is comprised of both goods and services, is a demonstrated means by which an industrial firm can gain a competitive advantage. This paper deploys transaction cost analysis as a theoretical lens in order to investigate this practice. In particular, two research questions that are addressed include:

1. Do the characteristics of a systems offer affect the system seller’s market performance and subsequently financial performance? (i.e., does a reduction in a customer firm’s transaction costs and an increase in the customer firm’s effectiveness and efficiency influence the extent to which a buying firm will be satisfied and intend to continue doing business with a systems seller?) and

2. Does the timing of market entry moderate the link between the characteristics that affect a customer’s transaction costs and system-related market performance?

The theoretical framework of the study is shown in Figure 1.

FIGURE 1
Framework of the Study

Time of Market-Entry

Characteristics that Affect a Customer’s Transaction Costs
- Simplification of the Customer’s Buying Process
- Evaluation Complexity for the Customer
- Technological Specificity for the Customer
- Organizational Specificity for the Customer

Characteristics that Improve a Customer’s Value Creating Processes
- Degree of Function-Related Benefit to the Customer
- Service Intensity of the System

System-Related Market Performance
System-Related Financial Performance
The aforementioned research questions led to form the underlying hypotheses. A cross-sectional survey which tapped into the conceptual domain of the respective items was developed, and was subsequently fielded to electronics, capital equipment, and computer firms. The results suggest that the ability of a systems offer to reduce customer firm transaction costs and enhance customer firm value creating processes are key success factors, and do indeed shape a customer firm’s satisfaction and desire to continue doing business with a systems seller. In addition, timing of market entry was found to moderate the link between characteristics that affect a customer’s transaction costs and system-related market performance. Thus, a customer firm purchasing a system from a “first mover” seller is likely to face higher levels of uncertainty in relation to purchasing from a “follower” (or late-mover). Lastly, we find that system-related market performance has a positive and significant influence on system-related financial performance.

The findings are theoretically meaningful as they provide empirical insight into an atheoretic literature. In particular, this study yields several contributions to marketing theory. For one, we draw upon Transaction Cost Theory to provide a theoretical argument for some of the reasons underlying the acceptance of systems selling. Thus, we are able to gain a richer understanding regarding the acceptance of systems selling by drawing upon this theoretical work. Second, previous conceptually-based writings have only mentioned the performance implications of system selling. Our research theoretically explains and empirically investigates system-related characteristics as an antecedent of system-related market performance, and in turn, system-related financial performance. Third, this study provides researchers a means by which to conceptualize an expanded view of a firm’s offering along the lines of both goods and services. Since some academics have called for greater attention to services as a means by which to secure a competitive advantage in the context of business-to-business marketing, this effort supports that services plays an important role in driving favorable performance outcomes in systems selling. Lastly, this research shows that time of market-entry is an important contingency factor that systematically strengthens the relationship between those system-related characteristics that influence transaction costs and system-related market performance. Thus, mechanisms that reduce a buyer’s uncertainty become more important, while those which increase a buyer’s uncertainty become stronger when buying a system from a first-mover company.

Our study also has several implications for the management of inter-organizational exchange relationships. First, cost reduction and quality improvement have become the preeminent goals of every manufacturer. Our findings tell managers that system-related characteristics that affect transaction costs and/or improve the buying company’s value-creating processes are important drivers of system-related market performance. Given the increasing trend towards supplier consolidation, this study offers that systems sellers can gain a competitive advantage by reducing a buyer’s transaction costs and/or enhancing the buyer’s functionality. Our study also tells managers under which circumstances (i.e., first-mover vs. follower market entry) the design of system-related characteristics is more or less important.

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Relationship Value and Relationship Quality: Broadening the Nomological Network of Business-to-Business Relationships

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Summary

Over the past decades, business relationships have emerged as a significant area of managerial practice and academic inquiry. Across multiple studies, satisfaction, trust, and commitment were identified as focal constructs of relationship marketing, and researchers have coined the term relationship quality to describe business relationships through these concepts.

A comparison of standard business practices and relationship marketing frameworks, however, suggests that established models of buyer-seller relationships might insufficiently reflect managerial emphasis on supplier performance evaluation. Indeed, business customers typically monitor supplier relationships periodically to track supplier performance over time. Such supplier performance evaluation tools are well discussed in the business marketing literature and in related fields, such as purchasing and supply chain management. Previous research in these areas has focused on the benefits received and the costs endured, i.e., the value generated, in a business relationship. In the present research, we argue that this perspective is an important missing piece in prevailing relationship marketing models.

In the past, models of business relationships predominantly focused on the quality of buyer-seller relationships to the detriment of performance-based measures. For example, Morgan and Hunt (1994) identified commitment and trust as key mediating variables of relationship marketing. In their model, the authors included only a single performance-based measure, i.e., “relationship benefits,” and hypothesized a positive relationship between “relationship benefits” and “relationship commitment.” However, their empirical study did not support a significant relationship between both constructs, and “relationship benefits” were not found to be a key driver of successful business relationships. Similarly, in their research on the nature of trust in buyer-seller relationships, Doney and Cannon (1997) found that – contrary to their predictions – trust was not related to supplier choice. As a potential explanation, the authors suggested that professional buyers focus on a supplier’s superior offering – rather than on subjective assessments of trust – and called for further research.

In the present research, we suggest that the above-mentioned ambiguities and contradictory results in previous studies may partly be explained by the need to add performance-based constructs to the affective variables in existing relationship marketing models. To close this gap, our research suggests to include relationship value as a key constituent when modeling business relationships. Indeed, “value creation and value sharing can be regarded as the raison d’être of collaborative customer-supplier relationships” (Anderson 1995, p. 349).

To broaden the nomological network of business-to-business relationships, we designed an empirical study among purchasing managers in U.S. manufacturing industries. The study was conducted in cooperation with the Institute for Supply Management (ISM), the country’s national association of purchasing professionals. One thousand nine hundred fifty managers were randomly selected from the association’s database. Four hundred usable questionnaires were returned yielding a net response rate of 20.5 percent.

Empirical data were analyzed using Lohmöller’s (1989) partial least square (PLS) latent path modeling. PLS avoids some of the restrictive assumptions imposed by LISREL-like models (cf., Dawes and Lee 1996). Using the bootstrap procedure (Chin 1998) packaged in the PLS-Graph software (version 1.8), one can calculate the standard deviation and generate an approximate t-statistic. This overcomes non-parametric methods’ disadvantage of having no formal significance tests for the estimated parameters. Figure 1 shows the conceptual model with the parameter estimates. Relationship value has a direct impact on the intention to expand business with the incumbent supplier as well as an indirect impact that is mediated by the relationship quality construct. Its impact on the propensity to leave is perfectly mediated by the latent variables forming the relationship quality construct. Overall, this study positions relationship value as an antecedent of relationship quality and behavioral outcomes in the nomological network of relationship marketing.
FIGURE 1
Conceptual Model with Parameter Estimates

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CONSUMERS EAGERNESS: WHEN FEELINGS LEAD TO ACTION

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SUMMARY

There is a growing interest in understanding how to acknowledge and incorporate affect in modeling consumer behavior (Bagozzi, Lee, and Loo 2001; Perugini and Bagozzi 2001). Consumer motivations stir, push or prod one to take action. Whereas the TRA has modeled one cognitive commitment to act (i.e., intentions), we suggest consumers motivated to act may also, or perhaps instead, form an emotional commitment to act (i.e., become more eager to act).

Previous research has shown that subjective norm and attitudes are important predictors of intentions and, more recently, self-concept congruity has been suggested as an additional predictor of intentions (Fekadu and Kraft 2001). In this research, we propose broadening the TRA to include not only subjective norm and attitude but also to include three variables reflecting motivations: hedonic involvement, self-expressive involvement and self-concept congruity. For this study, we examine consumers motivations and intentions to engage in a new aerobic activity. We also posit a new dependent variable, eagerness, as an affective alternative to intentions, a cognitive assessment. Including eagerness broadens the cognitive approach taken to model a consumer willingness to engage in a new behavior and gives us additional insight into consumers approaching a new behavior.

In Ajzen (1991) revision of the TRA, the Theory of Planned Behaviors (TPB), Ajzen added the construct of perceived behavioral control. More recently, Perugini and Bagozzi (2001) have suggested a broadening and deepening of the TPB and have posited a model of goal-directed behaviors in which attitudes, positive and negative emotions, and subjective norms influence intentions through desires. The conceptualization of desires is tied directly to a specific goal (i.e., desire to do exercise in the next four weeks in order to lose body fat). This approach recognizes that there is an unaddressed connection between both holding attitudes and being influenced by subjective norms and a person becoming energized to take action. We suggest that the connection is affective and encompasses emotions but we propose that eagerness encapsulates one intensity of desire to move ahead.

Much research in marketing, consumer behavior and psychology has suggested that consumers vary in their eagerness to engage in a new behavior (Bargh 2002). Marcus and Owen (1992) suggest that consumers may hesitate (i.e., become less eager) at different stages of action within the process of deciding to exercise. Given the need to continue to move beyond a focus on cognitive decision models, researchers need to find a parsimonious way to address consumers various motivations. We suggest that eagerness reflects consumers activated motivations and is particularly appealing because it captures motivations without being tied to a specified goal.

Method

A survey was mailed to all 2,219 faculty and staff members at large northeastern university. The survey asked the respondents to specify an aerobic activity relevant to that consumer and to keep it in mind as they completed certain sections. The final sample includes 717 surveys. The age of the respondents ranged from 22 to 75 years and the average age was 45.0 years.

Results and Discussion

The alternative models were tested using EQS 6.1. The five scales’ Cronbach’s alpha range from .87 for self-concept congruity to .91 for hedonic involvement and were each above the commonly accepted threshold of .70. In a preliminary factor analysis, five factors emerged, as expected, and 72.1 percent of the variance was explained. In all instances, the items loaded on their respective factor and showed minimal loadings on the other factors. The Pearson correlations among the scales were statistically significant (p < .01) and ranged from small to moderate in magnitude, with self-concept congruity and hedonic showing the highest correlation (.51). Goodness-of-fit indices for the confirmatory factor analysis indicate that the model fits the data (i.e., Bentler-Bonett Normed Fit Index = .91, comparative fit index = .93, RMSEA = .07, GFI = .89) (Bentler 1990; Bentler and Bonett 1980).

A main model is proposed in which the three motivational variables (i.e., hedonic involvement, self-expressive involvement and self-concept congruity), subjective norms and attitude predict eagerness. In addition, self-concept congruity, attitude and subjective norm predict intentions and we include a causal path linking eagerness to intentions. The results show that all parameters are significant (p < .05) except for two causal paths: (1) self-concept congruity and behavioral intentions and (2) attitude and eagerness. Hedonic involvement and self-concept congruity have the greatest (and similar) impact on eagerness (i.e., .39 and .32). Overall, more of the variance in eagerness is explained (.43) than the variance of behavioral intentions (.26).
In this study, we link together research on enduring involvement, self-identity, and the TRA. We found that hedonic involvement (i.e., the extent to which engaging in a new behavior feels like it would be “appealing”) and self-concept congruity (i.e., the extent to which one feels that one perceives oneself as the type of person who would engage in the new behavior) had similar impacts on one’s level of eagerness to engage in a new behavior. We posit that examining and modeling eagerness to act gives us additional insight into understanding how a consumer becomes energized to take a new action. References available upon request.
OPPORTUNISM IN INTERPERSONAL EXCHANGES: WHEN DISSATISFACTION IS FOLLOWED BY POSITIVE WORD-OF-MOUTH

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SUMMARY

Word of mouth (WOM) has been extensively researched in the last decades. A tacit assumption underlying virtually all studies that investigate its determinants is that the valence of the information provided is triggered by the level of satisfaction of the informant with the referred product or service. In other words, positive WOM is given when satisfaction with the consumed product or service is high, while negative WOM will be given after a dissatisfying experience (e.g., Anderson 1998). This intuitive assumption has been validated in a number of empirical studies (e.g., Richins 1983; Westbrook 1987).

However, sometimes, WOM may not reflect the informant’s true perception about a consumption experience. For example, some people may be unwilling to publicly admit that they have chosen a “bad” brand or product, because they fear this may reflect on them as not being able to make good choices. In other cases, consumers may be hesitant to admit negative experiences with a chosen service because it may negatively affect other people’s assessment of them. For example, even a dissatisfied college student will be very careful to speak negatively about his school or program, because the diffusion of negative information about those issues may weaken his opportunities on the job market.

The examination of WOM communications in which inaccurate consumption information is exchanged, is completely lacking. This paper deals with such “opportunistic WOM” (OWOM) which we define as consumers lying, cheating, or withholding important market information in order to achieve an end when giving experience-based referral information to other consumers. In particular, this paper focuses on OWOM conversations that are subject to a WOM source’s intention to conceal a purchasing failure by distributing OWOM information after a negative consumption experience.

The paper mainly builds on Frenzen and Nakamoto (1993), who show that when the transmission of information is associated with financial disadvantages, WOM is inhibited. In contrast to Frenzen and Nakamoto (1993), though, we are not concerned with an inhibited information flow, but with the transmission of false information. It is therefore necessary to investigate potential benefits of engaging in OWOM.

Reporting a dissatisfying or disappointing consumption experience will not help the communicator appear as “sophisticated consumer.” It is, on the contrary, sometimes associated with considerable psychic costs. Frenzen and Nakamoto (1993, p. 373), argue that “… consumers may be reluctant to reveal information that bears a social stigma and imposes psychic costs such as embarrassment or shame.” Similarly, Saarni and Lewis (1993) argue that the deception of others occurs in cases where the cost of shame, humiliation or embarrassment exceeds the cost of deception.

Communications literature typically refers to two groups of factors that may influence a communicator’s decision to act opportunistically in an exchange situation. First, perceived product category characteristics (such as the perceived value of information), and second, perceived characteristics of the exchange partner (such as the closeness of the relationship). An exploratory study was conducted to shed more light on those two factors.

Ninety-four undergraduate students of a Western European university (45 females, mean age ≈ 22 years) participated in a two-page qualitative survey. After the introduction of an exemplary OWOM case scenario (a person disseminating false information about a recent consumption experience was described), respondents were asked (a) whether they had already behaved in a similar manner and what the reasons for doing so were, (b) whether they believed that certain properties of their exchange partner would influence the decision to engage in such deceptive behavior, and (c) whether they believed that certain product classes or categories were more likely to be subject to such behavior. Responses were analyzed using critical incident technique (CIT). The results of this initial study made apparent that indeed self-esteem or the avoidance of shame acted as main influencers of opportunistic WOM behavior (≈ 67.5% of all given answers). Further, concerning the influencing character of the social context, results suggested that to a vast majority, people with whom a strong relationship is shared are less likely to be deceived or betrayed (≈ 85% of all given answers). Regarding product class characteristics, it became apparent that especially product categories that are important for a respondent’s self-perception (among them many high-priced or luxury product categories) were named (≈ 34.5% of all given answers).
From the exploratory study, product involvement was derived as the key product-category level variable (e.g., Celsi and Olson 1988) and tie strength (e.g., Granovetter 1973) as the key exchange partner characteristic that should predict OWOM behavior.

In a subsequent experimental study, undergraduate students were confronted with a scenario in which a customers made a negative experience and tie strength and product involvement were manipulated to be either high or low (i.e., a 2 x 2 design). Participants were asked to predict how likely it was that customers will tell the truth about their consumption experience when being in that situation. ANOVA results reveal that only the interaction between tie strength and product involvement exhibits a statistically significant effect on OWOM. More precisely, only when the communication partner is a weak tie and product involvement is high will people give positive WOM even when they have actually made a negative experience. Subsequent research that investigates whether communication recipient’s judgment of credibility of information depends on their own assessment of the communicator’s product involvement and tie strength is currently undertaken. References available upon request.

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PROFILING AND SEGMENTING CUSTOMERS ON THE INTERNET: AN ANALYTICAL FRAMEWORK FOR DYNAMIC AND INTERACTIVE PERSONALIZATION

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SUMMARY

This paper proposes a conceptual model developed for firms operating in the digital environment capable to manage segmentation and profiling issues and to define, consequently, value-propositions for different customers. The model is based upon five analytical dimension derived from literature review.

First of all, we posit that customers search for value, expressed by different benefits (Levy 1959; Gutman 1982). However, in the digital environment, due to multiple forms of communication, consumers interact with firms valuing interface, colors, banners, horizontal and vertical bars, gifs; in a word, site “navigability.” Considering the importance of contents and products, value – in the customer’s perspective – can be described by site-specific and content-specific facets. Therefore, the VALUE for the customer – our first dimension – expresses both site- and content-specific elements.

The huge amount of information available on the Internet is often identified as the main source of data overload, that could be moderated by consumer’s expertise (Alba and Hutchinson 1987). Thus, expert users require analytic information and limited intrusion (Novak et al. 1998; Ward and Lee 2000), whereas “novices” need dynamic help able to reduce cognitive dissonance due to high risk perception. Alba and Hutchinson (1987) and Mittal and Sawhney (2001) enlightened differences existing among customers in terms of their knowledge of contents and processes. On these bases, we assume that KNOWLEDGE is a relevant analytical dimension for segmentation processes.

Some authors emphasized that Internet users can experience different cognitive orientation during connection time (Dholakia and Bagozzi 1999; Wolfinbarger and Gilly 2001). Grounding on these contributions, users browse the Internet adopting either a goal-oriented mind set or an experiential one. Mind set does not coincide with researched product-specific benefits, rather describing a general cognitive state that leads the customer’s behaviour and his/her attitude toward the site. To this extent, ORIENTATION is another relevant dimension for the dynamic profiling of e-customers.

Since switching costs for e-customers are dramatically reduced, many scholars pointed out that firms must act to achieve customer loyalty (Costabile 2000; Reichheld and Schefter 2000; Srinivasan, Anderson, and Ponnavolu 2002). Both in off-line and on-line settings relational approach represents the managerial response to increased competition and risk of customer switching behavior. Customers express different propensity in continuing interacting with firms. Besides, heterogeneity in customers’ participation to equity generation suggests distinguishing high-equity customers from low-equity ones. Some scholars (Reichheld 1996; Costabile 2000) underlined that valuable customers provide greater purchases, word of mouse and cooperation to firms; these customers must receive greater attention to avoid perception of opportunism and to ensure actual and prospective value for the firm. Grounding on these contributions, both REL (relationship state) and EQUITY are thought to be important dimensions for profiling the customer base. These two dimensions do not express the same concept: Costabile (2000) showed that loyal customers could generated few monetary flows because of limited own resources, whereas high-equity customers could tend to switch to other firms if they had not experienced adequate levels of value and they had felt “lock-in” perception.

Summarizing, clustering customers and providing the proper form of personalization should be based on the following five analytical dimensions: VALUE, KNOWLEDGE, ORIENTATION, REL, and EQUITY.

Because of their nature, we hypothesize that VALUE, KNOWLEDGE, and ORIENTATION can be effectively monitored since the first contact between the firm and the customer, while REL and EQUITY can be exhaustively analyzed only after the first interactions: when a consumer buys for the first time from a web site only proxy measures can be tracked in order to estimate his/her orientation to continue the relationship and his/her capacity to provide value for the firm; for instance, skipping an hedonic introduction to the web site represents an indicator of a goal-oriented mind set; clicking on a help tool signals low expertise; accessing to the “soccer news” web page expresses the need for such a content. Besides, the new customer could be invited to answer some questions (such
as a registration form), obtaining other information to be integrated to that deriving from decoding of clickthrough.

Grounding on these first information, the customer can be assigned to a cluster, on the basis of both what he/she is looking for and how he/she wants to obtain that, and receive a personalized consumption experience.

In order to validate the conceptual model of dynamic profiling an application on the customer base of an e-commerce web site was required. In order to match such goal we have run a first exploratory research with the cooperation of a largely known Italian informative website. Qualitative and quantitative research were conducted, using laddering technique (Reynolds and Gutman 2001), protocol analysis (Douglas et al. 1981; Ruiz and Jain 1991), and Categorical Principal Components Analysis – CATPCA – (Meulman and Heiser 1999) in order to verify the five-dimension structure underlying the model.

Results of the CATPCA application to a sample of customers of web portal supported the 5-dimension structure, confirming the discriminant validity of the 5 dimensions (extracted variance = 47.940%).

Since CATPCA can generate factorial scores for extracted components, we adopted the well-known k-means algorithm for clustering the sample in respect to the five dimensions, obtaining five significant segments in the “t₅ users” group, as well as in the “t₀ users” group.

On the bases of the clusters’ traits, we identified adequate personalization and CRM actions for each profile.

We expect each action to have a significant impact on the business revenue model. The results obtained support the attempt to generalize an operational algorithm useful for application of the multidimensional model in different contexts and sectors.

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SEGMENTING VIRTUAL COMMUNITY USERS BY THE EXPRESSION OF EMOTIONS

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SUMMARY

Virtual communities originate when social networks use the Internet to interact, exchange ideas and experiences, regardless of their geographical location. The potential of virtual or online communities as a marketing tool uncovers by the interaction of the members of the virtual communities, which offers companies the opportunity to learn more about the needs, taste, interests, and influences of current and potential customers (Kozinets 2002). Despite its significant potential, scarce marketing research has been conducted to understand the mindset and emotions of virtual community users.

The objective of the study was twofold. First, our study examined the facets of emotions expressed by virtual community users. Second, our study grouped and classified the messages examined based on the similarities we found. In particular, the study aimed to define segments of users within virtual communities based on their expression of consumption emotions.

The technique used for the content analysis was netnography (ethnography on the Internet) as proposed by Kozinets (2002). This marketing research technique was specifically developed for the analysis of the content of online communities. To increase research objectivity, independent judges participated in the selection of the emotions that best described each one of the messages considered in this study as proposed by Kassarjian (1977). After appropriate training and testing, each judge received a copy of the same set of messages and the coded list of the 17 types of emotions and their correspondent descriptors taken from Richins’ (1997) study. Judges used the Consumer Emotions Set to select the emotions that best described the content of each message.

Hierarchical and nonhierarchical cluster analyses were performed to generate and refined the cluster membership of the emotions reported. Four unique styles of set of emotions expressed were identified: discontents, contents, positives, and irates. Of particular interest is the high percentage of postings exhibiting positive emotions, including contentment. Contents and positives clusters account for seventy percent of the total of emotions expressed. By using positive emotional appeals such as joy, optimism, and contentment an advertiser would likely increase receptivity of their advertising by a large percent of users. Thus, the study offers insights to marketers and advertisers concerned with the most appropriate emotional appeals in targeting broader segments of virtual community users.

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INTERNET PRIVACY PREFERENCE AND ITS IMPACT ON INTERNET BEHAVIORS

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SUMMARY

Consumers’ concerns over Internet privacy are posited to be more intense than privacy concerns with traditional media (Goodwin 1991; Hoffman, Novak, and Peralta 1999). Commonly, the solution to these concerns has focused on providing additional privacy safeguards to consumers, despite limited empirical evidence to suggest these measures impact online behaviors (Benassi 1999; FTC 1998; Miyazaki and Krishnamurthy 2002). Seeking a better solution, this study develops a scale to assess individual privacy preference and the impact of this preference on Internet behaviors. Findings support the significant impact of privacy preference on frequency of online shopping, as well as other online behaviors.

Every time an individual interacts with the web, she leaves behind a trail of extraordinarily detailed information and intimate personal details. Moreover, she has very little control over who can have access to this information and what they do with it (Prabhaker 2000; Tsanacas 2001; Buchholz and Rosenthal 2002). Understanding consumer privacy preference online is critical because, if consumers become afraid to exchange emails, participate in online chats and bulletin boards, or any other type of online communication, organizations lose not only online exchanges, but virtual communities that provide valuable interactions and generate brand loyalty (Kozinets 1999; Schouten, McAlexander, and Konig 2001).

Several solutions have been proposed to ameliorate this threat. One solution is the use of seals of approval, such as TRUSTe and BBBOnline. However, there is little empirical evidence to suggest that privacy seals affect consumer online behavior (Miyazaki and Krishnamurthy 2002). Another solution is to assess a users’ privacy preference and use this to segment potential consumers. Assessments of privacy preference might also be useful in predicting what types of Internet behavior the individual might eschew.

Privacy is expressed as the overt behavior of a person interacting away from an audience (Goffman 1959). Goodwin (1991) identified two distinct components of privacy as control over (a) the presence of other people in the environment during a market transaction or consumption behavior and (b) the dissemination of information related to or provided during such transactions or behaviors to those who were not present. Marshall (1972) developed the first privacy preference scale, which dealt with offline privacy and consisted of six subscales. Intercorrelations between factors suggest two underlying constructs: anonymity and controlling involvement with others; similar to components identified by Hoffman, Novak, and Peralta (1999).

Using this as a basis in combination with those from Smith, Milberg, and Burke (1996) we developed a 40 item presumptive scale. This was tested and purified with multiple samples, resulting in 2 factors – Anonymity and Legal. Returning to earlier contentions that there were two aspects of Internet privacy, the two factor model appeared to have more theoretical support. These factors demonstrated acceptable validity and reliability after being subjected to multiple assessments.

Cluster analysis was conducted on the combined data set to isolate segments of Internet users. Subsequent analysis of the clusters using K-means clustering resulted in an interpretable four cluster solution that substantially matched the groups emerging from an earlier qualitative study (Hausman and Cook, in press). As predicted by extant theory, the number of years online affects cluster membership, as does the amount of time spent online per session. Other variables that differed significantly between groups were the online behaviors (except for paying bills online) and the Internet privacy preference factors.

The four clusters were: (1) Unconcerned non-shoppers, while a fairly small segment of the population, scored lowest on all significant online behaviors, had less online experienced, and were relatively less concerned with Internet privacy. This makes sense as they had little to lose from online privacy invasion because they do not provide private information. (2) Concerned shoppers, on the other hand, were somewhat concerned about online privacy, but they did not let it interfere with their online shopping. (3) Trusters were not afraid of giving out personal information online, they just did not like to shop online as much as concerned shoppers and ostriches. These individuals had a high need for anonymity, but this was abrogated by their belief that online privacy protection was available from privacy statements and firm policies. Finally, (4) ostriches also liked to shop online, despite the fact they had less faith in legal statements to protect them.
To further our understanding of these segments, Multiple Analysis of Variance (MANOVA) was conducted. Post-hoc evaluations suggested that members of clusters 1 and 3 tended to be older, than those in cluster 2 and 4. Cluster 1 was composed of more men than in other clusters. Meanwhile, members of cluster 4 had higher incomes, on average, than in the other clusters. Analysis of Variance (ANOVA) indicated that the groups were very different in the way they behaved online.

From a basic research standpoint, the psychometric properties of the scale are important, but it is in the application of the scale that it gains applied significance. Segmentation based on privacy preference appears a suitable strategy for increasing profitability of e-tailers, based on this study.

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INFORMATION SOURCES USED BY BUYERS DURING RELATIONSHIP DEVELOPMENT IN BUSINESS-TO-BUSINESS MARKETS

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SUMMARY

Proctor (1991) notes that, “there is plenty of information around, but too much of the wrong kind and not enough of the right kind.” Moriarty and Spekman (1984) examined this problem in transactional buying situations, noting that marketers can influence industrial buyers’ decisions through the source, timing, and quality of information provided. They organized various information sources along two dimensions: commercial/non-commercial and personal/impersonal, and focused their research on “what information sources industrial marketers should emphasize during the procurement process,” (p. 138). However, buyer-seller exchange has become increasingly relational in the past twenty years (Lambe et al. 2000). Thus, it is now important for marketing managers to determine which information sources might be most effective in each phase of the relationship development process. We contribute to this line of research by extending Moriarty and Spekman’s (1984) work to a relationship development situation.

Different types of information have different degrees of effectiveness at different stages in a consumer’s buying process according to the hierarchy of effects model. Lavidge and Steiner (1961) developed one of the first hierarchy of effects models in which consumers move through six levels from awareness to knowledge, to liking, to preference, to conviction and finally to purchase. More recently, Light and Morgan (1994) expanded the concept adding levels for product trial and eventual brand loyalty. The addition of these two levels in the hierarchy moves buying decisions from simple transactions to longer-term relational situations. Long-term buyer-seller relationships develop in five phases according to Dwyer, Schurr, and Oh’s (1987) model of relationship marketing. The first four phases; awareness, exploration, expansion, and commitment parallel the various levels in the hierarchy of effects models and is where our interest lies.

In consumer markets gaining awareness requires some effort to attract the attention of prospective buyers. Buyers who are in new buy or modified re-buy situations (Robinson, Faris, and Wind 1968) generally have specific needs, and thus should be seeking information about the availability of product solutions to those needs. Andersen (2001) notes that the information needed for this purpose is of a general nature and its scope is relatively broad. Ozane and Churchill (1971) suggested that buyers rely on impersonal commercial information sources to a greater extent earlier in decision processes.

P1: Impersonal commercial information sources will be most effective in the awareness phase.

In the exploration phase of relational exchanges buyers engage in extensive searches for information and eventually make trial purchases. This is consistent with behavior suggested in the hierarchy of effects model during the knowledge level. Personal non-commercial information sources such as the buyers own R&D department, and top management might be consulted. Baker and Parkinson (1977) showed that as the procurement decision progresses there is also a pronounced increase in the buyer’s dependence on information furnished by personal noncommercial information sources. Increased communications and the beginning of the bargaining process largely define the exploration phase making personal commercial information sources, particularly in the form of personal selling, very important in the exploration phase.

P2a: Non-commercial information sources are most effective in the exploration phase.

P2b: Personal commercial information sources are more effective in the exploration phase than they were in the awareness phase.

For a relationship to reach the expansion stage, the industrial buyer must have reached the hierarchy of effects level of liking and have showed at least initial signs of the preference level. Personal selling interaction provides much of the information industrial buyers seek in this phase. Communication in established relationships not only involves persuasion but also informing, listening, and answering activities (Duncan and Moriarity 1998) that would likely best be handled through personal commercial sources. In addition, the relationship specific investments between the buyer and the seller reach a maximum during the expansion stage. The internal feedback of the suppliers firms departments, as well as other
managers and employees within the organization will be
critical in the assessment of the relationship to this point.

P3a: Personal commercial information sources and per-
sonal non-commercial information sources will be
most important in the expansion phase.

P3b: Impersonal information sources will decrease sig-
ificantly in importance from the exploration to the
expansion phase.

In the commitment phase, human interaction costs
increase as negotiations give way to joint planning, and
information sharing, while managers work toward con-
tinuous improvement in communication quality to form a
more collaborative relationship (Sriram 1992). Users in
buying firms maintain frequent contact with supplier
salespeople to manage inventories, and keep abreast of
product or technology changes. As relationships last longer,
more managers from both buying and supplying firms get
involved in the exchange relationship (Spekman, Isabella,
Macavoy, and Forbes 1998). Internal reports and employ-
ees from using departments become important informa-
tion sources industrial buyers use as they decide whether
to proceed in the commitment phase. How effectively the
relationship is working, and the degree to which others
within the company believe that further strengthening of
the relationship can provide additional benefits to the
buying firm will all be important pieces of information
that will be supplied by these personal and impersonal
non-commercial internal sources.

P4a: Personal commercial information sources (e.g.,
salespeople) will be the most effective in the com-
mitment phase.

P4b: Personal and impersonal non-commercial infor-
mation sources (e.g., buying firm managers and
internal reports) will be effective in the commit-
ment phase. References available on request.

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EFFECTS OF SALES CALL POSITION AND SELLING STRATEGY WITHIN A SEQUENCE OF COMPETITIVE SALES CALLS

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SUMMARY

When salespeople call on a prospective buyer their sales presentations most often occur in the context of other, competitive sales calls. The first question addressed in this paper is whether the placement of a sales presentation within a series of competitive sales calls influences that presentation’s effectiveness. Although the sales literature currently has no theory on this issue, the literature on persuasive arguments leads us to suggest that the order of sales calls could matter to the decisions that buyers make about the products being presented. Arguments presented first may elicit more attention and create an initial attitude consistent with the arguments (Petty et al. 2001; Haugtvedt and Petty 1992; Haustvedt and Wegener 1994). This primacy effect (Lund 1925; Hovland and Mandell 1957) would suggest that sellers making a sales call before competitors have some advantage in persuasion. However, recency effects that give an advantage to the last of a series of persuasive arguments have also been shown. A recency effect has been found with people less interested or familiar with a topic (Lana 1961, 1963) and is presumed to occur because of the accessibility of more recently presented information.

We propose that order effects in sales calls are moderated by three factors. The first is the strategy that the salesperson uses. Traditional sales presentations summarize product benefits so that the buyer forms a favorable evaluation of that product. A second type of strategy is an agenda strategy, in which the salesperson suggests that the buyer reduce the choice set by applying a series of constraints and eliminating options that do not meet the buyer’s criteria (Wagner, Klein, and Keith 2001). If the buyer accepts the suggested agenda the represented product is more likely to remain in the buyer’s consideration set while most competitors are eliminated. We propose that the use of an agenda strategy may reduce the impact of presentation order because the favorable comparisons with competitors may create a more memorable and/or stronger positive evaluation of the represented product.

A second proposed moderating factor is the market position of the represented product. A market leader has a natural advantage in sales because of its market status; buyers are likely to have top-of-mind awareness of the product, positive a priori evaluations of it, and greater willingness to conclude that it is superior to competitors. Thus a market leader may be less susceptible to order effects than would a similar product of lesser market position. The salesperson for a less prominent product may find it harder to get the buyer to revise preferences established for competitors who called earlier. In addition, favorable evaluations of a non-leader product may be more susceptible to revision after intervening sales presentations. Finally, because a market leader is a formidable competitor, we explore whether a leader’s position impacts the success of competitive products.

The current study uses a computer-interactive simulation to test the effects of the order in which sales calls are made for copier machines. A sample of organizational buyers responded to a computer-interactive questionnaire that included the text of three sales presentations made by salespeople for three fictitious copiers. One of these copiers was positioned as a market leader, and a second of the three was positioned as a Me Too product with characteristics similar to the leader but with a lower price. The third product, included to allow three sales presentations, was more dissimilar. We varied the strategy used in the sales presentation for the Me Too product to be either a traditional summary of product benefits or an agenda strategy described above. The agenda, if accepted and carried through by the buyer, eliminated all products from consideration except the market leader and the Me Too product.

Buyers responded to the three sales presentations described above and also to any additional sales calls that they requested from other sellers; they then chose which copier to buy. The proposed order effects were tested separately for the Me Too and Market Leader products. The dependent variable was the buyer’s choice of the product of interest (coded 1 if the product being analyzed is chosen and 0 otherwise). We coded the order of that product’s sales call as first, middle, or last in a sequence of three or more presentations. The analytical model is CATMOD, a maximum likelihood procedure for analyzing categorical dependent variables. Overall, choice probabilities were .30 for the Market Leader and .19 for the Me Too product, confirming their intended positions in the market.

We first examine the traditional, summary-of-benefits sales presentations. Order affected the choice probabilities of both products, but the nature of the effect...
varied. We find a recency effect for Me Too product, which is more likely to be chosen when its sales call comes last (p = .31) rather than first (p = .12) or in a middle position (p = .21). In addition, the Me Too product is disadvantaged if the Market Leader makes the first sales call; its choice probability is .09 compared to .28 when the Market Leader is in the middle and .24 when the Market Leader comes last. The Market Leader was also affected by the order of sales calls, with higher choice probabilities when its sales call came first (p = .41) or last (p = .45) rather than in the middle of the series of sales calls (p = .14). However, the position of the Me Too product in the sales call sequence has no effect on the success of the Market Leader.

The model testing the moderating effect of Me Too seller strategy predicts choice of the Me Too product from the order of its sales call, the order of the Market Leader’s call, and the interaction of strategy (summary-of-benefits or agenda) with each of these order terms. We again find a recency effect for the Me Too product, whose choice probabilities were higher in last position (p = .46) than in first (.13) or middle (.23) positions. Strategy moderated the impact of the Market Leader’s position on the success of the Me Too product. When the Market Leader makes the first sales call, the probability of the Me Too product being chosen is greater when its salesperson uses an agenda strategy rather than the traditional summary of benefits. Thus the agenda strategy mitigates some of the negative impact of the Market Leader’s favorable sales call position. References available on request.

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SUMMARY

Introduction

In a critical evaluation of international research, Sullivan (1998) suggests that the advancement of international business research has been constrained in its ability to develop due to its reliance on a single methodological approach. Reliance on a single methodological approach ignores metatheoretical implications thus hindering theoretical advancement (Deshpande 1983). In those cases where multiple methods are employed, researchers typically use qualitative research methods for theory construction and quantitative methods for theory verification and substantive inference (Sieber 1973; Deshpande 1983). Under this approach researchers subjugate the theoretical rationale of the respondents qualitative data would provide to the empiricist interpretation offered via statistical testing with quantitative data. Further, and more importantly, the employment of a single approach in the area of international marketing research and international advertising standardization specifically, has contributed to the contradictory findings that have left the field with few absolutes upon which to build. For example, contradictory findings continue in the area of advertising standardization research (cf., Onkvisit and Shaw 1999), despite forty years of research. As such, the purpose of this study is to demonstrate the advantages of employing a mixed method research approach for enhanced substantive inference, i.e., deriving meaningful and logical conclusions from premises known or assumed to be true. Specifically, the influence of environmental similarity, market similarity and process standardization, three key elements from the advertising standardization frameworks of Harvey (1993), Jain (1989) and Chandra, Griffith, and Ryans (2002), on advertising standardization are explored via a mixed method research approach (i.e., quantitative – mail survey; qualitative – in-depth interviews) within a sample of U.S. multinationals operating in India.

Discussion

In this study, the focal issue under consideration was not the impact of environmental similarity, market similarity, and processes standardization on advertising standardization, but whether enhanced substantive inference could be enhanced through the employment of both quantitative and qualitative research methods in theory testing. The issue of advertising standardization was used to illustrate the value of using multiple approaches in the study of international marketing phenomena. First, the importance of a mixed method research approach for substantive inference is illustrated in the relationship between environmental similarity and advertising standardization. The statistical relationship between environmental similarity and advertising standardization is negative, suggesting that firms tend toward standardization when facing environmental dissimilarities. This is broadly consistent with the belief that when firms operate in less economically developed markets (as is the case in this study), little competition exists and thus firms opt for advertising standardization (cf., James and Hill 1991). However, the qualitative data presents a different theoretical explanation suggesting that environmental differences do not play a critical role in the decision to standardize advertising. The qualitative data indicates that standardization occurs in spite of, not due to, environmental dissimilarities. The executives consistently indicated in the qualitative interviews that they standardize their advertising in the face of clear and obvious differences in environmental infrastructures. The negative statistical association found in the quantitative data does not reflect the underlying nature of the relationship and may even be misleading if not supplemented with the qualitative insights on the issue.

Second, although the directional relationship of both data sets pertaining to market similarity is consistent (i.e., positive), the qualitative data offers a more comprehensive understanding of the relationship than in the prior literature, providing insights into the executives' strategy of employing market segmentation to identify and target similar consumer segments to allow for greater advertising standardization. The positive statistical relationship observed suggests that market similarity drives advertising standardization, and is consistent with prior research (e.g., Chandra et al. 2002a). However, the qualitative data seems to offer an alternative explanation, indicating that U.S. executives consciously employ segmentation strategies to identify similar consumer markets, thus allowing
them to capture the strategic benefits and operational efficiencies associated with the use of standardized advertising. Thus, qualitative results seem to offer a different causal explanation by indicating that market similarity is not the key driver of advertising standardization. Rather, the qualitative data suggests that U.S. executives, while operating in developing markets, make a deliberate effort to identify and target similar cross-national consumer market segments in order to facilitate the use of standardized advertising. So, instead of a simple causal link between market similarity and advertising standardization evident in the empirical data, the qualitative data indicates that executives exercise strategic choice to create an environment conducive to advertising standardization. The mixed method research approach provides richer meaning, thus advancing understanding of the relationship between market similarity and advertising standardization.

Further, although the qualitative data suggests a strong relationship between process standardization and advertising standardization the relationship in the qualitative data is less evident. While prior research has theorized that an organizational approach characterized by centralization will drive advertising standardization (e.g., Jain 1989), the results of the qualitative data suggest that the drive for best practices and advertising standardization decisions are relatively independent. However, the qualitative data also suggest that a certain degree of carry-over may occur between the two elements, e.g., positioning elements. This suggests a much more complicated relationship between organizational approach and advertising standardization than currently theorized. Thus, the mixed method research approach provides necessary information not only for the interpretation of the relationship but also for a complete understanding of the factors influencing advertising standardization.

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THE IMPACT OF CULTURAL DIFFERENCES AND RELIGION ON TELEVISION ADVERTISING: A CONTENT ANALYSIS OF THE UNITED STATES AND THE ARAB WORLD

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Michael S. Minor, The University of Texas – Pan American, Edinburg

ABSTRACT

The purpose of this study is to compare television advertisements in several Arab countries (Saudi Arabia, Egypt, and Lebanon) and the United States. We fulfill this objective by conducting a television advertisement content analysis. We find similarities and differences between Arab advertising and U.S. advertising.

INTRODUCTION

Throughout the history of mankind, geography, ethnicity, and political boundaries have contributed to the creation of differences and distinctions among different nations. Over time, societies have formed their own distinguishable characteristics and values that set them apart from other human communities. These distinguishable characteristics include cultures, religions, and ideologies.

Television advertising is one of the most common and prominent methods used in the United States to bring a product or a service to the consumer. However, this may not be the case in other countries and cultures. For example, Al-Makaty et al. (1996) argue that television advertising was virtually unknown in the Saudi home until 1986, except for about 30 percent of the population in the Eastern Province who were able to receive broadcasts from neighboring states such as Bahrain and the United Arab Emirates.

There has been a wealth of literature done on cross-cultural differences in advertising content (Albernethy and Franke 1996; Albers-Miller and Gelb 1996; Al-Olayan and Karande 2000; Cheng and Schweitzer 1996; Cutler and Javalgi 1992; Hong, et al. 1987; Gilly 1988; Davis 2003). Some of these studies focused on similarities and differences in advertising expression between the United States and other similar cultures (e.g., Weinberger and Spotts 1989a), while other studies focused on comparing ad content across dissimilar cultures such as the United States and Japan (Hong et al. 1987; Javalgi et al. 1995; Mueller 1987). Abernethy and Franke (1996) concluded that 68 percent (40 of a sample of 59) content analysis studies dealt with the United States media. Abernethy and Franke (1996, p. 15) stated, “Much less is known about advertising information in other countries. For example, no study has examined the advertising information in any African nation, any part of the Middle East other than Saudi Arabia, or any of the ‘economies in transition’ associated with the former USSR.”

The purpose of this paper is to compare television advertisements in several Arab countries (Saudi Arabia, Egypt, and Lebanon) and the United States. We fulfill this objective by conducting a television advertisement content analysis. According to Al-Olayan and Karande (2000), the Arab world consists of 275 million people with total imports of over $150 billion dollars. Our study will provide a better and needed understanding regarding television advertising in the Arab world.

CULTURAL AND RELIGIOUS DIFFERENCES

The understanding of cultural differences is often considered a prerequisite for successful international advertising (Keegan 1989) because consumers grow up in a particular culture and become aligned with that culture’s value system, beliefs and perception processes. Several studies have shown that consumers are more inclined to respond to advertisements that are congruent with their culture (Boddewyn, Soehl, and Picard 1986; Buzzell 1986; Harris 1984). The value system includes sets of beliefs, attitudes and activities to which a culture or subculture subscribes and is reinforced by rewards and punishments for those who follow or deviate from these guidelines (Rokeach 1973). The Arab culture is based on Islam, which is the major religion in all Arab countries except for Lebanon. Stone (2002, p. 123) stated, “Whatever is happening in the Islamic world whether in its collective manifestations or in individual Islamic countries and populations is a product of the commonality of attitudes and sentiments, which Islam imposes.” Kabasakal and Bodur (2002, p. 44) stated, “All sects accept the Koran as the holy book and adhere to its requirements. The Koran has been a unifying force that strongly influences societal practices and acts as a driver towards creating a common culture in the Arab cluster.”

However, it would be naïve to assume that all Arab countries are alike. Arabs differ in numerous respects
such as conservatism (Nydell 1987), wealth, and education level (Lamb 1987). Although the Arabic grammatical system and written language are uniform across all Arab countries (Al-Olayan and Karande 2000), there are as many as 20 different spoken dialects. In spite of these differences, homogeneity in the Arab countries still exists. This homogeneity can be attributed to historical and cultural reasons. Cleveland (1964) argues that for many years the Arab countries were unified under different Muslim caliphates such as Omayyads, Abbasids, and Ottomans and until the beginning of this century were a single nation. This unification has contributed to a similarity of thinking that most Arabs share across the Arab countries.

DEPICTION OF WOMEN AND GENDER USE (MODESTY)

Islam stresses that women should be dressed in modest attire and encourages women not to show too much of their bodies in public. In some countries, like Saudi Arabia, the teachings of Islam are enforced by the law. For example, Saudi women are not allowed to walk in the streets with their faces uncovered. The Arab society is expected to adhere to the teachings of Islam (Al-Olayan and Karande 2001). Surat Al-Noor-Aih-31 in the Holy Koran addressed the issue of women’s modesty by stating:

“And say to the believing women that they should lower their gaze and guard their modesty; that they should not display their beauty and ornaments except what ordinarily appear thereof that they should draw their veils over their bosoms and not display their beauty except to their husbands, their fathers.”

Scholars interpreted this Koran passage differently: most scholars interpret this message to mean that women may show only their hands and face to men outside of their immediate family. Stricter scholars interpret the message to mean women should be completely veiled. Al-Olayan and Karande (2000) found that in 83 percent of Arabic magazine advertisements showing women, women were wearing long clothing, compared to 29 percent in U.S. advertisements.

However, it is important that we acknowledge the differences between the Arab countries. For example, while women in Saudi Arabia are required by the law to cover their faces in public, Lebanon and Egypt do not have such a requirement and the decision is left to the family. Additionally, although Islam is the common religion, about 50 percent of Lebanon’s population is Arab-Christians and about 10 percent of the Egyptian population is Arab-Christians. Because of these differences, the Arab countries could be placed on a continuum regarding modesty with Lebanon adhering least to the teaching of Islam, Egypt in the middle, and Saudi Arabia as the most adhering of the Arab nations in this study.

The American value system, on the other hand, is based predominantly on Christian beliefs (Protestant and Catholic), and is individualistic (Hofstede 1984) and low context. Specifically, Americans can be described as informal, direct, competitive, high achievers, independent and individualistic, questioners, punctual, and value cleanliness (Bakhtari 1995). Thus we propose:

H1a: Women are used less frequently in Arab television advertising compared to American television advertising.

H1b: Women are used less frequently in Saudi Arabian television advertising compared to Egyptian or Lebanese television advertising.

H2a: Women used in television advertising in the Arab world will be dressed more modestly than women used in television advertising in the United States.

H2b: Women used in advertising in Saudi Arabia will be dressed more modestly compared to women used in advertising in Egypt or Lebanon.

HEDONIC VS. UTILITARIAN VALUE

Utilitarian values correspond to Maslow’s (1954) basic physiological needs which include food, clothing and shelter. Hedonic consumption values involve fun, enjoyment and gratification. We argue that the level of economic development of a country will play a role in determining which value is given preference. We believe economically well-developed countries where citizens are financially able to buy more than the basics can afford to be interested in satisfying the hedonic wants. Lesser developed countries will focus on satisfying the basic needs. Egypt’s GDP per capita is $3,900, Lebanon $5,400, Saudi $11,400 and the United States is $37,600 (World Fact Book 2002). There is a tremendous difference between GDP per capita income in Egypt and Saudi. So it would be naïve to expect all Arab countries to be the same on this variable. We expect businesses to use more of the utilitarian approach to advertising in the poor countries and more of the hedonic approach to advertising in the economically well-developed countries. The Holy Koran stated, “God loves not the wasters” (Koran 7:13). So all Muslims are encouraged to save and not be wasteful. Based on this we propose:

H3a: Hedonic values will be less emphasized in Arab television ads compared to those in the United States.
H3b: Hedonic values will be less emphasized in the poor Arab countries (e.g., Egypt and Lebanon) television ads compared to rich Arab (e.g., Saudi Arabia).

COMMUNICATION

Arab communication styles are very different from American styles. The Arab culture is high context, meaning the communication style is embedded in the context of the message, therefore, the listener must understand the contextual cues in order to interpret the meaning of the message. In the Arab culture, brevity of expression is desirable and speeches that have few words but carry a full meaning are considered to be the best speeches. The Arabic audience does not require a great deal of information from advertising or explicit details of the product being presented (Biswa et al. 1992). Al-Olayan and Karande (2000) argue that because of the high collectivist nature of the Arabic society, people do not depend as much on ads to get information about a product but rather use other sources such as extended family members, friends, etc.

On the other hand the American culture is low-context. Customers in the American culture rely more on direct communication. According to Biswa et al. (1992) and Mueller (1987), Americans are interested in more information and details and as a result the American consumer seeks more information from ads. Al-Olayan and Karande (2000) found that Arabic magazine ads contained fewer information cues compared to American magazine ads. Mueller (1987) found ads in low-context cultures included more information than high-context cultures. Thus we propose:

H4: Compared to U.S. television ads, Arabic television ads contain fewer information cues.

PRICE APPEAL

Unlike in the United States, bargaining is a phenomenon that is practiced daily in the Arab world. Al-Olayan and Karande (2000) argue that this bargaining phenomenon still exists in the Arab world because many businesses are either individual or family owned and these owners are more likely to negotiate prices. Because the Arab culture is a high context culture, being too direct may not be desirable. The same argument can be used for stating prices on ads. Mentioning a price in television advertisements may be less desirable because it can be viewed as too direct and rude. Researchers (Cutler and Javalgi 1992; Javalgi, Cutler, and Malhotra 1995) found that price information in advertising is a major appeal for American buyers. Thus:

H5: Arab television ads will contain less price information compared to U.S. television ads.

COMPARATIVE ADS

According to Hofstede (1984), the Arab world is a highly collectivist society. Ibn Khaldun (1967) addressed the concept of asabiyya in the Arab countries as a type of solidarity among the group that is based on blood or strong bond of mutual affections among the members of the group, which make them willing to fight and die for one another. Moaddel (2002) argues that this solidarity was the key factor in the Bedouins’ military process and driving force that enabled them to overcome city-dwellers and establish royal authority. Al-Olayan and Karande (2000) argue that behavior in the Arab world toward others is influenced by messages in the Islamic Law (Shari’ a), which encourages people not to compete at the cost of harming others. Prophet Muhammad stressed this issue by stating, “None of you truly believes until he loves for his brother what he loves for himself” and that “A Muslim is the one who avoids harming Muslims with his tongue and hands” (quoted in Al-Olayan and Karande 2001, p. 72). Although the same idea can be found in the Holy book of the Jews (Torah) when they were instructed by God in Leviticus 19:18 to love their neighbor as they love themselves and the same concept was emphasized by Christ in the Holy Bible in Mathew 5:43, the Arabs seem to be the ones who have held to this idea of collectivism. It would be expected that comparative advertising will be less prevalent in the Arab world because doing so may cause harm to a Muslim. However, use of comparative advertising is encouraged by the Federal Trade Commission in the United States (Cutler and Javalgi 1992). Thus:

H6: Compared to U.S. television ads, Arab television ads use fewer comparative ads.

RESEARCH METHOD

A sample of 12 hours of programming was video-taped in each of the countries (USA, Egypt, Lebanon, and Saudi Arabia). The times chosen for taping were 7:00 p.m. to 10:00 p.m. Monday–Thursday. The samples were collected during October 2003. We chose this month because there were no national or religious special events. The major network with the highest viewer ratings (e.g., CBS in U.S., Channel 2 in Egypt, LBC in Lebanon, and Saudi TV in Saudi Arabia) was taped. In accordance with past research (Silverstein and Silverstein 1974; Gilly 1988), we used duplicate airings of commercials in the analysis. A total of 531 ads were analyzed: 150 from the U.S., 150 from Lebanon, 170 from Egypt, and 61 from Saudi Arabia.

Six variables were analyzed in this study (gender use and modesty, advertisement purpose [hedonic, utilitarian], information content, price information and whether the advertisement is comparative). Table 1 reveals several differences among the four countries in terms of products
One noticeable difference is in alcoholic beverages representing 10 percent of the Lebanese ads, 1.3 percent of the U.S. ads, and none of the Egyptian or Saudi ads. Alcoholic beverages are illegal in Egypt and Saudi Arabia although they are being sold in some Egyptian tourist places like hotels and restaurants. The food, snacks and soda category comprises the largest percentage of the Lebanese (27.3%), Egyptian (55.3%), and Saudi (42.6%) ads whereas in U.S. the largest category is automobiles.

Two U.S. undergraduates and one Middle Eastern bilingual graduate student coded the U.S. ads. Three bilingual Middle Eastern students (one graduate and two undergraduates) coded the Lebanese, Egyptian, and Saudi ads. All coders were trained prior to coding and coding was restricted to two hours a day with a break in between. Consistent with the procedures of Gilly (1988) and Schneider and Schneider (1979), disagreements among the coders were settled via discussion and consensus. The inter-rater reliability was calculated using the percentage of similar classifications by three coders for all ads. The main character’s gender has a reliability of .95, modesty .88, purpose of the ad .90, whether the ad is comparative 1.00, information content of the ad .90, and price given 1.00. The Chi-Square Test of Independence was used to analyze the data. Coders were asked to use both visual and oral information in judging the ads.

RESULTS

Hypothesis 1a states that women are used less frequently in Arab television advertising compared to American television advertising. As Table 2 indicates, women appeared in 35 percent of U.S. ads, 34 percent of Lebanese ads, 38 percent of Egyptian ads and 17 percent of Saudi ads. The difference was not significant (X2 = 7.1, p > .05), thus H1a is not supported. This result is in accordance with Al-Olayan and Krande’s (2000) study of U.S. and Arab magazine ads where they found no difference in the depiction of men and women in the Arab World and the United States. H1b stated women are used less frequently in Saudi Arabian television advertising compared to Egyptian or Lebanese television advertising. As Table 2 shows, women appeared in 34 percent of the Lebanese ads and in 38 percent of the Egyptian ads compared to only 16 percent of the Saudi ads. This difference was significant (X2 = 18.18, p < .01), thus H1b is supported. Hypothesis 2a stated that women used in television advertising in the Arab world will be dressed more modestly than women used in television advertising used in the United States. Table 2 shows that 100 percent of the women used in the U.S. ads and 100 percent of the Lebanese ads were coded as dressed immodestly while only 8 percent and 0 percent of the Egyptian and Saudi ads respectively were coded as immodest. The difference was significant at the .01 level (X2 = 177.77, p < .01) Thus hypothesis 2a is supported. Hypothesis 2b stated that women used in advertising in Saudi Arabia will be dressed more modestly compared to women used in advertising in Egypt and Lebanon. One hundred percent of the women used in the Lebanese ads were rated as dressed immodestly while 8 percent of the Egyptian ads were rated as immodest compared to 0 percent of the Saudi ads (see Table 2). The difference was significant (X2 =143, p < .01), thus H2b is supported.

<table>
<thead>
<tr>
<th>TABLE 1</th>
<th>Distribution of Commercials Across Product Categories</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>U.S.</td>
</tr>
<tr>
<td>Product Category</td>
<td>N</td>
</tr>
<tr>
<td>Food, snacks, soda</td>
<td>24</td>
</tr>
<tr>
<td>Personal and beauty care</td>
<td>12</td>
</tr>
<tr>
<td>Automobile</td>
<td>31</td>
</tr>
<tr>
<td>Medicine</td>
<td>19</td>
</tr>
<tr>
<td>Household appliances/furnishing</td>
<td>4</td>
</tr>
<tr>
<td>Alcoholic beverages</td>
<td>2</td>
</tr>
<tr>
<td>Household cleaning agents</td>
<td>6</td>
</tr>
<tr>
<td>Clothing</td>
<td>12</td>
</tr>
<tr>
<td>Cigarette</td>
<td>0</td>
</tr>
<tr>
<td>Others</td>
<td>40</td>
</tr>
<tr>
<td>Total</td>
<td>150</td>
</tr>
</tbody>
</table>
Hypothesis 3a poised that hedonic values will be less emphasized in Arab television ads compared to those in the United States. Table 2 shows that 2 percent of U.S. ads were hedonic compared to 0 percent of Lebanese ads, 3 percent of the Egyptian ads and 8 percent of the Saudi ads. The difference was not significant, thus hypothesis 3a was not supported. Hypothesis 3b postulated that hedonic values will be less emphasized in the poor Arab countries (e.g., Egypt and Lebanon) television ads compared to rich Arab countries (e.g., Saudi Arabia). As Table 2 shows, 0 percent of the Lebanese ads were hedonic and 3 percent of the Egyptian ads were hedonic compared to 8 percent of the Saudi ads. This relationship was not significant although in the hypothesized direction, thus hypothesis 3b was not supported. Hypothesis 4 stated that compared to U.S. television ads, Arabic television ads contain fewer information cues. Table 2 shows that 30 percent of U.S. ads were rated as having high information content compared to 25 percent of Lebanese ads, 0 percent of Egyptian ads and 0 percent of Saudi ads. Table 2 also shows that 41 percent of U.S. ads contained low information compared to 30 percent of Lebanese ads, 55 percent of Egyptian ads and 65 percent of Saudi ads. The rest of the ads were rated as moderate and equal in information content. This difference was significant ($X^2 = 73.21, p < .01$), thus hypothesis 4 is supported. This result is consistent with previous research that found U.S. magazine ads contained more information cues than Arab ads (see Al-Olayan and Karande 2000). Hypothesis 5 stated that Arab television ads contain less price information compared to U.S. television ads. As results in Table 2 indicate, the price was given in 18 percent of the U.S. ads, compared to only 2 percent of the Lebanese ads, 8 percent of the Egyptian ads and 4 percent of the Saudi Arabia ads. This difference was significant ($X^2 = 23.56, p < .01$), thus H5 is supported. This result is similar to Al-Olayan and Karande’s result who found U.S. magazine ads to contain more price information than Arab magazine ads. Finally, hypothesis 6 stated that U.S. television ads are more likely to be comparative than Arab television ads. As Table 2 shows, 7 percent of U.S. ads were comparative compared to none of Lebanese, Egyptian and Saudi ads. This difference was significant ($X^2 = 25.65, P < .01$) thus hypothesis 6 is supported. Al-Olayan and Karande (2000) found U.S. magazine ads to contain more comparative ads compared to Arab magazine ads.

**CONCLUSION**

Consistent with past studies (see Al-Olayan and Krande 2000; Gilly 1988), our findings suggest that ads used in one country cannot simply be directly translated for use in another, particularly if the cultural and religious differences between these countries are significant. Our data analysis supported the argument that Arab countries could be placed on a continuum regarding modesty. Although collectively we found women depicted in Arab countries ads to be dressed more modestly than women depicted in U.S. ads, significant differences exists between these Arab countries (e.g., Lebanon and Saudi Arabia).

**TABLE 2**

Comparison of Variables Between the U.S. and the Arab Countries

<table>
<thead>
<tr>
<th>Description</th>
<th>United States</th>
<th>Lebanon</th>
<th>Egypt</th>
<th>Saudi</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Depiction</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Men</td>
<td>36%</td>
<td>45%</td>
<td>38%</td>
<td>33%</td>
</tr>
<tr>
<td>Women</td>
<td>35%</td>
<td>34%</td>
<td>38%</td>
<td>17%</td>
</tr>
<tr>
<td>Both</td>
<td>7%</td>
<td>6%</td>
<td>9%</td>
<td>6%</td>
</tr>
<tr>
<td>N/A</td>
<td>22%</td>
<td>15%</td>
<td>15%</td>
<td>44%</td>
</tr>
<tr>
<td><strong>Modest Women</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>0%</td>
<td>0%</td>
<td>92%</td>
<td>100%</td>
</tr>
<tr>
<td>No</td>
<td>100%</td>
<td>100%</td>
<td>8%</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Hedonic Women</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>2%</td>
<td>0%</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>No</td>
<td>98%</td>
<td>100%</td>
<td>92%</td>
<td>82%</td>
</tr>
<tr>
<td><strong>Utilitarian Women</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>92%</td>
<td>100%</td>
<td>97%</td>
<td>82%</td>
</tr>
<tr>
<td>No</td>
<td>8%</td>
<td>0%</td>
<td>3%</td>
<td>8%</td>
</tr>
<tr>
<td><strong>Content</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High</td>
<td>30%</td>
<td>25%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Low</td>
<td>41%</td>
<td>30%</td>
<td>55%</td>
<td>65%</td>
</tr>
<tr>
<td>Moderate</td>
<td>29%</td>
<td>45%</td>
<td>45%</td>
<td>35%</td>
</tr>
<tr>
<td><strong>Price Given</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>18%</td>
<td>2%</td>
<td>8%</td>
<td>4%</td>
</tr>
<tr>
<td>No</td>
<td>82%</td>
<td>98%</td>
<td>92%</td>
<td>96%</td>
</tr>
<tr>
<td><strong>Comparative</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>7%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>No</td>
<td>93%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>
Arabia). The findings of this study provide more evidence that price information (see Al-Olayan and Karande 2000) has a relatively smaller role in consumers’ choice of products because consumers look for brand name products. We found that advertisers usually avoid price and promotion information in Arab ads. Consistent with previous research (Al-Olayan and Karande 2000), our results show that unlike advertising in the U.S., advertising in the Arab countries tend to include fewer direct comparisons.

REFERENCES


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WHEN COUNTRIES DIVIDE: A CROSS-CULTURAL ANALYSIS OF ADVERTISING APPEALS

Rick T. Wilson, Saint Louis University, St. Louis
Mark J. Arnold, Saint Louis University, St. Louis

ABSTRACT

This study seeks to understand the legacy a dominant culture leaves on an oppressed culture by investigating prevailing ad appeals after nation-states disintegrate. Theories of persistent cultural systems and acculturation are used to formulate research propositions so that an assessment of advertising standardization can be made.

INTRODUCTION

The use of advertising appeals is an important building block in the development of advertisements (Pollay 1988), and equally important is an understanding of which type of appeals to use. This is underscored when entering new or unfamiliar markets. But what of existing markets such as the former USSR or Yugoslavia that fracture into smaller markets? How does the use of advertising appeals change? When political unions disintegrate and intact cultures reemerge as a new nation, how do their “old” values manifest in their advertising? The answers to these questions are important for companies looking to enter these markets and even more crucial for businesses which already operate in these markets. As can be the case, these new nations tend to reinstate all cultural elements that it regards as historically important (Sorokin 1947), and these cultural elements often appear in the new country’s institutions including advertising (Pollay 1983).

Consequently, the purpose of this study is to understand the legacy a dominant culture leaves on an oppressed culture so that firms entering or operating in these newly formed nations can determine the degree to which advertising may be standardized across these group of peoples that share a common history. To understand a culture’s saliency and its manifestation within advertising, it’s important to first understand culture and how it can persist through periods of political domination. Then culture and its major component – values – can be linked to advertising and to the appeals that are such an integral part of advertising.

THEORETICAL BACKGROUND

Persistent Cultural Systems

Hofstede (2001) defines culture as “the collective programming of the mind that distinguishes the members of one group or category of people from another.” Hofstede further maintains that culture is cumulative and is developed over long periods of time ranging anywhere from 500 to 5,000 years. The origins of culture stem from many ecological factors including geography, history, demography, hygiene, nutrition, economy, technology, and urbanization (Hofstede 2001). Culture is not static (Lee 1993), and many forces act to change it – nature, trade, domination, and scientific discovery (Hofstede 2001).

One force that acts to influence culture which is of particular interest in this paper is domination. Inasmuch as culture develops over long periods of time, it cannot be quickly extinguished through domination (Spicer 1971), and societies do not give up their culture easily (Berry 1980). Domination as used in this paper is not simply defined as political oppression but more aptly as social or cultural oppression such as an attempt by the controlling group to eradicate the subjugated group’s language and cultural institutions or in an extreme case to perform ethnic segregation. To illustrate this point, Edward H. Spicer (1971) introduced the “persistent cultural system” as a means to explain how people who are dominated by another people maintain their cultural identity.

Spicer asserts that through domination (or opposition to the domination) “an intense collective consciousness and a high degree of solidarity” develops and is “stored” in the cultural system in the form of symbols. These symbols hold together a culture like a protective barrier and are passed down from generation to generation. They take physical shape in the form of land, language, flags, dance, music, and heroes of the oppressed people. It is during this time of oppression that culture is in fact invigorated and reinforced (Phinney 2003; Sorokin 1947). Furthermore, members of the oppressed culture show one’s solidarity to the collective by following and living by their customs (Kluckhohn 1951).

The inner drive for solidarity within a persistent cultural system may be temporarily suppressed, however, if its energy can be redirected into a large-scale collection of cultures or a nation-state such as the former USSR or Yugoslavia (Spicer 1971). However, Spicer also purports that when nation-state collapses, any surviving cultures are cultural systems of the persistent type. That is, if the cultures that enter the nation-state remain strong over time through the use of symbols and other cultural elements, then the collapse of the nation-state will render the original cultures relatively intact.
However, not every culture persists – some have disappeared completely. Nevertheless, some cultures have persevered for long periods of time such as the Jews, Gypsies, and Basques (Spicer 1971). For the cultures that do survive, how much of the original cultural identity left after the collapse of a nation-state and how much of the dominant culture absorbed into the original culture is a function of the strength of the original culture, the strength of outside influences, and time (Hofstede 2001; Spicer 1971). No matter whether it’s the dominant culture or the oppressed culture, both are forever affected by the experience (Spicer 1971). However, it is usually the oppressed culture that receives more cultural elements from the dominant culture than the reverse situation (Berry 1980).

**Cultural Values and Advertising**

A value, as defined by Rokeach (1973), is a belief that a specific behavior or way of living is favored over other behaviors or life styles. Values are learned early in life (de Mooij 1998) and determine all kinds of behaviors and attitudes, which range from simple purchasing acts to political and religious ideology (Pollay 1983). The transmission of values can be found in many aspects of culture such as family, church, military, courts, universities, and even advertising (Pollay 1983).

Although Pollay (1988) contends that advertising reflects culture, he also realizes that it only reflects certain attitudes, behaviors, and values of a society – it is in a sense a “distorted mirror.” However, not every author agrees that advertising reflects culture. Some authors believe that advertising influences the future values of culture (Berger et al. 1973) while others believe that advertising affects and is affected by culture (Williamson 1978). Nevertheless, a good number of authors believe that advertising reflects culture and actually reinforces the values that reside within culture (Khairullah, Tucker, and Tankersley 1996; Pollay 1985).

As such, cultural values are found in every aspect of advertising including its message, form, and execution (de Mooij 1998). Values are perhaps the strongest within the advertisement’s central message or the “appeal,” and it is through the appeal that values are linked to the product (Pollay 1988). Advertising appeals are designed to make a product interesting to the consumer and to incite the consumer to purchase (de Mooij 1998). Advertising that is congruent with a society’s cultural norms and roles has been found to produce favorable responses toward advertising (Gregory and Munch 1997).

**Cross-Cultural Studies and Advertising Appeals**

Advertising appeals have been used in a variety of cross-cultural studies focusing on a broad range of appeals (Albers-Miller and Gelb 1996; Tse, Belk, and Zhou 1989); on one or two appeals such as humor or sex (Rustogi, Hensel, and Burgers 1996); on a category of appeals such as emotional or rational appeals (Albers-Miller and Stafford 1999); on context-related appeals such as hard- and soft-sell (Mueller 1987); or on East-versus West-oriented appeals (Lin 2001).

A few studies have shown that for at least some advertising appeals they may be predictable by culture (Albers-Miller and Gelb 1996). Other studies have shown that the type of appeals employed by various cultures do not necessarily change by type of appeal but rather by frequency of use (Mueller 1987). Although no study was found to review advertising appeals between dissimilar cultures that have recently emerged from one nation-state, one study has reviewed advertising appeals between three nations with one similar culture (Tse, Belk, and Zhou 1989). In their research, the authors discovered that despite a similar language and ethnic heritage, China, Taiwan, and Hong Kong had remarkably consistent differences in the use of advertising appeals.

**RESEARCH PROPOSITIONS**

One way to understand how the cultural values of dominant and oppressed cultures are affected by periods of political unity is through the study of acculturation. Acculturation is used to explain how independent cultural groups change as a result of continuous first-hand contact over an extended period of time (Berry et al. 1989).

Acculturation models have often been used to study the impact of immigrants in host cultures and colonialism on native peoples (Laroche, Kim, and Tmiuk 1998). These models can also be helpful to assess the impact of dominant cultures on oppressed cultures during a political union of a nation-state and after its dissolution. One model in particular by Berry (1980, 2003; Berry et al. 1989) is very useful in that it is multi-dimensional and has been utilized in a number of studies (Gentry, Jun, and Tansuhaj 1995; Mehta and Belk 1991).

Berry’s (2003) model outlines various acculturation strategies based upon whether the dominant and/or non-dominant culture wishes to maintain relationships with one another or wishes to maintain their respective cultural heritage and identity. However because the emphasis of this paper rests with oppressed cultures and persistent cultural systems, we need only focus on the part of Berry’s model that assumes the non-dominant (or oppressed) group desires to maintain their cultural heritage. Therefore, we can rule out the extreme forms of acculturation from the discussion – assimilation and marginalization – and focus on the portion of the model that discusses integration and separation.
Consequently, through integration or separation, an oppressed culture and its associated values are maintained through the use of symbols and other cultural elements that are passed down from generation to generation (Spicer 1971). The manifestation of their retained cultural values appears in their national institutions such as government, family, and advertising – and thus advertising appeals (Pollay 1983).

P1: The types of advertising appeals employed between the dominant and oppressed cultures will differ significantly for the time period after the collapse of the nation-state.

The degree of acculturation brought about by integration or separation can magnify the differences in advertising appeals used between the two cultures. Borrowing from Padilla’s (1980) dimensions of acculturative change, oppressed cultures that have maintained their native language, have strong cultural awareness, have had little inter-ethnic interaction, and great inter-ethnic distance are said to have had little acculturation and therefore are persistent cultural systems as defined by Spicer (1971). The number of Padilla’s dimensions present and depth within each dimension found in persistent cultures can vary. This is evidenced by linguistic merging (creoles) in colonial Africa (Berry 1980) and Italian-Canadians who have adopted some cultural behaviors of the English-Canadians and yet have retained aspects of their culture of origin (Laroche, Kim, and Tomiuk 1998).

A few of today’s most recognizable persistent cultural systems are the newly independent states of the former USSR, Slovakia, the five new republics of the former Yugoslav federation, and the Southeast Asian island nation of Timor. Each nation, in their own way, has reasserted their persistent cultural system in the form of sovereignty. This after experiencing many forms of oppression such as years of political, cultural, and economic domination by the Czech population in the case of Slovakia (Musil 1995) or attempts to eradicate Slovenia’s native language as was the case by the domineering Serbian leadership (Gow and Carmichael 2000).

To analyze the degree of acculturation in these persistent cultural systems and many others like them, it’s important to discuss Padilla’s (1980) dimensions of acculturative change with the first being the loss of one’s native language. The loss of one’s language is often associated with a higher degree of acculturation toward the dominant culture and thus a measure that the oppressed culture has lost a portion of their original values (Padilla 1980). However, Padilla points out that partial losses of language such as bilingualism should not be viewed as a high degree of acculturation if individuals use the dominant culture’s language in school, work, or in day-to-day encounters with members of the larger society but uses their native language at home or in familiar cultural settings. Nevertheless if one’s native tongue disappears or diminishes greatly, many aspects of culture will also disappear or diminish (Alba 1995). Consequently, the maintenance of one’s language translates into the maintenance of one’s values.

P2: The difference in the type of advertising appeals employed by the oppressed culture as compared to the dominant culture will be magnified for the time period after the collapse of the nation-state if the oppressed culture has maintained their own language.

Cultural awareness is a function of the amount of cultural knowledge, ethnic pride, and ethnic identification possessed by an individual (Padilla 1980). In unsettled periods such as oppression it is common for groups to “hyper-identify” with their cultural heritage and its associated symbols as was found in several acculturation studies (Mehta and Belk 1991). However, it is possible that one may identify with more than one culture. Identification with more than one ethnicity is not uncommon in pluralistic societies and in no way suggests a loss of one’s native culture (Laroche, Kim, and Tomiuk 1998). Consequently, persistent cultural systems that maintain a strong cultural awareness are said to have maintained a portion of their cultural values (Marín and Gamba 2003).

P3: The difference in the type of advertising appeals employed by the oppressed culture as compared to the dominant culture will be magnified for the time period after the collapse of the nation-state if the oppressed culture has strong cultural awareness.

Inter-ethnic distance, on the other hand, refers to the real and/or perceived cultural distance that often arises from discrimination stemming from differences in religion, skin color, accented speech, etc. (Padilla 1980). In fact, inter-ethnic differences brought about by racism and discrimination is thought to preserve a group’s ethnic identity in providing the group with a sense of solidarity in the wake of such oppression (Phinney 2003). When ethnic differences are great, rates of acculturation are slower (Padilla 1980). Inter-ethnic distance or namely skin color was shown to be an important factor in the slow rate of assimilation in other studies and thus greater maintenance of cultural values (Mehta and Belk 1991). Therefore, the presence of inter-ethnic differences facilitates the maintenance of cultural values.

P4: The difference in the type of advertising appeals employed by the oppressed culture as compared to the dominant culture will be magnified for the time period after the collapse of the nation-state if the oppressed culture has great inter-ethnic distance.
Many studies have repeatedly found that rates of acculturation toward the dominant culture tend to be the strongest from the first generation to the second generation with degradation leveling off thereafter (Keefe and Padilla 1987; Phinney 2003). In addition, many authors have purported that the generational effect is not a good measure for the degree of acculturation (Phinney 2003) because it does not take into account the motivation of the individuals or group to either assimilate or maintain their cultural values (Wallendorf and Reilly 1983). In persistent cultural systems, the motivations to maintain cultural heritage and ethnic identity are strong. In fact, the generational effects of acculturation have been shown to be minimal when there is little inter-ethnic interaction or when the size of the ethnic community is large (Keefe and Padilla 1987; Phinney 2003). Inter-ethnic interaction refers to the degree of relations between the dominant and oppressed cultures such as intermarriages, migration to dominant culture neighborhoods and territories, etc. (Padilla 1980). Cultures which have little interaction or are confined to ethnic neighborhoods are said to acculturate slowly (Lazear 1999). Other authors have noted a significant weakening of ethnicity and thus culture when individuals move out of ethnic neighborhoods and into ethnically diverse suburbs (Alba 1995). Hence, when members of a culture are small or live outside their ethnic enclaves, the rate of loss of their cultural values is hastened.

P5a: The difference in the type of advertising appeals employed by the oppressed culture as compared to the dominant culture will be magnified for the time period after the collapse of the nation state if the oppressed culture has had little inter-ethnic interaction.

P5b: The difference in the type of advertising appeals employed by the oppressed culture as compared to the dominant culture will be magnified for the time period after the collapse of the nation state if the oppressed culture’s population is equally as large as the dominant culture’s population.

Shortly after the dissolution of the nation-state, the oppressed culture will experience a period of intense reinstatement of all cultural elements that it regards as historically important (Sorokin 1947). However, this process may not come easy to the new nation and her people as they may be “unsettled” and be at a loss for their identity (Swidler 1986). To overcome these unsettled periods, national governments have often used patriotic advertising appeals to advance and instill national values (Rose 2003). In a similar vein, Pollay’s (1985) study discovered an increased use of patriotic appeals celebrating and reaffirming national identity in the U.S. during World War II. Therefore, governments and business will use a significant amount of patriotic appeals immediately following the dissolution of a nation-state.

P6: The proportion of advertising appeals using patriotic themes for the oppressed culture will be significantly greater immediately following the dissolution of the nation-state and diminishing thereafter than for anytime prior to dissolution.

**Macro Influences on Advertising Appeals**

Besides culture, other factors are known to influence the types and frequency of appeals used in advertising such as historical events, modern advertising techniques, government, and the effects of time. These factors are important and their influence must be controlled for by benchmarking the results of the aforementioned propositions against the results of another country.

After significant historical events such as war or the Great Depression, some studies have noted a temporary increase in the use of certain types of advertising appeals (Pollay 1985). Other studies have shown an increase in Western appeals with the introduction of modern advertising techniques resulting from the opening of international advertising agencies in a country (Wang et al. 1997). A country’s government can also influence the type of advertising (and thus appeal) that is employed in a particular market. For example in Egypt, actors in sexy dress are prohibited in advertisements, and exaggeration is interpreted as a form of lying in the United Arab Emirates and is therefore not permitted (Leo Burnett 1994). Finally, another factor influencing advertising appeals is the effect of time – that is over time certain facets of advertising including appeals change just as consumer tastes change over time. For example, one study found a return to traditional appeals mixed with an increasing amount of Western appeals in China (Cheng 1997) while another study noted that in the latter half of the century U.S. advertisers used fewer but more forceful types of appeals than were used in the earlier half of the century (Pollay 1984)

**CONCLUSION**

Cultural values are linked to advertising and are manifest in the advertising appeals employed to incite customers to purchase (Pollay 1983). Societies who maintain cultural values through the use of symbols and other cultural elements over long periods of oppression are said to have a persistent cultural system (Spicer 1971).

The amount of their original cultural left intact within the persistent cultural system is a function of the survival of their language and cultural awareness as well as the degree of interaction the oppressed culture has had with
the dominant culture (Padilla 1980). Oppressed cultures which have low rates of intermarriage, little migration to the dominant culture’s neighborhoods and/or territories, and an equally as large population as compared to the dominant culture’s population, are very likely to maintain a significant proportion of their cultural identity. Once freed from their oppression, the persistent culture reasserts their cultural values and identity (Sorokin 1947). A period of revitalization occurs, and this energy carries through to all aspects of their lives including advertising.

Several implications for management are evident in a thorough understanding of how an oppressed culture’s values manifest in their use of advertising appeals. Companies who seek to understand these new nations will be rewarded through the development of advertising that is adapted to and appeals to these newly sovereign peoples. This knowledge will assist advertising managers in assessing the degree of advertising standardization possible in these new markets. For example, advertising may have to be adapted to support new or reemerging language requirements. Furthermore, a greater understanding of the revitalized culture will also enable advertising managers to effectively employ the appropriate advertising appeals such as using patriotic themes to appeal to a country’s new found independence or national pride. Finally on a broader level, the identification and study of a reemerged culture can assist marketing managers in segmenting, targeting, and positioning products and services in these revitalized market places perhaps leading to the generation of new products or niche segments.

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PREDICTING CUSTOMERS’ FUTURE PURCHASES: AN EMPIRICAL COMPARISON OF THE NBD, THE NBRM, AND THE RFM MODEL

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ABSTRACT

Predicting customer future purchases at the individual level has been a topic of great interest to marketers. We empirically compare three different modeling methods, namely the Negative Binomial Model, the Negative Binomial Regression Model, and the Recency, Frequency, Monetary Model, using data from the consumer-packaged goods industry. Results are discussed.

INTRODUCTION

Predicting customer future purchases at the individual level has been of great interest to marketing researchers and practitioners alike. Several important recent marketing constructs rely heavily on predictions of customers’ future purchases as the foundation for theory development. For example, customer lifetime value (Hughes 1997; Reinartz and Kumar 2003) is the discounted value of a customer’s future purchases over his/her lifetime. Customer equity (Rust, Zeithaml, and Lemon 2000) builds on customer lifetime value, and it is the total of estimated lifetime values across all customers of a firm. Customer profitability (e.g., Reinartz and Kumar 2003), is the difference between a customer’s present value and incurred cost. The present value for a given customer is determined by the expected future purchases and the expected gross margin. Each of these three constructs (i.e., customer lifetime value, customer equity and customer profitability) uses the individual-level predictions of future purchases as an important component. Indeed, there are many different ways to predict a customer’s future purchases. However, three streams of methods, namely (1) Negative Binomial Distribution (NBD) methods, (2) Negative Binomial Regression Methods (NBRM) and (3) Recency, Frequency and Monetary (RFM) methods, are widely used by researchers and practitioners in general. Yet, even among the three streams, it’s not clear if any one of the methods consistently performs better than the other in terms of prediction accuracy. In fact, each stream of methods has its own pros and cons. It’s also not necessarily true that mathematically complicated methods always outperform relatively intuitive ones. In this study, three methods are compared using a consumer-packaged goods product. The paper is organized into three parts: (1) discussion of each of the three methods, (2) empirical comparison, and (3) conclusions and discussions.

THE NEGATIVE BINOMIAL DISTRIBUTION (NBD) MODEL

The NBD model was initially introduced into the marketing literature in the 1950’s by Andrew Ehrenberg (1959). After its introduction, this model was continuously improved upon by many marketing researchers (e.g., Schmittlein, Bemmaor, and Morrison 1985; Morrison and Schmittlein 1988; Schmittlein and Peterson 1994). Over time, the NBD model has become one of the simplest approaches to model customer buying patterns, while providing a reasonable representation (Morrison and Schmittlein 1988). In the context of category purchases, brand purchases (Schmittlein, Bemmaor, and Morrison 1985), as well as catalog purchases (Reinartz and Kumar 2003), the NBD model, and its extensions, have been used successfully to predict the occurrences of customer future purchases. The NBD model is used to represent the number of occurrences of an event in a specific period of time. The number of occurrences is assumed to be distributed as Poisson with a rate parameter, which follows a Gamma distribution to allow individual heterogeneity. In this study, it is assumed that the number of purchases of a given brand made by a customer follows the NBD distribution. Mathematically, the NBD model is specified as follows:

\[ P_{\text{NBD}}(X = x | \lambda, \gamma, \alpha) = \int_0^\infty P(X = x | \lambda) g(\lambda; \gamma, \alpha) d\lambda \quad x = 0, 1, 2, \ldots \]

where \( X \) is the number of purchases of a particular brand in a specified period of time; \( \lambda \) is the individual purchase rate; \( \gamma \) and \( \alpha \) are unknown parameters specifying the Gamma distribution. Specifically,

\[ P(X = x | \lambda) = \frac{e^{-\lambda} \lambda^x}{x!} \quad \text{(Poisson Distribution)} \]

\[ g(\lambda; \gamma, \alpha) = \frac{\alpha^\gamma \lambda^{\gamma-1} e^{-\alpha \lambda}}{\Gamma(\gamma)} \quad \text{(Gamma density function)} \]

Performing the described integration yields the well-known equation for the NBD model:

\[ P_{\text{NBD}}(X = x | \lambda, \gamma, \alpha) = \left( \frac{\alpha^\gamma}{\alpha + 1} \right)^{x+1} \left( \frac{1}{(\alpha + 1)} \right)^\gamma \quad x = 0, 1, 2, \ldots \text{ and } \gamma, \alpha > 0. \]

The conditional expectation for a future observation, given a previous observation for a customer, is given by Morrison (1968). That is, after observing \( x \) brand pur-
chases, we have a Bayesian updated purchase rate $\lambda$, with posterior parameters of $\gamma + x$ and $\alpha + 1$. This conditional expectation equation facilitates estimating the number of brand purchases in the next period of time, based on the number of such purchases in a preceding time period.

The NBD model has several variations (e.g., the Erlang-2 NBD, the zero-spike adjusted NBD) aimed at resolving problems associated with this method. Still, Sabavala (1988) and Montgomery (1988) challenge the stationarity assumption of the NBD model and its variations. This assumption means that the number of purchases of a given brand remains as Poisson with the individual purchase rate $\lambda$ unchanging over time (Morrison and Schmittlein 1988). Assuming too short of a time period tends to generate a non-Poisson purchase pattern; whereas too long of a period jeopardizes stationarity (Sabavala 1988). More importantly, the stationarity assumption also becomes tenuous, if marketing activities vary across time. Even though different marketing activities might cancel out each other in terms of their impacts on consumer purchase patterns, the stationarity assumption is fragile and unreliable (Sabavala 1988). To address this issue, Morrison and Schmittlein (1988) suggested an alternative modeling approach. They proposed to: (1) use a stationary baseline period to fit the NBD model, (2) use the model prediction in a second time period to identify discrepancies between the NBD predictions and actual observed values, and (3) to model the discrepancies as a function of marketing mix or other covariates. However, this approach still assumes stationarity in the baseline period. Not surprisingly, there is great interest to directly remove the stationarity assumption over time periods, when they make predictions using the historical purchase information. In this sense, the NBRM is a theoretical improvement to the NBD methods. However, empirical comparison of results from using both the NBD and the NBRM to predict customer brand purchases will help to shed light on the value of this enhancement in the context of predictive accuracy. In addition, we include a widely practiced non-parametric method from the direct marketing field, as a benchmark for model comparison. This method is discussed in the following section.

THE NEGATIVE BINOMIAL REGRESSION MODEL (NBRM)

Similar to the NBD models, the Negative Binomial Regression Model (NBRM) (Cameron and Trivedi 1998) begins with the assumption that the number of purchases at the individual level follows a Poisson distribution. Let $Y$ represent the number of purchases of a given brand (similar to $X$ in the NBD Model), and $\lambda$ is the mean purchase rate for the $i$th individual. The purchase rate $\lambda$ is defined by the following equation:

$$\lambda_i = \exp(x_i' \beta + \text{offset}_i + \varepsilon_i) = \exp(x_i' \beta + \text{offset}_i) \exp(\varepsilon_i) = \mu_i \nu_i$$

where $\mu_i = \exp(x_i' \beta + \text{offset}_i)$, $\nu_i = \exp(\varepsilon_i)$. $i$ denotes each individual/household. $x_i$ is a vector of relevant explanatory variables. $\beta$ is the coefficient vector. $\text{offset}$ is the logarithm of the time interval being measured, also known as the exposure time. Since the same time interval is applied to each individual, this term is omitted. $\varepsilon_i$ is the error term, which is assumed to be independent of the $x_i$.

In addition, the model assumes:

$$E(\varepsilon_i) = 0 \text{ and } \nu_i = \exp(\varepsilon_i) \sim \text{Gamma}(1/\alpha, \alpha)$$

where $1/\alpha$ and $\alpha$ are parameters of Gamma distribution (corresponding to $\gamma, \alpha$ in the previous discussions on the NBD model).

The unconditional likelihood function for the $i$th observation can be shown to be:

$$f(y_i) = \int_0^\infty f(y_i | \nu) g(\nu) d\nu = \frac{\Gamma(1/\alpha + y_i)}{\Gamma(y_i + 1)\Gamma(1/\alpha)} \nu_i^{y_i+1} (1 - \nu_i)^{1/\alpha}$$

The parameters in the NBRM are estimated by the maximum likelihood method. Two different parameterizations of the NBRM (i.e., NB1 and NB2) can be used. These different parameterizations are due to different treatments of the dispersion term for each observation (Cameron and Trivedi 1998, pp. 70–77). We follow the most common approach, as suggested by Long and Freese (2001), and fit the NB2 model, in the terminology of Cameron and Trivedi (1998). The NBRM introduces covariates into the Poisson purchase process to explain the variability in the individual purchase rate. By incorporating covariates into the model, researchers are able to remove the stationarity assumption over time periods, when they make predictions using the historical purchase information. In this sense, the NBRM is a theoretical improvement to the NBD methods. However, empirical comparison of results from using both the NBD and the NBRM to predict customer brand purchases will help to shed light on the value of this enhancement in the context of predictive accuracy. In addition, we include a widely practiced non-parametric method from the direct marketing field, as a benchmark for model comparison. This method is discussed in the following section.

THE RECENCY, FREQUENCY, AND MONETARY (RFM) MODEL

The Recency, Frequency and Monetary (RFM) Model was initially developed in direct marketing, with the hopes of identifying high-spending customers and those who respond to marketing activities in a timely fashion. The RFM model is considered to be one of the most powerful analytical tools available to database marketers (Hughes 1997; Schmid and Weber 1997). The basic rationale is to classify customers into groups based on different purchase patterns. Three key characteristics are used to determine customer group membership: recency, frequency and monetary amount. Recency is the time to date since the most recent purchase. Frequency is the number of purchases that a customer makes within a
specified time frame. Monetary value is the total dollar amount that a customer has spent in the specified time period. Once recency, frequency, and monetary values are calculated, customers are grouped into tiers based on their respective values for these variables.

Following Hughes' (1997) recommendations, qualified customers are split into quintiles in terms of recency, frequency and monetary value. A ‘5’ is assigned to the top 20 percent (i.e., the top quintile), a ‘4’ to the second 20 percent (i.e., the second quintile from the top), and so forth. A customer with a triple-5 rating suggests that he/she is among the most (top 20%) recent, frequent and money-spending customers. Once the scores for recency, frequency and monetary amount are calculated for each customer, we put those customers with the same scores into the same group. For example, all customers who have triple-5 in recency, frequency and monetary value are classified as one group. The average number of purchases in a group represents the expected number of purchases for all the customers within this group. The group-level average values are calculated on the basis of historical purchases, and are updated constantly when new data become available. Therefore, this model is dynamic and captures longitudinal trends.

EMPIRICAL MODEL COMPARISON

Data

The data for this study, obtained from A.C. Nielsen, are household-level purchase histories of one frequently purchased consumer package goods based on a national panel data collected from 1992 to 1994. This dataset covers all brands within the product category, and contains all related transactions (i.e., product category purchases) made by the panel households. Three broad categories of information are available: purchase characteristics (e.g., date of purchase, quantity, brands, etc.), relevant marketing activities (e.g., price, display, etc.) and geographic/demographic information (e.g., household size, income, etc.). We focus on the brand (referred to as brand H hereafter) with the largest market share for analysis, because it provides the largest sample size. We later use a small brand from the same category to provide another point of comparison.

Criteria for Qualifying Household. Households in the panel join and leave constantly. To guarantee the consistency of households over the time frame, households that do not make any category purchases during the first and last three months of the time period are excluded. Given that the data are collected from frequently purchased goods with a median inter-purchase time of approximately 1.6 months, it is reasonable to assume a household is not “alive” in the panel, if the household does not purchase any products in the category during these two three-month periods. This approach of constructing a “static” panel is consistent with similar research efforts (e.g., Swaminathan, Fox, and Reddy 2001). After building a static panel, we further eliminate households that are considered as hardcore non-buyers of brand H. Recall that using a Gamma distribution for the mean purchase rate $\lambda$ assumes that all customers will buy eventually. That is, no hardcore non-buyers (with $\lambda = 0$), also known as the zero class, exist in the panel. This is not appropriate in most situations, but the problem can be solved either by introducing a zero-class NBD model (e.g., Morrison 1969) and a zero-class NBRM (Cameron and Trivedi 1998), or by simply removing all non-buyers. We confine our analysis to brand H buyers and identify a non-buyer as a household that does not purchase brand H for the 2-year period.

Table 1 contains descriptive information of the data, which includes only transactions of brand H buyers in the static panel.

Explanatory Variables Used in the NBRM Model

Relative Price (Price). The relative price of brand $H$ was calculated for each of the 76 major geographic markets, included in the dataset. Within each major market, the average unit price of brand $H$ was divided by the grand average unit price for the entire product category. Therefore, the relative price is the ratio of brand $H$ unit price to average category unit price. All purchases made within one market will share the same relative price in the NBRM. Loyalty (Loyalty). Loyalty was operationalized as a measure of brand $H$ experience, that is, the frequency of purchasing brand $H$, compared to the total purchases made within the category. Using brand experience (i.e., share of category purchases), as a measure of customer loyalty is consistent with prior research (e.g., Swaminathan, Fox, and Reddy 2001; Russell and Kamakura 1994). Being a share variable, loyalty has a range of 0 to 1. Money Spent on Brand H (Spend). This variable is the total money spent on brand H for the estimation time period. This measure is similar to the monetary value of a customer, discussed in the RFM model.

Model Specification. Recall that individual level brand $H$ purchases follow a Poisson process, and the individual purchase rate $\lambda_i$ is given by:

$$\lambda_i = \exp(\beta_0 + \beta_1 + \beta_2 Price + \beta_3 Loyalty) \exp(\epsilon_i)$$

The model fitting results are summarized in Table 2. Overall, Loyalty and Spend each have a positive impact on the number of brand purchases. Price has a negative effect on the number of purchases. All included covariates have very significant relationships with the number of purchases.
Model Comparison

In previous sections, we discussed three different approaches (i.e., the NBD, the NBRM and the RFM) to predict the number of purchases of brand H in a future time period, based on past purchase patterns. The response variable (the number of purchases in a time period) is a count variable, which records the frequency of a categorical event (i.e., brand H purchase). Similar to the multinomial logit model and to logistic regression, the categorical nature of the response variable makes the normality assumption of the classic linear models inappropriate. In contrast, the RFM does not require any specified distributions. Both the NBD model and the NBRM assume a Poisson process to deal with the count variable. Yet, each of the three models has its pros and cons. RFM is by far the most intuitive one. It involves no distribution or any estimation of parameters. The NBD model is mathematically more complicated than the RFM model, but it provides more information including expected inter-purchase time, amount of heterogeneity in purchase rate, and so on. The estimation of parameters in the NBD model is relatively simple (e.g., the method of moments, and maximum likelihood estimation). The most mathematically sophisticated one is the NBRM model, which incorporates covariates and thus enables not only predicting the dependent variable, but also examining the relationship between the dependent variable and the explanatory variables.

We compare the three methods on the basis of accuracy of future predictions. Specifically, we use three different time-intervals (i.e., 26, 52, and 78 weeks respectively) to fit each of the models, and then use the fitted models to predict the number of brand H purchases in the 26-weeks immediately following the estimation period. In the RFM model, predictions of future purchases are calculated based on the group average number of purchases in the estimation period. In the NBD model, predictions are based on the equation of the conditional expectation for a future observation. For the NBRM model, predictions are made by using values of the covariates for the future time period. All predicted values are adjusted for the length of the “future” time period. For example, if 78 weeks are used in estimation, the forecasts from this time interval are divided by 3 to adjust them to predictions for the 26 weeks immediately following the 78th week. Predicted values are compared to actual observed values to assess predictive accuracy. The accuracy is measured by the (1) overall correct classification rate

| TABLE 1 | Descriptive Information of Brand H Buyers in the Static Panel |
|----------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Product Category | Personal Care | Median number of purchases | 16 |
| Total number of transactions | 41774 | Mean number of purchases | 19 |
| Number of qualified households | 2220 | Standard deviation of number of purchases | 12 |
| Median inter-purchase time (in weeks) | 6.5 | Brand H market share | 25% |

| TABLE 2 | The NBRM Estimations |
|----------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Variables | 26 Weeks | 52 Weeks | 78 Weeks |
| Intercept | -0.551*** | 0.1423 | 0.4368** |
| Price | -0.3959*** | -0.366*** | -0.2861*** |
| Loyalty | 1.5858*** | 1.4257*** | 1.3597*** |
| Spend | 0.0961** | 0.0573** | 0.0421* |

Significance level: *0.1, **0.05 and ***<0.01
(Hit Ratio), (2) mean square errors (MSE), and (3) mean absolute errors (MAE). Overall, there is no clear evidence that any model performs significantly better than others across all time intervals. As shown in Table 3, all three indicators (i.e., Hit Ratio, MSE, and MAE) suggest that these three models have rather similar capabilities for predicting customer future purchases. To show that results are not idiosyncratic to a large brand, the study is replicated for a small brand B in the same product category. Brand B has approximately 5.46 percent market share in the static panel, which is substantially smaller than that of brand H. Results from this analysis of brand B provide some evidence that the NBRM might have some better performance in prediction accuracy, particularly when compared to the RFM model. But when it is compared to the NBD model, NBRM model doesn’t consistently show a better performance in predictive accuracy. Table 3 summarizes the results.

CONCLUSIONS AND LIMITATIONS

Even though the NBRM is a theoretical enhancement of the NBD method, our empirical findings reveal no clear evidence that the NBRM is significantly better than the NBD model in terms of prediction accuracy. The NBRM has a slightly higher hit-ratio, but this result is not consistent across all time intervals. Overall, all three models have acceptable levels of prediction error. For example, given that the mean number of purchases in a 26-week period is approximately 5, the prediction error of about 1 is not unreasonable. Note also, that, as expected, the hit-ratios are relatively low for all models. In a multinomial outcome situation (in fact, there is an infinite number of outcomes in a Poisson process), it is quite difficult to exactly predict the outcome. Hence, MSE and MAE are relatively better measures of prediction performance. In sum, our results suggest that, among the models we compared, mathematically complicated models do not necessarily outperform the relatively intuitive models in terms of prediction accuracy. In this sense, simplicity becomes a major consideration for model selection from the practical perspective, given that the primary purpose of developing the model is prediction. Yet, it is important to point out that the more sophisticated models have uses beyond predicting customer purchases. For example, the NBRM provides marketers with insights into the impact of marketing activities on purchasing. If a researcher is interested on the effect of pricing on the number of purchases made by consumers, the NBRM is able to show the magnitude of the pricing effect through the estimation of coefficients. Therefore, selection of an appropriate model involves considerations of model prediction accuracy, model complexity, as well as intended use of the model.

There are several limitations associated with this study. First, due to data unavailability, we consider only a limited set of covariates in the NBRM, other covariates (e.g., advertising, promotions, geographic location of a household, etc.) may be valuable for prediction. Secondly, our findings relate to the brands in one product category. Additional research, using other products and services, is needed. In addition, since the data for our study is from a low-priced frequently-purchased product category, buying behaviors may be quite habitual and regular. If data from a product category with higher purchasing irregularity (e.g., apparel) are used, the model comparison may exhibit different pattern. In light of the generalization issue, data from multiple product classes should be used to verify the findings, which could be an

| TABLE 3 |
| NBRM, NBM, and RFM Comparison |
| 26 Weeks | 52 Weeks | 78 Weeks | 26 Weeks | 52 Weeks | 78 Weeks |
| Brand H | Validation Brand B |
| Hit Ratio | Hit Ratio |
| NBRM | 39% | 36% | 26% | 37.92% | 39.26% | 48.05% |
| Root MSE | 2.09 | 1.59 | 2.01 | 1.25 | 1.25 | 1.02 |
| MAE | 1 | 0.9 | 1.02 | 0.87 | 0.85 | 0.74 |
| NBD | 27% | 34% | 33% | 36.11% | 26.18% | 44.28% |
| Root MSE | 1.54 | 1.34 | 1.75 | 1.23 | 1.22 | 1.06 |
| MAE | 0.92 | 0.87 | 1 | 0.92 | 0.89 | 0.82 |
| RFM | 39% | 34% | 30% | 34.60% | 26.01% | 38.55% |
| MSE | 2.3 | 1.82 | 2.15 | 1.54 | 1.50 | 1.31 |
| MAE | 1 | 0.92 | 1.08 | 1.02 | 0.98 | 0.89 |

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interesting future research direction. Thirdly, this study only examines and compares three widely applied methods. During recent years, many other choice models have been developed to forecast consumer purchase decisions (e.g., artificial intelligence methods, hierarchical Bayesian methods, etc.). Each of these is aimed to offer more and more accurate individual-level forecasts. We, however, confine our study to the domain of NBD and NBRM models. Yet, more complicated extensions of the NBD model and the NBRM model may improve prediction accuracy. Schmittlein, Bemmaor, and Morrison (1985) introduced a beta binomial/negative binomial distribution (BB/NBD) model to represent individuals’ brand buying behaviors. The BB/NBD model assumes brand choice is a two-step process, and that these two steps are independent. In the first step, a consumer makes the decision to make a purchase in a specific category, and this decision follows the NBD process. In the following step, the decision becomes a brand choice decision. The brand decision follows a Bernoulli process. This approach is conceptually appealing, particularly in the consumer packaged goods category. However, Schmittlein et al. (1985) also indicate that this theoretically different method may not generate a managerially significant improvement in the prediction accuracy. Including the BB/NBD model in a similar empirical comparison is also an interesting area for future research. Fourthly, we constructed a static panel using an arbitrary criterion (i.e., a panel household is not “alive” in the panel, if no purchase was made during two three-month periods) to filter out households that had left the panel. This approach could potentially screen out households that were still “alive” in the panel without making purchases due to various reasons (e.g., stock-up in previous time periods). This problem is common to research that use panel data and is unlikely to be resolved unless new data (e.g., dates for a household to join and leave the panel) become available.

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MANAGEMENT OF THE MARKET RESEARCH FUNCTION IN CLIENT FIRMS

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ABSTRACT

Companies vary in the way they structure their market research function. This was hypothesized to affect the perceived value of their research. A survey of 241 marketing managers in major Australian firms showed that structure positively affected the perceived value of market research information while bolstering the internal client’s position.

INTRODUCTION

The history of the market research industry is poorly documented, especially on the client side. However, anecdotal accounts suggest that the way market research has been organized in the client firm has changed considerably over time. Presumably these changes occurred because organizations believed they could gain better value by restructuring the market research (MR) function. This issue about structure forms the rationale for the current study. Its purpose is to see whether different MR organizational structures do in fact produce different quality outcomes.

In its earliest days, it was common for client companies and advertising agencies to employ their own researchers to conduct much of their research. This was followed by an era where companies often kept their design and analysis skills in-house but outsourced their market research fieldwork. Next came an era where design and analysis were also outsourced. Under this approach, the professional buyers managed information dissemination within the firm, while the external providers contributed an external perspective on market complexity and took responsibility for meeting decision makers’ needs (Sinkula 1990). However, Sinkula and Hampton (1988) indicated that a centralized buying department impeded the use of market research and made it more likely that external suppliers would be used. Large MR buying departments, now bearing a variety of names, are still apparent in US and multinational corporations. In a country like Australia, firms operate on a much smaller scale, but many larger firms still have separate buying groups or departments. These may be centralized or different strategic business units may each have their own group.

A mixture of newer organizational models is also apparent. Valentine (2000) has observed a split in how firms define the role of their internal market researchers. Some have traditional “market research managers” who have the responsibility for delivering information to the parts of the organization that need it. The second group, “consumer insight managers” aim at driving organizational strategies. In the Australian market, Moore (2003) has described this latter role in some detail. It seeks to exploit internal and external data, as well as MR data, to deliver valuable insights to internal clients thus providing a voice of the customer. All this has to be delivered within the organizational context, with the manager having sufficient knowledge of how the organization operates and sufficient seniority to exert this influence. For others (Baker and Mouncey 2003; Smith and Dexter 2001), this insight role has become an imperative for the modern management of market research. Practitioners such as from Thygesen and McGowan (2002) have similarly identified the contrast between research as, “. . . ‘due diligence’; we did it because we ‘had to’,” (p. 144) as opposed to a research process which provided real consumer insights. Such insight managers are likely to be more successful when they have their own group with sufficient skills to commission research, review data sources and synthesise information.

There also appears to be a split between companies who have downgraded (or more accurately, downsized) the buying function (Shaw and White 1999) versus those who have retained or redeveloped the role. Valentine (2001) has also identified a “new community of clients” (p.168) she refers to as nomadic. These are a talent pool of people who have no fixed role in the firm’s structure, but who are available to work on special purpose projects. At any one time, they may be allied to a particular workgroup, but will move on as requirements change. Some external suppliers or freelancers may also be employed in a nomadic role. Such “nomads” thus do not necessarily establish long-term relationships, either on the client or supply side. However, building relationships with suppliers develops trust and can lead to a positive effect on the use made of market research (Moorman, Zaltman, and Deshpandé 1992; Boughton, Novak, and Washburn 1996). Moorman, Zaltman, and Deshpandé also showed that good relationships between internal
market researchers and their internal clients led to more effective use of market research. Thus it would be expected that people with a dedicated buying role, with at least a medium term commitment to their work, would be better placed to provide valued services.

Dedicated buyers have the opportunity to build relationships with both suppliers and internal clients, to understand the needs of client groups and to apply creativity in their role of delivering strategic value relevant to a dynamic, politicized organizational context. Technical research skills, as exemplified by staff designing or conducting their own market research projects, should help in understanding the firm’s key issues and making sense of the data collected. These skills may also confer some authority or legitimacy when they talk about the “voice of the customer” and the outcomes of research. An organization which conducts some of its own market research is also likely to have at least a medium-term commitment to its staff, again giving them the opportunity to build relationships with internal clients and to promote their usefulness.

One significant element of trust in any relationship is the forgoing of opportunistic behavior. Given that market research is a potential agent of change within the organization, we may expect to see what Piercy (1983) has called the “non-rational” use of market research to bolster entrenched positions within the organization. Market research is often used to justify proposed marketing action (Bednall, Huyhn, and Alford 2003; from Thygesen and McGowan 2002) rather than to drive change. Finally, the increased use of market research to measure managers’ key performance indicators suggests that market research is likely to be conducted and interpreted within the power framework of the organization. Experienced operators are therefore likely to be more effective in dealing with this issue than people with a part-time role.

Classically, MR is said to deliver value when it provides the cost-effective information needed for objective decision making at a senior level (Raphael and Parket 1991). Thus MR is typically depicted as a rational process, bringing the voice of the customer to the organization. However, studies of actual practice are starting to reveal a more complex picture. As Valentine (2002) has noted, internal researchers face a tension between the rational, fact-centric, stable, and predictable market research function versus the need for creative, entrepreneurial, ambiguous, and contentious research, which focuses on imagination rather than objective knowledge. Given the growth of customer relationship management (CRM) and other customer database systems, there is also a need to integrate these systems, or even to design market monitors within the framework of CRM systems (Marr 2001). Similarly, a combination of market research with competitive intelligence is another apparent imperative (Stantat 1998).

Thus it would be expected that, all else being equal, that client firms with a more developed market research function and the commensurate skills (Shea and LeBourveau 2000; Donnelly, Van’t Hull, and Will 2000) would see greater value in the activity and this would be reflected in the judgements companies make about the usefulness of their own market research program. In terms of structure, the main alternatives for organizing the MR function appear to be as follows: no staff; part-time MR staff; full-time MR staff; separate MR units in strategic business units; and a centralized MR function.

It was thus hypothesised that the way market research was structured within the organization would affect the perceived quality of the market research process. Organizations which had no established buyers or which had people working on MR as one of their many roles would be hypothesised to judge MR as least effective. This is because they would lack a commitment to relationships on the basis of research, lack experience in buying well and lack legitimacy on the basis of technical skills. In contrast, having dedicated researchers was hypothesised to be more likely to deliver valued outcomes. Finally, dedicated buying groups, in contrast to individual buyers, can share experience and expertise. Such groups may also offer a career structure, allowing staff to commit to the MR function and deliver the best value.

**METHOD**

The study was conducted in Australia. Based on recent estimates (ABS 2003), it comprises around 2 percent of the world market quoted by Honomichl (2003). This market was suitable for this research because even large corporates (by Australian standards) have only limited numbers of internal market researchers and even here they are under cost pressures to limit and routinize the market research function (Beveridge 2003). For example, one of Australia’s largest buyers of market research, has waxed and waned between around 8 to 30 researchers in the last decade. It was possible that some large corporations would not have any full-time researchers. Thus, the market was likely to include corporations with a mixture of methods of managing market research, and some with no such function, similar to the European experience (Nijssen and Frambach 1999). On the other hand, Australia provides a microcosm of the world’s major market in the United States – Western, multicultural and dominated by multinational research suppliers.

The research was conducted in two phases. In the first phase, 16 preliminary discussions about the management of market research and its value to the organization were held with senior marketers and research managers in Australia and the United States. These interviews were used to generate a series of scale items to measure the effectiveness of the market research program.
The second phase of the research was a personally addressed self-completion mail survey. Repeat mailings were sent to non-respondents and if contact information was available, telephone or internet follow-up was used. A list derived from Dun and Bradstreet’s top 1000 senior marketing managers in for-profit Australian companies comprised the sample frame. Some 241 usable replies were received.

The questionnaire covered the organization of the market research function in the firm, expenditure on research and the perceived utility of the previous year’s market research program. These items were derived from the literature, including studies of the value of particular projects – the USER scale (Menon and Wilcox 1994; Yamin and Shaw 1998) and from the interviews with marketing and research professionals. Details of all items used are in Tables 3 and 4. Academic colleagues in the Australia and the United States reviewed the questionnaire prior to its completion and in this sense, the items had face validity. Some limited evidence for the convergent validity of the items came from correlating them with factors derived from the published USER scale. Details can be supplied on request.

RESULTS

Most of the managers (65%) had company-wide responsibility for marketing, with the remainder operating within a smaller business unit in their firm. In the results which follow, managers described the market research activities in the area of their responsibility – be it the firm as a whole or their particular business unit. Of the total sample, only 205 managers (86%) reported that their area of the business conducted or commissioned any customer, intermediary or internal (e.g. staff) research project in the past financial year. Of the 14 percent who reported no research, over half (8%) had responsibility for marketing across the firm not just a single business unit. Thus it would appear that there are a number of companies, even large ones by Australian standards, which do not use market research in any given year.

All the results which are reported from this point on refer to the group of companies who conducted research. As predicted, there were a variety of models for managing the market research function. Table 1 characterizes the management of MR in their organizations. Some firms used MR but had no-one with MR responsibility. Just how this was organized among this small group was unclear. One possible model would be to outsource the buying function to a research broker or external consultant, as Gondek (1999) has observed.

In order to see what effect the organization of market research might have, companies were grouped into five ordinal categories, based on decreasing levels of research sophistication – companies who conducted their own research, those with their own groups or departments of buyers, those with one or more specialist buyers, those with part-time buyers and those with no buyers. Any company which qualified for a higher category was not counted in a lower category.

Table 2 shows the allocation of costs to market research, including estimates of internal costs (labor, overheads) and amounts paid to external market research consultants. Over 5 percent recorded no costs in their business unit last financial year. As they all participated in some form of market research, such groups evidently had their costs met outside their business unit.

We now turn to the issue of whether the organization of the market research function had any impact on

| TABLE 1 |
| Management of MR in Organization |

| No-one assigned a buying role | 7% |
| **Within the Business Unit:** | |
| One or more specialist buyers | 31% |
| People who buy market research as one of their jobs | 36% |
| People conduct research projects themselves | 35% |
| Formal group or department of specialist buyers | 5% |
| **Elsewhere in the organization:** | |
| One or more specialist buyers | 16% |
| People who buy market research as one of their jobs | 24% |
| People conduct research projects themselves | 26% |
| Formal group or department of specialist buyers | 8% |
manager’s evaluation of the benefits of the market research for their business unit. A series of seven-point Likert scale items statements about the benefits and use of market research were used. Table 3 shows the responses to all items used and the outcome of an exploratory factor analysis of these items. Four factors were produced.

The first Factor dealt with the positive benefits gained from market research in terms of better products and services, better productivity and a strong contribution to marketing strategy. In general the factor captured the broad business value of market research. The second factor dealt with the usability of the information produced and its ability to integrate with customer and competitor data. The third factor was about understanding the marketplace, about bringing the voice of the customer into the organization. The final factor related to bolstering the manager’s position within the organization, through providing key performance measures, covering “our backside” and using the information to get support within the organization.

Finally three items addressing the traditional decision support function of market research were asked about the research program in the past year. They were in the form of a semantic differential scale, using a 7-point scale. Results are in Table 4. In general, managers were positive, but not overwhelmingly so, about the assistance MR gave to their decision making. The three items were combined into a scale, based on a Cronbach’s standardized alpha value of 0.85.

An analysis was made of the relationship between the organizational types shown in Table 1 and evaluation of the annual market research program. The dependent variables were factor scores derived from the four factors shown in Table 3, and the “assistance with decision making” scale shown in Table 4. A fixed effects MANCOVA was used for this purpose. The independent variable was the research management type shown in Table 1. External spending on research (up to or above $A50k) and internal spending on research (up to or above $A50k) were used as covariates. Details are in Table 2.

Four of the five MANCOVAs showed overall significant results, though the effect sizes were small in all cases. In the case of the first factor (Business value of MR), a higher investment in internal costs affected the value gained from market research. F(1,188) = 5.11, p < 0.05 This suggested that it was not so much how the firm was organized but how much the firm valued and invested in the function internally that made the difference here.

The second factor, the value of the market research information in use within the organization, was affected by how the MR function was organized. F(4,188) = 2.84, p < 0.05. Having a separate buying group in the organization had the most positive influence on this outcome, while having no one in the buyer role had a negative impact.

For the third factor, bringing in a marketplace understanding, the amount spent externally did affect the extent to which this was a valued outcome. F(1,188) = 5.19, p < 0.05. Presumably a larger budget produces better market insights and the ability to pay external suppliers to present the information in a clearer fashion. For the final factor, bolstering the manager’s position, the style of MR management did affect perceived research value. F(1,188) = 2.60, p < 0.05. Having a separate buying group facilitated this, presumably because the manager had authority for their activities and hence the way research was reported internally. The scale covering the value of market research for decision making was not related to structure, not did it co-vary with internal or external MR spending.

**DISCUSSION**

From the perspective of these managers, the market research function did deliver value in terms of developing marketing tactics and strategies, bringing in the voice of the customer, increasing market understanding and providing moderate assistance with decision making. It was also apparent that market research was useful in gaining organizational support and validating marketing managers’ performance.

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**TABLE 2**  
Costs of Market Research Last Financial Year

<table>
<thead>
<tr>
<th>Costs $000s</th>
<th>Internal Costs</th>
<th>External Costs</th>
<th>Neither</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>14%</td>
<td>8%</td>
<td>5%</td>
</tr>
<tr>
<td>Up to $A50</td>
<td>51%</td>
<td>41%</td>
<td></td>
</tr>
<tr>
<td>&gt;$A50</td>
<td>35%</td>
<td>51%</td>
<td></td>
</tr>
</tbody>
</table>
TABLE 3
Evaluation of the Outcomes of Market Research

<table>
<thead>
<tr>
<th>Item</th>
<th>Std. Dev. Mean</th>
<th>Factor 1 Positive Benefits</th>
<th>Factor 2 Usable Information</th>
<th>Factor 3 Understand Market</th>
<th>Factor 4 Manager Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Has profoundly shaped our marketing policies.</td>
<td>4.4</td>
<td>1.5</td>
<td><strong>0.725</strong></td>
<td>0.211</td>
<td>0.311</td>
</tr>
<tr>
<td>Has led to an improved implementation of new products or services.</td>
<td>4.7</td>
<td>1.4</td>
<td><strong>0.779</strong></td>
<td>0.086</td>
<td>0.300</td>
</tr>
<tr>
<td>Has led to increased productivity.</td>
<td>4.1</td>
<td>1.3</td>
<td><strong>0.719</strong></td>
<td>0.210</td>
<td>-0.094</td>
</tr>
<tr>
<td>Has helped us to understand the dynamics of the marketplace.</td>
<td>5.5</td>
<td>1.2</td>
<td><strong>0.585</strong></td>
<td>0.376</td>
<td>0.413</td>
</tr>
<tr>
<td>Produces reports that are easy for my staff to understand.</td>
<td>4.6</td>
<td>1.5</td>
<td>0.296</td>
<td><strong>0.616</strong></td>
<td>0.241</td>
</tr>
<tr>
<td>Normally leads to concrete actions being taken.</td>
<td>4.7</td>
<td>1.4</td>
<td><strong>0.603</strong></td>
<td>0.187</td>
<td>0.402</td>
</tr>
<tr>
<td>Is mainly used to increase our understanding of marketing issues.</td>
<td>5.1</td>
<td>1.3</td>
<td><strong>0.380</strong></td>
<td>0.124</td>
<td>0.564</td>
</tr>
<tr>
<td>Makes a major contribution to the marketing strategies developed by our Business Unit.</td>
<td>5.1</td>
<td>1.5</td>
<td><strong>0.722</strong></td>
<td>0.261</td>
<td>0.364</td>
</tr>
<tr>
<td>Helps my marketing group get its own way in our Business Unit.</td>
<td>3.7</td>
<td>1.6</td>
<td><strong>0.544</strong></td>
<td>0.263</td>
<td>-0.202</td>
</tr>
<tr>
<td>Is mainly used to assist marketing decision making.</td>
<td>4.8</td>
<td>1.3</td>
<td><strong>0.565</strong></td>
<td>0.034</td>
<td><strong>0.479</strong></td>
</tr>
<tr>
<td>Is mainly used to confirm our understanding of issues.</td>
<td>4.9</td>
<td>1.2</td>
<td>0.086</td>
<td>0.129</td>
<td><strong>0.720</strong></td>
</tr>
<tr>
<td>Provides the main “voice of the customer” in our Business Unit.</td>
<td>4.5</td>
<td>1.6</td>
<td>0.158</td>
<td>0.293</td>
<td><strong>0.536</strong></td>
</tr>
<tr>
<td>Is used to provide key measures of managers’ performance.</td>
<td>3.2</td>
<td>1.7</td>
<td>-0.014</td>
<td>0.129</td>
<td>0.255</td>
</tr>
<tr>
<td>Has a major influence on our top management.</td>
<td>4.2</td>
<td>1.7</td>
<td>0.391</td>
<td>0.044</td>
<td>0.328</td>
</tr>
<tr>
<td>Helps cover our backside when my group needs to make risky marketing decisions.</td>
<td>3.2</td>
<td>1.7</td>
<td>0.268</td>
<td>0.237</td>
<td>-0.145</td>
</tr>
<tr>
<td>Produces information that’s easy to integrate with our customer data.</td>
<td>3.6</td>
<td>1.5</td>
<td>0.209</td>
<td><strong>0.836</strong></td>
<td>0.085</td>
</tr>
<tr>
<td>Produces information that is easy to integrate with our competitor data.</td>
<td>3.5</td>
<td>1.5</td>
<td>0.096</td>
<td><strong>0.805</strong></td>
<td>0.126</td>
</tr>
<tr>
<td>The value of our marketing research information far outweighs its cost.</td>
<td>4.8</td>
<td>1.4</td>
<td><strong>0.455</strong></td>
<td><strong>0.451</strong></td>
<td>0.364</td>
</tr>
</tbody>
</table>

Missing values were resolved by substituting the modal value. Based on n = 195.
As far as organization structure was concerned, having a dedicated buying group appeared to make a difference to the use of market research information, especially when it needed to be combined with other customer data and market intelligence. This was reminiscent of the “insights manager” role described to us in our preliminary interviews and by Valentine (2002) and Moore (2003). Having MR staff also acted to bolster the market manager’s position by helping his or her group to get their way in the organization. Both these roles suggest that internal market researchers are capable of adding value beyond their role as buyers. These outcomes applied even when spending on research was taken into account.

The results also suggested that the amount of spending on external research did affect the level of market understanding apparently produced – presumably with greater spending comes more data, more insights and better reporting. Similarly, the deployment of internal staff appeared to contribute to the development of strategy and effective decision making on the basis of research.

It is plausible that firms which saw the market research function as valuable were more likely to invest in it and having invested in it, to take more notice of it. Similarly, those firms which did not value the function may have already downsized or abolished it. In the current study, the evaluation of the previous year’s MR program cannot itself have caused the structures that organised the research. However, these structures may themselves exist because of a culture within the organization that values research or at least valued it at the time the structure was established. The current study is cross-sectional and could not document the origins of the existing structures.

Anecdotal evidence would suggest that organizational structures tend to outlast the consultant groups and managers who designed them. Thus in the case of the marketing managers in this study, it is likely that many inherited structures rather than designed them. Thus the causal direction tested in this study was reasonable, but it is acknowledged, provides only part of the picture. Marketing managers would have more influence on the resources supplied to these structures, especially financial and staffing budgets.

The resources used and the organization of the research function appeared to contribute to the value delivered. However, these findings give only tantalizing glimpses of what is actually occurring in the client firm. Apart from their technical skills, market research professionals evidently can contribute on a number of fronts. But just how they go about achieving this within the day-to-day operations of the firm, how they build relationships, how they discern what is needed and how they deliver actual value is as yet poorly researched. The study supports the notion that structure and effective use of MR are related, but leaves open for further research into how decisions about MR structures, internal expertise and resources are made within the client firm.

### Table 4

<table>
<thead>
<tr>
<th>MR Decision Making Support</th>
<th>Mean</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Totally inadequate for my decision making &lt; → &gt; Totally adequate for my decision making.</td>
<td>4.61</td>
<td>1.35</td>
</tr>
<tr>
<td>Gives me no help at all in predicting consequences of my decision making &lt; → &gt; Allows me to accurately predict consequences of my decision making.</td>
<td>4.49</td>
<td>1.33</td>
</tr>
<tr>
<td>Does not give me any confidence in my decision making &lt; → &gt; Makes me totally confident in my decision making</td>
<td>4.61</td>
<td>1.22</td>
</tr>
</tbody>
</table>

**References**


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A TASTE OF A METHOD’S OWN MEDICINE: A CONTENT ANALYSIS OF CONTENT ANALYSES

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Angeline Grace Close, University of Georgia, Athens
Sunil Contractor, University of Georgia, Athens
Ji Hee Song, University of Georgia, Athens
Jason Q. Zhang, University of Georgia, Athens

SUMMARY

The methods typically employed in business research tend to be those borrowed from positivistic science, where the “methodology of science is its logic of justification” (Hunt 2002, p. 23). However, marketing research often involves the examination of the processes of communication as well. Content analysis (CA) is an observational research method used to conduct systematic evaluations of the symbolic content of all forms of recorded communications. In essence, researchers count and analyze the numbers of times that specific, previously specified data appear in a given set of documents, say, billboard ads, or television shows (Kolbe and Burnett 1994; Yale and Gilly 1988). While content analyses are often performed as a sole method of inquiry, a combination of research methods allows researchers to offer a richer description of the phenomena in question (Brewer and Hunter 1989).

In our content analysis of content analyses, we review all CA papers published from 1977 to 2002 in four exemplary business- and marketing-oriented journals: Journal of Marketing, Journal of Marketing Research, Journal of Consumer Research, and Journal of Business Research (n = 35). Our research design is informed by two informal hypotheses. First, CA has moved over time from a positivistic paradigm to an interpretive paradigm, as evidenced by an increasing examination of latent-meaning variables and by the increasing use of theory in content analyses. Second, CA has become an increasingly sophisticated analytical tool, as evidenced by the use of more advanced statistical methods over time.

Building upon these hypotheses, as well as empirical work on content analysis published by Kassarjian (1977), Yale and Gilly (1988), and Kolbe and Burnett (1994), we test the following research questions:

RQ1 From the marketing perspective, what is the overall contribution of content analyses published in the marketing literature from 1977 to 2002?

RQ2 What is the developmental history of content analysis as a research method in the selected literature?

RQ3 As a research method, has content analysis been adequately applied in the selected literature?

We find the overall contribution of content analyses in marketing to be the advancement of knowledge and theory related to very specific topics. Content analyses have covered topics from sex and race to shopping behaviors and comic books, and researchers’ primary source materials come from around the world. In other words, this is a method of rich topical inquiry, and three major content areas we have identified are (1) Advertising appeals, (2) Social values, and (3) Research methodology.

The application of CA has evolved from a positivistic orientation to an interpretive one over the past 25 years. Positivistic analysis is defined as one that only counts manifest meanings of subject content. It does not build grounded theories or use preexisting theories to interpret its findings. The interpretive paradigm is characterized by the analysis of latent variables and the use of theory-based research methods. A study of time-saving appeals in advertisements and what these appeals imply about the culture that produced them is an example of an interpretive CA (Gross and Sheth 1989). Since 1990, almost all published CA articles have been linked to a wide variety of theories, both in research design and the interpretation of findings. As marketing is a synthetic, applied discipline, it has relied on other disciplines, such as psychology and mass communication, to inform these theories.

Furthermore, we assume that studies using multiple research methods are more comprehensive and have more validity than single-method research designs, as multi-method research “mitigates method biases” (Kolbe and Burnett 1994, p. 244). We find that CA is increasingly used as a preliminary or supporting research tool, rather than as a primary means of investigation. The increasing percentage of multi-method studies indicates that content analyses are improving with regards to the methodological complexity of the research designs in which they are employed. By examining the application of advanced statistical methods within CA articles, we find evidence that content analysis in marketing research is becoming a more sophisticated analytical tool, although we find that
scope of inquiry (i.e., choice of subject material) has not expanded over time.

As per criteria specified by Kassarjian (1977), content analyses must include *a priori* coder training, specific coding rules and procedures, independent coders (or some other predetermined method for ensuring reliability of results), reliability reporting (both inter- and intra-coder), and validation of findings. These are essential for conducting methodologically sound content analyses. However, many researchers do not report essential information in their articles, such as reliability and validity testing. In general, we find content analysis research methods to be rich in interpretation and outlook, yet lacking rigor and sophistication in its quantitative application. We call for researchers to uphold more rigorous standards in content analyses in order to improve its efficacy as a research method.

In conducting this research, we discovered that the use of CA in the marketing literature over the past 25 years has been extremely limited. We found our sample size too small to produce statistically significant results with anything but simple analyses. However, through inferences gathered from analysis of our research questions, we maintain that this article sheds light on the method of content analysis and its relationship with the marketing literature.

We recommend that marketing researchers continue to integrate other disciplines’ (e.g., advertising, mass communications, psychology, economics, management, MIS, sociology, linguistics) knowledge and theoretical bases into every aspect of their research designs. We also maintain that statistical rigor in content analyses must improve in order to establish widespread confidence and acceptance of the method, by researchers and readers alike. A broad scope of inquiry, combined with rigorous statistical application could transform CA into a key that opens many new doors for the field of marketing as an integral component of robust multiple-method research designs. References available upon request.

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ANALOGIES, PRODUCT DEVELOPMENT, AND CONSUMERS

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SUMMARY

We conduct a qualitative inquiry into the product development process and initial market response for an electronic notepad. Our initial objective was to confirm the use of analogical thinking and source domains by product developers when products are designed and engineered, and those used by consumers when trying to understand and evaluate the commercialized products. Source domains are the areas of knowledge stored in memory (e.g., desktop computers when making sense of laptops) from which people draw analogically when they encounter novel products. In-depth interviews were conducted with product developers and consumer beta testers of the commercial version of the product, and all interviews being transcribed and content analyzed. The data reveal that ideation and analogical thinking take place multiple times throughout the process of taking a product from concept to commercial introduction, not just at the concept development stage. The data also reveal differences between product developers and consumers in terms of how they use analogical thinking and the source domains they engage, and some unexpected uses of these mechanisms that should be relevant to managers and academicians.

First, we find that ideation does not occur solely when a product is first conceptualized, but continues throughout the development process. At least for a complex product like the one we study, the rigors and challenges of translating desired functionality into engineered realities make it necessary for ideation to be engaged many times. Ideation is engaged, for example, when new features are made possible by technological breakthroughs and must be evaluated. Ideation is also engaged when cost and manufacturing considerations make it necessary to combine features or change how they are delivered, and when technological difficulties require compromise or that features be eliminated. Ideation and analogical thinking appear to be important factors throughout the whole product development process and should receive even more managerial and research attention than they have garnered thus far.

Second, we find that differences between the source domains used by product developers when working on new product concepts, and consumers when making sense of them, can lead to substantial discrepancies between the consumer responses anticipated by developers and those actually expressed by consumers. More specifically, the use of different source domains (e.g., laptops for developers and PDAs for consumers) in the development and evaluation of product features can lead to product developers spending substantial resources on features that are technologically sophisticated but not valued by consumers, while overlooking technologically attainable features that consumers expect and are disappointed to find missing.

Third, we find that analogical thinking extends beyond the development of product features and characteristics, and plays an important role in the evaluation of product feature ideas that emerge as the product is being engineered. The fast pace of technology development makes it necessary for many companies to evaluate the inclusion of product features that were not available when product development was initiated but become available as the product moves toward the final production design. For complex products this can happen repeatedly, and the frequency with which product feature decisions are needed relative to the limited frequency with which developers have direct contact with the target consumers, force developers to base most of their new feature decisions on idealized consumer representations. Through analogical thinking, and drawing from source domains such as friends and acquaintances, or market-research-based knowledge of target consumers, product developers derive imaginary or idealized representations of persons who fit the target consumer profile, and try to imagine their response to the feature(s) being considered. Furthermore, they supplement knowledge deficiencies in those representations relative to the decisions being sought through the veiled use of self-referential knowledge. The bottom line is that many decisions are based on idealized consumers that are highly reflective of the product developers’ personal tastes and preferences, but without an outright acknowledgement of their heavy reliance on self-referential knowledge. Moreover, the effects are exacerbated when group decisions are involved.

Our data suggest that when group decisions are involved, the consensus-building process makes it necessary for each group member to elicit his or her own idealized representations whenever group conversations call for them through statements such as “imagine a _____” or “can you picture a ______?” Such calls for thinking effort in pursuit of consensus are mentally in-
volving, and they focus the group members’ conscious attention on the similarities between their respective representations instead of on the differences. Using analogical thinking in this manner is expeditious for decisions, but it may be adding to the divergence between what developers come to believe will be valued by target consumers, and what those consumers ultimately appreciate or dispike once products are commercialized.

Our paper concludes with some research questions that emerge from our findings, and with three recommendations for improving the understanding of consumer preferences held by product developers throughout the stages of new product development, and ultimately the chances that new products will be understood and appreciated by consumers.

1. Reduce source domain discrepancies between product developers and target customers, and be aware of unavoidable discrepancies.

2. Set watchdogs over the use of idealized consumer representations in product development teams.

3. Maintain a fresh flow of consumer information.

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AN EMPIRICAL STUDY OF DETERMINANTS OF DOT.COMS’ PERFORMANCE

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SUMMARY

This paper presents a study of key factors separating dot.com winners from losers. Though the disciplines of management, marketing, business policy, organizational behavior, accounting, and finance are replete with theoretical and empirical studies of factors which might differentiate between successful and unsuccessful companies, only a few studies have focused on dot.coms (references and a full-length paper are available upon request). In general, the findings suggest that the attributes of successful dot.coms are similar to those reported for successful brick and mortar companies.

Method

Study companies were selected from www.internetnews.com/stock/list, which reported data on 280 dot.coms. From this list, 24 successful companies were identified and selected as those reporting a profit in year 2000 or those whose losses have decreased while sales have increased between 1999 and 2000. This procedure was followed because there were very few profitable dot.coms. Each of the 24 winners was then matched as much as possible with a dot.com loser in the same sector and of the same size. This was done to ensure internal and external validity of the study. It should be noted that since most sample dot.coms were small and very young, company age and size were not of much use in the matching process. A losing dot.com was operationally defined as one reporting increasing losses between 1999 and 2000 while sales were relatively stagnant.

The study proceeded by collecting data about the 24 dot.com winners and 24 dot.com losers. Data were collected from the websites of the 48 study companies, edgar.com, webmergers.com, and other sites. Information was also sought from the public information offices of the dot.coms. Data were collected about attributes that the literature review has linked to successful performance, such as Technology, Management, Resources, Market Expansion, Low Cost Leadership, Promotion Budget, Market Position, Reputation, Name Recognition, Customer Service, Customer Loyalty, Distribution, Product/Market Innovations, Website. The combined data were analyzed using frequency distribution, cross-tabulations, and regression analysis.

Findings

Compared to dot.com losers, dot.com winners are characterized by (and the comparisons reflect reality at a confidence level of at least 92% or higher) an experienced management, customer-friendly websites, high-quality customer service, most positive reputation, high levels of name recognition, loyal customers, market-share leadership, and large promotional budgets. These findings suggest a fundamental business logic: to be a successful dot.com, one must start with an experienced and insightful management team that is able to welcome its target customers to its friendly websites, and to follow up by providing these customers with excellent service. Feeling welcome and well served, these customers spread the good word and help develop a positive reputation for the dot.com. This results in increasing customer loyalty, manifested in repeat purchases by an increasing number of customers. Market share leadership, which further increases profits, is the natural result of this process.

On the other hand, statistically there were no significant differences between dot.com winners and losers on the attributes of low cost leadership; market-share challengers, or followers, or nicher; large monetary resources; efficient distribution; technology – whether proprietary, leading edge, or same as competitors’; rapid product and market innovation; operation in a rapidly expanding market; CEO with higher education in business. This suggests that the attributes above, many of which were often suggested as necessary to win in the dot.com economy, are, in fact, not critically important.

A multiple regression testing whether the eight attributed combined, found to be significant differentiators in the cross tabulation analysis, can predict dot.com winners and losers showed statistical significance (Multiple R = .521, R2 = .271, significant at F < .10). Further, a stepwise regression analysis showed that each of the eight variables contributed to explaining the variance between winners and losers, with the first four variables (customer loyalty, market share leadership, brand name recognition, and reputation) explaining 49.9 percent of the variance.

Discussion and Conclusion

These findings may be useful to dot.com managers in focusing their attention on building customer-friendly
websites, promoting them to achieve brand name recognition, providing high quality customer service, and achieving customer loyalty and market share leadership. It should be noted that these factors, except the friendly website, are critical to the success of any business, suggesting similar requirements for winning in the “old” and in the “new” economies.

As this has been one of the first empirical studies of key success factors of dot.coms, additional studies are desirable to add depth, generalizability, and detail. Also, such studies may examine differences between the business-to-consumer and business-to-business sectors, which the present study was unable to address.

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THE GOOD, THE BAD, AND THE STUDIO-MANUFACTURED BUZZ: CAN GOOD MARKETING CARRY A BAD MOTION PICTURE?

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SUMMARY

A number of studies (e.g., Basuroy, Chatterjee, and Ravid 2003; De Vany and Walls 1999; Elberse and Eliashberg 2003; Neelamegham and Chintagunta 1999; Ravid 1999) have recently examined motion picture success. A common approach in these studies is to investigate how various motion picture “success drivers” (e.g., the participation of stars, positive/negative reviews) relate to economic outcomes. However, the interrelationships among these individual success factors are complex and make prediction of individual film’s success an extremely demanding task. In this paper, we argue that knowledge on motion picture success can be increased by stepping back from the individual factor level and viewing these specific factors as indicators of two higher-order constructs: movie quality (i.e., the movie’s degree of technical and/or creative excellence) and studio-manufactured movie buzz (i.e., the overall production and marketing efforts taken by a movie studio to generate consumer awareness, interest, and word-of-mouth communication regarding the film). Focusing on these two constructs and their impact on different facets of success allows us to disentangle the impact of a movie’s quality from the impact of marketing expenditures, two factors that may be largely independent of one another.

Distinguishing between opening weekend box office (OWBO), long-term box-office (LTBO), and the video rental revenues (VRR) gathered by a movie as distinct success variables, we hypothesize that marketing efforts can significantly influence a movie’s opening weekend success, but only the quality of the movie can do so in the weeks thereafter. Moreover, because success in one market can impact success in subsequent markets (cf., Elberse and Eliashberg 2003), we discuss the relevance of studio-manufactured buzz and quality for later elements of the value chain. To test our hypotheses, we create a structural equations model utilizing data from 331 recent motion pictures that had been released at the North-American box office and subsequently to video rental stores between August 1999 and May 2001. After fitting the measurement model, we tested our structural model with LISREL 8.5. The fit was good, with RMSEA = .08, CFI = .96, GFI = .92, NFI = .94, and RMR = .09. The variables in the model explained a good share of variance of the different kinds of motion-picture success. Specifically, the R² for OWBO was .663, the R² for LTBO was .730, and the R² for VRR was .685.

Most of our expectations were supported by the data. Specifically, both studio-manufactured buzz and movie quality have a significant positive impact on a movie’s OWBO, with the impact of buzz being higher than the impact of quality. Turning to LTBO, the impact of quality was significant, but that of buzz was not. Both buzz and quality exert a significant impact on VRR. However, the presumption that quality’s impact is stronger in this case is not supported as the data suggest that buzz has a stronger influence on a movie’s VRR. The data also provides evidence for a significant success-breeds-success effect of OWBO on LTBO and LTBO on VRR. No such effect is found for OWBO on VRR.

With regard to implication for research and management, a major finding of our research is that the two factors of studio-manufactured buzz and movie quality affect movie success differently across the different distribution phases. When a movie has just been released, revenues are strongly affected by studio activities while the influence of quality is quite limited. However, when more information has become available from other, more neutral sources, quality becomes a major influencer of theatrical movie success, while movie buzz has no direct effect on revenues at this point.

Interestingly, we also found that the video rental revenues of a motion picture which outperform the theatrical grosses generated by a movie on average, are directly and very strongly influenced by studio-generated movie buzz while the impact of quality is also significant, but less strong. This is somewhat counter-intuitive as movies are released on video and DVD some months after they had been shown in theaters, so that the amount of potentially accessible quality-related information and especially word-of-mouth by friends and relatives is even higher than in the later phases of a movie’s theatrical showing.

Our results also shed some new light on the interrelationships among different sources of revenues. While early box office success strongly breeds long-term theatrical success, only a very limited success-breeds-success effect was found between theatrical and video rental success. Specifically, while the movie’s long-term theat-
tical success does exert a minor, but significant impact on video revenues, the success in video rental remains uninfluenced by opening-weekend theatrical box office numbers. Obviously, even if a movie fails in its theatrical exploitation, while the original studio-manufactured buzz does not provide help in the remaining time in theaters, buzz can help the movie to become successful in video stores. Therefore, the inclusion of both buzz and theatrical success in our model helps to distinguish between these two factors’ influence on subsequent release windows. For studios, it is important to note that, although quality has a limited impact, it is not the economic output of production, but much more the input that counts in the video store.

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THE DETERMINANTS OF CONSUMER REGRET IN PURCHASE SITUATIONS

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SUMMARY
Research on consumption emotions has been ongoing and acknowledges that consumers experience both ends of the emotional spectrum including satisfaction and elation as well as dissatisfaction and regret when making a purchase (Richins 1997; Westbrook and Oliver 1991). With the process of consumption there is always a chance that a product or service does not meet a consumer’s desires. A consumption experience can bring about several outcomes, one being product failure. The purpose of this study is to investigate and explore regret based on relationships with three global variables from the cognitive appraisal framework suggested by Ortony, Clore, and Collins (1988).

Overall Model
The cognitive appraisal theory explicated by Ortony, Clore, and Collins (1988) serves as the conceptual framework for this study. Although regret is considered a part of a larger framework, we are interested in how regret is related to the global variables of unexpectedness and arousal as described in Ortony, Clore, and Collins (1988). This study investigates the structural relationship between regret and these two global variables. Proximity is also investigated as a moderator of the effects of unexpectedness and arousal on regret. The closer in time the failure occurred, the stronger the effects of both would be on regret. We suggest the following: $H_1$: Unexpectedness has a direct positive effect on regret and $H_2$: Arousal has a direct positive effect on regret.

Method
In September 2003, an internet study was conducted of consumers who had an interest in gardening. Individuals were invited to take part in the survey based on an email database maintained by Survey Sampling Inc. Potential respondents were asked to qualify themselves by responding to questions about whether they purchased certain types of ornamental plants suitable for gardening use. Respondents qualified if they purchased one of three actual outdoor plants (hanging basket, potted rose, or 1 gallon perennial). There were 18,666 individuals invited to participate. In return for their responses, a $5 e-coupon redeemable at Amazon.com was given as an incentive. The survey was closed after receiving 777 responses for a one-day response rate of 4 percent. After removing unusable surveys, 743 usable surveys remained.

Results
Measurement Model. Only those respondents who had experienced some amount of regret were included in the analysis resulting in 517 cases. Proximity was used to create groups by dividing the sample into those who had failure and experienced regret with their product in the spring and early summer (i.e., close to the purchase date—proximal group) and those who had failure and experienced regret in the middle to late summer (i.e., further removed in time from the purchase date—distal group). Respondents that did not indicate proximity measures were deleted from analysis resulting in 323 cases. The sample size for the Proximal and Distal groups are 143 and 180 respectively.

Structural Path Analysis. The fit statistics for the models indicate a good fit for both the Proximal and Distal Groups since all goodness of fit measures met the appropriate cut-off levels. $H_1$, which stated that unexpectedness would be positively related to regret, was supported for both groups. $H_2$, which stated that arousal would be positively related to regret, was not supported for either group. It had no significant effect in the proximal group, and a significant negative effect in the distal group. There was also a difference in the effect of unexpectedness between the proximal and distal groups.

Discussion
Our study focused on linking global variables to regret. When a product unexpectedly fails, the consumer experiences regret, although the effect does appear to lessen with the passage of time. Arousal had no significant effects in the proximal group (spring and early summer) and a negative influence on regret in the distal group (mid to late summer group). This finding was clearly unanticipated. However, the explanation appears to lie in the way arousal was measured. The two measures used to define the arousal construct were excited and rewarded. Clearly after investing time and energy in caring for a plant and
then having it die would cause a person not to feel very excited or rewarded. Thus, given our measures, it makes sense that as arousal decreases (i.e., less excited and rewarded) regret would increase. Clearly in both groups, unexpectedness has a strong effect on regret. The fact that arousal has a stronger effect in the distal group would seem to say that while the death of the plant is still unexpected, the fact that the consumer has devoted more time and energy into caring for it, the more regret will be felt. Although identifying unexpected situations can be challenging, retailers who anticipate scenarios and inform customers of possible ways to prevent product failure may be able to establish positive relationships with their customers. Customers may be less likely to experience regret if proactive measures are taken by retailers. They therefore may be less likely to switch retailers when the purchase occasion arises. References available upon request.

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THE IMPACT OF CONSUMER’S NEED FOR UNIQUENESS AND NATIONALITY ON RETAIL PATRONAGE BEHAVIORS:
AN EXPLORATORY STUDY OF U.S. AND TAIWANESE CONSUMERS

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SUMMARY

The impact of generational differences on retail patronage behaviors has received widespread attention in both academic and trade publications. Marketing managers have a keen interest in Generation Y. Demographers forecast that Generation Y – individuals born between the years 1977 and 1995 – will constitute over one-third of the U.S. population by the year 2015.

The significance of Gen Y on retail apparel brand strategies extends beyond the consumer headcounts. While Gen Yers account for approximately 7 percent of the current population, they represent a disproportionate impact on consumer spending. By some accounts, Gen Yers already account for more than 20 percent of total consumer expenditures in the U.S. (Welanetz and Maloney 2003). In fact, Generation Y has also been nicknamed as “Generation Buy” because of their purchasing power in the marketplace. This generation is considered to be the most consumption-oriented and ethnically-diverse generation in history. Unlike their progenitors, Gen Yers are considered to be far less predictable and far more demanding when making retail buying decisions (Welanetz and Maloney 2003).

The demographic and psychographic profiles of Gen Y will likely pose unprecedented challenges for retailers of branded apparel products. Retailers like Abercrombie, Esprit, and Old Navy recognize the need to modify their marketing and merchandising strategies to build retail brand affinity among Gen Y consumers.

The object of this paper is two-fold. First, we attempt to empirically assess how a prominent “trade-focused” variable associated with Gen Y, consumer’s need for uniqueness (CNFU), impacts Gen Yers’ retail patronage. Next, we concurrently assess whether retail patronage differs across same-aged consumers’ nationalities. Toward this end, the present research concurrently investigates American and Taiwanese Gen Yers’ retail patronage. In summary, this paper attempts to identify whether CNFU and nationality are meaningful discriminants across high and low retail patronage for branded apparel products.

It was found that consumers’ relationships with retail sales people were influenced by the need for individuality. Regression analysis with risk propensity dimensions of retail patronage as the independent variable indicates that a single factor was a significant determinant: the avoidance of similarity dimension of consumer’s need for uniqueness. The other significant relationships that were found from the regression analyses were: (1) the relationships between uniqueness dimensions such as creative choice counter conformity, unpopular choice counter conformity and store familiarity, (2) the relationship between uniqueness dimensions such as avoidance of similarity, creative choice counter conformity, unpopular choice counter conformity and store characteristics, and (3) the relationship between unpopular choice counter conformity and convenience utility in retail patronage behavior.

To find out whether differences existed in the retail patronage behaviors of American and Taiwanese Gen Y consumers, discriminant analysis was carried out using nationality as the grouping variable and the dimensions of retail patronage behavior as the independent variables. Results show that dimensions of retail patronage as a whole do discriminate between the two nationalities, and that the two groups differ in their retail patronage behaviors. When evaluating dimensions individual dimensions of retail patronage, there were significant differences between Americans and Taiwanese with respect to risk propensity and store familiarity.

This study offers insights into the factors influencing Gen Yers’ retail patronage behaviors. Retailers should emphasize characteristics that would appeal to CNFU-prone consumers’ retail brand affinity. The research findings also have implications for retail store managers. It was found that Gen Y consumers’ need for uniqueness influences their patronage. Hence, offering unique products and devising communication programs and messages that stress the uniqueness of the outlet or merchandise will be helpful in attracting Gen Y consumers to their respective retail outlets.
With the growing population of non-U.S. consumers in the U.S., the findings have several managerial implications for retail brand decision-makers. Because the American Gen Yer and the consumers from collectivistic cultures place importance on different aspects of the retail outlet, retailers might be best served by designing retail atmospherics, merchandising and promotional appeals that recognize the cultural differences between Gen Y-aged consumers. The pervasive academic and trade attention afforded to relationship building and sustenance may be especially appropriate for target markets in countries possessing similar attributes to the Taiwanese. References available on request.

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SUMMARY

Introduction

This research examines how Mobile Communication Technologies (MCT – of which cellular phones are currently most emblematic) affect the way individuals experience, react to, and interact with their physical environments. The author agrees with Townsend (2000) that “the advent of inexpensive mass-produced mobile communications has avoided scholarly attention, perhaps because it seems pedestrian compared to the nebulous depths of cyberspace. Yet the cellular telephone (…) will undoubtedly lead to fundamental transformations in individuals’ perceptions of self and the world, and consequently the way they collectively construct that world.” In addition, it is argued that “spaceless places” (Ogden 1994) somewhat reminiscent of cyberspace, and where the tangible (physical) world meets an intangible (distant) one, are created and experienced by individuals (and shoppers) through their use of MCT devices.

The Changing Nature of Space

With the diffusion of MCT, the traditional perspective of environmental psychology on individual-space interactions is in need for a thorough update. If space could previously be defined as “a three-dimensional extension of the world around us; the intervals, distances, and relationships between people and people, people and things, things and things” (Rapoport 1982), it can now be argued that space is no longer a full itinerary, lived in all its aspects, stimuli and prospects, but is sometimes kept in the background of an itinerant “cellular” intimacy. With the advent of MCT, we are witnessing the end of a physical determinism where human life was shaped by the environment within which it occurs. In other words, space is no longer following mere Cartesian rules, as mobile telecommunications create “technical networks within which new forms of human interaction, control and organization can be constructed [which] allow physical spaces and flows to be reconstituted, so generating new forms of environmental problems” (Graham and Marvin 1996). Virilio (1987) argues that the physical boundaries of cities (what he calls “the urban wall”) “has given way to an infinity of openings and enclosures where telecommunications networks interpenetrate invisibly and secretly with the physical fabric of cities.” In a similar fashion, the “retail wall” has fallen and does not fully contain anymore the shopping experience. Despite these drastic transformations, the little research conducted on MCT devices has, so far, focused mostly on their ability to empower individuals to carry their own private sphere into the public space, and to transform in the process the public space into “a common living room” (Kopomaa 2000). However no research effort has been made to assess how physical settings, combined with situational or cultural factors, impact the ways such devices are used, and in return how such use affects the perception of the said settings.

Servicescape and the Various Acts of Consuming MCT Devices

Borrowing from the poststructuralist approach (e.g., Holt 1997), it is argued that the meaning of a MCT device to its user, and its impact, in a retail context, on the “perceived servicescape” (Bitner 1992) is unstable, contestable to change, and depends on the differentiated and differentiating “acts of consuming” (Holt 1997) which are associated with such device. Such acts of consuming are influenced by the perceived setting, and in turn modify the way such setting will be perceived, in a reflexive loop reminiscent of other technological systems (Hodder 1989). As an illustration, a cellular phone (currently the most salient MCT device in western societies) can be used either to virtually “escape” a retail setting by connecting cognitively and emotionally to distant places, or to virtually bring a “guest” to the retail setting, and cognitively and emotionally involve such guest in the retail environment. These two different “acts of consuming” the same device will depend on the retail space being experienced (e.g., a minimally stimulating retail environment prompting a shopper to call a friend to discuss matters unrelated to the shopping being performed, or a highly complex environment requiring some advice and expertise from a friend not physically present in the setting.) In turn, whether the shopper virtually escapes the retail environment or is joined in the setting by a virtual purchase pal will influence his/her responses to the servicescape. “Virtual escape” and “virtual guest,” it should be noted, are not the only possible “acts of consuming” a MCT device. For instance, the majority of the time, one’s cellular phone is on standby mode. This does not mean that the device is not, in those moments, being “consumed.” The act of consuming simply becomes more covert and less con-
This new ordeal has significant strategic implications for the retail environment. Firstly, shoppers cannot be expected to constantly be fully “present” in a retail setting, despite the (misleading) appearances. They might be “there” physically, however their current focuses of attention might be disconnected from the retail setting, or influenced by distant factors that vendors can no longer identify. The resulting disconnection of the vendors from their customers’ shopping experience tends to confirm Geser’s (2003) assertion that “the cellular phone tends to weaken the control of all formal institutions over their members’ behavior.” Secondly, with cellular phones moderating the way shoppers perceive a given retail setting, it cannot be asserted any longer that similar processes lead to both shoppers’ and vendors’ responses to a given servicescape (Bitner 1992): if the vendors still are “here and now” (i.e., fully present in the store environment), the link between the experienced environment and the response to it is, in the shoppers’ case, significantly distorted by the introduction of mobile telecommunications.

Methodology

Malls were chosen as a substantive context to investigate the paradigm shift stemming from the introduction of MCT into the retail environment. So far, 24 hours of direct observation were conducted in retail environments where customers could be observed holding cellular phone conversations while shopping. To complement the etic perspective provided by direct observations with an emic one, focus groups and face-to-face interviews have been conducted with cellular phone users. References available on request

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THIRD PARTY LOGISTICS-BASED ORGANIZATIONAL LEARNING

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SUMMARY

Organizational learning and third party logistics have become hot topics in practice and academia since 1990s. Organizational learning theory suggests that firms seek to obtain and maintain competitive advantages by acquiring tacit and/or articulated knowledge. Third party logistics (3PL) is defined by Council of Logistics Management as outsourcing all or many of a firm’s logistics operations to a specialized company. Recently, companies began to recognize logistics as a source of product and service differentiations as well as cost savings to create competitive advantages. Consequently, the scope of 3PL services has expanded significantly from simple transportation and warehousing outsourcing, to integrated logistics, and to supply chain integration. Regardless of the growing importance of the role of logistics outsourcing and the resulting forged relationships between the parties involved, 3PL has not drawn much attention as a valuable source of interorganizational learning in the literature. Thus, it is attempted in this paper to investigate the potentials of interorganizational learning in 3PL arrangements from the perspective of the knowledge-based view. Specifically, a conceptual model is proposed that portrays the nature, antecedents, and consequences of 3PL-based interorganizational learning.

Performing various supply chain activities in harmony requires intensive interactions and information sharing between the logistics service provider and the buying firm at various levels. Therefore, it is natural to conjecture a 3PL relationship as information-rich and resource-abundant sources of organizational learning for both a 3PL service provider and its customer. However, interorganizational learning may not take place unless the participating firms realize the underlying importance of interorganizational learning in an outsourcing context, and consequently develop appropriate learning strategy to leverage the strategic alignment of capabilities to create customer value. Concerning the nature of interorganizational learning in a 3PL context, it is proposed that interorganizational learning is a continuum with operational learning on one end and strategic learning on the other end. Operational and strategic learning are different relative to the extent and the type of knowledge firms obtain as well as the goals and the procedures the firms have in mind in the process of learning. For example, operational learning is adaptive in nature and focuses on short-term and incremental correction, while strategic learning is more comprehensive in nature to include both adaptive and generative learning, and pursues dramatic changes to improve a firm’s long-term competitiveness. There is no right or wrong strategy to choose from between operational and strategic learning as long as the learning firms are benefited from either type of the learning to achieve their corporate goals.

Firms’ outsourcing orientation and learning orientation are identified as antecedents of interorganizational learning. The outsourcing orientation exists on a continuum from operational to strategic. Outsourcing orientation is the shared values and beliefs between a 3PL service provider and its customer on the functioning of the logistics outsourcing and, thus, provides behavioral norms for the firms involved in a 3PL arrangement. Similarly, the learning orientation is a continuum with a higher degree of learning on one end and a lower degree of learning on the other. Learning orientation is defined as a firm’s propensity toward organizational learning from both internal and external sources. A 3PL arrangement in which firms (i.e., a 3PL service provider and its customer) shows operational outsourcing orientation perceives logistics outsourcing as a method to achieve cost efficiency on a short-term basis and, thus, it is very likely the firms interchange only operational, tacit data at a certain level of management. In contrast, firms with strategic outsourcing orientation consider a 3PL arrangement an integral part of corporate strategy in the long-term, and view the interfirm interactions and information sharing as information-rich and resource-abundant sources of learning.

It is suggested that the degree of a firm’s pursuit of organizational learning is dependent upon different degrees of outsourcing orientation and learning orientation. Both the individual and combining effects of these two antecedents are proposed. Specifically, it is proposed operational outsourcing orientation is likely to lead to operational organizational learning (i.e., adaptive learning) of the participating firms, whereas strategic outsourcing orientation to strategic learning (both adaptive and generative learning). At the same time, a higher degree of learning orientation is necessary to develop strategic interorganizational learning, while a lower degree of learning orientation is sufficient to operational learning. Finally, a 3PL relationship with shared strategic outsourcing orientation combined with a higher degree of learning orientation may perform strategic learning, while a logistics outsourcing relationship with shared opera-
ional outsourcing orientation and a lower degree of learning orientation is very likely to carry out operational learning.

Different degrees of organizational learning may yield different types of outcomes: operational learning will be very likely to yield competitive parity, while strategic learning competitive advantage. Operational learning feeds firms with explicit knowledge and, so, it is easily imitable. On the contrary, strategic learning helps firms build tacit knowledge, which is more unique and less imitable and, therefore, becomes a source of sustainable competitive advantage. Through logistics outsourcing, a buying firm can learn from its service provider about logistics operation routines, market and customer, expertise in business process integration, and more importantly, the capabilities of managing its entire supply chain. A logistics service provider can also learn from this relationship about its customers, customers of the customers, the market, and the industry. As such, both the service provider and the buying firm in a 3PL arrangement will benefitted from interorganizational learning, which is either operational or strategic in nature. It is argued effective learning strategy of the 3PL participants — in a proper combination of the outsourcing orientation and the learning orientation — is a key to success in interorganizational learning as well as achieving the goals of logistics outsourcing (i.e., competitive parity vs. competitive advantage).

This study investigated the learning potentials for third party logistics service providers and buying firms, and concluded interorganizational learning should be a crucial part of management endeavor in logistics outsourcing arrangements. As an outcome, a conceptual model is suggested that illustrates the nature, antecedents, and consequences of interorganizational learning in a 3PL context. Future research is called for to confirm, disconfirm, or improve the current conceptual framework.

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INTERDEPARTMENTAL CUSTOMER ORIENTATION AND EMPLOYEE PERFORMANCE: DETERMINANTS OF WAREHOUSE PERFORMANCE

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SUMMARY

Firms have begun examining internal functions in an effort to improve service, financial, and supply chain performance. In this work we examine the relationship between front-line employee performance and interdepartmental customer orientation as they relate to these performance measures. We posit that higher levels of front-line employee performance coupled with a firm culture that induces efficient internal transactions between departments (interdepartmental customer orientation) leads to higher performance levels in the aforementioned areas. Interdepartmental customer orientation is formally defined as the organizational culture that encourages departments to view their internal production role as part of a whole, or system, and to make every effort to increase the service levels provided to other departments downstream.

Design

Surveys were administered in twenty distribution centers across the United States. The distribution centers serve customers in industries ranging from wholesale and retail grocery/mass-merchandisers to motor carrier cross-dock transporters. The facilities primarily handle consumer and industrial products. Researchers traveled to each facility and administered the questionnaires personally. All respondents were given time on-the-job to complete the questionnaires. Only managers of employees that perform certain functions such as receiving, light packaging operations, storage, shipping, cross docking, and inventory functions were targeted to ensure homogeneity of the sample. Managers were asked to answer questions regarding interdepartmental customer orientation, firm financial metrics, and the performance of employees for whom they were directly responsible. A total sample size of 67 managers was obtained.

Method

Our research questions involve assessing the relationship between multiple metric independent and dependent variables. Canonical correlation serves as an appropriate multivariate technique due to its ability to simultaneously correlate, and assess the relationship between variables of this type (Hair et al. 1998).

Canonical correlation forms two sets of canonical variates. One canonical variate represents the optimal, linear, weighted combination of the independent variables and the other represents the optimal, linear, weighted combination of the dependent variables. A number of canonical functions are then derived that maximize the correlation between these canonical variates.

We chose to focus on the first canonical function based on the standards set forth by Hair et al. (1998). Canonical cross-loadings, the correlation of each of the original observed independent or dependent variables with the independent or dependent canonical variate respectively, were utilized for interpretation of results. An a priori baseline cross-loading of 0.3 was utilized as a cutoff to determine which variables significantly contributed to prediction in the canonical function (Lambert and Durand 1975).

Discussion

As predicted, several of our measures of employee performance and interdepartmental customer orientation significantly relate to all of our measures of distribution center service performance and supply chain performance. The relationship between our independent variables and distribution center financial performance was not as fruitful, but was positive as proposed.

Distribution centers whose front-line employees perform at a high level allow the firm to deliver superior service. Thus, the performance of the front-line employee directly improves the service rendered to the external customer as shown in our results. Furthermore, we show front-line employees also stand to improve supply chain performance by helping to reduce costs through less product damage, reduced product loss, and high productivity in completing job tasks which helps to increase distribution center throughput. Interdepartmental customer orientation was found to be a significant, positive relationship to distribution center service and supply chain performance.
Furthermore, our results indicate a moderate positive relationship of employee performance and interdepartmental customer orientation as they relate to distribution center financial performance. The results were slightly less conclusive than we preferred. It is possible that the relationship would have been stronger if financial performance were positioned as an outcome of service and supply chain performance (Guo 2002). Further elucidation of this relationship may represent an avenue for future research. References are available upon request.

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LOGISTICS STRATEGY FIT, FIRM STRATEGY TYPE AND PERFORMANCE: A NEXUS

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SUMMARY

The study examines the determinants of logistics strategy and its impact on firm performance across different firm strategy types. Specifically, the study addresses three questions: (a) What factors determine a firm’s choice of logistics strategy? (b) How does the selected logistics strategy impact firm performance? (c) How does the impact vary with the firm’s strategic type? It is posited that both industry structure factors (Porter 1980) and firm resource heterogeneity (Wernerfelt 1984; Barney 1991) play a complementary role in determining a firm’s logistics strategy. In a shift from extant conceptualizations, logistics strategy is viewed as comprising of four dimensions, namely, cost, quality, delivery, and flexibility. Further, it is argued that the firm’s strategy type moderates the impact of logistics strategy on firm performance. Firm performance is viewed in terms of profitability, customer satisfaction, and market share. These indicators are often measured through perceptual measures and have been widely used in extant literature (Ward, Leong, and Boyer 1994; Fawcett, Calantone, and Smith 1997).

There are two dominant views in explaining differences in firm performance: industry structure view (Porter 1980) and resource-based view (RBV) of the firm (Wernerfelt 1984; Barney 1991). Although the determinants posited in these views have tended to be treated independently, some scholars have advocated an integrative approach that takes cognizance of the influence of both firm resources and industry structure (Teece 1984; Day 1994; Lynch, Keller, and Ozment 2000). Industry specific factors such as buyer and competitor practices are likely to influence the direction of a firm’s logistics strategy. At the same time, firm resources and capabilities will act either as a constraint or impetus to adoption of certain logistics strategies. It is argued that firms will adopt the logistics strategies that enhance optimal resource allocation and performance.

Logistics processes have come to play a critical role in fulfilling customer requirements and ultimately as a source of competitive advantage (Bowersox et al. 1989; Bowersox, Stank, and Daugherty 1999; Stock, Greis, and Kasarda 1999). Consequently, logistics strategy is a central component in most firms’ overall business strategy. Although many studies discuss issues related to logistics strategy, few of them examine what really constitutes logistics strategy (McGinnis and Kohn 2002). Only two studies have attempted to develop a logistics strategy typology: Shapiro and Heskett (1985) and Bowersox and Daugherty (1987). In the more pronounced Bowersox-Daugherty typology, logistics strategy is viewed as consisting of three orientations, viz., process, market, and channel strategy. Empirical studies by Clinton and Closs (1997) and McGinnis and Kohn (1997, 2002) support this typology. However, as the measures used show, the typology addresses limited aspects of logistics strategy dynamics.

Generally, most studies examining logistics strategy distinguish between cost and service dimensions. The service dimension is further categorized into quality, delivery, and flexibility (Fawcett, Smith, and Cooper 1997). Thus, logistics strategy can be viewed as comprising four dimensions: cost, quality, delivery and flexibility. This conceptualization is consistent with the competitive priorities stipulated in manufacturing strategy literature (Youndt et al. 1996; Ward et al. 1998). The typology proposed here focuses on all capabilities of logistics process. Construct measures will be adopted from extant logistics and manufacturing strategy literature (Read and Miller 1991; Millen and Maggard 1997; Ward et al. 1998; Boyer and Pagell 2000; Hult, Ketchen, and Nichols 2002). The seven-point Likert scale in which respondents are asked to rate the importance they attach to specific items in each dimension will be used. Items such as ordering and product delivery costs, ordering procedures, on-time delivery, and quick shipment have been widely used, and their reliability and validity confirmed (Boyer and Pagell 2000).

Miles and Snow (1978) typology addresses alternative ways in which organizations define and approach their product-market domains, processes of transforming resources into outputs, and construct organizational structures to achieve success in those problem domains (Slater and Olson 2001). Based on firm’s alignment to the domains, they argued that firms could be grouped into four strategic types: prospectors, analyzers, defenders, and reactors. We expect certain logistics strategy dimensions to be aligned with specific strategy types. For instance, marketing budgets and resources tend to be higher for prospectors than other strategy types and prospectors tend
to be market-oriented whereas defenders de-emphasize market orientation (Slater and Narver 1993). Thus, it is posted that firm’s strategic type will moderate the impact of logistics strategy on performance. This strategy type-logistics strategy relationship can be conceptualized in a matrix form where different strategy types are matched to logistics strategy dimensions so as to identify any distinctive characteristic patterns. Significant differences are hypothesized to be observed on logistics strategy dimensions adopted by each strategy type, with defenders and analyzers leaning more towards cost and quality dimensions while prospectors will tend to lean more towards delivery and flexibility dimensions.

The paper propositions have several strategic and theoretical implications. First, the study raises the question of the relative importance of industry structure and firm resources in influencing firm’s strategic choices. Second, the study raises the urgent need to further develop measures to test the relationship between strategy and firm performance in a logistics context. Even with extant logistics strategy typologies, elaborate measures have not been fully developed and/or tested. Third, the proposals could provide greater insights on the impact of logistics strategy in new product launch, where product delivery and customer service have been shown to greatly influence new product performance. Finally, the proposed typology needs further examination to tests its generalizability and conceptual soundness. The issues raised in the study have important implications for scholars and practitioners alike. For scholars, the study raises important questions about logistics strategy formulation and the moderating effect of strategy types while practitioners will benefit from the practical implications of the issues raised. References available on request

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SUMMARY

The survival of service organizations increasingly rests on their capability to pursue both economic and service effectiveness. However, there is growing consensus that achieving high levels of service effectiveness is likely to pose challenges for internal efficiency and productivity. The purpose of this paper is to provide an actionable framework for the link between service organization strategic orientations and bottom line returns. Specifically, we investigate how service organizations regulate their practices, and ultimately the actions of operating units, to maintain the pursuit and attainment of both economic and service goals. We adopt the SBU level of analysis and propose that the financial impact of balancing strategic orientations is realized through a unit regulating mechanism relating the intensity and divergence of practice orientations and unit performance. Thus, the proposed theoretical model addresses (a) the question of how to conceptualize and model service organizations efforts to balance economic and service strategic orientations, and (b) the role of unit-regulating factors, including job autonomy, unit cohesion, and performance feedback, in linking organizational strategic orientations and financial performance.

First, based on organizational control theory, we utilize an intensity-divergence approach to capture the strategic orientations of a service organization manifested in unit management and reward practices. We argue that without manifestation in one or more unit practices, strategic orientations are unlikely to impact unit functioning. To examine how strategic orientations regulate unit performance, it is necessary to focus on unit practices that carry the weight of a unit strategic orientation. We conceptualize the intensity of practice orientations as the degree of emphasis placed on economic and service strategic orientations in manifested unit practices. In turn, the divergence of practice orientations refers to the degree of relative emphasis placed on one strategic orientation compared to the other (e.g., economic vs. service) in manifested unit practices. Metaphorically, these aspects may be likened to the weights of entities on a weighing balance, and the tilt of the balance due to differences in these weights. The total weight of entities placed on the balance can vary independently of their difference. We liken this total weight to the intensity of the strategic emphases implying that the greater the total weight of the entities, the higher the intensity of a unit strategic emphases. Likewise, we draw a parallel between the tilt of the balance due to the weight difference of the two entities and the divergence of economic and service emphasis of an organizational unit. Second, based on the goal regulation literature, we propose that multiple constructs – job autonomy, unit cohesion, and performance feedback comprise a unit regulating process which mediates the effects of intensity and divergence of practice orientations on financial performance. In particular, job autonomy acts as a mediator between practice orientations and performance, whereas unit cohesion and performance feedback moderate the effect of job autonomy on performance outcomes. Specifically, the proposed hypotheses are:

H1a: The greater the unit intensity of reward practices, the higher the level of perceived job autonomy among unit employees.

H1b: The greater the unit intensity of management practices, the higher the level of perceived job autonomy among unit employees.

H2a: The greater the unit divergence in emphasis on economic reward- relative to service reward-practices, the lower the level of perceived job autonomy among unit employees.

H2b: The greater the unit divergence in emphasis on economic management- relative to service management-practices, the lower the level of perceived job autonomy among unit employees.

H3: The greater perceived autonomy of a unit employees, the higher the unit performance outcomes including productivity and efficiency.

H4: Units with greater cohesion among its employees will evidence a stronger positive effect of job autonomy on unit performance including profitability and efficiency.

H5: Units that provide greater performance feedback to its employees will evidence a stronger positive
effect of job autonomy on unit performance including profitability and efficiency.

We test the proposed model based on multiple-source data from 47 units in two hospitals in the Northeastern U.S. Multiple-key informant data for the proposed independent, mediating and moderating variables were collected from 729 employees, with direct patient interaction, surveyed in the middle of 2001. Unit financial performance was obtained from the accounting data provided by the hospitals for each quarter in a three-year period, from January 2000 to December 2002. The year and a half window before and after the period of survey data collection ensures that the downstream effect of unit practice orientations can be captured and the rate of change in unit financial performance ascertained appropriately. We used four measures of financial performance the level of unit profitability and efficiency as well as the rate of change of unit profitability and efficiency. We derived these financial performance measures by performing analyses for each unit separately. Our objective in deriving these variables was to control for potentially confounding and unobservable variables that might uniquely affect financial performance for each unit. To increase the internal validity of our study and reject possible alternative explanations for our empirical results, we included hospital, unit types, and several employee demographic variables age, education level, hospital tenure, and salary as control variables in our analysis.

The empirical results provide strong support for our theory. Specifically, our findings demonstrate that the intensity of management and reward practice orientations fosters job autonomy, while the divergence of management practice orientations (higher emphasis on economic relative to service orientation) suppresses job autonomy. In turn, the positive effect of job autonomy on unit financial performance (the level of profitability) is enhanced by unit cohesion and performance feedback. Implications for strategic management of service organizations and for further theorizing in the area are discussed.

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A STRUCTURAL MODEL OF MARKETING MANAGERS’ BOUNDARY SPANNING ABILITY AND MULTI-FOCI COMMITMENTS

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SUMMARY

Modern organizations are becoming highly matrixed with multiple functional areas and reporting lines. Marketing as an innovative or adaptive force is playing an increasingly important role in communicating the voice of customers in an organization and integrating the functions across an organization in delivering customer value. As Leemon (1995 p. 9) states, “The marketing function, with its unique perspective on customers, products, and competitors, should take the lead in defining marketing opportunities and rallying the whole organization to support them.” As the role of marketing expands and the need to manage people, processes and technology within and across organizations becomes more complex, marketing managers are called upon to fulfill the role of boundary spanner.

The paper examines both the internal and external boundary spanning practices of marketing managers. The internal part – interfunctional social ability – refers to the core set of skills needed to navigate around various functional areas within the organization. The external part – customer accommodation ability – addresses issues critical to customers. Furthermore, marketing managers, as boundary spanners, inevitably are faced with a question of where their commitments lie. Multi-foci commitments examined in the paper refer to the identification and involvement of marketing managers with multiple functional areas in the organization. These commitments span from marketing managers’ commitments to immediate/local foci, such as their marketing department to global/organizational foci, reflected in their attachment to top management and to the organization. Specifically, the paper examines three foci of marketing managers’ commitments: commitments to the marketing department, commitments to the general manager and commitments to the organization.

The paper develops and empirically tests a structural model, which relates perceived organizational support of marketing managers, their boundary spanning ability, and multi-foci commitments, to organizational cultures. It is hypothesized that perceived organizational support of marketing managers has direct effects on their boundary spanning ability and multi-foci commitments. Then their boundary spanning ability and multi-foci commitments further lead to proactive organizational cultures. Figure 1 shows the conceptual model.

FIGURE 1
A Structural Model on Marketing Managers’ Boundary Spanning Ability and Multi-Foci Commitments
An online survey was set up to collect data from a sample of marketing managers, drawn randomly from the membership roster of the American Marketing Association. 348 respondents participated in the survey. The overall model was strongly supported by the data, with satisfactory goodness-of-fit statistics as follows: \( \chi^2_{17} = 28.49 \) \((p = 0.04)\); RMSEA = 0.044; GFI = 0.98; CFI = 0.99; NFI = 0.97; AGFI = 0.96 and RMR = 0.04. All estimated beta parameters for the model are significant at 0.01 levels.

The findings indicate that marketing managers’ boundary spanning roles and multi-foci commitments are closely related to their perceived organizational support. When the organization is perceived to be caring and respectful, marketing managers appear to incorporate organizational membership and multi-foci role status into their social identity. The psychological assurance also helps marketing managers to deal with stressful situations created by boundary spanning roles and to carry out their boundary spanning tasks effectively.

The findings also reveal that marketing managers facilitate the formation of proactive organizational culture by fulfilling both internal boundary spanning and external boundary spanning roles, and by demonstrating multi-foci commitments to various groups in the organization. On one hand, the boundary spanning ability of marketing managers ensures the process of sharing different perspectives and promotes the continuous learning about markets, products, technologies, and business processes at the organizational level. On the other hand, marketing managers with a high level of multi-foci commitments are capable of efficiently allocating resources in different functions and integrating different organizational capabilities. These combined factors help foster a proactive culture in the organization.

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THE CONNECTIVITY CHARACTERISTIC OF INFORMATION PRODUCTS: IMPLICATIONS FOR MARKETING STRATEGY

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Rajan Varadarajan, Texas A&M University, College Station

SUMMARY

Certain unique characteristics of information products call for pursuit of competitive marketing strategies that are distinct from those employed for marketing of goods and services in general. Information products are characterized by high fixed costs (sunk costs) in the form of research and development expenses, very low variable costs, demand side economies of scale (network effects), interoperability requirements, technology standardization and uncertainty issues. This paper focuses on competitive marketing strategy implications for information products that exhibit the connectivity characteristic (i.e., information products that must be used in conjunction with other complementary information products and/or hardware products).

We explore the inter-relationships between industry structural characteristics (e.g., industry environments characterized by the presence versus absence of a dominant hardware network), firm characteristics (e.g., first-mover versus late entrant), product characteristics (e.g., high versus low customer switching costs) and competitive strategy (e.g., industry structural conditions under which a parity offering by late entrant may be viable versus a technologically superior offering may be a competitive imperative). In Figure 1, selected industry characteristics, firm characteristics and product characteristics that impact on the competitive marketing strategy for information products characterized by the connectivity problem are delineated. The characteristics delineated here are intended to be illustrative and not exhaustive.

A firm’s product and technology strategy comprise its decision to share its proprietary technology with competitors, establish rules of compatibility with incumbents and determine the relative quality of offering to be made available to the product-market. In this paper we delineate

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### FIGURE 1

The Connectivity Characteristics of Information Products: Implications for Marketing Strategy

<table>
<thead>
<tr>
<th>Industry Characteristics</th>
<th>Structure of Information Product Industry</th>
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<tbody>
<tr>
<td>Hardware Network Characteristics</td>
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<tr>
<td>♦ Dominant Network</td>
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<td>♦ Competing Networks</td>
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<td>Market Characteristics</td>
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<td>♦ Growing Market</td>
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<td>♦ Mature Market</td>
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<td>Product Characteristics</td>
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<td>♦ Characteristic of Information Products Serving a Specific Customer Need</td>
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<td>♦ Common Standards</td>
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<td>♦ Different Standards</td>
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<td>♦ Customer Switching Costs</td>
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<td>♦ Low</td>
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<td>♦ High</td>
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<tr>
<td>♦ Relative Superiority of Technology</td>
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<td>♦ Low</td>
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<td>♦ High</td>
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<tr>
<td>Firm Characteristics</td>
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<td>♦ Order of Entry</td>
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<td>♦ First-Mover</td>
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<td>♦ Follower</td>
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<tr>
<td>♦ Firm’s Financial Endowments (Ability to Alter Industry Dynamics)</td>
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<tr>
<td>♦ Large</td>
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<tr>
<td>♦ Small</td>
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<tr>
<td>♦ Firm’s Relative Market Share in Older Generation of Technology</td>
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<tr>
<td>♦ Low</td>
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<td>♦ High</td>
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<tr>
<td>Structure of Information Product Industry</td>
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<tr>
<td>♦ Evolution of Standard</td>
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<td>♦ Type of Competition</td>
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<tr>
<td>Marketing Strategy Alternatives and Viability</td>
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<tr>
<td>♦ Sharing of Proprietary Technology</td>
<td></td>
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<tr>
<td>♦ Share with potential rivals to increase network size</td>
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<tr>
<td>♦ Invest in creating network size without sharing</td>
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<tr>
<td>♦ Compatibility with Incumbent Technology</td>
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<tr>
<td>♦ Incompatible technology based offering viable</td>
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<tr>
<td>♦ Technologically superior offering an imperative</td>
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<tr>
<td>♦ Technologically comparable or slightly inferior offering viable</td>
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<tr>
<td>Product Migration Strategy</td>
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<tr>
<td>♦ Compatibility with Firm’s Earlier Generation Product Offering</td>
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<td>♦ Compatibility an imperative</td>
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<td>♦ Compatibility not an imperative</td>
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<tr>
<td>♦ Provision of Migration Assistance to Customers</td>
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<td>♦ Provision an imperative</td>
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<td>♦ Provision not an imperative</td>
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<tr>
<td>Concurrent Marketing of Multiple Generations of Firm’s Product Offerings</td>
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<tr>
<td>♦ Competitively viable</td>
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<tr>
<td>♦ Competitively not viable</td>
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four factors influencing this decision: market characteristics, customer switching costs, order of entry in the market and firm’s financial endowments. On the other hand, the product migration strategy of a firm consists of compatibility choices with earlier generation of firm’s own products, providing migration assistance to customers and the decision to concurrently market multiple generation of firm’s products. These decisions are influenced by strength of the firm’s earlier generation product, the relative technological superiority of new product, and evolution stage of standards in the industry.

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MARKET POTENTIAL AND FOREIGN DIRECT INVESTMENT: EXPLORING THE RELATIONSHIP IN EMERGING MARKETS

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SUMMARY

This study investigates the classic relationship between market potential and foreign direct investment in twenty-six emerging markets using regression and correlation analysis. Two different approaches are taken for the purpose. The first approach uses the Market Potential Indicator (MPI) of the emerging markets maintained by the Center for International Business Research (CIBER), Michigan State University to determine the relationship. MPI is a composite of market size, market growth rate, market intensity, market consumption capacity, commercial infrastructure, economic freedom, market receptivity and country risk. The approach, in a way, also tests the efficacy of MPI as an indicator of market potential. The second approach regresses the common indicators of market potential like GDP, per capita income and population on FDI using longitudinal data (1960–2000) from the World Bank.

The classic relationship between market potential and foreign direct investment holds true in emerging markets as we regress MPI on FDI. Both regression models with two different measures of FDI, FDI as a percentage of GDP and FDI as a yearly inflow, are significant. However, their explanatory power is very low. MPI explained only 8 percent – 9 percent of the variability in FDI. The low explanatory power of the models can be attributed to extraneous variables and the Delphi methodology where the subjective judgments of the evaluators are likely to offer biased scores. The biases of the judges in country evaluation are further observed when we regress FDI with all the eight variables of MPI as independent variables.

The researchers conducted a factor analysis to determine the underlying dimensions of the MPI. Based on eigenvalue, scree plot and variance explained, three factors were retained. Factor 1, “power of the market” with eigenvalue 3.15 explains about 39 percent of the variability in the data set. Factor 2, “openness and growth” explains 19 percent of the variability. The Third Factor explaining 15 percent of the variability refer to the real “capacity and infrastructure” of the country.

The three factors obtained were regressed on FDI. Factor scores were used for the purpose. The F-statistic and probability of F shows that the models are valid. An increase in R-squares (by about 23% points), compared to the previous models, indicates that the three Factors together performed better than MPI as a composite in explaining FDI. Factor 1 (power of the market) was found to be significant in both models. Factor 2 (openness and growth) was significant in Model 1 but not in Model 2. To our surprise, the third dimension “capacity and infrastructure” was not significant in any of the models. Perhaps, its difference in emerging markets is not significant enough to attract or retard FDI.

As mentioned, in the second approach the traditional variables defining market potential like GDP, GDP per capita and urban population were regressed on FDI. The results show that both FDI models are significant. However, the DW statistic indicates the presence of autocorrelation in both models (it is very common when we use historical data like this). The independent variables, i.e., GDP, GDP per capita and urban population explain 10 percent and 53 percent of the variability in Model 1 (FDI as a percentage of GDP) and Model 2 (FDI yearly inflow) respectively. The findings of the study and its implication are summarized below:

1. The classic relationship between FDI and market potential holds in emerging markets.
2. Market Potential Indicator (MPI) of Michigan State University as a composite moderately explains the FDI pattern in emerging markets. Multinationals interested in entering these markets may find the MPI useful for “preliminary” screening.
3. Apparently, the “power of the market” and the “openness and growth” of the emerging markets were the reasons for attracting FDI into these countries in recent years. Multinationals need to understand that as they determine the attractiveness of the market.
4. In order to design an entry strategy in emerging markets multinationals need to pay attention to the above factors as well other country and firm level variables in making FDI decisions.

The findings of the study are more indicative than conclusive. They should be interpreted with caution primarily because of the size of the sample and the limited number of variables used to explain FDI. As we incorpo-
rate more observations in the future the regression results and the factor pattern may change. Future research could be conducted to test this. Moreover, a country’s potential to attract foreign investment may not be truly given by an index, no matter how comprehensive it is. The limited power of MPI to explain the FDI pattern should not undermine the usefulness of MPI in understanding the market potential. As an index MPI may still be useful for various entry strategies including FDI, exporting, licensing, franchising or custom contracts.

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THE IMPACT OF CULTURE AND INDIVIDUAL CHARACTERISTICS ON ETHICAL JUDGMENT: A CROSS-NATIONAL INVESTIGATION

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SUMMARY

This study investigates how national culture influences the extremity of managerial judgments regarding ethics and consequent behavioral intentions, as well as how individual characteristics (values and ideologies) moderate the impact of membership in a national culture.

Most models of marketing ethics acknowledge a role of culture in ethical decision-making (e.g., Bartels 1967; Ferrell and Gresham 1985; Hunt and Vitell 1986, 1992). However, culture alone cannot completely account for variations in ethical judgment. Taking a field-theoretic approach, we suggest that variations in ethical judgments and intentions are joint products of environments and individual characteristics. The individual factors germane to decision making in ethics include cultural values and personal ethical ideology. Thus, in this study, the authors propose that differences in national culture (membership in different cultures) and differences in personal characteristics (individualism, collectivism, and individual ethical ideology) will be able to explain why and how culture influences the way people formulate extreme or moderate ethical judgments and subsequent intentions.

On the basis of previous work by Hunt and Vitell (1986, 1992) and that of Hofstede (2001), several hypotheses regarding systematic patterns in cross-cultural variation were proposed: (H1) In individualistic (vs. collectivistic) cultures, ethical judgment and intention should be more extreme (vs. moderate) such that ethical judgments and intentions should be more (vs. less) negative under unethical behavior conditions and more (vs. less) positive under ethical conditions. We expected this effect to be moderated by (H2) the extent to which individuals’ values concerning individualism/collectivism are congruent with those of the culture, and by (H3) individuals’ personal ideological orientations.

The hypotheses were tested using a 2 (deontology) x 2 (consequences) x 3 (outcome recipients) between-subjects factorial design involving printed scenarios and a sample of over 600 business managers in the U.S. and Korea. Ethical judgment was measured using the scales proposed by Jung and Kellaris (2002). Individualism is defined as degree to which one prefers to act as an individual rather than as a member of a group. In a pretest, eleven items drawn from Jung and Kellaris (2001), Singelis et al. (1995), and Triandis and Gelfand (1998) were examined with data collected from the U.S. and Korea. Resulting six items were used in the current study and found to be unidimensional with Cronbach’s alpha of .80. Collectivism is defined as degree to which one views oneself as part of a group. Scale items (initially 16 items) were drawn from Jung and Kellaris (2001), Singelis (1994), and Triandis and Gelfand (1998). After pretests, six retained items were administered and were found to be unidimensional with Cronbach’s alpha of .80. Individual ethical ideologies were measured by a short version of Forsyth (1980)’s idealism and relativism scales: 12 item scales (six items for each dimension) refined by (Jung 2002). With our current data, one item was further dropped from each dimension to improve model fit. Retained idealism and relativism scales were unidimensional with Cronbach’s alpha of .89 for idealism and .85 for relativism.

As anticipated, ethical judgment and intent of members of individualistic (vs. collectivistic) cultures are more extreme (vs. moderate). Among the American subjects, individualism (measured at the level of the individual) moderated the impact of the culture such that the extremity was attenuated (vs. exaggerated) among those low (vs. high) in individualism. Among the Korean subjects, the predicted impact of the culture on the moderateness of judgment and intent was attenuated among high (vs. low) collectivistic individuals. Furthermore, ethical ideology moderated impact of culture. As expected for Americans, the extremity appeared to be most attenuated among subjectivists, while for Koreans the moderateness appeared to be most attenuated among subjectivists.

These findings extend Hunt and Vitell’s general theory of marketing ethics as they demonstrate mechanisms through which culture and individual characteristics interact to form judgments and intentions. A concluding discussion offers implications for theory, practice, and future research.
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INFORMATION QUALITY AND COMMUNICATION MEDIA CHARACTERISTICS: INSIGHTS TO DEVELOP RELATIONSHIPS IN INDUSTRIAL PURCHASING CONTEXTS

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SUMMARY

Firms with customers in industrial markets seek to provide information in a manner that is perceived to be of high quality and which addresses the purchaser’s informational needs. Most marketers communicate their business-to-business offerings using a mix of different communication media including face-to-face selling, print, and electronic (Moriarty and Spekman 1984). Past research examining industrial purchase decision making has repeatedly shown that buyer preference for different media varies as a function of the purchase situation characteristics (Brossard 1998; Bunn and Clopton 1993) or as a function of the product being purchased (Jackson et al. 1987). Whereas, previous research indicates that different aspects of information quality provided by communication media may be important for various types of decision tasks (Maltz and Kohli 1996), there appears to be limited research examining the impact of the characteristics of media on perceptions of information quality (PIQ) in industrial decision making contexts.

In the current environment of tight operating budgets, it is critical that different communication media are used appropriately to maximize the quality of information that is communicated. Consequently, this research establishes the media characteristics that determine a purchase manager’s focus and value of specific types of information in decision making. The authors explore this issue by explicating the role and impact of communication media characteristics on PIQ in an industrial purchasing context. Using Media Richness Theory, the authors develop the conceptual logic linking several communication media characteristics, such as speed and quality of feedback, and the presence of multiple cues to dimensions of PIQ such as information clarity, relevance, accuracy, and timeliness in a business-to-business purchasing context. Theoretical and managerial implications of these relationships are discussed.

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A CROSS-NATIONAL COMPARATIVE STUDY OF NEW SERVICE DEVELOPMENT: UNITED STATES AND AUSTRALIA

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SUMMARY

The globalization of the marketplace is arguably one of the most important challenges facing service firms today. For example, marketing of financial services has become global and New Service Development (NSD) has become cross-national in nature with the advent of global products and services. Yet, few research studies have been done to investigate the issue of NSD across several geographical regions. This literature gap provokes the need for a cross-national comparative study focusing on the key NSD issues and practices. This article reports the results of an empirical research of NSD in Australia and the United States. In particular, the research attempts to assess the extent to which findings and concepts generated primarily in the United States can be extended to a culturally different nation, Australia. More specifically, we pursue the following two research questions:

1. What are the differences in NSD strategies of financial services firms in the U.S. and Australia?

2. What are the differences in NSD stages of financial services firms in the U.S. and Australia?

NSD Strategy and NSD Process

New service strategy has been operationalized as the types of new services developed by a firm that denotes the innovativeness of the services. A recent categorization of financial services by Avlonitis et al. (2001) appears to capture varying levels of innovativeness and a firm’s new service strategy fairly well. They distinguish among six types of innovation: (1) new-to-the market service (2) new-to-the company service (3) new delivery process (4) service modifications (5) service line extension, and (6) service repositioning. In the analysis presented in this article, this recent classification of service innovativeness is used. In addition, several formal NSD models have been proposed in the extant literature. One model described 10 linear stages in developing new services in the financial services industries (Alam and Perry 2002): strategic planning, idea generation, idea screening, business analysis, formation of cross functional team, service design and process/system design, personnel training, service testing and pilot run, test marketing, and commercialization. This 10-stage model is used in this article to investigate the NSD activities of the Australian and the American firms.

Methodology

Questionnaires were mailed to several large financial service firms situated in the Northeast region of the United States and the Southeast region of Australia. A total of 108 American and 93 Australian firms returned the valid and completed questionnaires resulting in a response rate of 35 percent. As used in the previous innovation research (e.g., Sethi 2000), respondents were requested to provide information about a new service project that was completed most recently. Thus, data were analyzed at the project level. Several steps were taken to test and validate the questionnaire, scales and measures (Hunt et al. 1982). First, 8 respondents selected from the sampling frame participated in the pilot test. Later, four very experienced university professors reviewed the questionnaire. These steps also increased the content validity of the research instrument. To assess the discriminant validity and unidimensionality of the constructs, a series of pre-tests was performed by conducting confirmatory factor analysis with LISREL 8. Cronbach alpha were also calculated in accordance with the guidelines provided by Nunnally (1977) and Churchill (1979).

Findings and Conclusions

The results suggest that there are consistent and significant differences in the way new services are developed in the U.S. and Australia. In particular, the findings support the following conclusions.

New Service Strategy. The low cost and less risky option of developing moderately innovative services is the most popular strategic choice of both Australian and U.S. service firms. Because of the characteristics of intangibility and heterogeneity services are much easier, faster and less expensive to imitate. Consequently, a proliferation of me too services typically follows the launch of a successful original new service, making a long-term competitive advantage very difficult to sustain. However, many firms also develop highly innovative services. In particular, American firms, because of their propensity of risk taking, tend to adopt this strategy of developing innovative services more frequently than do Australian firms. In contrast, Australian firms are more prone to developing a moderately innovative service because they tend to avoid risky projects.
New Service Development Stages. Firms in the U.S. and Australia emphasize different stages while developing new services. A key factor that needs to be taken into account is the strategic posture of a service firm. For example, a firm that develops more innovative services might focus heavily on the stages of idea generation, idea screening, formation of cross-functional team and personnel training. In these key aspects of NSD, American firms do better: they conduct more rigorous idea generation and screening, utilize cross-functional team more, and handle decisions regarding personnel training more efficiently. On the other hand, firms developing moderately innovative services may be better off putting more emphasis on the business analysis and commercialization stages of the NSD process. Australian firms tend to emphasize the business analysis stage of the development process since they collect more analytical information about their projects mainly related to moderately innovative services. These insights may help service managers from the two nations to better understand and manage their NSD programs in a cross-national context. References available on request.

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WHEN IS THE HIGH/LOW STATUS BRAND ALLIANCE A VIABLE STRATEGY – THE ROLE OF STRATEGIC COMPLEMENTARITY

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ABSTRACT

Drawing on the strategic alliance, channel relationship, and brand alliance literature, this paper has two contributions. First, it enriches the concept of strategic complementarity so it becomes more holistic. Second, this paper applies the broadened concept of strategic complementarity to reconcile competing implications regarding partner selection in brand alliances.

INTRODUCTION

Forming alliances with other firms has become a strategic tool used by many companies to remain competitive in their current market segments or to gain access to new markets (Beverland and Bretherton 2001; Rao and Ruekert 1994; Samu, Krishnan, and Smith 1999; Simonin and Ruth 1998). Since the rationale of interorganizational alliances (IA’s) is to strategically access and pool together complementary resources and skills of other firms in order to achieve sustainable competitive advantage (Hoffman and Schlosser 2001), strategic complementarity (SC) should be the focal concern of all IA’s. In macroeconomics, Oh and Waldman (1994) defined SC as the synergy between alliance partners where cooperation will lead to more benefits than will the sum of each party independently. In the strategic management literature, the concept of SC is used interchangeably with resource complementarity (Dyer and Singh 1998). Likewise, the strategic alliance and marketing literature also implies that resource complementarity is SC because a high level of resource complementarity can lead to a synergy effect (Das, Sen, and Sengupta 2003; Hoffman and Schlosser 2001; Jap 1999; Lambe 2002). Even though resource complementarity can lead to synergy effects through the development of idiosyncratic resources (Jap 1999), resource complementarity alone cannot guarantee a sustainable synergy because it ignores a key concept in interfirm relationship – interdependence asymmetry – conceptualized as the difference of relative dependence between alliance partners (Kumar, Scheer, and Steenkamp 1995). Moreover, to make the alliance synergy sustainable, objective compatibility or goal congruence should also be attended to (Sivadas and Dwyer 2000; Das and Teng 1999; Jap 1999). Because resource complementarity alone cannot fully explain the effectiveness of IA’s, this paper defines SC as a second-order construct composed of three first-order factors – resource complementarity, interdependence asymmetry, and objective compatibility.

One branch of the strategic alliance literature studies brand alliances. The findings of such studies, however, have competing implications regarding partner selection. Depending on the specific brand’s status (high versus low), the brand alliance literature recommends two opposite avenues. For the low status brand, it is most beneficial for it to team up with a high status brand, whereas for a high status brand it is usually not wise to pick a low status brand as a partner. This implies that a high/low status brand alliance should be very rare, if not altogether impossible. However, Williams (1997) noted that some of the most successful alliances have been with smaller companies seeking partnerships with larger ones. Therefore, the discrepancy between theory and practice begs the question: When is the high/low status brand alliance a viable strategy? The rest of this paper proceeds with a discussion of SC, and then it applies this broadened concept to reconcile the competing implications of partner selection in brand alliances.

STRATEGIC COMPLEMENTARITY

The underlying premise of SC is resource complementarity. Complementary resources refer to the degree to which firms in an alliance are able to eliminate deficiencies in each other’s portfolio of resources by supplying distinct capabilities, knowledge, and other entities; idiosyncratic resources, on the other hand, are alliance-specific resources developed specifically between two partners to facilitate the cooperative activity (Lambe et al. 2002). Jap (1999) argued that complementary resources directly affect the development of idiosyncratic resources because idiosyncratic resources can efficiently tap the synergy of the dyad for superordinate strategic outcomes. Therefore, resource complementarity provides the initial foundation for interfirm synergy. Interdependence asymmetry exists when partners are not equally dependent on each other (Kumar, Scheer, and Steenkamp 1995). One potential source of interdependence asymmetry is the replaceability of the partner firm. Another potential source is unequal payoff valuation (Jap 2001) where the partner who values the payoff less will be less dependent. Sivadas and Dwyer (2000) point out that asymmetrical dependence is less conducive to a climate of cooperation, and that it is easier for minimally dependent parties to ignore or walk away from challenges. Furthermore, alliance partners need to assess each other’s objectives to see if they are compatible and can be achieved simultaneously (Sivadas and Dwyer 2000). In the channel literature, Jap (1999) also argued

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that goal congruence is vital in facilitating partners’ coordination efforts. Given the criticality of resource complementarity, interdependence asymmetry, and objective compatibility, it follows that:

Proposition 1: Strategic complementarity is a second-order construct composed of three first-order factors: resource complementarity, interdependence asymmetry, and objective compatibility.

BRAND ALLIANCE STRATEGY – A BRAND STATUS PERSPECTIVE

Simonin and Ruth (1998, p. 2) defined brand alliances as “the short or long-term association or combination of two or more individual brands, products, and/or other distinctive proprietary assets.” In the extant brand alliance literature, however, the implications for partner selection seem to be competing. For instance, it is suggested that a less-known brand (low status brand) should team up with a well-known partner (high status brand) because such alliances tend to help the low status brand build brand equity. However, in the same body of the brand alliance literature, warnings have been given to high status brands for teaming up with low status brands, given that a low status brand “free rides” from spillover effects (Simonin and Ruth 1998), that a high status brand may put its brand equity on the line (Park, Jun, and Shocker 1996), and that a high status brand may be held as a hostage (Rao, Qu, and Ruekert 1999). Therefore, it begs an intriguing question: What is the mechanism that can bring together brands of different status? Since a high status brand tends to bring more benefit to the brand alliance yet bears more risks, this paper will take the high status brand’s perspective. Moreover, to be consistent with the extant brand alliance literature, this paper will focus on the interfirm brand alliances that typically lead to the birth of a new product/service. Even though brand alliances can involve more than two partner brands, for simplicity reasons I will confine my analyses to the context of two partner brands, the insights of which shall be generalizable to multiple partner brand alliances. Because the success of one partner can be derived at the expense of the other partner (Parkhe 1993), this paper defines alliance success on a collective basis measured by the success of the alliance product. The following section begins with an analysis of alliance partner contributions, then coupled with the insights from the analysis it applies the concept of SC to explain when a high/low status brand alliance may be successful.

PARTNER BRAND’S CONTRIBUTIONS

Brand alliance is built around the linking or integration of the functional or symbolic attributes of two or more different brands with the objective of offering a new or perceptually improved product to the customer (Cooke and Ryan 2000). Functional attributes solve a consumer driven problem, whereas symbolic attributes are those that fulfill partner company’s needs for self-enhancement, role position, group membership or ego identification (Park, Jaworski, and Macinnis1986). Therefore, each partner brand may have either functional contribution or symbolic contribution or in some cases, both functional and symbolic contributions. An example of functional contributions by a partner brand is GM/MasterCard alliance. GM provides car purchase rebates to the Master Card users, whereas Master Card provides the necessary platform product. Symbolic contributions, on the other hand, occur when the mere presence of a partner brand may enhance the perceived quality of the alliance product without physical product attributes to offer. A case in point is the alliance of Eddie Bauer with a little known travel company – Ambassador International – for an adventure travel product (Fisher 1997). Eddie Bauer is not a travel company but its brand name may endorse the reputation of the alliance product and Ambassador International alike through signaling effect (Rao and Ruekert 1994) and spillover effect (Simonin and Ruth 1998). Therefore, Eddie Bauer’s contribution to the brand alliance product is symbolic.

A partner brand can have either functional or symbolic or both contributions to an alliance product. But in a high/low status brand alliance, only the high status brand may have symbolic contribution or both symbolic and functional contributions, whereas the low status brand typically only has a key functional contribution. When the high status brand has symbolic contributions only, it indicates that its current competency does not render direct bearing on the alliance product. What it looks for is usually market access and/or an opportunity to learn from its partner. This requires a partner that is in that industry but who otherwise needs reputation endorsement. Eddie Bauer/Ambassador International alliance for an adventure travel product is one example. When the high status brand has both symbolic and functional contributions, the low status brand tends to have a very desirable complementary attribute that can add value to the high status brand’s current products. An example of such alliances is Coke/NutraSweet (Rao and Ruekert 1994) where Coke provides reputation endorsement and platform product and NutraSweet provides additional attribute – sugar substitute.

STRATEGIC COMPLEMENTARITY IN BRAND ALLIANCES (FIGURE 1)

Though SC should be characteristic of all successful alliances, a salient trait of a mixed-status brand alliances is the high likelihood of interdependence asymmetry where a low status brand likely lives at the mercy of its
high status partner. This section assesses the role of SC as a bonding mechanism in the high/low status brand alliance.

Murray (1998) suggests that alliances are emerging as important vehicles for achieving two kinds of growth: (1) core competency capture, which concentrates on improving the value of existing customers through enhanced products, and (2) diversification, which builds new areas of competitive advantage. Therefore, a brand alliance where the high status brand has symbolic contributions only fits the profile of the diversification strategy. In the diversification strategy, resource complementarity is likely to hold when the high status brand’s reputation effectively bolsters the attractiveness of the low status brand’s new product. Equally important is that the high status brand needs the low status brand as much as the low status brand needs reputation endorsement so interdependence asymmetry is kept low. In Eddie Bauer’s travel alliance example, Eddie Bauer was facing a fragmented and competitive clothing industry where profitability was eroding. Thus, Eddie Bauer would highly value the potential payoff from its alliance with the “little guy.” In addition, Eddie Bauer probably couldn’t easily locate another travel company that is equally interested in co-developing this new travel package because of its narrow niche market. Therefore, Eddie Bauer’s eagerness to get into the travel business and the relative irreplacebility of its partner constitute a low interdependence asymmetry. Last but not least, Eddie Bauer and its alliance partner’s objectives don’t seem to be at odds, hence objective compatibility.

Jap (1999) found that resource complementarity leads to idiosyncratic resources and that idiosyncratic resources directly influence the alliance performance. This finding highlights the mediating role of idiosyncratic resources in alliance successes. Since Kumar, Scheer, and Steenkamp (1995) found that symmetric interdependence is conducive to trust and commitment, it can be inferred that symmetric interdependence has a positive effect on the development of idiosyncratic resources. Furthermore, when alliance partners’ long-term objectives are compatible, a sustainable level of idiosyncratic resources can be anticipated. Therefore,
Proposition 2a: The magnitude of interdependence asymmetry is negatively related to the development of idiosyncratic resources in a brand alliance.

Proposition 2b: The magnitude of objective compatibility is positively related to the development of idiosyncratic resources in a brand alliance.

Proposition 2c: The magnitude of strategic complementarity is positively related to the development of idiosyncratic resources in a brand alliance.

**INTERFIRM TRUST**

Lack of trust is inherently the primary concern in alliances (Wolff 1994). Andaleeb (1992) conceptualizes trust as having two dimensions: positive motivation of the partner and partner’s ability to produce positive outcomes from the association. In a brand alliance context, when interdependence asymmetry is low and objectives are compatible, the high status brand tends to trust the low status brand’s motive because of the balanced power and the mutual interest. On the other hand, when the level of resource complementarity is high, the high status brand should be more confident in effectively tapping the alliance synergy for the positive outcome. Therefore, the level of SC should influence the level of trust.

**Proposition 3a:** The magnitude of strategic complementarity is positively related to the level of interfirm trust.

Chiles and McMackin (1996) argue that interfirm trust may lead to (a) more accurate information exchange, (b) greater receptivity to influence by the partner, and (c) relaxation of control on the partner, which in turn reduces relational uncertainty. Therefore, a high level of interfirm trust is likely conducive to the development of idiosyncratic resources because of “trust’s role in constraining opportunistic behavior” (Chiles and McMackin 1996, p. 8). As such, it follows that:

**Proposition 3b:** The magnitude of interfirm trust is positively related to the development of idiosyncratic resources.

**MODERATORS**

In the strategic alliance literature, organizational cultural fit and institutional support are identified as important moderators influencing the alliance successes (Das and Teng 1999; Sivadas and Dwyer 2000; Zirger and Maidique 1990). In the brand alliance literature, consumer’s perceived brand image fit, product category fit, and perceived functional benefit are found to have positive moderating effects in brand alliance successes (Aaker and Keller 1990; Boush and Loken 1991; Milberg, Park, and McCarthy 1997; Simonin and Ruth 1998). Therefore, the following sections will discuss the roles of these moderators in the proposed model.

**Organizational Cultural Fit**

Organizational cultural difference can make good alliances go bad. Despite a high level of complementary resources in AT&T and Olivetti alliance, the alliance failed because AT&T’s bureaucratic organizational culture clashed with Olivetti’s dynamic and entrepreneurial culture (Das and Teng 1999). Therefore, organizational cultural fit clearly makes a difference in the development of idiosyncratic resources in brand alliances.

**Proposition 4:** The stronger the organizational cultural fit, the stronger the relationship between strategic complementarity and the development of idiosyncratic resources.

**Institutional Support**

Top management support is vital in committing the company’s resources and people to achieving the corporate goal. Zirger and Maidique (1990) point out that top management support can facilitate the clearing of functional barriers, provide the necessary organizational resources, and create a spirit of commitment to new product development. Sivadas and Dwyer (2000) noted that top management support in creating a position called Director of Strategic Alliances at several Fortune 100 companies is an integral part of their alliance success. Taken together, these findings strongly point to the role of institutional support in incubating idiosyncratic resources between alliance partners.

**Proposition 5:** The stronger the institutional support, the stronger the relationship between strategic complementarity and the development of idiosyncratic resources.

**Consumer’s Perception**

In the diversification strategy, the high status brand usually is stretching into another industry, and therefore its act will be considered some sort of brand extension. Milberg, Park, and McCarthy (1997) found that negative feedback effects occurred when (a) extension products were perceived as dissimilar from the original product category, and (b) extension products were inconsistent with image beliefs associated with the original brand. Other researchers had similar findings (Aaker and Keller 1990; Boush and Loken 1991; Simonin and Ruth 1998).

Therefore, to make the final alliance product successful, the brand alliance must make sense to the consumers in terms of brand image congruity and product category fit.
Proposition 6a: The stronger consumer’s perceived brand image fit between the high status brand and the alliance product, the stronger the relationship between idiosyncratic resources and brand alliance success.

Proposition 6b: The stronger consumer’s perceived product category fit between the high status brand and the alliance product, the stronger the relationship between idiosyncratic resources and brand alliance success.

Now I turn to the other type of brand alliance strategy, also from the high status brand’s perspective, which is appropriately referred to as core competency strategy. An example is Coke allied with NutraSweet where Coke intends to provide additional value to its existing customers by introducing a healthier soft drink. This type of brand alliance strategy is very similar to the previously discussed diversification strategy model except that (1) the high status brand has both symbolic and functional contributions to the alliance product, (2) product level complementarity between the high and low status brands must be considered, and (3) due to the additional attribute typically offered by the new alliance product, consumers’ perception will also include perceived functional benefit. Taking Coke/NutraSweet alliance for example, I examine the role of SC in the alliance. Since NutraSweet is a substitute for traditional sugar but otherwise needs reputation endorsement, Coke’s brand name and product mesh well with the special feature provided by NutraSweet. Thus, there is a relatively high level of resource complementarity. Because Coke fears losing the health sensitive consumers but doesn’t want to invest in R&D for a sugar substitute, it is just as dependent on NutraSweet as NutraSweet needs Coke’s reputation endorsement, hence a low level of interdependence asymmetry. Moreover, since Coke and NutraSweet’s objectives are not clearly at odds, the SC between them is likely sustainable. The ultimate indicator of the alliance success is how well the alliance product is received by consumers. To the extent that the new product intends to capture more market share by expanding its customer base, its new feature has to be valued by potential consumers. For example, IBM’s Dos based operating system was replaced with Microsoft’s user-friendly windows based operating system. It is the perceived ease of using the new feature provided by Microsoft that consumers highly value, which in turn accelerated the purchase of personal computers. Thus,

Proposition 7: The stronger consumer’s perceived functional benefit provided by the additional feature of the alliance product, the stronger the relationship between idiosyncratic resources and the brand alliance success.

DISCUSSION

This paper addresses two issues – the enriched concept of SC and its role in the high/low status brand alliance. As this paper argues, resource complementarity alone fails to capture the richness of SC. In assessing the magnitude of SC, interdependence asymmetry and objective compatibility have to be considered as well. When resource complementarity is high, interdependence asymmetry is low, and objectives are compatible, interfirm alliances are likely sustainable in the long run.

Applying the broadened concept of SC to the high/low status brand alliance, this paper provides a rationale why this type of brand alliance may work. Conceptualized as interdependence asymmetry, the salient power difference between a high status and a low status brand seems especially problematic. Regardless of the high status brand’s strategic perspective, an equal interdependence between alliance partners constitutes the key bonding mechanism. When the high status brand equally values the potential payoffs from the alliance and when the low status brand is hard to replace, the level of interdependence asymmetry is likely low. This, together with resource complementarity and objective compatibility between the two partner brands, constitute a high degree of SC, which positively influences the development of idiosyncratic resources, which in turn can translate into the alliance success.

This paper emphasizes the broadened concept of SC and its key role in the study of alliances. Therefore, it is this paper’s hope that the enriched construct of SC will be incorporated in relevant literatures where it’s applicable. The application of SC also reconciles the competing implications regarding partner selection in the brand alliance literature. Controlling the level of interdependence asymmetry between a high and a low status brand may be the most important element in mixed-status brand alliances. Only when a high status brand equally values the payoff from the alliance and when the low status partner is hard to replace will resource complementarity and objective compatibility fully bond the alliance partners together for the long term success.

Strategic complementarity, when properly constructed and applied, can predict and explain the success of many IA’s, mixed-status brand alliances included. When a high level of strategic fit is in place, alliance partners will be able to fully tap their synergy, and thus a high/low status brand alliance can beat the odds.
REFERENCES


SUMMARY

Introduction

Brand strategy can play a significant role in the success of products in the marketplace. The primary goal of brand name is to provide the customers with a symbolic meaning to assist customer recognition and decision-making process (Wernerfelt 1988). Firms are increasingly seeking to leverage that goodwill by “stretching” or extending their brands into new product areas. Amid the growing globalization, brands have played increasingly important role in firms’ international marketing efforts. This paper attempts to study the brand extension decision firms make in their international marketing efforts and to propose a conceptual framework on factors affecting branding extensions in the context of international marketplace. This current study builds upon studies such as the extended OLI paradigm (Agarwal and Ramaswami 1992) and brand extension decisions (Reddy et al. 1994).

Brief Literature Review

Brand extension is the approach that a current brand name is used to enter a different product category (Aaker and Keller 1990). The success of brand extensions depends on the product information available and the fit between the brand name and the new product category. Park et al. (1991) contend that product feature similarity and brand concept consistency are the two factors that differentiate between successful and unsuccessful extensions. While brand extensions benefit from the transfer of positive associations, they also suffer from the transfer of negative associations, which lead to the threats to the extension’s appeal and advantages. A brand name may fail to support an extension; an extension may also weaken existing association, thus damaging the original brand image and reduce the market share of the firm (Aaker 1990). Thus, extension decision is strategically crucial for the success of the firms.

A body of literature has suggested that the success of a firm is contingent on the firm’s ability to match or adjust its strategy to its environments (Kim and Lim 1988; Boyd and Fulk 1996). The eclectic paradigm proposes that ownership advantage of a firm, location advantage of a market, and internalization advantages of the firm can influence the entry mode decision for a target market and contribute to the growth of multinational corporations (Dunning 1977, 1980). Agarwal and Ramaswami (1992) extend the eclectic paradigm and propose a schematic representation of entry choice factors in which the inter-relationship among ownership advantage, location advantage and internalization advantage of a firm leads to the choice of strategies in the international marketplace. Their model employs not only the three main effect of eclectic paradigm but also sets of variable interactions among firm size, international experience, market potential, and investment risk. In another stream of research, Reddy et al. (1994) propose that the success of an extension is affected by: (1) Firm characteristics such as firm size, number of brands of the firm has in the target market, and market share of the brands. (2) Parent brand characteristics such as the strength and order of entry into the product category. (3) Marketing (advertising and distribution) support for the extension. Reddy et al. (1994) also argue that the incremental sales generated by extensions of strong brands are likely to compensate the loss.

Conceptual Framework and Propositions

Firms need resources to launch marketing operations in international marketplace. The size of the firm is usually an indication of the firm’s capability to utilize resources (Hood and Yong 1979). Firms without any international experience have greater difficulties in managing their foreign operations (Agarwal and Ramaswami 1992). Brand extensions can enable firms to realize the spillover effects when advertising for other products associated with the brand (Smith and Park 1992). Brand extensions can be used to facilitate market entry into new product categories, new markets or market segments. Thus, our first propositions are as follows:

Propositions 1a and 1b: Firms with larger size and with higher level of international experiences are more likely to use brand extension in international markets.

According to Agarwal and Ramaswami (1992), firms interested in international markets should select appropriate strategy in the target market. Market conditions (market’s size, growth, and costs) and the investment risk in a particular country reflect two important facets that
firms should pay attention to in their target markets. The
dramatic increase in media costs, extensive and aggressive
use of promotion by competitors and the availability
of distribution have prompted firms to take advantage of
established brand names to aid their new market entry
effort (Aaker and Keller 1990). New products with the
benefit of established brands are advantageous in entering
the market in a position of strength, thus reducing the risk
Therefore, we propose our next propositions:

Propositions 2a and 2b: Firms are more likely to use
brand extension in markets with high marketing costs
and higher market risks.

High external uncertainty makes the writing and
enforcement of contracts more costly (Anderson and
Weitz 1986). Building and maintaining brand-customer
relationship is an important strategic process for the firm
in the marketplace. Each market segment and delivery
channel has a distinct and separate revenue structure and
customer base (Davis and Halligan 2002). Extensions are
more powerful when they are connected to the customer
relationship and brand positioning (Davis and Halligan
2002). We therefore propose:

Proposition 3: Firms are more likely to use brand
extension in markets where brand-customer relation-
ship is preferred to alleviate contractual risk.

A body of literature has identified the impact of
culture, consumer knowledge and institutional environ-
ment on consumer choice and firm strategies (Shendar
2001; McCarthy et al. 2001; Davis and North 1970). We
thus propose that these three factors have moderating
effects on firm’s choice on brand extension in interna-
tional markets.

Future Research

In future studies, the conceptual framework may be
refined incorporating more in-depth literature review on
international business and brand extension. Testable hy-
potheses should be constructed for further empirical tests.
Performance implication of brand extension in interna-
tional context might be another interesting topic. Refer-
ences available on request.

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ASSESSING THE IMPACT OF ACCESSIBILITY LEVEL OF A TECHNOLOGY ON THE SIZE OF ITS INSTALLED USER BASE

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SUMMARY

Theorists from Resource Based View have considered technology as a resource capable of ensuring competitive advantage for a firm. Similarly scholars from industrial organization view have viewed technology as a resource barrier which prevents competitive entry. However, history has time and again showed that many firms willingly share this resource with their competitors competing for market share in same product market. This has raised the question of why, if proprietary control over a technology increases the appropriation of benefits to the controlling firm, do these firms share these proprietary technologies with their competitors in the same product market? The paper provides a conceptual framework that seeks to explain the reason underlying these decisions. The paper seeks to understand the relationship between different accessibility levels of a technology and the size of a firm’s installed user base.

Network markets are characterized by two time periods. Oe is pre-emergence of dominant design, which is also known as an evolutionary period. The second is post-dominant design, which is also a relatively stable period. The paper focuses on the evolutionary period where there are multiple networks competing for a leadership position in the industry. At this stage of evolution, networks are incapable of communicating with each other. These competing networks are involved in an industry standards war for establishing dominant design. Consumers bear a non-zero cost of switching between networks. In the markets for these systemic products, the level of analysis of a research problem is at three levels: firm, technology and industry level. The importance of technology level stems from the key role it plays in determining the future of the firm as well as the structure of the industry. The competition between technology (inter-technology) has a contraction effect on the market share of each technology whereas the competition between different firms with same technology (intra-technology) has a market expansion effect on the technology. Inter-technology effect is dependent on the number of competing technologies available in the product market. Intra-technology effect is dependent on the number of firms entering the market with the same technology, which is the size of the producer network. In addition to the size of the producer network and the number of competing technologies in the product market, the size of the complementary network also mediates the relationship between accessibility level of a technology and the user base of the technology.

![Figure 1](image-url)

**FIGURE 1**
Impact of Accessibility of a Technology on its Installed Userbase

- **H1 +** Size of Producer Network → Accessibility of a Technology
- **H3 +** Size of Complementary Network → Number of Competing Networks
- **H2 -** Number of Competing Networks → Size of Producer Network
- **H4 +** Size of Producer Network → Size of Installed User Base of the Technology
- **H5 +** Size of Complementary Network → Size of Installed User Base of the Technology
- **H6 -** Size of Installed User Base of the Technology → Number of Competing Networks

(Chart showing the relationship between accessibility of a technology and its impact on the size of the installed user base.)
hypothesize that the access provided by a firm to its technology is related to the size of its installed user base and this relationship is mediated by the size of the producer network, the size of the complementary network and the number of the competing networks in the product market. Figure 1 shows the conceptual model with proposed relationships between key constructs.

The three different accessibility levels of a technology are proprietary rights, licensed rights and general public license (open source). We expect to find that given all else equal, open source technologies are more likely to have the largest producer and complementary networks, face the least competition from competing technologies and thus are expected to have largest installed user base. Strengths of positive effects will diminish while those of negative effects will amplify as one moves from open source accessibility of a technology at one end of the continuum to proprietary control over the technology at the other.

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IMPACT OF SMART AGENTS ON CONSUMER DECISION MAKING

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SUMMARY

Information search has often been suggested as an uncertainty-reducing strategy (Urbany, Dickson, and Wilkie 1989. With the emergence of information technology, the Internet has become an almost infinite source of information. However, pertinent information (on the Internet) can sometimes be quite challenging to locate. Therefore, consumers, we argue, are not in a position to take advantage of this vast amount of information without the help of special tools like “Smart Agents.” A smart agent is very different from a basic search agent. A basic search agent mines the Web for information on the product one is searching for, and presents it in a non-tabular fashion. This kind of information is very useful while looking for facts or general information. However, when a customer searches for information regarding a particular product, these kinds of general search engines are not very useful as aids in decision-making. A smart agent addresses this need of Internet information mining by screening through a number of alternatives, and recommending only a handful of well-matched vendors.

This paper proposes models that examine the effects of smart agents on consumer decision-making and reflects upon the importance of this kind of search tool. The contexts of the models are: the business-to-consumer (we do not consider the business-to-business context here), and, “directed search” (where a customer is looking for information about a particular product of interest). In our study, we explore the effects of smart agents, on the information search processes of consumers. The first model, as shown in figure 1, maps the effect of smart agents on information search along with some of the consequences of information search. We propose that using smart agents will result in greater satisfaction (+), greater choice accuracy (+) and greater confidence (+) and will also result in lower search time and lower perceived risk for consumers.

Figure 1 depicts the proposed effects that the use of a smart agent will have on the consumer after information search has been undertaken on the Internet. The classical buyer decision-making process consists of problem recognition, information search, evaluation of alternatives, purchase decision, and post purchase behavior (e.g., Howard and Sheth 1969). We concentrate on the information search section of the process. The boxes with dotted outlines are not considered in the study and are not a formal part of the proposed model. The hypothesized relationships along with the suggested directions are included in the figure.

FIGURE 1
The Effect of Smart Agents on Information Search

[Diagram showing the effect of smart agents on information search with arrows indicating relationships such as P1 (-), P3 (-), P5 (-), P7 (-), P9 (-) for satisfaction, choice accuracy, confidence, time taken, and perceived risk.]
Prior product knowledge plays an important role in the information search behavior of consumers. From extant literature, we know that consumers with moderate knowledge and experience tend to do more processing of the available information than those with either a higher or a lower knowledge and experience (Bettman and Park, 1980; Johnson and Russo, 1984). The existence of prior knowledge seems to facilitate the acquisition of new information and increases search efficiency. We argue that the even in situations where consumers have prior knowledge, they will experience greater satisfaction (+), greater choice accuracy (+) and greater confidence (+) and will also experience lower search time (+) and lower perceived risk (i.e., prior experience does not make smart agents redundant). Figure 2 depicts the proposed relationships.

FIGURE 2
The Moderating Effect of Prior Knowledge

The dependent variables of our study are satisfaction, choice accuracy, confidence, time taken in the search activity and perceived risk of the search process. Again, the proposed relationships and hypothesized directions are embedded in the figure.

A major limitation of our propositions is that no empirical tests have been performed to test them. Further, we also need to compare smart agents with other forms of information search tools. References available upon request.

ENDNOTE

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THE ROLE OF CONSUMER–BRAND IDENTIFICATION IN BUILDING BRAND RELATIONSHIPS: A CONCEPTUAL FRAMEWORK

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SUMMARY

Brands are pervasive in marketing and especially in consumer marketing. It is well accepted that brands are valuable and can contribute to a firm’s financial performance (Aaker 1992; Kim, Kim, and An 2003). Building brand loyalty – consumers’ behavioral intentions to re-purchase brands (Oliver 1999) – is an important goal that marketers and brand managers strive to achieve. Much research has been undertaken that has examined brand loyalty and brand equity (e.g., Aaker 1991, 1992; Blackston 2000; Chaudhuri and Holbrook 2001). However, existing frameworks for brand loyalty are inadequate. Extant research has not considered deeper understandings of the bonds that develop between consumers and the brands to which they are loyal. The notion of consumers having “relationships” with a brand is relatively new and remains under studied (cf., Fournier 1998). Existing knowledge of brand loyalty does not explicitly consider relationship-based antecedents and outcomes.

An emerging stream of research in marketing considers the bonds that develop between consumers and companies (e.g., Bhattacharya, Rao, and Glynn 1995; Bhattacharya and Sen 2003). The study of how consumers identify with firms (or subsets of firms), and the various antecedents and outcomes of the identification process draws upon theories of social identity (cf., Brewer 1991; Tajfel and Turner 1985) and organizational identification (Bergami and Bagozzi 2000; Dutton, Dukerich, and Harquail 1994; Mael and Ashforth 1992; Whetten and Godfrey 1998). Surprisingly, the concept of consumer – brand identification is not well documented in the marketing literature, although it has been referred to as one of the foci of identification worth examining further (e.g., Bhattacharya et al. 1995). Much of the limited work on consumer identification has focused on consumer – company identification (e.g., Bhattacharya and Sen 2003). This is to be expected since the body of theory that underpins the identification concept in marketing has considered identification with organizations and often from an employee or member perspective (e.g., Dutton et al. 1999; van Knippenberg and van Schie 2000).

This paper makes a number of contributions to this emerging stream of research and to the well-established literature on branding. Firstly, we provide a conceptual framework that posits that consumer–brand identification is a mediator of the influences of brand image, brand knowledge and social benefits on brand loyalty and consumer–brand relationships. This represents a conceptual advancement. To the best of our knowledge, no previous studies or frameworks have considered the mediating role of consumer–brand identification in building brand loyalty (or other similar and associated outcomes). Secondly, we contribute to the literature on consumer–brand relationships by suggesting that consumer–brand identification can help to foster the types of pro-social behaviors exhibited by consumers who are, in Fournier’s (1998) terms, in a “relationship” with a brand. The notion of consumer–brand relationships has received some attention since its introduction by Fournier; however, a framework for its antecedents has yet to be determined. We provide one possible solution to this apparent gap in the literature. Thirdly, the framework and discussion in this paper helps to enhance our understanding of both the antecedents of identification in general and not only with respect to consumer–brand identification. Finally, the framework deals with the issue of multiple foci of identification, which is not well integrated into existing frameworks (e.g., Ashforth and Mael 1989; Reichers 1985; van Knippenberg and van Schie 2000). We posit that multiple foci of identification may contribute to the degree that a consumer identifies with a focal brand.

From a theoretical perspective, the integration of social identity theory into branding research is an important step towards reinvigorating research in this area. Drawing on identification theory is a novel application that casts branding research in a new light. This is the main theoretical implication of this paper. However, much further work is needed to make measurement of this construct possible. Shortcomings of existing measures of identification are well documented in the literature (cf., Miller, Allen, Casey, and Johnson 2000). For practitioners, the framework presented suggests that efforts should be focused on matching brands with consumers’ aspirational self-images. This is different from typical brand management approaches that track positive attitudes towards brands. Consumers must also have positive experiences with a brand to identify with it, and derive social benefits from being associated with a brand. Finally, identifying with other associated foci means that not only must marketers and brand managers consider consumers and brands, but also consumers and service employees, channel partners (e.g., retailers), and other consumers. References available on request.
BRAND-SELF CONVERGENCE: A NETNOGRAPHIC INVESTIGATION OF BRAND COMMUNITIES

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ABSTRACT

Through the use of netnography, an ethnographic approach tailored to online communities, an attempt is made to understand the differences between communities centered on brands and those centered on product categories. An online community dedicated to the St. Louis Blues hockey team is compared to a community dedicated to hockey and a Jeep community is evaluated against a community centered on automobiles. Emergent themes include strong group cohesion and identification with the focal brand.

INTRODUCTION

Recently, researchers have begun investigating the meaning and construction of brand communities, (McWilliam 2000; Muniz, Jr. and O’Guinn 2001; McAlexander, Schouten, and Koenig 2002) which was defined as a “specialized, non-geographically bound community, based on a structured set of social relations among admirers of a brand” (Muniz, Jr. and O’Guinn 2001, p. 412). These communities could be argued to have arisen out of the tendency for individuals to relate a brand or its symbols to their own self-concept (Dolich 1969).

This research should contribute to our understanding of brand communities and online group dynamics by identifying emerging themes that may generalize to other consumption-related communities. The results should be useful because they reveal an intimate knowledge of online group dynamics (Spiggle 1994) and further our awareness of the netnographic method (Kozinets 1999).

LITERATURE REVIEW

This study utilizes an ethnographic approach, which has been modified to address the specific concerns of online communities. It is understood that although ethnography is a powerful tool in understanding a group, it is also very intrusive (Hill and Stamey 1990; Hirschman 1992). Because it dictates that a researcher is there, interacting with the respondents and taking notes on the phenomena, (Schouten and McAlexander 1995; Miriampolski 1999) the same aspect that makes it prevailing method of sub-cultural understanding may also be a source of bias.

Online communities provide an outlet in which researchers can study consumption behaviors without physically taking part in the phenomenon, minimizing the bias. Not only are researchers able to minimize bias, but previous research has shown that consumers present themselves more concisely on personal web pages and in postings, thus simplifying analysis (Schau and Gilly 2003). Using this method, coined netnography by Robert Kozinets, a researcher may attempt to learn about a groups’ consumption behavior while also attempting to understand the cultural norms, specific language nuances, and group hierarchy (Kozinets 1999; Catterall and Maclaran 2002).

While observing online communities, often the members fall into specific categories of involvement: tourists, minglers, devotees, and insiders (Kozinets 2002). These terms are used to aid in understanding the hierarchy of the group. Tourists are not strongly tied to the group and maintain only a mild or temporary interest in the subject being discussed. Minglers often have strong social ties to the group; yet do not maintain a strong personal interest in the subject being discussed. Lastly, are the insiders, who have both strong social ties to the group as well as a strong personal interest with the subject matter. Often, similar to the Pareto rule of 80/20 in traditional marketing, insiders and devotees make up the bulk of the contribution to online communities (Kozinets 1999).

Netnography is gaining in popularity as the number of online communities increase, and marketers strive to understand them. As of June 2000, it was estimated that as many as 400,000 communities can be found on the Internet (Le Beau 2000). These communities often evolve as the members get to know each other and develop a hierarchy and a shared value system (McWilliam 2000).

Consumer behavior has been a phenomenon of interest to researchers for decades, and has been studied as far back as colonial America (Boorstin 1973). Some researchers have spent years studying a particular subculture, while others have traveled across America in an attempt to study a multitude of consumer behaviors (Schouten and McAlexander 1995; Rook 1991; Belk 1991). Marketing practitioners have also begun studying
consumption because it is believed that some products present symbolic images, not related directly to attributes, which drive consumption. These images are often targeted to consumers who use association to derive meaning and possibly, self-image (Sirgy 1982; Graeff 1996; Grace and O’Cass 2002). According to a study by Kleine and Kernan, a product can take on virtually any meaning, thereby appealing to certain consumers (Klein, III and Kernan 1991; Kiley 1999). Other researchers have hypothesized that consumers, in fact, choose brands that have images compatible with their own perceptions of self (Jamal and Goode 2001). This concept is now being called the self-concept and image congruence hypothesis and has been tested by several researchers with some conflicting results (Jamal and Goode 2001; Heath and Scott 1998). While not all researchers agree as to the extent self-image plays in consumption behavior, there is a consensus that it is a factor of brand selection. Often the role that self-image plays in the brand purchase decision can also be greatly affected by culture (Thompson 1997; Aaker 1999; Ratner and Kahn 2002).

**METHODS**

In choosing which type of online groups to observe it was decided to focus strictly on newsgroup forums. These forums were chosen because they provide threaded communication that often encourages several different posters to comment on the same topic, as well as being moderated so that irrelevant information is usually prevented from appearing in the forum.

To best address the research questions, this paper analyzes two groups based on product categories and two additional groups discussing specific brands in each category. To lend more universal applications to this study, two groups discussed product-based consumption and the remaining two groups were based on the service sector. In researching the product category, this paper analyzes automobiles and more brand specifically, Jeep. In the service sector, NHL hockey and more brand specifically, the St. Louis Blues. The threaded news discussions that were monitored were: alt.autos, alt.jeep-1, alt.sports.hockey.nhl, and alt.sports.hockey.nhl.stl-blues.

Each group was monitored for a period of two months. Because newsgroups could retain a certain amount of data, where postings dated prior to the start of the analysis were available, they were also included in the sample. The postings retrieved from each group were read three times in order to better understand the imbedded meanings. In total, there were approximately 123,111 words analyzed, this number is the number of words from each posting (not including “replies” which may list the same posting multiple times). The auto and Jeep groups were much larger, 58,395 and 44,431 words respectively, than the NHL and Blues groups with 4,436 and 15,848 words respectively.

While ethnographic methods need to be altered to accurately monitor online groups, participant anonymity is still paramount. For this study, the observation process was concluded by posting an explanation of the research to all members of each group. Each member was asked if they objected to the research or to the use of quotes that they had contributed to the group. To further ensure anonymity, the names of all those referenced throughout the course of this paper have been changed.

**EMERGENT THEMES: BRAND VERSUS PRODUCT GROUPS**

The brand groups seemed to be characterized by a collective energy, stronger group cohesion, emotional investment, and brand centrality. In both cases, the groups that discussed brands appeared to have a stronger, more apparent hierarchy. Their loyalty to the brand was often suggested in emotional statements of love and devotion to the focal brand.

**Collective Energy**

The forum dedicated to the St. Louis Blues team had a distinct pattern of activity that is worth noting. When the monitoring of the group began, all activity in this group from April 6, 2003 to November 18, 2003 was utilized. Activity seemed to spike during the Blues’ playoff season and there were more postings directly prior to and in the hours or days following a Blues game, than any other time. Therefore, the distinct pattern of posting activity is apparently correlated with the Blues playing schedule. The postings from the NHL forum were monitored from February 2003 to November 2003. During that time there was a slight peak of activity during the NHL playoff season, and activity faded during the late summer when professional hockey was not being played, however the activity was continuous and less correlated with the hockey season.

The postings that appeared in the Jeep forum from September 2003 to early December 2003 were used for this study. In the autos group, the postings were dated from October 2003 to early December 2003. Strong membership in both groups led to plenty of postings in which to observe. Unlike the hockey groups, there did not seem to be a distinguishable pattern of activity.

**Group Roles**

In the Blues forum, not only were there patterns to be found in the dates and times of posting activity but there...
was also a distinct hierarchy of the group. There were a few insiders, about four in all, who kept the dialog going strong and on topic. The strong hierarchy and group dynamics that seemed apparent in the Blues forum did not appear to be present in the NHL group. In the NHL group there were several tourists who posted one or two items, usually an attempt to facilitate commerce. The forum provided more information than the Blues forum, yet there appeared to be very little emotion or cohesiveness of the group. The members came and went, and the most activity from any one member was four postings in over nine months, as opposed to active members in the Blues group who posted over thirty times in less than eight months.

Hierarchies also appeared to be present in the Jeep and autos groups, which were monitored for this paper. The Jeep group consisted of six insiders who were looked to for advice, kept the conversation on track and often led the group in a multitude of ways. One such insider was Larry, who was often mentioned specifically when other members had problems with their jeeps. There were several minglers and devotees that were observed and often tourists made the occasional post to the group asking their opinions on certain models or components of Jeep. In most cases, these were potential purchasers of the brand who were doing some pre-purchase research. In the auto group, most categories of participants could also be found. While the social ties to the group were not as apparent as those monitored in the Jeep forum, there did seem to be a loose social hierarchy among the group members.

**Group Cohesion**

Of the four groups that were monitored, the group dynamics and group cohesion appeared most visible in the Jeep forum. As mentioned before, Larry was one of the resident experts and widely respected for his opinion. When he wrote, everyone seemed to take notice, and most agreed with him. This study was influenced strongest by the group dynamics and Larry’s leadership when the data collection was winding down and the group was asked if anyone had an objection to the use of their quotes for the purpose of this paper. When originally posed this question, there were four members who were adamant in their opposition to the request. However, everything changed when Larry posted this: “I’m fine with what you’re doing and you may quote anything I’ve said if it’s helpful to you. I have to say I’m embarrassed over some of the comments from a few here, I’m sorry some have to be so immature about something so innocuous.” That same day, three of the four individuals who had so strongly insisted that they were not to be used in this study, recanted and gave permission to be quoted.

**Devotion to the Group**

The group cohesion is not only defined by the shared love of Jeep but also the intense feeling for the group (McAlexander, Schouten, and Koenig 2002). When posting that this group could be used for research purposes, one insider asked if it “might [be] noted that this group is one of the more friendly groups.” Other demonstrations of group cohesion were reasonably inferred through inside jokes and gentle teasing of each other. A few members teased Larry about his age, implying that he was wise because he was old. Other members were teased based on fictitious information about their Jeep. One rumor was thrown around that someone in the group owned a “pink surrey Jeep.” This kind of good-natured ribbing was not confrontational or similar to flaming; it was, most likely, just friends hassling each other. The Jeep forum was the only group in which this kind of group dynamic was found. It did not appear to be merely strangers talking about their Jeeps, but instead a community centered on Jeep.

**BRAND-SELF CONVERGENCE**

Both the Blues and the Jeep groups reasonably demonstrated strong brand-self identity, much more so than the product-related groups. This “convergence” of brand and self was often manifested in group dynamics, intensity and uniqueness of discussion, and knowledge and beliefs of the focal brand.

**Blues Group**

The Blues group may have provided distinct patterns of activity, as well as a distinct hierarchy, yet it is also important to note that several themes could also be found which seem to illustrate the strong identification of brand with self. These themes appeared to emerge as a strong defensive reflex, perceived intimate knowledge of the team and its players, and the sharing of history and traditions.

**Defensive Reflex**

The large majority of those who posted in the Blues forum were fiercely defensive of the Blues. The only exception to this rule were the devotees or tourists who were fans of opposing teams that participated in discussion for the sake of antagonizing and taunting the staunch Blues fans. This rivalry and competitive spirit proliferated throughout the forum, and often resulted in demonstrations of the intense loyalty. One such Blues fan was outraged when an Edmonton Oilers’ supporter posted inflammatory statements about the Blues and replied, “Now go back to the Oilers’ discussion group and say...”
negative things about your own damn team. You won’t get any respect around here.”

**Intimate Knowledge**

One of the most ingrained customs that presumably showcased the perception of these members as having an intimate knowledge of the Blues and the players was demonstrated through the language nuances. Many seemed to believe that their personal in-depth knowledge of the team and their opponents made them better suited to make personnel and coaching decisions, regarding the team. Not only are these participants well versed in the capabilities and shortcomings of the team and its players, they also referred to players in a different manner than did the NHL forum. In almost all cases the members of this groups did not refer to the players by their name, as was done in the NHL forum, but by nicknames. Blues’ goalie Chris Osgood was referred to as “Ozzy” and “OzzDude.” Even Ex-Blues teammates were still referred to fondly as Cujo (Curtis Joseph), Hullie (Brett Hull), and Shanny (Brendan Shanahan). These types of nicknames were not used in the NHL forum and yet, in the Blues forum, they were abundant. These names reasonably present a perceived intimacy with the team that is not present in the NHL forum, and add some support to the concepts of identification with the brand.

**Nostalgia**

Shared experiences and nostalgia were often seen in the Blues forum as members share personal stories of the Blues. Some members discussed how long they had been a Blues’ fans, and shared personal stories relating to their first experience at a Blues’ game. One member, had been a Blues fan since the beginning, “since before the Blues, the St. Louis Stars. I used to ride the bus down to the Arena with my dad to stand in the freezing cold by the burn barrels to get tickets.” These stories seemingly added to the sense of community and shared values. It also demonstrates the importance of these moments in the fan’s lives, as they are in the forefront of their memories, also increasing the possibility that the Blues play a crucial role in their image development. There were no such stories in the postings that could only be found in the Blues forum, this type of sharing and emotional involvement was not apparent in any post that was studied from that group.

**Group Migration**

One of the most noteworthy events to occur during the period of data collection for this paper, was the group migration from the Blues group to another forum. In early April there were several people posting regularly and when the new season began in the fall, many of those people were not posting to the forum. A couple of people, still posting, also noticed and began to “wonder why

**Jeep Group**

Consumers, who are intensely loyal to Jeep, or Jeepers as they are often called, have apparently internalized the ideals of rugged power, command over nature and fellowship. These shared ethoses are reasonably illustrated through the outpouring of reverence for their Jeep, the proud displays of their Jeep, and the language used that is specific to Jeepers. In the autos group, there were very little expressions of emotion, discussion of the superiority of their particular vehicle, or even statements of opinion. In most postings, the autos forum offered advice for those that were attempting to fix their vehicle, or purchase a new vehicle. While, this kind of “how-to” advice was abundant in both the Jeep and autos group, the difference lied in the postings that could only be found in the Jeep group. These often appeared as outpourings of emotion for one’s Jeep, “I Love my O|||||||O TJ Sahara.”

**Conquering Nature**

The ideal of Jeep as an embodiment of rugged power often morphs into the image of conquering nature. The members of the Jeep forum believe that their Jeeps can travel where all other cars cannot. They are not limited by their vehicle, the weather, or the terrain. They can simply go wherever they need to, in their Jeep. That point was ruthlessly explained to Jim, who wanted to know if he should winterize his Jeep by adding weight to the back of the vehicle “No Jim, It’s a JEEP!! a JEEP, no weight . . . .” The concept is that a Jeep does not need extra help navigating the road, regardless of the weather, that Jeeps are built to be tough. Another new member to the group was having problems with his Jeep Cherokee, yet kept referring to it in his posts as his “car,” when a Jeeper informed him that he should “stop calling it a ‘car’.. It’s a Jeep, you pissed it off.” This poster implied that the Jeep was rebelling at the thought of being called a car, because it is not just any “rice rocket,” it’s a Jeep!

While there seems to be a consensus in the Jeep group that it is the toughest vehicle on earth, many feel that it can be proven by its ability to conquer even the roughest terrain. Many members take their Jeeps “off roading” to test its power. In fact, that is an enjoyable weekend hobby
for many Jeep enthusiasts. Some Jeepers drive through the mountains and over rocks, this activity is called “rock crawling.” Others, who live near water, take their Jeep “swimming.” These activities are presumably intended to show that Jeep is capable of conquering nature. Even though Jeep advertisements often portray someone taking their vehicle “off-roading,” due to environmental pressures the Jeep Corporation has now adopted the slogan “Tread Lightly.”

**Language**

Like many subcultures of consumption, the Jeepers have a language quite their own. Often these new words relate to the “off-roading” expeditions that are so common among “true jeeper[s].” A few of the “off-roading” terms were mentioned above such as: rock crawling and swimming. There is even a specific wrangler wave that the owner of one Jeep wrangler uses to salute another when passing them on the road. When a new member of the forum had just purchased a new Jeep he was sent to www.7slotgrille.com to understand a little more about the community. After visiting that site, jeepers could access a couple keys to decoding the language, including a “Jeep-ictionary.” The site provided basic information to de-code the Jeeper.

One key component of this group that appeared to demonstrate the intense pride in Jeep was the way many people signed their names. In the autos group, people often posted their comments followed by their name, or nickname, or a quote that was of interest to that individual. In the Jeep group however, there was a more standardized way for socialized members of the group to sign off. Most signed their name, or nickname, followed by a list of every Jeep they own. Such as Josh who signed his name in the following way:

Josh
86/00 CJ7 Laredo, 33x9.5 BFG Muds, “glass nose to the tail in the” 00
88 Cherokee 235 BFG AT’s

This signature illustrates that Josh has a 1986 Jeep Laredo and a 2000 Jeep Laredo with large BF Goodrich mud tires, and a 1988 Jeep Cherokee, 235 horsepower, with BF Goodrich all terrain tires. This type of signature is common throughout the group. It is, most likely, a way to show pride in the Jeep that is owned by that individual as well as demonstrating belongingness to the group.

As demonstrated by the strong brand devotion, the Jeepers appear to place a good deal of their self-identity with all that they feel Jeep represents. This is, drastically different from what was seen in the autos group, where there appears to be no true feeling of community, no shared language, and no apparent devotion to the vehicle they drive. This lack of emotion could be used to symbolize the lack of strong identification with the product and its image, that appears to be present in the Jeep forum.

Through the monitoring of these four forums it became apparent that the people devoted to a brand have very different community than those who congregate around a product category. While the idea of a shared interest is the same, the intensity and personal involvement with the categories appear to be very inconsistent. This data seems to suggest that there are differences between both, communities based on product categories and brands as well as those based in the service (Blues and NHL) or product (Jeep and auto) industries (Table 1). There seems to be much less group cohesion, emotion, or brand emphasis in the product category groups. The group cohesiveness, expressed emotion, and brand centrality also appears to be weaker in the service sector. The Blues group, for example, did not appear to be as strongly tied to their brand as the Jeepers. It is not this paper’s intention to imply generalizability to all service industries, as it is understood that fans often portray very different characteristics of brand loyalty (O’Guinn 1991). It is, however, interesting to note the apparent differences between the groups, which may have several potential explanations. One is that the Jeepers own their jeep, and the Blues fans are not able to take ownership of the brand. This ownership may be a factor that is crucial to form the intense

| TABLE 1 |
|---|---|---|
| **Product Category** | **Brand** |
| **Product** | Group Cohesion: Limited | Group Cohesion: Very Strong |
| | Expressed Emotion: Limited | Expressed Emotion: Very Strong |
| | Brand Centrality: None | Brand Centrality: Very Strong |
| **Service** | Group Cohesion: None | Group Cohesion: Limited |
| | Expressed Emotion: None | Expressed Emotion: Strong |
| | Brand Centrality: None | Brand Centrality: Strong |
devotion that Jeepers apparently feel for their brand. Another possible factor is the evolution of the Blues. The Blues team changes with every player trade, with every game, and with every new line (defensive or offensive). This evolution process may make the Blues abstract and therefore the brand community is not as easily maintained as with the Jeep brand. In any case, the varying degrees of brand devotion and the factors influencing the degrees provide intriguing avenues for further research.

CONCLUSION

Both forums that centered on brand devotion appeared to be more emotionally charged than those centered on product categories. This seems to be an indication of the identification with the brand. Identification of brand with self is not a new concept, yet this research has extended that idea to create the possibility of a convergence of the brand image and self-perception. This brand-self convergence is, possibly, what makes brand communities the “holy grail of brand loyalty” (McAlexander, Schouten, and Koenig 2002).

This paper attempted to understand the differences of brand communities, such as the Blues and Jeep, from their product-category counterparts, hockey and autos. In doing this, a netnographic approach was utilized. While, netnography is a new qualitative research method, it seems to show great promise as a non-intrusive research collection tool. This study has, hopefully, lent netnography increased credibility in the field of market research.

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INDIVIDUAL DIFFERENCES TO CONSUMER RESPONSES TO SOCIAL INFLUENCE ACROSS CULTURES

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SUMMARY

The purpose of this paper is to examine social influence on consumers in a cross-cultural context. Social response theory posits that individuals respond to social influences with either conforming or nonconforming behaviors (Nail, MacDonald, and Levy 2000; Willis 1963). Consumer behavior research proxies for individual differences in consumer conformity (susceptibility to interpersonal influence, attention to social comparison information) and anticonformity (need for uniqueness) are presented in the context of social response theory. Idiocentrism and allocentrism, individual personality traits analogous to individualism and collectivism, respectively, are discussed in relationship to consumer conformity and non-conformity constructs. A national character study (Clark 1990) is proposed to test ten (10) propositions.

Social influence is described as pressure to conform to group norms (Deutsch and Gerard 1955). Some research has dealt with social influence and conformity as synonymous (cf., Burnkrant and Cousineau 1975; Jahoda 1959). However, conformity is more accurately described as an outcome of social influence (Lascu, Bearden, and Rose 1995). Marketing researchers have contended for some time that consumers’ tendency to conform to group norms is an important influence on the decision making behavior of consumers (Venkatesan 1966). Persuasive communications (e.g., advertisements with celebrity spokespersons) are often designed to utilize the power of group influence to artificially create pressure to conform to group norms (Bearden and Etzel 1982). Social influence impacts brand preferences (Stafford 1966), judgments of product quality (Pincus and Waters 1981) and purchase decisions (Bearden and Etzel 1982).

Individual differences in personality traits affect the extent to which social influences impact individual behaviors (McGuire 1968). Consumer research has attempted to capture these personality differences that determine conformity to norms by measuring traits such as consumer susceptibility to interpersonal influence (Bearden, Netemeyer, and Teel 1989) and attention to social comparison information (Bearden and Rose 1990). Bearden, Netemeyer, and Teel (1989, p. 474) defined consumer susceptibility to interpersonal influence as “the need to identify or enhance one’s image with significant others through the acquisition and use of products and brands, the willingness to conform to the expectations of others regarding purchase decisions and/or the tendency to learn about products and services by observing others and/or seeking information from others.” Attention to social comparison information is the degree to which individuals are influenced by the opinions of others relative to the individual’s product selection and use (Bearden and Rose 1990). To better understand consumer responses to group norms that affect consumption tendencies, it helps to recognize that many people do not follow the majority (Bearden and Etzel 1982). That is, some consumers are aware of group norms, but choose not to conform to them. Analogous to nonconformity in a consumer context, consumer need for uniqueness captures the primary motivations for nonconforming behaviors (Tian, Bearden, and Hunter 2001). Consumer need for uniqueness is defined as a tendency to pursue dissimilarity from others in a referent social system by acquiring and using consumer goods to develop a distinct self-image and social image (Tian, Bearden, and Hunter 2001).

Differences in cultural orientation affect behaviors at the individual level (Triandis 1989). For example, need to conform and need for uniqueness exist at different levels in collectivist and individualistic cultures (Kim and Markus 1999). However, the extent to which conformity and need for uniqueness influence consumer behaviors has yet to be investigated in a single cross-cultural study. Considering the global nature of today’s business environment, the examination of cultural differences in consumer responses to social influence has become a worthwhile endeavor. By obtaining a better understanding of how social influence operates on group processes across cultures, ultimately affecting individual consumers, marketers can be better equipped to understand global market segments and tailor their messages appropriately. Accordingly, we suggest the following research propositions.

Propositions

$P_1$: Individuals high in consumer need for uniqueness are low in consumer susceptibility to interpersonal influence.

$P_2$: Individuals high in consumer need for uniqueness are low in attention to social comparison information.
Individuals from collectivist cultures are more likely to be higher in allocentrism than individuals from individualist cultures.

Individuals from individualist cultures are more likely to be higher in idiocentrism than individuals from collectivist cultures.

Individuals high in idiocentrism are lower in consumer susceptibility to interpersonal influence than individuals who are high in allocentrism.

Individuals high in idiocentrism are lower in attention to social comparison information than individuals who are high in allocentrism.

Individuals high in idiocentrism are higher in consumer need for uniqueness than individuals who are high in allocentrism.

Individuals from individualist cultures are lower in consumer susceptibility to interpersonal influence than individuals from collectivist cultures.

Individuals from individualist cultures are lower in attention to social comparison information than individuals from collectivist cultures.

Individuals from individualist cultures are higher in consumer need for uniqueness than individuals from collectivist cultures. References available on request.

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THE EFFECTS OF MEASURES FOR FUNCTIONAL DIVERSITY IN NEW PRODUCT DEVELOPMENT TEAMS

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ABSTRACT

An important topic in new product development (NPD) is the effect of cross-functional team composition on team performance. Much research has focused on whether functional diversity in NPD teams has positive (or negative) relationships with performance. Although numerous studies have examined this topic, no consistent result emerges in the relationship between team diversity and performance. This inconsistency may be attributed to differences in diversity measures used in past studies. Using simulation methods, this study shows that different measures may lead to different conclusions about the relationships between functional diversity and performance within the same sample.

INTRODUCTION

Team effort in new product development (NPD) is essential (Olson, Walker, Jr., and Ruekert 1995; Sethi 2000). Team composition is an important decision in NPD (Ancona and Caldwell 1992). However, despite the numerous research studies focusing on NPD team composition’s relationship to performance, there is little agreement in the findings (Ancona and Caldwell 1992; Cooper and Kleinschmidt 1994; Eisenhardt and Tabrizi 1995; Henke, Krachenberg, and Lyons 1993; Lovelace, Shapiro, and Weingart 2001; Sethi, Smith, and Park 2001).

The researchers who support the positive relationship argue that functional diversity brings a broader range of perspectives and knowledge and that diverse knowledge has a positive impact on performance (Hoffman and Maier 1961). This argument is supported by a number of studies that report a positive relationship between a team’s functional diversity and performance (Cooper and Kleinschmidt 1994; Eisenhardt and Tabrizi 1995; Hambrick, Cho, and Chen 1996; Jehn, Northcraft, and Neale 1999).

However, some researchers argue that functional diversity affects team performance negatively for reasons such as greater disagreements and more time needed to complete tasks (Ancona and Caldwell 1992; Smith et al. 1994). This argument is also supported by empirical findings (Pelled, Eisenhardt, and Xin 1999; Simons, Pelled, and Smith 1999).

One reason for the differences in the results of these studies on the relationship between team diversity and performance may be due to the measures of team diversity used. Despite of the importance of the diversity measures, it is surprising to find that there is no consistency across the studies in the measure of functional diversity. Researchers have primarily used one of three different measures: (1) count of functions (Eisenhardt and Tabrizi 1995; Sethi et al. 2001), (2) the Herfindal-Hirschman index (Hambrick et al. 1996; Keck and Tushman 1993; Smith et al. 1994), and (3) the entropy-based index (Ancona and Caldwell 1992; Jehn et al. 1999; Lovelace et al. 2001; Pelled et al. 1999). In this study, we investigated the effects of different diversity measures on the relationship between diversity and performance.

THREE MEASURES OF FUNCTIONAL DIVERSITY

As noted above, there have been three different measures: (1) count of functions (2) the Herfindal-Hirschman index, and (3) the entropy-based index. Count of functions is defined as the number of functional areas represented on the team whose members were involved in the project (Sethi 2000). The Herfindal-Hirschman index is grounded in the measures developed by Gini in 1912 and Simpson in 1949 (Agresti and Agresti 1978) and is based on the proportion of members falling into different normative categories. The Herfindal-Hirschman index is defined as

\[ H = 1 - \sum_{i=1}^{n} p_i^2, \]

where \( H \) is the functional diversity measure and \( p \) the percentage of team members in each of \( n \) functional categories.

The entropy-based index is defined as

\[ E = 1 - \sum_{i=1}^{n} P_i \ln P_i \]

where \( p \) the percentage of team members in each of \( n \) functional categories. Table 1 shows the summary of previous studies that used the three different measures of functional diversity.
Comparison of The Different Measures

The inconsistencies between these three diversity measures can be illustrated with a simple example. Table 2 shows three fictitious NPD teams composed of 10 team members from three different functional areas.

<table>
<thead>
<tr>
<th>Authors</th>
<th>Measure of Functional Diversity</th>
<th>Sample Size</th>
<th>Average Team Size</th>
<th>Number of Functional Categories</th>
<th>Dependent Variables</th>
<th>Correlation Coefficient¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eisenhardt and Tabrizi (1995)</td>
<td>Count of Functions</td>
<td>N=72</td>
<td>Unreported</td>
<td>6 (total possible categories)</td>
<td>New product development time</td>
<td>.32*</td>
</tr>
<tr>
<td>Sethi, Smith, and Park (2001)</td>
<td>Count of Functions</td>
<td>N=141</td>
<td>Unreported</td>
<td>Average: 5.72 (s.d.=1.85)</td>
<td>Product innovativeness</td>
<td>.08</td>
</tr>
<tr>
<td>Sethi (2000)</td>
<td>Count of Functions</td>
<td>N=141</td>
<td>Unreported</td>
<td>Average: 5.69 (s.d.=1.86)</td>
<td>Product quality</td>
<td>.02</td>
</tr>
<tr>
<td>Michel and Hambrick (1992)</td>
<td>Herfindal-Hirschman</td>
<td>N=134</td>
<td>6.18 (s.d.=2.68)</td>
<td>9 (total possible categories)</td>
<td>Profitability</td>
<td>.08</td>
</tr>
<tr>
<td>Hambrick, Cho, and Chen (1996)</td>
<td>Herfindal-Hirschman</td>
<td>N=130</td>
<td>8.61 (s.d.=3.71)</td>
<td>16 (total possible categories)</td>
<td>Growth in market share</td>
<td>-.04</td>
</tr>
<tr>
<td>Ancona and Caldwell (1992)</td>
<td>Entropy</td>
<td>N=45</td>
<td>9.56 (s.d.=6.27)</td>
<td>3 (total possible categories)</td>
<td>Innovations</td>
<td>-.26*</td>
</tr>
<tr>
<td>Jehn, Northcraft, and Neale (1999)</td>
<td>Entropy</td>
<td>N=92</td>
<td>6.21 (s.d.=0.47)</td>
<td>Unreported</td>
<td>Perceived performance</td>
<td>.02</td>
</tr>
<tr>
<td>Pelled, Eisenhardt, and Xin (1999)</td>
<td>Entropy²</td>
<td>N=41</td>
<td>9.84 (s.d.=3.2)</td>
<td>Unreported</td>
<td>Group performance</td>
<td>.13</td>
</tr>
<tr>
<td>Keller (2001)</td>
<td>Entropy</td>
<td>N=93</td>
<td>8.07 (s.d.=4.61)</td>
<td>Unreported</td>
<td>Internal communication</td>
<td>-.28**</td>
</tr>
</tbody>
</table>

* p < 0.05, ** p < 0.01
1 Correlation between functional diversity and dependant variables
2 They used Entropy-based index mainly. As a sensitivity analysis, they also used Herfindal-Hirschman index. With this alternative measure, they still obtained the same pattern of results.
but less diverse than team A with the Herfindal-Hirschman index.

If different studies used different diversity measures, it is likely that the type of diversity measure used influenced the results of the studies. It is probable that a significant relationship might be found using measure A, but the same relationship might be found to be insignificant using measure B. In extreme cases, the sign of relationship may also differ depending on the measure of diversity used.

An effective way of investigating the impact of the type of measure used on the results of diversity studies is discrete computer simulation. Through simulation we can generate datasets that represent various possible scenarios in the study of team diversity and performance. These generated datasets can then be examined to see how the same number of generated cases change the significance of the relationships for alternative measures of diversity (i.e., significant with one measure and insignificant with the other measures or vise versa) as well as how many cases have the opposite relationships (i.e., positive with one measure and negative with another measure).

**SIMULATION**

To investigate if the result of the relationship between functional diversity and dependent variables is affected by the measure of functional diversity used, several rounds of simulations were run. The main goal of the simulation was to examine if different measures led to different conclusions on the relationships between diversity and performance. The overall simulation procedure and the details of simulation are discussed in the Appendix.

As the first step of the simulation, the variables that might affect the relationship between diversity and performance measures were considered. These variables are the team’s size, the number of functions within the team, the number of teams in the sample, and the significance level (alpha). In order to observe the effects of these variables, the simulation conditions were varied with different combinations of those variables. In order to examine the relationship between diversity and performance, we collected descriptions from the past studies on the diversity measures and the correlations with performance that varied between studies. In addition, we simulated the different sample sizes between teams because they were related to the significance of the results obtained. For example, Table 3 shows a situation of 30 teams in a sample each team having five team members who represent three functions, and a significance level (alpha) of 0.05.

For a given size condition, the diversity of members is set by randomly selecting team members from different functions. For example, if the number of functions is three and team size is five, the numbers of people from function one, two, and three need to be set, meeting the constraint that the team size must be five. Then, the three diversity measures – count of functions, the Herfindal-Hirschman index, and the entropy-based index – are calculated. Table 3 shows an example of such a generated data set.

The last step was setting the performance measure for each case. Since the main goal of the simulation was to examine how the significance of correlation between a diversity measure and a performance measure varied depending on the type of measure used, a diversity measure was selected as a current measure of interest. Then, a population correlation (i.e., true correlation) between the current diversity measure and performance was set as a simulation condition. Once a current diversity measure and a true correlation between the diversity measure and performance were set, performance measures that had the pre-set correlation were generated. In the actual simulation program, the performance measures were randomly generated until the correlation was the same as the pre-set correlation.

**TABLE 2**

Example of the Measures of Functional Diversity

<table>
<thead>
<tr>
<th>Team Size</th>
<th>Origin of Team Members</th>
<th>Count of Functions</th>
<th>Herfindal-Hirschman Index</th>
<th>Entropy-Based Index</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R&amp;D</td>
<td>Manufact</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Marketing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Team A</td>
<td>10</td>
<td>6</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td>Team B</td>
<td>10</td>
<td>8</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Team C</td>
<td>10</td>
<td>7</td>
<td>2</td>
<td>1</td>
</tr>
</tbody>
</table>
Table 3 shows an example of such a generated dataset in which the count of functions diversity measure was set as the current measure and 0.3 was set as the correlation between the current measure (i.e., count of functions) and performance. Note that the correlation between the count of functions diversity measure and performance was not exactly 0.3 (0.299) because of the errors in random number generation. If an exact correlation was enforced, the simulation may continue infinitely because the random number generation process is repeated until a data set that has the exact correlation is found. Therefore some errors, that do not harm the validity of results, were allowed to make the simulation feasible. In this study, errors within 0.005 range of correlations were allowed in the simulations. In Table 3, the correlation between the count of functions measure of diversity and performance was not significant (p = 0.107 which was greater than the 0.05 alpha level). However, with the same performance data, the Herfindal-Hirschman diversity measures and performance were significantly correlated with performance (p = 0.039). Therefore, the significance of the results differs between count of functions and the Herfindal-Hirschman measures of diversity with the same sample size.

The data set in Table 3 is “one” trial in the simulation. In order to minimize the biases of random data generation in a single data set, 1000 trials were run for each given simulated condition. Amongst the 1000 trials, the percentage of significance change between the current diversity measure and other measures were counted, along with the percentage of changes in the signs of correlation (e.g., a positive correlation in the current measure and a negative correlation in another measure).

### Issues in Data Generation

Two issues in simulation need to be addressed – setting team members and generating performance measures. The methods for setting team members (i.e., column A in Table 3) and for performance measure generation (i.e., column B in Table 3) may affect the results of the simulation and are, therefore, discussed below.

**Performance Measure Generation.** As shown in Table 1, a correlation between the current diversity measure and the performance measure was set and then, the actual performance data was generated. As mentioned above, performance measures were randomly generated until the correlation of the dataset was the same as the preset correlation. It is also interesting to examine the effect of sampling error. That is, the error caused by the deviation of any particular sample randomly drawn and the true population parameter. Sampling error affects the correlation coefficient and the size of sampling error is primarily determined by the sample size (Griffiths, Hill, and Judge 1993). Since the goal of this simulation was to examine the effect of diversity measures in empirical studies based on

### TABLE 3
Example of Generated Dataset

<table>
<thead>
<tr>
<th>Case</th>
<th>Origin of Team Members (A)</th>
<th>Count of Functions</th>
<th>Herfindal-Hirschman Index</th>
<th>Entropy-Based Index</th>
<th>Performance (B)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Function 1 Function 2 Function 3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>0 5 0</td>
<td>1</td>
<td>0.00</td>
<td>0.00</td>
<td>-0.20</td>
</tr>
<tr>
<td>2</td>
<td>0 3 2</td>
<td>2</td>
<td>0.48</td>
<td>0.67</td>
<td>-0.60</td>
</tr>
<tr>
<td>3</td>
<td>2 1 2</td>
<td>3</td>
<td>0.64</td>
<td>1.05</td>
<td>-1.00</td>
</tr>
<tr>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>28</td>
<td>0 2 3</td>
<td>2</td>
<td>0.48</td>
<td>0.67</td>
<td>1.35</td>
</tr>
<tr>
<td>29</td>
<td>3 0 2</td>
<td>2</td>
<td>0.48</td>
<td>0.67</td>
<td>0.43</td>
</tr>
<tr>
<td>30</td>
<td>3 0 2</td>
<td>2</td>
<td>0.48</td>
<td>0.67</td>
<td>-0.72</td>
</tr>
</tbody>
</table>

Correlation between performance and count of functions (significance): 0.299 (0.107)
Correlation between performance and Herfindal-Hirschman index (significance): 0.378 (0.039)
Correlation between performance and entropy-based index (significance): 0.359 (0.051)
samples and not a population census, it was more realistic to assume that there existed some sampling errors in the data sets analyzed and reported in previous published studies. In our study, we generated performance measures with some random errors to simulate sampling errors. For example, if the true population correlation between the current diversity measure and the performance measure is 0.3, the performance measures can be generated from a normal distribution that has a mean correlation of 0.3. If performance measures are generated from the normal distribution, the correlation of individual data sets may deviate from 0.3 both positively and negatively. However, as more data sets are generated, the average of correlations will converge to 0.3.

In this study, the first method is named EXACT and the second method is named FREE. Because of time constraints, we used the EXACT methods in the simulation reported here. However, we plan to extend this study to include both methods in the near future.

Setting Team Member Constitution. Generally, the distribution of team member constitution or how the combinations of team members’ original functional areas are distributed – is unknown. However, one way of setting team member constitution in a simulation is by randomly selecting cases from the pool of all possible combinations. Once the number of functions and team size are given, the number of possible combinations of team members can be determined. For example, with a team size of three and two functions there exist four possible combinations of team members: (0,3), (1,2), (2,1), and (3,0). All possible cases of team constitutions can be generated and stored as a pool of team constitutions. In the above example, the pool contains a total of four cases. This method is named POOL in this study.

However, one shortcoming of the POOL method is that each case may not appear equally in real world. For example, the probability of the extreme combinations in team constitution: (0,3) or (3,0) in the above example would be smaller than the probability of moderate combinations such as (1,2) or (2,1). However, POOL unrealistically assumes that each combination has same probability. It is more realistic to assume that each team member has an equal probability of belonging to each function. In the above example, there are two functions in a team of three members with the probability of each member coming from each function of 0.5. Then, the probability of each team constitution can be calculated as:

\[
\text{Probability } [(0,3)] - \binom{3}{0} \left( \frac{1}{2} \right)^3 = \frac{1}{8}
\]

\[
\text{Probability } [(1,2)] - \binom{3}{1} \left( \frac{1}{2} \right)^3 = \frac{3}{8}
\]

\[
\text{Probability } [(2,1)] - \binom{3}{2} \left( \frac{1}{2} \right)^3 = \frac{3}{8}
\]

Therefore, the second method in this study sets the number of team members based on the assumption that the original membership follows a multinomial distribution. If the number of functions is three, the probability that a team member comes from a function is 1/3, and if the number of functions is four, the probability is 1/4, and so on. This method is named MULTILNOMIAL in this study.

Another method of setting the number of team members is by randomly setting the number of members from each function. The advantage of this method is that it more closely resembles a manager’s decision-making process. When a new NPD project is initiated, managers think how many people from different department to include into the team, e.g., two from Marketing, three from Manufacturing, etc. In the above example, the number of team members from two departments can be randomly set, meeting the constraint that the sum of numbers should be three. This method is named NUMBER in this study.

In this study, we ran simulations using the MULTILNOMIAL method because it was the most realistic. However, we are planning to use other methods and compare the results to examine how different team constitution methods affect the results.

Simulation Results

Simulation I: N of team members =10, N of functions = 3, Sample size = 45

We first simulated the Ancona and Caldwell (1992) study by setting the true correlation to -0.26 (the correlation they reported) and using their entropy-based measure. Then we set the number of functions to three, the team size to ten, the sample size to 45, and the significance level to 0.05 (one-tailed) all consistent with their study.

Table 4 shows the results of the simulation. Even though the correlation coefficient was significant with the entropy-based measure, the chance of obtaining a significant result using the count of functions measure was only 29.6 percent. In other words, if the count of functions measure of diversity were used instead of their entropy-based measure with these data, there was a 70.4 percent probability of an insignificant result. The simulation results also show that if the Herfindal-Hirschman index of diversity were used that the probability of an insignificant results was 45 percent.

Simulation II: N of team members =5, N of functions = 6, Sample size = 141
This simulation was analogous to the Sethi et al. (2001) study. They used the count of functions as their measure of functional diversity and did not report average team size. They showed that the correlation coefficient between functional diversity and product innovativeness was 0.08, insignificant at 0.05 level (two-tailed).

In order to simulate this study, we set the true correlation to 0.08 and count of functions measure as the current measure, number of functions to six and team size to five. Since they did not report the team size, we set the team size to five based on their statement that the number of members who were fully involved in the project were less than six (Sethi et al. 2001). When the sample size is 141 and the significance level is 0.05, a significant (two-tailed) correlation coefficient should be greater in absolute value than 0.164.

Table 5 shows that all three alternative measures had greater than 99 percent chance of insignificant results.
This result is due to both the low effect size of the correlation between performance and the count of functions diversity measure and the insignificantly large sample size to detect such a low effect size. This result shows that differences between the diversity measures and performance do not appear when the effect size of the correlation between performance and the diversity measure is low.

**CONCLUSIONS**

The effect of team composition on the team performance is an important issue because it has huge implications for managers organizing NPD teams. Several different team diversity measures have been used in past studies that relate the impact of team diversity to team performance. Despite the potential impact of diversity measures on the results, however, it seems that past studies picked diversity measures rather arbitrarily. Using simulations, this study showed that inconsistent conclusions about the effect of team diversity on team performance might be partly attributed to the different diversity measures used.

This study calls for further research on this area. First, more research is needed on how different diversity mea-
sures vary under different circumstances. Such study should help investigators select the most appropriate measures to be used in the circumstances. Second, more research is needed to develop alternative diversity measures to improve our understanding of how team diversity affects performance.

Measurement is one of the most important methodological issues in empirical studies. This simulation study showed that the type of diversity measures used in a study may affect the results. This implies that researchers should pay more attention to the type of diversity measure used and that additional research is needed for measures with more stable properties.

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APPENDIX
Overview of Simulation Procedure

**Step 1:** Select a diversity measure (e.g., entropy) as the current diversity measure and set simulation conditions. The main simulation conditions are team size, number of functions, true (population) correlation between the current diversity measure and performance, and sample size (explained later).

**Step 2:** Generate a random dataset based on the given simulation conditions. The dataset includes number of people from different functional areas and generated performance measures based on the population correlation set in Step 1.

**Step 3:** Calculate the correlation between the performance and current diversity measure, and with other diversity measures.

**Step 4:** Compare the correlations with different diversity measures and examine in whether the conclusion changes depending on the type of measures used.

**Step 5:** Repeat from Step 1 to Step 4 with different diversity measures and simulation conditions.

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INFORMATION TECHNOLOGY INFRASTRUCTURE CAPABILITY
AND NEW PRODUCT DEVELOPMENT PROCESS
EFFECTIVENESS: A NOMOLOGICAL MODEL

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SUMMARY

Recent research pointed out that information technology (IT) enabled the development of efficient new processes. However, not much rigorous models have been proposed on how and which processes IT enhances in a firm. In this context, investigating the processes that a firm’s IT infrastructure enhances gains much importance. Drawing from research-based and knowledge based theories this paper develops a conceptual model on how IT infrastructure influences new product development (NPD) process effectiveness as measured by cycle time, cost, flexibility and quality.

Top management frequently faces the dilemma of investing in IT infrastructure with long-term and indirect payoffs, versus investing in transactional uses of IT with direct cost reduction outcomes in the short-term. However it should be noted that top management’s decisions on the array of functions the firm’s IT infrastructure entails will affect the boundaries of the firm’s IT capability. Accordingly, this paper attempts to address the following two research questions:

1. How does sophistication of top management view on IT infrastructure influence the firm’s IT infrastructure capability?
2. How does IT infrastructure capability influence the NPD process?

IT infrastructure is defined as the combination of reliable services that are shared throughout the firm and coordinated centrally, usually by the information systems group as well as the tangible assets such as hardware, operating systems, network and telecommunications technologies, applications software, databases, e-mail and intranet. Weill and Broadbent (1998, 2000) observe four approaches to IT infrastructure in firms; none, utility, dependent and enabling, where the degree of emphasis on functionality and scope of IT infrastructure is lowest in none and highest in enabling.

New product development is a long process with various activities such as product line planning, strategy development, concept generation and screening, business analysis, development, testing, validation, manufacturing development and commercialization. Each of these activities has different requirements, including market information collection and analysis as well as collaboration between departments (Ozer 2003). As such, a successful NPD process depends on how well technical and market intelligence activities are harnessed in a timely and less costly fashion.

In addition to cycle time and cost, flexibility and quality are proposed as other measures of NPD process effectiveness. Flexibility refers to each project having a unique route through the NPD process. On the other hand, a high quality new product process is described as having an emphasis on up-front homework; timely product definition and the voice of the customer evident throughout go/kill decision points.

In this manuscript, it is argued that IT infrastructure is a capability of the firm. IT infrastructure is comprised of various components; commodities such as computers, printers, operating systems, and credit card swipes, shared IT services such as management and maintenance of customer databases, applications such as accounting, budgeting, and customer complaints support system. Each firm will have a different combination of all these commodities and services to build its IT infrastructure. As a result, IT infrastructure services provided by the firm’s IT department, and reach and range of a firm’s IT infrastructure are going to be unique across firms. Despite the fact that majority of the components of the IT infrastructure would be available in the market, there will be differences especially in the functionality and scope of the applications in each firm. IT infrastructure is therefore imperfectly imitable. IT infrastructure capability is also imperfectly mobile. The tangible components of infrastructure capability (hardware and operating systems) will always be available for trade in the market. However, the reach and range of the infrastructure and the array of services provided within the firm can be considered as co-specialized assets and will be imperfectly mobile. Consequently, drawing from the resource-based and knowledge-based views, IT infrastructure capability will provide advantages such as process effectiveness for the firm.

It could be safe to assume that in majority of firms, both sales and R&D personnel have the ability to communicate via e-mail. However, since there is very little interaction between these two departments, the employees wouldn’t know each other. Therefore, it is highly
unlikely that the employees in those departments would e-mail each other and exchange ideas. On the other hand, in a firm where the top management’s view on IT infrastructure is fairly sophisticated, departments would have access to the firm’s intranet which could be the most secure and convenient place for sales people to post the demands and needs of the customers. R&D personnel can periodically check these postings to get influence in designing new products. A firm with an infrastructure that allows its NPD teams to get access to stored information such as customer preferences and experiences of previous NPD projects will reduce cost of re-inventing the wheel and wasteful duplication of product development efforts. Furthermore, a firmwide IT infrastructure can enhance collaboration, communication and coordination of NPD team members in different locations and foster the effectiveness of global NPD teams. Lastly, IT infrastructure enables a firm to effectively build intelligence of the market. Internet access of NPD personnel would facilitate the NPD process in terms of “knowing” what’s out in the market, or getting some ideas in the early stages of development. In conclusion, more extensive functionality and scope of an IT infrastructure could be anticipated to improve a firm’s NPD process.

The contribution of this paper to IT and NPD literature is to draw the distinction between IT infrastructure capability and IT capability and thereby suggest that IT infrastructure capability would lead to more effective NPD processes. Moreover, this paper has managerial implications such as in firms that adopt an enabling IT infrastructure view superior IT infrastructure capabilities can be created which in turn would improve the firm’s NPD processes.

The proposed conceptual model now needs to be tested to confirm or falsify the hypothesized relationships. References are available on request.
A VIEW ON NEW PRODUCT LAUNCH PLANNING AND ITS COORDINATION

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SUMMARY

Cost and risk associated with new product development (NPD) increases dramatically, as it moves along the NPD path through stages. A body of literature exists for certain facets of the back-end along with the front-end and middle part of the NPD process. Literature is rather limited, however, regarding the inner workings of new product launch planning (NPLP). One of the relatively well-studied areas on the NPD’s inner workings is cross-functional teams. The high cost and high risk associated with the back-end, especially, NPLP of the NPD process warrant a closer look into its inner workings and process.

Launch decisions are generally classified as strategic such as the product newness and its target customers; or tactical such as marketing mix decisions. A few researches reported a close linkage between launch strategy and launch tactics in that a significant portion of the launch tactics (i.e., marketing mix) is dictated by the launch strategy. Specifically, launch strategy is often determined early in the NPD process, far ahead of the launch phase. Beyond the launch strategy, however, the effectiveness of the launch tactics determines the new product performance to a substantial extent.

Research on cross-functional teams in the NPD process has addressed such questions as under what conditions do cross-functional teams work well; how does one develop and manage a high-functioning team; what is the impact of cross-functional teams on reducing time-to-market cycle time; what is the teams’ impact on developing higher product quality and product innovativeness. The research on the NPD’s use of cross-functional teams, however, has not extended its coverage fully to the NPLP process.

Along with the literature, an exploratory study that the author had conducted helped formulate a number of hypotheses regarding the NPLP effectiveness and the use of cross functional teams. To test the hypotheses, a survey was conducted with key informants of the NPD, that is, senior executives of marketing and/or product management responsibilities from firms in the manufacturing industry during the summer and fall of 2003. The Hoover’s Online database on the industrial manufacturing sector provided a list from which a sample was taken. The list contains 19 different industrial manufacturing sub-segments. One hundred and two completed, usable responses were obtained out of the initial contact of 250 executives.

Close to two-thirds (61.8%) of firms surveyed used cross-functional teams as the primary coordinator of NPLP while 21.3 percent of the companies reported no use of cross-functional teams. The remaining 16.9 percent indicated that they use cross-functional teams sporadically as a resource team, depending on the relative importance of particular projects. This study found a significantly differing level of cross-functional teams’ involvement. Cross-functional teams’ involvement was highest for new product pricing (53.5%), followed by channel distribution decisions (37.8%), and marketing communications (9.2%).

The fact that a large proportion (53.5%) of the respondents indicated cross-functional teams to determine the new product pricing is an interesting finding, given the prevalent notion that an existing function such as product management and/or finance functions take over new product pricing decisions from cross-functional teams in most cases. Regarding the channel distribution planning, the cross-functional team does get involved by over one-third of the companies. As to the marketing communication planning, less than 10 percent of the companies used cross-functional teams as the primary vehicle for marketing communications decisions such as trade promotion, trade shows, publicity and advertising. Forty point five percent of the companies used cross-functional teams as a resource for the primary lead organization charged with marketing communication planning.

Regarding the NPLP coordination, regardless of the use of cross-functional teams, a little over a quarter (27.5%) of the respondents thought that the NPLP was carried out well. Further, the data showed that the larger firms carried out the NPLP much better than their smaller counterparts.

Cross-functional teams do and need to continue to be involved in various decisions regarding the new product marketing mix. Cross-functional teams carry the knowledge about the new product from its inception to its market offering, especially, the specific details and nuances specified in the product protocol. Many respondents in the exploratory study expressed ambivalent feelings on their cross-functional teams’ role relative to the existing functions during the NPLP phase. Nevertheless, there was definite support by the confirmatory study that cross-functional teams need to stay involved on the NPLP even if just as a resource team that carries in-depth knowledge of the new product.
In summary, a large percentage (72.5%) of the respondents believes there is room for improving the NPLP coordination. Certainly, cross-functional teams would be one of the means to help improve the NPLP process. There must be more factors, however, that could make additional contributions. Eventually, the effective management of the NPLP process might be directly linked to improved new product performance in the marketplace.

This is one of the areas that the author is currently investigating. Future research needs to address other limitations of this study such as the limited investigation of the marketing mix decision-making process; the survey sample was limited to manufacturing companies; and the use of a single key informant. References are available on request.

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DOES DISTANCE FROM THE MALL AND GROUP SIZE AFFECT A SHOPPING MALL EXPERIENCE?: AN EXPLORATORY STUDY

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SUMMARY

Retail trading areas have frequently been divided into three market categories: primary, secondary, and tertiary. There is ample evidence to show that people who live close to a mall (and would be considered the primary market) are more likely to patronize a mall, and patronize it more frequently, than if the mall were located farther away (e.g., Stoltman, Gentry, and Anglin 1991). However, research has not investigated whether those who live close to mall receive a different experience when they visit their local mall than someone who has traveled a greater distance to reach the same shopping venue.

The importance of the social component of shopping has been well established by previous research. However, one area that has not been investigated has dealt with the size of the shopping group and how it may affect the retail experience. The current study used both the distance traveled to reach a specific shopping center and the size of the shopping group as segmentation variables to examine the effects of each on four aspects of the shopping experience: hedonic and utilitarian value received, the novelty of the experience and the level of social interaction afforded by the shopping experience.

The study site for the research was a mall in a major metropolitan area (over 1 million in population) in a western state. The mall used for data collection had been open for approximately five years at the time of the study. The mall consists of over 600,000 square feet of leasable space with five major department stores as anchors. The mall has a theater complex and a number of restaurants on the perimeter of the parking lots, but it is not designed to be a tourist destination such as the Mall of America in Bloomington, Minnesota or Desert Passages in Las Vegas.

The data were collected over a three day period (Thursday – Saturday) at varying times during the day, but all were early to late afternoon. The data were collected on-site at the mall in the food court area. Approximately one-third of all people approached agreed to fill out the survey each day. The instrument measured three domains of data from the mall patrons. One type of data collected was a number of attitudinal measures and behavioral activities associated with the shopper’s experience that day at the mall. A second set of questions sought information about the distance traveled to get to the mall and the size of the shopping group. The final set of questions included a number of standard demographic questions.

The sample was divided into three categories each along two dimensions, how far the individual lived from the mall and the number of people he/she was shopping with that day. These categories were then used in the (MANOVA) process to investigate differences in the groups in the experience variables (e.g., hedonic value) as well as a number of behavioral aspects (amount of time spent shopping, total amount of money spent, what percentage of the time was spent actively shopping, number of stores purchased from, what percentage of their purchases were unplanned). The MANOVA analysis found a significant effect of the distance from the mall (Wilks’ lambda .917, \(F_{10,674} = 2.99, p = .001\)) and the shopping group size (Wilks’ lambda .920, \(F_{10,674} = 2.89, p = .002\)) on the shopping experience measures. There was no significant effect for the interaction between distance and shopping group size on the shopping experience measures. For the behavioral measures only the distance from the mall showed a significant effect (Wilks’ lambda .895, \(F_{10,606} = 3.47, p < .001\)).

Shoppers who lived farther from the mall, specifically those who might be classified as tourists to the area, found the mall shopping experience to be significantly more hedonic or pleasurable than shoppers who lived very close to the mall. Part of this pleasure may have come from the novelty of the center. Novel stimuli have been found to help generate arousal and interest which should lead to a more pleasurable experience for the shopper (Stell and Paden 1999; Tellis 1997). It is interesting that the tourist shoppers also found the shopping center to provide a more utilitarian experience than either the local shopper or the out-shopper. This finding was opposite of what it was believed would be found.

The behaviors of shoppers also varied based upon the distance from the mall. The tourist shoppers spent the most time in the mall, spent more money at more stores, and made more impulse purchases. A rather unexpected outcome was the lack of difference between the groups on the percentage of the time they spent actively shopping. While the tourists did spend a higher percentage of time shopping, it was not significantly different. This finding is unusual given the strong ties that one would expect...
between the activity of shopping and the measures that were significantly different and must be viewed with caution.

It was not surprising to find that members of larger shopping groups found the shopping experience to have a greater social aspect, but the size of the shopping group also appears to have affected the hedonic value of the shopping experience, as well as the perceived novelty of the center. Why would more people make it more pleasurable or novel? It is probable that the greater social interaction provided by a larger social group enhanced the overall pleasure of the shopping. Being with friends or family for an extended period in an environment designed to relieve everyday stress should be a pleasurable event that would spill over to the evaluations of the hedonic value provided by the mall. A larger group will also have more diverse product interests and could “spot” store or product offerings that the individual shopper may have overlooked, even if the shopper has been to the mall on a number of occasions, leading to a greater perceived novelty. References available upon request.

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EMOTIONAL EFFECTS OF SHOP WINDOW DISPLAYS ON CONSUMER BEHAVIOR

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SUMMARY

Shop window displays are regarded as a key instrument of a retailer’s communication and visual merchandising strategy (Schmalen 1985; Sen, Block, and Chandran 2002) and can function both as an advertising and promotion tool forming the base for a competitive advantage (Edwards and Shackley 1992; Lea-Greenwood 1998). Shop window displays are an integral part of a consumer’s surrounding during his/her shopping experience and therefore have an impact on consumer behavior in retail settings. While store atmosphere as a part of the in-store experience has already attracted the attention of more and more researchers (e.g., Grewal et al. 2003; Turley and Chebat 2002), there is only some theoretical and empirical research dealing with the impact of shop window displays as an element of the outside-shopping-experience (Edwards and Shackley 1992; Sen, Block, and Chandran 2002).

From the consumer’s point of view cognitive and emotional effects of shop window displays can be distinguished (Schmalen 1985). Actual research so far stresses the cognitive effects, while emotional aspects of shop window displays have been neglected. This is notable because it is empirically proven that emotions strongly affect consumer behavior in retail settings (e.g., Dawson, Bloch, and Ridgway 1990; Sherman, Mathur, and Smith 1997). This paper explores how the design of a store’s window displays affects the emotional states of consumers and how consumers’ buying behavior is influenced by these emotional reactions.

Our study is based on the Mehrabian and Russell’s (1974) environmental psychology model (M-R model) which is a special kind of a S-O-R model. Although the M-R model has been developed and tested some thirty years ago and also improvements have been suggested during the last years (e.g., Foxall and Greenley 2000; Terlutter 2000), our choice of the original model is motivated by the following considerations: First and most important, window displays are part of the consumer’s shopping environment. Therefore, a model regarding environmental influences should be used. Second, the design of window displays differs in many aspects like lighting, colors, merchandise grouping, posters, product displays or decoration elements. According to the M-R model, even highly differing environments (representing the stimulus variable) can be measured by using one single theoretical construct: the information rate. Using one single measure lowers complexity, facilitates comparisons and reduces measurement mistakes. Third, in order to analyze emotional effects (as organism variable) a model depicting different emotional states is needed. According to Mehrabian and Russell, consumers’ emotional states can be divided up into three dimensions: pleasure, arousal, and dominance (Mehrabian and Russell 1974). While pleasure denotes the amount to which a person feels happy, content, or annoyed in a certain environment, arousal refers to the degree of stimulation by an ambience. Dominance indicates the extent to which a person perceives himself/herself to be able to cope with a specific situation (Mehrabian and Russell 1974). Fourth, a consumer’s behavioral reaction (response variable) towards window displays is to be analyzed. According to Mehrabian and Russell, a person’s reaction towards any environment can be categorized as either approach or avoidance behavior. As the desired consumer’s action in our setting is approach behavior, the M-R model meets our requirements well. Consumer reactions are measured as “liking of the shop window displays,” “intended shopping time,” and “willingness to buy.” Last but not least, there are tested scales for the different variables used in the M-R model (e.g., Groeppel 1991; Tai and Fung 1997; Van Kenhove and Desrumaux 1997).

The study used data collected in the pedestrian area of a large city in Western Germany in fall 2003. Interviewers were located in front of different retail stores (cosmetics, clothing, and jewelry) and surveyed female and male shoppers at random immediately after they had viewed the selected shop windows. In contrast to other studies in which students filled in questionnaires in a lecture hall, in this study actual shoppers were interviewed in a real shopping situation in order to gain situation relevant unbiased information which did not rely on recall of emotions but on situation specific emotions related to the window displays they had looked at.

Analyses according to our derived hypotheses from the M-R model, mainly based on regression, revealed the following: Structure, novelty and dynamics, the three factors of information rate, were significant positive predictors of pleasure. Novelty and dynamics have a
significant impact on arousal, while structure’s impact on arousal was not significant. Arousal and pleasure had a positive impact on approach behavior with a better fit between emotions and liking and willingness to buy than intended shopping time. Pleasure clearly was the significant better predictor of the three response variables than was arousal which may be a consequence of the supposed relationship between arousal and pleasure. In environments with pleasant window displays high scores of arousal generate a positive impact on consumer behavior. Inversely, in environments with unpleasant window displays arousal has a negative impact on the intended shopping time and the willingness to buy. This implies a prudent use of design elements which cause arousing emotional reactions. The findings suggest that retailers can influence the emotional effects of window displays by altering the information rate dimensions: Novelty and dynamics of shop window displays can draw the consumer’s attention to the shop while novelty, dynamics and structure create pleasant feelings and, therefore, can be used to attract consumers and invite them to enter the store.

As this paper represents only a first step in the empirical exploration of window displays’ effects on consumer behavior, there are a few limitations which can provide the basis for further research. First, as the respondents had some problems in understanding and differentiating the pleasure and arousal items, we suggest using imagery scales. Furthermore, to increase reliability of customers’ emotional states additional methods of measurement should be used. Second, the sample, conducted in one regional pedestrian area in front of four window displays, is obviously neither truly random nor necessarily representative of any larger population. Future studies need to be extended to other shopping environments (e.g., shopping malls) and to other regional areas. Finally, the complete M-R model has to be tested as a whole to explore its appropriateness for the explanation of emotional effects of window displays and their impacts on consumer behavior. For this purpose different statistical methods like structural equation modeling may be used. Therefore, much research remains to be done to explain the impacts of window displays on consumer behavior. Despite these limitations our study provides a useful starting point for future research in this area by presenting a powerful measure of the “key factor” information rate of window displays and by presenting a psychology based model of the impacts of window displays on consumer behavior. The results may also be useful for practitioners by giving important implications for the design of window displays.

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A PROPOSITIONAL FRAMEWORK EXPLORING CONSUMERS’ SHOPPING CENTER CHOICES

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SUMMARY

One of the more important topics in retailing is predicting consumers’ choices of where to shop. A stream of research suggests that the probability a consumer will shop at a particular type of shopping center increases with the importance of the product, nearness of the shopping center, and the availability of alternate products (Huff 1964). A limitation of this research is that it implies that choice of a type of shopping center (e.g., downtown or the mall) is based primarily on economic factors (Nevin and Houston 1980; Huff 1964). Some researchers suggest that non-economic factors also influence consumers’ choice of a type of shopping center (Levy and Weitz 2004; Nevin and Houston 1980; Stoltman, Gentry, and Anglin 1991; Westbrook and Black 1985). This conceptual manuscript presents a framework of consumers’ shopping center choices that is steeped in attitude theory (e.g., Fishbein and Ajzen 1975). Specifically this study expands Huff’s (1964) model to include non-economic factors (e.g., shopping center image, anticipated emotions) and also proposes a moderating factor: shopper type (Westbrook and Black 1985). The theoretical basis of the proposed framework is the model of goal directed behavior (Perugini and Bagozzi 2001).

Factors Influencing Shopping Center Choice

As discussed previously, models predicting consumer visits to a particular shopping center are based upon predominately economic considerations (i.e., travel time, product assortment, and the type of shopping trip) (Huff 1964). The author of a popular model of shopping center choice (i.e., Huff’s (1964) model) has suggested that it should only be used for shopping locations which have similar images (Houston and Nevin 1980; Huff 1964). An early study that attempted to incorporate a measure of shopping center image into the model determined that measures of image did not significantly increase the model’s explanatory power (Houston and Nevin 1980). Some researchers suggest that store image is a type of attitude (e.g., Doyle and Fenwick 1974; James, Durand, and Dreves 1976; Engel and Blackwell 1982). In contrast to the image study, a number of studies have demonstrated that attitudes can be used to predict behavior (Fishbein and Ajzen 1975; Perugini and Bagozzi 2001).

One recent attitude model is the model of goal directed behavior proposed and tested by Perugini and Bagozzi (2001). In this model, attitudes, anticipated emotions, subjective norms, perceived behavioral control, desires, behavioral intentions, and the frequency and recency of past behaviors are predictors of behavior. Anticipated emotions are the negative and positive emotions that a person expects to experience by performing some particular behavior. Subjective norms refer to what an individual believes relevant others (e.g., friends, family) will think of their behavior. Perceived behavioral control is the amount of control an individual has over their behavior. For example, a child not old enough to drive could desire to shop at the mall but instead shops downtown because of his mothers’ wishes. Perugini and Bagozzi (2001) offer evidence that these factors influence desire, which is the motivational aspect of their model. In turn, desire influences behavior through behavioral intentions. Our propositional framework suggests that these factors will influence shopping center choice.

Economic factors do play a role in determining shopping center choice. Huff’s (1964) model suggests an exponential relationship exists between type of product and distance to a shopping center. In the Huff model, people are willing to travel greater distances for shopping goods relative to convenience goods. Shopping goods are those for which people will devote a larger amount of shopping time and effort. Consumers will devote only a small amount of time and effort shopping for convenience goods (Levy and Weitz 2004). Similarly, in the proposed model the type of product will moderate the relationship between distance and desire to shop in a particular type of shopping center.

Research suggests shopping motivations can be used to create a typology of shoppers (Westbrook and Black 1985). The relationship between desire and motivation suggests that the type of shopper will influence the relationship between shopping center image and choice of a shopping center. Different shopper motivations will lead to differences in the relative importance placed on shopping center image and should lead to differences in desire for a type of shopping center.

Conclusion

These propositions, if evidence supports them, would be important to the discipline of marketing and offer practical guidance to retail managers. From a theoretical viewpoint, the propositions build upon research investi-
gating the probability that a consumer will shop in a particular shopping center. Results from testing the propositions presented in the manuscript will suggest that either a model of goal directed behavior can aid in predicting choice of shopping center or that it cannot. Researchers have suggested that the earlier model is not complete and have called for identification of additional variables (Huff 1964; Houston and Nevin 1980). Researchers have also suggested that shopping behaviors of different types of shoppers need to be examined in greater detail (Westbrook and Black 1985). These calls are heeded in this conceptual paper by proposing an expanded model of shopping center choice.

Practical guidance is offered to shopping center and retail managers by determining the relative importance of shopping center characteristics for a group of shoppers. Such identification allows shopping center managers to more effectively allocate resources. From the perspective of a retailer, such knowledge informs decisions regarding multiple store locations at different types of shopping centers. Such information is particularly useful as customers require greater access through non-traditional channels at the same time that many retailers face decreasing revenues. References available upon request.

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THE ROLE OF LEAD PRODUCTS IN STORE CHOICE DECISIONS: A NEW FACTOR FOR STORE CHOICE

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SUMMARY

Store choice is one of the heavily studied areas in marketing. Since the early 1980s, researchers in this research stream have focused on store attributes (or store image) to analyze and explain store choice behavior. Among the scores of comprehensive store attributes, four attributes have received greater attention than others: low prices, assortment levels, distance, and product quality. Most researchers have found that these four store attributes have a significant impact on consumers’ store choice decision.

What is missing in the past research on store choice, however, is how consumers’ needs and wants can affect store choice decision. Although store-related factors, such as store attributes, are important determinants for store choice, consumers’ needs and wants, such as items on shopping lists, can also affect store choice decision because some stores can satisfy consumers’ needs and wants better than other stores. Consumers, then, choose a store that they believe will satisfy their needs and wants best. Despite the importance of consumers’ needs and wants, past research on store choice has paid little attention to this consumer-related factor.

This study fills the gap in store choice literature by investigating consumers’ needs and wants as an important factor for store choice. In doing so, it adopts the concept of “lead products” from Chen, Hess, Wilcox, and Zhang (1999). Lead products are defined as products on a shopping list that are the most important items and for which the consumer favors a particular store over other stores. In many cases, consumers choose a store on the basis of lead products, and thus lead products can play an important role in consumers’ store choice decision and determine at which store the entire listed products on the shopping list will be purchased. Therefore, this study argues that lead products can be an important factor in explaining consumers’ store choice.

This paper attempts to answer the following two research questions: (1) Do lead products exist? If so, what is the nature of lead products? and (2) Can lead products influence store choice decision? The first research question deals with the existence of lead products and their nature, i.e., relationship between lead products and product categories and what kinds of products play a role as lead products on shopping trips. The second research question is a key research question in this paper. It addresses whether lead products can influence consumers’ store choice significantly. A more interesting issue regarding this research question is whether lead products can compete with traditionally valued factors for store choice, such as distance, prices, product quality, and product assortment, in explaining consumers’ store choice decisions.

Using data collected from two local grocery stores in a mid-size Midwestern city, this study finds answers to the two research questions above. Regarding the first research question, it finds that consumers have a particular grocery store they prefer for each product category. This finding suggests that when a consumer has a particular product category as the most important item on the shopping list, she will likely go to a store that she believes is the best store for the product category. In this case, that particular product category plays a role as a lead product. This study also finds that products in which freshness is important and frequently purchased products are more likely to be considered as lead products. As for the second research question, the results from binary logit regressions show that some product categories as lead products can significantly explain consumers’ store choice in the presence of traditionally valued factors for store choice. Although not all product categories have significant explaining power for store choice, this finding provides evidence that lead products can influence store choice decisions, and thus suggests that lead products are an important factor for store choice.

This study makes several contributions to the literature. In the theoretical domain, it incorporates products that consumers plan to buy as an important factor for store choice. Past research on store choice has identified numerous factors that lead to store choice, but few researchers have examined products consumers plan to buy as a factor for store choice. This contribution enriches the literature on store choice by shedding light on a new facet of store choice. From a methodological perspective, this study directly measures lead products and shopping lists using a survey instrument. Some researchers have attempted to infer shopping lists from bundle purchases, but few researchers have measured them directly. Direct measurement of shopping lists and lead products makes results of subsequent data analyses more accurate and reliable.
HOW DOES COLLABORATION DRIVE VALUE PROPOSITIONS IN B-TO-C MARKETING CHANNELS? A MULTI-COUNTRY DISCOVERY IN THE FIELD OF DEVELOPED AND EMERGING MARKETS

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SUMMARY

Collaboration between channel members has been considered a key driver for value delivery and competitive superiority in business markets (Sudharshan and Sanchez 1998). In highly concentrated consumer goods sector, the “best” products do not necessarily win, whereas the best-networked firms usually do, and, thus, channel related social capital can help a firm create value over and above that of stand-alone products (Srivastava et al. 2001). To date, the empirical evidence for the effects of channel collaboration on firm value proposition is only piecemeal, especially, in the context of markets in transition (Liu et al. 2003). The dominant rationale of the resource-based theory and the related capability view in strategic management and marketing literature, however, encourages us to take a deeper look at marketing channels in order to discover if certain channel management practices are rare, valuable, and difficult to duplicate? To this end, we explore the effects of the channel relationship management capability (CRMC) on the level of a firm’s value creation and value appropriation, and, further, whether the market orientation a firm possesses, and the type of the prevailing macro environment (developed vs. emerging markets) substantially affect the preceding interplay.

We adopt a customer value emphasis: a firm should learn extensively about its customers, and managers must translate this intelligence and knowledge into the key processes of superior value creation and value appropriation (March 1991). From the point of view of firm value proposition, value creation influences the magnitude of advantages and the performance outcomes in terms of customer and stakeholder value delivery, while value appropriation reflects financial performance emphasizing the amount of advantages a firm is capable to address (Mizik and Jacobson 2003). Day (2000) explicates a firm’s ability to create and appropriate value by means of its drivers in customer and channel relationship management: relationship orientation, relational knowledge and skills, and integration and alignment of business processes. Moreover, market orientation (MOR) has been considered an important source of competitive superiority, even though the association between MOR, CRMC, and business performance has not been explicitly studied. Investigating how MOR affects the interplay between the CRMC and firm value proposition is of particular pertinence to our conceptual model. To advance our understanding of channel collaboration in the contemporary environment, especially in emerging markets, we will analyze whether there are significant differences in the CRMC profiles of the firm groups in developed and transitional economies, and, further, if such potentially different profiles have different effects on firm value proposition.

Our survey was carried out in 2001–2002 (coordinated by Aston Business School/Aston University, U.K.). The sampling frame, however, was supplied by national research institutes in each country involved. Following the SIC (Dunn and Bradstreet) our data covered small, medium and large firms representing fast moving consumer goods and consumer durables in the U.K., Australia, Austria, Finland, Greece, and New Zealand (developed markets), and in Hungary, Poland, and Slovenia (markets in transition). In total, 959 usable responses were received from manufacturers, retailers and wholesalers surveyed (539 firms in developed markets and 420 firms in emerging markets), providing a response rate well over 20 percent.

Our purpose here is to develop and refine scales for the key concepts involved. Briefly, we find evidence of reliability, discriminant validity, convergent validity, and concurrent validity, all providing support for the construct validity and robustness of the scales developed. In view of our hypotheses testing, it is required to investigate the main effects of the CRMC and MOR both on the value creation and value appropriation, as well as the moderator effects from MOR. We employed hierarchical moderated regression analysis as an appropriate statistical technique to test the potential associations between the measures. Chow tests through MANOVA procedure were used to analyze differences in the CRMC profiles between the two firm groups (developed vs. emerging markets). In general, we provide some empirical evidence that col-
collaboration facilitates in fulfilling firm value proposition in B-to-C channels, and that the two firm groups differ in all the three components of the CRMC. Specifically, relational knowledge and skills as well as integration and alignment of business processes are key drivers for the fulfillment of firm value proposition, while MOR plays a significant role as a “skill moderator” in this context. MOR reflects the presence of a learning-based organizational culture that emphasizes channel intelligence generation, whereas collaboration enables a firm to generate market-related knowledge from other firms concerning new opportunities or means for creating superior customer value. Relationship orientation component, in turn, represents the highest proportion of tacit knowledge (Sinkula et al. 1997) which in fact characterizes commitment – the highest stage of collaboration (Dwyer et al. 1987) – and, thus, channel collaboration may have been forwarded into either the exploration or expansion phases.

From managerial point of view, and especially in developed markets that are characterized by highly intense rivalry, marketing efforts must become more customized and unique, and finding creative ways to foster collaborative relationships while simultaneously discovering new market segments becomes paramount (Clarke et al. 2002). Strong supplier-reseller relationships may also lead to the more efficient use of working capital and fixed assets. In emerging markets, in turn, lower-income consumers are unlikely to respond to marketing programs transplanted from developed markets (Dawar and Chattopadhyay 2002). Instead, marketing programs need to be built from the ground up. Although the past decade has seen vast economic reforms in the CEE countries that have joined the EU recently (e.g., foreign direct investments, entry of foreign retail chains), especially smaller firms need to proactively develop market-driven strategies, customized into their market segments, and the related core capabilities in order to be able to establish profitable growth patterns in the conditions of new, open (quasi)market economy (Martin and Grbac 2003). Future research efforts will be needed to study which marketing strategies will be the most suitable and profitable ones for developing markets. References will be furnished upon request.

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SUMMARY

This study investigates the effects of dependence structure on satisfaction and loyalty in retail-consumer service exchanges across different cultures. Based on data collected from 204 U.S. and Western European and 147 Asian subjects about recent experiences with their favorite hair salon/barber shop and hair stylist/barber, results showed that consumers from low PDI cultures are likely to become more satisfied and loyal as interdependence asymmetry increases, regardless of whether they are more or less powerful than service providers. Furthermore, consumers from low PDI cultures are likely to become more satisfied and loyal as bilateral dependence increases.

Power Status, Interdependence Structure, and Culture Influences

Interdependence and interdependence asymmetry both have been shown to have significant influence on exchange outcomes such as trust, loyalty, and commitment (e.g., Lusch and Brown 1996). Iacobucci and Ostrom (1996) stated that in retailer-consumer exchanges, retailers are generally more powerful, as a result of size and capabilities in providing product assortments, when and where they are needed, to consumers who are considered to be the weaker partner in the relationship. They also asserted that asymmetry affects consumers’ perceptions about satisfaction and predispositions towards developing long-term relationships. High status consumers in large power distance cultures perceive themselves to be more powerful than service providers hence expect exceptional service. Weaker consumers, on the other hand, may not expect service providers to give outstanding service (Furrer, Liu, and Sudharshan 2000). This study investigates the cross-cultural effects of dependence structure on satisfaction and loyalty in retail-consumer service exchanges. The following four hypotheses are examined.

H1-1: In retail service relationships where the customer is weaker than the service provider, customers from large PDI cultures are likely to be (a) less satisfied and (b) less loyal than customers from lower PDI cultures, when they perceive more asymmetrical dependence in the relationship.

H1-2: In retail service relationships where the customer is weaker than the service provider, customers from large PDI cultures are likely to be (a) less satisfied and (b) less loyal than customers from lower PDI cultures, when they perceive more interdependence in the relationship.

H2-1: In retail service relationships where the customer is more powerful than the service provider, customers from large PDI cultures are likely to be (a) more satisfied and (b) more loyal than customers from lower PDI cultures, when they perceive more asymmetrical dependence in the relationship.

H2-2: In retail service relationships where the customer is more powerful than the service provider, customers from large PDI cultures are likely to be (a) less satisfied and (b) less loyal than customers from lower PDI cultures, when they perceive more interdependence in the relationship.

H3-1: In retail service relationship situations, customers from small PDI cultures are likely to be (a) less satisfied and (b) less loyal than customers from large PDI cultures, when they perceive more asymmetrical dependence in the relationship.

H3-2: In retail service relationship situations, customers from small PDI cultures are likely to be (a) more satisfied and (b) more loyal than customers from large PDI cultures, when they perceive more interdependence in the relationship.

H4-1: For the same level of perception of asymmetry dependence, customers from small PDI cultures are likely to be (a) less satisfied and (b) less loyal than weaker customers from large PDI cultures.

H4-2: For the same level of perception of interdependence, customers from small PDI cultures are likely to be (a) more satisfied and (b) more loyal than weaker customers from large PDI cultures.
Empirical Results and Conclusions

Survey data from 204 low PDI subjects (118 from United States and 86 from W. Europe) and 147 high PDI or Asian subjects were analyzed using ANOVA. Results demonstrated that customers from low PDI cultures show more satisfaction and loyalty to service providers as interdependence asymmetry and interdependence increases than those from high PDI cultures, regardless of whether customers are powerful or weak. Hypotheses 1-1, 1-2, 3-2, and 4-2 were thus supported. Further analysis portrayed that no differences existed between powerful and weak customer categories. While partial significance was found for hypotheses 2-1, 2-2, 3-1, and 4-1, these hypotheses were not supported in the directions suggested. According to Dwyer et al. (1987), interdependence is key to relationship expansion, in which exchange partners are more motivated to maintain the relationship and take increased risks with expectations of continual rewards. It is thus important for marketers to understand factors which influence consumers’ perceptions about interdependence in ways that would be beneficial to both consumer and firm. Managerial implications of this study are that consumers do develop and perceive the existence of interdependence in exchanges with their retail service providers. This study has also shown that although interdependence may be asymmetrical, it can influence consumers’ attitudes and purchase behaviors either positively or negatively. Moreover culture, specifically the Power Distance dimension, may influence one’s likelihood of developing or perceiving dependency in marketing exchanges and further affect consumers’ satisfaction and loyalty to the exchange. References available on request.

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CONSUMER PERCEPTIONS AND PREFERENCES OF NATIONAL VERSUS STORE BRANDS IN DAIRY PRODUCTS: SOME EMPIRICAL RESULTS FROM TURKEY

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SUMMARY

Increased competition in the global marketplace, changes in the consumer personal incomes, rapid technological advancements, increased alternative product choices, and changing marketplace in retailing have led to smaller consumer segments with differing demographic/socioeconomic characteristics and purchase motivations. Hence, the structure and strategies of retailing have been shaped by this intense competition and struggle over market shares. As a consequence, store brands with managed images have become prevalent (Uusitalo 2001) in accomplishing retail goals. Wellman (1997) reported that 70 percent of retailers considered store-brand growth as an important issue and rated “better profit margins” as the most important reason for carrying store brands. It is also known that store brand items products offer benefits during the production and consumption levels.

The store brands have an established and recognized status in some European countries such as France and the U.K. Throughout the last decade, interest in store brands (private label brands) in Europe has increased significantly. In the U.K., for instance, the volume market share of store brand packaged goods exceeds 35 percent of total sales (Dick, Jain, and Richardson 1995). Similarly, average U.S. market share of store brands was up from 15.3 percent in 1988 to 20 percent in 1998 (Dunne and Narasimhan 1999). It may be argued that the popularity of the store brands are due to a set of interrelated factors including concentration in retailing enables retailers to develop their own brands, consumers’ attachment of less importance to established brands names, and consumers’ attitude toward store brands has become much more positive partly because the quality of store brands has dramatically improved over the last two decades.

Although store brands have an established and recognized status in the U.S. and some European countries, it is not clear that the store brand is a uniform and established concept in other cultural contexts. Turkey is ranked among the top 20 markets regarding the size of its economy but the studies investigating the perceptions of manufacturer versus store brands among Turkish consumers are scarce. It is estimated that the market share of store brands in Turkey is approximately 3.2 percent. Moreover, given the ongoing accession negotiations with the European Union and the apparent cultural environment differences between Turkey and the Western markets, increases the importance of such studies to marketers and the researchers alike around the globe. This study presents the results of an empirical study conducted in Turkey to investigate the consumer preferences and perceptions of manufacturer versus store brands in dairy products.

Data for the study is collected from consumers shopping in different supermarket formats in the capital city of Ankara, Turkey. Using personal interviews, a total of 371 consumers completed the survey questionnaire in different supermarket shopping environments. Findings indicate that the consumers who have purchased manufacturer brand dairy products perceived these products to have high quality, widespread distribution, healthy, fresh, well known, and offered product choices. They also indicated that habitual buying and brand image played important roles in their purchase decision. On the other hand, consumers perceived store brands as mainly low priced items. The most preferred manufacturer brands were Pinar, Ulker, Ataturk Orman Ciftligi, and store brands were Gima, Canerler, Migros, BIM, and Yimpas. Implications to marketers and researchers are discussed.

REFERENCES


BENCHMARKS FOR BUILDING COMMUNITY IN ONLINE BUSINESS COURSES AND PROGRAMS

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ABSTRACT

Student learning can be enhanced in marketing courses by building a “learning community” and communities may be even more important in the context of virtual education. To understand how learning communities are fostered in cyberspace, as opposed to geographical space, we define learning communities, trace their origins, and identify prevailing characteristics. With this background, the literature related to building community in online educational contexts is reviewed. Our review provides benchmarks for building community, with specific applications to marketing courses.

INTRODUCTION

Marketing educators employ a variety of instructional methods to foster student learning. One category of methods involves community building, and that is the marketing education topic that we explore here.

The key to building a community involves two basic principles. First, all members are connected to the same ideas. Second, members become connected to each other through their common interests (Lock 2002). The terms connection and common are central to defining community. Webster’s Dictionary (1996) defines community as “any group living in the same area having interests, work, etc. in common . . . a sharing in common.” The word common is the connecting aspect or the glue that holds communities together, whether it is common work, interests, or hobbies. According to Gusfield (1978), the most important element in community building is manifestly derived core commonalities.

Here, we explore “learning communities” in the context of online educational courses and programs. Building a learning community lies at the core of virtual education structures (Hung and Chen 2001). The Internet provides an innovative medium for community building, which goes beyond historically designated geographic boundaries and extends Webster’s dictionary definition of “groups living in the same area.” To understand how learning communities are fostered in cyberspace, we will begin with an overview of learning communities. Learning communities are defined, the origins are traced, and some prevailing characteristics are provided. Second, building upon this delineation, the literature related to building community in online educational contexts is reviewed. Our review provides specific benchmarks for building a learning community in business courses and programs. In this benchmarking section, we also provide examples of marketing courses where this community building strategy has been applied. Finally, we make recommendations for online marketing courses based on our review of the literature and our experience with a distance learning MBA program that has a five-course marketing component.

LEARNING COMMUNITIES

Learning communities are inherently social and are comprised of groups who learn through socially communicative means. Within learning communities, people have adopted patterns of behavior and ways of organizing in order to survive and prosper (Gilchrist 2001). Learning communities are comprised of social networks and these social relationships are “neither random, nor unconditional, nor always positive” (Gilchrist 2001, p. 107). The idea of a social network was first developed by Boissevain (1974) to analyze how societal advances are developed and proliferated among community members. Learning takes place within a matrix of influences evolving from relationships within a social network. Ideas about the world are formed and re-formed through endless observation, reflection and conversation.

The Definition of a Learning Community

Early definitions of community tended to be geographical (Gilchrist 2001, p. 108). Geographical studies examined the patterns of interaction between individuals in communities of particular regions (Crow and Allan 1995). Early studies of community learning examined family and kinship (Young and Willmott 1957) and focused on social relationship patterns (Wellman 1979). Early communal studies implied that people build personal networks constructed around where they happen to live; whereas, more recent studies examine how learning communities are more complex, forming around the dimensions of their lives in a non-geographical sense.

Learning communities are a venue for intellectual dialogue, and historical, cultural, and ethical discussions. Dumbar (1996) suggests that learning communities operate as living computers, comparing information and
ideas, testing possible theories and discrepancies. These communities also provide a safe venue for sharing affective content. Pilisuk and Parks (1986) state that social communities act as emotional insulation. This emotional insulation buffers and protects community members from hardship or trauma.

Although learning communities are typically safe, protective environments, they can also serve as venues for critical evaluation and debate. Ledwith (1997) conveys that critical friends may also be a part of the community to challenge or contradict ideas or viewpoints. Critical friends help develop alternative perspectives. These critical friends are essential for continuous community growth and development.

In sum, learning communities are regarded as “a kind of collective brain, processing information and organizing responses to events in the outside world on the basis of current input and memories of past experience” (Gilchrist 2001, p. 109). People who are involved in learning communities are better able to adapt to changing circumstances by conversing with and finding support in their social network. Community networks learn from each other by engaging in informal conversation, “such as gossip, rumor, story telling and hearsay” (Gilchrist 2001, p. 109). According to Bellah, Madsen, Tipton, Sullivan, Swidler, and Tipton (1991) communities are socially interdependent involved in dialogue and decision making. Community groups both define the community and are nurtured by it. Learning communities direct the future course of communities, societies, and ultimately world developments.

The Origins of Learning Communities

Historically, learning communities are informal and unstructured. LaBelle (1984) argued that informal learning is much different than institutionalized, highly structured, learning. Informal learning is learning that transpires from daily living. Howie (1988) suggests that “education at its best is always informal, largely unstructured and even an unsystematic process, characterized by spontaneity and closely related to the living experience and interests of both teacher and taught” (p. 9).

Informal learning communities predate formal classroom instruction. In fact, formal schooling only surpassed informal schooling in esteem and popularity during the last century (Gilchrist 2001). Before that time, informal education was the norm for society, and formal education was the variant (Coleman 1987). Traditionally, education was inspired by philosophers, teachers, and clerics who gathered in public forums to engage in dialogue and conversation about community topics (Jeffs 2001). Those who planned to bring about change sought an audience in the street or in the community town square.

In the sixteenth and seventeenth centuries, members of various cultures began to settle in North America (Stubblefield and Partrick 1989). At that time, formal and informal education was difficult to distinguish because people learned their professions, crafts, or skills in learning communities. These learning communities consisted of apprenticeship or mentorship relations where the unskilled people learned from the skilled. This system of learning a trade was unregulated and the learning community informally decided when a person achieved mastery of a skill or trade. Consumers were advised about and protected from charlatans by word of mouth within the community (Ben-Amos 1994).

By the mid seventeenth century, coffee-houses emerged as the center for learning in Europe and education in England developed further than most countries (Stubblefield and Partrick 1989). Over 2,000 coffee-houses existed in London and the provinces. By 1700 these learning centers operated according to strict rules which ensured orderly and democratic behavior (Jeffs 2001). Despite a person’s rank or wealth, all who paid a set fee were admitted into coffee-houses and entitled to the first vacant seat on the condition that they engage in civil conversation and participate in discussions already under way. Coffee-houses acquired different reputations according to their specialized topics such as science, politics, or religion (Kelly 1970). English was the dominate culture and prevailed throughout much of North America.

Additional learning communities began to emerge throughout the seventeenth and eighteenth centuries in North America in the form of churches, lyceums, and voluntary associations (Knowles 1960). These learning communities provided social activities, shelter and welfare support. These communities also served as a means for social communication and catered to all age groups (Jeffs 2001). In brief, these learning communities (and their predecessors) served as a means for training adults to be responsible and moral, prepared people for employment and citizenship, and transmitted cultural values. Such informal, learning communities exist in the 21st Century. In the next section, common characteristics of present-day learning communities are grouped into five broad categories.

LEARNING COMMUNITY CHARACTERISTICS

Sergiovanni (1999) identifies five basic building blocks for successful learning communities: a community of relationships, a community of place, a community of mind, a community of memory, and a community of practice (p. 17). While not exhaustive, these five categories represent a good cross section of community characteristics identified over the past three decades. Thus, we will use these five building blocks to categorize the extant literature on community building.
Community of Relationships

Community of relationships refers to the relationships among community members. Shared interests and problems require learners to develop interdependent relationships (Lave and Wenger 1991). Sergiovanni (1999) suggests that within a learning community “connections among people are close and informal; individual circumstances count; acceptance is unconditional; relationships are cooperative; concerns of members are unbounded; subjectivity is okay; emotions are legitimate; sacrificing one’s self-interest for the sake of the community is common; members associate with each other because doing so is valuable as an end in itself; knowledge is valued and learned for its own sake” (p. 17). These relational characteristics unite members together, emulating a close-knit family.

Lave (1996) emphasizes the importance of exploring the social rather than psychological theories of learning to enlighten those who blame individuals for the failure to learn. Lave suggests that theories focusing solely on an individual’s mental capacity fails to encompass the full scope of learning. As a result, learners must develop relationships within their learning community in order to gain the full extent of knowledge available. According to Bandura (1986), people learn socially by imitating and observing others, which includes cognitive processes such as thinking, memory, language, and evaluating consequences.

Community of Mind

Regarding community of mind, Sergiovanni (1999) suggests that there are unique ways a community thinks about “connections, human nature, and societal institutions” (p. 9). There must be an awareness of community and a common sense of value among community members (Lock 2002). Communities of mind are identifiable by their commonly used tools, everyday activities, and distinctive language (Peters 1999). Learning communities often develop a consciousness of mind by creating their own conversational terms (Goffman 1981; Goffman 1990; Smith 1994; Wardhaugh 1991). These commonalities unite community members together by creating a sense of belonging and purpose. This social mindset influences the learning to the extent that learners will participate in the learning process to advance in the sociocultural community values and ideals.

Learning communities serve as meaning-making mechanisms, serving as instruments to invoke the mind. Typically there is at least one person in the community that challenges traditional thought. The community’s response to this insider challenge determines future growth and resilience (Wells 1999). Johnson (1999) states that community members must have a sense of productive challenge by balancing both the pressure to achieve and group member support. Thus, effective learning communities are open to challenges and adaptive to changes (Johnson 1999).

Community of Place

A community of place represents the location where community members can come together. This common place provides a venue for continuity and caring. Choi and Hannafin (1995) suggest that context, the general atmosphere, physical setting and concurrent background events, influence the learning process. The location is an essential component of community learning and development because it serves as a place where community members can come together and dialogue about their similar goals, values, and beliefs.

Extending the notion of place, this should also serve as a site for group reflection. Marsick (1988) emphasizes the importance of reflectivity, critical reflectivity and universal valuing in learning communities. Johnson (1999) also states that effective learning communities practice many forms of collaboration and reflection and this process is essential for continued growth and development. Likewise, Watkins and Marsick (1993) underscore the emancipatory effects of reflection and suggest promotion of inquiry, dialogue, collaboration, and cooperation are also important components of dynamic learning communities.

Community of Memory

Community of memory refers to enduring customs, rituals, and traditions (Muniz and O’Guinn 2001). These standards are taught to new members and endure within the community over the course of time. These continuing images reflect the communities’ core values and beliefs about life. Memory sustains the community through difficult times and connects members, even when they cannot physically see each other. These shared memories form an identity among the community of learners. Johnson (1999) corroborates this notion of memory by suggesting that community customs, rituals, and traditions should benefit all learners. In doing this, community members acquire a reason to learn and a purpose to engage in collaborative learning.

Brown and Duguid (2000) indicate that learning is a demand-driven, social identity formation. In other words, learning communities are formed because of a common need, goal, or identity. These commonalities sustain the community and enforce accepted patterns of behavior. Identity formations are then constructed among newcomers to the community as they follow accepted behaviors, beliefs, and values set forth by past or present skilled community members (Brown and Duguid 1993). Com-
common learning and work practices serve as bonding identity formations which create distinctive community memories.

Community of Practice

Perhaps the most defining trait that differentiates one learning community from another is shared practice. Shared practice means that all members are voluntarily engaged in a common activity or endeavor. For Brown and Duguid (2000) “community of practice is an ideal learning environment” (p. 127). The culture and the context in which the learning takes place are central to the learning process. Learning communities socially construct meanings, uphold social cultural norms, and cultivate commonalities such as “routines, words, tools, ways of doing things, stories, gestures, symbols, genres, actions, or concepts” (Wenger 1998, p. 83).

Lave and Wenger (1991) studied learning within social networks and found that “learning in not merely situated in practice” but is part of a socially constructed world (p. 35). They developed this idea by proposing that participation in a community of practice is at first legitimately peripheral but increases gradually as one engages in the community. Eventually, novice learners become fully engaged in the learning process in order to reach learner maturity. This notion is analogous with Bateson’s (1979, 1972) theory of learning. Bateson suggests that learning is a series of interactional cycles where learners move from peripheral participation to central participation. Thus, community of practice differentiates one community from another, is a set of shared activities, and is the culture and social context in which learning takes place.

VIRTUAL LEARNING COMMUNITIES

Learning communities that situate in a virtual context are more flexible and durable than physically situated communities (Shumar and Renninger 2002). In virtual communities, there is an ongoing availability of resources and a continuous process of multileveled communication. This virtual space allows for fusion of various conversations, the linking of conversations across Web sites, and the archiving of discussions and other types of information for future reference (Shumar and Renninger 2002).

“Virtual communities involve a combination of physical and virtual interaction, social imagination, and identity. They may be distinguished from physical communities in that virtual communities extend the range of community, and individuals can tailor their personal communities” (Shumar and Renninger 2002, p. 2).

The Internet provides new resources that enhance a community’s collective needs. In virtual communities, relationships are no longer defined by proximity or physical kinship but by individual interests. According to Rheingold (2000), “because we cannot see one another in cyberspace, gender, age, national origin, and physical appearance are not apparent unless a person wants to make such characteristics public” (p. 11). This new concept of community antiquates traditional definitions of community that focused primarily on geography and kinship. Next, we will explore futuristic notions of community in the relatively new context of online courses and programs.

BENCHMARKS FOR BUILDING COMMUNITY: EXAMPLES FROM GRADUATE-LEVEL MARKETING CLASSES

Again, we use Sergiovanni’s (1999) five building blocks for successful learning communities as a guide for our review. However, we have collapsed Sergiovanni’s five categories into three overarching benchmarks for building community in an online context. A community of mind, a community of memory, and a community of practice are summarized under one heading and labeled (1) Group Structure; a community of place is labeled (2) Reliable Technology; and a community of relationships is labeled (3) Consistent Communication. The following commentary on each benchmark includes related literature from various online community-building sources and our personal experiences with a distance learning MBA program at an AACSB accredited University. At the start-up of our program, the University posited the goal of a quality education experience and decided that the most appropriate method of delivering this goal was the establishment of a community culture. This community is established among not only the students but also the faculty and support staff. We believe this community mindset is a major component of our program’s success.

Group Structure

A community of mind and memory can be cultivated through structuring group activities into online courses and programs. When compared to traditional courses within higher education, distance education courses experience higher dropout rates, sometimes as high as 50 percent (Barley 1999; Eastman and Swift 2001; Moore and Kearsley 1996). This high percentage may be attributed to factors such as isolation or lack of motivation. Research suggests that group activities are critical for individual learner motivation in Web-based courses (Hill et al. 2002).

Studies have shown that cooperative work increases team effectiveness and group cohesiveness, emphasizing that some students perform better when they have the camaraderie of group interaction and peer accountability.
Students who thrive in physically interactive environments may lack the self-motivation to complete online assignments in a timely manner and are more likely to become disengaged (Carr et al. 1999; Halaby 2000). Because virtual classrooms lack the physical interaction and social involvement of traditional classrooms, it is of great importance to cultivate individual motivation through group interaction.

In our program, workplace commonalities among students are discussed at the beginning of the course. Structuring Web discussions around student commonalities enhances communication processes, enabling community members to integrate their physical, social, and situational experiences. For example, in a Strategic Marketing course, students were able to use their own experiences to design a marketing plan. Groups compared marketing plans with other groups and challenged each other in their proposals. In order to defend their marketing plan, groups had to unite in their efforts to support their ideas.

Structuring group assignments into online courses provides opportunities for students to interact and motivate one another. Group activities ensure that students share knowledge, engage in continuous dialogue, and depend on each other to achieve learning outcomes, all of which are fundamental in building a learning community (Lock 2002). Through group interaction, a community of mind will emerge as students begin to use common conversational terms and computer symbols (e.g., ☺, ☻). These continuing images will also serve as a collective community of memory. Establishing such customs through group interaction will enhance feelings of connectedness and increase retention rates (Halaby 2000).

In addition to mind and memory, community of practice can be incorporated by situating courses in the context of everyday activities. This concept employs the notions of situated cognition. Situating courses around real-life activities links knowledge to the relation of things (Dewey and Bentley 1949). In situated cognition, learning focuses on processing information through reflection and restructuring knowledge to be applied in real-life situations. Linking learning to everyday activities embeds knowledge in rich cultural and social contexts, which sustains vibrant interaction in online courses (Hung and Chen 2001).

Situated cognition is defined as learning that is influenced by interaction and abounds in the relationships among students in shared contexts (Hansman and Wilson 2002). When students have similar goals and responsibilities, building the curriculum around these commonalities enhances the learning process because the learners are able to integrate their physical, social, and situational experiences into the practice of learning. Situating courses in rich contexts may be accomplished through using case studies to invoke group discussions, incorporating workplace dilemmas, or other project-based activities.

According to Palloff and Pratt (1999), constructivist theory is the dominant philosophy in online learning; in view of that, group assignments allow students to construct knowledge together. “From a constructivist viewpoint, knowledge and understanding are not acquired passively but in an active manner through personal experience and experiential activities” (Jolliffe et al. 2001, p. 21). A fundamental shift needs to occur in our approach to online education by viewing learning as no longer linear and static, but active and experience-based (Cuthell 2002; Hiltz 1984; Palloff and Pratt 1999). When instructors make a concerted effort to incorporate experience-based assignments and practice-oriented discussions, student interaction is stimulated and individual learning is enhanced (Palloff and Pratt 1999). Furthermore, studies indicate that students become “more involved and responsible for their participation” when the entire course is not instructor driven (Poole 2000, p. 167). Incorporating group activities into the course structure provides students with opportunities to direct their own learning and learn from each other, not just from the instructor. Thus, it is evident that group structure strengthens communities of mind, memory and practice.

Technology

A community of place is a website location where students come together to learn and interact. To sustain the community location, technology must be reliable and comprehensible. The Institute of Higher Education (Policy 2000) recommends when instructing online courses or developing online programs, “the reliability of the technology delivery system is as failsafe as possible” (p. 25). Likewise, Sherry (2002) states that reliable access to the Web and strong technical support are important variables for success. Students are typically enrolled in online programs because time is a limited resource. When logging onto a network to participate in a chat, download a lecture, or turn in an assignment, students need reliable technology; otherwise, students will become frustrated and discouraged.

Our centralized system for creating and maintaining the technological infrastructure was built around three technical staff hired to start the program. This group was responsible for a variety of tasks, which included everything from installing the server software to training faculty. The technical support staff took the time to become familiar with all the faculty and students in order to project the desired spirit of community and worked to respond promptly to technology problems. Prompt re-
responses to technical difficulties improved student resourcefulness and allowed flexibility rather than hindering it by being unreliable.

Too many technological difficulties will hinder student learning and increase drop out rates. When the instruction platform is unreliable, it makes for a less than effective learning experience and it abrogates any attempts to build community (Jolliffe et al. 2001). Without dependable and user-friendly technology students lack the tools to personalize their own knowledge (Chen and Hung 2002), and are likely to become frustrated, disappointed, and detached, all of which undermine community building. Students must be familiar with the technology being used and use it frequently to sustain community building within online courses and programs (Shea-Schultz and Fogarty 2002).

Consistent Communication

A community of relationships refers to the social interaction in online courses and online communication must be consistent and vibrant to build communal relations. If utilized, online discussion forums can serve as a rich context for group dialogue and reflection (Chen and Hung 2002). Students come together in discussion forums because they are able to identify with a common need, purpose, or shared goal (Hung and Chen 2001). For Sierra (2003), online communication is the central component of three major learning community attributes: participation, shared identity, and the establishment of a social network. As students share the experiential issues that exist within their own personal environment, social relationships will form.

Faculty enable relational community building by encouraging story-telling and emphasizing the relevance of real-life situations in the context of the course. Effective learning in virtual environments is based on real-world experiences and the emphasis need not be on memorization, but rather on how students process information (Young 1993). The interactive online environment is a conduit for processing information collaboratively, dialoguing about core course concepts, and critiquing each other’s work through cooperative group projects.

As part of the learning contract, our faculty members are expected to maintain a high level of communication with students. Therefore, to ensure consistent rich conversations, faculty must regularly monitor online discussions, respond to student questions in a timely manner, and organize action-oriented projects. Faculty can incite meaningful discussions by monitoring and randomly joining group discussions to pose new ideas. Constructive feedback from the instructor to students about assignments is provided in a timely manner. This continuous monitoring allows faculty to connect students with similar interests and strengthen community ties. For example, in a Buyer Behavior course, students were asked to research consumer behaviors of a particular product or brand category. Because online discussions were already in place, students with common interests were connected and teamed up in their final research projects.

The Institute for Higher Education (Policy 2000) states, “student interaction with faculty and other students is an essential characteristic and is facilitated through a variety of ways, including voice-mail and/or email” (p. 22). Personalized and responsive feedback from faculty on individual and team assignments enforces relational learning and provides orderliness and stability. Students in our program have reported that courses are more meaningful with extensive interaction between students and the instructor. Both student-to-student and student-to-teacher interaction is necessary for building a community in online courses and programs.

SUMMARY

Building a community involves the connection of all members to the same ideas through common interests. In online business courses, students need to be connected through commonalities which can be manifested in relationships, place, mind, memory, and practice. Whether building a historically-defined geographically-bound community or a virtual educational community, all members must be connected through common interests.

After reviewing prominent studies central to community development in online courses, common community characteristics are plausible. An amalgam of the above perspectives supports ten community-building benchmarks: (1) structure cooperative group assignments, (2) identify workplace commonalities, (3) situate coursework around everyday activities, (4) organize action-oriented projects, (5) provide opportunities for student-directed learning, (6) allow time for dialogue and reflection, (7) ensure reliable and user-friendly technology, (8) maintain a technical support staff, (9) foster consistent communication, and (10) provide constructive and personalized feedback. Online courses may yield some or all of these community benchmarks. Although this list is not exhaustive, it provides a starting point for further research. References are available upon request.
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APPLYING CONFUCIUS TEACHING PHILOSOPHY TO ACTIVE CLASSROOM LEARNING: STUDENT-LED CASE DISCUSSIONS AND THEIR IMPLEMENTATION

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SUMMARY

The current paper discusses an active classroom learning technique that is based on Confucius’ teachings. Confucius’ teaching stresses the importance of cooperative learning and advancing knowledge through peer learning. In his teaching, Confucius constantly motivated students to compare ideas and to share various experiences with each other. Individual ideas were accounted for through a sharing and comparing process, and thus, contemplation and proactive learning were enhanced.

Confucius’ philosophy suggests that by creating an active and supporting learning environment, students are free to learn while helping enhance the learning of their student peers. Through this active engagement, students not only think about and learn course material in greater depth, but also learn how to apply knowledge to solve problems. Most importantly, students increase their intrinsic interest in expanding knowledge and take pride in facilitating peer learning. This is especially true in Western cultures where competition rather than cooperation provides the motivation to learn in many classrooms.

In order to apply Confucius teaching philosophy and create a supportive and active learning environment, four “layers” of classroom education are implemented: (1) lectures/discussions heavily emphasizing examples and current issues, (2) student-led case discussions, (3) presenting timely and comprehensive feedback – shadow group feedback, self evaluations, peer evaluations, and instructor feedback, and (4) experiential projects. Each will be discussed, however, the current paper focuses on the second and third of these “layers” and will highlight the planning, implementation, management, and evaluation of student-led case discussions.

The second layer is lead by a small group of students (self-formed groups between three to five people) who are prepared to present a marketing case and to lead the class in a case discussion. Cases and case questions have been selected to target the central concepts that I have previously presented in layer one. Since cases are pre-assigned and case write-ups are required, all students come to this class having an in depth understanding of the case; reading the case and working through a case homework assignment has developed this understanding. The small group of students who lead the discussion are required to: (1) provide an overview of the case, (2) conduct library and internet research to enrich the information in the case, (3) integrate class concepts and chapter objectives in evaluating the case, (4) prepare a set of questions to stimulate discussions among their peer students, and (5) be creative and involve class with activities to enhance active learning.

Students leading case discussions are actively engaged in testing their own knowledge and understanding. The more ideas are articulated, and the more it is “tested” through discussion, the more students are able to internalize the knowledge. The richness of the analysis that results when students are well-prepared to discuss, contradict each other, question each other, challenge someone to consider another point of view provides experiences that “stretch the mind” of students in many ways that traditional lectures can not provide. These case discussions force student teams to analyze, to integrate learned concepts, to be active participants in constructing their own learning, and to facilitate an active learning environment in class. In short, the student becomes active learner in leading case discussions, because “to teach others is to learn all over again.”

To advise and inspire student team presentations and to simultaneously motivate class participations, four types of feedback are consistently provided in layer three: (1) shadow group feedback, (2) class participation feedback, (3) self evaluations and peer evaluations, and (4) instructor feedback.
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THE EFFECT OF DEMOGRAPHIC VARIABLES UPON UNIVERSITY STUDENTS’ LEARNING EXPERIENCES IN MARKETING

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SUMMARY

The components of a successful service-learning program are Intended outcomes, Program environment and Student characteristics. Much has been written about the first two factors, particularly in non-business courses, but little empirical research is available concerning service-learning in marketing courses. This paper discusses the results of a study concerning student characteristics related to service-learning experiences over a two year period and the impact of student diversity on the service-learning experience in marketing.

From 2001–2003, nine faculty were involved in this study, as well as 667 undergraduate business majors enrolled in an upper division Principles of Marketing course at an AACSB accredited business school, located in the western United States. Prior to participating in the study, the students included in the sample had recently completed a class-assigned mandatory service-learning project, which required a minimum of fifteen hours service in a nonprofit corporation. Fifty-seven percent of the respondents participated in group service-learning projects and forty-three percent participated in an individual service-learning project.

All students completed the same paper and pencil questionnaire at the end of a regular class period during their respective semesters. The instrument was designed for assessing the impact of service-learning. Respondents were asked to evaluate the service-learning experience, based on a 5-point Likert Scale, in each of the following categories: (1) career-related outcomes; (2) academic outcomes (knowledge and skills); (3) personal development outcomes; and (4) civic responsibility outcomes. Demographic information relating to the participating students was also gathered, including the students’ age, gender, and ethnicity.

Results of the study revealed that marketing majors indicated a highly significant difference, compared to other business majors, in the area of career related outcomes. No significant differences were indicated between the various majors in the areas of Academic Outcomes, Personal Development Outcomes, and Civic Responsibility Outcomes.

In regard to Ethnicity, there was no significant difference in the students’ responses related to Career Related Outcomes. There were significant differences in the students responses related to the categories of Academic Outcomes, Personal Development Outcomes, and Civic Responsibility Outcomes.

The demographic of age offered no significant differences in the students’ responses to questions in categories related to Career Related Outcomes and Personal Development Outcomes. There were significant differences in the areas of Academic Outcomes and Civic Responsibility based upon the respondents’ age.

Significant differences, based on the demographic of gender, appear in all of the categories, including Career Outcomes, Academic Outcomes, Personal Development Outcomes, and Civic Responsibility Outcomes.

Upon examination of the related literature and this study, faculty considering the implementation of service-learning assignments in their courses should be made aware that student diversity does indeed make an impact on the service-learning experience in marketing. Although much literature has been devoted to the fact that service-learning may be a valuable, and worthwhile, experience for students, there is a definite need for future empirical studies that address the accomplishments and implications of these assignments. This information would allow faculty to offer their students the very finest service-learning experience available.

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MANAGING TRANSITION IN THE GLOBAL OUTSOURCING OF KNOWLEDGE-BASED SERVICES: A CONCEPTUAL FRAMEWORK AND RESEARCH PROPOSITIONS

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SUMMARY

One inescapable aspect of globalization has been the trend toward global outsourcing, especially the outsourcing of knowledge-based services. Outsourcing has a long history as a business phenomenon in the United States and in other countries. Early scholarly work on the subject includes topics such as outsourcing strategy issues (Quinn et al. 1990), outsourcing of automotive parts (Kazutoshi 1987), contract manufacturing (Cavinato 1989), and outsourced software development (Apte 1990). The number of articles on outsourcing in the scholarly and popular press has grown from only 116 articles before 1990 to over 26,000 articles in 2003, including 137 scholarly peer-reviewed articles (PROQUEST SEARCH, January 2004).

Due to the ongoing compulsion toward cost reduction in corporate America, the issue is not if work will be outsourced or off-shored, but when a particular company will engage in outsourcing, and how effectively the transition process can be managed. As researchers, we feel that a thorough study of the operational process of transition of knowledge-based service activities would help develop a new theory for this new world. Such a theory will help scholars better understand the outsourcing phenomena, give students better training in this new field, help managers and employees of outsourcing companies and providing companies optimize the benefits of this process, and guide public policymakers in their decision-making.

We choose to study outsourcing transitions in knowledge-based services because we see firm-level outsourcing phenomena progressing in three stages: (1) a firm decides to outsource a particular knowledge-based activity; (2) the activity transitions to the provider; and (3) the provider reaches a stable state in operating the service. The processes and decisions preceding the transition (i.e., the decision of whether to outsource or not) are similar to the “make or buy” decision in the business marketing literature and have been extensively investigated in the past (e.g., Dierickx and Cool 1989; Clark and Fujimoto 1991).

Similarly, once an outsourced activity achieves stability at the provider’s premises or elsewhere, its control becomes the domain of regular operations management.

By contrast, the middle process of transition of the activity from outsourcer to provider is both central and topical to our times. According to Raman Roy, chairman of Wipro Spectramind, the most important aspect of outsourcing is the operational transfer of the knowledge-based service. “If you drop the ball during transfer, both the outsourcer and provider will find it difficult to pick the ball up during regular operations,” he said in an interview (Summer 2003). Our pilot field interviews, as well as various press reports, suggest that the transition of outsourced activity is the most difficult stage in the process. Vivid television reports, for example, have shown the anguish of U.S. workers facing the ignominy of training their foreign replacements. Both outsourcers and providers consider poor transition to be the single biggest reason for delay in achieving stability and for subsequent poor performance. Two important aspects of outsourcing activities make this transition a crucial period. First, unlike the conventional understanding of outsourcing as being limited to non-core activities, many currently outsourced activities are closer to the core activities of the firm. Second, outsourcing activities are increasingly knowledge-based; therefore, knowledge management during and after transition becomes an important objective for the outsourcing firm.

This research tries to extend the current academic research on global outsourcing in several ways. First, it offers a new conceptual framework aimed at understanding the transition process in outsourcing. Second, the framework takes a broader perspective of outsourcing than past research, encompassing globalization, knowledge-based services, and core activities of business. Third, it uses several relevant theoretical concepts, developing research propositions based on the conceptual synthesis of relevant elements of the knowledge- and resource-based view of the firm, transaction cost and buyer-seller relationship theory, and agency theory. References available on request.
CRM OUTSOURCING IN THE BUSINESS-TO-BUSINESS GLOBAL MARKETPLACE

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SUMMARY

The challenges of global customer relationship management (CRM) continue to grab the attention of business-to-business managers and researchers. Firms are outsourcing an increasingly wide range of CRM-related business processes to other firms, both home and abroad. Business processes such as web-based and telephone-based ordering, product support, and customer service are now routinely outsourced. The market for business process outsourcing (BPO) services is estimated to be $241 billion in 2004, with 9 percent growth expected through 2006 (EDS 2003). Criticism of outsourcing decisions is also growing – from customers, the general public, and public officials. Since many of the outsourced processes constitute the bulk of the firm’s customer-facing operations in sales and service, this raises the question: If CRM lies at the heart of firm competitive advantage, then why do so many firms outsource aspects of CRM to other firms?

Literature Review

To address this question, we first turn to the literature and theory. The resource-based view of the firm (Barney 1991) emphasizes the value of leveraging scarce resources through relationships. Firms have long contracted with other firms for both core and supplementary business services (Erramilli 1990; Kotabe, Murray, and Javalgi 1998). This decision is important since supplementary services can be a source of differentiation and competitive advantage (Anderson and Narus 1995). Kotabe and Murray (2004) identify the two key questions of how to source and where to source, and emphasize the relevancy of the “how to source” question. Indeed, the “make vs. buy” decision framework is an integral part of strategy research, with its foundation in transaction cost economics (Williamson 1985). Transaction cost analysis (TCA) compares the costs of integrating an operation with the firm to the costs of using a third party to act for the firm, with transaction costs including the costs of finding, negotiating with, and monitoring the partner. Several scholars (e.g., Erramilli and Rao 1993; Murray 2001; and Rindfleisch and Heide 1997) provide insightful ways of further developing and applying TCA theory. However, past research provides little specific guidance for the sourcing of CRM-related business processes.

Conceptual Model

We build on the literature and transaction cost theory to develop a model and research hypothesis to explain and analyze the decision of how to source CRM-related business processes. The model incorporates multiple aspects of the TCA dimensions of asset specificity and uncertainty. Asset specificity includes IT and human capital specificity, as well as the customization of the business process. Environmental uncertainty includes the dynamism of information technology, labor markets, and customer expectations. Behavioral uncertainty takes into account operating and monitoring costs, and uncertainty over process quality.

These effects are moderated by firm-specific factors, including the firm’s sourcing objectives (cost reduction or increased customer satisfaction or learning/capability improvement), outsourcing experience (of the firm and its peers), and firm capabilities and costs. TCA theory assumes the firm’s objective is cost minimization, and predicts that the higher the asset specificity and uncertainty, the less likely the firm is to outsource. In contrast, the model implies that asset specificity and uncertainty effects are moderated by the firm’s objectives, as the firm may outsource in order to increase customer satisfaction or organizational learning. In addition, firm experience, capabilities and cost can also moderate the transaction costs associated with uncertainty.

Implications for Managers and Future Research

The literature review and model contribute to the further development of theory, and provide a context for the questions surrounding the increasingly common practice of outsourcing CRM-related business processes. The costs of uncertainty and asset specificity need to be considered along with the firm’s objectives, experience, capabilities and costs. A firm may outsource a CRM-related business process if it perceives a third party to be less costly or better able to meet customer expectations. Also, a firm may outsource to build its process capability. Firms often decide whether or not to outsource based on an ad hoc assessment of costs, their own capabilities and the strategic importance of the business process. The consideration of objectives and the establishment of specific decision criteria may improve sourcing decisions.
These many challenges of outsourcing indicate the need for further theory building and empirical research on the factors that affect outsourcing decisions regarding CRM-related business processes. In addition, in-depth case studies of firm decision-making in a variety of environments could also generate relevant insights. References available on request.

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THE DEVELOPMENT OF ALLIANCE COMPETENCE:
ANTECEDENTS AND OUTCOMES

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SUMMARY

The study of alliances has been a growing practical and academic research area due to the increasing number of firms participating in alliances. Despite the prolific alliance research streams, less attention has given to how alliance partners develop alliance competence. Alliance competence is defined as the collective tangible or intangible resources or skills that can be utilized by alliance partners to achieve their alliance objectives. Since alliances are formed to utilize their partners’ resources or skills through the processing of learning, acquiring, sharing, transferring, and exchanging each other’s resources or skills, the creation of collective competence that can be available for partners is important to achieve their alliance objectives. The purpose of this research is, therefore, to investigate the implications of alliance competence: the antecedents and outcomes of alliance competence and the impact of alliance competence on alliance performance.

Competence has been addressed as an important factor that helps a firm achieve competitiveness in the competence literature. However, the literature does not fully address what alliance competence is, what factors influence the development of the competence, and how the competence impacts alliance success (Barringer and Harrison 2000).

As antecedents of alliance competence, previous alliance experience of participant firms, previous alliance experience of alliance managers, and achievement orientation of alliance managers are proposed to influence the development of alliance competence. Since previous alliance experience of alliance participant firms can accumulate knowledge and develop learning skills, the experience is assumed to positively influence the development of alliance competence. Along the same logic, managers who are already experienced in the operation of alliance management can have the sensitivity to facilitate smooth and harmonious interactions with partners and a better understanding of cooperating with them. The alliance manager’s previous alliance experience is thus proposed to help develop alliance competence. Achievement orientation of alliance managers refers to the extent to which alliance managers desire to accomplish their firm’s objec-

tives by setting high goals, doing things well, and excelling beyond their competitors (Durik and Harackiewicz 2003). When alliance managers have high achievement orientation, they aspire to accomplish difficult tasks and are willing to work hard toward goals. They also well recognize the importance of cooperation with alliance partners and efficiently find to learn new skills. These characteristics of high achievement oriented managers would foster a cooperative alliance atmosphere in which each partner’s resources or skills are well exchanged and the efficient and effective functioning of the alliance is promoted. High achievement orientation of alliance managers, therefore, would lead to the development of alliance competence between alliance partners.

Alliance competence is assumed to have a positive impact on alliance adaptability, the extent to which the alliance responds to changing market conditions and identifies and capitalizes on emerging new market opportunities (Oktemgil and Greenley 1997), and the performance of the alliance. When alliance partners develop alliance competence, they would have confidence in carrying out their alliance objectives because the competence would provide them with “additional stocks of resources or skills.” The additional stocks of resources or skills allow them to buffer the alliance from environmental threats. They also provide more strategic options to increase responsiveness to market environmental changes and pursue proactive strategies to tap into new market opportunities. The adaptability of the alliance is enhanced due to alliance competence. Alliance competence, therefore, is assumed to positively influence alliance adaptability and performance.

This paper argues that the development of alliance competence is essential for alliance partners to successfully complete their alliance objectives and improve their competitiveness in the marketplace. However, the antecedents of alliance competence addressed here are not comprehensive. Other antecedents such as organizational culture, different types of alliance, and complementarity of resources or skills of the alliance participant firms could expand the paper to strengthen the arguments addressed here.
SUMMARY

Most of the current identification literature focuses on the employee context. These studies have found such antecedents as tenure, prestige, and instrumentality in reaching one’s goals (Mael and Ashforth 1992; Schneider, Hall, and Nygen 1971). Similarly, research on membership group identification (e.g., becoming a museum member) has discovered tenure and prestige as key antecedents (Bhattacharaya, Rao, and Glynn 1995). Prior research has also discussed several positive consequences of identifying with an entity as well. Such outcomes include organizational citizenship behaviors (Gummer 1995; Bergami and Bagozzi 2000), lower turnover (O’Reilly and Chatman 1986), positive word-of-mouth (Mael and Ashforth 1992), and increased self esteem (Bergami and Bagozzi 2000; Gioia 1998).

The major focus of this study is to build upon extant literature and empirically evaluate a model of identification (ID). This is accomplished by proposing a series of hypotheses focusing on the relationship between identification and its key antecedents and consequences. These relationships are proposed based on both prior literature and a preliminary phenomenological study in a sports context.

Based on the phenomenological study a model is developed. This model suggests that various choice mechanisms (i.e., environmental, organizational, and personal factors) may contribute to a person’s identification. This identification is characterized by a strong emotional attachment with the organization and a sense of belongingness to the team (or organization represented by the team). Furthermore, informants who identified with a particular team engaged in several action strategies toward the team (e.g., collecting team paraphernalia) and experienced several psychological outcomes (e.g., camaraderie with other fans, enhanced self-esteem).

The literature suggests that ID is a cognitive process and not an affective state or behavior (Ashforth and Mael 1989). Recent research contends, however, that social identity is composed of three elements: cognitive, evalu-
ative and affective commitment (Ellemers, Kortekaas, and Ouwerkerk 1999; Bergami and Bagozzi 2000). Cognitive identification (i.e., Cognitive ID) is the awareness of group membership while affective commitment occurs when an individual forms an emotional response to their membership (Bergami and Bagozzi 2000). Affective commitment has been further defined as “identification with, involvement in, and emotional attachment to the organization” (Allen and Meyer 1996, p. 263). The evaluative component is a self esteem assessment attached to group membership (Bergami and Bagozzi 2000).

The second study utilized a survey design that resulted in a final sample size of 401 respondents. Structural equation modeling using AMOS was used to evaluate the hypotheses proposed. Results indicate that the degree to which an individual identifies with an entity (a college sports team in this case) is influenced by the choice mechanisms of environmental, organizational (or team-related), and individual characteristics. The environmental factors influence identification through both people and place. Our results indicate that significant others’ preference for the entity plays a role in influencing an individual’s identification with the entity. Social identity theory suggests that we build affiliation with those similar to us and demonstrate a distinction from an out-group. Thus people and entities in close proximity may be viewed as more similar to us than those farther away. Interestingly, however, our results indicated that individuals in closer proximity to the team reported a significantly lower level of identification as compared to those further away from the team. One explanation of this finding may be that when a person resides relatively close to an entity, they may begin to take the entity for granted.

A team factor that was found to positively influence Cognitive ID was prestige. Individuals who felt their team possessed a very favorable reputation, and was held in high esteem by people in the community, identified more strongly as compared to those who felt their team was not held in very high regard. This finding supports current research which indicates that people gravitate toward and like to be associated with winners and not losers. Identifying with a winner is a way to gain others’ respect (Mael and Ashforth 1992). An individual characteristic that positively affects identification is an individual’s perception of the degree of mystique or aura associated with the entity. Mystique seems to capture a feeling of “larger than life” and mystery surrounding the team. This same mystique found in sports teams may be also found in consumer products, thus suggesting a future research study.

Further results indicate that an individual’s affective commitment to the entity is influenced positively by the degree of mystique associated with the entity, significant others’ view of the entity and the individual’s cognitive identification with the entity. Finally, our data indicates that respondents’ level of cognitive identification and affective commitment toward an entity have several positive consequences such as an increased propensity to purchase merchandise and other paraphernalia related to
the entity both for themselves as well as for others. Additionally, higher levels of identification and commitment also lead to enhanced self-esteem for the individual. The marketing implication of these findings is that strategic and tactical efforts by an entity (e.g., a sports team or a corporation) to enhance customer identification and commitment toward that entity may play a key role in superior sales and profitability. From a public policy perspective, organizational efforts to enhance identification and commitment among customers may in fact play a positive role in the lives of people by enhancing their self-esteem levels.

The current research extends social identity theory by empirically evaluating how key environmental, organizational, and individual factors affect cognitive identification and affective commitment. Our study also provides evidence of positive behavioral and psychological consequences associated with identification and commitment. Moreover, this research contributes to the methodological domain by developing valid and reliable multi-item measures of key constructs such as cognitive identification, mystique, prestige, symbol collecting, and symbol passing, among others. While the current study focuses on one unique context, the conceptual development and empirical evidence presented here has broad implications. The antecedent and consequences of identification and affective commitment with a sports team may be applicable to a broader domain including entities such as a political party or a corporation. References available upon request.

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MEASURING SPORTS TEAM LOYALTY: A VALIDATION STUDY OF THE TEAM INTERNALIZATION CONTINUUM

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ABSTRACT

The purpose of this paper is to perform a validation of the team internalization continuum, which is a scale made up of separate measures of an individual’s level of identification with, and internalization of, a particular sports team. The results of this study indicate that an individual’s loyalty to a sports team is strongly related to a desire to feel like she/he is part of the team and to experience personal achievement through the successes of that sports team.

INTRODUCTION

The demand for sports has grown dramatically in the last few decades. As a result, media coverage of sporting events has grown dramatically in sports ranging from football to figure skating. The reasons for watching sports are as varied as the individuals themselves. Some individuals choose to watch sports on a regular basis, while others limit their sport viewing to major events such as the World Series or the Super Bowl. Some watch sports for entertainment purposes, others to share in the excitement of a close fought game, while others loyally follow a particular team throughout the course of an entire season or over many seasons.

The literature on sports team loyalty appears to lack a unified theory (Hunt, Bristol, and Bashaw 1999). As a result, much of the research on sports team loyalty is descriptive in nature. The majority of literature developed in this field focuses on the antecedents to and the behavioral outcomes of team loyalty. Some research (Wann and Branscombe 1990) has attempted to describe the psychological phenomenon of team loyalty by employing social identity theory (Tajfel 1981). However, social identity is only one aspect of team loyalty. Recent research (Kolbe and James 2003) has emphasized the phenomenon at the individual level and identified the importance of individual volition in the process of sport team loyalty. They theorized that an individual’s loyalty to a sports team is a combination of social influences and volition. Based on these two influences, they developed a continuum of an individual’s level of identification with a sports team, which based on a series of cutoffs, categorize individuals into one of three stages of team identification: the initial stage, the identification stage, and the internalization stage. Logically, motivational differences should exist among individuals in each of the three groups.

The purpose of this paper is to validate the team internalization continuum proposed by Kolbe and James (2003). This paper begins with a brief discussion of relevant research in sports team loyalty. Then, the process of sports team loyalty as proposed by Kolbe and James is briefly outlined. Finally, the results of the validation study will be discussed.

Research on Team Loyalty

A great deal of research has focused on the antecedents of team loyalty. Some of the more significant social influences that have been identified are an individual’s family, friends, and media exposure. These social influences appear to play a major role in the socialization of individuals to adopt sports as a form of leisure activity (McPherson 1976). Other antecedents provided in earlier studies include an individual’s interest in sports (Smith, Patterson, Williams, and Hogg 1981) and the enhancement of the prestige of his/her hometown (James, Kolbe, and Trail 2002). For example, the success of the Green Bay Packers in professional football has no doubt provided a source of prestige and status for the city of Green Bay and the people who live there. Furthermore, the fulfillment of the need for entertainment, affiliation, suspense, escape, and social interaction have also been identified as possible antecedents to team loyalty (Kolbe and James 2003; Melnick 1993; Smith, Patterson, Williams, and Hogg 1981).

In addition to the antecedents provided in earlier research, a number of behavioral outcomes were also identified. Early research attempted to develop a relationship between an individual’s loyalty to a particular team and that individual’s team related behaviors. Some of the behavioral outcomes identified were the purchase of team related merchandise and the increase of team related media viewing (i.e., pre-game and post-game shows as well as other team-related media events). Game attendance and the desire to stay at the game have also been identified as outcomes of team loyalty (Wakefield and Sloan 1995). Some interesting research findings indicate that the team’s performance affects not only the fan’s
estimation of future team performance, but also affects that individual’s expectation of his/her ability to perform new activities (Hirt, Kennedy, and Zillmann 1992). Finally, season ticket purchases were also identified as a behavior reflecting high levels of team loyalty.

Recent research indicates that accessing an individual’s level of team loyalty based on his/her behavioral responses may be misleading. For example, surveys of fans revealed a wide range of motivations for purchasing season tickets. Some individuals purchase season tickets for entertainment and business purposes, while others purchase season tickets as a show of support and loyalty for their respective team. Furthermore, empirical results indicate that the motivation of individuals to wear team-related apparel may not be driven by a desire to be identified as a fan of a particular team, but rather a reflection of self (Kolbe and James 2003). Therefore, team-related behaviors may be a poor indicator of team loyalty due to the wide range of motivations underlying an individual’s behavior.

Most of the research regarding the psychological process of team loyalty has been focused on social identity; however, social identity is only one way of conceptualizing team loyalty. The role of personal volition should also be considered along with the social aspects of sports team loyalty. Specifically, there is a significant difference between an individual becoming part of a team-related group as opposed to a team becoming part of that individual. Empirical data support the latter case, thereby demonstrating the relevance of personal volition in the process of team loyalty (Kolbe and James 2003).

Team Loyalty

Team loyalty has been operationalized in many ways. Some researchers have operationalized team loyalty as commitment, others as attachment, while others as allegiance. However, in the context of this paper, team loyalty is defined as a significant and enduring attachment to a sports team (Kolbe and James 2003). Team loyalty may become a long-term relationship with a particular sports team that is highly resistant to change. Team loyalty develops from the psychological phenomenon of team identification, which is defined as the process of increased commitment to a particular sports team. At the highest level, the process of team identification may result in the integration of that team as part of an individual’s self (i.e., internalization).

The process of team identification as described in prior research is based on the application of the social identity theory (Tajfel 1981). Researchers have extended the social identity theory to sports team loyalty to define a process of increased team identification based on a need for esteem enhancement resulting from identification with a particular group (Wann and Branscombe 1990; Wann and Branscombe 1991; Wann and Branscombe 1993). As shown in Figure 1, the individual is initially attracted to the team related group most likely through social influences such as family, friends, and the media. As a result, the group becomes more attractive to the individual as she/he assimilates into that group. At the highest level, the identity of the individual and the group become tightly interwoven. According to earlier research, the individual’s self esteem is maintained and enhanced by his/her membership in the group (Wann and Dolan 1994a). An individual’s self esteem is further enhanced by comparisons of his/her group to other groups, which according to the tenets of social identity theory is accentuated by in-group/out-group biases. Evidence of in-group/out-group biases observed in prior research supports the applicability of the social identity theory to team loyalty by researchers (Wann and Dolan 1994a). However, socially created in-group/out-group comparisons appear to be less prevalent among sports fans. Allegiance to a sports team appears to be less about membership in a team-related group and more about personal commitment to the team. Therefore, strict application of social identity theory in the process of selecting and identifying with a specific sports team is seriously limited in that it does not address personal volition.

Kolbe and James (2003) address the individual’s role in the process of team identification by extending self-determination theory (Deci, Eghrari, Patrick, and Leone 1994) to sports team loyalty. Self-determination theory describes the process wherein an individual takes an object from his/her environment and may eventually make that object part of self. The target object is conceptual in nature and typically involves a rule, value, or, in this case, a particular sports team. The process defined in self-determination theory involves three stages that are located on a linear continuum.

The three stages of internalization are identified as the introjection stage, identification stage, and reciprocal assimilation/internalization stage (Grolnick, Deci, and Ryan 1997). The introjection stage is considered a suboptimal form of internalization that is characterized by compliance out of a feeling of obligation to family, friends and other such influences. The identification stage is characterized by the realization that the object is important relative to that individual’s personal goals. In other words, the object is attractive to the individual based on the usefulness of that object in achieving his/her personal goals. The final stage, reciprocal assimilation, occurs when the individual allows the object to become part of self.

Kolbe and James (2003) developed the team internalization continuum by extending the self-determination process to sports team loyalty. The team internalization
continuum is divided into three stages: the initial stage, the identification stage, and the internalization stage. In the initial stage, the individual has not selected a particular team to follow, whereas, in the identification stage the individual has selected a particular team to follow and with which to identify. Finally, in the internalization stage, the individual has allowed the team to become part of self. The combination of social identity theory and self-determination theory provides a more complete explanation of the process of team identification.

The process of team identification is illustrated in Figure 2. The process shown in Figure 2 is focused on team identification at the individual level and may be conceptualized as involving two distinct forces. The first force, identification, begins when an individual determines that a particular team is attractive to him/her and as such desires to move closer to the team. Positive social influences and social comparisons tend to make the team more attractive to the individual thereby encouraging increased levels of identification with the team. At a moderate to high level of identification, the individual may choose to internalize the team, which is shown in Figure 2, as the force that is pulling the team toward the individual. The two processes, identification and internalization, bring the individual and the team closer together with the distance between the two being conceptually defined as that individual’s level of team loyalty.

The ultimate case of team loyalty occurs when the team is fully integrated in the individual’s sense of self. The team, in essence, resides within the individual and becomes part of that individual’s self-concept. However, internalization of the team does not occur in many instances since individuals may decide that their needs are met by their present relationship with the team and may decide to cease moving to higher levels of team identification. In contrast, some individuals may appear to instantaneously move from the initial stage to the internalization stage rather than progressing to higher levels of team identification/internalization over an extended period of time.

Stages of Team Identification

The outcome of the identification/internalization process is team loyalty. An individual’s level of loyalty to a particular sports team increases as she/he moves from the initial stage to the internalization stage. Descriptions of each stage of team identification are provided in the following paragraphs.

In the initial stage, the individual has not selected a particular team to follow. The motivation for attending or viewing games may be related to social influences such as family, friends, or the media. Fulfillment of the needs of entertainment, affiliation, suspense, escape, and social interaction may also play a significant role in the decision to attend or view sport events. The individual will be relatively insensitive to team related information due to the limited salience of the team to that individual. The relationship with the team is limited to lower level need fulfillment and to social influences. As a result, the level of identification with a particular sports team will vary significantly based on the success or failure of the team as well as other situational factors. The individual may or may not advance to the next stage of team identification.

In the identification stage, the individual has selected a particular team to follow and with which to identify. The individual will search for team related information and will experience heightened levels of sensitivity to team
related information due to its increased salience. Furthermore, the magnitude and frequency of contact with team-related social stimuli should increase to support the individual’s level of identification with the team. In other words, the individual’s social network should expand to include other people who also identify with the team thereby encouraging higher levels of identification. The individual in this stage of team identification should be sensitive to negative team information. She/he may or may not choose to advance to the next stage of team identification.

In the internalization stage, the individual has determined based on his/her own volition to allow the team to become part of self. Even though team related social influences continue to encourage the individual to higher levels of identification with the team, the decision to internalize the team occurs by a personal decision to do so (i.e., volition). Individuals in this stage are highly resistant to change regarding their relationship with the team and as a result will tend to continue to remain loyal to the team even in the midst of negative team information and/or performance over an extended period of time. This is because the internalization process results in a strong relationship with the team since the individual has allowed the team to be part of self. Furthermore, individuals will tend to view themselves as members of the team and may feel that they play a significant role in the team’s success (Cialdini, Borden, Thorne, Walker, Freeman, and Sloan 1976; Murrell and Dietz 1992; Wann and Dolan 1994b). Since the team resides within the individual, attacks on the team may be perceived as personal attacks. Some individuals in a more extreme state of internalization may resort to violent outbursts and/or irrational behavior if they perceive that their team is being criticized or attacked (Hunt, Bristol, and Bashaw 1999).

**Current Study**

The current study attempts to validate the team internalization continuum proposed by Kolbe and James (2003). In particular, data collected from surveys completed by partial-season and season ticket holders of a major league professional baseball team during the 2001 season were used to evaluate the relationship among team related motives and an individual’s level of identification with a particular sports team. The motives evaluated in this study were based on those identified in earlier research (James, Kolbe, and Trail 2002; Kolbe and James 2003; Melnick 1993; Smith, Patterson, Williams, and Hogg 1981; McPherson 1976).

Sports teams provide an ideal venue for individual need fulfillment. According to Maslow (1943), needs exist in a hierarchical fashion ranging from physiological needs, to safety needs, to esteem needs, and finally, to actualization needs. From a psychological perspective, motives may be viewed as a way for individuals to fulfill an existing need state or to move from one need state to another. Therefore, motivations should provide a more effective method of identifying an individual’s level of team loyalty. In particular, the motives of individuals to exhibit team related behaviors should vary based on their level of team loyalty.
METHOD

The fan literature identifies a number of potential motives for team-related behaviors like attending games, purchasing season tickets, wearing team identifying clothing to name a few. These motives were identified as team affiliation, prestige, entertainment, escape, achievement, social interaction, suspense, physical skill, knowledge, and aesthetics. Measurement of these motives where taken from the surveys conducted by James, Kolbe, and Trail (2002).

The data used in this analysis are from a mail survey administered on season ticket holders and partial season ticket holders of a major league professional baseball team. A total of 5,931 surveys were sent to season ticket holders, 2,022 surveys were returned and 1,986 responses were used, resulting in a 34 percent response rate. In addition to the surveys sent to season ticket holders, 392 surveys were sent to partial season ticket holders, 145 surveys were returned, and 143 were used, resulting in a 36 percent response rate. The two data sets for the season ticket holders and the partial season ticket holders were combined since the percentage composition of both data sets were similar for each level of identification as shown in Table 1. Therefore, the final data set consisted of 2,129 observations.

The data were analyzed to evaluate the relationship among the motives measured in the survey and the respondent’s level of identification as evaluated by the team internalization measurement developed by Kolbe and James (2003). The team internalization measurement consisted of separate measures of identification and internalization each with four items that are evaluated on a 7-point scale ranging from one (strongly disagree) to seven (strongly agree).

RESULTS

ANOVA was performed to identify differences across the three groups of respondents who had been assigned into one of three stages of identification relative to the motives of team affiliation, achievement, entertainment, physical skills, prestige, escape, knowledge, aesthetics, suspense, and social interaction. As shown in Table 2, the mean scores for all of these motives followed the expected pattern of low scores for individuals in the initial stage to progressively higher scores for individuals in the identification and internalization stages. The F-values for the ten motives evaluate in this study ranged from a high of 1209.23 for the team affiliation motive and 57.49 for the social interaction motive. In all cases, the corresponding p-value was less than .05. Pair-wise comparisons (Tukey) indicate that there were significant differences among the means of all three groups for all motives evaluated in this study. The internal consistency for the measurements of all ten motives was evaluated using Cronbach’s alpha. The alpha coefficients for all ten motives measured in this study ranged from .76 to .89. The alpha coefficients for the measurement of team identification and team internalization were .84 and .89 respectively.

The ANOVA results support the expected relationship between an individual’s level of identification with a sports team and the motives identified in the literature. However, the relationship of these motives and the level of team identification have not been well established. To evaluate this relationship, a discriminant analysis was performed on the data. The output from the discriminant analysis is shown in Table 3. The first discriminant function explains 97 percent of the total variance, whereas the second discriminant function explains the remaining variance. Therefore, the first discriminant function will be used to evaluate the relationship between the various sports related motives and the level of identification to a particular sports team. A review of the coefficients of the first discriminant function (refer to Table 3) or, in this case, level of identification with a sports team, is strongly related to team affiliation and achievement motives as reflected by their respective coefficients of .619 and .368.

CONCLUSIONS

The results of this study provide evidence for the validity of the measurement of team internalization develop-

<table>
<thead>
<tr>
<th>TABLE 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency of Season Ticket Holders and Non-Season Ticket Holders</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Level of Internalization</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Initial</td>
</tr>
<tr>
<td>Season Ticket Holders</td>
<td>264</td>
</tr>
<tr>
<td></td>
<td>(13.3%)</td>
</tr>
<tr>
<td>Partial Season Ticket Holders</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>(9.1%)</td>
</tr>
</tbody>
</table>
As expected, individuals who more strongly identify with a particular sports team, more strongly identified with the team related motives investigated in this study. All three groups are significantly different based on the pair-wise comparison for each of the motives studied. Furthermore, the discriminant results provide additional validation of the team internalization measurement.

The validation of the team identification measurement is an important step in developing a conceptual framework for the process of sports team loyalty. The results indicate that the level of identification is driven by an individual’s motive for achievement and team affiliation. More specifically, an individual’s loyalty to a particular sports team is strongly related to his/her desire to feel like a part of the team and to experience personal achievement through the successes of the team. Interestingly, the team affiliation motive appears to be associated to an individual’s identification with a particular sports team while the personal achievement motive appears to be associated to an individual’s internalization of the team. These results are consistent with the theoretical framework described in this paper.

### Table 2
**Descriptive Statistics for Motives**

<table>
<thead>
<tr>
<th>Measure</th>
<th>Initial</th>
<th>Identification</th>
<th>Internalization</th>
<th>F-value</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Team Affiliation</td>
<td>2.47</td>
<td>3.88</td>
<td>5.60</td>
<td>1209.23</td>
<td>&lt;.001</td>
</tr>
<tr>
<td>Achievement</td>
<td>2.63</td>
<td>4.29</td>
<td>5.80</td>
<td>918.44</td>
<td>&lt;.001</td>
</tr>
<tr>
<td>Entertainment</td>
<td>5.08</td>
<td>5.91</td>
<td>6.33</td>
<td>304.14</td>
<td>&lt;.001</td>
</tr>
<tr>
<td>Physical Skill</td>
<td>4.57</td>
<td>5.45</td>
<td>5.96</td>
<td>251.91</td>
<td>&lt;.001</td>
</tr>
<tr>
<td>Prestige</td>
<td>4.83</td>
<td>5.73</td>
<td>6.35</td>
<td>245.84</td>
<td>&lt;.001</td>
</tr>
<tr>
<td>Escape</td>
<td>4.21</td>
<td>4.93</td>
<td>5.73</td>
<td>236.76</td>
<td>&lt;.001</td>
</tr>
<tr>
<td>Knowledge</td>
<td>3.85</td>
<td>4.72</td>
<td>5.42</td>
<td>224.58</td>
<td>&lt;.001</td>
</tr>
<tr>
<td>Aesthetics</td>
<td>4.65</td>
<td>5.38</td>
<td>6.08</td>
<td>211.01</td>
<td>&lt;.001</td>
</tr>
<tr>
<td>Suspense</td>
<td>4.55</td>
<td>5.15</td>
<td>5.69</td>
<td>160.31</td>
<td>&lt;.001</td>
</tr>
<tr>
<td>Social Interaction</td>
<td>3.47</td>
<td>4.06</td>
<td>4.52</td>
<td>57.49</td>
<td>&lt;.001</td>
</tr>
</tbody>
</table>

### Table 3
**Description of the Discriminant Function**

<table>
<thead>
<tr>
<th>Measure</th>
<th>First Discriminant Function</th>
<th>Second Discriminant Function</th>
</tr>
</thead>
<tbody>
<tr>
<td>Team Affiliation</td>
<td>.619</td>
<td>-.641</td>
</tr>
<tr>
<td>Achievement</td>
<td>.368</td>
<td>.365</td>
</tr>
<tr>
<td>Entertainment</td>
<td>.188</td>
<td>.797</td>
</tr>
<tr>
<td>Physical Skill</td>
<td>.023</td>
<td>.385</td>
</tr>
<tr>
<td>Prestige</td>
<td>.058</td>
<td>.239</td>
</tr>
<tr>
<td>Escape</td>
<td>-.002</td>
<td>-.304</td>
</tr>
<tr>
<td>Knowledge</td>
<td>.024</td>
<td>.028</td>
</tr>
<tr>
<td>Aesthetics</td>
<td>.100</td>
<td>-.397</td>
</tr>
<tr>
<td>Suspense</td>
<td>-.019</td>
<td>-.229</td>
</tr>
<tr>
<td>Social Interaction</td>
<td>.029</td>
<td>.117</td>
</tr>
</tbody>
</table>
The results provide strong support for the theoretical framework and the corresponding measure of team identification developed by Kolbe and James (2003). The motives of achievement and team affiliation are consistent with earlier literature, which indicates that these results have a fairly high degree of external validity. For example, it is possible to cite situations of aggressive fan behavior that results from the team-related criticism of another individual that is perceived to be not only an attack on the team, but also a personal attack toward that fan(s).

Overall, it is safe to say that loyalty to a sports team is a very personal relationship for many individuals. Although friends, family and fan groups are important reinforcing mechanisms that encourage increased commitment to a particular sports team, ultimately the person decides the extent of his/her loyalty to that team.

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PURCHASING ADDITIONAL SERVICES IN A CUSTOMER LOYALTY PROGRAM: DETERMINANTS AND A DRIVER SEGMENTATION

Florian V. Wangenheim, University of Dortmund, Germany

SUMMARY

Cross-Buying has been recognized as an important aspect of customer lifetime value (e.g., Bolton, Lemon, and Verhoef 2004). Little research, however, has investigated cross-buying empirically. In particular, three short-comings prior research are addressed in the present paper. First, published studies are restricted to the area of financial services. Second, for a better understanding of antecedents and consequences of cross-buying, longitudinal data should be analyzed, but the few data sets that have researched cross-buying on a longitudinal basis have mostly been restricted to relatively short time periods, typically not allowing researchers to make strong inferences about temporal developments. Third, while firms increasingly implement cross-buying strategies in connection with loyalty programs (i.e., cross-buying offers are made to customers that sign up for a loyalty reward program), cross-buying has not been researched in this context empirically.

Below, cross-buying is investigated in the airline industry, using time-series data from 990 customers. In particular, purchases of three additional services offered by the same airline to those customers that have signed up for the airline’s frequent flyer program (hotel booking, car rental, credit card usage) are researched, and both transactional (customer database) and survey data for identifying the covariates of cross-buying are used. Research hypotheses about the effects of purchases of the core service (i.e., booked flights), customer satisfaction with the core service and relationship length on cross-buying frequency are tested. This study contributes to the literature in (a) testing research hypotheses about cross-buying and (b) presenting a methodology that can be used by managers for identifying homogenous cross-buying driver segments, i.e., customers groups that are internally homogenous and externally heterogenous in reacting to certain determinants of cross-buying. In the following represents an overview of the research hypotheses, the data set, the methodology applied and the key findings.

Conceptual and Theoretical Background

As a theoretical anchor, the CUSAMS (CUSter Asset Management of Services) framework Bolton, Lemon, and Verhoef (2004) framework is used to generate research hypotheses for the present study. According to the CUSAMS framework, one important driver of customer lifetime value is the “breadth” of the relationship, which Bolton, Lemon and Verhoef (2004, p. 7) define as “the number of additional (different) products or services purchased from a company over time.” The CUSAMS framework offers a number of (so far widely untested) propositions regarding the determinants of cross-buying. Based on this, the following hypotheses are formulated:

H1: Cross-Buying activity increases as customer satisfaction with the core service increases.

H2: Cross-Buying activity increases as the duration of the customer relationship increases.

H3: The effect of customer satisfaction on cross-buying activity increases as the duration of the customer relationship increases.

H4: Cross-Buying activity increases as usage of the core service increases.

Method

Data from a European airline that offers the three initially named services (car rental, hotel booking and credit card) as add-on services to its customers is taken from the company’s customer database. Customer transactions in quarters between the years 1999 and 2002 are observed, which means that up to 16 data points are available per customer.

The three dependent variables are the number of times a customer has (i) rented a car (ii) booked a hotel and (iii) used her credit card in the respective quarter via the airline. The independent variables are duration of the customer relationship, core service usage and customer satisfaction. Customer satisfaction data is taken from customer surveys, of which about ten thousand are conducted on a monthly basis. Hence, the analyzed sample is possibly biased when using customer satisfaction data, as there may be a self-selection mechanism at work when customers are confronted with the question of revealing their identity to the company in a customer satisfaction survey.

A random sample of 990 customers from the population of customers for which satisfaction data are available was drawn. For those customers, between one and three
measurement points of customer satisfaction are available. Between two measurement points, it is assumed that the satisfaction level remains at the same level until new information (i.e., measurement data) is available.

Since the dependent variables, i.e., the number of times a customer engages in the respective cross-buying activity per period, is a discrete count variable, for which count data models, e.g., the Poisson or NBD model, represent the most appropriate modeling options (Greene 2003). Further, since the data set consists of a large cross-section of objects (990 customers) observed over a time span of up to 16 time periods (quarters), data are pooled to a panel data random effects model:

$$\log CB_i = \beta_1 S_{it} + \beta_2 D_{it} + \beta_3 S_{it} D_{it} + \beta_4 C_{it} + \epsilon_i,$$

where $i = 1, \ldots, N$ denote the number of individuals observed over $t = 1, \ldots, T$ time periods and $\epsilon_i$ is a time-invariant random effect of the $i$th individual. The results of the model reveal that H2 (duration) and H4 (core service buying) are confirmed for all three types of cross-buying, and H3 (interaction of customer satisfaction and duration) is confirmed for two out of three cross-buying types. H1, however, the effect of customer satisfaction on cross-buying, is rejected in all cases.

To account for unobserved heterogeneity, the model is extended using a latent class approach. Here, customers are segmented according to the effect size of the independent variable. This further analysis reveals that for all three services, the effect of customer satisfaction is positive and statistically significant only for one rather small subsample (between 15% and 20%) of the firm’s customers. Hence, there is evidence that satisfaction affects cross-buying only for a special segment of customers. For managers, this implies that firms should strive for a driver segmentation and identify those customers where increasing satisfaction pays off in terms of cross-buying. For research, it suggests that customers use different proxies for deciding whether to purchase add-on services, with some customers being dependent on satisfaction and others, apparently, on convenience. References available upon request.
INFLUENCE OF PRICE, PRODUCT CATEGORY, EXPERTISE, AND GENDER ON CONSUMER BIDDING IN ONLINE AUCTIONS: INSIGHTS FROM A LABORATORY EXPERIMENT

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John Kim, Oakland University, Rochester
Terence L. Holmes, Murray State University
Frank Kardes, University of Cincinnati

SUMMARY

Online auctions have become increasingly popular. For example, eBay, the largest online auction site has 85.5 million registered users. On any given day, more than 16 million items in 27,000 categories are listed for sale on eBay (www.ebay.com). Merchandise worth $15 billion was traded on eBay in the year 2002 roughly three times the amount that was traded in the year 2000. While the largest of them all, eBay is only one of 142 online auction sites (Lucking-Reilly 2000) and online auction sites are very “sticky” sites (www.nielsen-netratings.com). Several studies (cf., Bajari and Hortacsu 2000; Dholakia et al. 2001, 2002; Gilkeson and Reynolds 2003; Massad and Tucker 2000; Sivadas, Stern, Mehta, and Jones 2004; Wilcox 2000), have thus focused on various aspects of consumers’ willingness to bid in this newer “retail” environment where unlike in traditional retailing, prices are not fixed and sellers are mostly unknown. While, the auction literature is quite rich, much of that work has focused on experienced professional bidders bidding in high-stake auctions (cf., Wilcox 2000 for a detailed discussion).

The factors studied in the online consumer-to-consumer auction setting focus on various influencers of the bidding decision, ranging from the impact of expertise or lack thereof on bidding patterns, influence of seller ratings, and sniping strategies. However, the bulk of these studies have relied on the observational method to understand and explain consumer bidding. Typically, data is downloaded from consumer-to-consumer auction sites such as www.ebay.com for a few select product categories, and based on “observable” variables that can be downloaded (such as number of bidders, bid price, seller ratings, and buyer ratings), inferences are made about consumer bidding motivations. While observational data has many strengths, including the ability to monitor “behavior” in real time, it constrains researchers to variables that can be observed and behavior has to be inferred in such settings. Our objective was to see whether we could replicate the results obtained from observational data in a controlled lab environment that simulated the eBay auction setting. Secondly, we extend extant research by exploring the effects of gender on bidding behavior.

One hundred and thirty (n = 130) undergraduate marketing students at a southern public university were recruited to participate in an experiment. After being given detailed description on how to bid, subjects were asked to read the description of ten auctions one at a time. The ten auctions were randomized to ensure order effect was not an issue. (Given the number of subjects and auctions per subject, a total of 1300 auctions were used in the analysis.) In these ten auctions one of two products were being sold, either (a) a three volume series of J.R. Tolkien’s Lord of the Rings or (b) A rare collector edition autographed Stephen King book. The Lord of the Rings was a low priced product while the autographed Stephen King book was the high priced product. The subjects were instructed to read the description of the first auction and then answer three questions related to that auction. Then the subjects did likewise for the remaining nine auctions. The three questions that the subjects had to answer for each of the ten auctions were (a) would they bid on this auction; (b) if they were to bid how much would the starting bid be; and (c) how much would the maximum bid be. Subjects were also administered some other scales. Additionally, prior to the start of the experiment, subjects were told that they would win $100 if they outperformed other respondents. (This was to ensure that subjects took this experiment seriously.) Subjects were debriefed at the end of the study.

Similar to prior studies that were conducted mostly using observational data, we find that high-price, starting bid, and current bid price have an inverse relationship with bidding behavior. We suspect that the oft-mentioned fear of fraud makes consumers less likely and less willing to bid on higher-priced items. Although we did not formally test for this, we suspect that the bargain-hunting ambience of online auctions may play a role in this. Results indicate that price, the starting bid, and current bid amounts negatively affect consumer willingness to bid on an item. We extend prior research by noting the effects of gender on the willingness to bid in online auctions. Our results do not find support for the herd mentality hypothesis (Dholakia and Soltyssinski (2001); Dholakia et al. 2002), that consumers use the number of existing bidders on an item as a heuristic and are consequently more willing to bid on items where a lot of other bidders are
present. In online auctions consumers have to narrow their choice from several million listings that are available to them; eBay has about 16 million listings at any given time. Dholakia and Bagozzi (2001) suggest that the choices made in narrowing listings is in part a hierarchical process where consumers move from the listing category to a consideration set and then to individual items that are listed. And given the large number of listings, consumers may use heuristics to pay greater attention to some of the items and ignore others (Beach 1993; Dholakia et al. 2002). Dholakia et al. (2002) suggest that existing number of bidders may be used as a heuristic by many bidders because this information is “readily accessible” and could be seen as indicative of the merit of the listing and/or trustworthiness of the seller. However, we were not able to replicate the results of “herd mentality” in our laboratory setting. We do not find that consumers tend to gravitate towards items for which there are a lot of other bidders. While we did not ask consumers to bid on one out of several comparable listings that were shown to them (viz. what they would do online and has been used as the key underpinning of the herd mentality findings in auction settings), but when the information is presented sequentially we do not find that consumers are more likely to bid on (comparable) items when there are more bidders present. We suspect that some moderators such as the fear of paying too much or reduced odds of winning the auction may drive people away from auctions where several others are already present and bidding.

Our results do not support the hypotheses that experience and expertise affect willingness to bid on an item. It is possible that we may have introduced a confound into the experiment by giving people instructions on how to bid on auctions. References are available upon request.

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SELLERS’ QUALITY CLAIMS IN ONLINE AUCTIONS:
A QUALITY SIGNAL?

Jianwei Hou, University of Mississippi, Oxford
Ying Lan, University of Mississippi, Oxford

ABSTRACT

Quality uncertainty exists in many online auctions. In order to reduce such uncertainty, some sellers attempt to make a specific quality claim on their items. We examine how such claim may affect the outcome of auctions and find that bidders do not perceive it as a quality signal.

INTRODUCTION

Research on the effects of information have long recognized that different parties involved in a transaction often possess different amounts of information about the transaction. Such Information asymmetry exists between transaction parties in various markets, including labor markets in which employers are uncertain about the abilities of their employees, insurance markets in which insurers are uncertain about the healthy status of their insurants, and consumer markets in which consumers are uncertain about the quality of their prospective purchases. The result of information asymmetry is quality uncertainty (Akerlof 1970), which traditionally often occurs when consumers purchase “experienced goods” (Nelson 1974) whose quality can only be assessed after usage. With the emergence of the online auctions, quality uncertainty could happen in a broader range due to the lack of post-purchase services in most consumer-to-consumer auctions and the unavailability of physical inspection.

In this article, we investigate quality uncertainty in an online auction setting in which bidders are uncertain about the quality of the auction object and some sellers make a specific quality claim on their offerings to reduce such uncertainty. Specifically, we examine how online bidders perceive sellers’ quality claims from two perspectives. First, we investigate whether auctions with a quality claim will increase their likelihood of a sale as compared to those without a quality claim. Second, we investigate how consumers perceive a high quality claim as compared to a low quality claim.

LITERATURE REVIEW

Previous studies on quality uncertainty focus primarily on two issues. One is the effect of quality uncertainty on the market equilibrium; another is how quality uncertainty can be solved through quality signals. The first issue has been long studied by economists. In his famous article, Akerlof (1970) developed a simple theoretical model for used car markets and concludes that there is no market equilibrium for such products if only the seller can determine whether a used car is a bad or good one. He labels the used car markets as markets for lemons in which the bad cars (i.e., lemons) will drive out the good cars since they both sell at the same price, buyers are unable to distinguish the quality difference between a good and a bad car, and there are some dishonest people who tend to sell inferior goods. Wilson (1980) extended Akerlof’s (1970) study on the market equilibrium with quality uncertainty by examining different mechanisms of price determination. Kim (1985) finally extended Akerlof (1970) and Wilson’s (1980) studies by indicating that some underlying factors may also influence the nature and formation of equilibrium in the used car market.

To solve the problem of quality uncertainty, researchers have proposed signaling theory (e.g., Spence 1974). The signaling theory states that a game is played between buyers and sellers. It is often assumed that there are two types of sellers, sellers of high quality products and sellers of low quality products. Most often, the sellers of high quality products are willing to accurately inform buyers about the quality of their products so as to be compensated by offering such products, whereas the sellers of low quality products tend to hide or misinform buyers about the low quality of their products so as to avoid the loss by offering such products. A variety of quality signals have been identified in the literature, including brand names (Akerlof 1970), price (Milgrom and Roberts 1986), advertising (Milgrom and Roberts 1986), and warranties (Boulding and Kirmani 1993).

The problem of quality uncertainty has also been addressed in an online environment. For example, Huston and Spencer (2002) investigated eBay’s coin auctions. Their regression analyses indicate that coins of higher quality are either less likely to sell or sold at lower prices compared to their market values. However, their study is based the comparison between uncertified and certified coins. Uncertified coins certainly will pose a problem of quality uncertainty, whereas certified coins would not have such problem since they are graded by professional grading companies. Therefore, they compared markets with and without quality uncertainty. In the present study, we focus on the market with quality uncertainty. In addition, they do not consider those auctions without a
claimed quality, whereas we will compare auctions with a quality claim to those without a quality claim.

**RESEARCH HYPOTHESES**

Though there are various types of signals in the marketplace, the credibility of those signals varies as perceived by buyers. A general result from previous studies is that when the cost of sending a signal (e.g., advertising) and the cost of honoring a signal (e.g., warranties) matter to the signal sender, consumers will perceive such signal as an indication of quality level (Boulding and Kirmani 1993; Kirmani and Rao 2000). From sellers’ perspective, sellers of high quality products have incentives to separate themselves from those of low quality products through signaling. From buyers’ perspective, a quality signal should help them distinguish between sellers.

Generally, consumers trust signals sent by sellers because they understand that the sellers will honor their commitments due to legal considerations, reputation and future repeat purchase. A firm fails to fulfill its commitments will likely lose its reputation with and future purchase from current customers as well as potential customers due to the effect of negative word-of-mouth. However, if a firm plans to discontinue its future events and/or the effect of word-of-mouth is minimized, it may not have incentives to honor its commitments.

In some online auctions (e.g., coins and sports trading cards), the quality of items can be determined by the specific grade placed by sellers or third parties (i.e., professional grading companies). If sellers assign a specific grade to their offerings, they attempt to claim the quality level of their items in order to reduce quality uncertainty. Whether such claim is viewed as a quality signal is determined by its credibility. We suspect that such quality claim has a low credibility thus consumers would not perceive it as an indication of quality level for the following reasons. First, sending a quality claim is almost costless. Second, such claim involves little commitments. Third, grading by a seller is subjective and there is no penalty for making mistakes. Fourth, in a typical consumer-to-consumer auction site such as eBay, it is likely that some sellers are one-timers. Therefore, they have incentives to deceive buyers due to the possibility of discontinuation of future events. Fifth, whether average consumers possess necessary skills in grading is doubtful. Finally, such a quality claim does not help buyers distinguish between sellers of high quality goods and those of low quality goods.

Based on above reasoning, we propose following hypotheses:

H1: Under quality uncertainty, auctions with a quality claim will not increase their likelihood of a sale.

H2: Under quality uncertainty, auctions with a quality claim will not attract more bidders than those without a quality claim.

We also expect that a higher claimed quality is less trustful than a lower claimed quality. On the one hand, it is very likely that if sellers make a low quality claim, they indeed attempt to inform buyers of the true quality of their items since they are not better off by cheating. On the other hand, if sellers make a high quality claim, they may either deceive or truthfully inform potential bidders. Unfortunately, it is very difficult for buyers to discriminate between deceptions and facts. Additionally, a general argument from research on auctions is that the number of bids is positively linked to the winning bid. Therefore,

H3: Under quality uncertainty, auctions with a higher claimed quality are less likely to result in a sale than those with a lower claimed quality.

H4: Under quality uncertainty, auctions with a higher claimed quality will attract fewer bidders than those with a lower claimed quality.

H5: Under quality uncertainty, items with a higher claimed quality will sell at a lower price than those with a lower claimed quality.

**METHODOLOGY**

eBay was chosen as the data source because of its popularity. Data were manually collected from late-July 2003 to mid-August 2003 and the final data set consists of 926 auctions of uncertified and 157 auctions of certified 1921 Morgan Dollar. Several issues regarding data collection need to be addressed. First, we chose coins as our studying subject since the quality of coins is determined by the specific grade that can be assigned to a given coin. As a consequence, some sellers attempt to make a claim on the grade of their offerings, which is of our research interest. Second, a specific year of coins was chosen in order to reduce the variation in the auction object. Third, our data set indeed included three types of 1921 Morgan Dollar, namely, 1921, 1921-D and 1921-S types. These types of Morgan Dollar have the same or very close market prices for low-quality coins and different prices for high-quality coins.

Among 926 auctions of uncertified coins, there are 522 auctions with a quality claim at various grades and 404 auctions without a quality claim. These 926 auctions also include 666 successful auctions and 260 auctions that receive zero bids. Among 157 auctions of certified coins,
there are 116 successful and 41 unsuccessful auctions. The information about each auction includes the total number of bids, the number of unique bidders, starting and ending dates, the starting price, the ratings of sellers and winners, whether there was a quality claim, the grade claimed, and the winning bid for those successful auctions. In addition, we also collected data on the market price for each coin grade from PCGS price guide (www.pcgs.com) and Numismedia Price Guide (www.numismedia.com).

To test the research hypotheses, we first developed following variables:

- **SUC** = 1 if the coin was sold and 0 if otherwise;
- **UBIDS** – the number of unique bidders;
- **CLAIM** = 1 if a seller made a quality claim and 0 if otherwise;
- **REPUTATION** – the ratio of a seller’s nonpositive ratings to overall ratings;
- **EXP** – LN(1 + buyer’s overall ratings);
- **START** – the ratio of the starting price to the market price if there is a quality claim or the ration of the starting price to the average winning bid if there is no quality claim;
- **RATE** – the ratio of the winning bid to the market price for those successful auctions that also have a quality claim;
- **L3** = 1 if an auction lasts three days and 0 if otherwise;
- **L5** = 1 if an auction lasts five days and 0 if otherwise;
- **L7** = 1 if an auction lasts seven days and 0 if otherwise;
- **WEEKEND** = 1 if an auction ends at weekend and 0 if otherwise.

In the second stage, we developed a list of dummy variables to represent uncertified coin grades. Since coins can be graded in many ways and some coins with different types and grades have the same level of quality in terms of their market prices, it is not necessary to develop a dummy variable for each grade. Thus, we created following dummy variables in Table 1 for a variety of coin grades that exist in our data.

### RESULTS

Two logistic regression models and three multiple regression models were developed to test each research hypothesis.

**Model 1 – Logistic Regression:**

\[
P(SUC) = \alpha + \beta_1 \text{CLAIM} + \beta_2 \text{START} + \beta_3 \text{REPUTATION} + \beta_4 \text{L3} + \beta_5 \text{L5} + \beta_6 \text{L7} + \beta_7 \text{WEEKEND}
\]

Model 1 was built on 926 uncertified coin auctions and the results were given in Table 2. The prediction accuracy of this model was 82.4 percent. As can be seen from Table 2, CLAIM had a significantly negative effect \((\beta_1 = -1.224, p < 0.01)\) on the odds of a sale, suggesting that auctions with a quality claim will indeed decrease their likelihood of being successful. Thus, \(H_1\) was supported. In addition, auctions ending at weekend and a high starting

<table>
<thead>
<tr>
<th>Variable Names</th>
<th>Market Price (USD)</th>
<th>Included Grades</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>VF</td>
<td>8 ~ 10</td>
<td>Good, Very Good, Fine, and Very Fine</td>
<td>84</td>
</tr>
<tr>
<td>EF</td>
<td>11</td>
<td>Extra Fine and S-Very Fine</td>
<td>76</td>
</tr>
<tr>
<td>AU</td>
<td>12</td>
<td>About Uncirculated, D-AU, and S-EF</td>
<td>181</td>
</tr>
<tr>
<td>SAU</td>
<td>14</td>
<td>S-About Uncirculated</td>
<td>22</td>
</tr>
<tr>
<td>MS60</td>
<td>15 ~ 17</td>
<td>Mint State 60 and 62</td>
<td>12</td>
</tr>
<tr>
<td>MS63</td>
<td>22 ~ 25</td>
<td>D-MS60, MS63, and S-MS60</td>
<td>60</td>
</tr>
<tr>
<td>MS64</td>
<td>30</td>
<td>MS64</td>
<td>25</td>
</tr>
<tr>
<td>DSMS62</td>
<td>37 and 41</td>
<td>D-MS62 and S-MS62</td>
<td>6</td>
</tr>
<tr>
<td>DSMS63</td>
<td>50</td>
<td>D-MS63 and S-MS63</td>
<td>25</td>
</tr>
<tr>
<td>DMS64</td>
<td>97</td>
<td>D-MS64</td>
<td>16</td>
</tr>
<tr>
<td>Otherwise</td>
<td>125+</td>
<td>S-MS64, MS65, and D-MS65</td>
<td>15</td>
</tr>
</tbody>
</table>
price were less likely to result a sale. However, we did not find the significant effect of seller reputation.

Model 2 – Multiple Regressions:

\[
\text{UBIDS} = \alpha + \beta_1 \cdot \text{CLAIM} + \beta_2 \cdot \text{START} + \beta_3 \cdot \text{REPUTATION} + \beta_4 \cdot \text{L3} + \beta_5 \cdot \text{L5} + \beta_6 \cdot \text{L7} + \beta_7 \cdot \text{WEEKEND}
\]

Model 2 was built on the uncertified coin sample (n = 666) that included successful auctions and provided a test of Hypothesis 2. The results were given in Table 3. As expected, the coefficient of CLAIM was negative and statistically significant ($\beta_1 = -0.101, p < 0.01$). Thus, $H_2$ was supported, suggesting that auctions with a quality claim will attract less bidders than those without a quality claim. Once again, auctions ending at weekend and the starting price had a significantly negative effect. The effect of a seller’s nonpositive ratings was negative and significant at the 10 percent level.

Model 3 – Logistic Regression:

\[
P(SUC) = \alpha + \beta_1 \cdot \text{START} + \beta_2 \cdot \text{REPUTATION} + \beta_3 \cdot \text{VF} + \beta_4 \cdot \text{EF} + \beta_5 \cdot \text{AU} + \beta_6 \cdot \text{SAU} + \beta_7 \cdot \text{MS60} + \beta_8 \cdot \text{MS63} + \beta_9 \cdot \text{MS64} + \beta_{10} \cdot \text{DMS62} + \beta_{11} \cdot \text{DMS63} + \beta_{12} \cdot \text{DMS64} + \beta_{13} \cdot \text{L3} + \beta_{14} \cdot \text{L5} + \beta_{15} \cdot \text{L7} + \beta_{16} \cdot \text{WEEKEND}
\]

Model 3 was built on the uncertified coin sample (n = 522) that included auctions with a quality claim and provided a test of Hypothesis 3. The results were given in Table 4 and the prediction accuracy of this model was 85.1 percent. As shown in Table 4, the coefficients for coin grades generally became smaller, less significant and eventually negative as the grade increased, suggesting

<table>
<thead>
<tr>
<th>Variables</th>
<th>Coefficients</th>
<th>Wald</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>CLAIM</td>
<td>-1.224</td>
<td>33.765</td>
<td>.000</td>
</tr>
<tr>
<td>REPUTATION</td>
<td>.388</td>
<td>.127</td>
<td>.721</td>
</tr>
<tr>
<td>START</td>
<td>-5.293</td>
<td>161.456</td>
<td>.000</td>
</tr>
<tr>
<td>L3</td>
<td>1.094</td>
<td>7.601</td>
<td>.006</td>
</tr>
<tr>
<td>L5</td>
<td>1.604</td>
<td>14.791</td>
<td>.000</td>
</tr>
<tr>
<td>L7</td>
<td>1.401</td>
<td>17.391</td>
<td>.000</td>
</tr>
<tr>
<td>WEEKEND</td>
<td>-.513</td>
<td>6.970</td>
<td>.008</td>
</tr>
<tr>
<td>Constant</td>
<td>4.726</td>
<td>85.003</td>
<td>.000</td>
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</table>

<table>
<thead>
<tr>
<th>Variables</th>
<th>Standardized Coefficients</th>
<th>t Statistic</th>
<th>Sig.</th>
</tr>
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<tbody>
<tr>
<td>Constant</td>
<td></td>
<td>18.435</td>
<td>.000</td>
</tr>
<tr>
<td>CLAIM</td>
<td>-.101</td>
<td>-3.579</td>
<td>.000</td>
</tr>
<tr>
<td>REPUTATION</td>
<td>-.054</td>
<td>-1.913</td>
<td>.056</td>
</tr>
<tr>
<td>START</td>
<td>-.705</td>
<td>-24.580</td>
<td>.000</td>
</tr>
<tr>
<td>L3</td>
<td>.168</td>
<td>3.163</td>
<td>.002</td>
</tr>
<tr>
<td>L5</td>
<td>.078</td>
<td>1.544</td>
<td>.123</td>
</tr>
<tr>
<td>L7</td>
<td>.141</td>
<td>2.281</td>
<td>.023</td>
</tr>
<tr>
<td>WEEKEND</td>
<td>-.090</td>
<td>-3.192</td>
<td>.001</td>
</tr>
</tbody>
</table>

R Square = 0.497; Adjusted R Square = 0.492
that coins with a higher claimed grade were less likely to sell than those with a lower claimed grade. Two exceptions were coefficients for “MS60” and “DSMS62.” One explanation is that the estimates for these two grades may be unreliable due to the small number of observations (n = 12 and 5) in our sample. Therefore, \( H_4 \) is supported. In addition, the starting price and the auction ending had a significantly negative effect on the likelihood of a sale, while sellers’ reputation and the duration of an auction had no effect.

Model 4 – Multiple Regressions:

\[
UBIDS = \alpha + \beta_1\text{START} + \beta_2\text{REPUTATION} + \beta_3\text{VF} + \beta_4\text{EF} + \beta_5\text{AU} + \beta_6\text{SAU} + \beta_7\text{MS60} + \beta_8\text{MS63} + \beta_9\text{MS64} + \beta_{10}\text{DMS62} + \beta_{11}\text{DMS63} + \beta_{12}\text{DMS64} + \beta_{13}\text{L3} + \beta_{14}\text{L5} + \beta_{15}\text{WEEKEND}
\]

Model 4 was built on the uncertified coin sample (n = 356) that included those successful auctions with a quality claim and provided a test of Hypothesis 4. Results were presented in Table 5. As shown in Table 5, all coefficients for coin grades were positive and statistically significant at the 5 percent level except for “MS60” and “DSMS62” due to the small number of observations of these two grades (n = 12 and 2) in this sample. By looking at the magnitude of coefficients for coin grads, we found that coefficients for lower graded coins tended to be larger than those for higher graded coins. For example, the coefficient for “AU” was the largest, for “VF” the second largest, and for “EF” the third largest, suggesting that coins with a lower claimed grade tended to attract more bidders than those with a higher claimed grade. Therefore, \( H_4 \) was supported. In addition, the starting bid had a significantly negative effect, while seller reputation and the auction ending had no effect on the number of unique bidders.

Model 5 – Multiple Regressions:

\[
Rate = \alpha + \beta_1\text{START} + \beta_2\text{REPUTATION} + \beta_3\text{EXP} + \beta_4\text{VF} + \beta_5\text{EU} + \beta_6\text{SF} + \beta_7\text{MS60} + \beta_8\text{MS63} + \beta_9\text{MS64} + \beta_{10}\text{DMS62} + \beta_{11}\text{DMS63} + \beta_{12}\text{DMS64} + \beta_{13}\text{L3} + \beta_{14}\text{L5} + \beta_{15}\text{L7} + \beta_{16}\text{WEEKEND}
\]

Model 5 was built on the uncertified coin sample (n = 356) that included those successful auctions with a quality claim and provided a test of Hypothesis 5. The results were given in Table 6. As shown in Table 6, coefficients for lower quality coins (i.e., VF, EF, and AU) were statistically significant and larger than those for higher quality coins, suggesting that a lower claimed quality had a stronger positive effect on the final price than a higher claimed quality. Thus, \( H_5 \) was supported. Though a high starting bid may reduce the likelihood of a sale, it did have a significantly positive effect on the final price. A buyer’s experience had a significantly negative effect on the final price, indicating that more experienced buyers tend to pay

**TABLE 4**

Results of Model 3

<table>
<thead>
<tr>
<th>Variables</th>
<th>Coefficients</th>
<th>Wald</th>
<th>Sig.</th>
</tr>
</thead>
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<tr>
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<td>.000</td>
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<td>13.146</td>
<td>.000</td>
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<td>SAU</td>
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<td>.007</td>
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<td>.357</td>
<td>.550</td>
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<td>2.653</td>
<td>8.274</td>
<td>.004</td>
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<tr>
<td>MS64</td>
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<td>4.392</td>
<td>.036</td>
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<td>.090</td>
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<td>DMS63</td>
<td>.936</td>
<td>.926</td>
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<td>DMS64</td>
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<td>.611</td>
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<td>.612</td>
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<td>START</td>
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<td>87.252</td>
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<td>L3</td>
<td>-.131</td>
<td>.055</td>
<td>.814</td>
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<td>L5</td>
<td>.259</td>
<td>.183</td>
<td>.669</td>
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<td>L7</td>
<td>.293</td>
<td>.410</td>
<td>.522</td>
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<td>WEEKEND</td>
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<td>Constant</td>
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### TABLE 5
Results of Model 4

<table>
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<td>VF</td>
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<td>4.377</td>
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<td>EF</td>
<td>.370</td>
<td>3.758</td>
<td>.000</td>
</tr>
<tr>
<td>AU</td>
<td>.460</td>
<td>3.740</td>
<td>.000</td>
</tr>
<tr>
<td>SAU</td>
<td>.167</td>
<td>2.791</td>
<td>.006</td>
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<td>MS60</td>
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<td>1.740</td>
<td>.083</td>
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<td>MS63</td>
<td>.368</td>
<td>3.916</td>
<td>.000</td>
</tr>
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<td>MS64</td>
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<td>DSMS62</td>
<td>.022</td>
<td>.541</td>
<td>.589</td>
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<td>DSMS63</td>
<td>.150</td>
<td>2.507</td>
<td>.013</td>
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<td>DSMS64</td>
<td>.108</td>
<td>2.230</td>
<td>.026</td>
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<td>REPUTATION</td>
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<td>-.826</td>
<td>.409</td>
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<td>START</td>
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<td>.000</td>
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<td>L3</td>
<td>.202</td>
<td>2.634</td>
<td>.009</td>
</tr>
<tr>
<td>L5</td>
<td>.026</td>
<td>.378</td>
<td>.706</td>
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<td>L7</td>
<td>.213</td>
<td>2.464</td>
<td>.014</td>
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<td>WEEKEND</td>
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<td>-1.051</td>
<td>.294</td>
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R Square = 0.542; Adjusted R Square = 0.520

### TABLE 6
Results of Model 5

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<tr>
<td>VF</td>
<td>.900</td>
<td>7.534</td>
<td>.000</td>
</tr>
<tr>
<td>EF</td>
<td>.748</td>
<td>6.536</td>
<td>.000</td>
</tr>
<tr>
<td>AU</td>
<td>1.039</td>
<td>7.251</td>
<td>.000</td>
</tr>
<tr>
<td>SAU</td>
<td>.364</td>
<td>5.256</td>
<td>.000</td>
</tr>
<tr>
<td>MS60</td>
<td>.320</td>
<td>4.681</td>
<td>.000</td>
</tr>
<tr>
<td>MS63</td>
<td>.589</td>
<td>5.398</td>
<td>.000</td>
</tr>
<tr>
<td>MS64</td>
<td>.360</td>
<td>4.862</td>
<td>.000</td>
</tr>
<tr>
<td>DSMS62</td>
<td>.036</td>
<td>.752</td>
<td>.453</td>
</tr>
<tr>
<td>DSMS63</td>
<td>.185</td>
<td>2.686</td>
<td>.008</td>
</tr>
<tr>
<td>DMS64</td>
<td>.064</td>
<td>1.144</td>
<td>.254</td>
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<tr>
<td>REPUTATION</td>
<td>-.053</td>
<td>-.175</td>
<td>.241</td>
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<td>START</td>
<td>.237</td>
<td>5.030</td>
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<td>L3</td>
<td>.032</td>
<td>.355</td>
<td>.722</td>
</tr>
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<td>L5</td>
<td>-.068</td>
<td>-.843</td>
<td>.400</td>
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<td>L7</td>
<td>.012</td>
<td>.121</td>
<td>.904</td>
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<td>WEEKEND</td>
<td>-.094</td>
<td>-2.072</td>
<td>.039</td>
</tr>
<tr>
<td>EXP</td>
<td>-.088</td>
<td>-2.026</td>
<td>.044</td>
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R Square = 0.391; Adjusted R Square = 0.360
less than less experienced buyers. Again, auctions ending at weekend had a negative effect, while seller reputation and the duration of an auction had no effect.

Since the price of a coin is positively related to its quality level (see Table 1) and it is likely that the market size is larger for lower than higher price items, one alternative interpretation of results from Table 4, 5, and 6 would be that they reflect the fact that relative market sizes are larger for coins with a lower quality level, which lead to a higher likelihood of a sale, more bidders and a higher winning bid for coins with a lower than higher quality level. To control such confounding effect of the market size, three regression models were developed based on the sample of certified coins that have little problem of quality uncertainty since they are graded by a professional grading company. Table 7 listed the dummy variables developed for different coin grades. Regression results were presented in Table 8, 9, and 10.

Comparing Table 8 to Table 5, we found that for certified coins, there was no such pattern as we found for uncertified coins where coefficients for coin grades became smaller, less significant and eventually negative as the grade increased. This result indicated that different levels of quality claims did have an effect on the likeli-

<table>
<thead>
<tr>
<th>Variable Names</th>
<th>Market Price (USD)</th>
<th>Included Grades</th>
<th>N</th>
</tr>
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<tbody>
<tr>
<td>LOW</td>
<td>11 ~ 14</td>
<td>Below Mint State</td>
<td>13</td>
</tr>
<tr>
<td>MS63</td>
<td>17 and 23</td>
<td>MS62 and MS63</td>
<td>26</td>
</tr>
<tr>
<td>MS64</td>
<td>30</td>
<td>MS64</td>
<td>20</td>
</tr>
<tr>
<td>DSMS63</td>
<td>37 ~ 50</td>
<td>D-MS62, S-MS62, D-MS63, and S-MS63</td>
<td>22</td>
</tr>
<tr>
<td>DMS64</td>
<td>97</td>
<td>D-MS64</td>
<td>13</td>
</tr>
<tr>
<td>HIGH</td>
<td>125 ~ 150</td>
<td>MS65 and D-MS65</td>
<td>40</td>
</tr>
<tr>
<td>Otherwise</td>
<td>325+</td>
<td>D-MS65, D-MS66, MS66, and S-MS65</td>
<td>23</td>
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<table>
<thead>
<tr>
<th>Variables</th>
<th>Coefficients</th>
<th>Wald</th>
<th>Sig.</th>
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</thead>
<tbody>
<tr>
<td>LOW</td>
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<td>12.136</td>
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<tr>
<td>MS63</td>
<td>6.920</td>
<td>12.558</td>
<td>.000</td>
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<tr>
<td>MS64</td>
<td>8.072</td>
<td>14.257</td>
<td>.000</td>
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<td>3.188</td>
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<td>.023</td>
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<tr>
<td>DMS64</td>
<td>2.884</td>
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<td>.069</td>
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<tr>
<td>L5</td>
<td>2.654</td>
<td>4.141</td>
<td>.042</td>
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<td>L7</td>
<td>-.524</td>
<td>.335</td>
<td>.563</td>
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<tr>
<td>WEEKEND</td>
<td>-1.826</td>
<td>4.335</td>
<td>.037</td>
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<tr>
<td>Constant</td>
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### TABLE 9
Regression Results for the Number of Bids (N = 116)

<table>
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<th>Variables</th>
<th>Standardized Coefficients</th>
<th>t Statistic</th>
<th>Sig.</th>
</tr>
</thead>
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<td>-.280</td>
<td>-2.745</td>
<td>.007</td>
</tr>
<tr>
<td>MS64</td>
<td>-.262</td>
<td>-2.590</td>
<td>.011</td>
</tr>
<tr>
<td>DSMS63</td>
<td>-.317</td>
<td>-3.431</td>
<td>.001</td>
</tr>
<tr>
<td>DMS64</td>
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<td>-3.092</td>
<td>.003</td>
</tr>
<tr>
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<td>-.389</td>
<td>-3.793</td>
<td>.000</td>
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<td>REPUTATION</td>
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<td>-.900</td>
<td>.370</td>
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<td>START</td>
<td>-.578</td>
<td>-6.765</td>
<td>.000</td>
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<tr>
<td>L3</td>
<td>.028</td>
<td>.344</td>
<td>.732</td>
</tr>
<tr>
<td>L5</td>
<td>.119</td>
<td>1.250</td>
<td>.214</td>
</tr>
<tr>
<td>L7</td>
<td>.093</td>
<td>1.005</td>
<td>.317</td>
</tr>
<tr>
<td>WEEKEND</td>
<td>-.144</td>
<td>-1.930</td>
<td>.056</td>
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</table>

R Square = 0.523; Adjusted R Square = 0.467

### TABLE 10
Regression Results for the Ration of the Winning Bid to the Market Value (N = 116)

<table>
<thead>
<tr>
<th>Variables</th>
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<th>Sig.</th>
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</thead>
<tbody>
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<td>.566</td>
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<td>.000</td>
</tr>
<tr>
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<td>.504</td>
<td>4.495</td>
<td>.000</td>
</tr>
<tr>
<td>MS64</td>
<td>.434</td>
<td>3.920</td>
<td>.000</td>
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<td>.258</td>
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<td>.012</td>
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<tr>
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<td>-.072</td>
<td>.943</td>
</tr>
<tr>
<td>L5</td>
<td>-.064</td>
<td>-.611</td>
<td>.542</td>
</tr>
<tr>
<td>L7</td>
<td>.083</td>
<td>.813</td>
<td>.418</td>
</tr>
<tr>
<td>WEEKEND</td>
<td>-.002</td>
<td>-.029</td>
<td>.977</td>
</tr>
<tr>
<td>EXP</td>
<td>-.012</td>
<td>-.149</td>
<td>.882</td>
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R Square = 0.437; Adjusted R Square = 0.365
hood of a sale. As shown in Table 9, the quality differences for certified coins had no effect on the number of bids, suggesting that the market size had no influence. As can be seen from Table 10, the coefficient for lower quality coins (i.e., below Mint State) was similar to those for MS63 and MS64 and the coefficient for DSMS63 (Price = 37~50) was almost identical to that for HIGH (price = 125~150), indicating that a higher price level did not necessarily lead to a smaller market size. In addition, the effects of the starting price, the auction ending, and the duration of an auction on the outcome of an auction were similar across uncertified and certified coins. However, for certified coins, the effect of sellers’ reputation on the likelihood of a sale and the winning bid became significant. Since certified coins were on average more expensive than uncertified coins, our finding was consistent with Bajari and Hortacsu’s (2004) suggestion that the role of reputation is more important as the item becomes more expensive.

**CONCLUSIONS**

Quality uncertainty exists in many online auctions. In order to reduce such uncertainty, some sellers attempt to make a specific quality claim on their items. We investigated how such claim would influence consumers’ bidding behaviors. Specifically, we found that online bidders did not perceive a quality claim as an indication of quality level. First, a quality claim decreased the likelihood of a sale. Second, items with a quality claim did not attract more bidders than those without a quality claim.

Among auctions with a quality claim, those with a higher claimed quality reduced the odds of a sale and attracted fewer bidders than those with a lower claimed quality. This result is consistent with Akerlof’s (1970) suggestion that low quality products tend to drive out high quality products in a marketplace with quality uncertainty. We also found that items with a lower claimed quality were likely to sell at a higher price relative to their market values than those with a higher claimed quality.

**REFERENCES**


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A THREE-PHASE STUDY OF ONLINE PRIVACY DISCLOSURES

Yue Pan, University of Dayton
George M. Zinkhan, University of Georgia

SUMMARY

In the information age, privacy is both a treasured commodity (to the individual) and a luxury (to the society as a whole, see Pitt et al. 2002). In other words, the threat of privacy invasion may pose a serious impediment to broad-scale adoption of the Internet as a retailing venue. Previous research has studied the online privacy issues from different perspectives. However, no studies have directly explored the likely effect of privacy disclosures on consumer trust. Our study is designed to fill this gap, and our general purpose is to examine the impact of privacy disclosures on online shoppers’ trust (e.g., related to a specific e-tailer). We approach this topic via a three-phase study.

Lab Experiments: The Effect of Online Privacy Disclosures

In the first study, we use a lab experiment to test the likely effect of a privacy policy on consumer trust. Social contract theory (Dunfee, Smith, and Ross 1999) provides a conceptual basis for creating predictions for the overall effect of privacy policy on trust. We expect purchase risk, as a situational factor, to interact with a privacy policy (absence vs. presence) and produce a strong influence on consumer trust.

In the second experiment, we explore if different formats of privacy disclosures have differential effects on consumer trust. We hypothesize that, as the pattern of privacy disclosures varies (in terms of message length and legalistic terminology), the effect on consumers’ perception of “fair information practices” also varies. As a result, consumers’ trust in the store will vary accordingly. Hence, we expect that the effectiveness of privacy policies on web sites are rank ordered as follows: (1) short, straightforward policy (most effective); (2) short, legalistic/long, straightforward policy; and (3) long, legalistic policy (least effective).

Both experiments employ a between-subjects factorial design, and the dependent variable is consumer trust. Subjects’ risk-averseness (as a personality trait) is measured as a continuous variable and serves as a covariate in the experiments. Hypotheses concerning the treatment factors are assessed through an analysis of covariance (ANCOVA) procedure.

The results reveal that the main effect of situational risk and the interaction between privacy disclosures and situational risk are not significant. The main effect of privacy disclosures is supported. People who were exposed to the Website with the privacy statement have higher trust in the store. However, different forms of privacy statements do not seem to affect whether or not shoppers read the policy, nor do they affect consumer trust.

Depth Interview: How Consumers View Privacy Issues and Privacy Policy

The third study is qualitative in nature and consists of depth interviews with 17 online shoppers. The depth interview complements the experiments by providing triangulation in method. It reinforces the results of our two experiments and sheds light on equivocal findings.

General Conclusions

E-shoppers anticipate a privacy statement on a shopping site. They perceive it as a sign that the store is concerned with the interest and well-being of shoppers. An e-store that fails to include such a policy would lose consumers’ trust. However, the impact of privacy disclosures does not extend beyond this point. Shoppers do not necessarily have a strong desire to read what’s covered in the statement.

REFERENCES

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EFFECTS OF CONTROVERSIAL PUBLICITY ON CONSUMERS’ RESPONSES – WHEN BAD NEWS BOOMERANGS

C. Fred Miao, University of Missouri, Columbia

ABSTRACT

Controversial publicity involves ideological conflicts. This paper proposes a process model that explains the boomerang effect in a controversial publicity situation. The boomerang effect is proposed to be a function of reactance, conformity, and product involvement. Controversial publicity need not be bad news to businesses, if bad news boomerangs.

INTRODUCTION

Some products, simply because of their nature, may be perceived as controversial and the public promotion of them may be seen as offensive by some members of the community (Waller and Fam 2000). Wilson and West (1981) provided the definition of controversial products as “products, services, or concepts that for reasons of delicacy, decency, morality, or even fear tend to elicit reactions of distaste, disgust, offence, or outrage when mentioned or when openly presented.” Since product publicity refers to media coverage of a product or service that intends to reach the product consumers (Williams 1988), it follows that controversial publicity (CP) associated with a product should be defined as “Media coverage of a product that tends to elicit reactions of distaste, disgust, offence, or outrage for reasons of delicacy, decency, morality, or even fear.”

Because of the negative reactions to a controversial product, one may infer that the CP may hurt the product sales and the company alike. However, some hard facts bring this type of common sense into question. For example, a heavily criticized vodka (Black Death) with a blatant appeal to underage drinkers enjoyed a fourfold increase in sales after its CP (Bird 1992); in another case, a new law that restricts guns led to the annual pistol sales up by more than 50 percent in a firearm shop (Kay 2000). Both examples imply that the negative content inherent in CP may boomerang (Ringold 2002). The boomerang effect in a CP situation begs two relevant questions: (1) can CP actually enhance target consumers’ purchase desire and thus is a good marketing tool? (2) under what circumstances?

A review of related literature reveals that CP deserves more attention. Most research on publicity studied negative publicity (Weinberger, Romeo, and Piracha 1991; Weinberger and Romeo 1989) and Word of Mouth (WOM) (Anderson 1998; Arndt 1968; Bayus 1985; Herr, Kardes, and Kim 1991; Richins 1983, 1984, and 1988; Westbrook 1987). The focus of this research stream is on the bad product quality. However, a controversial product may not involve quality issue at all, but instead it elicits controversy because of dissimilar values and beliefs. Drawing on reactance theory (Brehm 1966), conformity theory (Festinger 1953), and involvement theory (Bloch and Richins 1983), this paper proposes the underlying process of the boomerang effect. Figure 1 captures the proposed process and this paper will proceed with the model as it unfolds.

ADVERTISING OF CONTROVERSIAL PRODUCTS

In the CP situation, advertising tends to elicit negative attitudes (Wilson and West 1981). Therefore, through the advertising of a controversial product, the product elicits target consumers’ positive attitude as well as other social groups’ negative attitude. Given the bipolar reactions elicited by the controversial product, it is imperative to further elucidate the concept of CP. A close look of Wilson and West’s (1981) definition of controversial products yields some insight. Implicitly, this is a product capable of inducing extensive negative feelings in the society as a whole. Therefore, the ratio of negative/positive attitude holders has to be greater than one to elicit a meaningful CP situation. Moreover, some controversial products carry more strength than others. Consider the promotion of contraceptives targeted at teenagers versus fast food causing children obesity. The former product tends to carry more strength (a higher negative/positive ratio) because it’s more socially sensitive. For the purpose of this paper, controversial products refer to socially sensitive products capable of eliciting a high negative/positive attitude ratio.

TARGET CONSUMERS’ ATTITUDE TOWARD THE CONTROVERSIAL PRODUCT

Controversial products usually are ideology/image-laden. Relevant to this contention is product symbolism because people are what they buy and consume (Sirgy 1982). Since certain products are image-laden, the purchase and usage of such products will reflect users’ self image (Sirgy 1982). In a same vein, Belk (1988) argued that in some cases objects that we possess can take on a much deeper meaning than just utility they provide, and they may become part of who we define we are. Therefore, when a product represents an ideology that is appealing
to the target market, it will likely induce the target consumers’ positive attitude toward the product.

NEGATIVE ATTITUDE TWOARDS THE CONTROVERSIAL PRODUCT

CP is unique in that it lends itself to bipolar reactions to the stimulus. As the ideology associated with a product is appealing to the target market, the very same ideology may be strongly opposed by others because of disparate values and beliefs. When there is a negative attitude toward the product and associated ideology, the negative attitude usually finds its way to the target consumers through two avenues: media coverage and WOM.

MEDIA COVERAGE

While companies spend money to market their products, the unpaid media, in contrast, are far less controllable (Burden 2002). Because new information that is negative tends to attract more attention than news that is positive, it is media reporters’ propensity to attract viewers’ attention by reporting controversial issues from the negative perspective (Burden 2002). As such, media coverage serves as a channel to augment the negative attitude.

WORD OF MOUTH (WOM)

When people feel disturbed by the ideology that is clearly at odds with their beliefs, they tend to get emotional, become angry, and subsequently respond by negative WOM toward the product. Support for this line of reasoning can be found in WOM literature where negative information is found to carry more weight and will be more likely to be carried by WOM (Folkes 1984; Richins 1984). Therefore, when the CP evokes a negative attitude because of its associated ideology, WOM will very likely be induced and directed specifically at the target market in an attempt to restrict the product.

Proposition 1: Media coverage and WOM mediate the target market’s awareness of the negative attitude from other social groups.

Proposition 2: The magnitude of media coverage and WOM is positively associated with the intensity of the negative attitude toward the advertised product.

INTERACTION OF CONFLICTING ATTITUDES

A controversial product is subjectively judged based on the person’s value and beliefs. Given that a certain ideology develops over a person’s lifetime and thus is ingrained in the person’s value and belief system, its strong subjective nature prevents external influences such as media or WOM from changing its bearing. Not only will media coverage and WOM be less effective in effecting attitude change, they may even boomerang. That is, target consumers may want to make a purchase even more.
REACTANCE

The concept of “psychological reactance” is formulated by Brehm (1966). Reactance responses usually manifest themselves in two ways – a direct reassertion of freedom such as an attempt to undertake the behavior that has been threatened or prohibited, or an increased attraction to the threatened attitudes, beliefs, or behaviors (Ringold 2002). Empirical work provides strong support for the manifestations of reactance (Rummel et al. 2000; Unger et al. 1999; Venkatesan 1966). Brehm (1966) proposes that the magnitude of reactance is a function of (1) the relative importance of the behavior threatened, (2) the severity of the threat to the behavior, and (3) prior experience of the threatened behavior and freedom. In a CP situation where the real stimulus is the product-associated ideology, the existence of the negative attitude and its magnitude should correlate to the magnitude of reactance and corresponding consequences. When the target consumers highly value the ideology behind a controversial product, that product will be considered important. When that product faces the risk of being banned, the valued ideology is threatened. Given the varying degrees of perceived importance of such ideology, target consumers may respond with different degrees of reactance. Thus,

Proposition 3a: When the controversial product reflects the target market’s valued ideology, a positive attitude toward the product will be induced.

Proposition 3b: In a CP situation, target consumers’ perceived importance of the associated ideology will be positively associated with the magnitude of positive attitude they have toward the product as a function of reactance.

Proposition 3c: In a CP situation, target consumers’ perceived importance of the associated ideology will be positively associated with their purchase intent as a function of reactance.

The media has a propensity to report controversial news in a negative tone. The degree of media coverage intensity has a two-fold effect: (1) it will likely draw more of the target consumers’ attention so they will probably perceive the intense coverage as reflecting the real magnitude of the negative attitude which may potentially lead to the banning of the product, and (2) the negative attitude holders may take it as a social support for their moral stand so they will likely be encouraged to voice their opinions even more through WOM. Therefore, as the media coverage and WOM become more intense, the target consumers’ perceived severity of threat to their freedom of choice should also increase.

PROPPOSITION 4: The more intense the media coverage, the more WOM activity will be induced on the part of negative viewers.

Proposition 4b: The more intense the media coverage and WOM, the more severe will be the perceived threat by the target consumers.

Proposition 4c: The more severe the perceived threat, the more the target consumers will desire to purchase the product as a function of reactance.

When CP potentially leads to the banning of the product, target consumers who have used that product may experience an even more augmented irritation because the threat of losing the tangible joy becomes imminent. When this perceived threat grows in proportion to the increased media exposure and negative WOM, reactance from those who have product experience is expected to be stronger than that of those who have not.

Proposition 5a: In a CP situation, target consumers who have product experience will perceive more threat to their freedom than will those who have never used the product.

Proposition 5b: In a CP situation, target consumers who have product experience will more likely reassert their freedom by purchasing the controversial product than will those who have never used the product.

CONFORMITY

Parallel to reactance, another variable that may influence the target consumers’ behavior outcome is conformity. Conformity has various definitions (Allen 1965; Burnkrant and Cousineau 1975). Adapting to a consumption setting, Lasu and Zinkhan (1999) defined conformity as a change in consumers’ product evaluations, purchase intentions, or purchase behavior as a result of exposure to the evaluations, intentions, or purchase behaviors of referent others. Claesen et al. (1986) and Park and Lessig (1977) found that the younger the target consumers, the more likely they are to be influenced by perceived peer pressure and subject to group conformity. Venkatesan (1966) concluded that in a consumption setting, many buying actions come from a desire to identify with a membership or reference group. Taken together, these findings suggest that when a person values his/her ‘membership’ of a peer group and wants to maintain this ingroup status, s/he will attempt to seek from and conform to their attitude and/or behavior. Therefore, when the desire to maintain peer status takes precedence over possible consequences from defying social pressure,
social pressure becomes less threatening or even irrelevant. This is most likely the case when the target market is composed of demographically similar people because peer members tend to have similar demographic variables. Given the important findings of age (Claesen et al. 1986; Park and Lessig 1977), it is reasonable to expect that in the demographically similar target market, the younger the target consumers, the more likely they will conform to peer consumers’ collective attitude, in the face of the social pressure. Thus,

Proposition 6: In a demographically similar target market, the average age of target consumers is negatively associated with peer conformity when the product is controversial.

The composition of the group influences conformity (Lascu and Zinkhan 1999). Festinger (1953) contends that the individual regards certain groups as important and appropriate with which to compare himself on a given issue, and that this person has to share similarity in some important respect with the reference group. Therefore, it is reasonable to infer that greater similarity between the person and the group in such important demographic variables as age, education, occupation, socioeconomic status, etc will lead to a greater magnitude of conformity. Drawing on the concept of reference group, I argue that the directionality and magnitude of target consumers’ conformity will depend on the proportion of peer consumers who share important characteristics in the target market. For example, if the great majority of the gun consumers fall into a specific demographic category (e.g., young blue-collars), the other “minority” consumers in terms of demographics will less likely choose them as the reference group. If the person perceives a much less proportion of similar fellows in the target market in terms of such important characteristics as age, income, education, and occupation, etc., she/he may feel like sort of an outlier even within the target group who share the collective enthusiasm for guns. Especially when the person’ friends and families are among the anti-product groups, the risk of alienation will dominate.

Proposition 7a: The directionality of conformity is a function of the target consumer’s reference group selection.

Proposition 7b: The magnitude of conformity to peer consumers is positively related to the purchase desire of the controversial product.

INVolVEMENT

Bloch and Richins (1983) posited that whereas the perception of product importance represents a cognitive state of awareness or realization, product involvement may be thought of as the motivational state that results from the stimulus of product importance perception. They further proposed that a person would not feel involved with a product that is not perceived to be important. Therefore,

Proposition 8a: In a CP situation, the target consumer’s perceived importance of product ideology is positively associated with his/her product involvement.

Bloch and Richins (1983) cited Rothschild’s work regarding the most comprehensive framework for involvement that specifies three types of involvement: (1) situational involvement, (2) enduring involvement, and (3) response involvement, where situational involvement is the degree of involvement evoked by a particular situation as well as situational variables, enduring involvement is the ongoing concern with a product the individual brings into the purchase situation, and response involvement refers to the consequences of the inner state of being involved. All three types of aforementioned involvement may manifest themselves in a CP situation. For instance, beer or other alcohol product targeted at partying youngsters may be opposed because of its relation to the problem of drunk driving among the youth. To most of the target market consumers though, beer is more likely a situational involvement product because it is used mostly for party/socializing purposes, and its symbolic value manifested in social situations such as parties is highly desirable. Thus, when the controversial product is primarily used in certain situations but conveys a desirable symbolic value/image among peers, the magnitude of a positive attitude toward the product and corresponding purchase behavior will be greater than otherwise similar situational products that do not convey a strong symbolic value. The second type of involvement is enduring involvement. The gun example mentioned on the outset of the paper is a case in point. This is because except for hunting guns, the other types of guns would barely have much situational usage. However, this type of involvement, as suggested by its name, is more engaging and thus more internalized than situational involvement. To the extent that a product of enduring involvement represents a self-image, such representation will be unique when the product connotes a deviation (Snyder and Fromkin 1977). Therefore, especially for those who have a high level of involvement with the product, the controversy may actually make the person feel even more unique, thus making the person want the product even more. Thus,

Proposition 8b: In a CP situation, the target consumer’s level of involvement is positively associated with the sense of uniqueness.

The third type of involvement is defined as response involvement. One example of such involvement in a CP situation is a single song released by one of the hottest contemporary country singers – Toby Keith – after Sep-
September 11, 2001 (Walker 2002). Titled “Angry Americans – Courtesy of the Red, White, and Blue,” the lyrics are blatantly angry and full of revenge. This song is highly controversial because of its content and political bent and it was even banned by some stations. Another example is Dixie Chicks (a country music band) who made a statement on an overseas concert that “It’s a shame that our president is from Texas – our home state” (Mattingly 2003). These are two examples, among others, where response involvement may manifest itself. To the extent that this type of involvement may represent a response to a specific stimulus, its mechanism may apply to those who may not have used the product but are otherwise aroused by the associated ideology. In the aforementioned examples, it would be a consumer who otherwise may never have patronized country music but decides to buy the CDs to endorse the involved artists. This is probably because the consumer has experienced a strong affective response to the political ideology and thus is emotionally engaged. Therefore, endorsing the singers for their political bent through a purchase of their CDs is a means of unleashing the consumer’s political and emotional support. Altogether, the three types of involvement can be grouped as a whole in terms of their ability in moderating target consumers’ enhanced purchase desire.

Proposition 8c: When a product is controversial, the level of product involvement will be positively associated with the magnitude of the positive attitude and purchase intent toward the product at issue.

DISCUSSION

Unlike negative publicity that centers around bad product quality, the CP under investigation examines a non-quality-related situation. It is not the product per se, but instead its associated ideology that is on the news. Even though the media coverage and the parallel WOM usually will carry a negative tone, the target market may not be affected the way the anti-product groups may wish. On the contrary, the very existence of the negative attitude augmented by media coverage and WOM may actually boomerang. When the target consumers have a collective positive attitude toward the controversial product, and when media coverage and WOM make them aware of the negative attitude, target consumers will likely reassert their position by guarding their threatened freedom. One component underlying the boomerang effect is reactance. The more value the consumers attach to the product, and the more severe the perceived threat of the negative attitude, the greater the reactance. Another factor that influences the ultimate outcome is conformity. Demographic variables such as age, education, income, and occupation may be used by consumers as a characteristic benchmark for selecting reference groups. When most other target consumers are considered as peers, the individual consumer will likely strengthen his/her belief and behavior. For the demographically dissimilar target market, the disproportionately small yet demographically identical groups will likely consider themselves as minority groups and thus the reward of peer conformity is small. In the face of strong social oppositions, those “minority” consumers may change stance by stopping patronizing the controversial product.

In addition, it was found that the younger the target consumers, the greater the expected conformity to peer groups. The last factor is involvement. There are three types of involvement – situational involvement, enduring involvement, and response involvement. Collectively, as long as the level of involvement is high, the influence of involvement is also likely to be high. Moreover, a high level of involvement coupled with an awareness of the negative attitude may induce a sense of uniqueness for possessing and using this product.

Controversial publicity paints a different picture compared to negative publicity. When the target market has a collective positive attitude toward a controversial product, the negative attitude and its dissemination seems to reinforce target consumers’ attitude and behavior. CP can actually be a good marketing tool as long as (1) the target market holds a strong positive attitude toward the product, (2) the negative attitude is also strong and draws enough attention of the target market, (3) the target market is demographically similar, and 4) the general level of product involvement is high. To the extent that the promotion of some controversial products involves moral and business ethical issues, such discussion is out of this paper’s scope. Managers, however, should be urged to exercise their moral judgement in pursuing marketing and financial successes.

REFERENCES


PHANTOM SMOKERS: THE UNIDENTIFIED WHO DO NOT IDENTIFY WITH SMOKERS

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SUMMARY

This study presented in this paper is an exploratory investigation into the development of a new typology of smoking status. The typology is based on an individual’s self-concept or identification as being a smoker along with their actual smoking behavior, and identifies a new segment of cigarette consumers, “Phantom Smokers.” Phantom Smokers do not identify themselves as smokers, but smoke cigarettes. This study conceptually and operationally differentiates Phantoms from “Social Smokers,” those who smoke only in social situations. Finally, the paper profiles phantom smokers for further investigations, the design of new warning messages.

Method

Sample. A cross-sectional, convenience sample of 952 undergraduate students at a large Midwestern university responded to the questionnaire. Several classes offered in a variety of departments and colleges were tapped to vary the profile of the participants. The large international student population provided a number of Asian participants who were removed from the sample to restrict the findings to individuals native to United States culture. The questionnaires were self-administered during their regular class periods.

The Questionnaire. The first two items on the questionnaire measured smoking status by asking first if they considered themselves to be a smoker and second by asking if they actually smoke cigarettes. The first item on the questionnaire asked respondents “Do you consider yourself a smoker,” and provided yes or no closed-ended response options. They were introduced to the next question about their smoking behavior with the following instructions, “Sometimes people smoke on occasion even though they don’t consider themselves smokers. Please answer the following questions if you consider yourself a smoker and even if you do not consider yourself a smoker. Do you smoke cigarettes?” followed by a yes/no response options.

Findings

As a preliminary attempt to identify differences in perceptions of cigarette warnings, respondents were asked to indicate on a five point, Likert scale how strongly they agreed or disagreed that each of the four cigarette warnings were true. The four rotated warnings included on the questionnaire are, “Cigarette Smoke Contains Carbon Monoxide,” “Smoking May Be Hazardous to Your Health,” “Quitting Smoking Now Greatly Reduces Risks to Your Health,” and “Pregnant Women Who Smoke Risk Fetal Injury and Premature Birth.” Overall, participants were fairly confident that the warnings were true. However, there were differences in the strength of those beliefs for smoking status, race, and gender.

A series of ANOVAs showed that the strength of the belief in two of the warnings (carbon monoxide and hazardous) were a function of smoking status, gender, and race. The pattern varied by warning. Beliefs in the other two warnings (quitting and fetal injury) were easier to decipher and were a function of gender and race. Women minorities displayed weaker beliefs in the two warnings than the other three groups.

Discussion

The results of this study add to our present body of knowledge by establishing that a group of smokers – Phantom Smokers – exist who do not identify as smokers, but who do smoke cigarettes. Surprisingly, individuals who identified themselves as non-smokers who do not smoke cigarettes, reported in later questioning that they did smoke cigarettes in some situations, and some even buy their own.

The findings for the beliefs in the cigarette warnings suggest that the four rotating warnings, in their present form, do little to influence smoking behavior. However, the interactions among smoking status, race and gender suggest that niche warnings should be explored to better address the role of self-concept, racial and gender differ-
ences. Adding self-concept to the segmentation profile and to future studies can provide information about the beliefs about self that might be targeted in niche warnings or anti-smoking messages. Although the low number of minority respondents in this study prevented us from discussing racial differences with a high level of confidence, and across minorities, there were significant differences. Future research in this area should strive for a larger minority sample, especially as minorities suffer in disproportionate numbers from diseases caused and aggravated by tobacco use. Future research in this area should tease out differences that exist as a function of standard demographic variables. References are available by request.

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THE MODERATING ROLE OF PSYCHOGRAPHIC CHARACTERISTICS ON THE RECYCLING ADOPTION BEHAVIOR

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ABSTRACT

After a review of the social marketing literature, it is clear that although the classic hierarchy of effects is predominant in the interpretation of recycling behavior, we have demonstrated it is possible that there are other kind of models to explain this desired conduct. In addition, we have found that there are some psychographic characteristics related with this adoption process, so that these characteristics play a moderating role on the recycling adoption behavior.

INTRODUCTION

Without any doubt, it is necessary to undertake the study of recycling behavior since it is a social phenomenon or the subject of unprecedented research, at least in its present pattern (Biswas et al. 2000). This study should consist of the construction of behavioral models that empirically explain the dynamics of the adoption of recycling behaviors (Shrum et al. 1994; Wesley et al. 1995). It should also make an in-depth analysis of the psychographic differences that affect or influence the desired behavior (Siegfried et al. 1982). After all, few models within the framework of ecological and recycling literature have been empirically tested with an optimum fit to the data (Jackson et al. 1993).

In that context, we set out the following research objectives (1) to develop models explaining recycling behavior based on some doctrines in order to specify empirically the variables determining recycling behavior, and (2) to explore empirically the moderating role of psychographic characteristics on the recycling adoption process. To that end, we have structured this work in four sections that address (1) the review of the literature, (2) the methodological aspects, (3) the analysis of results and (4) the conclusions.

REVIEW OF THE LITERATURE

Lutz (1991) distinguishes two notions of attitude: unidimensional and three dimensional. We have based ourselves theoretically on the unidimensional notion of attitude that is identified with evaluations and considers beliefs, intentions and conduct to be outside the concept and domain of attitude. Based on the environmental literature we distinguish the following as cognitive components or beliefs: (1) ecological conscience, which is defined as information about ecological matters and the causes of ecological damage (Arcury 1986; Bigné 1997), and (2) beliefs about recycling relative to the knowledge of the how, what and why of recycling (Bagozzi and Dabholkar 1994; Wesley et al. 1995). The evaluations and attitudes used in this research are: (1) ecological concern, which refers to feelings of disquiet about the deterioration of nature (Zimmer et al. 1994; Grunert and Jorn 1995); (2) involvement with recycling that refers to a determined degree of concern or interest in recycling (Oskamp et al. 1991) and (3) recycling attitude as a favorable, or unfavorable inclination toward recycling (Oskamp et al. 1991).

We used the hierarchy of effects concept to refer to the relative order of cognitive components, and those of evaluation and behavior, with the aim of explaining the process of adopting the desired conduct (Lazarus 1982). After a review of the social marketing literature on the area of recycling, it is clear that the classic hierarchy of effects is predominant in the interpretation of recycling behavior (Kok and Siero 1985; Goldenhar and Connell 1993; Taylor and Todd 1995; Kalafatis et al. 1999). However, it is possible that the classic high commitment paradigm is not the only one valid to explain ecological and recycling behavior. We base this on the fact that: (1) no works have been found that contradict the protocol of classic effects; (2) much evidence points to the existence of associations or correlations, and not of cause and effect relationships (Schelegelmich et al. 1996) and (3) some works make it clear that the public’s interpretation of environmental guidelines is routine and not necessarily ecological (Vining and Ebreo 1990). Therefore, it must be supposed that there are other kinds of models explaining recycling conduct such as habit, inverse and hedonistic learning whose hierarchies of effect are the following, respectively: (1) “know-do-feel,” relating to habitual, and low-commitment behaviors (Macey and Brown 1983), (2) “do-feel-know,” which explains recycling behaviors that are consolidated, but coincide with other domestic tasks that require significant cognitive effort and intense social interaction (Baumeister et al. 1998), and (3) “feel-do-know,” whose model may have originated in the effect of the increasingly frequent environmental campaigns,
and which explains impulsive and emotional conduct (Ratneswar et al. 2003). In any case, the relationships that could be specified in any model should be based on the different associations between cognitive, evaluative and behavioral variables that appear in the recycling and environmental literature (Arcury 1986; Sia et al. 1986; Oskamp et al. 1991; Schlegelmilch et al. 1996; Vining and Ebree 1992). On that basis, we propose the following hypothesis:

H1: Models relative to behaviors of habit, inverse or hedonistic learning may represent recycling behavior adoption just as the high-involvement or classic model may.

A moderating variable is defined as any variable that systematically affects the association between two variables with a cause and effect relationship. This moderating role may be played in a way that alters the intensity of the causal relationship, or in a way that the model of resulting relationships shows a new structure (Berger and Corbin 1992). The variables that we have considered factors moderating recycling behavior are the psychographic characteristics, referring to personality, motivations, and values (Wasson 1987). The consideration that the psychographic characteristics are moderating variables is based on the marketing literature. That literature makes it clear that the psychographic variables, such as personality, are influence variables that moderate the relationships of the processing or attitudinal variables that are immediate antecedents of the consumers’ behavior adoption process (Mullen and Jonson 1990). On the other hand, the environmental literature makes it evident that they must be considered moderating variables because they affect the intensity and structure of cognitive and evaluation causal relationships underlying the adoption of ecological activities (Berger and Corbin 1992).

The moderating role of any variable on the cause and effect relationship established by other variables is evident through the correlation between the moderating variable and the effect factors. This means that one should ask about the presence of associations in the recycling area between the variables of beliefs, attitude and conduct and peoples’ psychographic characteristics (Hornik et al. 1995). In this respect, and referring to psychographic characteristics, certain personal characteristics have been identified. According to the doctrinal basis of the research, these are called personality traits (alienation, self-awareness, authoritarianism, self-efficiency, frugality, locus of control and responsibility), motivation (intrinsic and extrinsic) and values (collectivism and materialism) and are associated with recycling (Young 1988; Pettus and Giles 1987; Gamba and Oskamp 1994; Shrum et al. 1994; Shrum and Lowrey 1995). On the basis of the associations of determined psychographic characteristics with recycling, and considering the justification of the moderating nature of this type of variable, the following hypothesis is proposed:

H2: The psychographic characteristics of individuals moderate the conduct of recycling adoption.

**METHODOLOGICAL ASPECTS**

A questionnaire was used to gather information about cognitive and evaluation aspects, and the psychographic characteristics. Recycling behavior was also measured by that questionnaire. In addition that information gathering instruments contacted one member of the household so that direct observation of the recycling behavior were possible. In the vast majority of cases, the contacted person was a relative of the survey target, who promised not to reveal his/her observing function in order to control whether there was any discrepancy between the real recycling behavior and the response reported in the questionnaire. So the sample was selected following a convenience procedure and after eliminating 4 entries for various reasons, this work used a final sample of 246 individuals.

The measuring scales relative to ecological conscience (Bohlen et al. 1993), beliefs about recycling (Scholder 1994) and ecological concern (Biswa et al. 2000) are Likert, more than four items and five points. The recycling attitude (Shrum et al. 1994) and recycling involvement (Zaichkowsky 1985) are semantic differential, four items and five points. In all the cases, the psychographic characteristics are measured by Likert scales, five points and three items. These characteristics are materialism (Lambert 1980), collectivism (Shrum and Lowrey 1995), extrinsic and intrinsic motivation (Carlson and Sanford 1988), locus of control (Rotter 1966), authoritarianism (Carlson and Sanford 1988), alienation (Miller 1967), self-awareness (Feningstein, Scheier, and Bues 1975), responsibility (Johnson and Ostendorf 1993), frugality (Young 1988), and self-efficacy (Scholder 1994).

The recycling materials chosen for this research are: glass, paper and carton, and tetrabrick, metal or plastic containers. This choice of material was basically made because it deals with products that (1) require the active collaboration of the public included in this research; (2) have consolidated distribution channels in our geographical setting, which allows the public to develop the desired behavior without excessive difficulty, while also being well enough known; (3) they are environmentally important from the point of view of sustainability, and (4) it seems possible to analyze the different realities of recycling, which are in different stages of evolution because the collection systems were not implemented simultaneously although their development is similar.
ANALYSIS OF RESULTS

Prior to testing the hypotheses, we checked the validity and reliability of the measuring instruments by means of exploratory factorial, Cronbach’s alpha and confirmatory factorial analyses on the cognitive components and the evaluation, ecological and recycling components. The exploratory factorial analysis with varimax rotation identified all the ecological and recycling characteristics under consideration and explained over 60 percent of variance, except in the case of ecological concern, with values of around 50 percent. After the exploratory factorial analyses, we proceeded to run a confirmatory factorial analysis in order to check the convergent validity of the same scales. The measuring instruments show a good fit to the data, the indicators produce adequate results for the five cognitive, evaluation of ecological character and recycling characteristic variables. The standardized estimators are significant and positive, with values of above 0.5 in all cases except in the scale referring to ecological concern, with a value of 0.4. To study the reliability, an analysis of compound reliability and extracted variance was run, together with Cronbach’s alpha. Consequently, it can be said that the scales for ecological conscience, recycling beliefs, recycling attitude and involvement show values that indicate the reliability of the dimensions under consideration, while the scale for ecological concern was close to the critical threshold of 0.40. Lastly, in order to check the discriminatory validity of the measuring instruments, a correlations analysis was made, which showed that ecological conscience, recycling beliefs, ecological concern, recycling attitude and recycling involvement measure different ecological and recycling realities, with Pearson’s correlation coefficient far below 1.

The psychographic characteristics, which have been considered moderating variables of the recycling behavior model, were subjected to only one exploratory factor analysis, which showed variances of above 60 percent. In addition to this, in order to confirm the reliability of the scales, we proceeded to check their reliability by means of Cronbach’s alpha, whose result points out that all the psychographic characteristics, with the exceptions of materialism and locus of control, passed the recommended minimum 0.5.

Analysis of Model Selection.

With the aim of developing the model that best represents the recycling behavior adoption process, two phases were followed: the theoretical development and the estimation. Theoretically, four types of model have been considered: (1) the classic learning model; (2) the low involvement; (3) the inverse model and (4) the hedonist model. In line with Gerbing and Anderson (1988), the estimation phase must consist of the estimation of various alternative models in order to make comparisons that lead to the choice of the optimum option, which constitutes the definitive model. In order to simplify the task, and since the separation/recycling systems for glass, paper or card and tetra-brick containers are implemented in similar ways, the variable of recycling behavior was standardized by means of an arithmetic average. The next step was the selection of the model showing the best fit to the data in each of the four previously mentioned categories of effect hierarchy by examining the measures of goodness of fit. Once each of the models within each of the categories had been selected, the final model was chosen by observing the significance values of the Chi squared and the indicators that the literature mentions as being especially useful when comparing models.

After the selection of the final model, the significance and the weights of the relationships established by the variables were analyzed in order to understand the recycling behavior adoption process represented by the data. To that end a detailed examination of the critical ratios and standardized estimators of the model was performed. This enabled us to show that (1) an ecological conscience strongly influences recycling beliefs and ecological concern; (2) recycling beliefs determine the behavior adoption, recycling attitude and involvement, (3) the behavior determines recycling attitude and involvement, and (4) both ecological concern and a recycling attitude influence involvement. Consequently, recycling behavior adoption lacks ecological significance since it occurs as an effect of certain knowledge about how to recycle and not as an effect of an ecological conscience. Once the behavior becomes apparent, the attitudes tend to model consistently, except in the case of ecological concern, which significantly influences the degree of involvement while having no link with the desired behavior (see Figure 1). On that basis, hypothesis H1, which states that models relative to behaviors of habit, inverse or hedonistic learning may represent recycling behavior adoption just as the high-involvement or classic model may must be accepted.

Exploratory Analysis of Moderating Characteristics.

In order to explore the moderating role of the psychographic characteristics in the selected model explaining consumer recycling behavior, we performed a multigroup analysis taking into account the personality traits of alienation, self-awareness, authoritarianism, self-efficiency, frugality, locus of control, and responsibility, as well as intrinsic and extrinsic motivation and the values referring to collectivism and materialism. Chi squared differences tests were carried out between the model without restrictions and each of the models with an established restriction of equality of parameters of regression in the groups with a higher or lower level of each of the psychographic characteristics. On the base of results,
there are significant differences in the level of alienation, responsibility, extrinsic and intrinsic motivations and collectivism, as well as locus of control, with a reliability of 90 percent. Moreover, if we analyze the differences of each of the regression coefficients of the relationships specified in the model, it can be seen that, in the case of materialism, there are statistically significant differences at a relationship parameter level. All the models with and without regression parameter equality restrictions, except in the cases of relationships that were significant at a level of 95 percent, showed a good fit to the data.

The examination of the critical ratios and standardized estimators of the multi-group analysis allows us to draw conclusions about the type of relationships according to the level of each of the characteristics. To be
Ecological conscience is a stronger antecedent of recycling beliefs in less extrinsic people. This is consistent with the theory that less extrinsic individuals tend to show more intrinsic or ecological self-realization motivation than more extrinsic individuals (Young 1988). Similarly, recycling beliefs in less extrinsic people are significant antecedents of involvement. This suggests that less intrinsic people show more involvement with the recycling habit since that component of assessment or involvement is preceded by a cognitive component or recycling beliefs, as the classic hierarchy of effects specifies. This is in line with the theory that less extrinsic people are more involved with recycling (Dahle and Neumayer 2001). Moreover, in the least extrinsic people there is an inverse relationship between the cognitive and evaluative components referring to recycling beliefs and ecological conscience, which is consistent with the non-classic sequence that is to be expected in more extrinsic people (Oskamp et al. 1994).

In the case of the more intrinsic people, recycling beliefs are antecedents of recycling behavior and attitude and influence involvement. This is consistent with the fact that the more intrinsic people pay less attention to aspects deriving from the convenience of the selective waste collection system, such as recycling beliefs. On the other hand, they pay more attention to what they consider activities with a personal significance based on a certain favorable attitude, such as the satisfaction that a recycling behavior may bring (Vining and Ebreo 1990).

The differences between more collectivist and less collectivist people lie in the fact that the relationship between ecological conscience and involvement is positive in the first group and negative in the second, although in neither case can the relationship be said to reach a statistically significant level. According to McCarty and Shrum (1994), this is consistent with the fact that non-collectivists do not feel involved in society’s problems. Moreover, in less materialist people, ecological concern positively and significantly influences involvement, unlike more materialist people, where the influence is negative and not significant. This is in line with the environmental literature that makes clear that those less attached to material possessions tend to show greater concern for ecological matters than more materialist individuals do (Kidd and Lee 1997; Lee 1997).

On that basis, hypothesis H2, which states that psychographic characteristics moderate the behavior of recycling adoption must be accepted. However, the recycling habit adoption process does not appear to differ with the individuals’ levels of self-awareness, self-efficiency, authoritarianism and frugality.

CONCLUSIONS

The model of the consumers’ adoption of recycling behavior is made up of components of a cognitive nature and of evaluation of both an ecological nature and of recycling, whose causal relationships do not show a single hierarchy of effect like that persisting in the consideration of recycling from a classic perspective. On the contrary, they show various modes with different hierarchies of effect. Hence, the results of this work makes it evident that a recycling behavior may be represented in a more fitting way by means of a low involvement model whose hierarchy of effect consists of “learn-do-feel.” This refers to the fact that recycling has become a custom or habit. Similarly, the structure of relationships between variables in this model differs according to the way people are. More specifically, it depends on their level of alienation, frugality locus of control, responsibility, intrinsic and extrinsic motivation, collectivism and materialism. However, these results are limited by the use of reduced scales that, on occasions, consider only one dimension of other multi-factor scales.

From a practical point of view, this research leads to recommendations that may serve to improve environmental education plans. There is not only one type of recycling adoption model (the classic model); there are at least four types (the inverse, the low involvement and the hedonist models). This makes it logical to recommend that the first step in environmental recommendation would be to explain which model of recycling guidelines should be transmitted to the public in order for the suitable teaching tools to be put into practice later.

Furthermore, the fact that determined psychographic characteristics moderate the recycling behavior adoption process in consumers makes it evident that it is advisable to consider the different patterns of learning by adequately
adapting recycling education to the consumer’s model of learning. For example, in light of the empirical evidence found in this research, it is clear that, in people with less intrinsic motivation, behind the recycling habit there are underlying determinants of recycling beliefs, while in more intrinsic people a favorable attitude to recycling lies behind involvement. Consequently, in order to encourage the recycling habit in less intrinsic individuals it is fundamentally necessary to provide information about where the containers are situated and how to recycle. This means that recycling beliefs must be promoted since that is where the development of the conduct originates. However, in order to encourage the more intrinsic individuals to recycle as a habit, it is only necessary to promote an attitude favorable to recycling because that is what leads to recycling involvement.

REFERENCES


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CONSUMER–COMPANY IDENTIFICATION AND CONSUMER–COMPANY RELATIONSHIPS: A CONCEPTUAL FRAMEWORK

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T. Bettina Cornwell, University of Queensland, Australia
Andrew T. Stephen, University of Queensland, Australia

SUMMARY

Marketing scholars and practitioners see building customer relationships as the key to marketing success, particularly as markets fragment in response to an increase in the sophistication of consumer tastes and preferences, and as companies respond to increasing competition from domestic and foreign rivals. Much of the relationship marketing literature focuses on relationship management activities, including the initiation, maintenance, and termination of consumer–company relationships (e.g., De Wulf, Odekerken-Schröder, and Iacobucci 2001; Fournier 1998; Winer 2001). Progress has been made in this area, particularly in screening and selecting potential customers, building and managing relationships with preferred customers, and estimating the lifetime value of customer relationships. The potential benefits that might accrue to companies from forming long-term relationships with consumers are well understood. Long-term consumer relationships can add value to companies by improving two-way communication, which facilitates an understanding of dynamic changes in consumer preferences, and relationships can contribute to company financial performance and shareholder value by smoothing cash flows and securing sources of future revenue (Morgan and Hunt 1994; Srivastava, Shervani, and Fahey 1998). By contrast, however, few studies if any, have examined the formation of enduring consumer–company relationships from the perspective of consumers (Bhattacharya and Sen 2003; McAlexander, Schouten, and Koenig 2002). Specifically, the psychological processes that explain why consumers would show a willingness to enter into long-term relationships with companies are not well documented in the marketing literature.

Social and organizational identity theories represent emergent perspectives within the marketing literature (Bhattacharya, Rao, and Glynn 1995; Elsbach and Bhattacharya 2001; Madrigal 2001). These theoretical frameworks may help to explain consumers’ willingness to enter into and their behavior in long-term consumer–company relationships (Bhattacharya and Sen 2003). Social and organizational identity theories have their genesis in social psychology and organizational psychology, respectively (Ashforth and Mael 1989; Dutton and Dukerich 1991; Tajfel 1978). In these fields, the theories have been used to explain an individual’s sense of connectedness to or belongingness with groups with which an individual might have formal or informal relationships. Organizational identification, in which an individual is a formal member of an organization is perhaps the most obvious example and application. Application to the study of consumer–company relationships is a possible extension of these frameworks. Consumers might identify with companies, with whom they have formal or informal “membership” relations. The consumer–company identification construct may be a precursor to the relationship-oriented behaviors that consumers display in their long-term relationships with companies. As outcomes of identification, for example, consumers may in engage in loyalty behavior (e.g., repurchase intentions, a willingness to pay price premiums, resistance to competitive offerings), and consumers may show willingness to “evangelize” on behalf of companies (e.g., acting as an advocate, protecting and defending a company from criticism, and recruiting and orienting new customers). The purpose of this paper is to sketch a framework of potential antecedents and consequences of the consumer–company identification construct (see Figure 1), and to prompt a further dialogue on these issues.

Social and organizational identity theories, especially the consumer–company identification construct, have the potential to extend marketing theory and practice. Much of the focus of relationship marketing thought is on how companies should manage their relationships with customers (Fournier 1998; Garbarino and Johnson 1999; McAlexander, Schouten, and Koenig 2002). For example, enlightened companies understand the importance of and attempt to estimate the lifetime value of long-term customer relationships, and focus on building even more profitable relationships with customers. Much less is known about the psychological processes involved from a consumer’s perspective; that is, the factors that shape a consumer’s willingness to enter into long-term relationships with companies. Perhaps consumer–company identification is key to these processes (Bhattacharya and Sen 2003). The embrace of organizational identification theory by marketers offers profound implications for practitioners. Managing a company’s identity(s) needs to be considered in all decisions: selecting and linking with partners (i.e., channel members and retailers), developing
new products, deleting products, repositioning, reintroducing discontinued brands, entering new markets, building customer relationships, etc. Identity matters in all of these considerations, thus, an understanding of consumer–company identification can help to improve decision-making and add value to a company. References are available on request.

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BOUNDARY BLURRING THEORY AND THE STRATEGIC MANAGEMENT OF BUSINESS TO BUSINESS RELATIONSHIPS

Gary K. Hunter, Florida International University, Miami

SUMMARY

Many theoretical perspectives on interorganizational relationships rely on organization theory to define boundaries. Aldrich (1979, 1999) defines organizations as goal-directed, boundary-maintaining, and socially constructed systems of human activities. To maintain boundaries and separate themselves from their environments, organizations must distinguish between members and nonmembers (Weber 1947). Thus, by design, according to well-established organization theory, an organization’s most external members rigidly define its boundaries. The implications of accepting such definitions of organizations have had a profound effect on our literature.

Here, we reject the view that people rigidly define organizational boundaries and argue that, in the modern business context, an organization’s boundaries are less adequately defined by its most external people (e.g., boundary role people) than by the reach of the activities those people perform. The concept of boundary permeability can thus have new meaning – namely; it could embrace the truly intangible nature of organizational boundaries. At the extreme, the opposite of making boundaries less permeable (more rigid), would be the elimination of boundaries altogether – which is what unambiguously occurs at the inter-firm level through mergers and acquisitions. Interestingly, in cases of mergers and acquisitions, organizational membership changes and those changes establish new boundaries – even under existing theory. On the other hand, one must recognize that organizational boundaries do change without corresponding changes in membership. In reality, infinite alternatives lie between the extremes of inter-organizational relationships characterized by rigid boundaries and those best characterized as non-existent. Relationships across organizational boundaries form a continuum of strategic alternatives that are critical to the strategic management of B2B relationships. The concept of forging relationships would thus involve the conduct of activities oriented toward achieving jointly important outcomes (e.g., making boundaries more porous) – which requires getting beyond rigid boundaries without merging organizations. Conceptually, the conduct of such activities tends to blur the boundaries between organizations.

In stark contrast to the traditional context in which many organizational theories evolved, today, interorganizational relationships have dramatically changed along three critical continua: from competitive to cooperative partnerships (Anderson and Narus 1990), from a focus on distributive to integrative outcomes (Clopton 1984); and from short-term to long-term temporal objectives (Dwyer, Schurr, and Oh 1987). Accordingly, assumptions regarding the conditions underlying organizational norms – for example, the need for bargaining to reduce dependencies on external constituents in boundary role theory (Adams 1976) – are less apt to apply in the modern relational context. Indeed, the changes in interorganizational relationships are so profound, that even the natures of organizational boundaries have changed.

Among other effects on interorganizational relationships, these changes in the relational context have given rise to more vertically integrated forms in most channels of distribution that mandate alteration in a market-oriented B2B sales function. Such is the case in the modern embrace of the integrated supply-chain concept. In a variety of industries, including consumer package goods, integrated vertical systems of firms have been designed to deliver better value to the end channel consumer. To compete in such industries, today, firms face important strategic alternatives concerning supplier-distributor relationships. A firm can either reduce its dependency on other firms by isolating itself (making its boundaries less permeable) and continuing its efforts in a horizontal competition manner – in which each channel member competes with other channel members at the same level of production or distribution – or, it can collaborate with other firms by sharing activities to achieve jointly important interests (blurring its boundaries with its supply chain partners). In short, at the extreme, without engaging in mergers or acquisitions, firms manage their boundaries using BBT strategies to make their boundaries more porous or less rigid through the conduct of common-purpose activities. Thus, from a seller’s perspective, the essence of developing collaborative relationships with key accounts evolves around the conduct of tasks that make its boundaries more porous with respect to its customer’s boundaries.

We refer to the set of tasks that improve collaboration, cooperation, and shared effort between or among organizations as relationship-forging tasks (RFT’s). Thus, the theory helps account for widespread changes in business relationships. In a general sense, relationship-forging tasks refer to activities conducted by boundary spanners to forge or merge their organizational boundaries.
with an external organization’s boundaries. For example, from the seller’s perspective in a buyer-seller relationship, relationship-forging tasks represent key mechanisms by which salespeople blur organizational boundaries to build more effective business relationships with customers.

Simply stated, boundary-blurring theory (BBT) posits organizational boundaries are less adequately defined by their most external people (e.g., boundary role people) than by the reach of the activities those people perform. The implications of redefining a firm’s boundaries, while theoretically profound, are consistent with modern practice and thus establish theoretical premises both more palatable to application and consistent with modern B2B management practices. The opposite extreme of making boundaries less permeable or more rigid – as is the case in BRT – would be the elimination of such boundaries – which is what occurs through mergers and acquisitions. Infinite alternatives lie between these extremes and form a continuum of strategic alternatives for managing interorganizational relationships. The concept of forging relationships would thus involve the conduct of activities oriented toward achieving jointly important outcomes (e.g., making boundaries more porous) – which requires getting beyond rigid boundaries without merging organizations. The conduct of such activities tends to blur the boundaries between organizations. Buyers and sellers should actively manage boundary blurring activities with external business constituents. References available upon request.

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THE EFFECTS OF MERGERS AND ACQUISITIONS ON THE ADVERTISING AGENCY INDUSTRY: A REPLICATION AND EXTENSION

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ABSTRACT

This study analyzes the structure of the advertising agency industry by updating, replicating, and extending previous work. It also reviews agency performance. Results indicate that, despite merger and acquisition activity and increased demand for advertising agency services, larger advertising agencies may not necessarily hold a competitive advantage over smaller agencies.

INTRODUCTION

With Publicis’ 2002 acquisition of Bcom3, creating the world’s fourth-largest holding company, the top four advertising organizations claimed 54.6 percent of the world’s advertising and marketing services gross income of $39.28 billion (Endicott 2002; MacArthur 2002). After a rash of mergers and acquisitions through the 1980s and 1990s, some have asked if there is anything left to buy (Smith 2001). However, with an improving U.S. economy, a return to increased merger and acquisition (M&A) activity is a possibility (Ducoffe and Smith 1994).

Mergers and acquisitions among advertising agencies began as early as the 1930s, with the merger of McCann and Erickson, but the intensity of activity increased in the 1980s (Leslie 1995; Tharp and Jeong 2001). There were 8 M&A events in the 1960s, 10 in the 1970s, and over 18 in the 1980s (Leslie 1995). Of the top 20 U.S.-based advertising agencies in 1980, nearly three-quarters faced merger or acquisition by the end of the decade (Ducoffe and Smith 1994). The foundations of many agency networks were also established during this time, including WPP Group, Interpublic, Omnicom, and Publicis (Sorrell 1999). In 1986, Saatchi and Saatchi estimated that the eight largest advertising agencies controlled 20 percent of worldwide billings, as compared to 12 percent by the twelve largest agencies in 1976 (Leslie 1995). By 1990, the ten largest agencies in the world had increased their billings to $85.4 billion (Tharp and Jeong 2001), and M&A events continued among the leaders in the industry in the 1990s (Grein and Ducoffe 1998).

M&A data are reported in the Standard Directory of Advertising Agencies. From 1991 to 2001 there were 242 such activities, ranging from a high of 36 in 1995 to a low of 3 in 2000 with a five-year wave in the early 90s and a three-year spurt from 1997 to 1999. Analysts reported that the safest and fastest way to grow seemed to be buying other agencies, but that only time would tell whether “bigger was better” in advertising (Bernstein 1979). In fact, some industry leaders were wary of the so-called benefits of the M&A craze. In a survey of advertising agency executives, their clients, and industry observers, one agency executive remarked that, while mergers and acquisitions of ad agencies might hold benefits for the agencies themselves, the clients might suffer or the incentive for creativity would be reduced (Hall and Fannin 1986).

The purpose of this study is to analyze the current structure of the advertising agency market and to evaluate how mergers and acquisitions affect firm success, from both a profit and a creative perspective. Although academic research (Ducoffe and Smith 1993, 1994; Johnson and Simon 1970; Leslie 1995), the popular press (Sorrell 1999), and trade journals have addressed this issue on a limited basis, much of the literature has focused on the time period of the 1980s or earlier.

BACKGROUND AND RESEARCH QUESTIONS

The Industrial Organization (IO) Model “argues that the structure of economic markets affects the conduct of participants in those markets, which, in turn, affects the performance of those markets” (Busterna 1988, p. 35). Structure refers to the concentration of sellers, conditions of entry, and product differentiation. Conduct means behaviors relating to such variables as pricing policy, product strategy, and innovation. Performance relates to economic outcomes (e.g., sales or profits) and customer satisfaction. The premise of this model is that the fewer and larger the firms in an industry, the less likely they are to engage in price competition or product innovation. Profits will be higher than normal, and customers will be less satisfied, which encourages new firms to enter the market unless barriers to entry exist. The structure-conduct-performance paradigm provides a framework for studying how various forces interact to affect activities in a specific market such as advertising agencies (Busterna 1988). By looking at the structure of the advertising agency industry, we may be able to draw conclusions as
to the likely outcomes of the M&A movement. This study focuses on the structure and performance aspects of the IO model.

One reason for studying M&A activity is that, “if mergers are not profitable and efficient they are less of a long-run threat to competition, because smaller competitors can then be counted upon to gain on the merged firms” (Johnson and Simon 1970, p. 140). According to Ducoffe and Smith (1994, p. 16), at the firm level, the effect of mergers and acquisitions on profitability: “(1) influences our assessment of the efficiency of larger versus smaller firms; (2) determines whether or not combinations threaten the ability of small firms to compete; and (3) determines the likelihood that mergers and acquisitions will continue to occur.” Their study examined M&A activity among ad agencies during the 1980s in order to identify the effect on the structure of industry and on the performance of individual firms.

This paper replicates, updates, and extends the work of Ducoffe and Smith (1993, 1994). Six concepts from the original study, along with one new concept, are applied to data from the years 1990 to 2001 in order to assess the impact of recent advertising agency M&A events on the industry. The new concept is conglomerateness, a term used to describe the power and nature of the parent holding companies in the agency industry. It serves as a surrogate measure for the vertical integration term in the IO model. This paper also expands the measure of performance used in previous studies. Three research questions are addressed. The method of measuring each concept appears in the appropriate part of the analysis section, which follows.

RQ₁: What recent trends can be seen in the advertising agency market with respect to demand for advertising services, concentration, ease of entry, economies associated with firm size, and international expansion?

RQ₂: To what extent does conglomerateness exist in the advertising agency industry?

RQ₃: How have mergers and acquisitions affected performance outcomes in the advertising agency industry?

ANALYSIS OF THE MERGER AND ACQUISITION MOVEMENT

Strength of Demand

The advertising industry is a service-oriented industry. Ad agencies exist to serve clients, and they prosper (or decline) according to their ability to acquire new accounts, keep their current accounts, and maintain general financial strength (McGann 1986). Demand for agency services is a function of the health of the economy and the plans of client firms. When demand rises, existing agencies may become more profitable, and new agencies may enter the market (Ducoffe and Smith 1994). Thus, strength of demand is a good starting point for assessing the economic conditions in this industry. Advertising expenditures have grown dramatically in the United States. Ducoffe and Smith (1994) noted that spending in 1980 was about five times that of 1960 and increased 135 percent from 1980 to 1990. From 1990 to 2001, advertising spending grew 78 percent, from $129,968 million to $231,287 million (with slight dips in 1991 and 2001 due to recessions). Advertising expenditures were relatively constant as a proportion of Gross Domestic Product (GDP), ranging from 2.1 percent in the early 1990s to 2.5 percent in 2000.

Ducoffe and Smith (1994) compared total U.S. advertising expenditures and ad agency receipts in the 1980s and estimated that 43 percent of total advertising expenditures were consistently billed through advertising agencies. Thus, increases in advertising spending were matched by the growth in demand for advertising agencies. A similar comparison of data from the 1990s reveals that on average 51 percent of total expenditures were billed through agencies, with a steady increase from 41.9 percent in 1990 to 64.6 percent in 2001. [Note: We assume the remainder is billed directly to clients, primarily local advertisers who do not use agencies.]

Market Concentration

Market concentration measures how power is distributed among rival firms and is considered to be a means of analyzing industry competitiveness (Ducoffe and Smith 1993). Economic theory posits that market concentration and the ensuing market power may be used to raise prices and increase profits. In the advertising industry, there are two common measures for the size of a business: billings and gross income. Ducoffe and Smith (1994) measured concentration ratios using domestic billings, but Nachum and Rolle (1999) suggest that billings is often a misleading indicator because it measures what agencies spend for media on behalf of their clients. Agencies are usually paid a fee or commission on media buys, which is termed “gross income” (Ducoffe and Smith 1994; Nachum and Rolle 1999). Gross income is a more meaningful measure of concentration because it focuses on agency revenue and not flow-through from clients to media.

In 1999 there were more than 13,000 advertising agencies serving markets in the United States (U.S. Census 1999). In order to assess market concentration, concentration ratios (CR) were calculated based on domestic gross income for the top four, eight, 20 and 50 firms in the industry. These ratios provide an easily interpreted mea-
sure that considers both the number and the size distribution of firms in a market (Caves 1987). Table 1 shows U.S. individual advertising agency concentration ratios from 1991 to 2001. According to these figures, the advertising industry can be described as competitive in 2001 because the top four agencies account for only 11.6 percent of total domestic income, and the top eight control 20.9 percent. In fact, concentration ratios have actually decreased between 1991 and 2001, although the ratios have risen in the last two years. These numbers are quite different from those reported by Ducoffe and Smith (1994), who found that the top four agencies held 18.5 percent of the total billings and the top eight controlled 33.1 percent in 1988, but they measured concentration based on domestic billings, which may account for the differences. Ducoffe and Smith (1994) concluded that their data did not indicate even “moderate” industry concentration because in a very competitive industry the CR4 would be 5 percent to 10 percent. The same can be said of the 1990s.

Ease of Market Entry and Agency Economies

Ease of market entry refers to the extent to which barriers exist that might keep potential new sellers from entering the market (Busterna 1988). Several variables impact market entry, including economies of scale, economies of scope, and product differentiation. Economies of scale may occur as a result of the efficiencies that accrue to a firm as its size increases and may take many forms—standardization, division of labor, mass production, or specialization (Roznowski 2000). In many industries, economies of scale can be so pronounced that they become a substantial contributor to highly concentrated markets (Busterna 1988). With service firms, such as advertising agencies, the initial outlay to form an agency is often very low so fixed costs are not a factor in creating barriers. Instead, barriers may develop from the ability of existing firms to differentiate themselves or to become cost efficient.

Measures for economies of scale in service firms are rather indirect, such as agency assets, number of employees, or number of offices. In this study, economies of scale are analyzed using two measures. The first measure is the number of advertising agencies according to the U.S. Census Bureau, along with the number of employees in the industry from 1990 through 2001 (see Table 2). Although Ducoffe and Smith (1994) showed that the number of agencies nearly quadrupled from 1954 to 1987, with an annual growth rate of 6 percent between 1982 and 1987, there was a much smaller growth rate during the 1990s with percentages in the single digit, except for the period from 1990 to 1992. On the other hand, the number of persons working in advertising agencies has increased at a faster rate than the growth in the number of agencies.

A second measure of economies of scale is firm productivity. Ducoffe and Smith (1994) reported that larger agencies (100+ employees) had higher receipts per employee than smaller firms. They also examined average billings per employee for the top 500 firms as ranked by Advertising Age for 1985, 1986, 1988, and 1989. Large agencies earned slightly more receipts per employee, which indicated a possible benefit to size. The current study examined U.S. ad agency receipts per employee for 1992 and 1997, the only recent years for which data were available. Table 3 indicates that large agencies continue to earn the most receipts per employee.

### TABLE 1

<table>
<thead>
<tr>
<th>Year</th>
<th>CR₄</th>
<th>CR₈</th>
<th>CR₂₀</th>
<th>CR₅₀</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991</td>
<td>14.2</td>
<td>25.7</td>
<td>47.5</td>
<td>63.3</td>
</tr>
<tr>
<td>1992</td>
<td>13.3</td>
<td>24.3</td>
<td>43.9</td>
<td>60.6</td>
</tr>
<tr>
<td>1993</td>
<td>13.2</td>
<td>24.0</td>
<td>41.8</td>
<td>58.3</td>
</tr>
<tr>
<td>1994</td>
<td>12.8</td>
<td>23.0</td>
<td>40.2</td>
<td>57.8</td>
</tr>
<tr>
<td>1995</td>
<td>13.2</td>
<td>23.6</td>
<td>40.8</td>
<td>58.2</td>
</tr>
<tr>
<td>1996</td>
<td>12.5</td>
<td>22.3</td>
<td>39.2</td>
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</tr>
<tr>
<td>1997</td>
<td>11.6</td>
<td>20.7</td>
<td>38.1</td>
<td>58.0</td>
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<tr>
<td>1998</td>
<td>10.6</td>
<td>19.3</td>
<td>37.5</td>
<td>57.2</td>
</tr>
<tr>
<td>1999</td>
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<td>32.6</td>
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</tr>
<tr>
<td>2000</td>
<td>11.6</td>
<td>20.4</td>
<td>35.8</td>
<td>50.2</td>
</tr>
<tr>
<td>2001</td>
<td>11.6</td>
<td>20.9</td>
<td>36.2</td>
<td>50.4</td>
</tr>
</tbody>
</table>

Source: Calculations based on top 500 U.S. agencies reported in Advertising Age, Annual Agency Report, 2002.
There also appear to be benefits from economies of scope in ad agencies, due to factors such as shared client databases or shared teams of creative employees (Nachum and Rolle 1999). With many ad agencies diversifying into related areas, such as marketing research, direct marketing, sales promotions, and public relations, in order to provide the full range of communication services through one agency, some synergies might be realized, along with the cost savings.

Lastly, product differentiation characteristics include how agencies position themselves relative to their competition (Roznowski 2000). According to Ducoffe and Smith (1994, p. 21), “a possible barrier to surviving may arise in account acquisition due to service differentiation characteristics.” Ad agencies typically differentiate themselves on services offered, creative reputation, product category experience, or size, presenting differentiation as a barrier to entry. If buyers perceive the services of various agencies to be fairly different, they may view the sellers as not truly being competitors, reducing levels of competition (Busterna 1988).

**International Expansion**

U.S. agencies have been a dominant force in international advertising since the 1960s. In recent decades, ad agencies have increased their international activity for strategic reasons (Nachum and Rolle 1999). International expansion has the potential to generate additional profit, to limit possible risk, and to serve clients globally (providing other economies of scope). Ducoffe and Smith (1994) found that the percent of non-domestic billings for the top ten U.S. agencies in worldwide billings increased from 6.7 percent in 1955 to 59.8 percent in 1991. In 2001, non-domestic billings for the top ten U.S. agencies were 58 percent, a slight decline from the 1991 figure. In order to consider the market from a broader perspective, Table 4 shows the percent of non-domestic billings for the top 500 U.S. advertising agencies in worldwide billings as calcu-

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**Table 2**

<table>
<thead>
<tr>
<th>Number of Establishments with a Payroll</th>
<th>Percent Change</th>
<th>Number of Employees at Agencies</th>
<th>Percent Year Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>----</td>
<td>137,000</td>
<td>----</td>
</tr>
<tr>
<td>1992</td>
<td>+25.00</td>
<td>132,042</td>
<td>-3.62</td>
</tr>
<tr>
<td>1993</td>
<td>-2.01</td>
<td>133,000</td>
<td>+.72</td>
</tr>
<tr>
<td>1994</td>
<td>+.73</td>
<td>136,000</td>
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<tr>
<td>1997</td>
<td>-2.26</td>
<td>139,486</td>
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</tr>
<tr>
<td>1998</td>
<td>+1.83</td>
<td>147,108</td>
<td>+5.46</td>
</tr>
<tr>
<td>1999</td>
<td>+1.45</td>
<td>153,124</td>
<td>+4.09</td>
</tr>
<tr>
<td>2000</td>
<td>+.23</td>
<td>167,215</td>
<td>+9.20</td>
</tr>
<tr>
<td>2001</td>
<td>+.68</td>
<td>172,115</td>
<td>+2.93</td>
</tr>
</tbody>
</table>


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**Table 3**

<table>
<thead>
<tr>
<th>U.S. Advertising Agency Receipts Per Employee by Agency Size</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Year</strong></td>
</tr>
<tr>
<td>-----------</td>
</tr>
<tr>
<td>1992</td>
</tr>
<tr>
<td>1997</td>
</tr>
</tbody>
</table>

lated from 1991 through 2001 (both in real and constant dollars). In constant dollars, total demand for ad agency services has doubled during this period, with non-domestic billings consistently representing about 40–42 percent of the total. Tharp and Jeong (2001) suggest that higher profit potential outside the U.S. might be driving agencies to expand internationally.

Conglomerateness

Many advertising agencies are subsidiaries of large parent companies, rather than independents. Acquiring multiple agency networks and placing them under an umbrella holding company has been a much-used strategy for growing billings since the 1980s (Tharp and Jeong 2001). Until recently, the norm has been that agencies do not handle accounts of competing clients, and holding companies enable an agency to avoid conflicts of interest when mergers result in clients within the same product category (Leslie 1995). These holding companies, or conglomerates, have prospered by increasing client service and billings and by attracting clients seeking “one stop access, global implementation” (Grein and Ducoffe 1998). Conglomerateness refers to the power and financial strength the parent corporation brings to the agency (Roznowski 2000).

The largest agency group in 2000 was WPP Group, with worldwide gross income of $7,971 million. WPP owned eight of the top 500 U.S. agencies, including those ranked number two, five, and nine. Omnicom Group was in second place with $6,986 million in gross income and twelve of the top 500 agencies. This was followed by Interpublic Group of Companies ($6,596 million, 13 agencies), Publicis Groupe ($2,479 million, five agencies), and True North Communications ($1,539 million, seven agencies). Although there are no generally accepted standards for assessing conglomerateness, the number of agencies controlled by these groups and the amount of gross income suggest considerable financial strength and potential for power.

Measures of Advertising Agency Success

Performance Based on Gross Income. An evaluation of the effects of combination activity on agency performance was performed for mergers and acquisitions that occurred in the 1990s as reported in Standard Directory of Advertising Agencies. Similar to previous studies (Ducoffe and Smith 1994; Johnson and Simon 1970), we found three pairs of merging agencies (from the top 500 agencies) where neither agency engaged in any other mergers within three years either prior to or after that merger. Pre- and post-merger performance based on gross income is presented in Table 5. Two of the mergers appear to have been successful, with post-merger growth exceeding that of pre-merger growth. However, the third merger partners suffered a decline in income three years after their merger.

Performance Based on Creativity. Advertising campaigns must be designed to meet the client’s needs as well as be infused with new ideas, so creativity is valued in advertising (Nachum and Rolle 1999). While some agen-

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Worldwide Billings (in billions)</th>
<th>Constant Dollars</th>
<th>Total Non-U.S. Billings (in billions)</th>
<th>Constant Dollars</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991</td>
<td>$96.34</td>
<td>$125.28</td>
<td>$40.18</td>
<td>$52.25</td>
<td>41.7%</td>
</tr>
<tr>
<td>1992</td>
<td>$103.45</td>
<td>$130.62</td>
<td>$43.69</td>
<td>$55.16</td>
<td>42.2%</td>
</tr>
<tr>
<td>1993</td>
<td>$107.29</td>
<td>$131.48</td>
<td>$42.22</td>
<td>$51.74</td>
<td>39.3%</td>
</tr>
<tr>
<td>1994</td>
<td>$117.49</td>
<td>$140.37</td>
<td>$45.64</td>
<td>$54.53</td>
<td>38.8%</td>
</tr>
<tr>
<td>1995</td>
<td>$132.94</td>
<td>$154.40</td>
<td>$53.26</td>
<td>$61.86</td>
<td>40.1%</td>
</tr>
<tr>
<td>1996</td>
<td>$157.67</td>
<td>$177.96</td>
<td>$66.08</td>
<td>$74.58</td>
<td>41.9%</td>
</tr>
<tr>
<td>1997</td>
<td>$174.98</td>
<td>$193.13</td>
<td>$71.23</td>
<td>$78.62</td>
<td>40.7%</td>
</tr>
<tr>
<td>1998</td>
<td>$197.96</td>
<td>$215.17</td>
<td>$81.72</td>
<td>$88.83</td>
<td>41.3%</td>
</tr>
<tr>
<td>1999</td>
<td>$222.19</td>
<td>$236.12</td>
<td>$96.57</td>
<td>$102.62</td>
<td>43.5%</td>
</tr>
<tr>
<td>2000</td>
<td>$259.28</td>
<td>$266.75</td>
<td>$108.64</td>
<td>$111.77</td>
<td>41.9%</td>
</tr>
<tr>
<td>2001</td>
<td>$256.45</td>
<td>$107.01</td>
<td>$111.77</td>
<td>$41.7%</td>
<td></td>
</tr>
</tbody>
</table>


*Constant Dollars were calculated using 2001 as the base year.
cies have noted that creativity will be their driving force after their merger ("Meyer Readies Grey for Europe" 1989), others have reported that their agency mergers are not predicated on improving creativity (Hall and Fannin 1986). These views suggest that creativity should also be considered in the evaluation of ad agency competitiveness. Using the same agencies as in the previous analysis, the average number of awards obtained by an agency in the Clio Awards (a competition based primarily on assessment of the creative work) both pre- and post-merger was used to measure creativity. While the results do not indicate striking benefits in creativity post-merger, each of the agencies analyzed increased in number of overall Clio Awards received in the three-year period after the merger or acquisition activity.

CONCLUSIONS AND IMPLICATIONS

This study has examined mergers and acquisitions within the advertising agency industry during the 1990s. Although the nineties did not exhibit the rash of M&A activity seen in the 1980s, there was sufficient activity during the past decade that it could affect the competitive nature of the industry. The data we examined do not suggest that such a threat exists. Overall demand for advertising services has grown steadily through the 1990s. This growth creates opportunities for new agencies to enter the market and decreases the possibility of market domination by a handful of agencies. Secondly, concentration in the industry has decreased after the high M&A activity of the 1980s, so the market can be described as highly competitive. Thirdly, U.S. agencies have a substantial international presence, but non-domestic share of billings has not grown since 1991. All of these factors suggest an industry subject to normal competitive economic forces.

On the other hand, there do appear to be economies of scale in this industry in terms of receipts per employee. Moreover, size may be a factor in determining overall success in the industry because it acts as a differentiating feature for clients who need extensive agency services. There is also evidence of conglomerateness, especially with respect to the holding companies. They provide vast financial resources over and above what individual agencies may have, and most include firms that provide other types of marketing communication services. Thus, they may exert an indirect influence on economies of scope. These factors could all create barriers to entry or, at the least, inhibit success of new firms.

The data we analyzed imply that the merger and acquisition movement in the ad agency market can be an effective growth strategy for some firms, but positive results are not guaranteed. Post-merger measures of success for specific firms were inconclusive. For two of the agencies studied, there were substantial increases in income, but the third did not have the same level of achievement. Through mergers and acquisitions, agencies may have the needed resources (both monetary and creative) to expand. However, with the nature of the industry and the low barriers to entry, it is unlikely that any individual

| TABLE 5 |
| Total Annual Gross Income of Agencies in Merger/Acquisition Groups and Clio Awards Given Before and After Mergers/Acquisitions | Total U.S. Gross Income (Millions) |

<table>
<thead>
<tr>
<th>Merged Agency Groups</th>
<th>Years Before</th>
<th>Merger</th>
<th>Years After</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-3</td>
<td>-2</td>
<td>-1</td>
</tr>
<tr>
<td>Income</td>
<td>98.8</td>
<td>102.5</td>
<td>106.6</td>
</tr>
<tr>
<td>Awards</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Income</td>
<td>17.3</td>
<td>22.4</td>
<td>27.3</td>
</tr>
<tr>
<td>Awards</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Income</td>
<td>68.8</td>
<td>74.6</td>
<td>84.2</td>
</tr>
<tr>
<td>Awards</td>
<td>0</td>
<td>1</td>
<td>3</td>
</tr>
</tbody>
</table>

agencies would be able to dominate the industry. Holding companies, on the other hand, might change that picture in the future. If concentration ratios had been calculated for the holding companies rather than the individual firms, we might draw different conclusions.

This paper focuses on the seller side of the advertising agency business, and it is important to consider the buyer side as well. Clients provide a countervailing influence on the competitive environment because they often control the price paid for agency services. Even if the structure of the agency business appears to be non-competitive, the agencies may not be able to engage in conduct that creates supra-normal profits. Moreover, failure to satisfy the clients' needs often leads to the loss of an account. The structure-conduct-performance model may need to be modified to take buyer power into account.

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THE MODERATING EFFECTS OF PERCEIVED PRODUCT CHARACTERISTICS ON THE MESSAGE FRAMING-ADVERTISING EFFECTIVENESS RELATIONSHIP

Chun-Tuan (Debbie) Chang, University of Edinburgh, Scotland

SUMMARY

This study tests the idea that responses to advertising are influenced by the framing of the ad and by perceptions of product characteristics (product perceived risk and innovativeness). Prospect theory (Kahneman and Tversky 1979 and 1981) and healthcare studies (Banks et al. 1995; Rothman et al. 1999) explain preference behaviour based on the information obtained from decision problems that specified the formal probabilities and expected values associated with each response option when people have some prior experience. In other words, Preference behaviours are usually based on subjective interpretations of information and previous experiences. An interesting question will be: when consumers face a new product and have no usage experience and few expectations, how do they evaluate it? How would these evaluations differ from situations where consumers have previous experience of that particular product? How should advertisers frame messages for products of varying degrees of innovativeness? Should they emphasize potential gains resulting from using the product or the negative consequences of not buying the product? Will the effectiveness of positively framed advertising differ from negatively framed advertising, and will these effects be the same for familiar and new healthcare products? How does a message combining positive and negative framing work? Could it be more effective than positive or negative framing solely? In what circumstances will it increase or limit the message effectiveness? Examining these issues will help healthcare advertisers develop appropriate message framing for particular types of products.

A traveling healthcare context is used in this study for three theoretical and pragmatic purposes. First, this study should fill the gap of current literature on consumer traveling due to limited studies (i.e., only four ACR papers with keyword raveling were found from 1990 till now). It extended the earlier findings regarding the effect of framed advertising in consumer purchase decisions and applied it in a traveling scenario. Second, the U.S. travel industry in 2002 received more than $528.5 billion from domestic and international travelers and these travel expenditures, in turn, generated nearly $93.2 billion for tax revenue (Travel Industry Association of America, 2003). Thus, understanding consumer purchasing decision-making related to travel healthcare products deserves our attention. Third, characteristics of travel healthcare products provide two desirable operationalizations for this study: (1) a lot of health threats and uncertainties could happen during the journey and appear to be likely; (2) the purchase to offset the health threat is clearly specified and usually effective to reduce the level of threat. Purchasing travel healthcare products has become an effective risk-reduction strategy many tourists adopt. The experiment tested the relative effectiveness of a gain-framed, loss-framed message and a combination of these two frames to promote prevention healthcare products in traveling with different degrees of product innovativeness in a 3 (message framing: gain, loss, mixed) x 2 (perceived risk: low, high) x 2 (perceived product innovativeness: familiar, new product) factorial design. Participants were given a three-part booklet containing the stimulus materials: a pre-manipulation questionnaire, a leaflet that framed a travel healthcare product differently based on the three independent variables, and a post-manipulation questionnaire for indicating their own attitudes and intentions concerning the product. A series of analyses of variance were conducted for testing hypotheses. Multiple regression analysis was performed to see whether message framing could account for a significant proportion of the variance in behavioural intention in healthcare products after controlling for variance accounted by pre-intervention variables.

The experimental results corroborate earlier findings that message framing influences consumers perceptions of product attractiveness and behavioural intentions to purchase or use the promoted product. In addition, the strength of the relation between advertised information and persuasion depends on product perceived risk and innovativeness. A three-way interaction effect of message framing, product perceived risk and innovativeness suggest consumers information processing is affected by both perceived product characteristics. Bonferroni pairwise multiple were conducted across the twelve experimental conditions. Specifically, positively framed information had a greater effect on participants behavioural intention when the products were associated with low risk, but negatively framed information influenced more when the products were associated with high risk. To the author knowledge, this is the first study considering positive, negative and mixed frames in healthcare product advertising. This is an important issue because previous researchers have made positive and negative framing (one-sided persuasion) comparable, but not across two-sided
message persuasion. A mixed framed message was found to be a useful technique for presenting information about the risks due to the advantages of providing fear appeals by negative framing and arousing positive favourable attitudes by positive framing. When the product was familiar to consumers, a mixed framed message was more effective than a message in a single frame (positive or negative). Nevertheless, because of the heuristic cue and possible positive affect that the positive framing induced, positively framed messages were still most effective for the advertised products which were perceived as new, compared with mixed framed or negatively framed messages.

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MENTAL IMAGERY IN ADVERTISEMENTS: MORE THAN MEETS THE EYE?

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SUMMARY

This research investigated the antecedents and consequences of multi-sensory mental imagery when consumers process product related information depicted in advertisements. While the majority of mental imagery research primarily focuses on visual mental imagery (e.g., Babin and Burns 1998), this particular study postulates that consumers, in addition to visual imagery, employ multiple modalities during the imagery experience. At the same time, the use of multiple imagery modalities should have different effects on information recall and recognition when compared to the use of visual-only imagery. The following two research questions are posed.

Research Question 1: Do consumers use multi-sensory mental imagery?

The multiple-resources framework (MRF) (Navon and Gopher 1979) was employed to answer the first research question. MRF is based on the assumption that at any given time humans can process only limited amount of information and that processing can be allocated across multiple imagery modalities. Thus, the prediction can be made that consumers will allocate approximately equal amount of mental resources for each imagery modality.

Research Question 2: What is the impact of multi-sensory mental imagery on the learning of advertising information?

Dual-coding theory (Paivio 1971; Paivio 1986) was employed to answer the second research question. The theory predicts that an increase in the number of memory codes used will increase the likelihood that an item will be recalled/recognized. Thus, as the number of imagery modalities increases, the number of codes used also increases. Subsequently, use of multi-sensory mental imagery to learn (advertising) information should be superior to imagery used in a single modality.

To answer both research questions, four hypotheses were proposed and tested. Hypotheses 1 and 2 were meant to test the MRF while hypotheses 3 and 4 were meant to test the dual-coding theory.

Hypothesis 1: Subjects exposed to ambiguous instructions to imagine will generate imagery in multiple modalities.

Hypothesis 2: Subjects exposed to specific multi-sensory instructions to imagine will generate more imagery thoughts within each modality compared to subjects exposed to ambiguous instructions to imagine.

Hypothesis 3: The number of images generated by an advertisement will mediate the respondent’s memory for advertisement content.

Hypothesis 4: The number of imagery modalities used to imagine is a better predictor of advertising information (a) recall and (b) recognition than the total number of images generated.

Statistical analyses revealed that the first hypothesis was supported \((t = 2.536, p < 0.05)\). The second hypothesis was partially supported \((F[5,113]=2.167, p < 0.063)\). The third and the fourth hypothesis were not supported. Thus, evidence suggests that the MRF received partial support while the dual-coding theory was disconfirmed. Additional statistical analysis has shown that in terms of frequency of use, mental imagery modalities rank in the following order: visual, tactile, gustatory, auditory, and olfactory.

Several implications can be drawn. First, verbal imagery instructions embedded in advertisements can evoke multi-sensory imagery. Since advertisers know how to evoke visual imagery, they should now consider experimenting with new techniques that evoke non-visual forms of imagery. Second, imagery experiences vary for different modalities. While imagery researchers typically suggest that auditory imagery should rank as number two, followed by visual imagery, this research indicates that tactile imagery was used more frequently than any other non-visual type of imagery. References available upon request.
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CONSUMER SKEPTICISM TOWARD CELEBRITY ENDORSEMENTS: INITIAL SCALE DEVELOPMENT

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Sema Kalaian, University of Toledo, Toledo

ABSTRACT

We report on the initial stages of the scale development process for a measure of consumer skepticism toward celebrity endorsements. A 14-item scale results from initial exploratory factor analysis. The next stages of this scale development process will involve assessment of the factor structure of and additional reliability and validity of the scale.

INTRODUCTION

Advertisers spend millions of dollars annually on product endorsements by celebrities, in an effort to woo consumers to their brands. In these celebrity endorsements, individuals who are well-known for accomplishments in different fields such as sports or entertainment lend their names or images and appear on behalf of products or services with which they may or may not be experts (see McCracken 1989; Schiffman and Kanuk 2004). Research in this area suggests that celebrity endorsers can be effective in influencing consumers’ attitudes, perceptions, and intentions (Friedman and Friedman 1979; Heath, McCarthy, and Mothersbaugh 1994; Kamins, Brand, Hoeke, and Moe 1989; McCracken 1989; Ohanian 1991; Petty, Cacioppo, and Schuman 1983; Tripp, Jensen, and Carlson 1994).

Recent research, however, has pointed to the possible negative consequences of using celebrities who are mired in controversy (Till and Shimp 1998). Till and Shimp (1998) focused on negative celebrity information and its impact on the brand(s) that a celebrity endorses. More recently, Louie and Obermiller (2002) investigated consumers’ response to decisions by a firm to associate with (dissociate from) celebrities that were blameless or blame-worthy for causing certain negative events. These researchers found that companies were perceived more favorably when they dissociated from high-blame celebrities and retained low-blame celebrities as endorsers. Collings and Bednall (2000) also found results indicating possible unfavorable impact of negative information on celebrity endorsers.

In spite of the foregoing, however, we believe that a gap exists in this literature. Despite the widespread use of celebrities in advertising, some research (Tripp et al. 1994) and even advertising campaigns (for example, Sprite ad in which then endorser Kobe Bryant opined, “Who you gonna listen to? How about yourself? Obey your thirst!” https://sprite.rocketcash.com/kobe/) suggest that consumers may be skeptical about the use of celebrities in advertising and even marketers are aware of this. Tripp et al. (1994) stated that, in their second study, participants opined that celebrities do endorsements because they are being paid to do them, and they questioned whether the endorser used or even liked the product that he or she endorsed. Skepticism toward celebrity endorsements could undermine the effectiveness of these kinds of appeals, causing marketers not to realize the increases in sales, market share, or changes in consumer attitudes that they envision when they expend funds on celebrity endorsements. However, a review of the literature in this area reveals that no measure of skepticism toward celebrity endorsements exists. For this reason, we believe that a scale that measures consumer skepticism toward celebrity endorsements would be useful, as marketers could use this as a segmentation tool, to identify those groups of consumers for whom celebrity appeals might be very effective. Once validated, the scale should have much potential theoretical, methodological, and practical value. Among other things, it should contribute to a better understanding of consumer reactions to celebrity endorsements and improve advertising message targeting strategies.

Hence, our aim was to develop and test a scale to measure consumer skepticism toward celebrity endorsements. We follow the scale development process outlined by Churchill (1979) and DeVellis (1991) and used successfully by other researchers (see, for example, Eastman, Goldsmith, and Flynn 1999; Mohr, Eroglu, and Ellen 1998; Obermiller and Spangenberg 1998). We report in this paper on the initial stages of that process.

SKEPTICISM AND CONSUMERS:
A LITERATURE REVIEW

Consumer Skepticism

Consumer skepticism has been attracting increasing research attention (see, for example, Boush, Friestad, and Rose 1994; Hardesty, Carlson, and Bearden 2002; Koslow 2000; Obermiller and Spangenberg 1998). Consumer skepticism in the marketing domain is perceived as consumers’ negatively valenced attitude toward the mo-
tives of and claims made by marketers, for example, advertisers (Boush, Friestad, and Rose 1994). Researchers on consumer skepticism suggest that skepticism implies that consumers recognize that marketers (advertisers) have specific motives, such as persuading consumers, and therefore that marketing communications may be biased and not necessarily truthful (Boush, Friestad, and Rose 1994; Brucks, Armstrong, and Goldberg 1988). So, skepticism is generated in evaluating and coping with marketing messages.

Boush, Friestad, and Rose (1994) conducted a study among adolescents regarding their skepticism toward TV advertising and their knowledge of advertiser tactics. Among the hypotheses that they tested were that knowledge about advertiser tactics will develop in the direct of adult knowledge during early adolescence; that skepticism toward advertising will increase with age during early adolescence; and that advertising skepticism will be positively related to knowledge about advertiser tactics. The researchers found enough evidence of discernible patterns of “beliefs about advertising tactics by grade 6” (p. 172); in addition, as predicted, these adolescents’ knowledge developed in the direction of adult knowledge throughout the school year. They also found that having higher levels of knowledge about advertiser tactics was positively related to being more skeptical of advertising.

In a study that also focused on adolescents, Mangleburg and Bristol (1998) conceptualized skepticism as a negatively valenced attitude, an outcome of the socialization process. To them, skepticism was learned through interaction with the three primary socialization agents: parents, peers, and the mass media. Again, in their study, they focused on television advertising, to the exclusion of other types of marketing communications. Nonetheless, they found evidence to support adolescents’ skepticism toward marketing communication, with much of this being influenced by socialization. This skepticism is likely to impact evaluations of marketers’ communication, and these evaluations are likely to differ depending on whether the person is high or low in skepticism.

Obermiller and Spangenberg (1998) posited that a highly skeptical consumer may not disbelieve every ad claim, and a “less skeptical consumer may not necessarily believe every ad claim” (p. 161); this results from the fact that ad skepticism, their construct of interest, is influential and probabilistic, not uniformly deterministic. They suggested, though, that the highly skeptical consumer should be more likely to disbelieve and the less skeptical consumer should be more likely to believe ad (marketing) communication. Of importance is their contention that situational factors may moderate responses to even with extreme skepticism (p. 161). Koslow (2000) concluded that consumers are skeptical of advertising, not simply because advertisers sometimes lie or because their arguments lack credibility in the marketplace “but also because skepticism helps individuals resist or cope with an advertising system that is frequently perceived as trying to sell them rather than to inform them” (p. 265). In fact, they view consumer skepticism as “a defensive coping and reactance response to pervasive advertising attempts” (p. 245). More recently, Hardesty, Carlson, and Bearden (2002) assessed the extent to which consumer skepticism toward advertising moderated the effects of brand familiarity on product evaluations. They found that consumers high in skepticism were influenced by high invoice prices under high, but not low, brand familiarity conditions. Consumers low in skepticism were affected by high invoice prices regardless of their levels of brand familiarity.

The stream of research on consumer skepticism underscores that there are likely to be differences between consumers on the two ends of the skepticism continuum (high skepticism and low skepticism), with highly skeptical consumers being more likely to disbelieve marketers and consumers low in skepticism being more likely to believe marketers.

Related Scale Development

Lundstrom and Lamont (1976) were among some of the first researchers to attempt to measure consumers’ negative disposition toward marketing activities, for example, marketing communications and advertising. Their focus was on consumer discontent. They defined the scope of consumer discontent to include the “collection of attitudes held by consumers toward the product strategies of business, business communications and information, the impersonal nature of business and retail institutions, and the broader socio-economic forces which are linked with the business system” (p. 374). Subsequently, they developed an 82-item measure of the construct and found good reliability and validity of the instrument.

Gaski and Etzel (1986) developed an index of consumer sentiment toward marketing, drawing on prior research on consumer sentiment. They viewed this index as a “validated, longitudinal, aggregate measure of national consumer sentiment toward marketing practice, to be reported at regular intervals to the marketing and consumer research communities” (p. 71). The intention was to use this instrument with a national sample of consumers to gauge “attitudes toward the four major elements of marketing practice” (p. 72).

Consumer skepticism also has generated prior research and scale development. In particular, Obermiller and Spangenberg (1998) developed and validated a scale to measure consumer skepticism toward advertising, in general. They defined skepticism toward advertising as “the tendency toward disbelief of advertising claims”
Consumer skepticism toward celebrity endorsement: A Definition

In addition to the aforementioned literature review and brainstorming, we conducted a pretest in our efforts to glean information to arrive at a definition of consumer skepticism toward celebrity endorsements. In the pretest, we explored participants’ attitudes to celebrity endorsements in a focus group. The expectation was that the focus group might tap into consumer attitudes regarding the use of celebrities that previous research might not have unearthed. A group of 13 undergraduate students who had participated in an experimental study on the use of celebrities in multiple product endorsements were asked to participate in a follow-up focus group discussion on celebrity endorsements. The student sample was considered appropriate given the theory-building nature of the study (see Basil 1996). Nine participants showed up for this discussion. The discussion lasted thirty-two (32) minutes and was tape-recorded for later transcription. In addition, notes were also taken by the moderator.

The focus group discussion bore out a number of themes that were of interest. Certain themes were developed, based on prior research and participants’ responses were classified based on the theme with which these responses seemed most consistent. For example, the perceived fit between the endorser and the product that he or she endorses came up for discussion. There was an interesting perspective from one participant on the issue of familiarity with the sport celebrity. In reference to Grant Hill, the participant indicated that if a sport celebrity is as popular as Grant Hill is, he may be inclined to believe that celebrity and may be influenced to purchase a product that that celebrity endorses. This, he reasoned, resulted from the fact that he perceives someone such as Hill as having a lot of money, and therefore was not doing the endorsement for the money but because he believed in the product. This participant cited the case of Todd Martin as being an unfamiliar celebrity who was likely to “grab any endorsement that he can get from any company,” because many companies did not use him.

Overall, the views expressed in the focus group discussion tended to overlap with major themes from prior research such as perceived fit between the celebrity and the product endorsed, credibility, and endorsers’ use of endorsed products. In addition, concerns regarding the sincerity of celebrity endorsers, their motivations for doing endorsements, and their ability to influence people to like or purchase a product all came up for discussion. These discussions helped in the development of our definition of consumer skepticism toward celebrities in advertising.

On the bases of the foregoing, we defined consumer skepticism toward celebrity endorsements as a consumer’s doubts about the sincerity of the claims made by a celebrity endorser or the effectiveness of a celebrity endorser, based on the consumer’s reservations about: the celebrity endorser’s credibility, that is, ability to provide information that can be trusted/relied upon; the celebrity endorser’s experience with, or knowledge of, the product that the celebrity endorses; and the ability of the celebrity endorser to get the consumer to engage in a desired action. This definition was based on a review of the literature on skepticism and similar studies done to measure consumer skepticism in different domains (see, for example, Mohr, Eroglu, and Ellen 1998; Obermiller and Spangenburg 1998), as well as the results from the focus group that we conducted.

Consumer skepticism toward celebrity endorsements is perceived to be an individual difference factor, with certain consumers or groups of consumers being expected to be more skeptical of celebrity endorsements than other consumers or groups of consumers. Hence, it is expected to range on a continuum from low to high. However, this does not mean that a person with high skepticism toward celebrity endorsements will doubt all celebrity endorsements, or that people with low skepticism toward celebrity endorsements will believe all endorsements. Obviously, elements such as the perceived fit between the celebrity endorser and the brand being endorsed might...
because they did not load on any of the two factors. Factor percent of the total variance. Two items were dropped analysis yielded a 2-factor solution that explained 48 (1998). The 16 remaining items were factor analyzed. This eliminated (see, for example, Obermiller and Spangenberg components analysis with varimax rotation. Eighteen items followed a procedure similar to that of Obermiller and eliminated those items that were not suitable for its measurement. We decided to eliminate those items on which at least two of these judges agreed. This resulted in the identification of 5 items for elimination. The 5 items remained in the initial questionnaire (discussed below) but responses to these items were disregarded in the data analysis stage.

Study One

The purpose of Study 1 was further purification of the initial items, as recommended by Churchill (1979) and DeVellis (1991). A questionnaire containing the 34 items of interest, the 5 items that were adjudged eliminable, as well as the nine items from the consumer skepticism toward advertising scale (SKEP) and questions relating to participant demographics, was developed. The skepticism toward celebrity endorsements items were a mix of positively and negatively worded items. Two hundred and fifty seven business students from two universities participated in this study. They were told that some marketing researchers were interested in their opinions on advertising. Fifty-five per cent of the participants were female, and 45 percent were male. They ranged in age from 18 to 52 and completed the questionnaire outside of class in exchange for extra course credit.

Item Reduction

We used SPSS in this stage of data analysis. We followed a procedure similar to that of Obermiller and Spangenberg (1998, p. 170). We first eliminated items based on item-to-remaining total correlations and then factor analyzed the remaining items using principal components analysis with varimax rotation. Eighteen items with item-to-remaining total correlations below 0.45 were eliminated (see, for example, Obermiller and Spangenberg 1998). The 16 remaining items were factor analyzed. This analysis yielded a 2-factor solution that explained 48 percent of the total variance. Two items were dropped because they did not load on any of the two factors. Factor 1 captured attitudes relating to skepticism regarding the celebrity’s motivations and abilities (CELABILITY), while factor 2 related to skepticism regarding the ability of the celebrity endorser to influence a person’s consumption behaviors (CELACT). See Appendix 1 for information on the 14 items that were ultimately retained and the factor loadings.

Initial Reliability Test

As an initial test of the internal consistency of the scale, Cronbach coefficient alpha was calculated. Coefficient alpha for the 14-item scale was 0.89. We also assessed the coefficient alpha for the two dimensions that emerged. The coefficient alpha for the 8-item CELABILITY dimension was 0.87, and that of the 6-item CELACT dimension was also 0.87.

DISCUSSION

We were motivated to develop a scale to measure consumer skepticism toward celebrity endorsements owing to the absence of such a scale in consumer research, and in light of the seemingly obvious tendency of some consumers to have reservations about celebrity endorsements. As argued earlier, once validated, the scale should have much potential theoretical, methodological, and practical value. Among other things, it should contribute to a better understanding of consumer reactions to celebrity endorsements and improve advertising message targeting strategies. Such a scale could be used to identify those consumers that may be more influenced by the use of celebrities in advertising. Advertisers would therefore be able to better target these consumers, as against incurring advertising waste to reach those consumers who may not be impacted by celebrity endorsements.

The initial results from our attempts at the development of this scale appear promising. The initial item pool was reduced to 14 items that loaded onto two factors, and the scale had a Cronbach alpha of 0.89. However, there are a number of stages remaining in this scale development process. The next step in this process will be to conduct an analysis of the scale’s factor structure. This will be done utilizing confirmatory factor analysis. We intend to administer the 14 items in the scale to a new sample of respondents and to use those data for confirmatory factor analysis. A number of reliability and validity tests will also have to be performed before this scale receives acceptance. However, one of the reasons that we included the 9-item consumer skepticism toward advertising scale in study 1 was to obtain an idea from these preliminary stages as to how the scale might perform.

A factor analysis of the combined CELEBSKEP and SKEP items revealed that the items loaded onto three factors, with all 9 SKEP items loading onto a separate
factor from the two on which the CELEBSKEP items loaded. We correlated the scores from the 14-item CELEBSKEP scale with those from the SKEP scale. As would be expected, the scores were positively correlated ($r = 0.36; p < 0.000$). Taken together, the results from the factor analysis and the correlation analysis indicate that the two scales are measuring separate, but related, constructs. We note that these are but the preliminary stages of the scale development process, but these results bode well for continuation of the project. Studies to determine the various reliabilities and validities of the scale will form the bases for additional research.

**LIMITATIONS AND FUTURE RESEARCH**

The preliminary stage of the CELEBSKEP development process, while promising, suffered some limitations. For example, the item reduction study and the focus group used only college students in the sample. These were convenience samples and their use was motivated by the theory-building nature of this stage in the scale development process. Only one focus group was used. The argument could be made that using only one group is potentially not adequate in terms of providing sufficient opportunity for probing the potential conceptual/theoretical underpinnings from which items are initially derived. However, the sentiments expressed by participants in that focus group mirrored sentiments expressed by participants in the Tripp et al. (1994) study. Future studies will use a more diverse sample, since the intent is to be able to use the scale to distinguish consumers who are skeptical of celebrity endorsements from those consumers who are not. Hence, there is a need for generalizability. In subsequent stages of this research stream every effort will be made to use both traditional student samples and non-traditional student samples.

Our overall position is that the scale proposed here will prove useful to advertisers who continue to use celebrity endorsers to pitch their products to consumers. In addition, this research can add to the body of research regarding the use of celebrities in advertising. Much of the consumer research literature indicates that consumers can be skeptical about other aspects of advertising and various cues; hence, it is conceivable that they can be skeptical of celebrity endorsements as well.

**REFERENCES**


Lundstrom, William J. and Lawrence M. Lamont (1976), “The Development of a Scale to Measure Consumer...


**APPENDIX 1**

*Items Retained for Skepticism Toward Celebrity Endorsements Scale*

<table>
<thead>
<tr>
<th>Items</th>
<th>Factor 1</th>
<th>Factor 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Celebrities tell the truth about the brands they endorse (CELTRUTH)</td>
<td>0.74</td>
<td></td>
</tr>
<tr>
<td>2. Celebrities give us their honest opinions of the brands they endorse (HONEST)</td>
<td>0.70</td>
<td></td>
</tr>
<tr>
<td>3. Most celebrity endorsers are sincere in their endorsements (SINCERE)</td>
<td>0.69</td>
<td></td>
</tr>
<tr>
<td>4. You can rely on a celebrity endorser to provide information about the brand he or she endorses (CELRELY)</td>
<td>0.67</td>
<td></td>
</tr>
<tr>
<td>5. Most celebrities are experts on the brands they endorse (EXPERT)</td>
<td>0.67</td>
<td></td>
</tr>
<tr>
<td>6. Celebrities endorse products because they believe in the products (CELBELIE)</td>
<td>0.61</td>
<td></td>
</tr>
<tr>
<td>7. A celebrity endorser is likely to have experience with the product he or she endorses (EXPRENCE)</td>
<td>0.60</td>
<td></td>
</tr>
<tr>
<td>8. Celebrities have good knowledge about the brands they endorse (GOODKNOW)</td>
<td>0.57</td>
<td></td>
</tr>
<tr>
<td>9. I might buy a brand if I like the celebrity that endorses it (BUYLIKE)</td>
<td>0.82</td>
<td></td>
</tr>
<tr>
<td>10. The use of a celebrity in an ad influences me to buy the brand in the ad (BUYBRAND)</td>
<td>0.72</td>
<td></td>
</tr>
<tr>
<td>11. I have been influenced at some point by a celebrity to purchase a product. (INFLUENC)</td>
<td>0.70</td>
<td></td>
</tr>
<tr>
<td>12. I respond favorably to the use of celebrities in ads (FAVORBLE)</td>
<td>0.65</td>
<td></td>
</tr>
<tr>
<td>13. If I am familiar with the celebrity I am likely to buy the brand he or she endorses (FAMBUY)</td>
<td>0.64</td>
<td></td>
</tr>
<tr>
<td>14. Using the brand my favorite celebrity endorses gives me a good feeling (USEBRAND)</td>
<td>0.64</td>
<td></td>
</tr>
</tbody>
</table>

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EXAMINING THE ANTECEDENTS AND CONSEQUENCES OF A SEPARATE SALESFORCE SUBCULTURE

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SUMMARY

Organizational culture has continued to emerge as an important construct in the marketing literature. Deshpande and Webster (1989) originally raised the issue of a research agenda within which marketers would begin studying the phenomenon of organizational culture. This agenda continues to be clouded by (1) the lack of a consistent definition of organizational culture, (2) the relative dearth of empirical research into culture measurements, and (3) possible misidentification of the locus of the influential culture within the organization. However, in spite of the discrepancies, researchers seem to agree that culture may be an important factor in determining how well a person fits into the organization (O’Reilly, Chatman, and Caldwell 1991).

The literature on the effect of organization and salesforce cultures on salespeople’s performance has primarily focused on cultural archetypes and attributes and the importance of culture management. Thus, they seek to explain how the forms and features of the organization affect the outcomes of the salesforce (Ouchi and Wilkins 1985). There are articles, too, which claim that there is more than one culture within an organization. This literature features the possible antecedents of multiple cultures (subcultures) and identifies various subcultures within organizations. Louis (1985) calls this term the “locus of culture” to reflect that there may or may not be an indigenous culture at any particular site. These subcultures have some of the same relevant properties of organizations such as (1) they are regularly convening settings, (2) they impose structural interdependencies among people performing tasks, (3) they provide opportunities for affiliation, and (4) they constitute constellations of interest or purposes (Louis 1985).

Researchers in the organizational behavior literature have identified the influence of localized organizational cultures (i.e., subcultures). This has led researchers in management and marketing to investigate the relative strength and appropriateness of those subcultures as perceived by members of the organization (Jackson, Tax, and Barnes 1994; Weitz, Sujan, and Sujan 1986). In this context, strength is indicated by the amount of influence an organization culture has on behavior. Appropriateness refers to whether or not the values and beliefs that constitute the organization culture are appropriate for the environmental context in which the organization operates (Kilmann, Saxton, and Serpa 1986). A culture that is moving the organization in the wrong direction pressures members to persist in behavior that may have worked well in the past but is now clearly dysfunctional.

The purpose of this study is to examine salespeople’s perceptions of an influential salesforce subculture separate from the organization culture. It seeks to determine the relationship between the strength and appropriateness of the organization culture and the perception of a separate subculture. The relationship between specific job outcomes and the perception of a separate salesforce subculture is then examined.

A conceptual model was developed based on the theorized relationships from the literature. We predicted that organization culture strength and appropriateness would have a significant positive relationship with the perception of a separate salesforce subculture. Additionally, it was proposed that the salespeople who were high in the perception of a separate salesforce subculture would have (a) low role ambiguity, (b) low role conflict, (c) greater job satisfaction, (d) greater organization commitment, (e) low propensity to quit, and (f) a higher level of performance.

Hypotheses were tested using survey data collected from 300 outside salespeople (working in the field) representing ten organizations from ten different industries. Unlike previous research, this sample did not include brokers or manufacturer’s representatives. Using multivariate regression analysis, it was revealed that the hypotheses were only somewhat supported. While organization culture appropriateness, alone, had a significant positive relationship with the perception of a separate salesforce subculture, organization culture strength did not have a significant relationship with the level of perception of the existence of a separate salesforce subculture. In addition, there was a significant positive relationship between a perceived separate salesforce subculture and role conflict, job satisfaction, organization commitment, and propensity to leave. References available upon request.
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INVESTIGATING SALESPEOPLE ATTITUDES AND BEHAVIORS USING A LOCUS OF CONTROL BY SELF-EFFICACY HEURISTIC

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SUMMARY

Two goals appear common to all sales managers. For starters, sales managers must continuously satisfy the need to select and develop salespeople who possess the potential to deliver a desired level of performance to their organization unit. Moreover, managers always face the need to develop a sales force whose collective values and motivations are consonant with the mission and values of the organization for which they sell. The proficiencies with which any sales manager can recruit, hire, and develop salespeople who arrive more prepared to deliver sought after performance outcomes would clearly be facilitated if a systematic approach were available through which sales candidates could be suitably vetted prior to hire. The ability of management to hire candidates whose personal motives and value systems aligned properly with the organizational mission and values would also be enhanced through the use of such a heuristic.

Heuristic devices are always predicted on the presumption that their use will point to way toward superior decision making. In the case of this paper, the decision outcomes should be reflected in superior salesperson recruiting and hiring practices. To be practically useful, such heuristics must be valid, broadly replicable, and subject to comparatively easy application. Just such a heuristic is proposed and examined in this study. Presumably, this heuristic could be employed to classify prospective salespeople into “more/less likely to hire” categories.

The heuristic proposed here arrives in the form of a 2X2 matrix. The fact that a lean taxonomy is used offers one compelling advantage: Simple taxonomies are consistent with managerial precepts that the simplest (as opposed to the most simplistic) solution to any complex problem be pursued first. And surely, the tasks of recruiting and selecting the right – rather than almost right – sales candidates captures a complicated problem faced universally by sales managers.

Strong organizational cultures are built on shared values (Schein 1992). In turn, certain core beliefs and self-evaluations propagate such values. To succeed, sales organizations need salespeople characterized by certain values – stated elementally, the right sorts of values. One such value is a high internal locus of control – which typically manifests as a high internal drive. Each characteristic (behavioral tendency) has been proven useful in the selling task. Similarly, possession of a high or escalating level of confidence in one’s own selling skills – or high self-efficacy – should help salespeople perform more effectively.

An internal locus of control and perceived self-efficacy with respect to the selling task are useful in and of themselves. But far more utility as a hiring device may well be derived by pairing higher and lower levels of the two constructs in a matrix format, and then testing each to assess whether consistencies in managerially relevant salesperson attitudes and behaviors emerge. The resulting matrix offers a practical and compelling means through which substantial insights about how salespeople feel and behave along several managerially relevant constructs might be developed. The dependent constructs tested in this study included job satisfaction, job burnout, role conflict, inclination to withdraw from job-related tasks, and satisfaction with management.

Propositions grounded in social learning theory and relating to each construct noted previously were tested using data reported by 452 field-based industrial salespeople. The results were revealing. Four of five propositions were statistically supported.

Internally-oriented, high self-efficacy salespeople were more satisfied with their jobs than members of any other group. Externally-focused, low self-efficacy salespeople reported more burnout than did members of any other classification group. Externally-oriented, high self-efficacy salespeople perceived the presence of significantly greater role conflict than did their internally-oriented, high self-efficacy counterparts. Externally-oriented, low self-efficacy salespeople registered a greater tendency to withdraw than did either category of internally-focused respondents. The final proposition was not supported. To the contrary, internally-oriented salespeople – without regard to their self-reported efficacy – were more likely to be satisfied with their management “as a resource.”

These results suggest management should purposefully recruit and hire internally-oriented salespeople. Such respondents consistently reported higher levels of “job...
satisfaction” and “satisfaction with management,” and less “work-related burnout,” “role conflict” and “intention to withdraw.” Sales management would surely receive each outcome favorably. The positive influence of self-efficacy was shown to be equally decisive through its influence on the delivery of positive sales related outcomes. These results also suggested management should seek to develop perceptions (or the reality) of higher self-efficacy amongst members of their sales forces. Salespeople characterized by higher self-efficacy reported more “job satisfaction” and “satisfaction with management,” and less “burnout” and “tendency to withdrawal.”

While intuition underscores the suggestions that salespeople characterized by more satisfaction with their jobs and managers, and less burnout or a lower tendency to withdraw from challenging situations ought to perform at higher levels, additional empirical research to verify such conjecture would surely prove useful. References available upon request.

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SUMMARY

In many organizations, the salespeople serve as one of the key sources of market information (Chonko, Tanner, and Smith 1991). They interact with customers, competitors, and channel members and generate important market information (e.g., product performance in the market, competitors’ strategies, or major shifts in customer preferences). As Day (1994) reminds us, organizations can not fully benefit from market sensing if the information so generated is not extensively shared and jointly interpreted within organizations. Jaworski and Kohli (1990), as well as Narver and Slater (1990) also emphasize the importance of information sharing. They note that extensive information sharing and shared interpretation hold the key to firm’s competitive advantage in the marketplace.

In spite of its significance, literature on information sharing between sales and marketing functions is scarce. Research on intraorganizational sales communication has focused only on selected areas – e.g., aspects such as intraorganizational communication frequency, bidirectionality and modality among departmental members (Jholke and Duhan 2000), or presence of information sharing norms, and shared goals (Fisher et al. 1997) within organizations, and its impact on information sharing among organizational members have been examined. The need for further research in this area is voiced by Fisher et al. (1997) who have urged scholars to study the interfunctional communication in the context of sales and marketing.

This paper draws on Social Identity Theory (SIT) to investigate information sharing between sales and marketing. Social identity theory suggests that a universal facet of human thinking essential for efficient functioning is its ability to sort the many different objects, events and people encountered into smaller number of meaningful categories (Hamilton and Trolier 1986). This categorization often occurs spontaneously on the basis of physical similarity, proximity and shared fate, history of collective interaction, and goal similarity (Campbell 1958; Haslam, Eggins, and Reynolds 2003). In the process of categorizing people into groups, people typically classify themselves into one of the social categories (and out of others) (Higgins and Bargh 1987). Social categorization involves, most fundamentally, a distinction between the group containing self, the in-group and other groups, out-groups-between the “we”s and “they”s (Tajfel and Turner 1979).

This distinction creates intergroup bias, which in turn can impact the communication between the two groups.

This paper argues that owing to the factors such as difference in job functions, spatial separation, distinct roles within organizations, different goals, and dissimilar work patterns, the salespeople may tend to categorize themselves into one group (“we”) and marketing managers into out-group (“they”). It further argues that such categorization may impede the information sharing between sales and marketing. The salespeople may hold negative and competitive feelings toward their “out-group” members, owing to which they may not feel motivated to share information with marketing managers through formal or informal communication channels. The categorization of marketing personnel as out-group members may also cause the salespeople to “hoard” the market information and not share the same with marketing managers. Such categorization therefore may negatively impact the extent of information sharing between the two departments.

SIT further suggests that the processes of decategorization, recategorization, and mutual group differentiation can help individuals change the tone of the original categorization to reduce the inter-group bias thereby influencing the communication between the two groups. Drawing on these elements of SIT, this paper proposes that the above processes may reduce salespeople’s perceptions of marketing managers as out-group members thereby playing an important role in enhancing information sharing between salespeople and marketing managers. Specifically, the propositions suggest that the above-mentioned processes can positively moderate the positive relationship between information sharing norms, and shared goals and the extent of information sharing between salespeople and marketing managers, by increasing communication frequency, bidirectionality, and informality among them. This paper also proposes that the positive moderating effect of the above processes is more pronounced in the presence of shared goals compared to when information sharing norms are present.

This paper thus responds to Fisher et al.’s (1997) call and investigates an important area to extend the literature on intraorganizational sales communication. One limitation of this research is that it suggests only a propositional inventory which awaits rigorous empirical support. Further refinement of the propositional inventory and construction of survey instruments for empirical testing of
propositions would constitute a direction for future research. Future research can also investigate what it means (in organizational context) to enhance decategorization, recategorization, and mutual interdependence. Some other future research avenues are: investigating antecedents of decategorization, recategorization, and mutual interdependence processes, or investigating validity of the propositions across different organizational cultures and across different industries.

The propositions presented here, if supported, may have managerial implications. They may provide guidance to organizational managers wishing to improve their understanding of market information; e.g., managers may initiate processes aimed at reducing inter-group bias between sales and marketing which may positively enhance effects of information sharing norms and shared goals on information sharing between sales and marketing functions. References available upon request.

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EXPERIENTIAL KNOWLEDGE AND INTERNALIZATION OF FOREIGN MARKETS: A META-ANALYTICAL REVIEW

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SUMMARY

This study, through a meta-analytic procedure, aims at systematically reviewing the literature in international marketing focused on the effect of experiential knowledge in internalizing foreign markets. In findings, it is confirmed that experiential knowledge is a major predictor of MNCs’ desire of control in foreign market. This study also found that the different measure types, data sources, data time-span, and types of industry cause the fluctuation of effect size and valence of the previous findings.

The most common explanation for how multinational corporations decide their operating modes in foreign markets centers on firm-specific advantages. It has been generally thought that the firm-specific advantages such as experiential knowledge, firm size, capital intensity, and technology intensity lead to the tendency to seek higher level of ownership in foreign markets. Among the firm-specific factors, experiential knowledge is indeed the most frequently used variable in explaining what determines the choice of ownership structure of foreign subsidiaries. This popularity may be due to the predicting power of the variable in explaining ownership choice in foreign markets. This study, therefore, using a meta-analytical procedure, reviews the literature focused on the effect of experiential knowledge on deciding operating mode in foreign markets. To achieve this goal, the study integrates the existing studies of the effect of experiential knowledge on the ownership structure in foreign markets to a general conclusion and develops conceptual guidelines for designing future studies that increase the precision of knowledge in this established field of inquiry. More specifically, this study explores the following questions: (1) what are the tentative conclusions in the current research on the relationship between experiential knowledge and operating mode choice in foreign markets? Effect sizes of experiential knowledge from each study will be combined, and the combined effect size will explain what the empirical studies so far are generally saying on that matter. Next two questions are focused on explaining the sources of variability in results. Thus, (2) which measure type of experiential knowledge best predicts the level of ownership in foreign markets? Lastly, (3) are there variations in results created by the differences in time span of data, source of data, and industry type?

The computerized searches on academic databases were conducted, covering the published literature from 1984 to 2003. The key words used in theses searches were Entry Mode Choice, Experiential knowledge, International Experience, and the likes. Also conducted were issue-by-issue searches of Journal of Marketing, Journal of International Business Studies, and Management International Review. Another manual search included checking citations from some seminal studies, books, and review articles. Additionally, several researchers in the area of international business were contacted and asked if they were aware of any other studies that might have been reported in meetings or in journals other than those we reviewed. The effect-size selected for the analysis is a zero-order product-moment correlation coefficient \( r \) between entry/ownership mode and experiential knowledge measured by four types of indicators. Finally, 45 effect-size metrics were collected from 27 studies.

Meta-analytical results show experiential knowledge is a better predictor of MNCs’ desire of control in foreign markets in comparison to other variables. The remainder of results provides the explanation of the variability of research findings among the studies collected. The different measure types, data sources, data time-span, and types of industry cause the fluctuation of valence and effect size of the previous findings. First, regarding measure type, number of years in international operations turned out to the best measure for testing the relationship between experiential knowledge and ownership level in FDI. However, in case that the error variance from the measurement of dependent variable was held constant, multinationality appeared to be better than others to increase the magnitude of the proposed relationship. The unique advantages of these two measures will be carefully assessed in future research. Experience in host nation is inferior to the two measures in our findings. Sources of data also affect the varied results of studies. In survey, the significance of the relationship between experiential knowledge and desire for control tends to be intensified. Maybe, the responding tendency of managers might be to overestimate the intensity of the relationship asked. More methodological discussion should be provided for this finding. Third, one of our findings confirmed that desire for full ownership had been increasingly impacted by experiential knowledge through 80s and 90s. This notion does not seem to conflict with the fashion of strategic alliances these days. With increased number of firms internationalized, strategic alliances such as joint venture may be easy to observe and easy to take for many of the firms. However, after gaining experience, many firms that used to commit to alliances would feel the urge for more control. Lastly, the service
sector is more inclined to integrate foreign operations according to our findings. Because of their relatively small amount of fixed asset and overhead (Anderson and Gatignon 1986), service firm would find it easier to get more control in international operations after gaining experience and not needing help from the host country. In sum, the present study again highlighted the importance of experiential knowledge in international business. Today, managers in international business can choose from a larger set of alternatives in their strategic moves. To fully take advantage, experiential knowledge must become equipped in them or their organization. The more experienced they get, the more sophisticated firms could operate flexible strategies in global markets.

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PARTNER ASYMMETRY AND ALLIANCE FAILURE: AN INVESTIGATION OF LEARNING ALLIANCES

Anna Shaojie Cui, Michigan State University, East Lansing

SUMMARY

Despite of the high failure rate of alliances, the reasons of alliance failure are not well investigated in the literature. Previous research identified competition between partners as a source of alliance failure, but specifically how competition between partners affects the outcome of an alliance is not studied. This research investigates the reasons of alliance failure from the perspective of partner asymmetry in a learning alliance context. The coexistence of cooperation and competition characterizes alliance partnerships. An alliance partnership contains two countervailing tendencies: cooperative activities that are based on the common interest of both partners, and competitive behaviors that are based on the pursuing of self-interest. When competition eclipses cooperation, the alliance is exposed to high risk of failure. In learning alliances, learning is a key element of competition between partners. Firms cooperate by facilitating the partner’s learning while at the same time protect their own knowledge. Difference in learning between partners arises in the process of cooperation and competition. How much a firm learns from its partner influences the firm’s satisfaction of the partnership, perception of the potential partnership value, and accordingly the outcome of the alliance.

This study defines alliance failure as dissolution of an alliance before achieving its goal. Considering both duration and goal achievement, this definition distinguishes alliance failure from dissolution and instability. The propensity of failure is the possibility of failure at a certain point of time during the partnership. Based on this definition, the propensity of failure depends on the firms’ willingness to continue the partnership and the achievement of alliance goal.

Learning asymmetry is the difference in the magnitude of learning between alliance partners. Detrimental to firms’ willingness to continue the partnership and the achievement of alliance goal, learning asymmetry increases the propensity of failure of an alliance. For the disadvantaged firm, learning less not only increases the difficulty of achieving the goal, but also decreases its willingness to continue the alliance by decreasing its satisfaction of the partnership. For the advantaged firm, the difficulty of learning increases because of increased protectiveness of the disadvantaged firm. Also, as it learns more, the advantaged firm’s perception of the potential value of the partnership decreases, which reduces its willingness to continue the alliance. The relationship between learning asymmetry and the propensity of failure is moderated by the firms’ tolerance of asymmetric outcome. The lower level of the firms’ tolerance of asymmetric outcome, the stronger effect of learning asymmetry has on the propensity of failure.

Learning asymmetry is determined by different learning characteristics of the partners. Factors affecting inter-firm learning include knowledge base, learning capability, and cooperation effort of the partner. The knowledge bases of the firms may be different in the amount of unique knowledge and/or the level of knowledge ambiguity. The amount of unique knowledge determines the potential of learning; knowledge ambiguity determines the difficulty of learning. Asymmetry between the two firms’ knowledge bases, in terms of both the amount of unique knowledge and the level of knowledge ambiguity, is positively related to the level of learning asymmetry between partners. Learning capability is the firms’ ability to learn from the partner. The higher level of asymmetry in the firms’ learning capability, the greater is learning asymmetry between partners. Cooperation effort is the extent to which a firm cooperates to facilitate the partner’s learning. Higher level of cooperation effort between partners is related to higher level of learning asymmetry. Through its effects on learning asymmetry, partner asymmetry in terms of these learning characteristics influences the outcome of an alliance.

This research contributes to the understanding of the reasons of alliance failure by investigating the impact of competition between partners on the outcome of an alliance in a specific context of learning alliances. It theorizes that, learning asymmetry between partners, which is caused by the asymmetric characteristics of partners such as knowledge base, learning capability and cooperation effort, increases the propensity of failure of an alliance. It reveals partner asymmetry as an important factor affecting the outcome of an alliance and shows that high level of asymmetry between partners is detrimental to an alliance and a balanced partnership is more likely to lead to success.
WHO IS WINNING OUT: RETROSPECTION ON THE TWO-DECADE STANDARDIZATION/ADAPTATION DEBATE AND FUTURE FORESEEING

Shichun Xu, Michigan State University, East Lansing

SUMMARY

The international marketing literature over the past two decades has devoted considerable attention to the issue of standardization versus adaptation of marketing programs and processes in the global market. The standardization school of thought assumes the convergence of consumer tastes, lifestyle and preferences as a result of the development of communication and proposes using standardized marketing programs in different countries to achieve economy of scale. In contrast, the adaptation school believes that national and cultural differences are still prevalent and managers need to take these differences into account and adjust their marketing strategy accordingly.

Even though numerous studies have been conducted in this area, this literature lacks a thorough review that organizes and summaries both the conceptual and the empirical works. As a result, findings remain isolated and inconsistent. A principal purpose of this manuscript is to provide a comprehensive review and synthesis. We also identify some new research streams to help us better understand the firm practice and its performance implications.

Standardization can be successful to the extent that a global market can be segmented and cultivated in a managerially meaningful manner that products can be properly standardized. As a result, research in the late 1980s centered on identifying the existence of meaningful segmentations of the world market. These segmentation studies approached the issue by looking at either environmental variables or behavioral traits. Researchers have employed cluster analysis technique to group countries by economic, demographic or psychographic characteristics. Research shows that although there is a trend in terms of convergence in consumer tastes, it is still unrealistic to claim the whole world as one homogeneous market. However, it is plausible to segment by grouping either countries or customers into clusters within which a standardized marketing strategy can be implemented and it seems to make more sense to segment markets on a customer basis instead of on a country basis.

Another stream of research was to examine how prevalent standardization was in business practice. The review reveals that marketing mix elements do not experience standardization equally. Product and price standardization have witnessed a slight increase over the years while promotion standardization is at a decline over time. Distribution channels are least studied with only two studies identified and they used different measures. Due to the limited number of studies, any conclusion may be subject to biases and no attempt is made here. The difficulty associated with comparing these statistics might be due to several reasons. Different industries surveyed in the studies, different questionnaire designs as well as different measures employed in the studies all contribute to the barrier of making meaningful comparison.

Studies in the 1990s were characterized by a uniform focus on empirical testing. These empirical studies can be roughly classified into two categories: studies empirically identifying factors that affect standardization/adaptation levels and studies empirically testing the effect of standardization/adaptation on firm performance. Some studies managed to answer these two questions simultaneously.

Several factors emerge to influence the standardization of marketing elements. These factors cover environmental, industrial, and firm specific characteristics. Firms normally standardize their marketing mix when the host market condition in terms of competition intensity, legal environment and product life cycle are similar to those in the home countries. Different environmental factors, however, may exert its power on different marketing elements and at different cross marketing scenarios. In terms of the four marketing mix elements, standardization is mostly product related and managers employ different levels of standardization across the four marketing elements. Some firm specific characteristics such as knowledge of headquarters on the local market and firms’ desirable control level seem to play an important role in the strategic choice of firms. Control and governance issues prove to be important in making standardization decisions and mediate the positive effect of standardization on performance.

Studies concerning performance implications of standardization practice demonstrate a great variety in terms of geographic locations reached, industries covered and measurements employed. Among the articles collected for this study, most of them find a positive relationship between adaptation and firm performance. Studies that did find supporting result for standardization also have serious conditions attached: standardization will only
enhance performance if products are marketed to similar markets; the positive relationship between the standardization and the firm performance is limited to certain product categories. Therefore, there is a strong tendency for people to conclude that adaptation should be preferred.

In summary, empirical studies have largely confirmed most of the factors that affect the standardization/adaptation decisions. Environmental, structural and strategic factors interplay when standardization/adaptation decisions are made. A consensus is that market similarity is a key factor favoring standardization. On the performance side, there is strong tendency for people to conclude that adaptation will enhance export performance and standardization has the potential to enhance performance if markets are similar to each other. References are available on request.

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STUDENT VALUE IN MARKETING EDUCATION

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ABSTRACT

This study aims at analyzing the value of educational services for the students. In-depth interviews were conducted with students in Brazil. The laddering technique was used for data collection. Results indicate that value for the student has five key points: sharing, learning, belonging, status and self-confidence, and contributions and duties.

INTRODUCTION

Education requires a transformation capable of establishing mechanisms that add value to the audience involved with teaching, such as students and teachers—who are directly involved, and organizations and society—that feel the impact of educational formation in an indirect way, because they deal with the individual both in the role as a professional and as a citizen—and both of these roles are—at least in part—school’s responsibility. The purpose of this article is to analyze the delivery of value in educational services from the student’s perspective. Therefore, we looked for the concept of customer value in literature and then carried out a field research with students.

THE CONCEPT OF CUSTOMER VALUE

Quality, worth, benefits and utility: these are some of the terms most commonly used to explain the concept of customer value. Because of this variety, discussion on the most appropriate definition for this concept is far from reaching consensus. Woodruff (1997, p. 142) looked for a broad definition of customer value, comparing the common and differing points on a series of proposals. Based on this he suggested the following concept:

Customer value is a customer’s perceived preference for and evaluation of those products attributes, attribute performances, and consequences arising from use that facilitate (or block) achieving the customer’s goals and purposes in use situations.

The idea of relating product attributes (A), their performance to consequences of use (C) and intended objective, the personal values (V) is anchored in the means-end chain model. Gutman (1982) was conceived in order to supply a theoretical structure capable of linking consumers’ values to their behavior. His definition (p. 60):

Means are objects (products) or activities in which people engage (running, reading). Ends are valued states of being such as happiness, security, and accomplishment. A means-end chain is a model that seeks to explain how a product or service selection facilitates the achievement of desired end states.

A sequence A-C-V forms what Gutman (1982) called the means-end chain, or ladder. The set formed by various means-end chains is represented on the Hierarchical Value Map (HVM), which indicates the relationship between all the attributes, consequences, and personal values relative to the product. The means-end chain model emphasizes why and how products are important in customer’s life, going beyond the understanding of their functional properties. There are four assumptions that support this idea. First, that personal values—defined as final desired states of existence—play a dominant role in directing customer’s choice. Second, that people group in sets or classes the diversity of products that present themselves as potential means of satisfying needs and values. Third, which all consumer actions have consequences and fourth, that consumers learn to associate a particular consequence with particular actions (Gutman 1982, pp. 60–61). Botschen, Thelen, and Pieters (1999, p. 40) remind us that attributes do not explain the reasons that lead a customer to buy or use a good or a service, or to engage in some activity. Therefore, from the customer’s point of view, it is not the product’s attributes that in fact matter, but the problem solution coming from consequences or subsequent personal values.

Corroborating this idea Gutman (1982), agreeing with Rokeach (1973) testifies that consequences have positive and negative valences, depending on the relationship established with personal values. The desire for positive consequences and the acceptance of negative consequences, therefore, are determined by the personal value with which they are associated. For example, a student may understand the effort put into hours of study as a negative consequence associated with the rigorous course demands (product attribute). However, he/she insists on continuing the course and overcoming this negative consequence because he/she believes that his/her objectives (personal values) will be achieved by means of this effort. The student may believe, for example, that such an effort (negative consequence) will be returned to him/her in terms of professional recognition, or that it will make him/her feel fulfilled (personal value). Each individual, therefore, forms a perception of the
extension that the consequence derived from the product use is going to help the student obtain the desired end states.

Some modifications, such as broadening the chain levels, were suggested for Gutman’s (1982) model to preserve certain peculiarities of the elements. The broadened model proposed by Olson and Reynolds (1983), recommends that the attributes be subdivided into concrete and abstract, consequences into functional and psychological and personal values, into instrumental and terminal (Botschen, Thelen, and Pieters 1999, p. 40; Valette-Florence and Rapachi 1991, p. 31). Each of the six hierarchical labels are discussed in more detail:

a. Concrete and abstract attributes: “Attributes are features or aspects of products or services” (Valette-Florence and Rapachi 1991, p. 31), they are relatively concrete meanings that represent physical or perceptible characteristics in a product (Gengler, Mulvey, and Oglethorpe 1999, p. 176). They can be understood as characteristics of products, services or behaviors that are preferred or sought by consumers (Botschen, Thelen, and Pieters 1999, p. 40), or that are normally described by them (Woodruff and Gardial 1996) and what is in the real product, that produces consequences (Valette-Florence and Rapachi 1991, p. 31). Attributes are at the lowest level in the chain and are subdivided, varying within a continuum that goes from the concrete to the abstract (Chi-Feng 2002, p. 340). Concrete attributes are defined as the directly perceptible physical characteristics of a product. Examples are price, color, weight, etc. (Vriens and Hofstede 2000, p. 6), while abstract attributes refer to relatively intangible characteristics, such as style and brand (Chi-Feng 2002, p. 340) or perceived value (Botschen, Thelen, and Pieters 1999, p. 40).

b. Functional and psychological consequences: Consequences are at the intermediary level in the chain and have a more abstract meaning that reflects perceived benefits (or costs) associated with specific attributes (Gengler, Mulvey, and Oglethorpe 1999, p. 176). They are characteristics that are less – or not – directly perceptible in a product or brand, and are the result of various attribute combinations and the product use by the consumer (Vriens and Hofstede 2000, p. 6). Consequences are what the consumer feels after consuming the product; this might be a positive or a negative feeling (Chi-Feng 2002, p. 340). In specific situations they represent behaviors (Valette-Florence and Rapachi 1991, p. 31). Functional consequences act directly on the consumer from the time the product is consumed (Valette-Florence and Rapachi 1991, p. 31). “Examples are ease-of-use, comfort, and convenience” (Vriens and Hofstede 2000, p. 6). Psychological consequences, on the other hand, are produced by functional consequences, such as when the product use produces a sophisticated image or status (Valette-Florence and Rapachi 1991, p. 31).

c. Instrumental and terminal values: Personal values provide general guidance (Valette-Florence and Rapachi 1991, p. 31), and are part of our lives. They determine, regulate, and modify relationships between individuals, organizations, institutions and societies (Dibley and Baker 2001, p. 78). Personal values are generally defined as beliefs and relatively stable cognitions that have a strong emotional impact. Examples are security, happiness, fun, and enjoyment (Vriens and Hofstede 2000, p. 6). Values are at the most abstract level in the chain, and as originally suggested by Rokeach (1973) are subdivided into instrumental and terminal values. Terminal values represent the final states of existence, that is, they are the goals we seek in life, such as peace, self-achievement, and prosperity. Instrumental values are ways of behaving that lead to terminal values, such as ambition and resourcefulness that might be necessary for achieving prosperity, for example.

**RESEARCH METHOD**

The aim of the field research was to identify the relationships and the means-end chain elements (attributes, consequences, and personal values) that explain student value in educational services. In the value analysis, some techniques proved to be more appropriate than the methods traditionally used to measure satisfaction and other aspects of behavior. Laddering technique – because it structures value dimensions hierarchically – is one of the most recommended and widely used methods for such a purpose (Botschen, Thelen, and Pieters 1999; Chi-Feng 2002; Dibley and Baker 2001; Gengler and Reynolds 1995; Gengler, Mulvey, and Oglethorpe 1999; Grunert and Grunert 1995; Lastovicka 1995; Reynolds and Gutman 1988; Reynolds and Whitlark 1995; Valette-Florence and Rapachi 1991; Vriens and Hofstede 2000; Wansink 2000; Woodruff and Gardial 1996). However, the laddering approach presents some limitations. The main limitations are its implementation in large-scale, with representative samples (Vriens and Hofstede 2000), the complexity, excessive costs, significant time and effort required to complete any study (Botschen, Thelen, and Pieters 1999; Gengler and Reynolds 1995; Vriens and Hofstede 2000), its use only as a descriptive tool (Bagozzi and Dabholkar 1991; Rugg et al. 2002) – there are no theoretical or statistical criteria to guide the selection of the cut-off level for a Hierarchical Value Map (HVM) (Chi-Feng 2002; Grunert and Grunert 1995) and the process to select and group attributes, consequences and values variables are subjective and may simplify the scope and depth of interviewee response (Chi-Feng 2002). According to Vriens and
Hofstede (2000) in the laddering approach, usually around 30 qualitative interviews suffice to identify the possible set of attributes and benefits. Nevertheless, some studies (Dibley and Baker 2001; Foote and Lamb 2002; Manyiwa and Crawford 2002; Rugg et al. 2002; Thyne 2001) used a limited number of respondents (smaller than 30). In this study, in-depth laddering interviews were conducted with 10 executive MBA students, 9 Masters degree students and 9 PhD students during the first semester of 2003 in São Paulo, Brazil. In Brazil PhD and Master courses are taken by academicians and researchers and their profile is just about the same – the difference lies on the level of the research. The interviews were recorded, transcribed, and submitted for content analysis. The software called Laddermap helped in handling the laddering data. The decision to use this software was based on operational gains it provides when constructing the Hierarchical Value Map (HVM) and determining dominant perceptual orientations (Gengler and Reynolds 1995; Lastovicka 1995). The Laddermap use was made possible by the program’s creator, Professor Gengler, who very kindly lent it to us to carry out the research.

RESULTS ANALYSIS: STUDENT VALUE IN EDUCATIONAL SERVICES

The job of understanding student value includes two preliminary steps: (i) identification of the means-end chain elements, according to the classification into attributes, consequences and personal values and (ii) determination of the inter-relationship between the means-end chain elements, with the Hierarchical Value Map (HVM) presentation. These steps help in the interpretation of the meaning of student value.

The Identification of Means-End Chain Elements

This analysis allowed to identify 11 concrete attributes, 5 abstract attributes, 10 functional consequences, 13 psychological consequences, 6 instrumental values and 3 terminal values. These categories were divided in accordance with the similarity of commentaries as far as meaning was concerned. Classification of elements followed the order emphasized by respondents and followed the sequence in which the elements were mentioned and in accordance with the level of abstraction of the replies. Therefore, for example, faculty was considered a concrete attribute because it is a component of educational service, while reputation was considered an abstract attribute because of its relation with faculty and other concrete attributes. Knowledge acquisition was classified as a functional consequence because it is a benefit directly provided by educational service, while social approval was classified as a psychological consequence because it is related to respondent’s feelings, being the result of a functional consequence. Finally, those elements that act as means of achieving terminal values and which were emphasized as final objectives by the students were classified as instrumental values. Table 1 shows and describes elements that comprise the means-end chains.

The Inter-Relations Between Means-End Chain Elements

The study of the inter-relations between the 48 elements identified in the content analysis is expressed on the Hierarchical Value Map (HVM) that is shown in Figure 2. A cut-off point of 12 was used, which represents 72 percent of the relationships between the elements, in accordance with Reynolds and Gutman’s (1988, p. 20) recommendation who suggest that at least two thirds of the relationships be represented on the map. The presence of a high cut-off point reflects redundancy in interviewees’ replies that frequently emphasized the same attributes, consequences, and personal values. Figure 1, which precedes the HVM presentation (Figure 2), illustrates the basic structure used in presenting the map.

To take a specific example, one means-end chain revealed the following sequence: (02) faculty → (14) requirement → (20) personal effort → (17) knowledge acquisition → (19) development of cognitive skills → (28) professional and intellectual growth → (31) career opportunities and employability → (44) prosperity. Starting with faculty, each element is connected to the others adjacent to it, indicating that the respondents felt there was an implicative relation between them. In the example, faculty set a chain of events in motion that eventually led to prosperity. To the student (interviewed), faculty and requirement means that the educational service will help deliver the consequences of personal effort, knowledge acquisition, development of cognitive skills, professional and intellectual growth and career opportunities and employability. As a result, these consequences help the student fulfill the personal value prosperity.

Besides constructing the HVM, analysis of the inter-relationships between the elements also counts on the identification step of the dominant chains. Based on this step the interactions that most contributed to the map’s result were identified (Table 2).

Dominant orientations, that is, the most important relationships, are concentrated above all in psychological consequences because of the nine inter-actions selected in Table 2; eight include elements of this value hierarchy level. Five of these interactions refer to associations between psychological consequences and instrumental values, which indicates the student emotional involvement with this type of service, as shown in the following topic.
\begin{table}
\centering
\begin{tabular}{|l|p{15cm}|}
\hline
\textbf{Means-End Chain Elements} & \\
\hline
\textbf{Concrete Attributes} & \\
(01) **Student body**: student’s profile of the teaching institution: maturity, experience and professional activities, interests, cultural level and career success, including class and course colleagues and former students, in general. \\
(02) **Faculty**: faculty’s profile of the teaching institution: (i) diligence, (ii) attentiveness, availability and interest in the students, (iii) professional activities and experience, (iv) international activities and experience, (v) keeps up with trends, (vi) knowledge within his area of teaching and research, (vii) dedication, (viii) teaching skills, (ix) cultural level, (x) academic level and professional qualifications and (xi) scientific production. \\
(03) **Cost**: monetary sacrifice required to take the course, including tuition, payment of indirect costs, such as photocopies and books and the opportunity cost regarding the exchange of remunerated work time (or higher remuneration, in the case of those on grants) for dedication to the course. \\
(04) **Disciplines**: program content, discipline program and/or disciplines the student has the possibility of studying, taking into account variety, relevance, keeps up with trends, specific aspects and depth of the themes, in accordance with the area of interest. \\
(05) **Duration and schedule**: course conclusion deadline, times and days of the week the student has classes. \\
(06) **Classes format**: teaching techniques used in the course, considering their adjustment to class objectives, variety of methods used, such as expositive class and teaching in small groups (seminars, case method, and corporate games) and use of audio-visual and technological resources. \\
(07) **Infrastructure**: structural conditions and support systems that guarantee that the course flows smoothly and the teaching and learning process, which involves the institution’s facilities, such as classrooms, study-rooms, library, IT laboratory and secretarial support: equipment, illumination, cleanliness, opening hours, employees’ level of competence, quality, quantity and variety of books and materials available on the course, such as supplementary material, additional texts and suggested reading material. \\
(08) **Location**: place where the institution is established, including the city where it is situated and ease of access, including car parking. \\
(09) **Admission process**: classifying and eliminatory steps to select candidates for a vacancy on the course, considering the level of difficulty to fill a vacancy, ratio of candidates per vacancy, number of people interested and level of preparation required from candidates. \\
(10) **Research activities, conferences and publications**: research and study activities carried out in the teaching institution that result in books, publication in scientific periodicals, participation in events (congresses, symposia, scientific meetings, fairs and conferences), organization of in-house magazines and periodicals and finally, publications in the media in general that make reference to the institution’s research programs and study centers. \\
(11) **Position and degree**: formal documents such as certificates or diplomas that testify to the fact that the student has concluded and passed the course, providing him/her, if necessary, with the level of degree obtained. \\
\hline
\textbf{Abstract Attributes} & \\
(12) **Campus and school environment**: atmosphere on campus and in the teaching institution: place dedicated to study, an agreeable place to be, a scenario that allows reflection and interaction between people when exchanging knowledge. \\
\hline
\end{tabular}
\caption{Means-End Chain Elements}
\end{table}
### TABLE 1 (Continued)

13. **Theoretical and practical emphasis**: attitude and direction of the teaching institution regarding theoretical and conceptual basis versus practical approach, taking into consideration academic strictness and experience, examplification and illustrations taken from real-life situations.

14. **Requirement**: strictness and charges regarding the student’s attitude and the presentation of results that reflect how much is being got from the course, what is being learned, development, seriousness and dedication, such as frequency and minimum attendance, discipline and participation in the classroom, time dedicated to the course, evaluation of what is being learned (tests, work, papers, articles) and meeting deadlines.

15. **Personal competence**: student’s level of preparation to follow, take advantage and contribute to the course, considering his/her maturity, experience, willingness, interest, vocation and self-discipline.

16. **Reputation**: renown, tradition and image that the teaching institution has socially from the student’s point of view, credit received informally through the opinions of colleagues, friends, acquaintances and opinion-makers, and formally through evaluations and classifications from independent and government organizations, such as rankings produced by magazines and career guides.

### Functional Consequences

17. **Knowledge acquisition**: process of acquiring and gaining knowledge, information and techniques and/or adding to those that the student already masters.

18. **Knowledge update**: process of updating and recycling knowledge, information, and techniques learned previously by the student.

19. **Development of cognitive skills**: improvement process and progress of knowledge and intellectual capabilities, considering that the student develops reasoning skills, reflection and critical analysis, broadens the student vision and way of thinking, makes comparisons between different points of view and uses “learning to learn” capability.

20. **Personal effort**: student’s energy/stamina, spirit, input/commitment, and dedication to the course, which involves hard work, attempt to do the best, to meet expectations and to achieve the hoped-for results, by giving up other investments, leisure and socializing.

21. **Identification and admiration**: student’s identification with people and/or the place, to whom/which the student expresses admiration, by holding them as a point of reference.

22. **Enthusiasm and motivation to study**: student’s enthusiasm, state of excitement or instigation towards studies, expressing willingness to learn and put learnings into practice.

23. **Classes’ level of quality**: degree of quality of the class – organization, preparation, depth, and interaction it provides – allowing the student to learn and develop.

24. **Possibility to share**: opportunity the student has to interact with other people in exchanging and sharing experiences, ideas, and opinions in the professional field, as well as perceptions, expectations, discoveries, joy, anguish and values relating to this moment in life.

25. **Network**: possibility of the student to build, expand, and maintain relationships with persons of same interest.

26. **Socialization and personal life**: possibility of the student to integrate with individuals in his/her personal life, therefore establishing bonds of friendship.
### TABLE 1 (Continued)

**Psychological Consequences**

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<tr>
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<th>Description</th>
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<tbody>
<tr>
<td>27</td>
<td><strong>Social approval</strong>: student’s feeling of approval in the social environment, including family, friends, work colleagues, and bosses.</td>
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<tr>
<td>28</td>
<td><strong>Professional and intellectual growth</strong>: student’s recognition of own learning when feels its effects and results in the professional and intellectual life, by seeing advancement in the role as an executive, professor, researcher, consultant and/or specialist, as well as the development of the reasoning skills, capacity to deal with challenges and to solve problems and complex situations.</td>
</tr>
<tr>
<td>29</td>
<td><strong>Familiarity and bond</strong>: student’s idea of feeling at ease with people he/she knows well, that is in a place, and/or with familiar faces and is establishing bonds that endure over the long term even though they are only memories.</td>
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<tr>
<td>30</td>
<td><strong>Self-image</strong>: concept that the student has of himself/herself and how the others see him/her.</td>
</tr>
<tr>
<td>31</td>
<td><strong>Career opportunities and employability</strong>: concept of the student regarding the possibilities for advancing hierarchically in his job, changing functions or jobs, beginning new professional activities and starting a new career, as well as remaining interesting as far as the market is concerned, employable and meeting the demands and requirements of recruiters and those who select candidates.</td>
</tr>
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<td>32</td>
<td><strong>Quality of life</strong>: student’s sense of well-being, respect for limitations and search for internal equilibrium, in the sense of facilitating his existence and making situations less complex and easier to deal with.</td>
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<tr>
<td>33</td>
<td><strong>Responsibility</strong>: feeling the student has of being responsible for himself/herself and for third parties, like: his/her family, the company, society and/or the teaching institution.</td>
</tr>
<tr>
<td>34</td>
<td><strong>Retribution</strong>: student’s concept regarding his/her way of compensating, paying back and giving something in exchange for the service, help or benefit he/she has received.</td>
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<td>35</td>
<td><strong>Feeling of independence</strong>: student’s feeling caused from a situation that gives him/her professional or personal independence; this involves the possibility of making his/her own decisions, without needing the support or backing of third parties and of managing his/her own life and/or situation according to what he/she considers ideal.</td>
</tr>
<tr>
<td>36</td>
<td><strong>Feeling of intelligence</strong>: student’s feeling of being intelligent because is part of a group of admiration and/or because he/she has achieved hoped-for results.</td>
</tr>
<tr>
<td>37</td>
<td><strong>Feeling of relief</strong>: student’s feeling when leaving the routine and/or situations that represent a sacrifice, such as relieving the stress he/she deals or has dealt with on a daily basis and escaping from a professional situation that does not or did not bring any satisfaction.</td>
</tr>
<tr>
<td>38</td>
<td><strong>Feeling of mission accomplished</strong>: student’s feeling regarding the fact that he/she is doing what has to be done, and of fulfilling his/her obligations.</td>
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<tr>
<td>39</td>
<td><strong>Feeling of security</strong>: student’s feeling regarding the support and guidance received during the time at the teaching institution.</td>
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**Instrumental Values**

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<tr>
<td>40</td>
<td><strong>Self-confidence</strong>: student’s belief that he/she is capable and prepared to make decisions and to face challenges that surround him/her.</td>
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</table>
Understanding Student Value In Educational Services

The HVM was split into parts to help understand student value. In this way, and even by combining some means-end chains, we looked for key representations that make up the expressions of value as far as educational service is concerned. Each part was analyzed separately, giving rise to five main representations, as follows: the meaning of sharing, the essence of learning, the feeling of belonging, the expression of status and self-confidence, and visions on contributions and duties.

The meaning of sharing relates to the way the student participates in groups involved with the school – for example, professors, coordinators, class colleagues and
FIGURE 2
Hierarchical Value Map (HVM) for the Student in Relation to Educational Services
[Number =27]. Cut-off point = 12*

* 72% of the relationships are represented on the HVM, considering 27 respondents.
former students – by sharing experiences and friendship. The essence of learning corresponds to the value involved in the learning process that modifies the student’s attitude both as a professional and as a person to the extent that it allows mastering of working instruments and provides for the development of reasoning skills and the capacity to deal with challenges. The feeling of belonging is the representation linked to the need of feeling accepted and included in the group. Belonging may be related to the job market, taking into consideration that the course title enables the student to be socially acceptable in his/her professional environment. Furthermore, it may also be linked to his/her identification and admiration towards the professors or towards the educational institution, therefore developing a feeling of fondness and belonging to school’s environment. The expression of status and self-confidence refers to self-affirmation and self-approval that interfere in the way the student sees himself/herself relative to others, therefore influencing the image he/she has of himself/herself and the way he/she values himself/herself as a person and as a professional. The visions on contributions and duties are related to the way the student, in exchange for the service, support and benefits received during the course, compensates and returns something to the school, his/her family and sometimes to the company that helped him/her take the course.

In this research, we noticed differences in the way executive MBA students understand the meaning of sharing and the essence of learning, compared to Masters degree or PhD students, besides their particular way of looking at contributions and duties. In the executive MBA course, relationships with peers, an immediatist focus on learning and the vision of the course as an acquired right stand out. Academic students on the other hand prioritize contact with professors, look for self-achievement, and seek to meet the school’s requirements as a way to compensate for the benefit received.
FINAL CONSIDERATIONS: HOW EDUCATIONAL INSTITUTION CAN OFFER VALUE?

The study of value through the means-end chains provides a relatively easy path to the characterization of cognitive inter-relationships between attributes, consequences and personal values, where product characteristics gain meaning due to their association with the consequences coming from the product use, and consequently with the achievement of personal values. In education, the study of value presents an interesting approach because it prioritizes the long-term since personal values – just like the education effects that manifest themselves over time – are not always achieved at the moment the service is provided.

The offer of valued educational services is based on the understanding of the five representations that express value for the student: the meaning of sharing, the essence of learning, the feeling of belonging, the expression of status and self-confidence, and visions on contributions and duties. This means that the delivery of value is associated with the way the school manages each one of these aspects. Table 3 summarizes suggestions on how schools can offer value in services in accordance with the key-representations.

Besides these generic suggestions we can relate them to the courses analyzed. With regard to the executive MBA course specifically, we would make the recommendations: (i) make the students aware of the sacrifices involved in the process of going back to classes, trying to encourage them to overcome difficulties and to be proactive in their search for learning opportunities; (ii) make the students conscious of the cognitive gain that the course will give them, regardless of the immediate application of the knowledge acquired; (iii) before starting each module

<table>
<thead>
<tr>
<th>Representations</th>
<th>How to Offer Value?</th>
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<tr>
<td>The meaning of sharing</td>
<td>To facilitate the exchange between the student and different audiences, prioritizing the contact of the student with professors of the institution and with course colleagues, while, on the other hand, providing the opportunity of contact with former students, students of related courses, professors and students from other national and international institutions and members of the academic and business community, both inside and outside the classroom.</td>
</tr>
<tr>
<td>The essence of learning</td>
<td>To ensure learning conditions to the student and the commitment of the professor with the institution and with the student’s development; to value a level of difficulty that stimulates the growth of learning and procedures that lead to the recognition of his/her own progress, presenting consistent justifications that explain decisions of the school that interfere in his/her learning process.</td>
</tr>
<tr>
<td>The sense of belonging</td>
<td>To encourage the idea of obtaining the title or certificate, associated with the image differential provided by the institution, due to the proven, recognized seriousness, difficulty and quality. To promote the student’s involvement with the school, allowing his/her participation in extra-curricular activities and the student’s physical presence in the teaching institution, with the intention of showing that he/she is important for the school and that he/she is welcome during and after the course.</td>
</tr>
<tr>
<td>The expression of status and self-confidence</td>
<td>To give evidence of the reasons that justify the good reputation of the teaching institution basing the arguments on proof about the acceptance and recognition by the academic and business community.</td>
</tr>
<tr>
<td>Visions of contributions and duties</td>
<td>To acknowledge the student’s efforts in accomplishing and managing his/her commitment to take the course, encouraging him/her to pursue it with dedication to achieve his/her learning objectives. To allow the student’s bond with the institution after the course, by showing possible ways to help and contribute to the school.</td>
</tr>
</tbody>
</table>
of the course, explain its objective to the students, present classes and lectures that make up the module and justify why it is important for the student’s learning, linking the arguments to the criteria of market employability; (ii) suggest the preparation of a piece of work at the end of each module, in which the student will indicate a situation in his professional life where he/she has used (or intends to use) the acquired knowledge and; (iii) establish a routine where the demands of the students are heard, either in meetings with the coordinating body or by the election of a class representative.

For Masters degree and PhD courses we have the following suggestions: (i) to make available in the course’s reading list, references to articles, publications and material that reflect the latest word on the subject, including classic texts and recent writings; (ii) to encourage a close follow-up by the professor-tutor of the student’s activities; (iii) to encourage an interdisciplinary approach by offering courses that involve more than one area of concentration and; (iv) to promote contact with undergraduates, explaining to them why the Masters degree and PhD students are taking part in their course, by appropriately structuring the monitoring program.

Future means-end researches should examine the values of educational service for other groups in addition to students, such as recruiters, faculty and patrons, comparing them for similarities and differences.

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Value is not only created in the short term. Education professionals can definitely not have the idea of providing the student with instant satisfaction because this might mean they are going against their own future interests. It is worth remembering that once the moment of sacrifice has passed, the student tends to regard the difficulty he/she experienced at school in a positive light, because he/she associates it with subsequent rewards of the effort he made which provided him/her with the knowledge acquisition, development of cognitive skills, personal growth, social recognitions and other things. Consequently, when enrolling for a course, the student is not only interested in getting a diploma, taking classes or having access to the library, but also seeking further personal development, reputation, possibilities for social and career progress. It is important to identify connections between the product characteristics on one hand, and needs and personal values on the other, to provide programs and products with the capacity to create value for the organization’s audiences, as well as for educational institutions.


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ROLE OVERLOAD AMONG UNDERGRADUATE
COLLEGE STUDENTS

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SUMMARY

How much stress do our students experience? What is the nature of their stress and should we be concerned about it? The marketing education literature has paid little – if any – attention to these questions. This is somewhat surprising given that role stress is one of the most studied variables in the academic research of organizational behavior, including sales management.

Clearly, undergraduate college students are in a stressful time of their life. In most cases, they are living on their own, far from home for the first time. Balancing the demands of the coursework, extracurricular activities, and social life of college can be challenging for many. In addition, many students deal with the responsibility of paying for part or all of their own education; and so, they work at jobs during the academic school year.

The purpose of this study is to begin an examination of stress among undergraduate college students. In the tradition of the organizational behavior literature, the concept of stress is conceptualized as role overload. A number of other variables are then related to role overload in order to gain an understanding of potential causes and effects. Variables explored as potential causes of stress include polychronic time use, technophobia, and the number of hours working at a paid job. Grade point average (GPA) and students' satisfaction with the university are examined as two potential outcomes of role overload. This represented a total of six hypothesized relationships, which are shown graphically on Figure 1.

The hypotheses were tested on a sample of 224 undergraduate business students. As summarized on Figure 1, four of the six hypotheses were fully supported. Specifically, results indicated full support for H1 (pay own tuition → hours worked); H2 (hours worked → role overload); H3 (polychronicity → role overload); and H5 (role overload → satisfaction). Although the sign of the coefficient for H4 (technophobia → role overload) was in the expected direction, the t-statistic (t = 1.44) was not
quite significant at $\alpha < 0.05$; thus, H4 was not supported. Finally, although the overall F-statistic (2.25) for regression #4 was significant at $\alpha < 0.05$, the t-statistic for the coefficient for H6 (role overload $\rightarrow$ GPA) was not quite significant at $\alpha < 0.05$. This indicates only marginal support for H6.

These results demonstrate that stress in the form of role overload is common among undergraduate college students. The stress stems both from working too much (in part to afford tuition), and from trying to do too many things at the same time (polychronicity). In addition, results indicate that role overload is damaging to the extent that it leads to lower satisfaction toward the college experience for students; and there is at least marginal support for role overload leading to lower grade point average.

It appears that most students work because they have to work to afford tuition. Therefore, it is unrealistic to expect students to stop working while in school. The results regarding the relationship between polychronicity and role overload suggest that better time management skills can reduce stress for students. That is, students who think they can work on several things at a time, should instead deal with their activities in a more monochronic manner. Future research should examine the extent to which this is possible.

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CUSTOMER LOYALTY: PRODUCT IDENTIFICATION AND CONSUMER PURCHASING ORIENTATION AS KEY ANTECEDENTS

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SUMMARY

Customer Loyalty

Customer loyalty has received much attention both in academia as well as among business professionals. The lure of increasing customer retention as a competitive advantage is a goal of every provider. Though researchers have worked diligently to extend the theory that explains customer loyalty as it is manifested in consumers, little research to date has directly focused its investigation on the effects that product identification and consumer purchasing orientation may have on customer loyalty. For instance, certain products or customer types might prohibit the creation of loyal customers (Oliver 1999). In contrast, other products or customer types may encourage the formation of customer loyalty. From a theoretical standpoint, this study will investigate the importance of product identification and consumer purchasing orientation, identifying them as key antecedents to customer loyalty. Specifically, it addresses the question, “What level of loyalty (if any) might be created based upon the variables product identification and consumer purchasing orientation?”

In defining customer loyalty, researchers have focused either on a behavioral approach (Cunningham 1966; Kahn, Kalwani, and Morrison 1986; Tellis 1988) or one that combines an attitudinal component along with consumer behavior (Jacoby and Chestnut 1978; Dick and Basu 1994; Oliver 1999; Chaudhuri and Holbrook 2001). Opponents of a strictly behavioral definition of customer loyalty point to instances wherein a consumer’s repurchasing behavior may appear to be a sign of customer loyalty, but is actually a result of outside circumstances, such as ease of purchase or relative price differentials among competing brands. Dick and Basu (1994) refer to this type of behavior as “spurious loyalty.” These researchers suggest that if such outside circumstances were to change, then those consumers who had appeared to be loyal to particular products or brands may alter their purchasing behavior. They contest that in order for true customer loyalty to exist, an attitudinal component on the part of the consumer must exist in conjunction with his/her purchasing behavior (Jacoby and Chestnut 1978; Dick and Basu 1994; Oliver 1999; Chaudhuri and Holbrook 2001). In this case, it is the consumer’s attitudinal disposition that results in a more favorable assessment of one product or brand over others. Thus, it is the favorable attitude of a consumer that drives his/her purchasing behavior. If a consumer’s relative attitude toward a product is strong enough, then his/her purchasing behavior will tend to be much more consistent and predictive in favor of the preferred product or brand.

Oliver (1999, p. 34) defines this type of loyalty as: “A deeply held commitment to rebuy or repatronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing despite situational influences and marketing efforts having the potential to cause switching behavior.” The source of such a “deeply held commitment” is, therefore, in the attitude of the consumer.

Researchers who view customer loyalty as having an attitudinal component suggest that such attitude is embedded in the cognitive-affective-conative states of the consumer (Dick and Basu 1994; Oliver 1999; Chaudhuri and Holbrook 2001). In particular, Oliver (1999) suggests that customer loyalty is first manifested in the cognitive arena and then may progresses through the affective and conative states with increasing degrees of loyalty at each phase. Therefore, a consumer whose loyalty is manifested in all three levels is believed to possess stronger customer loyalty than one whose loyalty is merely manifested in the cognitive level (Oliver 1999).

Consumer Purchasing Orientation

Varying types of buyer-seller relationships have been well studied (Dwyer, Schurr, and Oh 1987; Morgan and Hunt 1994; Garbarino and Johnson 1999). These relationships between buyers and sellers tend to operate on a continuum, ranging from transactional to collaborative. The importance of consumer purchasing orientation in the context of customer loyalty lies in the increased customer satisfaction that may be achieved via close collaborative relationships (Morgan and Hunt 1994; Garbarino and Johnson 1999; Sirdeshmukh, Singh, and Sabol 2002). Since satisfaction is viewed as a necessary prerequisite for the formation of customer loyalty (Dick and Basu 1994; Oliver 1999), those consumers who are collaborative in their purchasing orientation should, more often, exhibit customer loyalty behaviors that are embedded in the attitude construct than those consumers who are more transactional in nature.
Product Identification

Product identification can be defined as the degree to which an object is viewed by its owner as symbolizing aspects of one’s self. The self refers to one’s awareness of the self, attitudes, feelings, and evaluations of one’s self (Hall and Lindsay 1957). Consumers seek to bolster their own self-concept by surrounding themselves with possessions that reflect or symbolize their self-concept (Grubb and Grathwohl 1967). Grubb and Grathwohl note (1967, p. 26), “Therefore, the consuming behavior of an individual will be directed toward the furthering and enhancing of his self-concept through the consumption of goods as symbols.” Wallendorf and Arnould continue that (1988, p. 531), “. . . we derive our self-concept from objects.”

The concepts inherent to product identification imply that there exists special relationships between consumers and certain products that may elicit emotional or affective responses. Ball and Tasaki (1992) and Fournier (1998) focus on the existence of such relationships, and suggest that these relationships are affective in nature.

In relating to customer loyalty, the capability of certain products due to their high levels of product identification to elicit emotional or affective-based responses may allow individual brands within such product lines to establish stronger customer loyalty for their customers than brands that exist within product lines that are lacking in this attribute. This contention is based upon research by Dick and Basu (1994), Oliver (1999) and Olsen (2002), all of whom discuss the importance of establishing customer loyalty through the cognitive, affective, and conative stages of consumers in order to attain strong customer loyalty.

Propositions

On the basis of these two variables, consumer purchasing orientation (transactional/collaborative) and level of product identification (low/high), propositions are stated as to the effects of the variables on the establishment of attitudinal customer loyalty. The propositions suggest that the combination of consumers who are collaborative in nature and product lines that are high in product identification will yield the highest overall levels of customer loyalty. References will be available on request.

### FIGURE 1

Customer Loyalty Management Matrix

<table>
<thead>
<tr>
<th>Customer Loyalty</th>
<th>Low Identification (-)</th>
<th>High Identification (+)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transactional</td>
<td>Lowest loyalty potential. Focus on satisfaction using minimal resources. Lead</td>
<td>Maintain/enhance identification with product using mass-marketing communication. Copper</td>
</tr>
</tbody>
</table>

American Marketing Association / Summer 2004
EXPLORING STUDENT PERCEPTIONS OF LEARNING THROUGH THE USE OF A NATIONAL COMPETITION IN THE CLASSROOM

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SUMMARY

From elementary “science fair” projects to case competitions in professional schools, competitions, both formal and informal, may serve as a motivating factor for student learning and engagement (Carlsmith and Cooper 2002). In the graduate business school environment, several annual case competitions attract top MBA students annually. Dunham (2003) conjectures that these types of B-school competitions give participating students an edge in the competitive job market.

Similarly, in undergraduate business curriculums, instructors often incorporate teaching for transfer pedagogical tools including projects, cases, interviews, and scholarly reviews into course requirements (Bartleheim 1993). A primary purpose of assigning a national competition project, as a course requirement in an upper-division marketing elective, was to provide students with an experience that added a dimension of reality to the traditional lecture-based instructional method. In turn, it was believed that students would take the project more seriously as it forced them to consider future actions to increase customer satisfaction and value for the “client” (Ackerman, Gross, and Perner 2003).

Students were assigned the task of completing an integrated marketing communications plan to increase sales, leases, and market penetration for the Mazda Protegé 5 among the 18–34 target market (70/30 split of male/female). The plan needed to include e-mail and print advertising as well as ROI calculations for the $4 million promotional budget allocated. Completed projects were submitted to the Direct Marketing Educational Foundation’s (DMEF) 2003 Collegiate ECHO competition.

Upon completion of the project, students completed an evaluation instrument consisting of 23 questions and three open-ended questions for qualitative comments. A total of nine questions measured student comparisons between the project and other pedagogical tools on stimulating critical thinking, participation, and effective aid in learning. Participation and completion of the ECHO project did increase students’ perceptions of learning. The preliminary results suggest a rank order of effective active learning techniques as real-world projects, case studies, lecture/discussion activities, and then research papers. Surprisingly, the competition aspect of the projects did not increase motivation for either individual participation or group participation.

In contrast, the students overwhelmingly perceived the real-world application of the project as beneficial. Some students advocated a form of this assignment to be made mandatory for all marketing graduates. In support of Davis, Misra and Van Auken’s findings (2002), other students noted completing the project was beneficial in convincing possible employers of their skills, including the ability to work at group tasks.

This paper describes students’ perceptions of individual learning achieved through the completion of an ECHO entry, as well as offers guidelines for effective administration of the project to instructors contemplating using national competitions as a course requirement.

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INTERNET TRUST PERCEPTIONS AND CONSUMER GENDER: IS GENDER BIOLOGY OR PSYCHOLOGY?

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SUMMARY

In spite of commonly recognized sex differences, gender researchers in the 1970s argued that society has overestimated biology-based sex differences when in fact socialization determines such differences. In the 1970s, significant research attention was given to gender as a personality variable than to gender as a predetermined biological destiny. The trait concept of sex-roles or the gender-as-a-personality-variable approach was theorized by female psychologists Sandra Bem (1974) and Janet Spence (1984). According to sex-role theorists, femininity and masculinity are two different gendered personality traits cultivated through socialization processes. Males and females are culturally transformed into masculine and feminine over time (Bem 1993, p. 152). Bem suggested that sex-roles could be understood also as schemas that guide one’s information processing, social cognition, and judgments. Given the common beliefs about the biology–based sex differences, an interesting question emerges. Between biologically determined sex differences (female and male) and the prescribed gendered personality traits (femininity and masculinity) discussed above, which is the better predictor of individual cognition and behavior?

The purpose of this study is to examine the moderating influences of sex and gendered personality on consumer trust perceptions, specifically the perception of benevolence. This paper reports an experiment that involved a computer-simulated sales agent named Agent John. Specializing in the product category of digital cameras, Agent John guided respondents’ online shopping by providing product information and offering a product recommendation. Respondents’ sex and gendered personality (including femininity and masculinity) were measured and their respective moderating influences on consumer perceptions about Agent John’s benevolence were examined by testing the two-way interaction effects with certain interface variables to include agent social presence, information richness, and consumer shopping goal types. While various interface and situational factors were manipulated in this experiment, the focal interest of this paper is to compare the relative importance of the moderating influences, i.e., gender versus gendered personality, upon consumer perceptions about agent benevolence.

In a computer-simulated online shopping environment, the experiment employed a 3 social interface conditions of varying agent social presence (No Face+Cold Script “None/Cold”; Minimal Face+Warm Script “Minimal/Warm”; Real Face+Warm Script “Real/Warm”) X 2 information richness conditions (Relatively Rich vs. Non-Rich Information Environments) X 2 shopping goal conditions (Experiential vs. Instrumental Shopping Goals) between subject design. A total of 213 students were recruited from a population of young adults (undergraduate college students). Undergraduate students were deemed appropriate for this online consumer behavior experiment, because they generally spend considerable time on the Internet. In order to avoid demand artifact, individuals’ femininity and masculinity were measured two or three weeks before they actually participated in the lab experiment adopting Bem’s (1974) Sex-Role Inventory (BSRI).

The relationship between sex and femininity was analyzed first. It was found that individuals whose femininity dichotomy matched their sex (i.e., diagonal cells for low femininity for male (62) and high femininity for female (74)) consisted only 64 percent (135/211) of the sample. More than one-third of respondents appeared to have a personality trait that was inconsistent with the prevailing sex stereotype. Next, the moderating influences of sex and femininity or masculinity were tested by creating interaction terms crossing each individual characteristic with the independent variables. Two ANOVA models were fitted using the gender moderator, and the femininity and masculinity moderators, separately. The summed index of the respondents’ perceptions about the benevolence of Agent John was used as the dependent variable for these ANOVA models. The significance of the estimated models as well as each parameter was tested using F-tests. The results of the ANOVA showed that the sex moderator model did not have a significant explanatory power ($F_{23,187} = 0.890, p = 0.612, R^2 = 0.099, Adjusted R^2 = 0.000$); whereas the femininity moderator model was significant ($F_{23,189} = 1.744, p = 0.023 R^2 = 0.175, Adjusted R^2 = 0.075$). In addition, none of the two-way interaction effects between each independent variable and sex were significant (Social Interface, $p = 0.247$; Information Richness, $p = 0.689$; Shopping Goals, $p = 0.594$). On the other hand, in the femininity model, the three two-way interaction effects were all significant. (Face/Script, $p = 0.042$;...
Information Richness, p = 0.050; Shopping Goals, p = 0.035). These results suggest that the femininity rather than sex (biological gender) is a better indicator of individuals’ different responses to various interface factors and shopping goals.

In conclusion, the major finding of this study is that femininity as a gendered personality had a stronger moderating influence on the perception of benevolence and could better explain trust perceptions than sex (biological gender) can. These results suggest that segmenting online consumers solely based on biological gender might not be an appropriate approach due to the heterogeneity within each gender group. In our sample, the typical sex stereotype would fail more than one third of time in predicting respondents’ personality traits. The male-female dichotomy could be an oversimplified summation which ignores more important confounding influences.

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BRAND PERSONALITY OUTSIDE THE DEVELOPED WORLD:
A COMBINED EMIC-ETIC STUDY IN CHILE

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Enrique Manzur, University of Chile, Santiago, Chile

ABSTRACT

The purpose of our study, is to extend previous work on brand personality (Aaker 1997). While following Aaker’s recommended methodology, we did so in the context of an emerging market economy such as Chile, and using a combined emic-etic research approach. Then, we investigated the cross-cultural applicability of the construct and we also look into the applicability of the measurement instrument developed by Aaker (1997). In doing so, we provide new insights for the understanding and management of brand images in international contexts, complementing parallel work done in other developed nations (i.e., Aaker, Benet-Martinez, Garolera 2001).

INTRODUCTION

Branding is unquestionably as key a topic in marketing research and management, as it is in understanding buyers’ behavior in today’s marketplaces. It is not surprising then, that branding research has recently also increased both in quantitative and qualitative terms. In particular, research in areas such as: brand building, brand extensions, and brand assessment and valuation, has been salient in the recent literature (e.g., Ailawadi 2001; Janiszewski 2000; Yoo, Donthu, and Lee 2000; Shocker et al. 1994; Low and Fullerton 1994).

In this study we focus on the brand personality construct, a research stream that we consider particularly important in branding research. This stream was reloaded by Jennifer Aaker (1997) in her now classical article. In that study, Aaker (1997) proposes a multidimensional structure for understanding and measuring brand personality. The dimensions Aaker identified as needed to understand the personality of brands were: sophistication, excitement, roughness, competence, and sincerity.

The purpose of our study, is to extend Aaker’s work, and in doing so, provide additional validation of the multidimensional structure suggested by her and by parallel work done in other developed nations (i.e., Aaker, Benet-Martinez, Garolera 2001). While following Aaker’s recommended methodology, we did so in the context of an emerging market economy such as Chile, thus investigating the cross-cultural applicability of the construct and the reasons for any (dis)similarities we might identify. Thus, we not only investigate the cross-cultural validity of the brand personality construct, but we also look into the applicability of the measurement instrument developed by Aaker (1997). Two lines of inquiry guide our paper: (1) Do people in overseas markets think of the personality of brands such as “Coca-Cola,” “Cheerios,” or “Amazon” in terms of the same dimensions such as proposed by Aaker?; and, if that is the case, (2) can we use the same instrument to measure brand personality in other country markets as we can in the U.S.?

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

Brand personality can be defined as the set of human characteristics associated to a brand. As an example, “Absolut” vodka may be described as being “hip,” “young adult drink,” or “cool”; while “Stolichnaya” vodka may be characterized as being “conservative” and an “adult drink” (Aaker 1997). Brand personality is then an important element of brand image, as it can be a major differentiating factor – particularly for products that are “commoditized.”

Brands and their associated personalities derive part of their differentiating power from their relative relevance in shaping customers’ self-images and concepts. Most individuals make purchase decisions based not just on immediate consumption needs, but often, also on more permanent or longer term criteria, such as helping build a self image. The management of brand personalities then, is important in the positioning efforts for products, and for extending the use of brands to global settings where cultural differences may play an important role. Although, evidence might be found regarding the presence of global brand images and personalities (such as the Wrangler cowboy), this might be a misleading “guess” for brand managers who might be looking at their brands from a culturally biased perspective, assuming that brands and their personalities are understood in terms of the same dimensions in different cultures.

Assuming that the brand personality construct does exist in different cultures (as the human personality construct), an additional significant problem marketing managers face when attempting to use these theoretical concepts on brand image, is the lack of validated measure-
ment instruments that give them ways to easily assess the images or personalities of their brands, or enable them to monitor brands on a regular basis (Park and Srinivasan 1994).

**Brand Personality Operationalization and Measurement**

In a seminal U.S.-based study, Aaker (1997) found that brand personality includes five dimensions: Sincerity, Excitement, Competence, Sophistication, and Ruggedness. The main goal of our work was to validate the dimensionality of the brand personality construct developed by Aaker in a different cultural setting – as is the case of Chile.

**Combined Etic-Emic Methodology**

Significant work in comparative research methods has addressed the so called "emic-etic" distinction – as stated by Berry (1969). Emics refer to concepts that operate only in one society or culture (culture-specific), while etics refer to concepts that are culture-free and that operate in different societies. In marketing research, the etic approach has a very widespread use. An etic approach implies that the researcher takes a concept and its respective operationalization developed in one culture (generally the researcher’s home culture), and applies them in the foreign country (Berry 1969, 1989; Church and Katigbak 1988).

Despite its popularity, many cross-cultural research methodologists have expressed their criticisms to the etic orientation (Hui and Triandis 1985; Berry 1989; Wind and Douglas 1982; Church and Katigbak 1988). In general, the argument is that in the contact with the other culture, a researcher should be able to obtain better knowledge and generate better comparisons if he/she did some emic research, and combined it with the etic approach. The combined emic-etic approach, (see for example Hui and Triandis 1983, 1985) involves three stages of inquiry. First, the researcher identifies an etic construct which appears to have universal status (e.g., Brand Personality). Second, the researcher develops and validates emic ways of measuring this construct. Third, the emically defined etic construct can be used in making cross-cultural comparisons. In fact, an operationalization of the construct is developed by sampling from the (emic) contents of this construct in both countries or cultures. It is assumed that some overlap between this contents sets exist. Thus, the final measurement instrument includes items representing the intersection of contents (the core etic), and also the unique contents of the construct in the different countries or cultures (specific emics). This approach implicitly assumes that at least some constructs are universal, but that manifestations or indicators of them (such as behaviors or judgements) can differ across cultures.

**METHOD**

In accordance with Aaker’s original methodology (1997) and following a combined emic-etic research approach, the study in Chile involved the following phases: (Phase 1) A pilot study was conducted in order to identify brands with a higher recall in a variety of product categories. (Phase 2) A subset of 36 brands were selected representing 9 product categories: soft-drinks, cars, sporting attire, cosmetics, computers, electronics, perfumes, and jeans. Twenty-five subjects from both genders assessed these brands, in terms of whether they were perceived as more symbolic or more functional. The highest scoring brands from each product category, in both symbolic and functional attributes, were then selected. (The brands chosen were: Fanta, Coca-Cola, Toyota, BMW, Bata, Nike, Princeton, Revlon, Packard Bell, Apple, Aiwa, Phillips, Fensa, Trotter, Carolina Herrera, Chanel#5, Wrangler, Benetton). (Phase 3) The 18 brands selected in the previous phase were used for another pretest, where subjects were asked to generate personality characteristics that they thought were descriptive of these brands. One hundred twelve brand-personality characteristics were identified. (Phase 4) The 112 brand personality descriptors identified in Phase 3 were combined with 229 characteristics obtained from previous human personality studies (e.g., McRae and Costa 1989; Norman 1963). After eliminating duplicate and synonymous characteristics, a final list of 239 personality characteristics was obtained. These 239 characteristics were evaluated by a different sample of 28 subjects (quota sample, same characteristics as the one in Phase 3). The subjects were asked to rate if the different characteristics were descriptive of a brand’s personality using the following scale (1 = Not descriptive at all / 7 = Extremely descriptive). As a way to clarify the brand personality concept, subjects were given three examples in a questionnaire booklet (e.g., Wrangler: young, classic, comfortable, American, rude, masculine). After obtaining average scores from the evaluation scales for each of the brand characteristics, 70 characteristics with higher average scores (from 5 to 6.1 in a 7-point scale) were chosen.

**CHILEAN STUDY**

The final study involved the application of a questionnaire to a sample of 173 subjects. The questionnaire included 91 characteristics of brand personality, 70 of them chosen from the Phase 4 – Pretest, and 21 characteristics chosen from the original Aaker study. In order to have an adequate representation of different types of brands, 37 brands were included in the study. These 37 brands were derived from the results of phases 1 and 2, and complemented with well-known Chilean brands, to provide an equivalent match to the original brands in the U.S. study.
As in the original Aaker paper, the 37 brands were divided in four groups of 9 each, having “Levi’s,” as a control brand which was included in each of the four groups. Each person in the sample was asked to rate (using a seven-point scale: 1 = Very Descriptive, 7 = Not descriptive at all) how descriptive each of the 91 characteristics were for each of the 9 brands included in his/her booklet. All the brands selected met the following criteria: (a) they represented symbolic, functional and hybrid goods or services, (b) they represented similar product categories to the ones in the original Aaker study.

Data Analysis and Results

The individual ratings’ of brand personality characteristics for each brand were correlated. This 91 x 91 correlation matrix was analyzed using principal components analysis with the VARIMAX rotation procedure, and 12 components with eigenvalues higher than 1 were identified. Applying the scree plot procedure, a 6-factor solution was selected as a representative factorial structure. Further criteria that supported the adequacy of this solution included: (a) the conceptual meaningfulness of all six components, (b) the amount of variance explained by all components (78.7%), and (c) the stability of the 6-factor solution in the six sub-samples: men, women, older subjects, and younger subjects. Given previous and parallel studies have found a 5-factor solution (Aaker 1997; Aaker et al. 2001) we decided to investigate a 5-factor solution further, but the amount of total variance explained dropped significantly and non-redundant brand personality descriptors were lost in the process. Therefore, a six-factor solution was finally chosen. Factor labels were assigned in an iterative multi-step process. First, alternative plausible labels were generated by one researcher on the basis of the factor loadings of the different brand personality traits, giving higher weight to items with higher loadings. Second, final brand personality components’ labels, were assigned after considering the input from the facet identification phase. These labels needed to provide a genuine and comprehensive representation, of the different facets included in each of the brand personality dimensions identified.

These 6 dimensions were (1) Sophistication (25.3%) represented by characteristics such as exclusive, classy or glamorous, (2) Competence (15.3%) described by characteristics such as intelligent, hard-worker, technological, or serious, (3) Ruggedness (11.6%) defined by attributes like resistant, rugged, and risk-taker, (4) Excitement (10.6%) including characteristics like original, happy, funny or sentimental, (5) Traditional (9.1%) represented by characteristics like classic, traditional or trustworthy, and (6) Sincerity (6.8%) described by personality traits such as delicate, feminine or sincere. The percentages indicated in parenthesis represent the proportion of variance explained by each component. It is worth noting that these dimensions are highly similar as the ones in the original study by Aaker, with the exception of the “Traditional” dimension which is novel to this Chilean study.

Brand Personality Instrument: Facets and Characteristics

The next step in the study was to reduce the number of total personality characteristics, in order to develop a Brand Personality Instrument that could be more easily applied for measurement purposes. Aaker’s (1997) methodology was again used, performing principal component analysis within each dimension (eigenvalue >1 as the extraction criteria).

This allowed for several personality facets to be identified in each dimension. Then, the inter-correlations of characteristics within each facet were analyzed, in order to select the 2 or 3 characteristics that better represent each facet. In particular, the characteristic with the higher item to total score correlation, was selected as the nucleus of each facet; and those characteristics with the highest correlations with the facet’s nucleus, were chosen as part of the facet.

As a result of this analysis, the final dimensional structure of brand personality showed: 6 dimensions, 15 facets and 36 characteristics, which are presented in Table 1 (grouped by facet, and with each facet shown underlined). Aaker’s original results are provided for comparison on Table 2.

To test the generalizability of our results across brands and subjects, we conducted one additional study with a different sample (N = 160) and a new set of brands. Again, after replicating our procedure, results showed a 6-dimensional structure with a Traditional dimension added to the 5 original dimensions from Aaker’s work (Details of this study are not included here for space reasons).

STUDY CONCLUSIONS AND LIMITATIONS

Our study results are, in general, quite consistent with the original study by Jennifer Aaker. In terms of brand personality dimensions, there is some similarity in the structure between both cultures, with 5 shared dimensions in the U.S. and Chilean data, and an additional dimension appearing in the Chilean study. In terms of the brand personality dimensions’ facets, while we do see similarities, they are less obvious than at the dimension level, and interesting differences can be observed between Tables 1 and 2. Finally, in terms of the specific brand personality characteristics, we observe the least amount of similarities between both sets of data. While these differences may represent consequences of the procedures used, they may also be a function of semantic differences, or language usage. Certainly, this is an issue that needs to be further
studied. Nonetheless, these same differences, in essence, illustrate the richness of the research method. As suggested in the branding and advertising literature, brands are associated with “utilitarian” attributes or benefits (e.g., McDonald’s can help diminish my hunger) but also they can convey meaning and serve as a mean of self-expression (e.g., I am, or would like to be, the Marlboro man). Prior research in advertising, anthropology and

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<tr>
<th>TABLE 1</th>
<th>Brand Personality Dimensions and Facets of Chilean Study</th>
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<tr>
<td><strong>Sophistication</strong></td>
<td><strong>Competence</strong></td>
</tr>
<tr>
<td><strong>Upper Class</strong></td>
<td><strong>Intelligent</strong></td>
</tr>
<tr>
<td>exclusive classy distinguished</td>
<td>technologic intelligent</td>
</tr>
<tr>
<td><strong>Charming</strong></td>
<td><strong>Reliable</strong></td>
</tr>
<tr>
<td>glamorous good looking marvelous</td>
<td>hard worker serious honest</td>
</tr>
<tr>
<td><strong>Nice</strong></td>
<td><strong>Daring</strong></td>
</tr>
<tr>
<td>fresh nice exquisite</td>
<td>daring liberal</td>
</tr>
</tbody>
</table>

Notes: (1) The brand personality characteristics in this table are the authors’ translations of the original Spanish words. (2) Dimensions and Facets in bold, are the same as those in the original U.S. study.

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<th>TABLE 2</th>
<th>Brand Personality Dimensions and the Facets in the U.S. (Aaker 1997)</th>
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<td><strong>Sincerity</strong></td>
<td><strong>Excitement</strong></td>
</tr>
<tr>
<td>Down to Earth</td>
<td>Daring</td>
</tr>
<tr>
<td>down-to-earth family oriented small town</td>
<td>daring trendy exciting</td>
</tr>
<tr>
<td>Honest (Sincere)</td>
<td>Imaginative</td>
</tr>
<tr>
<td>honest sincere real</td>
<td>original imaginative</td>
</tr>
<tr>
<td>Wholesome</td>
<td>Up-to date</td>
</tr>
<tr>
<td>wholesome original</td>
<td>up-to-date independent contemporary</td>
</tr>
<tr>
<td>Cheerful</td>
<td>Spirited</td>
</tr>
<tr>
<td>cheerful sentimental friendly</td>
<td>spirited cool young</td>
</tr>
</tbody>
</table>
sociology, has suggested that advertising and other “commercial artifacts” can in fact, communicate values and cultural beliefs. This occurs because advertisers can identify what consumers would like to be, or “need,” and then use advertising to deliver those meanings. In other words, advertising will be only a reflection of what a society is and wants to be.

As suggested by Aaker and Maheswaran (1997), symbolic functions provided by a brand tend to vary to a larger degree compared to utilitarian perceptions across cultures. Thus, the presence of a sixth brand personality dimension might well indicate that as consumers, Chileans embrace the need of expressing traditionalism or are more conservative than their American counterparts. Similar conclusions have been stated by Aaker, Benet-Martinez, and Garolera (2001) and Koebel and Landwein (1999). They found that a five plus-minus one dimensions’ structure is appropriate for the brand personality construct, but that culture-specific dimensions may arise in certain countries (i.e., “Passion” in Spain, “Tradition” in Chile, or “Seduction” in France). We consider this to be a relevant contribution of our findings, and also consistent with Aaker and Keller’s (1990) and Aaker (1997) call for replication studies. In this sense, as to our second research question though, the same instrument cannot be used in an identical manner as done in the U.S. Rather, the measurement development procedure needs to be replicated in its entirety, so as to obtain a culturally-tailored instrument that captures the brand personality structure. Recent findings by Aaker, Benet Martinez, and Garolera (2002) provide similar indications, suggesting that a unique or standard instrument for measuring brand personality might be challenging. This also supports theories in cross cultural psychology and methodology indicating the presence of core etic dimensions and peripheral emic dimensions in theoretical constructs.

Yet another explanation of this difference, could be due to methodological considerations.

**Implications for Management Practice**

The study cross-culturally validates a methodology for assessing brand personalities, which allows for straightforward comparisons among products of both different, and the same category. We believe this to be particularly relevant for many aspects of brand management. As an example of the method’s use, we highlight below some of the brand-specific results of our study, and contrast them with the American original results. Although these results should be interpreted with caution given the small size of the sample, they are useful for illustration purposes. In Table 3, we report the most representative brands for each personality dimension.

We see for example, that Mercedes Benz’ personality structure appears as very sophisticated and traditional, while also being not very exciting, or sincere, or rugged. Village – a Chilean brand of greeting cards – on the other hand, appears as a very exciting and relatively sincere brand, but not very competent or sophisticated. The descriptive nature of the brand’s personality profile, is thus the first element of value. This type of knowledge can assist brand managers in their positioning efforts, identification of appropriate advertising appeals, differentia-

<table>
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<th>TABLE 3</th>
<th>Most Representative Brands for Each Brand Personality Dimension, Contrasting Chilean and U.S. (Aaker 1997) Study</th>
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<td>Sophistication</td>
<td>Competence</td>
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<tr>
<td>Mercedes Benz cars</td>
<td>IBM computers</td>
</tr>
<tr>
<td>Chanel#5 perfume</td>
<td>CTC telecommunications</td>
</tr>
<tr>
<td>Porsche cars</td>
<td>Enel telecommunications</td>
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<tr>
<td>Sony electronics</td>
<td>Nike athletic shoes</td>
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<td></td>
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<td><strong>(b) U.S. Study</strong></td>
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<tr>
<td>(Aaker 1997)</td>
<td></td>
</tr>
<tr>
<td>Sophistication</td>
<td>Competence</td>
</tr>
<tr>
<td>Guess jeans</td>
<td>The Wall Street Journal</td>
</tr>
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<td></td>
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tion strategies, and in the overall management of the brand over time.

A second application of this method, is that it allows for comparisons of competing brands. Two telecommunications companies that were assessed using this method, ENTEL and Telefónica-CTC show similar ratings for Competence, which appears as an important association in the mind of consumers. However, the results show important differences among the two brands in terms of the subjects’ evaluations of two “softer” personality dimensions: Sincerity and Ruggenedness. Entel is seen as a more “sincere” brand, while Telefónica-CTC is perceived as “rugged.” From direct comparisons with competing products or services in the same marketplace, to (dis)similarities of how a specific brand is perceived by different segments of a market, or even by different country-markets altogether, the information that can be obtained with this approach should facilitate managerial decision-making in all the marketing areas mentioned above.

As we state at the outset, this work provides one more step in assisting us to better understand the nature of branding and thus assists in a variety of managerial brand management applications. We suggest that our results support further investigation of this topic. Among the issues that would appear to merit further research, one could consider extending this work to other significantly different cultures and assessing whether the brand personality dimensions and the proposed methodology hold up to scrutiny; looking at the role of intervening variables such as familiarity with the brand or product category, and how they affect the brand personality dimensions and methodology’s usefulness; and comparing and contrast- ing significantly different age and other demographic cohorts, to gage the applicability of brand personality dimensions across not just cultures but also across segments in different marketplaces.

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SPEAKING TO THE SHARED VALUES OF BUYERS IN B-2-B:
EXPLORING LOYALTY AMONG TRADESMAN

Torsten Ringberg, University of Wisconsin, Milwaukee
Susan Forquer Gupta, University of Wisconsin, Milwaukee

SUMMARY

Introduction

Researchers within the B-2-B relationship literature have argued that the loyalty concept is only partially understood, and, consequently, called for an increased attention to assessing the factors involved in the loyalty concept. Morgan and Hunt (1994) have argued that brand trust and brand commitment are differently related to, yet, both necessary for cooperation and, ultimately, loyalty. Among a range of variables, shared values are unique in as much as they are the only variable that influences both trust and commitment. Yet, shared values have remained vaguely defined and poorly explored in the B-2-B relationship literature. Morgan and Hunt’s (1994) identification of shared values as shared ethical standards serves as a first step toward exploring the role of value on loyalty, we suggest that “shared values” need to include a range of emotive and symbolic (i.e., socio-cultural) values, as well. This paper is an empirical investigation of the socio-cultural values that govern tradesmen, a sub-set of semi-professional buyers in the B-2-B industry. In addition we analyze how well Powertools Inc. (a leading provider) speaks to these values. The precursor for this investigation is that Powertools Inc., in spite of being competitively well-positioned (i.e., price, service, quality, distribution) experienced an inexplicable drop in its retention rate of tradesmen. We identify a core dissonance between tradesmen values and Powertools Inc.’s brand positioning strategy.

Method

In this study a sample of twenty informants were in-depth interviewed in a one-to-one setting. The informants were purposefully chosen to represent a variety of trades, ranging from master electricians, carpenters, to HVAC (air conditioning specialists) and bricklayers. The informants were chosen randomly through telephone surveys (based on telephone registries of tradesmen) across the Mid- and Southwest of the U.S. and are listed in Table. Our methodological approach is inspired by Zaltman’s Metaphorical Elicitation Techniques (ZMET, Zaltman 1997), which focus at uncovering deep-seated beliefs and values and follow a semi-structured in-depth interview structure. In this study we relied on the first part of the ZMET process (the entire process is described in Zaltman 1997) to explore the informants’ thoughts and feelings about being tradesmen.

Analysis

The coding process is open-ended and begins at the data level (see Strauss and Corbin 1990). The process is part of the grounded theory framework developed by Glaser and Strauss (1967) in which categories of meaning clusters emerge from the data-set. The identification, organization, and grouping of constructs (more than 200 in this study) were facilitated by the computer-aided qualitative analysis (CAQA) program Atlas (Muhr 1997). The Atlas platform is similarly developed based on the open-coding analysis technique recommended by Strauss and Corbin (1990). The analysis involves a “constant comparative method” (Glaser and Strauss 1967) where interpretations are challenged on evidentiary grounds from the data itself. The researcher “tacks back and forth” (Geertz 1983; Thompson 1997) between identified conceptual strings and their contextual meaning.

Findings

The Collective Mind Map integrates the core-themes according to identified dominant linkages amongst the respondents’ individual mind maps. In essence, the identified core-themes represent deeply held and shared values, and, thus serve as unique sub-cultural identifiers of tradesmen. It is important not to focus at the end-values, and, instead, take a more holistic perspective, looking at the types of themes in the map and their interconnections. The linkages, as mentioned above, are essential for the identification as well as significance of each theme. For example, the theme “accomplishment” emerges as central (among the core-constructs) to the tradesmen as a series of other core-constructs leads into it (i.e., challenge, creating, quality), as well as away from it (i.e., enjoy work, pride, respect).

Discussion

The qualitative research method used here identifies a set of core-constructs that categorizes a distinct sub-cultural ethos (i.e., shared norms and values). The set of themes reveals a set of sophisticated values (aesthetics, teamwork) and aspirations (learning, teaching, creation, accomplishing, and recognition) among the tradesmen.
These values are emotive and symbolic, and appear fundamental to the everyday work of tradesmen. While money matters, the tradesmen reveal an even stronger focus on doing the job right, accomplishing a challenging task, and taking pride in their work, to a point where craftsmanship overshadows mercenary concerns.

While tools are described as important, they are still viewed as means to an end. Skills and higher-end values are perceived a more meaningful to the self-identity of tradesmen. In general, the findings suggest that a vast and unexplored symbolic terrain exists among one group of semi-professional buyers (small business owners and operators). It follows that to analyze B-2-B relationship exclusively based on utilitarian factors underestimates the power of deeply held values to influence loyalty. This follows findings at in the B-2-C literature where improved affective resonance directly influences long-term relationship with the brand/company (e.g., Dick and Basu 1994)

REFERENCES


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