



# 2017 **Summer** AMA Conference

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## 2017 Summer AMA Conference

# Innovation and Sustainability in Marketing

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## B

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# Part A

## Advertising, Promotion, and Marketing Communications

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# Is Bigger Always Better? The Impacts of Product-Model Size Ratio and Brand Social Role on Advertising Effectiveness

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**Keywords:** product-model size ratio, brand social role, processing fluency, advertising effectiveness

**Description:** This research examines how advertisers can use the ratio between a human model and a product to enhance advertising effectiveness.

## EXTENDED ABSTRACT

### Research Question

This research examines how advertisers can use the size contrast between product and model images (SCPM) to maximize advertising effectiveness. Size (big or small) can be an important metaphor and it shapes perceptions of the significance of social stimuli (Landau, et al 2010). Early studies showed that both children (Bruner and Goodman 1947) and adults (Bruner and Postman 1948) perceive socially significant symbols as physically larger than neutral symbols. People commonly talk about an increase in significance of importance as physical largeness or expansion (“This is a *big* problem, and it is only going to *grow*”; Lakoff and Johnson 1999).

### Method and Data

In Study 1, we tested the interaction effect between SCPM and brand type. A 2 (SCPM: large vs. small)  $\times$  2 (brand type: leader-like vs. friend-like) between-subjects design was conducted. Chocolates were chosen as the test product category. Godiva and Kinder Bueno were chosen to represent for leader- and friend-like brands. The different ratios between product and model image sizes were created. In the large (small) SCPM condition, the size of chocolate (model) image is twice bigger than that of the model (chocolate). After the ad was read, two dependent variables were assessed: attitudes toward the brand and purchase intentions.

In Study 2, a 2 (SCPM: large vs. small)  $\times$  2 (brand type: leader-like vs. friend-like)  $\times$  2 (product type: hedonic vs. utilitarian) between-subjects design was conducted. We attempted to rule out the effects of product type. Only female participants were recruited. Participants were presented with a brief description of a leader-like (friend-like) brand with a fictitious brand “Mirabelle” designed to prime the brand’s social role. Perfume and cleanser were chosen to represent as hedonic and utilitarian products. The different ratios between product and model image sizes were created. After the ad was read, purchase intention was assessed.

### Summary of Findings

The results of Study 1 showed that when facing the leader-like brand, participants in the large SCPM condition showed more favorable attitudes toward the brand and stronger purchase intention than the counterparts in the small SCPM condition. Opposite results were found with participants facing the friend-like brand, participants in the small SCPM condition showed more favorable attitudes toward the brand and stronger purchase intention than those in the large SCPM condition. Study 2 replicated the results in Study 1. We conducted mediated moderation analysis (Zhao, Lynch, and Chen 2010) to examine whether processing fluency mediated the interaction between SCPM and brand type. The

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results showed that the processing fluency mediated the effects of SCPM and brand type on purchase intention

### **Key Contributions**

This research contributes to the literature on power in consumer behavior. Previous research has shown that power can be manipulated by the copy embedded in an ad (Rucker, Dubois, and Galinsky 2011). The current research is the first to illustrate that power can be primed through a larger product image (compared with a model image) in an ad. The current work offers rich managerial implications. Advertisers may benefit from taking power difference into consideration and arranging a larger size of the product image (compared with the model image) when promoting a

leader-like brand. However, the findings from this work also lend a cautionary note: the strategy of a larger size of product image may not work when the brand is perceived as a friend to consumers. The current investigation provides guidance for brand managers in how to frame the brand's social role in their brand positioning strategies. The findings stand in consumer evaluations of a brand not only when brands have salient associations in consumer minds (established brands) but also brand images are initially developed (new brands). Brand managers should work closely with ad designers and be judicious in image placement in advertising strategy.

*References are available on request.*

# Customer Engagement and User Design

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**Keywords:** user design, customer engagement, Schema incongruity theory, product development

**Description:** This study investigates the influence of customer engagement in product design on consumer attitude and evaluation.

## EXTENDED ABSTRACT

### Research Question

This study would like to address two research questions. First, would customers' attitude be influenced by the way how customers participate in the product design process? Would it be better for users to involve in the design of functional aspect of the product or the aesthetics? These two aspects are fundamental to almost every product while utilitarian products tend to emphasize more on functional attributes and hedonic products highlight more on aesthetic values. As such, it is unclear how a user's involvement in aesthetic or functional design will affect the customer's evaluation on a utilitarian or hedonic product. Second, it also remains unclear regarding how consumers react to the marketing communications embedded with user-design messages. Would customers favor a congruent message in terms of the match between perceived product type and user-design focus or an incongruent message?

### Method and Data

Two pretests were conducted to determine the product item presenting the hedonic and utilitarian product type and the designs of ad claims showing users' effort in different aspect of product designs. A 2 (product type: hedonic vs. utilitarian)  $\times$  2 (ad claim: aesthetics vs. functional)  $\times$  2 (regulatory focus/need for cognition: prevention/low vs. promotion/high) between-subject experiment was then implemented to collect data. The median splits were used for regulatory focus and need for cognition. Participants were recruited through Amazon Mechanical Turk. After data cleaning, a final sample with 273 responses were used for data analysis.

### Summary of Findings

The results support the notion that regulatory focus and need for cognition play a role in the incongruity effect. Without the consideration of consumer characteristics, the effect of moderate incongruity does not work for hedonic products in terms

of customers' attitude in the user-design context. Such phenomenon is also observed for utilitarian product. When the influence of regulatory focus is introduced, the analysis revealed that promotion focused customers are more likely to form a favorable attitude toward hedonic products in a congruent scenario. On the other hand, prevention focused individuals prefer user-design efforts in congruent with product type for utilitarian products. Regarding the role of need for cognition, the results suggested that people with high need for cognition prefer congruent user-design products rather than incongruent ones. Preference for individuals with low need for cognition is not clear as the two relevant hypotheses were not supported. The result indicates that the effect of moderate incongruity is not valid for user-design products.

### Key Contributions

This study contributes to the literature in two ways. First, this study extends prior research on the effect of moderate incongruity in advertising to a new context where customers involve in different aspects of product design. Different from prior work, the effect of moderate incongruity is not significant for user-design products, regardless of the product type (either utilitarian or hedonic product) when consumer characteristics are not considered. Second, this research proposes two consumer characteristics which may influence the effect of moderate incongruity in the user-design area. The findings suggest that the effect of moderate incongruity is valid when consumers possess certain characteristics. Promotion focused customers are more likely to form a favorable attitude toward hedonic products in a congruent scenario. Future research efforts could explore more conditional factors that may activate or change the effect of incongruity in the user-design context.

*References are available on request.*

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# Native Advertising: The Effect of Design and Content Congruence on Attitude Toward the Ad and Publisher Credibility

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**Keywords:** native advertising, content congruence, design congruence, attitude toward the ad, publisher credibility

**Description:** *The paper shows that especially the visual resemblance between the promotional and editorial content (design congruence) determines the trade-off between advertising impact and publisher credibility in native advertising.*

## EXTENDED ABSTRACT

### Research Questions

Native advertising, ruenue = Singular) the ad and publisher credibility kann.publihser ial content verletzen.”y recipients in ci.e. the embedding of advertisements into editorial environments in a manner where the “ad experience follows the natural form and function of the user experience” (Sharethrough 2017) is currently one of the strongest growing forms of advertising. While ever more advertisers invest in native ads in the hope of achieving a higher ad involvement and a better attitude toward the ad, publishers fear an increase of allegations of deceiving recipients, thus damaging their own credibility. Surprisingly, this trade-off between better attitude toward the ad and lower publisher credibility has hardly been researched. Only few studies have looked at the issue from the publishers’ point of view, researching possible negative effects native ads may have on their credibility. The paper at hand aims at closing this research gap by trying to answer the following questions: (1) Which factors influence the attitude toward the ad and publisher credibility in the context of native ads? (2) How do these factors influence the attitude toward the ad and publisher credibility? (3) Which practical implications arise for publishers?

### Method and Data

The paper has a multi-method approach: Firstly, based on an analysis of numerous native advertisements, a literature

review and theoretical considerations, a model of the influence of the identified factors on the attitude toward the ad and publisher credibility was developed. Secondly, the model was tested by means of a  $2 \times 2$  and two  $2 \times 2 \times 2$  experiments (800 participants in total; all manipulations were conducted using the vignette method). Thirdly, OLS regression analyses were used in order to interpret the data from the experiments.

### Summary of Findings

The paper shows that both content and design congruence have a positive effect on the attitude toward the ad and that design congruence has a negative effect on publisher credibility, when the fact that this is an ad is too clearly called to the recipients’ attention. In addition, the experiments demonstrated that design congruence and publisher image together have a weak negative interaction effect on publisher credibility, whereas design congruence and advertiser image have a weak positive interaction effect on publisher credibility. These findings challenge the assumption that native ads are per se damaging for publishers. Rather, it seems that native ads only have a negative effect for the publishers when they are too strongly accentuated and the image of the advertisers is too weak to compensate the negative interaction effect between design congruence and publisher image.

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## **Key Contributions**

The paper makes three contributions: Firstly, it tackles a neglected research topic of high practical relevance: the trade-off between better attitude toward the ad and lower publisher credibility through native advertising. Secondly, the paper identifies and analyses important factors in native advertising such as content and design congruence as well as advertiser and publisher image, which have so far never been researched in this constellation. Consequently, it enhances our general understanding of native advertising as

well as specifically that of the interplay between these factors and their influence on attitude toward the ad and publisher credibility. Thirdly, it uncovers surprising results by showing that content congruence has no effect on publisher credibility and that design congruence has only a negative effect on publisher credibility, when native ads are too clearly called to the recipients' attention and the image of the advertising company is worse than that of the publisher.

*References are available on request.*

# Implied Motion Must Be Brand-Relevant for Effective Advertising

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**Keywords:** implied motion, brand-related motion, consumer mental imagery, advertising effectiveness

**Description:** An investigation of implied motion in advertising finds that attention-getting visual appeals should be brand-related or risk distracting consumers from the advertiser's message.

## EXTENDED ABSTRACT

### Research Questions

Advertisers use a variety of tools to capture attention and attempt to persuade consumers to buy their brands. For example, some advertisers try to create memorable ads by showing their product in action. Capturing this motion often results in the image depicting products or other objects amid movement. These still images imply motion that consumers can perceive and even continue in their imagination.

Implied motion is evidenced by visible elements in a static stimulus. Implied motion is one technique used to facilitate dynamic imagery. More specifically, implied motion is a set of visual techniques that can create the experience of dynamic imagery in viewers' imagination. There are many methods commonly used to imply motion in static images. For example, movement can be implied by postural cues, motion or movement lines, evidence of force, smoke, repetitive lines, blurred lines, succession of images, displaying an object in mid-air or at an unsupported angle, showing stages of motion, or creating a freeze frame of the subject in mid-action.

The purpose of the current research is to examine the communication effectiveness of both brand-related and non-brand-related implied motion in advertising. Thus, this research begs the following questions:

1. Does implied motion attract more attention than static imagery and, therefore, improve memory of prior advertising exposure?

2. Does brand-related implied motion benefit (a) brand processing and (b) behavioral outcomes more than non-brand-related implied motion?

### Method and Data

Two content analyses established differences in the communication effectiveness of brand-related and non-brand-related implied motion in advertising under self-paced and self-directed natural ad readership conditions.

Study 1: The authors used advertising research data on the copy-testing scores of 587 half-page or larger advertisements appearing in issues of US magazines.

Study 2: The authors analyzed behavioral responses (e.g., likes or shares) to social media posts for sports apparel brands. A content analysis of corporate Facebook Brand Fan pages of athletic apparel companies examined the hypotheses under natural advertising processing conditions in a different context, specifically, online social media advertising. The companies selected for this analysis all appeared on the top 20 Facebook Corporate Retail Fan Page List for the most fans as of February 23, 2016 (Fanpages.com). Four companies qualified for inclusion in this sample. All posts ( $n = 735$ ) between January 1, 2012 and December 31, 2015 were collected for analysis.

### Summary of Findings

Study 1 presented an analysis of copy-testing scores of actual readers of real magazine advertisements to show that brand-related implied motion outperforms non-brand-related

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implied motion on brand associations and behavioral outcomes. Study 2 presented an analysis of the actual behavioral responses to social media posts for sports apparel brands to show that brand-related implied motion benefits behavioral responses more than non-brand-related implied motion.

Recipients did focus their attention more on parts of advertisements with implied motion. However, non-brand-related implied motion in both studies seemed to detract from brand processing and behavioral outcomes associated with the brand. This points to the need for researchers to investigate the implied motion effects beyond lower-level measures such as attention and investigate implied motion under conditions more like those that exist during actual exposure to advertising in which consumers can self-direct and self-pace their focus on an advertisement and its message.

### **Key Contributions**

Advertising researchers have done extensive studies of visuals, imagery, and ad copy; but very little work to specifically address implied motion and its downstream consequences. However, advertising research has shown the importance of relating visual imagery to the brand message.

In conclusion, these two studies show the benefits of placing implied motion within brand-related instead of non-brand focal objects in advertising visuals in print and online media. As such, these studies contribute to growing advertising research on visuals and imagery effects and support the importance of relating visual imagery to the brand message.

*References are available on request.*

# Price Promotion for a Pre-Ordered Product: Moderator and Mediators

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*George Deitz, University of Memphis*

**Keywords:** *pre-order, construal, price promotion, positive affect, quality certainty, time-of-release, purchase intentions*

**Description:** *Pre-order price promotions are shown to be mediated by positive affect and perceived quality, while varying in effectiveness depending upon a product's time-of-release.*

## EXTENDED ABSTRACT

### Research Question

What are the roles of time and sales discount in product pre-orders?

### Method and Design

We test our hypotheses in two experimental studies using a mix of a student sample in a behavioral lab (study 1) and general population samples via Amazon Mechanical Turk (MTurk; study 2) in order to boost the reliability of our findings. The product stimuli used across the two studies is also varied to increase the validity of our findings.

### Summary and Findings

This research contributes to theory and practice. Our findings contributes to the existing literature which shows that price discount has unequivocal effect on purchase intentions in certain contexts (Shiv, Carmon and Ariely 2005). In particular, it is shown that such discounts are ineffective in pre-order promotions with distant times-of-release. This finding

suggests to practitioners to consider temporal aspects of a purchase when selecting a sales promotion. Furthermore, our finding of serial mediation with positive affect and quality certainty is relevant to guiding pre-order promotion choices, as it demonstrates the overarching importance of positive affect to positively influence quality perceptions and purchase intentions.

### Key Contributions

Our results suggest that effects of discount size on purchase intentions are not significant in pre-order offers with a distant time-of-release. We show that the positive effect of discount size on purchase intentions is significant only in near times-of-release. Additionally, we find evidence of serial mediation in which the effect of distant size on purchase intentions flows through positive affect and quality perceptions.

*References are available on request.*

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# Role of Sale Rationale in Price Promotion

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**Keywords:** *sale rationale, discount size and purchase intentions*

**Description:** *To examine the effect of different sale rationales impact consumers' attitudinal perceptions.*

## EXTENDED ABSTRACT

### Research Question

This paper aims to expand our knowledge on the impact of sale rationale on consumers' attitudinal perceptions. Using attribution theory, Bobinski et al. (1996) have argued that consumers' favorable responses to implausible discount size can be attributed to the types of sale rationale offered by the retailers. For instance, consumers exhibit more favorable response to the implausible discount size when it is offered with volume-purchase sale rationale than with either inventory-reduction sale rationale or no sale rationale at all (Bobinski et al. 1996). Hence, it follows that sale-rationale should result in favorable attitudinal perceptions regarding the discount offer than when there is no sale rationale stated in the advertisement. In addition, it is more believable to have a high discount when the price promotion is a non-recurring one (once in a life time) compare to one that is recurring at a low frequency (annually). Further, a price promotion which has low frequency (annually or once in a life time) is likely to be more believable and leads to more favorable consumer responses rather than one with a high frequency (weekly).

### Method and Design

In order to examine this assumption, we conducted an experiment using 2 (Discount Level: Plausible vs Implausible)  $\times$  3 (Sale Rationale: Weekend Sale vs Thanksgiving Sale vs Going out of Business Sale) between-subjects design. 218 respondents were randomly assigned to one of the six experimental conditions and received a booklet. The booklet consisted of instructions on the cover page and professionally produced advertisement of a DVD player on the second page. This was followed by a structured questionnaire which included the measures of the dependent and

control variables of interest, variables for manipulation tests, as well as other demographic questions.

The collected data were analyzed using MANCOVA. The data analysis reveals that main effects of discount size (Wilks lambda = .668;  $F = 25.61$ ;  $p < 0.001$ ) and sale rationale (Wilks lambda = .750;  $F = 7.94$ ;  $p < 0.001$ ) on the dependent variables are significant. Interaction effect of discount size and sale rationale on the dependent variable is significant (Wilks lambda = .824;  $F = 5.24$ ;  $p < 0.001$ ). In addition, covariates of consumer knowledge (Wilks lambda = .913;  $F = 4.91$ ;  $p < 0.001$ ) and source credibility (Wilks lambda = .798;  $F = 13.07$ ;  $p < 0.001$ ) are significant. Further, univariate statistics indicate significant interaction effects of discount size and sale rationale on value of the deal ( $F = 11.61$ ,  $p < .001$ ), shopping intentions ( $F = 2.67$ ,  $p > .001$ ), and attitude towards the deal ( $F = 2.18$ ,  $p > .001$ ). These results lend support to the research hypotheses.

### Summary and Findings

This research expands our knowledge of semantic cues and their impact on consumers' attitudinal perceptions. Specifically, we found that the sale rationale provided in a price promotion does not impact consumers' attitudinal responses in case of moderate discounts. However, in case of exaggerated discounts the consumers respond more positively to unique sale rationale rather than recurring sale rationale irrespective of the frequency of recurrence. This has significant implications for regulators such as the FTC.

A recent survey of cases regarding "going out of business" sale indicates that a number of state attorneys general such as those in Colorado, Maryland, Washington, Ohio, and New Hampshire have been involved in litigation. In each of these, cases firms have used the sale rationale of "going out of busi-

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ness” too often or too long. Besides the FTC, the consumer protection act states that “conducting going out of business sales which last more than 60 days or which are held more than once every two years by the same owners of the business” are considered as unfair or deceptive advertising.

### **Key Contributions**

Since the results of this research indicate that consumers have the most favorable attitudinal responses to a “going

out of business” sale rationale in combination with implausible price discounts, it is important to monitor companies which misuse or abuse the claim “going out of business.” Besides existing regulation, special tighter regulation may be needed in case of companies combining implausible price discounts with the “going out of business” sale rationale

*References are available on request.*

# Promotional Value as the Joint Effect of Discount and Time Restrictions: Conceptual Model

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*Mark Pingle, University of Nevada Reno*

**Keywords:** advertising, promotion and marketing communications

**Description:** This conceptual paper introduces perceived promotional value that is based on both the size of discount and time restrictions and helps consumers to differentiate regular price promotions and those, offering excessive value and react accordingly.

## EXTENDED ABSTRACT

### Research Question

Prior research has shown that offering excessive value during price promotions may result in unfavorable evaluations. Traditionally excessive value in a price-promotion context is associated with larger than expected discounts. Building on prior findings, we develop a conceptual model that parsimoniously accounts for consumers' reactions to price promotions when both a discount and time restrictions are present. We introduce the concept of the perceived promotional value that reflects consumers' perceptions (not always accurate) of retailer financial capabilities to incur all promotion-related costs. Both discount and time restrictions contribute to the perception of the promotional value that serves as a standard of comparison for the observed price promotions. Specifically, we suggest that during price promotions, consumers implicitly estimate not only the value of an individual benefit offered to them, but also whether a retailer is capable to provide such individual benefits to all customers who can potentially take advantage of purchasing a product at a lower price during the promotion period. When consumers doubt a marketer's financial capability to provide promotional value, they engage in attributional thinking and adjust downward a product's quality (to compensate for the excessive value) and consequently purchase intentions. Conversely, when the promotional value does not deviate significantly from those

that other marketers usually offer during price promotions, then consumers' deal evaluations and their purchase intentions are likely to change linearly with the change in the amount of discount.

### Key Contributions

The present conceptual model contributes to our understanding of how consumers process and evaluate price promotions when both discount and time restrictions present.

### Summary of Findings

Our model shows that during initial processing of price promotions consumers may check whether a combination of discount and time restrictions is in line with their expectations or not. Then they may generate negative attributions about the quality of the promoted product if they doubt retailers' financial capability to run too "generous" price promotion. Consumers always think about retailers' financial constraints and may react negatively even when discount itself is not suspiciously high. The present conceptual model emphasizes the importance of thorough design of price promotions to avoid potentially harmful consequences.

*References are available on request.*

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# “Cognitive Bridge” Effects for Media Multitasking

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**Keywords:** media multitasking, second-screen, advertising effectiveness, cognitive bridge

**Description:** A series of lab studies tests the effectiveness of cognitive-bridge banners, confirming that second-screen engagement distracts attention from TV commercials, reducing ad effectiveness, and prescribing conditions under which cognitive banners can be used to remedy the problem.

## EXTENDED ABSTRACT

### Research Question

H1: “Cognitive bridge” banner ads improve attention to television advertising, compared to multitasking.

H2: Cognitive banner ads improve attention by priming memory, and therefore cognitive banner ads work better when shown before the TV commercial, rather than during or afterwards.

### Method and Data

#### Sample and Design

A sample of 283 participants (aged 18 to 76, 50% female, 50% male), all of whom were comfortable with multitasking, were randomly assigned to three viewing conditions: TV Only, Synchronous (banner ad displays on the second screen at the same time as TV commercial) or Asynchronous (banner ad displays on the second screen 60-seconds or 30-seconds before or after the TV commercial). The analysis design controlled for repeated measures from participants in the Synchronous and Asynchronous conditions, as well as program viewed (2 levels) and presentation order (6 levels), and demographic covariates, using mixed-level regression.

#### Measures

After the program had finished, participants completed an online survey containing an *unaided recall* measure. Several control variables were collected, such as *brand familiarity*,

*prior exposure*, and *advertising value*, as well as questions about prior multitasking experience, and demographics. Differences between the three groups in device ownership, multitasking experience, and prior lab study experience were controlled for in the analysis.

### Summary of Findings

The results of this study confirm that cognitive bridge banners work by priming memory for the advertised brand so that multitasking viewers are more receptive to a TV commercial for the same brand shown later. This priming effect does not occur when the cognitive banner ad is shown at the same time as the TV commercial, or afterwards, although even these exposures have a positive effect because they provide additional opportunities to see the brand. But only cognitive banner ads seen before the TV commercial significantly improved brand recall relative to normal multitasking without cognitive banner ads present. The results, for cognitive bridge banner ads seen before the TV commercial, also support the notion that cognitive bridge banner ads improve brand recall.

### Key Contributions

We study a potential remedy for the negative effects of multitasking on TV ad effectiveness. When the remote control increased TV ad avoidance by allowing easy channel switching, advertisers invented a remedy called “roadblocking,” which involved placing the same ad at the same time across

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channels so that viewers saw the ad even if they switched channels. We propose a similar remedy for multitasking, which could be called “cross-platform roadblocking.” The remedy involves running a banner ad on the second screen as close as possible to when the TV ad for the same brand appears on the TV screen. With these banner ads on the second screen, viewers will have some exposure to the brand no matter which screen they are paying attention to. Beyond this mere exposure effect, however, we investigate whether

these second-screen banners have cognitive linking effects across the screen, or what we call “cognitive bridge” effects. For example, if the banner ad primes receptivity to the TV ad, then “cognitive bridge” banners will have a greater remedial effect if they are shown before the TV ad appears, rather than simultaneously with the TV ad, or after the TV ad.

*References are available on request.*

# Chasing the Pokémons: Exploring Users' Motivations to Play Pokémons GO

*Philipp A. Rauschnabel, University of Michigan-Dearborn*

*Alexander Rossmann, Reutlingen University*

*M. Claudia tom Dieck, Manchester Metropolitan University*

**Keywords:** augmented reality, AR, Pokémons GO, gaming

**Description:** *The authors conduct an empirical study among Pokémons GO users in Germany to assess factors that are associated with usage and in-app purchases, important constructs in gaming and freemium business models.*

## EXTENDED ABSTRACT

### Research Question

This research addresses the following research question: Why do people play mobile Augmented Reality games, such as Pokémons GO? In particular, this study proposes and empirically tests a theoretical framework to explain how several factors (e.g. benefits, risks, social norms, flow) relate to gamers' reactions of Pokémons GO. By doing so, this study extends prior Augmented Reality and Gaming research. Findings are relevant for scholars, app developers and policy makers, as well as for everyone interested in understanding the Pokémons GO hype in 2016.

### Method and Data

We conduct an empirical study among German Pokémons users. Data is collected with the help of a professional market research firm and analyzed using structural equation modelling.

### Summary of Findings

The empirical studies identified several benefits (e.g., enjoyment, physical activity, flow) and risks (e.g. physical health risk) that explain variations in consumers' reactions to mobile augmented reality games. In addition, findings show that the strengths of these effects differ between different usage behaviors.

### Key Contributions

This is one of the first studies to investigate mobile augmented reality games. The proposed model combines numerous theories from different disciplines, including technology acceptance, media usage and psychology. Findings of the empirical study provide many insights into the underlying mechanisms that explain why and how gamers play mobile augmented reality games.

*References are available on request.*

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# Who Should an Advertiser Target?

*Arslan Aziz, Carnegie Mellon University*

*Rahul Telang, Carnegie Mellon University*

**Keywords:** targeted advertising, third-party consumer tracking, Bayes-Nash equilibrium, customer poaching, informative and persuasive advertising

**Description:** When third-parties can track and share consumer information with advertisers, should an advertiser target their own customers or try to poach their rivals?

## EXTENDED ABSTRACT

### Research Question

With access to third-party information that allows targeting of competitor's customers, when should an advertiser target their own customers and when should they target their competitor's customers? Should an advertiser always acquire third-party information, and does it always benefit from the availability of third-party information? When should consumers block third-party tracking and what externality does it have on other consumers?

### Summary of Findings

With third-party information, when consumers are relatively indifferent between their valuations for the competing brands, or ad persuasiveness is not high, advertisers should target their competitor's customers. Otherwise, they should target their own customers. Advertiser should always acquire third-party information, even when the availability of third-party information reduces advertiser surplus.

Consumers experience a positive externality from allowing third-party tracking when they are relatively indifferent

between the two brands, or advertising is not very persuasive. When there is moderate difference between the valuations of the competing advertisers or advertising is moderately persuasive, there is a negative externality from allowing third-party tracking. When consumers have strong preferences for one advertiser, or ads are very persuasive, there is no externality from allowing third-party tracking.

### Key Contributions

We contribute to the literature by modeling the entire online conversion funnel, from how consumers decide which websites to visit based on their search costs and what implications this has for the information possessed by advertisers, to how third-party information effects advertising competition, to how blocking third-party tracking can affect consumer surplus. We also model the informative and persuasive effects of advertising separately and show how the two mechanisms effect consumer's utility differently.

*References are available on request.*

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# Do Friendly Ads Need Friendly Endorsers? Matching Cultural Values and Social Judgements

*Brittney C. Bauer, Saint Louis University*

*Brad D. Carlson, Saint Louis University*

**Keywords:** *celebrity endorsement, social cognition theory, stereotype content model, social judgments, cultural values in advertising*

**Description:** *In this paper, we suggest that by identifying how consumers are likely to judge the celebrity endorser with regard to social judgment dimensions, marketers will be better able to manage their advertising messages so as to intentionally communicate the most effective cultural values dimension.*

## EXTENDED ABSTRACT

### Research Question

We will seek to better understand three main questions: (1) Does a match between consumer judgments of a celebrity endorser as high warmth (competence) and advertising messaging that predominately uses symbolic (utilitarian) trait messaging lead to positive attitudes towards the advertisement? (2) Does attitude towards the advertisement mediate the relationship between a match of consumer judgments and the dominant trait messaging and greater product preferences? (3) Does consumers' preference for specific cultural values moderate the relationship between a perceived match of social and cultural values judgments and product preference?

### Summary of Findings

Making purchasing decisions has become a difficult and exhausting task for many consumers due to the sheer number of available products. In response to this challenge, marketers turn to celebrity endorsement as a means of grabbing the attention of consumers. Nonetheless, in an effort to expedite the decision-making process, consumers refer to their own social schemas for knowledge concerning products, brands, and celebrity endorsers. While this is a very practical technique, it also comes with the potential drawbacks of inaccuracy and a tendency to stereotype. In our paper, we rely on social psychology's stereotype content model for insight into two negatively related dimensions—warmth vs. competence—upon which celebrities are judged. In addition,

we utilize cultural values in advertising—symbolic vs. utilitarian—to explain how advertising messaging is judged by consumers. We propose a conceptual model arguing that a match between consumers' social judgments and cultural values judgments is associated with more favorable attitudes towards the advertisement, which in turn is related to enhanced product preference. Thus, through this line of inquiry marketers could benefit from a deeper understanding of the potential effects related to celebrity endorsement and its impact on product preferences.

### Key Contributions

In this paper, we suggest that by identifying how consumers are likely to judge the celebrity endorser with regard to social judgment dimensions, marketers will be better able to manage their advertising messages so as to intentionally communicate the most effective cultural values dimension. Or, conversely, marketers will be more effective at choosing the most appropriate celebrity endorser whose public persona best aligns with the dominant cultural values dimension used in their product's trait messaging. Additionally, if consumers' preference for a particular dominant trait messaging is found to moderate the positive relationship between attitude towards the advertisement and increased product preference, then this will signal to marketing managers the importance of creating multiple versions of their product advertisements. For example, in order to recognize increased product preference by all of their potential consumers, mar-

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keting managers would need to deploy two separate advertisements—one with a warm endorser paired with symbolic messaging, and one with a competent endorser paired with utilitarian messaging—so as to capture both types of consumers' trait messaging preferences. In all of the cases

above, marketers will be fueled with additional knowledge to help better capture the benefits of utilizing celebrity endorsers.

*References are available on request.*

# A New Type of Endorser? Investigating the Differences in Perception Between Social Media Influencers and Traditional Celebrities

*Jan-Frederik Gräve, University of Hamburg*

**Keywords:** *social-media influencer, celebrities, celebrity endorsement, endorser effectiveness*

**Description:** *In this research project, it is empirically shown that social media influencers are a new kind of stars that is perceived differently than traditional celebrities, which is reflected by various characteristics determining endorser effectiveness.*

## EXTENDED ABSTRACT

### Research Question

The growing popularity of social media networks enables more and more individuals to acquire large audiences of up to several million people on these platforms. Companies are starting to recognize this potential and hire these so-called influencers as endorsers in social media and sometimes even instead of traditional celebrities in corporate advertising. Therefore, the question arises whether there is a difference in perception between these two types of endorsers and if so, how differences can be characterized. In this research project, three different research questions are examined:

1. How can popular social media influencers be conceptually distinguished from traditional celebrities?
2. Are there systematic differences in the perceptions of influencers and traditional celebrities?
3. Can these differences be linked to characteristics that determine endorser effectiveness?

### Method and Data

We conduct an online survey with 590 respondents who were asked to rate 14 influencers and traditional celebrities in pairwise comparisons regarding their similarity. The final data set contains 20,150 evaluations of pair comparisons, which are

used to apply multidimensional scaling (MDS). Additionally, we apply property fitting with evaluations regarding six different characteristics determining endorser effectiveness.

### Summary of Findings

The results indicate that managers should carefully distinguish between influencers and traditional celebrities for endorsements, as systematic differences in perceptions between the groups are likely to have an impact on endorser effectiveness. Traditional celebrities are in general perceived more favorable regarding attractiveness, trustworthiness, likeability and similarity to oneself. However, we show that familiarity has a moderating effect: When familiarity is high, celebrities are not perceived more favorable anymore. In fact, the effect even reverses for two characteristics and influencers are perceived significantly more trustworthy and more similar to oneself.

Further research is needed to investigate which moderators (e.g. advertising type, product category) influence the perception and subsequently the endorsement effectiveness of the two types of endorsers.

### Key Contributions

This research project contributes to the field of research in several ways:

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1. We provide a definition for influencers as a new kind of stars that can be distinguished from traditional celebrities.
2. We show empirically that celebrities and influencers are perceived differently, which can be linked to the evaluation of characteristics that determine endorser effectiveness.
3. We suggest that influencers might be more effective endorsers than traditional celebrities on their native social media platforms.

*References are available on request.*

# Do Low Self-Esteem Consumers Evaluate Products Advertised with Attractive Endorsers Highly or Lowly?

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*Yuuka Eguro, Keio University*

*Taichi Narisawa, Keio University*

*Naoki Nomura, Keio University*

*Takaya Sato, Keio University*

*Yuna Sato, Keio University*

*Yuta Shibamoto, Keio University*

*Soichiro Yoshida, Keio University*

**Keywords:** *body esteem, status esteem, advertising endorser, upward comparison, luxury fashion branding*

**Description:** *Whereas previous research has suggested that consumers who are low in self-esteem evaluates clothing items advertised with attractive endorsers lowly, this research found that they evaluate the items highly in case of wearing them to express their status.*

## EXTENDED ABSTRACT

### Research Question

Previous research has suggested that low self-esteem consumers give lower rates to apparel products advertised with more attractive endorsers. However, in the real world, advertisers are engrossed in using attractive advertising endorsers to gain favorable consumer evaluation. Under what conditions do low self-esteem consumers evaluate a product favorably/unfavorably? Previous research focused only on body esteem. In contrast, we employ not only body esteem, but also status esteem to answer the question mentioned above.

### Method and Data

Similar to the prior research, 120 female university students were participated in the experiment with a 2 (status esteem: high/low)  $\times$  3 (consumer situations: ad and trial/ad only/trial only) between-subjects design. With the corrected data, a multiple regression analysis with dummy variables as well as a simple slope analysis were conducted.

### Summary of Findings

Whereas low body esteem consumers evaluated apparel products advertised with attractive endorsers lowly, low status esteem consumers evaluated them highly. In addition, low status esteem consumers evaluated clothing items significantly higher when they were exposed to the ad AND tried on the items than when they were only exposed to the ad OR when they tried on the items alone. In contrast, high status esteem consumers evaluated clothing items equally when they were exposed to the ad AND tried on the items and when they were exposed to the ad OR tried on the items.

### Key Contributions

As a theoretical contribution, this research succeeded in bridging the gap between the findings of previous research and the real world. These findings contribute to suggest differences between body- and status-related consumption with regard to how an attractive endorser affects consumers. A

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managerial contribution is as follows. Managers of fashion brands should identify whether their customers are shopping for body-related clothing items or status-related clothing items and whether they are high or low in the related types of self-esteem. By doing so, managers can decide where to

display advertisements with attractive endorsers which would make consumers make upward comparisons and affect consumers' evaluation of clothing items.

*References are available on request.*

# Hooray for Poli-Wood? Effects of Celebrity Political Endorsements

**Eric Van Steenburg, Montana State University**

**Keywords:** politics, advertising, celebrities, voting intention, meaning transfer, source effects

**Description:** An experiment was conducted based on meaning transfer to see if celebrities supporting a political issue influence voting intention and found not only that they do not, but their support can negatively affect a voter's attitude toward the celebrity.

## EXTENDED ABSTRACT

### Research Question

There has been an increase in actors and artists engaging in politics since the November 2016 election (Hill 2017). While Seno and Lukas (2007) point out the relationship between celebrity and cause is usually symbiotic—celebrities give causes exposure and causes give celebrities humanity and likeability—what if a celebrity's cause is a political one? Results regarding the use of celebrity endorsements in political marketing are mixed. Schuessler (2000) found those with a high level of interest in politics are not impacted by celebrity endorsements of a candidate, while Leroy (1990), Kuklinski et al. (1982), and Lupia (1992) show celebrity endorsement provides a reliable information cue to the voter. Other studies show a significant interaction between source effect dimensions and party affiliation (Van Steenburg 2012, 2016), suggesting a candidate's political party may exert influence on attitude toward the celebrity rather than the other way around. However, when a celebrity supports a political issue rather than a candidate, will voters still follow their political values and reject the celebrity when the endorsement differs from the voter's political beliefs; or will voters accept celebrity endorsements of political issues, supporting the issue and the celebrity if they consider the celebrity to have positive dimensions?

### Method and Data

A pre-test identified the following celebrities and source effects for the study—Jennifer Aniston (high attractiveness), Renee Zellweger (low attractiveness), Tom Hanks (high trustworthiness), Charlie Sheen (low trustworthiness). To determine what political issue to leverage, a 14-item ques-

tionnaire was distributed online asking participants to rate an issue from liberal to conservative using a seven-point scale. The issue rated as the most liberal ( $M = 2.383$ ) was protecting a woman's right to abortion, while the issue rated as the most conservative ( $M = 5.438$ ) was making abortion illegal. A full factorial between-subjects 2 (source effect: high vs. low)  $\times$  2 (political issue: abortion illegal vs. abortion legal) experimental design was conducted with voting intention, attitude toward the celebrity endorsing the political issue, and attitude toward political endorsement by celebrities as dependent variables. A 64-item instrument was distributed online, and panel data were gathered nationwide through a well-known research service. After participants were asked 20 questions regarding political values, which are a determinant of one's approach to political issues, they were shown an advertisement featuring one of the four celebrity-source effect pairings endorsing a position on abortion. The final sample ( $n = 315$ ) of U.S. citizen registered voters was analyzed via MANCOVA.

### Summary of Findings

Results showed significant effects on voter intention when individuals seeing an advertisement of a celebrity supporting a political issue were not in balance with the voter's political values. The results held true for celebrities low in attractiveness, as well as high and low trustworthiness. Importantly, voting intention was not affected by the celebrity, but aligned with the individual's political values and the party the celebrity was supporting. In almost all cases, party loyalty—as derived from political values—trumped celebrity endorsement whether the relationship

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was in balance or not. The exception was a celebrity considered high in attractiveness. That is, for attractive celebrities, voters did not appear to take into account the political issue or the celebrity endorsement when making their voting decision or considering their attitude toward the celebrity. Paired sample T-tests were then used to evaluate attitude toward celebrities before and after exposure to the treatment. Results were significant ( $t(314) = 2.68, p = .008$ ) between pre-treatment ( $M = 3.79$ ) and post-treatment ( $M = 3.53$ ) for all voters, demonstrating that celebrity endorsement of a political issue affect voters' attitudes toward the celebrities.

### **Key Contributions**

A third study has now demonstrated that traditional meaning transfer may not exist for celebrities making political endorsements. Results of this most recent study showed significant effects on voter intention when individuals seeing an advertisement of a celebrity supporting a political issue were

not in balance with the voter's political values. It also extends recent research on celebrity political endorsement by showing that, in addition to voters' political values determining their voting intention rather than influence from a celebrity endorsing a political party, voters also eschew celebrity endorsements when it comes to political issues. Finally, the research shows that viewing a celebrity making a political endorsement for a political issue changes voters' attitudes toward celebrities. When celebrities become endorsers, it creates a co-branding existence because celebrities benefit as much as the marketer when it comes to product endorsement (Seno and Lukas 2007). But political candidates are more complex brands (Guzman and Sierra 2009) than consumer products, and come with cultural meanings that must be interpreted by the voter just as they must interpret the cultural meanings of the celebrity. The same may now be said of political issues.

*References are available on request.*

# “It’s Better Over There”: How Spatial Distance Affects Consumers’ Product Evaluation

Xing-Yu Chu, National Sun Yat-sen University  
Chun-Tuan Chang, National Sun Yat-sen University

**Keywords:** spatial distance between model and product (SDMP), conceptual metaphor theory, brand power, power distance belief, price premium

**Description:** This research examines how advertisers can use the spatial distance between a human model and a product to enhance consumers’ product evaluation.

## EXTENDED ABSTRACT

There is increasing evidence showing that how marketers position product images in ads can alter processing and impact consumer perceptions. Conceptual metaphor theory (Lakoff and Johnson 1980) provides a theoretical tenet in explaining how to influence consumers’ product perceptions and attitudes. Drawing on the conceptual metaphor theory, researchers have discovered that the location of product image (Chae and Hoegg 2013; Chae, Li, and Zhu 2013; Elder and Krishna 2012) or in packaging design (Sundar and Noseworthy 2014) matters in influencing product attitudes.

There is a saying in Chinese that “*distance enhances beauty*.” The implication is that people enjoying the beauty of nature, art and other aesthetic processes should maintain an appropriate distance. The other Chinese poem “*It can be only appreciated distantly but not touched blasphemously*” suggests that a certain distance makes something more valuable. Geert Hofstede invented the *Power Distance Index* to measure the extent to which the less powerful members of society, organizations, or institutions accept and expect that power is distributed unequally (Zhang, Winterich and Mittal 2010). We propose that it could be advantageous to separate the product and the model by a greater distance, based on a different conceptual metaphor: “*distance is worth*.”

## Research Question

This research examines how advertisers can use the spatial distance between a human model and a product to enhance consumers’ product evaluation.

## Method and Data

In Study 1, we examined the metaphorical link between the spatial distance and product evaluation. We also attempted to rule out the gender influences from both models and participants. A 2 (spatial distance: far vs. close)  $\times$  2 (model’s gender: male vs. female) between-subjects design was conducted. In Study 2, we further considered the variable of product type (utilitarian vs. hedonic). We expected that, regardless of product type, people exposed to an ad placing model and product images farther away would be willing to pay more for the product than those exposed to an ad placing the model and products images closer. A 2 (spatial distance: far vs. close)  $\times$  2 (product type: utilitarian vs. hedonic) between-subjects design was conducted. In Study 3, a field experiment of single-factor between-subjects design was conducted (spatial distance: far vs. close). We also tested the serial multiple mediating effects of the sense of power provided first and then the perception of prestige on actual amount spent by consumers. In Study 4, we tested the interaction effect between brand power and spatial distance. A 2 (spatial distance: far vs. close)  $\times$  2 (brand power: low vs. high) between-subjects design was used.

## Summary of Findings

In Study 1, the results showed that participants in the far condition showed stronger purchase intention than the counterparts in the close condition. In Study 2, we found that participants in the far condition were willing to pay more money for the product than those in the close condition

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regardless of product type. In Study 3, a serial mediation effect was confirmed with the sense of power provided and the perception of prestige as mediators. In Study 4, the results showed that when participants faced the product with high brand power, their product evaluation tended to be more favorable in the far condition than in the close condition. Opposite results were found with participants facing the product with low brand power.

## **Key Contributions**

Our findings make several theoretical contributions. *First*, drawing on and extending the research on conceptual metaphor theory, our study demonstrates that “distance is

worth” implied in consumer perceptions influences product evaluation. *Second*, we empirically validate the underlying mechanisms by testing two sequential mediators. *Third*, this research contributes to the literature on power in consumer behavior. The current research illustrates that power can be primed through a visual cue in an ad. The findings also have important implications both for brand managers and advertisers. Marketers may benefit from using a spatially far distance between advertised product and model in ads to increase consumer associations with power and perceived product value.

*References are available on request.*

# A Cross-National Examination of the Relative Effectiveness of Marketing Communication Channels in Service Innovation Adoption

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**Keywords:** marketing communication effectiveness; service innovation; cross-national; measurement invariance

**Description:** *The study assesses the cross-national invariance of the relative effectiveness of different marketing communication channels and their impact on consumers' adoption decisions in the context of a service innovation.*

## EXTENDED ABSTRACT

### Research Question

Marketing scholars and practitioners are increasingly interested in exploring whether the relative effectiveness of marketing communication channels and their effects on consumers' adoption decisions have similar patterns across different social, economic, and cultural contexts (Petersen, Kushwaha and Kumar 2015). To the best of our knowledge, research has devoted relatively little attention to examining the distinguishing impact of marketing communication channels on the adoption of service innovations across different nations. The lack of such empirical investigation limits understanding of the extent to which existing findings on marketing communication effectiveness could be applicable to different markets. Furthermore, the influences of the relative effectiveness of marketing communication channels on innovation adoption are likely moderated by prior experience but with inconsistent findings in various settings (Venkatesh, Thong and Xu 2012). Thus, we argue that the moderating effects of prior experience on the relationships between the effectiveness of marketing communication channels and adoption intention vary across different countries. Therefore, the purpose of our study is twofold:

1. *To assess cross-national invariance of the relative effectiveness of marketing communication channels and their effects on adoption intention across different countries;*

2. *To examine the moderating role of prior experience in the relationships between the effectiveness of marketing communication channels and adoption intention across different countries.*

### Method and Data

This study uses mobile banking (MB) services as the base service innovation category as it is the newest and most promising banking delivery channel via mobile devices for all national, regional, and global banks. As cross-national research, we adopted the same data collection process for both countries. Specifically, in each country, data collection was done in the physical branches of the major private banks, which have recently offered MB services in New Zealand and Vietnam, over a five-week period. A thorough examination of the datasets of the countries and removal of outliers resulted in a sample size of 250 in New Zealand and 242 in Vietnam. The demographic profile of the respondents was similar across the two samples. Of the New Zealand sample, 84.40% were 20 to 40 years of age, while 72.50% of Vietnamese respondents were in that age group. Approximately 58.80% and 63.50% of respondents were women in the New Zealand and Vietnamese samples, respectively. Our study followed the comprehensive data analysis process of Steenkamp and Baumgartner (1998) to assess the invariance of the measurement instruments and structural relationships with the use of multiple-group confirmatory factor analysis (multiple-group CFA).

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## **Summary of Findings**

The main results show strong and positive effects of marketing communication channels on adoption intention. In contrary to previous studies, our findings surprisingly reveal that consumers' cultural backgrounds did not influence how they perceived the relative effectiveness of marketing communication channels. In both countries, sample consumers tend to be more influenced by traditional interpersonal channels than any other media in the service innovation adoption. In contrast, mass media channels were regarded as the least effective way to encourage bank clients to adopt innovative services in both countries. Effectiveness of front-line sale employees' communication and social media advertising effectiveness exerted significant but weaker influences on the consumer adoption decision in New Zealand and Vietnam. In New Zealand, prior experience positively moderated the positive effect of social media advertising effectiveness to adoption intention. The more experienced the consumers are, the more likely they are influenced by social media advertisements to make their adoption decisions. On the other hand, in the Vietnamese context, the results clearly suggest that prior experience negatively moderated the impact of word-of-mouth (WOM) communication effectiveness on adoption intention. When Vietnamese respondents are more experienced with using electronic banking services, they tend to be more confident in using MB for their banking transactions and thus less rely on WOM communication to adopt MB.

## **Key Contributions**

From a theoretical viewpoint, we empirically validate the new approach to measuring the concept of marketing com-

munication effectiveness by testing how consumers perceive the influenceability and effectiveness of various marketing communication channels. The study extends the marketing communications literature by cross-nationally validating the perceived effectiveness scales of different marketing communication channels in the context of service innovation introduction. We also contribute to the body of cross-national research on service innovation by investigating how marketing communication effectiveness affects adoption intention with prior experience acting as a moderator in the distinct countries.

From a managerial perspective, the study produces valuable insights into the relative effectiveness of marketing communication channels from the consumer perspective as well as their effects on intention to adopt a technological innovation in the services industry. Our findings, which reflect the unique characteristics of banking service innovations, suggest several specific recommendations based on the results for managers both within and across national cultures. We, therefore, recommend that firms undertake their own assessment of multimedia advertising effectiveness using both consumer self-report scales and financial performance to balance their marketing budget allocation of different communication channels during the launch of an innovative service.

*References are available on request.*

# How Accepting Hierarchy Impacts Reliance on Information Type

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*Yinlong Zhang, University of Texas at San Antonio*

**Keywords:** hierarchy, persuasiveness, cognition, affect

**Description:** This research investigates the impact of accepting hierarchy on consumers' reliance on information type.

## EXTENDED ABSTRACT

### Research Question

This research investigates how accepting hierarchy impacts consumers' reliance on information type. More specifically, we hypothesize that consumers with low power distance belief rely more on affective information and prefer affective ads whereas consumers with high power distance belief rely more on cognitive information and prefer cognitive ads.

### Method and Data

Across five experimental studies, we test the central proposition of the impact of acceptance of social hierarchy (i.e. power distance belief) on consumers' preference for affective versus cognitive information.

Studies 1a and 1b demonstrate the main proposition by manipulating both power distance belief (Zhang et al. 2010, study 1c) and information type (i.e. affective vs. cognitive) across different product categories (language software, athletic shoes, and dictionary), thus supporting the internal validity of the main proposition.

Studies 2, 3 and 4 provide convergent evidence for the proposed mechanism of consumption motive underlying the power distance belief effect. The bootstrapping analysis in study 2 supports the proposed mediation of consumption motive statistically. By manipulating consumption motive, study 3 further confirms the causal path between the proposed mediator and the dependent variable, thus establishing a compelling case for the mediating role of consumption motive. Study 4 examines a boundary condition of the power distance belief effect by manipulating external monitoring. As expected, the power distance belief effect manifests

when external monitoring is non-salient and attenuates when external monitoring is salient. With actual and fictitious ads, across different product categories including products and services, and with both student and non-student participants, the converging results from five studies demonstrate the robustness of the power distance belief effect on the persuasiveness of affective and cognitive information and support the proposed process.

### Summary of Findings

1. Low power distance belief induces a preference for products presented in affective ads whereas high power distance belief induces a preference for products in cognitive ads.
2. Consumption motive mediates the effect of power distance belief on the persuasiveness of affective and cognitive information, with low power distance belief inducing more consummatory (vs. instrumental) motive and high-power distance belief inducing more instrumental (vs. consummatory) motive.
3. External monitoring moderates the power distance belief effect so that the power distance belief effect manifests when external monitoring is not salient and disappears when external monitoring is salient.

### Key Contributions

This research broadens the cross-cultural persuasion research beyond the heavy reliance on the INDCOLL framework (i.e. individualism-collectivism at the cultural level and independent-interdependent self-construal at the individual level). By including power distance belief (PDB), this

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research greatly enhances the predictive accuracy of cultural orientation on persuasive effectiveness. Moreover, this research contributes to the PDB literature by uncovering a novel link between PDB and consumers' processing of

affective versus cognitive information and identify the underlying mechanism and a boundary condition.

*References are available on request.*

# When Simple Plus Simple Becomes Complex: The Impact of Nutritional and Environmental Label Juxtaposition on Consumer Choices

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*Anne Lacroix, Université Grenoble Alpes–UMR GAEL*

*Mehdi Moalla, Université Grenoble Alpes–IUT2 GEA*

**Keywords:** nutritional labeling, ecolabeling, juxtaposition, consumer confusion

**Description:** Through a laboratory experiment, this paper shows the negative impact of juxtaposing two traffic-light labels (nutritional and environmental) on the FoP of products on the nutritional and environmental qualities of consumer's products choice.

## EXTENDED ABSTRACT

### Research Question

What is the impact of the juxtaposition of two traffic-light labels (nutritional and environmental labels) on the nutritional and environmental qualities of consumers' food product choice.

### Method and Data

A laboratory experiment with 352 participants is achieved. 282 food products were proposed to participants who had to do their shopping to cover the needs of their household for two days. The experimental protocol makes it possible to observe, for each participant, the difference in terms of the nutritional and environmental quality of the purchases between a shopping cart prepared without a labeling system and a shopping cart prepared with one of the labeling systems and to deduce there from the relative efficiency of the systems.

### Summary of Findings

Results of this research show superiority of colored traffic light logo among diverse other logos and confirm that juxtaposition

nutritional and environmental traffic light have a negative impact on nutritional and environmental quality of product choice compared to presenting traffic light logo with only one information type (nutritional or environmental).

### Key Contributions

Faced to the complexity of the shopping environment, the quantity of information delivered on Front of Package (FoP) and new norms imposed by governments, consumers can feel lost during their shopping experience. In this context, understanding the ideal amount of information to present and the effect of combining different types of information (i.e. nutritional and environmental) on the same FoP become a major issue.

*References are available on request.*

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# Involvement as a Moderator in Advertising Co-Branded Relationships

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*George J. Avlonitis, Athens University of Economics and Business*

**Keywords:** *co-branding, involvement, advertising, experiment*

## EXTENDED ABSTRACT

### Research Question

The question this research attempts to answer is whether there is a positive relationship between (a) the level of consumer involvement with the product category and (b) consumers' attitudes (attitude towards the brand,  $A_b$ ) towards a co-branded product, due to their exposure to an advertisement communicating the co-branded relationship, through the formulation of the following three main hypotheses, tested in this study:

$H_1$ : Consumer advertising of a co-branding relationship will positively affect the attitude toward the composite co-branded product.

$H_2$ : The higher the involvement, the greater the effect of an advertising message communicating a co-branding relationship, on the attitude toward the co-branded product.

$H_3$ : Consumer involvement will positively affect the attitude toward the composite (co-branded) product.

### Method and Data

This study employs an experimental design methodology, dividing participants in two groups and exposing both groups to an actual combination of two existing constituent brands, namely "Huawei" and "Leica," that are combined in the Huawei P9 smartphone, which is evaluated on average by participants in terms of involvement as a product of medium involvement, yet presents a reasonable variability across consumers, considered by some as a low involvement product, while by others as a high involvement one. One of the two groups (treatment group) is exposed to a print-ad, which advertises the co-branding relationship between the two constituent brands, while the other (control group) is not exposed to the ad. Both groups first determine their level of

involvement with the product and subsequently evaluate the composite, co-branded product offering (the treatment group after exposure to the ad), in terms of attitude towards the brand. For the research a number of 160 participants from the general US population were recruited, through an online research panel, with a demographic balancing, based on the weighting schemes used in the United States Census American Community Survey of 2013, providing current estimates of demographic quotas, which guided sampling targets.

### Summary of Findings

Regression analysis was employed to test the three research hypotheses. The empirical findings provide partial support for our hypotheses and reveal some very interesting patterns concerning the role of advertising and involvement in marketing of co-branded consumer products. The most interesting finding is that advertising of a co-branded product is not universally efficient without consumer engagement and involvement. The significant coefficient of the advertising-involvement interaction term confirms  $H_2$ , suggesting that the greater the involvement the greater the advertising effects on brand attitude. It appears that only highly involved individuals are affected by messages communicating a co-branding effort, as such consumers are more motivated to perceive and process product related information and more able to appreciate the added value of the co-branded effort. Another very interesting, albeit expected, finding is the positive and significant main effect of involvement on brand attitude. In a similar vein, the results reveal that highly involved consumers exhibit greater preference for the co-branded product, in the sense that these customers are more knowledgeable about the product category, more likely to understand the importance of the co-branding relationship to product quality, and more likely to appreciate the added value of the co-branded product.

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## **Key Contributions**

The implications of our findings for marketing practitioners are clear and actionable. First, there can be no doubt that co-branding advertising is truly different from traditional advertising. It does not have universal effectiveness but its impact is moderated by consumer involvement. In the light of the foregoing, marketing and advertising professionals should choose media and specific vehicles that target highly involved audiences as the latter are far more likely to be affected and motivated by co-branding advertising. For example, ads like the one used here should appear in specialist print and online media that reach customers who are involved with smartphones and amateur

photography. Marketing managers should also notice that consumer involvement elevates preference for the co-branded product, in addition to the aforementioned moderating effect. It is far more efficient to target the co-branded product to highly-involved market segments as such customers are far more likely to appreciate the added value of the co-branded product. The overall conclusion is that consumer involvement plays a critical role for the success of co-branding efforts and its importance derives from both direct and moderating effects as we have demonstrated in this empirical study.

*References are available on request.*

# The Effect of Pre-Giving Incentives on Relationship Norms and Donation Behavior

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**Keywords:** *pre-giving incentives, charitable donation, reciprocity, communal and exchange orientation*

## EXTENDED ABSTRACT

### Research Question

Charities utilize different marketing techniques (Freedman and Fraser 1966; Cialdini et al. 1975) in hopes of increasing compliance and enlarging their donor base. Enclosing low value pre-giving incentives is one technique that has been extensively practiced by charities (Paradysz + PM Digital Research 2016). However, theorizing on how and why people respond to these incentives is limited. Moreover, including such gifts to potential donors requires time and money, resources that are already scarce for many nonprofits. Do the benefits justify the costs?

### Summary of Findings

In four lab studies and one large scale field experiment, the present work examines how charitable organizations' common practice of enclosing pre-giving incentives affects donation behaviors, along with the mediating role of perceived communal and exchange orientation of the charity. A pilot study demonstrates that people perceive charities (businesses) as relatively more communally oriented (exchange oriented). Results from experiments 1A and 1B find that people donate less money to a charity when receiving a low value monetary pre-giving incentive (hereafter, PGI) versus a comparable value non-monetary PGI or no PGI. Notably, including a non-monetary PGI does not lead to more donations than when no incentive is included. Results from experiment 2 show that reduced donations in the low value monetary incentive condition are due to perceptions of the charitable organization as relatively less communally oriented. Experiment 3 takes our investigation out of the lab and into the field. We partner with a local charity on a direct

mail campaign, and randomly assign 9,000 households to receive charity appeals containing a low value monetary PGI, a comparable value non-monetary PGI, or no PGI. It finds that: (1) low value PGIs in general do not perform better in terms of average donations compared to no incentives, and (2) both low value monetary and non-monetary PGIs lead charitable organizations to suffer higher net financial loss compared to no incentives in donor acquisition efforts.

### Key Contributions

The current research integrates research on reciprocity, relationship norms, and prosocial behavior and makes several theoretical and practical contributions. First, whereas extant research treats all PGIs as a single category (e.g., Alpizar et al. 2008), the current research considers monetary and non-monetary PGIs as qualitatively different, with distinct impact on donation behavior. Second, by integrating research on reciprocity and relationship norms, we add to research on reciprocity. We propose that in the case of pre-giving, how people reciprocate should be better understood in the framework of relationship norms. An abundance of research demonstrates the persuasive power of reciprocity (e.g., Cialdini, 1993) but we show that in certain pre-giving situations, providing gifts or favors before requesting compliance might have no effect or even backfire. Third, this research contributes to the literature on charity perception by examining how PGIs influence charity perception through relationship norms. Most marketplace interactions involve exchange norms, and little is known about situations in which communal norms are the default (Aggarwal and Zhang 2006). We propose that donors typically perceive charitable organi-

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zations and communal organizations and use communal norms when interacting with them. However, the inclusion of low value monetary PGIs evokes exchange norms that diminish donors' communal perception of the charity, resulting in lower donations. Finally and importantly, our work has practical implications, suggesting low value PGIs are no more

effective, and may even boomerang, than a comparable appeal sans incentives. The results of this research allow charitable organizations to make more informed cost-benefit analyses when planning a direct mail campaign.

*References are available on request.*

# Narrative Perspective and Transportation: Exploring Important Conditions in Narrative Persuasion

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*Frank Huber, Johannes Gutenberg-University Mainz*

**Keywords:** *perspective, transportation, narrative persuasion, fear appeal, social marketing*

**Description:** *Two experimental studies are conducted to explore the power of perspective distortion through transportation evoked by threatening narratives on reflections towards the real world.*

## EXTENDED ABSTRACT

### Research Question

In recent decades, challenges of the information age, as the increasing wave of media broadcasts, public misinformation and persuasion knowledge (Lafferty, 1999) as well as evolving extremist movements height in concert the need for an effective social planning of communication (Andrews and Netemeyer, 2015). In view of the emerging entertainment-driven mindset, the story and the associated effects of narrative persuasion has become one of the most significant subjects in research on persuasion (Singhal and Rogers, 2002). One major reason of the growing interest in narratives is the overwhelming power to challenge even most persistent convictions through the perceptual illusion that a mediated experience is not mediated (nonmediation, Lombard and Ditton, 1997; see overview in Dal Cin et al. 2004, Moyer-Gusé, 2008). Transportation, as a central element of non-mediation, can be explained as a process, which draws the media user's complete attention to the narrative so that the real world becomes more and more distant (Green and Brock, 2002). Thus, narratives may transport us into exciting new worlds of the story characters and thereby open up new vistas. Particularly fear-inducing stories (Andrews et al., 2014) are identified to be very effective to induce reflections about the reader's self and the reader's social surroundings, since controversial issues, as one essential element of the nature of this genre, can be addressed in a straightforward manner (Sparks and Sparks, 2005). Although, they create a chance to present role models of a better world (Kniveton, 1978; Grimm, 2002; Green, 2006; Nabi, 2015), no attempt was made to explore the effects of the stylistic elements of

threatening narratives. In accordance with the saying "it is just a matter of opinion," more recent studies have confirmed that the change of perspectives makes the story character's view more accessible to the reader, which is a chance to convey didactic information about health and social issues in an entertaining manner. Accordingly, there are strong indications that an amalgamation of the first-narrator perspective with one of the story characters generates a better understanding regarding the protagonist's view. This leads to the adoption of the characters promoted beliefs (Genette, 1966; Genette, 1969; Genette, 1972; Oatley, 1999; Graesser and Klettke, 2001; Hoeken and Fikkens, 2014; De Graaf et al., 2012), but reliable evidence regarding the evoked change of belief is still needed. Beyond research on perspective distortion, an array of studies established that character frames, such as traditional victim and culprit schemas, representing the core elements of a drama, mentally guide the reader's beliefs (Zillmann and Cantor, 1977; Raney, 2004), highlighting the significance of the narrator's character attributes in this context (e.g., Hoeken and Sinkeldam, 2014; Tal-Or and Cohen, 2010). However, no research has been found that simultaneously examined the effect of both mentioned phenomena, and far too little attention has been paid towards the reaction on non-schematic, ambiguous media characters (e.g., Krakowiak and Oliver, 2012; Lachlan and Tamborini, 2008). Contributing to the knowledge of narrative persuasion, fear appeal research, affective disposition theory and other related study fields, we uncover for the first time the impact of the perspectivizing character (victim vs. culprit) in conjunction with the viewpoint used in threatening stories to

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encourage reflections regarding danger and fear control towards the issues of factory farming (Study 1) and cancer prevention and control (Study 2). With special focus on the power of transportation enabling the reader to assume the character's perspective more easily, we add to the discussion regarding the interplay of identification with the story characters and transportation (Green, Brock and Kaufman, 2004, Bilandzic and Busselle, 2011, also cited in Hoeken and Sinkeldam, 2014, Moyer-Gusé, 2008, Tal-Or and Cohen, 2010, de Graaf and Hoeken, 2014) and confirm, as well as broaden, transportation theory (Green and Brock 2002) (figure 1 in the appendix summarizes the analyzed model).

## Method and Data

Two online and paper-based experimental surveys are conducted in order to empirically explore the proposed moderated moderating effect of the point of view and transportation on the effect of the perspectivizing character on the selected danger and fear control reflections. The experiment included in the surveys consists of the reading of a short story and the pre- and post-evaluation of the danger and fear control regarding the issues addressed in the narratives. Through the development of four versions out of one story, the factors *perspectivizing character* and *viewpoint* are manipulated. The scenarios, simulating the factor levels of the character of the narrative perspective, differ in the agents who presented the arguments regarding the addressed issue (victim vs. culprit). The factor levels of the viewpoint are implemented by the narrator, who takes either a supporting view or an opposing view on the appealed issue. All four stories involve the same pros and cons, concerning the addressed topic. Expert interviews serve to improve experimental manipulation. To analyze the data, a multiple regression analysis involving a three-way interaction effect is used. Focus is placed on the resulting conditional analysis.

## Summary of Findings and Key Contributions

By advancing previous findings, the results of both studies support the assumed capability of the interplay of the perspectivizing character and the point of view to provoke jointly real-world reflections. Following mainly the affective disposition theory (Zillmann and Cantor, 1977), Raney's

theory modifications (Raney, 2004) and the empathy-helping hypothesis (Batson, 1987; 1990), the major parts of the results of both studies reveal the controllability of the media user's fear and danger control by applying schema-guided character perspectives, embodying both good and bad roles. Study 2 on the issue of cancer prevention shows, in some ways more clearly, that coping and threat reflections are framed by the victim's perspective, which may be ascribed to schematic predispositions and the resulting empathy (counterempathy) towards victim and culprit roles made in advance. The identified framing effect of the narrator's character attributes could not be generalized in both studies for all investigated danger and fear control reflections, but rather predominantly for coping appraisals. The outcomes of our study, which do not support the framing effect, resemble in some ways previous findings according the media users' emotionally negative and uncertain response to ambiguous story characters (Krakowiak and Oliver, 2012; Lachlan and Tamborini, 2008). Further inconsistent findings of both studies contribute to the recent discussion regarding the relationship of the phenomena identification with the story characters and transportation. Observed with an increasing level of transportation, morally bad characters are found to be persuasive, although the average reader is expected to reject identifying with them. This link can be ascribed to the emerging empathy with the bad character in the state of high transportation. Hence, empathy may evolve beyond identification (Hamby, 2014). Finally, the results outline on the one hand the importance of transportation in terms of narrative persuasion, but contradict the approach of Green and Brock (2002) on the other hand by signs of counterarguments on behalf of transported readers. This striking result along with many other questions posed by this research require further investigation and are recommended for further research. Besides the future research directions, findings of both studies bring the careful design of story characters attributes into prominence of social marketing management. Well-defined schematic characters can serve in conjunction with the viewpoint and transportation as role models guiding the reader's reflections.

*References are available on request.*

# That's Me Eating the Sushi! The Influence of Consumption Visions on Attitudes Toward the Product

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**Keywords:** *consumption visions, food marketing, self-referencing, marketing communications*

**Description:** *This study examines how information on the menu book should be presented to help consumers' purchase decision.*

## EXTENDED ABSTRACT

### Research Question

This study seeks to explore how products should specifically be described in order to facilitate consumers' imaging themselves using the product?

*H1a:* Regardless of the types of food descriptions, consumers high in product knowledge will not show any differences in consumption visions (CVs).

*H1b:* As the descriptions about a food are more vivid and personally relevant, consumers low in product knowledge will show greater CVs.

*H2:* The benefit of a mixed influence between previous product knowledge and food descriptions on CVs is mediated by a vividness to mental easiness pathway (interaction → vividness → mental easiness → CVs).

*H3:* More vivid and self-relevant food descriptions will increase evaluations of (a) informativeness of product, (b) information credibility, (c) product enjoyment, (d) attitudes toward the meal, and (e) purchase intention for consumers with low product knowledge.

*H4:* More vivid and self-relevant food descriptions will have no difference in evaluations of (a) informativeness of

product, (b) information credibility, (c) product enjoyment, (d) attitudes toward the meal, and (e) purchase intention for consumers with high product

### Method and Data

A 3 (food descriptions) × 2 (product knowledge) between-subjects experimental study was conducted to test the proposed hypotheses. A total of 183 college students from a state university in the U.S. were invited to a research lab to complete an onsite online survey in exchange for course extra credit. They were 20.56 years old on average with a balanced gender (male = 51.9%). A series of two-way univariate analysis of covariance (ANCOVA) with product involvement as the covariate were used to test the proposed hypotheses.

### Summary of Findings

It was found that all the proposed hypotheses were generally supported, except H3c and the indirect effect of interaction between food descriptions and product knowledge on CVs was mediated by a vividness → mental easiness pathway. In summary, our findings show the importance of including cues that aid self-referencing, however these communications strategies will be less likely to work when consumers already have high product knowledge to generate CVs.

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## **Key Contributions**

We support the notion that both visual descriptions that include self-referential imagery, as well as inviting messages (e.g. “*project yourself in this car*”), trigger the self-referencing necessary to generate CVs (e.g., Walters, Sparks, and Herington 2007). We also identified the important role of product knowledge in determining the validity of food infor-

mation in generating CVs. Specifically, participants reported greater CVs as the food information shows more vivid and self-referential images when they browse the unknown food information. However, this effect was not observed for those with prior food knowledge.

*References are available on request.*

# Digital Self and Personalized Ads on Social Network Sites

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**Keywords:** personalized ads, privacy, self-extension, SNS

**Description:** *How can personalized ads be effectively delivered to consumers on SNS?*

## EXTENDED ABSTRACT

### Research Question

Previous findings show paradoxical effects of personalized online advertisement. On one hand, it is appealing as it grabs consumer attention by reflecting recent interests in its message. On the other hand, as personal information is utilized, it prompts privacy concerns and a feeling of intrusiveness, which can further trigger ad reactance behavior such as closing a pop-up ad or paying less attention to the ad contents. With these paradoxical consequences, how can personalized ads be effectively delivered to consumers on SNS?

### Method and Data

A scenario-based web experiment was conducted to 188 participants. We analyzed the data through a multi-group structural equation model (SEM). The groups were divided based on an individual's privacy settings: private versus public.

### Summary of Findings

In summary, we find that to the extent that consumers experience self-extension in SNS, their attitudes toward the personalized ad are negative due to feelings of intrusiveness. Additionally, depending on the privacy control settings, the effect is moderated. Specifically, for those who seek greater privacy, a feeling of intrusiveness drives the negative attitude toward the ad, while the effect becomes no longer significant for those who seek lesser privacy. In addition, our results indicate that the effects have downstream consequences on product attitude, and ultimately click-through product intention. Our research contributes to the literature and provides implications to managers by investigating how self-extension in SNS influences attitude towards personalized advertising.

### Key Contributions

Our findings contribute to theories of self-extension by measuring and validating one's perceived of extended self in SNS. Although previous findings suggest that SNS is a space where consumers feel self-extension (Belk, 2013), there is little empirical evidence. By providing empirical findings of the extended self, this research fills a gap in the literature in the context of personalized online ads in SNS.

Second, the findings extend our understanding of personalized advertising. previous findings have focused extensively on the paradoxical consequences of using a personalized ad. Little empirical research has been conducted examining for whom personalized advertising may or may not be effective as antecedents. This paper empirically examines two consumer characteristics: (1) a consumer's subjective perception of extended self in SNS, and (2) a consumer's control over privacy.

Moreover, our findings have implications for managers. Specifically, if personalized advertising is sent to all consumers, regardless of their privacy control settings, it would be costly, yet ineffective. Rather, when the personalized advertising is targeted to those who may appreciate and find the personalized ads to be useful, their attitudes toward the ads and products are likely to be positive. This may lead to higher click-through rates and generate future sales to companies. These implications can be more relevant and pertinent to managers who make strategic decisions, as our findings show that the attitude toward the ad directly influence product attitude, and ultimately to click-through intentions.

*References are available on request.*

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# How Personalized Advertising Affect Equity of Brands Advertised on Facebook? A Mediation Mechanism

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*Chien-Wei Lin, State University of New York at Oneonta*

**Keywords:** personalized advertising, brand equity, Facebook, social media

**Description:** *The primary objectives of this research are to develop and test a comprehensive model that underlines the role that perceived personalization of a brand ad plays on Facebook with regard to customer perception about the brand.*

## EXTENDED ABSTRACT

### Research Question

Advertising strategies have been changing drastically as a result of development of social media. Online advertisers have used social media (i.e., Facebook) to connect customers with companies, developing new opportunities for customers to know about their brands and products (Comscore Media 2009). To appeal to customers' attention, online marketers have employed social networking sites to customize ads. It is reasonable to understand why more companies are employing social media as marketing tools and why social networking sites like Facebook are preferred to non-virtual media in creating ads (Waters, Canfield, Foster, and Hardy 2011).

Although researchers have attempted to investigate the impact of personalized ads in traditional media, little has been done to examine the effects of a personalized ad of a brand on Facebook. Much less attention has paid to how personalized ads affect brand equity in social media (Dehghani and Tumer 2015). Therefore, the primary objectives of this research are: (1) Develop a comprehensive model that underlines the role of perceived personalization of a brand ad on Facebook with regard to customer perception about the brand; and (2) Test hypothesized relationships using data collected through two online surveys.

### Method and Data

A pre-test ( $N = 280$ ) confirms that the manipulation check for perceived personalization works. We conduct two studies

(Study 1:  $N = 309$ ; Study 2:  $N = 271$ ) through an online consumer panel. Partial least squares (PLS) path modeling analysis is employed in Study 1. The model is tested using SmartPLS 3 software (Ringle, Wende and Becker, 2014) through two steps: measurement model and structural model. All measurements are adapted from existing literature. Results reveal that all the constructs adopted for the model have reliability and validity. Study 2 is to examine whether the findings in Study still held in a different data set while a number of changes are adopted: (1) covariates are taken into consideration that include age, sex, education, time spent on Facebook a day, income, and ad avoidance; (2) regression method is employed; and (3) three dimensions of brand equity are averaged to calculate overall brand equity that is used to provide insights into the effects of the related constructs on brand equity as a whole. Results showed that the findings were consistent across Study 1 and Study 2.

### Summary of Findings

Analysis of Study 1 ( $N = 309$ ) and Study 2 ( $N = 271$ ) show that thirteen out of fourteen hypotheses are supported. Particularly, perceived personalization is positively related to consumer brand identification, and self-brand connection, which in turn enhance brand equity. Results also demonstrate the proposed underlying process. The effect of perceived personalization on brand equity is mediated by consumer brand identification, and self-brand connection.

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Additionally, the findings illustrate that the model being tested has the best fit compared to other competitive models and that no evidence of common method bias is found.

### **Key Contributions**

This research makes several theoretical contributions. First, the current research shed light on the link of personalization and brand equity through mediation effects of consumer brand identification and self-brand connection. Second, the conceptual model taps into the effects of perceived personalization on customer perception of brands advertised on social media (including consumer brand identification, self-brand connection brand equity, and brand usage intent). We show that this model is superior to other competitive models.

Finally, our results showed that high involvement and low involvement products have a similar impact on hypothesized relationships. This research has implications for marketers. Our results showed that tailoring advertising messages through personalization results in stronger brand equity. Thus, social media marketers must customize their advertising to match demographic and psychographic profiles of customers, and strategically handle customer behavior reactions (Blattberg and Deighton, 1996). Social media marketers can create personalized ads which, if effective, can improve customer perception and reaction toward brands being promoted on social networking site.

*References are available on request.*

# Matching Social Network Communication Channels and Advertising Effectiveness: Mediating Role of Perceived Efficacy

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*Stella Yiyan Li, City University of Hong Kong*

**Keywords:** advertising appeals, communications, perceived efficacy, advertising effectiveness

**Description:** This research examined the matchup effects of communication channels (narrowcasting and broadcasting) and advertising appeals (agentic and communal) on social network advertising effectiveness and provided evidence for assumption that the positive relationship between matchup effect and advertising effectiveness were mediated by consumers' perceived efficacy.

## EXTENDED ABSTRACT

### Research Question

In recent years, social networking advertising has become more popular. Communication between social network advertisers and consumers often take place in two forms: narrowcasting and broadcasting. However, most of the existing research studies only considered the narrowcasting communication of sender-receiver and ignored broadcasting communication which include not only the target sender and receiver, but also other audiences. However, ignoring perceptual differences related to the number of communication partners can lead to ineffective advertising strategies. With this study, we attempt to fill this gap by considering consumers as message recipients and examining how the perceived size of the communication partner audience might influence consumers' information processing preferences. Based on agency and communion theory, we explore and compare the effectiveness of communal and agentic appeals in narrowcasting and broadcasting, in an effort to help advertisers understand consumers' perceptual differences in narrowcasting versus broadcasting contexts, as well as provide insights into which types of advertising appeals and messages might increase communication effectiveness.

### Method and Data

We present three experiments to explore these effects. In each experiment, participants viewed an advertising mes-

sage with agentic appeals or communal appeals, in either a broadcasting or narrowcasting context. Study 1 tests the main matchup effect on consumer attitudes toward the advertisement. The results of study 1 predicted that matched conditions would lead to better attitude toward advertising than would mismatched conditions. These findings support our prediction that the matchup effect improves advertising effectiveness. Study 2 examines the mediating role of perceived efficacy and replicates the matchup effect obtained in study 1 in a different product context. We also found evidence consistent with our proposed account of the process: In the broadcasting context, agentic appeals led participants to increase self-efficacy, and in turn, self-efficacy positively influenced the evaluation of advertising effectiveness. In contrast, in a narrowcasting context, communal appeals led participants to increase social self-efficacy, and in turn, social self-efficacy positively influenced the evaluation of advertising effectiveness. Study 3 outlines the boundary conditions of the matchup effect of advertising appeals and communication channels. The results show that for entity theorists, perceived efficacy comes from assurance provided by advertising appeals.

### Summary of Findings

We provided evidence for assumption that the positive relationship between matchup effect and advertising effective-

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ness were mediated by consumers' perceived efficacy. Specifically, in a broadcasting context, which involves two or more communication partners, consumers retain their default tendency to focus on themselves and process agentic appeals, which are conducive to the establishment of agentic self-attribution. This matchup effect also increases consumers' sense of self-efficacy and results in positive advertising evaluations. In a narrowcasting context, which involves only one communication partner, consumers' attention shifts to that partner. Processing communal appeals helps establish communal self-attribution. This matchup effect increases consumers' sense of social self-efficacy and also results in positive evaluations of advertising.

### **Key Contributions**

First, this study expands the application of agency–communication theory to an online social networking advertising context. Second, this research examines the underlying mechanism of the effect of the matchup between advertising appeals and communication channels on advertising effectiveness by considering the mediating role of self-efficacy. Third, our findings advance literature on advertising effec-

tiveness in narrowcasting and broadcasting contexts. In addition to assisting advertisers in accurately identifying consumers' perceptual differences based on the size of the communication partner audience, our research augments studies of consumers' perceptual differences in various communication channel contexts.

Furthermore, a deeper understanding of consumers' varying perceptions across different communication channels could help marketing executives and advertising managers properly match ad appeals with communication channels. Our findings thus have implications for interpersonal communication in a business setting. Specifically, ads should highlight agentic appeals and emphasize benefits related to self-development when they are published on a company's official website or presented as information on a friend's timeline. In contrast, they should highlight communal appeals and emphasize the social connection and social relationship benefits provided by the advertised product when it is designed as a direct message.

*References are available on request.*

# Employee Brand Influencers: Motivations and Social Media Engagement

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**Keywords:** *influencer marketing, social media, employee-brand commitment, engagement*

**Description:** *This study provides empirical evidence that when employees trust their company's brand and are inclined to be advocates for brands, they will be more likely to engage with social media.*

## EXTENDED ABSTRACT

### Research Question

Influencer marketing is a word-of-mouth marketing tactic in which connected social media participants, who have the credibility, following, and motivation to drive positive word-of-mouth to a broader and salient segment of the market, receive incentives or compensation in exchange for posting persuasive messages to their followers. However, influencer marketing campaigns are highly competitive and increasingly expensive partnerships with content creators, bloggers, and celebrities. These influencers are costly to incentivize and challenging to sustain. The ROI is difficult to measure and many consumers turned off by the prospect that their favorite celebrity is being paid or otherwise compensated to say positive things about the brands consumers buy.

Thus, marketers may want to consider harnessing the power of their employees who may already be willing and able to endorse or recommend their own company's products and services. These internal brand advocates are natural influencers who already know and maybe even use their company's brands. If employers can identify employees with a strong commitment to their brand and who also have a propensity to position themselves as enthusiastic experts, they may be able to uncover an addition source of credible word-of-mouth.

This study addresses the following research question: what factors influence employee brand influencers to engage in social media on behalf of their company?

### Method and Data

This research was conducted via online survey to U.S.-based employees. The number of completed surveys was 417. The survey items were adopted from previous research. Brand trust ( $\alpha = .90$ ) is from the work of Erdem and Swait (2004). Employee brand commitment ( $\alpha = .93$ ) was adopted from King and Grace (2010). Market mavenism ( $\alpha = .91$ ) was from Feick and Price (1987) and social media engagement ( $\alpha = .95$ ), a new scale, came from the research by Shrivinski, Christodoulides, and Dabrowski (2016). Because all the scales had acceptable reliability, no changes were made to add or remove any of the items.

### Summary of Findings

Structural equation modeling was used to test the model. A confirmatory factor analysis was conducted to assess the overall validity of the measurement model which reached acceptable fit indices. No model modifications were made and structural equation modeling was used to further analysis the data. Structural analysis supports the hypothesized mediated model with the exception of one path. For the structural model, there were significant mediation effects of employee brand commitment in the model. The fit indices are acceptable and are reported as follows: CFI = .96, NLI = .93, TLI = .95, and RMSEA = .06. SEM suggests that both market mavenism ( $\beta = .248$ ,  $p < .01$ ) and brand trust ( $\beta = .805$ ,  $p < .01$ ) have a significant positive impact on employee-brand commitment. Market mavenism ( $\beta = .391$ ,  $p < .01$ ) also has a positive and significant direct impact on social media engagement. However, while brand

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trust has an indirect effect on social media engagement, brand trust ( $\beta = -.18$ , n.s.) does not have a significant direct relationship with social media engagement. Finally, there is a direct, positive and significant effect of employee brand commitment ( $\beta = .43$ ,  $p < .01$ ) on social media engagement.

## Key Contributions

This study examined the variables that directly and indirectly affect employees' engagement in social media and proposed a model that suggests how market mavenism and brand trust are positively associated with engagement in social media, with employee brand commitment as a mediator. When employees trust their company's brand and are inclined to be advocates for brands, they will be more likely to engage with social media. What the study also revealed was that brand trust alone, does not affect an employee's

engagement in social media and shows the importance of employee brand commitment.

Unlike traditional influencer marketing campaigns where marketers compensate or otherwise incentivize external social media participants, managers cannot ethically provide their employees with the same types of rewards as this would give the appearance of coercion. However, this study shows that employees of a company can be a valuable source of influence on user-generated brand content. The challenge for managers is to identify and cultivate those employees who are market mavens and have a high degree to employee brand commitment. This study provides validation for this activity and gives managers some support for allowing employees to engage in social media activities on behalf of their employers.

*References are available on request.*

# Part B

## Branding and Brand Management

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# Corporate Branding and Spillover Effects: The Role of Product Brands in Brand Equity Leverage and Dilution

Alexander Witmaier, Ludwig-Maximilians-Universität München

**Keywords:** corporate branding, spillover effects, brand dilution, brand leverage, brand equity

**Description:** This study investigates spillover effects and the differential impact of corporate branding on corporate brand attitude in product brand communication.

## EXTENDED ABSTRACT

### Research Question

Brand equity has been receiving utmost attention in academia and practice over the past decades and continues to be of significant interest. Brands have been identified as one of the most valuable assets and firms try to leverage brands in increasingly complex brand portfolios. A large body of literature exists on spillover effects with regard to brand extensions. However, little is known about how corporate branding within product brand communication impacts corporate brand equity. Therefore, this study examines to what extent product brand attitudes spill over to corporate brands. Furthermore, it investigates how corporate branding affects corporate brand attitude. Finally, the role of product brand familiarity, corporate brand familiarity and involvement in brand leverage and dilution is assessed.

### Method and Data

Answers to these questions are provided with a sample of 407 subjects that participated in an online experiment and were presented with a print ad either for brands in the FMCG or pharmaceutical category. The experiment included a 2 (corporate brand familiarity: high or low)  $\times$  2 (product brand familiarity: high or low)  $\times$  2 (category involvement: high or low)  $\times$  2 (corporate brand presence: yes or no) factorial design. Measures included brand attitude, attitude towards the ad, brand familiarity and category involvement. Analysis of covariance is employed to test for main effects and interaction effects, pairwise comparisons to test for group differences and multigroup analysis by means of structural equation modelling and path analysis to test for differences in

effect sizes for the spillover between product brands and corporate brands.

### Summary of Findings

The study provides evidence that corporate brand presence in product brand communication affects corporate brand attitude and that a significant effect is observed for the affective component of corporate brand attitude. No significant effect is found for the cognitive component. Other than expected, the findings demonstrate that corporate brand presence of familiar corporate brands in the high-involvement category (FMCGs) leads to affective corporate brand dilution. Consistently and irrespective of category, the results indicate that corporate brand presence leads to affective corporate brand dilution when corporate brand familiarity and product brand familiarity are low or when product brand familiarity and corporate brand familiarity are high. A tendency for affective brand leverage is indicated for unfamiliar corporate brands when product brands are familiar, which however requires further investigation. Moreover, the findings indicate that the degree of spillover effects differs for the two categories as hypothesized. Stronger positive effects occur in the high-involvement category of FMCGs.

### Key Contributions

The findings reveal that corporate brand presence affects corporate brand attitude while differentiating between an affective and cognitive component. Such a differentiation is indispensable as affective effects prevail. Furthermore, this study sheds light on category-specific effects. While corpo-

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rate brands in the FMCG category evoke stronger positive spillover, the negativity effect of corporate brand presence supersedes and results in brand dilution irrespective of product brand familiarity. Independent of category, when product brands and corporate brands are either low in familiarity or high in familiarity, corporate brands suffer from brand dilution. However, brand dilution is not observed when unfamiliar corporate brands appear with familiar product brands indicating potential for brand leverage. The findings of this

study provide new insights into the interplay between product brands and corporate brands and offer valuable guidance for brand communication in both categories. Although corporate branding within product brand communication is increasingly being practiced, these results should encourage brand managers to carefully consider whether corporate brand presence enhances brand equity or presents a liability.

*References are available on request.*

# Effects of Commitment to the Department and Corporate Brand on Recommendation and Turnover Intentions: A Multiple Group Analysis

*Daniel Hoppe, University of Marburg*

**Keywords:** corporate brand commitment, department commitment, positive word of mouth, favorable employee behaviors, internal market segmentation

**Description:** The study offers an investigation of the effects of corporate brand commitment and department commitment on nuanced recommendation intentions and turnover intentions while considering potentially differential effects based on different employee segments in a German service sector.

## EXTENDED ABSTRACT

### Research Question

Thus far, empirical studies investigating the relationship between employee attachment (via identification or commitment) have largely neglected possible differential effects of specific employee segments on favorable employee behaviors (exceptions include the studies from Cohen, 2006; Mueller and Lawler, 1999; Vandenberghe and Bentein, 2009; Cole and Bruch, 2006). Moreover, existing research has only recently added corporate brand commitment, the psychological attachment of an employee towards the values of a corporate brand, into a multi-foci framework of commitments (Hoppe, 2017). As retaining and encouraging existing personnel to exhibit extra-role behaviors gains academic and practical importance, the study seeks to investigate the effects of two types of commitments (commitment towards the corporate brand and commitment towards the department as a relevant subsequent commitment) in large organizations on nuanced recommendation intentions (i.e. recommending the organization or department as an employer, and recommending the organization as a service provider) and on organizational turnover intentions. Moreover, it is assumed that differing effects between these commitments and behavioral intentions contingent on the employee's role in the value creation exist.

### Method and Data

A standardized survey at a maximum care hospital in Germany was conducted, resulting in 366 responses. Respondents were

asked to rate their commitment towards the corporate brand and their department, as well as nuanced recommendation intentions (recommending the organization as an employer, recommending the organization as a health care provider, recommending the department as an employer) and turnover intentions. 240 respondents (from which 28.8 % were male) were working in medical departments, and as such being rather related to primary value creation. 119 respondents (from which 34.3 % were male) were administrative/technical staff, as such providing supportive processes (7 respondents did not disclose their professional group). For both groups median age is between 41-50 years and median tenure is above 10 years.

Data was analyzed by using IBM SPSS Statistics 22 and R, including the lavaan package (Rosseel, 2012). Significance of path estimates was derived by bootstrapping with 5,000 subsamples to account for possibly non-normally distributed variables.

To mitigate the risk of common method variance (Podsakoff et al., 2003), a psychological separation was implemented in the questionnaire. The CFA marker technique (Williams et al., 2010) was used to provide additional treatment of CMV.

### Summary of Findings

Contrary to suggestions from theoretical considerations, commitment towards the corporate brand is not significantly

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stronger related to turnover intentions than department commitment. Moreover, commitment to the department is significantly related to turnover intentions for employees engaged in primary business processes while it is unrelated for those employees in charge of secondary business processes. Additionally, besides the relevance of corporate brand commitment in both groups for predicting recommending the organization as an employer, commitment to the department is supplementary related to this target of recommendation in the group of primary business process employees. Most surprisingly, the commitment to the department (for both groups) is unrelated to recommending the organization as a healthcare provider, while commitment towards the corporate brand is highly significant for both groups. This finding might be related to the fact that albeit the profound knowledge of the department and its salience, inferring about the organization as a healthcare provider as a whole might be bound to the overall organizational values embedded in the corporate brand and the employee's commitment towards it. The effect of the corporate brand on recommending the services of the organization tends to be larger for the group of employees conducting secondary business processes.

### **Key Contributions**

The paper highlights the need to adopt a multi-foci framework of commitments for better prediction of favorable

employee behaviors and provides empirical results that internal target group-specific measures are required to facilitate favorable employee behaviors and retain employees, depending on their degree of participation in value creation. It is the first paper to investigate corporate brand commitment and department commitment as antecedents of nuanced recommendation intentions and organizational turnover intentions. Moreover, it is the first investigation of the moderating effect of the employee's relationship to value creation on the relationship between these commitments and behavioral intentions. The paper argues for adopting an internal market segmentation perspective (with the degree of participation in value creation to be a possible differentiation criterion) to fully explore and facilitate the complex relationships between psychological attachment and (extra-role) behaviors. As research has established different antecedents of corporate brand commitment and department commitment, the differing effects of these commitments on favorable behaviors based on the employee's membership should urge practitioners to implement adequate instruments to enhance the required type of commitment, depending on the employee segment, which should be relevant to the ultimate target of behavior. Future research should provide additional empirical results and extend the research to additional service industries.

*References are available on request.*

# Is Rebranding Worthwhile? An Analysis of Abnormal Returns to Rebranding Announcements

*Yanhui Zhao, University of Nebraska at Omaha*

*Roger J. Calantone, Michigan State University*

**Keywords:** *rebranding, event study, firm value*

**Description:** *Our event study on 229 rebranding announcements reveals that rebranding leads to a 2.15% increase in stock prices.*

## EXTENDED ABSTRACT

### Research Question

Despite the increasing pervasiveness of rebranding across industries, existing research provides little understanding of this important initiative. There is no evidence showing a significant increase in shareholder value (a key performance metric for top management) associated with rebranding. Thus, there is no evidence of whether it is worthwhile for a firm to invest in rebranding projects.

### Method and Data

We search announcements of rebranding campaigns in major daily newspapers (e.g., Wall Street Journal, New York Times) and wire services (e.g., Business Wire, PR Newswire). Our sampling frame consists of rebranding statements announced by publicly traded firms across 20 years (1996 to 2015). The key words for searching include “rebrand,” “rename,” “reposition,” “name change,” “logo change,” “new name,” “new logo,” and “new brand identity.” The final sample consists of 229 rebranding projects announced by 208 firms across 102 industries.

### Summary of Findings

Our event study reveals a 2.15% increase in stock prices due to rebranding announcements. We also find that investor

reactions to rebranding announcement are not uniform. More than 40% of the announcements in our sample is followed by negative abnormal returns. Furthermore, we find that the degree of rebranding can explain the variance in abnormal returns. Investors’ reactions appear to be influenced by the degree of brand strategy change, but not by the degree of brand identity change.

### Key Contributions

This work brings insights and clarity to rebranding issues and can serve as a foundation for future research on this topic. We offer guidelines (or at least insights) to investors for evaluating rebranding projects. This work is the first to present evidence that shareholders consider rebranding to be a wise marketing investment. The relevance of rebranding to stock prices suggests that investors (1) are aware of rebranding announcements and (2) pay close attention to the specific content of those announcements.

*References are available on request.*

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# Leveraging a Brand by Linking It to a Place

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**Alvin Lee, Deakin University**

**Keywords:** place of origin, Consumer Based Brand Equity (CBBE), branding

**Description:** Empirically demonstrating the way place or region of origin affects brand perception.

## EXTENDED ABSTRACT

### Research Background and Research Question

The cognitive psychological paradigm observes branding to result from consumers acquiring knowledge about a brand. This knowledge comes from information that is developed and distributed by “branders” (e.g., marketers) and subsequently learnt by “brandees” (e.g., consumers) (Keller 1993). The process of information diffusion, and of consumers learning by being exposed to this information, affords marketers a chance to construct and manage knowledge structures to support consumers’ perceptions of a brand. More importantly, marketers can positively leverage the brand in consumers’ minds by associating the brand with elements that are external to the brand. One such external element is “place.”

Theorists like Keller (1993) have proposed that “place” elements can be used to positively leverage some brands. They suggest that marketers should link these receptive brands to strong place-entities in order to borrow or draw equity from the place’s brand.

So far, research in marketing that addresses “place” define the concept as country of origin (e.g. Bilkey and Ness 1982)—e.g., finding that German automobiles, Swiss watches and Italian leather add equity to brands that connect to the place. While the idea of Country of Origin is based on political borders, this research investigates Region- or Place-of-Origin; with the latter often describing a non-political geographical area (Van Ittersum et al. 2007).

The research reported in this article aims to empirically demonstrate how place affects brand perception. This appears to be the first attempt to decompile the construct of “place” as understood by marketers into sub-components. These sub-components are then related to each stage of the brand knowledge-meaning-transfer process (Keller 1993). This appears to be among the first detailed taxonomies of how place functions as a brand element within the constructs that can be called brand image.

### Method and Data

This research used wine regions to represent the place variable. Wine is an especially suitable product for branding research because it is often strongly tied to a place of origin. The subjective product attributes like taste and body lend the product to strong branding influences.

An online consumer panel survey administered by a reputable market research provider was used to collect the data for the model. This resulted in 276 valid responses from current wine drinkers who were above 30 years old who had bought wine from well-known wine regions in the last three months.

### Summary of Findings

This appears to be the first study to find that place affects consumer perceptions of a brand through two distinct paths of mental processing. These paths converge at the end to explain the way the place element operates in consumer

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brand perception; each path begins with Brand Salience and terminates at Brand Resonance. This suggests that brand perception is created through different mental processes with the different processes accounting for different elements that may affect brand image.

This study also appears to be the first that has documented the decomposition of the place element into a hierarchical sequence, we observe that some dimensions of place act as antecedents for higher order dimensions in the mental processing paths that were modelled. We also demonstrate how place dimensions at each stage of the path model load and interact with other brand elements. These findings give managers insight into which brand elements to manipulate when seeking to improve the acceptance rate for their brands, especially ones that can leverage place-of-origin as a positive element in the brand's image.

## **Key Contributions**

This article investigates the notion of place as a region or geographical area that is not politically defined. The place element can be associated with a brand to increase brand resonance for a very subjective product.

The resulting model demonstrates how the concept of place can be deconstructed into elements that can match elements in product-brands and how place can influence consumers' mental processes in the process of converting knowledge about these elements into an image about a brand. The results yield insight into how place elements function to affect consumers' perceptions of product-brands.

*References are available on request.*

# Ethical Dimension of Customer-Based Brand Equity: Case of Maggi Noodles in India

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*Srabanti Mukherjee, Indian Institute of Technology*

**Keywords:** *brand ethics, consumer based brand equity, Maggi, scale development*

**Description:** *Through empirical research, this paper has examined and established “brand ethics” as an antecedent of measuring consumer-based brand equity using brand “Maggi” as a case study.*

## EXTENDED ABSTRACT

### Research Question

In 2015, Uttar Pradesh and several other states banned the Maggi (a noodle brand from the house of Nestlé) and Maggi was asked to recall a batch of 200,000 Maggi noodle packs for its unsafe ingredients. As per the report in Financial Express (June 16, 2015), the brand value of Maggi eroded by 35 percent and the sales figure nosedived by 65 percent all over the country over a period of six months after the ban. In the era of media explosion and widespread availability of information, the relevance of ethics on brand equity has been widely understood. In U.S.A., “The 2014 list of “Most Damaged Brands” includes companies whose unethical actions damaged their brand image. ... They are now paying the price.” (Verschoor, 2014). General Motors (GM) topped the list of nine “Most Damaged Brands” in 2014 for knowingly selling unsafe cars and not recalling these cars at all. Therefore, ethical brands have emerged as a universal phenomenon. This leads to our research question as to whether brand ethics could be considered as a dimension of CBBE. Hence, the objective of this paper is to examine how brand ethics affects brand equity using brand “Maggi” as a case study.

### Method and Data

Churchill’s (1979) scale development process, consisting of three stages including item generation, purification and validation study, was used to form a new scale for measuring CBBE. The model was tested with and without brand ethics as a dimension of CBBE.

Initially after reviewing 200 articles 52 items were generated out of which only 34 items were accepted by the experts and retained for the purification study. For both the models, a set of 150 responses were subjected to confirmatory factor analysis using structural equation modeling in the AMOS platform to judge the reliability, validity and overall fitness of the model in the purification stage. Based on the CFA, 5 items were dropped and the final questionnaire consisted of 29 items. The model without brand ethics did not fit the data while the one with brand ethics fit the data moderately well. Hence, an independent set of 599 responses were used in the validation stage and were subjected to CFA using structural equation modeling in the AMOS platform to judge the reliability, validity and overall fitness of the model. Path analysis was used to judge the significance of each of the antecedents on measuring CBBE.

### Summary of Findings

The results of this study indicate that the data fit the model with five dimensions of customer based brand equity. Although previous literature had discussed 4 dimensions for measuring CBBE including Brand Awareness, Brand Image, Brand Loyalty, and Perceived Quality (Aaker, 1996; Keller 1993; Pappu and Quester, 2006), this study establishes that brand ethics is the fifth dimension of brand equity. The literature on brand ethics falls short in explaining its relationship with CBBE. However, the extant literature identifies that examining the aforesaid relationship is the call of the

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day (Fan, 2005; Singh et al., 2012). Our study pioneers in examining this relationship. This study aimed at identifying and testing a so far unrecognized dimension of CBBE called Brand Ethics, which has been discussed in detail. In this study, we have evolved a statistically tested questionnaire on CBBE and its five antecedents. With a large sample size of 599, we find that the relationship between brand ethics and CBBE is statistically significant. Our study establishes that brand ethics is a dimension for measuring and enhancing CBBE.

### **Key Contributions**

In this study, a well-validated measurement scale was developed with five dimensions, including, brand awareness, perceived quality, brand loyalty, brand image and brand ethics to assess the dimensionality of Customer Based Brand Equity. The inclusion of brand ethics as a dimension of CBBE could not be found in the extant literature. Hence, this pioneering

effort indicates that brand managers should also focus on brand ethics along with the other four dimensions while measuring CBBE. It would make marketers understand that ignoring ethical dimension might reduce brand equity in spite of doing well in the other dimensions of CBBE, and thereby suffer financial and other losses. Our study attunes with the literature (Story and Hess, 2010) by putting forth that understanding the ethical duties of brands and accordingly shaping marketing programs may ensure long-term success in managing customer relationships. Marketing managers should concentrate on proper employee recruitment and training process as well as facilitate internal communications so that all aspects of brand building mirror ethical values of the brand. As Fan (2005) suggests, brand ethics can act as a competitive and differential advantage and thereby boost consumer based brand equity (Alavije et al., 2014).

*References are available on request.*

# Brand Hazard: A Customer-Based Account of a Brand's Prospect

*Debanjan Mitra, University of Florida*

*Joseph Johnson, University of Miami*

**Keywords:** *brand equity, hazard models, Markov switching, counting process*

## EXTENDED ABSTRACT

### Research Question

A brand's prospect should reside in the minds of its customers. Yet, customer-based measures of brand equity only capture a brand's current state and not its hazard of decline. Grounded in the Markov and counting processes, we ask if brand hazard, i.e., a brand's hazard of decline from its current state, is manifested through a brand's customers' repeat and switching behavior. We obtain an index of hazard after parsing out each brand's baseline repeat and switching hazards from the covariate effects.

### Method and Data

We conceptualize, model, estimate and validate a customer-based hazard of a brand's decline from its current state. Our primary thesis is that a brand's hazard manifests in customers' purchase history through their baseline repeat and switching behavior (Bolton 1998; Keaveney 1995; Keller and Lehmann 2006; Rust and Zahorik 1993). Prior research shows that the mathematical model that best describes customers' brand purchase behavior is the Markov process. The Markov process is the product of two components: a state space vector and a transition matrix, which together govern the evolution of the process over time. In the context of brand purchase, the state space vector containing the brands' choice probabilities represents the current state. Indeed, prior research focuses on the state space vector and arrives at a brand's equity through brand-specific intercepts (i.e., covariate-controlled) of a customer choice probability model (Sriaram et al. 2007; Kamakura and Russell 1993). In contrast, we focus on the transition matrix. We constitute a brand's hazard through the baseline (i.e., covariate-controlled) transition-specific intercepts of transition hazard models. The transitions include both repeats and switching between brands by customers. Specifically, we use a counting process (Fleming and Harrington 1991) to simultaneously model the number of

repeats and switches as well as the inter-purchase times. This approach allows us to model transition hazards without the need to specify the temporal structure of inter-purchase spells. Moreover, interpreting model parameters is straightforward since count-based models of transition hazards are equivalent to the familiar time based hazard models (Therneau and Grambsch 2000). Note these baseline hazards capture the rates at which a brand gains, retains, and loses customers after controlling for covariates. We combine the baseline hazards for both repeat and switching transitions of a brand relative to that of its competitors and arrive at the overall hazard to the brand's current state i.e. brand hazard.

### Key Contributions

We contribute to the brand equity literature in three ways. One, building on the theory of Markov processes, we conceptualize the idea of brand hazard based on customers' purchase history and distinguish it from existing concept of customer-based brand equity. Two, we introduce the counting process method of modeling time-varying transition hazards into the branding literature. Three, we combine these baseline hazards to constitute overall brand hazard and show how it predicts changes in brand equity.

### Summary of Findings

Using IRI panel data, we estimate brand hazard and brand equity for six leading brands in three product markets over sixteen two-year moving windows. We find high brand hazard significantly predicts future changes in a brand's equity. Using additional U.S. stores and stock market data we examine the external validity of brand hazard and find it foretells declines in market share and stock value.

*References are available on request.*

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# The Effects of Consumers' Perceived Value on Consumer Brand Engagement: Consumers' Perceived Value of Music Artists

*Alexandria Gain, University of Queensland*

*Nicole Hartley, University of Queensland*

*Leonard Coote, University of Queensland*

**Keywords:** consumer perceived value, consumer brand engagement, music artists

**Description:** This research demonstrates that within a saturated market characterized by high levels of competition, the brand value perceived by consumers plays an important role in predicting consumer brand engagement.

## EXTENDED ABSTRACT

### Research Question

This study was motivated by the need for research providing a greater theoretical and practical understanding of the multiple dimensions that comprise consumers' perceptions of a brands value and to demonstrate how favorable consumer value perceptions can contribute to consumer brand engagement. Two key research questions lie at the heart of this study: (1) what value dimensions contribute to consumers' perceived value of a brand, and (2) how does consumer perceived value influence consumer brand engagement?

### Method and Data

This study observes consumers' value perceptions towards music artists to determine the effect of consumer perceived value on consumer brand engagement where music artists are the branded entity. A random sample of 209 Australian music consumers was obtained using Qualtrics, an online consumer panel and data management service. Respondents were asked to select an artist they had recently listened to and completed a survey which incorporated measurement items adapted from existing scales in the marketing literature. Structural equation modelling in AMOS was used to examine the effect of consumer perceived value on consumer brand engagement.

### Summary of Findings

The higher-order consumer perceived value construct had a significant positive effect on consumer engagement with a brand. All the consumer perceived value dimensions including experiential value, functional value, emotional value, convenience value, brand reputation value, epistemic value, and social value significantly and positively comprised consumers' overall perceived brand value. The strongest indicator of consumers' perceived brand value was experiential value followed by the perceived functional value of recorded music and perceived emotional value. A particularly interesting finding is that consumer perceived value has a significantly greater effect on consumer engagement with a brand than consumer satisfaction or involvement with the brand. This suggests that within a competitive market characterized by high levels of competition, the brand value perceived by consumers played an important role in facilitating consumer brand engagement.

### Key Contributions

This research is the first empirical effort to compare the effects of consumer perceived value as a higher-order construct versus multiple first-order consumer perceived value dimensions on consumer brand engagement. The findings contribute a significant step forward towards determining

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the critical drivers of consumer brand engagement and the interrelationships among these variables. Structural equation modelling provided empirical evidence of the weights that can be allocated to perceived value dimensions, addressing the need for research investigating the relative

importance of the consumer perceived value dimensions and highlighting the key areas for brands to focus their marketing efforts.

*References are available on request.*

# Managing Customer Perceptions on Social Media and Brand Engagement to Ascend the Ladder of Brand Equity

*Manisha Mathur, Augusta University*

**Keywords:** *brand management, brand value, and social media*

## EXTENDED ABSTRACT

### Research Question

Social media marketing activities involving understanding customers and their behavior is critical for designing a successful marketing strategy. However, little insights into effectiveness of social media and its complementarity with existing marketing efforts (Colwyn 2014) creates a need to examine brand equity in the context of social media. The major benefit of social media is identified as brand awareness, yet the influence of social media on improved sales is the least reported by marketers. In an effort to bridge this gap in academic and practitioner literature, this study examines the following key research question: How customer engagement reduces brand negativity and improves a brand's value?

### Method and Data

The conceptual model was empirically examined using seemingly unrelated regression (SUR) statistical technique to demonstrate the key role of customer engagement and perceptions of a brand on social media in influencing a brand's value. The psychometric properties of the measures was examined using confirmatory factor (CFA) and reliability analyses (Gerbing and Anderson 1988). The measurement model fit well with the data and all items loaded strongly on to the related constructs. The convergent validity and reliability was also found to be supported (Hair et al. 2010). Further, results support discriminant validity among constructs (Fornell and Larcker 1981). The hypotheses were found to be supported.

### Summary of Findings

The results suggest that brand equity is dependent on customer perceptions of brands on social media, and customer interactions on social media shape how customers value a brand. The findings have significant implications for academicians and practitioners.

### Key Contributions

This study makes significant contributions for both marketing theory and practice. First, this study reveals the effectiveness of social media in improving a brand's value. The findings provide empirical support for the role of social media in enhancing a firm's value, and sales. Next, the factors pertinent to social media for a brand are examined and their differential impact on brand value is determined. The statistically significant findings in the context of U.S. brands demonstrate how firms benefit from strategically incorporating social media in designing and implementing an effective marketing strategy. Finally, the study demonstrates the role of marketing in influencing a brand's value through customer-firm relationships and engagement rather than pushing information on social media that is not interactive or engaging. Thus, significant implications emerge from this research on customer perceptions and brand value for marketing managers.

*References are available on request.*

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# How Annoying Is Digital Music Advertising? Users' Reactions Toward Perceived Intrusiveness of Advertisements

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## ABSTRACT

Music streaming is a fast-growing industry and advertisements on major players started to appear. This study examines the effects of ad length, ad-context incongruity and repeated exposure on music streaming users' perceived intrusiveness. The managerial implications provide advice on how advertisements can be placed to achieve optimal marketing outcomes.

**Keywords:** *music streaming, ad intrusiveness, ad-context congruity, ad length*

**Description:** *This article offers insights for music streaming websites on listeners' perception advertising intrusiveness.*

## Introduction

Music has been at the forefront of the digital revolution. Rapid growth in the market for digital music has been led by the rise in popularity of online download stores such as iTunes and streaming services. While the business model for the former relies on consumers' willingness to pay for music in a digital format, the latter is on the willingness to subscribe to a music streaming service. In recent years, there is a steep growth in both revenues and user numbers for online subscription services (IFPI, 2014), the trend of which gives advertisers a valuable opportunity to reach the new age audiences. However certain potentially negative effect of these advertisements may be underestimated, including the sense of feeling intruded.

The objective of this paper is to examine the effects of lengths, frequency and types of music streaming advertisements on listeners' perceived intrusiveness and to propose suggestions for advertisers and host Web site owners to evaluate the effectiveness of music advertising. Previous research have separately examined the effect of length,

repeated exposure and ad-context congruity toward intrusiveness on online video advertisement (Edwards, Li, and Lee, 2002; Goodrich, Schiller, and Galletta, 2015; Ying, Korneliussen, and Grønhaug, 2009). This study is established based on the results of these studies and with the intention to explore how they might fit in the context of music advertisement.

## Ad Intrusiveness

The theory of psychological reactance has been used to explain potential freedom threatening events, which is caused by the combination of consumer expectations of freedom, and some threat and elimination that jeopardizes that freedom (Clee and Wicklund, 1980). Edwards, Li, and Lee (2002) expanded the definition of intrusiveness as a psychological reaction to ads that interfere with a consumer's ongoing cognitive processes. Anything that would reduce the probability of obtaining an alternative can be view as a barrier. Intrusiveness describes the mechanism by which ads evoke negative emotional reactions, such as irritation or annoyance. Annoyance and intrusiveness lead to negative

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attitude toward advertisement, which can result in terrible brand attitudes (MacKenzie and Lutz, 1989) and possibly lead to advertisement avoidance (Speck and Elliott, 1997). It can also potentially affect the attitudes for the advertisers and Web site owners in a negative way (McCoy, Everard, Polak, and Galletta, 2008), diminishing and threatening advertising revenue.

### **Ad Length, Ad-Context Incongruity, and Ad Repeated Exposure**

Goal orientation on the Internet is higher than traditional media (Cho and Cheon, 2004). Advertisements displayed between two songs might be considered interrupting listeners' emotional engagement by making them wait for desired content (Dube-Riou, Schmitt, and Leclerc, 1989). Consequently, as the length of the music ad increases, waiting time would increase, and so does the perceived intrusiveness toward advertisement. Researches have showed that longer ads provide more time to the audiences to process the messages (Pechmann and Stewart, 1988; Rethans, Swasy, and Marks, 1986). On the other hand, shorter ads are likely to limit viewers' cognitive response, resulting in limit the chance for viewers to generate and process the messages (Ray and Webb, 1986). Most studies report that 15-second advertisements are approximately remembered at 80 percent the level as effective in achieving recall as 30-second advertisements (i.e. Newstead and Romaniuk, 2010).

H1a: Longer music ad will increase levels of intrusiveness.

H1b: Longer music ad will have a greater positive effect on advertisement recall.

In general, people are more likely to notice stimuli that differ from other surrounding stimuli (Solomon, 2014). In this study, ads are placed between songs. The expectation of the next favorable song would be cut off by the advertising standing in the way. The incongruity advertisement makes it worse to tolerate and be more intrusive for listeners. Researchers have investigated the effects of ad-context congruity on how consumers process their attitude to the ad, recall, and recognition (Zanjani, Diamond, and Chan, 2011). Some studies show that individuals tend to remember advertisements better when advertisements are placed in a program of similar than in an incongruity program (Gunter, Baluch, Duffy, and Furnham, 2002).

H2a: Greater ad-context incongruity will increase levels of perceived intrusiveness.

H2b: Greater ad-context incongruity will increase advertisement recall.

The effects of repeated exposure to an advertising message on consumers have been showed to positively influence advertis-

ing recipients' processing of persuasive messages (Rethans et al., 1986; Singh and Rothschild, 1983). The substantial overlap between two stimuli facilitates message encoding after the additional exposure. However, as frequency goes beyond a certain stage, message effectiveness drops because of boredom and tedium experiencing by receivers (Broussard, 2000). Consumers may also feel overstimulated when an ad is shown too frequently and are therefore likely to get irritated (Ying et al., 2009). Singh et al. (1995) find that a message repeated twice within the same context generates a higher recall after the second presentation, in comparison with a commercial broadcast only once. When consumers are more frequently exposed to an advertisement, they get more time to think and elaborate about the message (Newell and Henderson, 1998).

H3a: Ad repeated exposure will increase levels of perceived intrusiveness.

H3b: Repeated exposure advertisements will increase advertisements recall.

### **Ad Intrusiveness Versus Ad Recall and Ad Avoidance**

Perceived goal impediment is an important factor in generating feeling of intrusiveness and irritation (Cho and Cheon, 2004). Such feel can get in the head and become difficult to shake off. Similar to prior research on Internet advertisements (McCoy et al., 2008), greater intrusiveness is expected to be associated with greater advertisement recall.

H4: Perceived intrusiveness of music advertisements will have a positive influence on advertisement recall.

the Internet is believed to be a more goal, task, interactivity, and information-oriented medium (Chen and Wells, 1999). Internet users expect to perform specific tasks with limited time. If users feel the interruption from the ads, they will try to avoid them. Perceived ad intrusiveness is said to be a factor in advertisement avoidance (Cho and Cheon, 2004).

H5: Perceived intrusiveness of music streaming advertisements will have a positive influence on advertisement avoidance.

### **Effects on Attitude Toward Ad, Brand, and Host Web Site**

Attitude toward the ad is an indicator of advertising effectiveness (MacKenzie and Lutz, 1989). Greater perceived intrusiveness is expected to be associated with less favorable attitudes toward the advertisement (Goodrich et al., 2015). In the online environment, longer advertisements will keep a user away from her goal for a longer period, potentially increasing feelings negative attitudes toward the advertisement.

H6: Perceived intrusiveness of a music ad will have a negative influence on the attitude toward the ad.

Typically, a positive relationship exists between attitude toward the advertisement and brand attitude (MacKenzie et al., 1986). Although the effect may vary in any prior feelings toward the brand or product category, an overall positive relationship is expected (Goodrich et al., 2015).

H7: Attitude toward the advertisement will be positively related to brand attitude.

Attitude toward the host site is assumed to be an equally useful indicator of site value. Site owners must balance revenue gained from ads against the potential for disenfranchising their users. A small amount of advertising revenue might cause significant negative effect in the way a site is viewed. Moreover, during the time it takes a user to close an ad or to minimize it, the user's attention is taken away from the Web site and is focused on the ad, leading to an increased exertion of effort on the user's part. This exertion alone may lead the user to be irritated toward the site (McCoy et al., 2008). Users less likely will form a favorable impression about Web sites that carry more intrusive advertisements (Goodrich et al., 2015). We hypothesize that:

H8: The greater the perceived intrusiveness of music advertisements, the less favorable the attitude toward the host Web site.

## Methodology

The current study used a randomized experiment with a subset of a  $2 \times 2 \times 2 \times 2$  between-subjects design. The key design element featured a music advertisement broadcasting between two songs on a Web page. Treatment conditions for the music advertisements involved two different types of songs (brisk songs and love songs); two different types of advertisement (ad-context congruity and incongruity); two different advertisement lengths (15 and 30 seconds); and repeated exposure (repeat and no repeat). Different types of songs for different types were included in the study to avoid relying on one type of music and to improve validity of results. In order to eliminate the possible effect of brands on our Taiwanese young adults, pop music from English instead of Mandarin were selected. The tracks were at the top in terms of popularity on YouTube and Spotify's chart in Taiwan. Younger adults tend to be heavier users of online video than the older adults and thus we target the respondents between 18- and 40-year-old.

The scales used to measure each of the components are adopted from previous research and modified to fit the context of this study. They are translated and back translated by a group of bilinguals. All items are measured on 7-point Lik-

ert-scale response format ranging from strongly disagree (1) to strongly agree (7). The items measuring ad intrusiveness are sourced from the study of Li, Edwards and Lee (2002). The construct of ad avoidance, with three items (closing, skipping and ignoring the advertisement), is derived from the research of Speck and Elliott (1997).

Multiple item scales are created to measure the connection between each variable. The right part of model is from prior research. Therefore, we identify these scales from previous research and modify them to fit the context of this research. The translation of the scales from English to Chinese was discussed with a group of experts. We also asked friends around us just to be sure the translation was readable and understandable. All items are measured on 7-point Likert-scale response format ranging from strongly disagree (1) to strongly agree (7). The items measuring ad intrusiveness are sourced from the study of Li, Edwards and Lee (2002). They develop the construct of ad intrusiveness with seven items, asking when participants saw the ad, would they think it was distracting, disturbing, forced, interfering, intrusive, invasive or obtrusive. The construct of ad avoidance derived from the research of Speck and Elliott (1997) is adopted with three items measuring the intrusive ad would lead to negative effects such as closing, skipping and ignoring the advertisement. The attitude measures are sourced from MacKenzie and Lutz (1989), including three items, good, pleasant and favorable, assessing attitude toward ad, the brand and the host website. As for ad recall, it was measured using a dichotomous variable with respondents choosing recalled songs from a list.

A pretest on ad congruity was conducted to make sure it is well manipulated. The selection of the two categories of music, brisk songs and love songs, goes through a discussion with a small sample of younger adults and a couple of professional's opinion. Each category included two scenarios. Each scenario has three songs and the middle one was designed to be music ad. Participants were asked to answer simple questions concerning the relevance and congruity between two out of the three songs.

Using Spotify as an example, a website Ipotify was set up for this research. After a brief introduction to the study, participants were invited to choose a type of music (brisk songs or love songs) and then were assigned to one of the treatment conditions. Participants were asked to finish listening for the whole section before they entered the questionnaire page.

## Data Analysis

In total 488 successful responses were recruited from the Internet. Forty-three percent of them were male and 89.4% aged 18 to 25. Manipulation checks were conducted to examine whether ad congruity were successfully imple-

mented. The results were consistent with our expectation. In the manipulation scenarios, respondents consider the ad incongruent with the other songs (brisk songs  $t(253) = 3.12$ ,  $p = 0.00$ ; love songs  $t(231) = 3.12$ ,  $p = 0.00$ ) but are relevant (brisk songs  $t(253) = 0.60$ ,  $p = 0.55$ ; love songs  $t(231) = 1.48$ ,  $p = 0.07$ ).

Construct validation was tested by using confirmatory factor analysis (CFA) in AMOS22 to assess the measurement model. While the chi-square ( $\chi^2 = 480.471$ ) for this model is significant ( $p < 0.001$ ) for 142 degrees of freedom, favorable fits indices include a ratio of chi-square to the degrees of freedom ( $\chi^2 / df$ ) of 3.384, a comparative fit index (CFI) of 0.964, a root mean square error of approximation (RMSEA) of 0.0343 and the goodness-of-fit index (GFI) of 0.909. The results suggested that reliability and validation is satisfactory.

The results show that ad-context incongruity is significantly and positively related to ad intrusiveness ( $\beta = -0.760$ ,  $p < 0.001$ ). The relationship between ad-context incongruity and intrusiveness is supported; nevertheless, the relationship between ad length and intrusiveness is not ( $\beta = -0.196$ ,  $p = 0.403$ ), either is the relationship between ad repeated exposure and intrusiveness ( $\beta = -0.012$ ,  $p = 0.599$ ). However, it is also indicated that there is an interaction between ad length and repeated exposure ( $\beta = -0.661$ ,  $p < 0.05$ ). It is found that the interaction between ad length (15-second) and repeated exposure (one time) has a negative effect on intrusiveness ( $\beta = -0.412$ ,  $p < 0.01$ ). In other words, based on the interaction between length and repeated exposure, either longer advertisement or more frequency would have a positive influence on intrusiveness.

Because ad length is treated as a continuous independent variable and ad recall as the dichotomous dependent variable, logistic regression is used to reveal the relationship between them (H1b). Logistic regression reveals that length has a significant and positive effect on recall ( $\beta = 0.690$ ,  $p < 0.001$ ). While H1b is supported, the results show that ad-context incongruity ( $\beta = -0.046$ ,  $p = 0.808$ ) and ad repeated exposure ( $\beta = -0.136$ ,  $p = 0.473$ ) does not influence recall.

A total of 300 participants remembered the advertisement in the current study. The effect of intrusiveness on aided recall is also tested using logistic regression, which shows that ad intrusiveness is positively related to recall ( $\beta = 0.238$ ,  $p < 0.001$ ), with higher intrusiveness associated with higher recall, supporting H4.

The effects of intrusiveness on avoidance toward the advertisement and subsequent effects on attitude are tested using linear regression. Intrusiveness has significant impact on avoidance toward the advertisement ( $\beta = 0.515$ ,  $p < 0.001$ , VIF = 1), explaining higher intrusiveness led to higher avoidance, supporting H5. As to attitude toward the advertisement, intrusiveness has significant and negative influence on attitude toward the advertisement ( $\beta = -0.388$ ,  $p < 0.001$ , VIF = 1), with higher intrusiveness associated with less favorable attitude toward the ad, supporting H6. As expected, attitude toward the advertisement is significantly related to attitude toward the brand ( $\beta = 0.588$ ,  $p < 0.001$ , VIF = 1), with higher attitude toward the ad associated with higher attitude toward the brand, supporting H7. Finally, we assumed that ad intrusiveness would have an impact on host Web Site; nevertheless the result shows the opposite way. According to the result we receive, intrusiveness is not related to attitude toward the host Web Site ( $\beta = -0.024$ ,  $p = 0.552$ , VIF = 1), failing to support H8. The results are summarized in the table.

## Findings

This study demonstrates that how ad length, ad-context incongruity and ad repeated exposure could influence listeners' perception of intrusiveness. Ad-context congruity has a significant and negative impact on intrusiveness. That is, the more congruent between the music advertisement and the theme of the remaining music, the less intrusive the advertisement is perceived. This effect is consistent with Weber's theory on how people notice different stimuli around them. The interaction of ad length and repeated exposure can also influence the perception of intrusiveness. Singh and Cole (1993) show that perceived intrusiveness happens when ad is exposure after four times. According to the findings, ad-context incongruity would be a major element affecting the

**Table** Hypotheses Test Results

Hypothesis	Result		Hypothesis	Result
H1a	Ad Length Ad Intrusiveness	N	H4	Ad Intrusiveness → Ad Recall
H1b	Ad Length → Ad Recall	Y	H5	Ad Intrusiveness → Ad Avoidance
H2a	Ad-Context Incongruity → Ad Intrusiveness	Y	H6	Ad Intrusiveness → Attitude toward Ad
H2b	Ad-Context Incongruity → Ad Recall	N	H7	Attitude toward Ad → Attitude toward Brand
H3a	Ad Repeated Exposure → Ad Intrusiveness	N	H8	Ad Intrusiveness → Attitude toward host Web Site
H3b	Ad Repeated Exposure → Ad Recall	N		

perceived intrusiveness of music ads. The inclusion of ad-context incongruity can help overcome avoidance and the deleterious effects of advertising intrusiveness.

The perceived intrusiveness toward the advertisement is expected to result in the effects of ad recall and eventually lead to ad avoidance. These two hypotheses were supported, which indicated that perceived intrusiveness not only has an effect on recall, but also a strong influence on ad avoidance, consistent with prior research (Cho and Cheon, 2004; McCoy et al., 2008). The effect of perceived intrusiveness on attitudes toward ad, brand and host Web Site was also examined. The results indicate that higher perceived intrusiveness is associated with less favorable attitudes toward the advertisement and the brand, consistent with the hypotheses. However, higher perceived intrusiveness does not necessarily lead to less favorable attitude toward the host Web Site, which contradicts to the result of Goodrich et al. (2015). Ten respondents were contacted again and their response indicated that they as listeners understand advertising fee is an essential income for websites. They may dislike the ad or its brand, but such negative feeling will not be enlarged to their attitude towards the host website.

### Implications and Limitations

The Internet most probably will continue to play a key role in the modern way of life. While consumers develop deeper attachment to online video, music and website, advertisements also seek to filter to people's mind via digital channels. To our best knowledge, few studies researching and evaluating the effect of advertising on music streaming websites. Online visual advertising attracts much of the research attention. This study suggests a resolution on how to effectively deliver messages through online music advertisements.

Our research provides a theory based on audio advertisements comparing to the widely studied visual advertisements. The results show that there are differences between audio and visual advertisements, which mean the rules of thumbs for advertising on online video websites may not be copied on music advertising. Our study result suggests that ad-context incongruity is critical for ad irritation and intrusiveness, which deserves special attention for digital music advertisers. This may not be the concern for host websites as it is found the perceived ad intrusiveness, even though relates to attitudes towards the advertisement and the brand, does not influence that towards the websites.

In order to reduce perceived intrusiveness, advertisers could choose to modify the length and/or repeated exposure of the advertisements, as well as ad-context congruency. One optimal solution for digital music advertisers is to make ad-context congruent since our results suggest that incongruity can

have a significant effect on listeners' perceived intrusiveness. Advertisers can also make the advertisements shorter and less exposed. Music streaming websites may have a more flexible pricing strategy so that they can charge for a higher price when better managing the paid advertisements and the music content around them.

Collectively, we investigate antecedents of music streaming advertisement intrusiveness, their potential negative effects and how these effects can impact both marketing outcomes and perceptions formed about the advertised brand and host Web sites. Before displaying the advertisement, advertisers may need to think twice about how to make good use of the effect generating by these three antecedents.

Our study may lack external validity in the setting. Participants were set to be between the ages of 18 to 40, considering that music streaming is the new development of digital industry mostly used by the younger generation. However other segments of consumers in real music streaming services are required to strength the generalizability of the study. In addition, the study focuses on the effect of music advertisement, indicating that it may not generalized to other advertisements since there are various advertisements promoting other goods and services.

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# How to Create Brand Fans: The Relationship Between Dynamic Capabilities, Customer Orientation, and Brand Love

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**Keywords:** *eWoM, electronic word-of-mouth, communication, literature analysis*

**Description:** *This paper investigates the impact of dynamic capabilities on brand love.*

## EXTENDED ABSTRACT

### Research Questions

This research provides a systematic analysis of the impact that dynamic capabilities have on brand love. According to Batra, Ahuvia, and Bagozzi (2012), the present construct of brand love is a well-established concept in marketing research. Related work identifies the impact brand love has on several marketing objectives (Zarantonello, Formisano, and Grappi 2016), e.g. brand loyalty (Batra, Ahuvia, and Bagozzi 2012), Word of Mouth (WoM) (Albert and Merunka 2013), and purchase intentions (Sarkar and Sreejesh 2014). However, from a resource-based view, there is very little clarity vis-à-vis the specific capabilities that drive the ability to create brand love. This is presently the case, in spite of the existence of a body of research on brand love. Because of this research gap, this paper aims to investigate brand love under the perspective of dynamic capabilities (Teece and Pisano 1994). Therefore, we look into the different capabilities corporations need, in order to arouse brand love. Consequently, this paper focuses on three relevant research questions: (a) What are the relevant dynamic capabilities for brand love? (b) What is the level of impact of certain dynamic capabilities on brand love? (c) Which conditions mediate and moderate the impact of specific dynamic capabilities on brand love?

### Method and Data

As part of an initial analysis, we conducted several explorative semi-structured interviews with three marketing

scholars and four marketing executives. In addition, a systematic literature review was executed to examine the existing body of relevant research. During this process, several constructs for dynamic capabilities emerged, that could have a strong bearing on customer orientation and brand love. We tested seven hypotheses using data collected during a survey conducted on marketing executives in different industries. Whenever possible, existing scale items were adapted to the context, such as the established scale for brand love as per Bagozzi, Batra, and Ahuvia (2016). Multi-item, seven-point, Likert-type scale items were used to measure the constructs in the proposed model. Furthermore, the survey development process incorporates the results of the pre-test done on a selected group of marketing executives and marketing scholars. Subsequently, the survey was sent out to the 789 marketing executives listed on a mailing list and we received 99 full responses, giving us a response rate of 12.54 %. The results of the online survey were analyzed using partial least square structural equation modeling (PLS-SEM) with SmartPLS.

### Summary of Findings

We were able to identify a set of specific capabilities, corporations need to develop in order to enhance brand love. Furthermore, the effects of most dynamic capabilities on brand love have a strong correlation to the degree of customer orientation. Other results are relevant concerning the proposed

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moderation and mediation hypotheses. Firstly, the impact of customer orientation on brand love is varied under specific market conditions, supporting our central moderation hypothesis ( $\beta = .259, p = .001$ ). To be precise, the impact of customer orientation is strongest in markets that have low competitive differentiation in products and services. Other control variables like age, gender, or market form (B2B versus B2C) lead to no significant heterogeneity in the data set. Finally, mediation analyses show no significant “direct effect” of the existing DC constructs on brand love, supporting the mediating role of customer orientation.

## **Key Contributions**

A strong theoretical contribution in the research deals with the exploration of mediation and moderation effects on brand love. In this context it can be stated, that there is a strong correlation between the generation of brand love and the level of customer orientation ( $\beta = .457, p = .000$ ). Therefore, the impact of internal DC on brand love could lead to a

higher degree of customer orientation. Additionally, the impact of customer orientation on brand love is stronger in markets that have low competitive differentiation in products and services. Therefore, firms that presently deal with standardized products in a transparent and dynamic marketplace might benefit the most from stronger DC and the corresponding customer orientation effects on brand love. Overall, brand managers should reassess the orientation of corporate strategies if they want to increase brand love. Moreover, customer orientation is strongly affected by customer related expertise. Therefore, marketing executives need to specifically focus on different strategies for the generation of customer related expertise. Furthermore, they also need to re-think how they could use this expertise for further differentiation. This would lead to a stronger emphasis on customer orientation and thereby act as a foundation for the generation of brand love.

*References are available on request.*

# The Role of Brand Loyalty and Brand Innovativeness in Consumer Innovation Adoption Behavior

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**Keywords:** loyalty, innovativeness, consumer adoption, innovation, reasoning

**Description:** *The effects of brand loyalty and brand innovativeness on consumer adoption of a technological product.*

## EXTENDED ABSTRACT

### Research Question

The key advantages of brand extensions for launching new products relate to higher levels of brand awareness, positive brand image associations, as well as lower risk perceptions (Balachander and Ghose, 2003). However, other authors have argued that radical or disruptive innovation can potentially pose a threat to existing brands as they may be perceived as risky by consumers (Schmidt and Druehl, 2008). This may incentivize firms to launch disruptive technological innovation under new brand names (Truong et al., 2017). However, launching new products under a new brand name may be unwarranted, particularly in situations where brands have a strong reputation for being innovative. In these situations, firms can leverage “brand innovativeness” attributes when marketing radically new products to their existing customers (Barone and Jewell, 2013).

The present authors developed and tested an empirical model linking brand loyalty—consumer reasoning (H1), consumer reasoning—attitude towards adoption (H2 and H3), and the moderating role of brand innovativeness (H4) in the inter-construct relationships. Our findings suggest that brand loyalty influences consumers’ attitude towards innovation and their adoption intentions. However, results also show that brand innovativeness function as an important moderator, which influences the relationship between brand loyalty, consumers reasoning, and attitude formation, respectively.

### Method and Data

We recruited 575 respondents from Amazon’s MTurk platform. We measured respondents’ brand loyalty (Yi and Jeon, 2003), reasons for and against innovation adoption, and demographic information in the first section of the survey. Participants then read information about a Toyota car brand which included the brand innovativeness (BI) manipulation. We manipulated the extent of brand innovativeness using the rankings on the most innovative car brand allegedly obtained by Fortune magazine (see Gürhan-Canli and Batra (2004)). In the high (low) BI condition, subjects were told that Toyota ranked second (sixth) on innovation in Fortune’s most innovative car brand survey, a rapid increase (decline) from the sixth (second) position three years ago. The manipulation check items for the degree of brand innovativeness was adapted from Barone and Jewell (2013). As expected, the manipulation for brand innovativeness worked as intended ( $M_{LowBI} = 4.37 < M_{HighBI} = 5.59$ ,  $F = 44.46$ ,  $p < .01$ ). Respondents were then asked to read another article about a new autonomous driving technology currently being developed by Toyota, and were asked about their attitude and intention towards adopting the product (Claudy et al., 2015; Westaby et al., 2010).

### Summary of Findings

Brand loyalty has significant positive effects on consumer “reasons for” across high and low BI conditions, thereby supporting H1a. Brand loyalty has significant negative effects on risk barrier (functional) in high BI conditions,

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thereby confirming H1b in one sample group. Among the low BI group, risk barrier (usage) has no significant effects on attitude towards adoption, but all other reason constructs are significantly related with attitude towards adoption, thereby confirming H2a and H2b.

Our results found that attitude fully mediates the relationship between three reasons construct, namely: relative advantage (comfort), relative advantage (safety), and risk barrier (functional) with adoption intention among the low BI group. On the other hand, among the high BI group, attitude was found to fully mediate the relationship between two reasons construct: relative advantage (safety) and risk barrier (usage) with adoption intention. The results lend support for H3a and H3b, respectively.

We found that the effects of brand loyalty on relative advantage (safety) is significantly stronger among high BI condition, thereby confirming the moderating effects of brand innovativeness on brand loyalty—reasoning—attitude relationship (H4a). Similarly, the negative effects of brand loyalty on risk barrier (functional) is stronger among high BI condition, thereby confirming H4b.

## **Key Contributions**

In view of the limited research on the interplay between brand and innovation (Brexendorf et al., 2015), the present study has made important contributions to the literature by examining the psychological mechanisms through which brand loyalty affects consumers' attitude and intention of adopting a new product innovation. Specifically, our research demonstrates that brand loyalty alone is not necessarily a prominent factor that affects attitude towards a new product innovation, and that an in-depth understanding of customers' reasons for and against innovation adoption is critical to the success of introducing disruptive technological innovations in the marketplace. In our study, we identified relative advantage (comfort) as the strongest driver of adoption attitude and intention regardless of the level of brand innovativeness associated with the product. On the other hand, risk barrier (functional) is the strongest adoption inhibitor when brand innovativeness is low whereas risk barrier (usage) is the strongest adoption inhibitor when brand innovativeness is high.

*References are available on request.*

# Brand Meaning: An Empirical Analysis of What Makes a Brand Meaningful

*Vanessa Constantine, Havas Media  
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**Keywords:** *brand meaning, meaningful brands, brand meaning measurement, global brands*

**Description:** *The research presented here seeks to understand what elements of brand meaning drive consumer preference through the lens of consumer culture and a global measure of brand meaningfulness.*

## EXTENDED ABSTRACT

### Research Questions

What makes a brand meaningful to consumers? What are the elements of brand meaning that drive consumer preference?

### Method and Data

Exploratory factor analysis (EFA) and confirmatory factor analysis (CFA) were used to examine the psychometric properties of Havas Media's Meaningful Brands Index (MBI), a tool the company has used since 2008 to help its clients understand the meaningfulness of their brand(s) relative to their competitors. The MBI assesses three dimensions of brand meaning: marketplace, personal wellbeing, and collective wellbeing. Regression analysis was also done to identify the select items that are driving meaningfulness across industries.

The data for this research was provided by Havas Media. A sample of 2,500 subjects were randomly selected from the 2015 US MBI dataset. The sample was randomly split into two groups for the EFA and CFA.

### Summary of Findings

Based on the analysis described above, the MBI is a psychometrically sound measure. Items loaded on factors as expected in the EFA and explained a significant portion of the variance in the measure. The three dimensions were unidimensional and internally consistent. For the CFA, factor

loadings were all significant. The fit indices and RMSEA were at or above conventional standards.

Somewhat surprisingly, the personal wellbeing dimension explained a majority of the variance in the overall measure, followed by collective wellbeing and marketplace. This may suggest that marketplace based meaning is necessary, but not sufficient, to drive consumer preference. The regression analysis found that a small number of items within each dimension are driving meaningfulness. Additional research is needed to refine the measure and confirm the items that distinguish meaningfulness at the industry and brand level.

### Key Contributions

This project provides a unique opportunity to examine a well-regarded industry measure of brand meaningfulness using established measurement methods and procedures. It captures many of the domains of brand meaning found in the existing literature, but provides a more holistic perspective on the multi-dimensional nature of brand meaning. Most notably, it captures collective wellbeing which has become more salient in recent years. This type of collaboration between practitioners and academics is needed to help the field evolve and remain relevant.

*References are available on request.*

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# The Impact of Social Influence and Brand Identity on Customer–Brand Relationships

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Long Thang Van Nguyen, RMIT University Vietnam

**Keywords:** brand relationships, social influence, brand identity, emerging markets

## EXTENDED ABSTRACT

### Research Question

The key research question in this study is:

- To what extent social influence and brand identity aspects impact customer-brand relationships?

Accordingly, this study integrates relationship marketing and social identity perspectives of brand loyalty, and incorporates social influence (i.e. the influence of significant or referent others) in the context of an emerging market. In particular, this study examines the impact of significant or referent others' influence and brand identity on key brand relational constructs of brand trust, brand identification, and ultimately brand loyalty. Further, it seeks to identify whether specific types of social influence (normative versus informational) as individual-level difference variables and brand identity (brand prestige and brand distinction) as brand-realm variables have differential effects on brand relational constructs. Amid the call for more research in emerging market context in order to advance marketing theory as well as maintain managerial relevance, several researchers suggested that attention should be paid not only to big emerging markets such as China and India but also smaller ones (Sheth 2011; Tsui 2004).

### Method and Data

Vietnam was selected as the research site for this study since the country was often identified as an example of emerging markets (Sheth 2011; Tsui 2004). In the first of this two-phase study, in-depth interviews were conducted to validate whether well-developed constructs in developed markets could be applicable in the context of Vietnam. The second phase followed with the empirical survey with measures adopted from the literature and refined based on results in the first phase. The survey was conducted with a mall-inter-

cept sample of 400 fashion clothing consumers who responded to survey instrument in relation to a clothing brand they bought in the last six months. This study used AMOS 22.0 to validate the scales and to test the hypotheses following Anderson and Gerbing (1988) two-step approach. Prior to model estimation, common data issues such as missing values and data normality were addressed using SPSS 22.0. Harman's test also indicated that common method bias did not pose a serious problem in this analysis.

### Summary of Findings

The results of the study provide further empirical evidence supporting that brand trust is an antecedent of brand loyalty and in turn is positively influenced by brand identification, as well as social influence (both two types) also drives positively brand loyalty. Noteworthy, this study reports a slightly different view from prior research based on the social identity perspective of brand loyalty, which showed that brand identification has a direct influence on brand loyalty (e.g. Kuenzel and Halliday 2010).

Of the focal hypotheses of the current study, results provide support only for the positive impact of both types of susceptibility to social influence on brand identification, but not on brand trust. On the other hand, only brand distinctiveness has a positive impact on brand identification, whereas both types of brand identity influence positively brand trust. Additional mediation analyses using Sobel test revealed that brand trust statistically significantly mediates the effects of brand identification and two types of brand identity on brand loyalty.

### Key Contributions

Overall, this study has attempted to fill some deficiency in customer–brand relationships literature in three ways. First, while branding research has clearly identified the impor-

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tance of social influence on customer behavior, this study's findings are important because they contribute to understanding about specific linkages among aspects of social influence and brand characteristics and brand relationship constructs. In particular, the results reveal both normative and informative social influence aspects strengthen brand identification as well as have direct effects on brand loyalty. Surprisingly, the findings also argue that one's susceptibility to social influence does not always strengthen their trust toward the brand that preferred by majorities.

Secondly, our research enriches the literature by providing the interplays among key brand constructs of brand prestige, brand distinctiveness, brand identification, brand trust, and brand loyalty. Prior research has failed to provide evidences of the flow from specific aspects of brand characteristics (brand prestige, brand distinctiveness) to customer's relationships with the brand (brand identification, brand trust, and brand loyalty).

Thirdly, while majority of existing studies conducted in Western developed countries, the empirical evidences from this study extend customer-brand relationship literature toward Asian emerging market settings to validate the social and brand relationship concepts in different economic and cultural environment.

Managerially, the findings suggest marketers in emerging markets like Vietnam need to incorporate brand relationship-building in their marketing strategies. The significant role of social influence on brand identification and brand loyalty found in this study helps marketers to understand the importance of planning marketing activities targeting at reference groups and trace the chains of effects of those strategies. Marketers need to build brands to be distinctive, as brand distinctiveness leads to brand identification and brand trust and ultimately brand loyalty.

*References are available on request.*

# Parental Cultural Capital, Value Orientations, Attitude Toward Brand Country of Origin, and Purchase Intention of Global Brand

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**Keywords:** *disloyalty syndrome, perception of business and businessmen, Chinese consumers*

**Description:** *This research deals with the historical reasons that Chinese consumers are not loyal to brands or businesses.*

## EXTENDED ABSTRACT

### Research Question

The purpose of this paper is to report an examination of the possibility that individual differences in consumer choice of global brand are at least partially due to the influence of the parental cultural capital. Specifically, the questions addressed include whether adult children of high cultural capital parents are more likely to buy a global brand, and whether an adult's pattern of relative preference for a global brand can be transmitted from his or her parents. Also, examined are ten value orientation factors (e.g., hedonism and self-direction) and attitude toward the brand's country-of-origin that may affect the degree of this intergenerational influence.

### Method and Data

The survey research was conducted in the US and data was collected from the faculty members, staff and students of a major university. The brand stimulus was cognac, a famous French brand.

### Summary of Findings

The results confirm that parental cultural capital, consumer value orientations and attitude toward the brand origin coun-

try have significant impact on consumer willingness to purchase a global brand.

### Key Contributions

The findings of this research provide some meaningful insights into intergenerational influence on consumer behavior. First, we find that parental cultural capital is associated with his or her value orientation long after when a child is grown. Second, parental cultural capital has direct influence on the child's purchase intentions of global brands. The research offers two important managerial implications for global brand management. The understanding of parental cultural capital and its transmission from the parent to child can help marketers better understand consumer motivation. Global marketers should take parental cultural capital into consideration when segmenting and formulating marketing strategies.

*References are available on request.*

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# Measuring Consumer-Based Brand Equity for Private-Label Brands: Cross-Country Comparisons

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**Keywords:** *private-label brands, cross-country comparison*

**Description:** *This paper develops measurement scales of the PL-CBBE dimensions and examines the significance of the relationships of the PL-CBBE antecedent dimensions in creating a strong PLB providing a cross-country perspective for the United States and Turkey.*

## EXTENDED ABSTRACT

Private-label brands (PLB), offering benefits for both consumers and retailers, are a well-established facet of retailing in numerous parts of the world, often having significant market shares (Ailawadi, Pauwels, and Steenkamp 2008; Queck 2009). As PLBs have gained importance, numerous studies have been conducted related to PLBs, such as buying proneness, similarities and differences between national and PLBs, and the link between private-label share and store loyalty. Based on prior brand equity research (Aaker 1991, 1996; Yoo, Donthu, and Lee 2000; Yoo and Donthu 2001) and private-label/store brand research (Ailawadi et al. 2008; Cuneo et al. 2012; Jara and Cliquet 2012; Richardson et al. 1996), private-label brand equity is conceptualized as multiple constructs (e.g., Aaker 1991, 1996; Keller 1993; 2013) and measured with eight brand equity dimensions. These dimensions are brand awareness, perceived quality, brand association, perceived value, perceived risk, retail store loyalty, PLB loyalty, and overall PLB equity. The literature suggests positive relationships among all of the antecedent dimensions of the CBBE except for the perceived risk dimension. While the literature covers various issues concerning PLBs, very little work has focused directly on examining and/or measuring private label consumer based brand equity (PL-CBBE). Integrating CBBE theory with relevant prior research on brand equity and private-label branding, it

is expected that the antecedent dimensions would have significant effects on PL-CBBE in both the United States and Turkey, the study's countries of focus.

## Research Question

This paper develops measurement scales of the PL-CBBE dimensions and examines the significance of the relationships of the PL-CBBE antecedent dimensions in creating a strong PLB providing a cross-country perspective for the United States and Turkey. In order to achieve the study objectives and to explore the significant relationships among the PL-CBBE dimensions for each supermarket brand in the two target countries, the following hypotheses are tested:

H1: Positive significant relationships exist among the PL-CBBE dimensions (except for perceived risk) for the four supermarkets' PLBs. Perceived risk will have negative significant relationships with the PL-CBBE dimensions.

H2: Differences exist in the relationships among the PL-CBBE dimensions across the four PLBs.

H3: Similarities exist in the relationships among the PL-CBBE dimensions within each country.

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## **Method and Data**

In order to accomplish the study objectives and test the hypotheses, an identical survey-instrument was designed to measure the CBBE for PLBs for four-separate store-brands (Equate, Great Value, BIM and Migros). The scale measures of each CBBE-dimension for this study are compiled from the literature on general brand equity measurement as well as several PLB studies. The survey-instrument included the brand equity dimensions of brand awareness, perceived quality, brand association, perceived-value, perceived-risk, retail store-loyalty, PL-brand-loyalty, and overall-PLB-equity. The individual items, modified to properly achieve the objectives of this study, were measured on a seven-point Likert-type agreement scale. Several pretests were conducted, beginning with experts knowledgeable about scale development and private-label branding, and then with actual customers of the PLBs. The finalized survey was translated into Turkish, and pretested in the same fashion with actual purchasers as the English version. Demographic questions concerning age, gender, size of household, education, and income were also included on the survey.

The survey instrument was administered online to the purchasers of the PLBs included in the study (Great Value, Equate in the United States; Migros, BIM in Turkey) following a procedure initially used by Bitner, Booms, and Tetreault (1990), employing trained undergraduate students to distribute an email invitation linked to the survey. This method produced a total of 819 usable surveys, with 421 from the United States (Great Value 270, Equate 151) and 398 from Turkey (Migros 201, BIM 197).

## **Summary of Findings**

Results provide insights to understand the nature of the four PLBs under study. One interesting finding was that some

relationships were common to all PLBs and some were different or unique for each PLB. For instance, brand awareness had a significant positive relationship with the perceived quality across all four PLBs, which is consistent with the findings of Richardson et al. (1996). In addition, perceived quality had a significant positive relationship with perceived value, and perceived value had a significant positive relationship with store brand loyalty across the four PLBs. By keeping the quality levels of PLBs high, supermarkets can increase customer perceptions of the value created by their PLBs, therefore increasing brand loyalty. Similarly, for all PLBs, perceived quality had a significant negative relationship with perceived risk, indicating that by increasing the quality of their PLBs, supermarkets can reduce risk perceptions. In addition, brand associations had a positive significant relationship with retail store loyalty across all PLBs, which is consistent with the findings of Sawyer and Dickson (1984). While retail store loyalty had a positive significant relationship with PLB loyalty, PLB loyalty had a positive significant relationship with the PL-CBBE across all PLBs. This means regardless of the type of supermarket and country in which they are located, retail store loyalty positively influences PLB brand loyalty, which in turn contributes to overall PL-CBBE.

## **Key Contributions**

As this study is the first to measure PL-CBBE in two countries, it integrates the CBBE theory with relevant prior research on brand equity and private-label branding. The findings identified some significant differences across all PLBs. The study reveals the similarities and differences in the relationships between the CBBE dimensions of the PLBs in each country, highlighting areas of improvement for each supermarket.

*References are available on request.*

# How Brand Collaborations Change Customers' Self-Brand Connections to High-Priced Brands

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## ABSTRACT

There are many brand collaborations although high-priced brand users are more likely to express their self-concept than low-priced brands users. This study explores negative effect of unbalanced brand collaborations on self-brand connections of high-priced brand customers. The results of analysis of variance reveal three moderators that attenuate the negative effect.

**Keywords:** *brand collaboration, co-branding, self-brand connections, high-priced brand*

## Introduction

Customers define and create their self-concept by using a brand's products and express that self-concept to others (Escalas and Bettman, 2003; 2005). In particular, high-priced brand users are more likely to express their self-concept than low-priced brands users are because high-priced brands are shared by a small population. Incidentally, the customers of a high-priced brand have stronger psychological connections to the brand. Escalas and Bettman (2003) called the connections between customers and brands as self-brand connections. Thus, high-priced brand managers should always pay attention to the level of self-brand connections of their customer base.

On the other hand, recently, we have found many cases where high-priced brands collaborate with other brands that are in a lower price range and in a different industrial category. For example, Kenzo, a high-priced brand, has collaborated with H&M, a low-priced brand, while luxury car brand Mercedes-Benz has collaborated with popular watch brand Swatch. Firms are increasingly interested in collaboration as a means to gain entry into more marketplaces, to manage the threat of private label brands, and to share the production costs for new products with partner brands (Spethmann and Ben Ezra, 1994).

Previous studies have not analyzed the relationship between brand collaboration and customers' psychological connections to a brand, that is, self-brand connections. Analyzing such relationship is crucial, as customers of a high-priced brand might feel that the brand does not express their self-concept, and their relationship with the brand can weaken when the brand collaborates with moderate- or low-priced brands. Thus, it is urgent for marketing and brand research to clarify the influences of brand collaboration on self-brand connections. We hypothesize that self-brand connections can become deteriorated owing to unbalanced brand collaborations and empirically examine the validity of the hypotheses using analysis of variance.

In addition, there might be marketing tactics to attenuate or moderate the deterioration of customers' self-brand connections resulting from unbalanced brand collaborations. For example, firms can plan marketing tactics such as limiting the sales quantity of and collaboration period for products and creating a new brand name for them. We also hypothesize and test these moderating factors. In this empirical study, we conduct an experimental survey and ANOVA. Our findings provide theoretical implications for brand researchers and managerial implications for brand managers.

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## Theoretical Development

### A Prime Effect of Brand Collaboration

Consumers often use brands as a way to express themselves. In particular, customers utilizing a high-priced brand might strongly express their self-concept and show a high level of self-brand connection. Self-brand connections are defined as “the extent to which individuals have incorporated brands into their self-concept” (Escalas and Bettman, 2003, p. 340). Escalas and Bettman (2003; 2005) empirically examined the effect of a match between images of a reference group, such as an in-group, out-group, or aspiration group, and brand association on self-brand connections. They found that the match between images of in-group or aspiration group and brand association has the positive effects on self-brand connections and that the match between images of out-group and brand association has the negative effect on self-brand connections.

However, prior research has not analyzed the effect of brand collaboration on self-brand connections of high-priced brand customers. While co-branding or brand collaboration brings some benefits to both brands (Spethmann and Benezra, 1994), it might not bring benefits to self-brand connections of high-priced brand customers. First, users perceive a change in brand image or personality from a brand collaboration (Plummer, 1985), and this change makes them feel that the psychological association of self-concept with the brand weakens. Second, collaboration between high- and low-priced brands changes the customer base and thus the user image. This change might be favorable for the customers of the low-priced brand but unfavorable for the customers of the high-priced brand because the shift of the user image of the low-priced brand to that of the high-priced brand makes it difficult for customers to express their self-concept (Aaker, 1996). Therefore, we propose hypothesis 1 as follows.

H1: In the case of a collaboration between a high- and a low-priced brand, the self-brand connections of the high-priced brand customers decrease.

### Moderation by Price

According to Keller (2008), logical consistency is important to successful co-branding and brand collaboration. High-priced brand users tend to conspicuously exhibit their status through purchasing and utilizing a high-priced brand. On the other hand, if a high-priced brand collaborates with a low-priced brand, such high-priced brand users lose some benefits resulting from the high-priced brand because the price of the collaboration product is often lower than that of a similar product of the high-priced brand. As a result, the users do not perceive logical consistency of the brand collaboration.

However, it is possible to maintain a high-priced brand's selling price by collaborating with another high-priced

brand. In that case, the customers of the high-priced brand will continue to feel superior, and they will perceive logical consistency of the brand collaboration. Therefore, we propose hypothesis 2 as follows.

H2: In the case of a collaboration between a high-priced brand and another high-priced brand, the self-brand connections of the high-priced brand customer are less likely to decrease. That is, there is an interaction effect between a collaboration and the price range of a collaboration partner.

### Moderation by Limitation

When a high-priced brand collaborates with a low-priced brand, the customers of the high-priced brand might perceive that the user image of the brand will change. This change in the brand's user image means that the customers perceive that a different type of user will consume the brand, and consequently, the customers feel the connection between the focal brand and their self-concept will weaken (Escalas and Bettman, 2005).

Meanwhile, the psychological reactance theory implies that customers are strongly motivated to obtain the restricted option when the freedom of choice is limited than when it is not (Brehm, 1966). Also, Cialdini (2000) indicated that consumers consider a product of limited availability to be of high-value. An unbalanced brand collaboration between a high- and a low-priced brand decreases customers' self-brand connections to the high-priced brand, but if the sales quantity of and/or period of collaboration for the products are limited, the customers might perceive the limited brand as valuable because the limited quantity and/or period imply that the user image associated with the high-priced brand might differ little from that before the collaboration. Therefore, we propose hypotheses 3-1 and 3-2 as follows.

H3-1: In the case of a collaboration between a high- and a low-priced brand, when the sales quantity of collaboration products is limited, the self-brand connections of the high-priced brand customers are less likely to decrease. That is, there is an interaction effect between a collaboration and sales quantity.

H3-2: In the case of a collaboration between a high- and a low-priced brand, when the sales period for collaboration products is limited, the self-brand connections of the high-priced brand customers are less likely to decrease. That is, there is an interaction effect between a collaboration and sales period.

### Moderation by a New Brand Name

Brand managers of a firm or a business unit can roughly choose between two alternative strategies when they launch

a new product. The brand extension strategy utilizes an existing brand name, making it easy for customers to process product information. In contrast, the new brands strategy utilizes a brand name that is completely different from that of the extant brand, enabling customers to have a new brand image and association.

High-priced brand customers are likely to perceive changes in brand image and personality when the brand collaborates with a low-priced brand (Plummer, 1985), and these changes resulting from the collaboration might weaken the connection between the customers' self-concept and the high-priced brand. However, if the brand name of the collaboration product is new, the connection will not weaken because the new brand name enables the customers to distinguish it from the high-priced brand, and thus, the brand association of the high-priced brand might be different from that of the new brand after the collaboration (Aaker, 1996). Therefore, we propose hypothesis 4 as follows.

H4: In the case of a collaboration between a high- and a low-priced brand, when collaboration products bear a new brand name, the self-brand connections of the high-priced brand customers to the brand is less likely to decrease. That is, there is an interaction effect between a collaboration and a new/extant brand name.

## Empirical Analysis

### Pre-Test

Based on the work of Escalas and Bettman (2003), in a pre-test designed to select stimulus brands that are meaningful to the participant population, 89 people from the general public on the internet, different from the participants in the main survey, were asked to list up to five brands that they considered to be high-priced and defining a narrow target and another five that they considered to be low-priced and defining a wide target. Seventeen brands that were mentioned most by the participants were used in the main survey. These brands included 16 high-priced brands, namely Chanel, Louis Vuitton, Hermes, Prada, Gucci, Yves Saint Laurent, Dior, Coach, Rolex, Bvlgari, Burberry, Marc Jacobs, Ferrari, Porsche, Mercedes-Benz, and Beams, and one low-priced brand, Uniqlo.

### Procedure and Data Collection

In the experimental survey, we reestablished the conditional scenario method used by Escalas and Bettman (2003; 2005). For hypothesis 1, we assigned two scenarios in a within-subjects design (before/after an unbalanced collaboration). For hypotheses 2 to 4, we assigned 32 scenarios: 2 (before/after a collaboration)  $\times$  2 (with high-priced/low-priced brand)  $\times$  2 (limited/no limited quantity)  $\times$  2 (limited/no limited period)  $\times$  2 (new/extant brand name) with collaboration

(before/after) as a within-subjects variable and the other factors as between-subjects variables.

The scale used to assess self-brand connections was also based on the work of Escalas and Bettman (2003; 2005). First, the participants were asked to select one high-priced brand from among the 16 brands selected in the pre-test and to assume that the selected brand and Uniqlo concurredly produced collaborated goods. When we tested the price range of the collaboration partner, we asked the participants to select two brands and to assume that these brands have collaborated. Second, the participants were asked to indicate how much they disagree or agree with the following seven statements, which were anchored by strongly disagree [0] to strongly agree [100]: "This brand reflects who I am," "I can identify with this brand," "I feel a personal connection to this brand," "I use this brand to communicate who I am to other people," "I think this brand helps me become the type of person I want to be," "I consider this brand to be "me" (it reflects who I consider myself to be or the way that I want to present myself to others)," and "This brand suits me well"; the participants' responses were aggregated to form one self-brand connection score per participant per brand ( $\alpha = 0.685$ ). The participants were 200 passersby and undergraduate students from the general public in an urban area, Japan, yielding a total of 118 responses, of which 92 were deemed usable after list-wise deletion (46%). Of 92 valid responses, 49 are female (53.261%).

### Manipulation Checks

In the scenarios for hypotheses 1 and 2, the participants were asked to answer either of the following yes-no questions: "Did you think about the brand collaboration between the brand that you chose and Uniqlo?" or "Did you think about the brand collaboration between the two brands that you chose?" We conducted a univariate  $\chi^2$  test, and the results showed that the participants comprehended the contents of the scenarios for hypotheses 1 and 2 ( $\chi^2_{H1} = 9.091, p < 0.05$ ,  $\chi^2_{H2} = 11.143, p < 0.01$ ).

In the scenarios for hypotheses 3-1, 3-2, and 4, the participants were asked to answer the following yes-no questions in addition to the first yes-no question: "Did you assume that the collaboration product was sold in a limited quantity?" "Did you assume that the collaboration product was sold for a limited time?" and "Did you assume that the collaboration product bore a new brand name?" We conducted a bivariate  $\chi^2$  test, which showed that the manipulation succeeded ( $\chi^2_{H3-1} = 7.529, p < 0.05$ ,  $\chi^2_{H3-2} = 11.267, p < 0.001$ ,  $\chi^2_{H4} = 22.118, p < 0.001$ ).

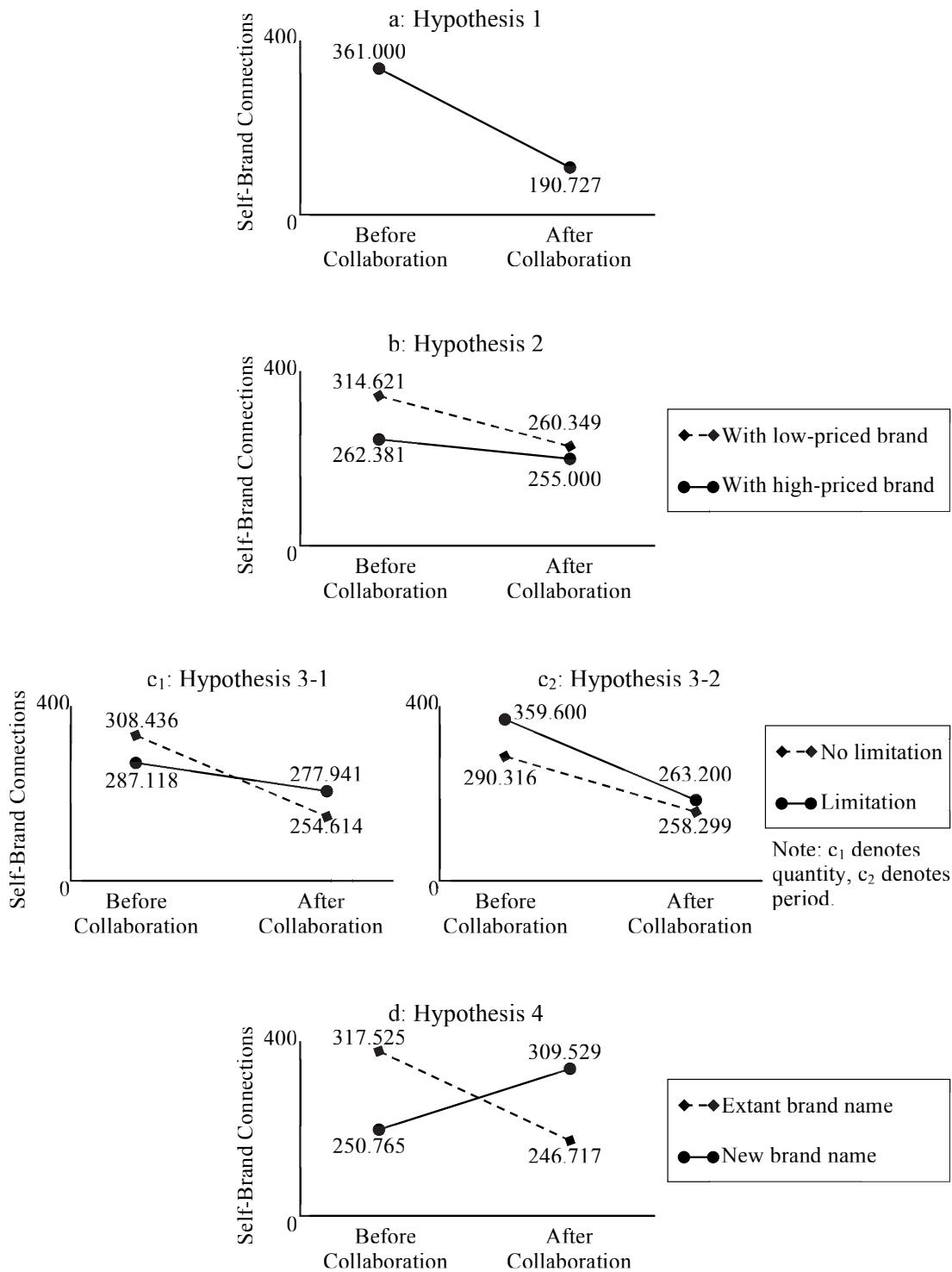
### Results for Hypothesis 1

Hypothesis 1 asserts that an unbalanced collaboration would statistically decrease the degree of self-brand connection to a

high-priced brand. The one-way ANOVA of the hypothesis 1 model revealed that the F-value was 32.316, which was significant at the 0.1% level, and the R<sup>2</sup> value was 0.435. Therefore,

hypothesis 1 was supported. Figure 1a shows that the values of self-brand connections were 361.000 before collaboration and 190.727 after collaboration (standard error was 21.180).

**Figure 1.** Hypotheses Testing



## **Results for Hypotheses 2, 3, and 4**

A five-way ANOVA, which is 2 (before/after a collaboration)  $\times$  2 (with high-priced/low-priced brand)  $\times$  2 (limited/no limited quantity)  $\times$  2 (limited/no limited period)  $\times$  2 (new/extant brand name), was conducted to test hypotheses 2, 3, and 4. The overall F-value was 3.783, which was significant at the 0.1% level, and the R<sup>2</sup> value was 0.164.

Hypothesis 2 implies that the collaboration between high-priced brands would moderate the negative effect of a collaboration on self-brand connections. The F-value of the interaction effect between a collaboration and price range was 10.350, which was significant at the 1% level. Therefore, hypothesis 2 was supported. Figure 1b shows that the values of self-brand connections were 262.381 before collaboration and 255.000 after collaboration with another high-priced brand (standard error was 25.609).

Hypothesis 3-1 implies that limiting the sales quantity of a collaboration product would moderate the negative effect of a collaboration on self-brand connections. The F-value of the interaction effect between a collaboration and quantity limitation was 9.035, which was significant at the 1% level. Therefore, hypothesis 3-1 was supported. Figure 1c<sub>1</sub> shows that the values of self-brand connections were 287.118 before collaboration and 277.941 after collaboration with quantity limitation (standard error was 28.463).

Hypothesis 3-2 implies that limiting the sales period of a collaboration product would moderate the negative effect of a collaboration on self-brand connections. The F-value of the interaction effect between a collaboration and limited period was 1.767, which was not significant. Therefore, hypothesis 3-2 was not supported. Figure 1c<sub>2</sub> shows that the values of self-brand connections were 359.600 before collaboration and 263.200 after collaboration with period limitation (standard error was 30.301).

Hypothesis 4 implies that creating a new brand name would moderate the negative effect of a collaboration on self-brand connections. The F-value of the interaction effect between a collaboration and a new brand name was 18.263, which was significant at the 0.1% level. Therefore, hypothesis 4 was supported. Figure 1d shows that the values of self-brand connections were 250.765 before collaboration and 309.529 after collaboration with a new brand name (standard error was 28.463).

## **Discussion and Conclusion**

### **Findings and Contributions**

Self-brand connections are deeply involved in brand images, such as the user image and/or brand personality. Escalas and Bettman (2003; 2005), focusing on the user image of brands,

examined the effects of types of reference groups on customers' self-brand connections. In this study, focusing on both user image and brand personality, we examined self-brand connections that result from co-branding or brand collaboration between high- and low-priced brands. To our knowledge, this study is the first to conduct this kind of study.

The logical and empirical examinations produced the following findings:

1. When a high-priced brand collaborates with a low-priced brand, the self-brand connections of high-priced brand customers decreases.
2. Three moderators attenuate the negative effects of an unbalanced collaboration on high-priced brand customers' self-brand connections, which are as follows:
  - 2-1. The first moderator is choosing a collaboration partner that is a brand within the same price range.
  - 2-2. The second moderator is limiting the sales quantity of a collaboration product.
  - 2-3. The third moderator is creating a new brand name for a collaboration product, rather than using an existing one.

This study contributes to marketing and brand research by revealing that an unbalanced brand collaboration results in negative consumer reactions to the high-priced brand, which is consistent with balance theory predictions (Heider, 1946). In addition, the study provides logical and empirical support for the notion that deliberate selection of partner brands ensures the logical consistency of co-branding (Keller, 2008). The management of a firm with high-priced brands should deliberately review their own brands' history, concept, price range, and other relevant aspects, and then select the appropriate collaboration partner to prevent their customers from being disappointed. We also find that limiting the sales quantity of and creating a new brand name for a collaboration product attenuate the negative effect of an unbalanced brand collaboration on customers' self-brand connections. Thus, high-priced brand managers need to accurately comprehend their brands' user images. When a collaboration makes it possible for a different customer base to utilize products bearing their brand name, brand managers should determine the profile of these new customers to help ensure that only the appropriate users utilize the brand. Also, managers should determine a new brand name for a collaboration product if they think that the product's price, advertising, or distribution strategies would harm the focal brand, to avoid diluting the personality of that brand.

### **Limitations and Future Research**

In this empirical study, we focused on customers' self-brand connections when co-branding or a brand collaboration strategy is executed. We found that even if customers' self-brand connections decrease owing to an unbalanced collaboration between a high- and a low-priced brand, after a long time has elapsed, self-brand connections might recover to the level before the collaboration if the customers forget the brand collaboration itself or if subsequent collaboration strategy has positive effects. Further research could explore the effects of the elapse of time on the level of self-brand connections and the moderators that strengthen or weaken the effects.

The moderators in this article reflect the marketing decision making of firms with high- or low-priced brands. An interesting issue for future research would be to explore moderating factors pertaining to a reference group, such as an ingroup, strange group, antagonistic group, or aspiration group, where a brand is used (Escalas and Bettman, 2005). We hope that this study is a first step toward exploring the relationship between co-branding and self-brand connections and that the above recommendations will result in an increased understanding of marketing and brands.

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# How Does Logo Display Affect Consumers' Consumption Preference for Fashion Designer Brands?

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## ABSTRACT

This article offers insights for fashion marketers on brand logo display. Findings indicate that consumers prefer a powerful brand when its brand logo is discrete in size but placed in a highly visible location. Yet for powerful brands offering high experience their brand logo needs to be prominent in size.

**Keywords:** *brand power, brand prominence, brand experience, fluency, logos*

**Description:** *This article offers insights for fashion marketers on brand logo display.*

## Introduction

When it comes to communicating symbolic meaning, one of the greatest tools at a marketer's disposal is the company logo (Hagtvedt, 2011). In the industry fashion, brand logo is usually placed on where customers can easily see and identify. Given that sizeable expense fashion marketers usually spend in managing their brands, fashion companies would benefit by understanding how customers respond more favorably to different logo display strategy.

To the best of the authors' knowledge, limited amount of research has explored the effectiveness on variations of brand logo display, especially on fashion product. Manufacturers often place their logos front of their product or above a central image in packaging design (Andrews et al., 2011). Sundar and Noseworthy (2014) demonstrate that powerful brands can benefit by placing their logo high on their packaging, whereas less powerful brands lower. In this research we intend to further the study of Sundar and Noseworthy (2014) by examining the effect of brand power, brand prominence and brand experience on logo display on fashion product.

## Brand Power

Conceptual metaphor theory suggests that people learn and reinforce one idea by employing perceptually based concepts

from another, more intuitive domain (Landau et al., 2010). For instance, a higher vertical position can represent the concepts of excellence (Meier and Robinson, 2006). Cian et al. (2014) suggest in some cultural contexts direction, in addition to height, also has a metaphorical connotation. For example, in the Oriental culture, the direction of moving forward or the location of front is considered superior.

Sundar and Noseworthy (2014) point out that linking power relations to a vertical schema could reinforce brands' market standing, in which a powerful brand logo should be placed on top of the package. Consumers show more favorable attitudes toward the brand when logo location is metaphorically matched with the perceived brand status (Sundar and Noseworthy, 2014). The rationale for the increase in preference is that the fit between the visual field and the consumer's normative expectations for the construct enhances processing fluency (Kim et al., 2009).

H1: There is a significant interaction between brand power and logo location on brand preference such that consumers prefer a high-power brand more when its logo appears in high (vs. low) visibility of visual field. Conversely, consumers prefer a low-power brand more when its logo appears in low (vs. high) visibility of visual field.

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## **Brand Prominence**

Han et al. (2010) define brand prominence as the extent to which a product has visible markings that help to ensure observers recognizing the brand. Manufacturers can produce a product with “loud” or conspicuous branding or tone it down to “quiet” or discreet branding to appeal to different types of consumers. The size of a brand logo determines its prominence, which may determine its effects (Van Reijmersdal et al., 2012). That is, a large brand logo would lead to increased brand recall, recognition and purchase preferences. In the fashion industry it is common to see products such as purses and clothes with distinguishing brand logo or brand features. Wilcox et al. (2009) suggest that people normatively express themselves by brand’s mark and logo on a product. Nevertheless, another stream of research indicates inconsistent findings that those high in wealth, productivity or valued attributes avoid obvious signals that separate them from lower status type.

H2: There is a significant interaction between brand power and brand prominence on brand preference such that consumers prefer a high power brand more when its logo appears in high (vs. low) visibility of visual field with quiet logo display. Conversely, consumers prefer a low power brand more when its logo appears in low (vs. high) visibility of visual field with loud logo display.

## **Processing Fluency**

When situated in the proper context, metaphoric representations facilitate speed of comprehension. This phenomenon is referred to as “processing fluency” (Chae and Hoegg, 2013). Researchers have shown that speed of processing can dictate a person’s favorability toward an object (Schwarz, 2004). Reber et al. (2004) propose that processing fluency affects individuals’ aesthetic response to objects. Aesthetic pleasure is not only a consequence of objective stimulus features per se, but also a result of the processing experiences of the perceiver, which are in part a function of stimulus properties that may stimulate fluent processing.

H3: Processing fluency mediates the interaction between brand power and brand prominence on brand preference.

## **Brand Experience**

Brakus et al. (2009) defines brand experience as the brand-related stimuli that constitute the major source of subjective, internal consumer responses, such as brand-identifying color and shapes. Brand experience is related but also conceptually distinct from other evaluative, affective or associative constructs including brand attitudes, brand involvement, brand attachment, customer delight, and brand personality. Brakus et al. (2009) claim that brand experience can be broken down into four dimensions: sensory, affective,

intellectual, and behavioral; the first two dimensions are visual ones. Brakus et al. (2014) examine the link between experiential attributes (sensory and affective) and judgments, and, most importantly, present processing-fluency theory as an explanation for the positive effects of experiential attributes.

H4: There is a significant interaction between brand experience (sensory) and brand prominence on brand preference such that for a high-power brand consumers prefer strong experience brand more when its logo appears loud on front side. Conversely, consumers prefer weak experience brand more when its logo appears quiet on front side.

H5: Brand experience moderates the mediating effect of processing fluency.

## **Study 1**

The core objective of Study 1 is to set the stage by testing whether brands could alter consumer preference by varying the logo location on product in accordance with their standing in the market place (H1). Respondents ( $n = 160$ ; 68% age range from 21–30 years; 41% are male) were recruited among MBA students with working experience for more than five years and have purchased fashion products previously. Participants were assigned to one of four conditions in a 2 (logo location on product: high vs. low in visual field)  $\times$  2 (brand power: high vs. low) between-subjects factorial design.

### **Pretests and Procedures**

We designed two pretests to isolate two brand logos out of five possible brands that significantly vary in perceived brand power but relatively equivalent in familiarity and liking. By applying seven-point Likert scale, we captured brand power with two items (powerless/powerful and weak/strong); brand familiarity with three (unfamiliar/familiar, inexperienced/experienced, not knowledgeable/ knowledgeable); brand liking with three (bad/good; negative/positive; dislike/like). The results revealed two brand: Marc by Marc Jacobs (MBMJ) and Fred Perry.

Study 1 began by asking respondents to review a product image at their own pace. Four iPhone cases were custom-designed, printed, and collated by the research team. The only element that varied was the brand logo location (on the front of the product with high visibility or at the back with low visibility). Respondents were asked to answer demographic questions, a manipulation check (brand power), and a core dependent variable (purchase intention). We captured purchase intention on three items (likely/unlikely, probable/improbable, possible/impossible).

## **Results and Discussions**

Participants perceived the brand power ( $\alpha = 0.97$ ) of MBMJ to be more powerful ( $M = 5.04$ ) than Fred Perry ( $M = 3.66$ ;  $F(1,156) = 0.37, p < 0.05$ ). An analysis of participants' purchase intent ( $\alpha = 0.96$ ), as a function of brand power and logo location, yielded a significant interaction between the two ( $F(1, 156) = 18.26, p < 0.05$ ). As in H1, simple effects confirmed that participants reported greater purchase intent when MBMJ logo was on the front of the product rather than low ( $M_{high} = 4.53$  vs.  $M_{low} = 3.62$ ;  $F(1, 61) = 5.19, p < 0.05$ ). Critically, the pattern of effects was reversed when participants saw the Fred Perry logo ( $M_{low} = 4.46$  vs.  $M_{high} = 3.66$ ;  $F(1, 60) = 8.57, p < 0.05$ ).

The results of Study 1 confirm that consumers may infer a conceptual link between brand power and logo location in a fashion accessory product. Specifically, a powerful brand can benefit from placing its logo on high visibility position (front), whereas a less powerful brand placing its logo on low visibility position (back) of the product.

## **Study 2**

The core objectives of Study 2 were to (1) replicate the observed effects from Study 1; (2) examine the interaction between brand power and brand prominence (H2); the mediating role of processing fluency (H3). Participants ( $N = 253$ ; 76.28% age range from 21–30 years; 50% of them are male) were recruited among MBA students with more than five years working experience, have purchased fashion products previously, and were aware of indie brands. Participants were told that a new cap was being released. Participants were assigned to one of four conditions in a 2 (logo location on product: front vs. back)  $\times$  2 (brand prominence: loud vs. quiet) between-subjects factorial design.

### **Pretests and Procedures**

Similar to study 1, a series of pretests was conducted to isolate two out of five possible cap brands that significantly varied in brand power but relatively equivalent in familiarity and liking. The results revealed two brand logos: Supreme and JOYRICH. Four caps were custom-designed, printed, and collated by the research team. The product featured only a brand logo. The only thing that varied was the brand logo size and display location. Apart from questions that were asked in Study 1, participants were asked to evaluate brand prominence with two items (prominent/not; recognizable/not) and processing fluency six items (difficult/easy to understand, difficult/easy to process, well-/not at all organized, well-/not at all structured, logical/illogical, clear/unclear). The questionnaire concluded with basic demographic questions.

## **Results and Discussions**

The perceived brand power ( $\alpha = 0.97$ ) between the brands was significantly different ( $M_{Supreme} = 5.14$  vs.  $M_{JOYRICH} = 3.13$ ,  $t(220) = 13.76, p < 0.05$ ). An analysis of participants' purchase intent, as a function of brand power and brand prominence, yielded a significant interaction between the two ( $F(1,176) = 9.96, p < 0.05$ ). As we hypothesized (H2), for the high-power brand Supreme, participants indicated greater purchase intention when its logo was placed with quiet prominence ( $M = 4.74$ ) than with loud prominence at the front ( $M = 3.33$ ;  $F(1, 123) = 39.11, p < 0.05$ ). As expected, the results reversed for the low-power brand JOYRICH that greater purchase intention occurred when its logo was placed with loud prominence ( $M = 4.96$ ) than with quiet prominence at the back ( $M = 3.30$ ;  $F(1,126) = 84.11, p < 0.05$ ).

The analysis of perceived fluency ( $\alpha = 0.92$ ) yielded a significant interaction between brand power and brand prominence ( $F(1, 62) = 4.68, p < 0.05$ ). In line with the purchase intention results, simple effects confirmed that participants indicated high-power brand (Supreme) easier to process when featured at the front with loud logo design ( $M_{Supreme loud} = 5.08$  vs.  $M_{Supreme Quiet} = 4.53$ ,  $F(1,123) = 7.89, p < 0.05$ ) and the reverse for low-power brand ( $M_{JOYRICH loud} = 5.25$  vs.  $M_{JOYRICH Quiet} = 3.77$ ,  $F(1,126) = 82.40, p < 0.05$ ). A mediated moderation analysis (Hayes, 2012, Model 8; bootstrapped with 5,000 draws) was conducted. As hypothesized (H3), perceived fluency mediated the relationship between the brand power and participants' purchase intention in both the quiet brand logo (95% confidence interval; [CI] = [-.13, -.032]) and loud brand logo conditions (95% CI = [.14, .30]).

Study 2 not only extends the phenomenon we observed in Study 1 but also further confirms the underlying mechanism and the effect of brand prominence. The results confirm that a product is preferred when brand power and prominence are aligned than when not aligned. Thus, low-power brands may indeed benefit from a low visibility visual field logo location on their product. We designed Study 3 to rule out brand power and further investigate the effects of brand experience.

## **Study 3**

Participants ( $N = 174$ ; 68.4% of respondents age range from 21–30 years; 49.4% of them are male) were recruited among MBA students with working experience for more than five years and have purchased fashion products previously. Participants were told to evaluate a new t-shirt.

### **Pretests and Procedures**

For the purpose of identifying possible brands, a series of pretest were conducted. Out of fifteen brands, two groups of

brand logo stood out in terms of difference in power with equivalent familiarity. Specifically, PLAY and Paul Smith logo led to the highest perceptions of power ( $M_{PLAY} = 5.77$ ;  $M_{PSmith} = 5.05$ ;  $t(20) = 1.33, p > 0.10$ ). Twelve brand experience items were adopted from Brakus et al. (2009). Two pretest results revealed that PLAY has significantly higher brand experience than Paul Smith ( $M_{PLAY} = 0.35$ ;  $M_{PSmith} = -0.50, p < 0.05$ ). The study began by asking willing consumers to review the product image at their own pace and concluded with basic demographic questions.

### **Results and Discussions**

In the analysis of brand power ( $\alpha = 0.81$ ), the two logos did not significantly differ ( $M_{PLAY} = 5.22$  vs.  $M_{PSmith} = 5.04$ ;  $F(1, 172) = 2.25, p > 0.10$ ); but in brand experience ( $\alpha = 0.89$ ,  $M_{PLAY} = 5.34$  vs  $M_{PSmith} = 3.81$ ;  $F(1, 171) = 80.71, p < 0.05$ ). An analysis of participants' purchase intent ( $\alpha = 0.96$ ) shows that it is significantly different between brand prominence and brand experience. As hypothesized in H4, for the strong-experience brand, PLAY, participants indicated greater purchase intention when its logo was placed with loud prominence ( $M = 4.63$ ) than Paul Smith placed their logo with quiet prominence on the front visual field ( $M = 3.81$ ;  $F(1, 172) = 18.35, p < 0.05$ ).

An analysis of perceived fluency ( $\alpha = 0.91$ ), participants indicated for a high-experienced brand like Play, products that featured the brand logo loud ( $M = 5.45$ ) was easier to process than quiet with weak-experience brand ( $M = 4.62$ ;  $F(1, 172) = 31.80, p < 0.05$ ). We conducted a mediated moderation analysis (Hayes, 2012, Model 8; bootstrapped with 5,000 draws). As hypothesized in H5, brand experience moderated the relationship between brand prominence and purchase intention (95% [CI] = [0.00, 0.15],  $p < 0.05$ ). Specifically the results indicate that for high-experience brands, displaying their logos either loud or quiet would not significantly affect participants' intention to purchase products (95% [CI] = [-0.21, 0.16],  $p > 0.10$ ); whereas for low-experience brands, quiet prominence of their logo size would significantly influence the participants' purchase intention (95% [CI] = [-0.38, -0.08],  $p < 0.05$ ).

### **Implications and Limitations**

The results of three studies suggest that visual-spatial information can communicate important cues that reinforce a brand's normative standing in the marketplace. Study 1 revealed that consumers prefer more powerful brands with logos at the front of the product but prefer less powerful brands at the back. Study 2 confirmed the effect of brand prominence and the underlying mechanism was a fluency effect driving preference through the conceptual fit between the brand's power and the consumer's visual expectation of logo size. Following from there Study 3 confirmed the con-

ceptual link between power and prominence by introducing a moderator of brand experience.

Recently more research has explored how spatial representations can be used to reinforce various concepts. For example, researchers have shown that placing certain products from left to right along the horizontal axis in an advertisement can augment evaluations by tapping into the consumer's cultural conceptions of time (Chae and Hoegg, 2013). Huang et al. (2013) demonstrate that when brand familiarity is low, the spatial placement of the brand within an advertisement can reinforce the brand's image as either a friend or a leader and, thus, can enhance evaluations of the brand. Our research adds to this increasing body of literature on the use of spatial representations to reinforce concepts.

Beyond the theoretical implications, this article offers critical insights for fashion marketers and fashion designers. Consumers do not buy products merely for what they do but also for what they stand for (Sundar and Noseworthy, 2014). Managers may choose to place their logo front to signal power even when it does not match their brand's true market standing. Yet our research result suggests that when category standing is known by the consumer, this strategy may not work to increase consumers' purchase intension.

One of the issues that emerge from the research findings is logo prominence. Han et al. (2010) pointed out that Bottega Veneta's explicit "no logo" strategy (bags have the brand badge on the inside) makes the purse unrecognizable to the casual observer and identifiable only to those "in the know." This research demonstrates that managers may choose to place their logo at front with quiet prominence to signal power when their brand has high market standing over category. Marketing practitioners have come to realize that understanding how consumers experience brands is critical for developing marketing strategies for goods and services (Brakus et al., 2009). With this in mind, the results of Study 3 indicate that the link between power and brand prominence may depend on how consumer experience the brand influence preference. Marketer should work on build brand experience; thus, designer might have a wide choice to display brand's logo.

Research has indicated that status is an antecedent to power (Rucker et al., 2012). To ensure that the manipulation of brand power did not inadvertently manipulate status, we suggested exploring a fictitious brand. Brands adopted in this study target at especially young adults. Research indicates that people who are made to feel powerless pay more for products that are associated with status (Rucker and Galinsky, 2008). In future investigations it might be possible to use a different tier brands. Gender difference is not particularly emphasized in this study. The selected products,

including iPhone cases, caps, t-shirts are considered unisex. Gender specificity is usually particular in the fashion industry, and thus future research could take it into account.

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# When the Name Is Rude: Exploring the Influence of Brand Vulgarity on Brand Personality

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**Keywords:** *brand vulgarity, brand personality, strategy, image, brand identity*

## EXTENDED ABSTRACT

### Research Question

What is the impact of brand vulgarity on the person-brand personality relationship?

To what extent does brand vulgarity influence the congruency between brand personality, person-brand fit and person-brand relationship?

### Summary of Findings

In this conceptual study, the brand vulgarity construct is identified and examined as a marketing strategy. Some companies utilize vulgarity in both the company name and the products produced and sold. Corporate or company brands maintain distinctive differences in both meanings conveyed and personalities from product brands. How a company presents itself to consumers, what it does and, what it stands for are defined by its brand personality. Along this line, the challenges brand vulgarity imposes on a firm's brand personality are explored. The prevalence across several industries where this strategy is employed is highlighted. In the context of brand vulgarity, we review brand personality dimensions

expounding on the characteristics and representative traits that appeals to consumers. With this elaboration, we evaluate brand vulgarity personality using three descriptive terms, used in reference to an individual's personality, physical characteristics and behavior. We find strong relevance for the efficacy of brand vulgarity. Vulgarity used in branding a product, service or company, may shift the applicability of the existing trait dimensions of brand personality, impacting the establishment of a strong brand and future growth.

### Key Contributions

This research advances the domain of branding and brand strategy and is the first study of its kind to identify, define and explore the concept of brand vulgarity. A brand is a critically important asset in that it holds the image, value and anticipated experience connected to a firm and its offerings. Brand vulgarity challenges existing thought on branding and raises a series of provocative questions around identity and brand personality congruence.

*References are available upon request.*

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# Part C

## Consumer Culture Theory

### Market Emergence and Social Distinction

The Role of Language in Market Creation: A Longitudinal Text-Mining Analysis of <i>Joshi</i> (Girl) in Magazine Media <i>Takeshi Matsui</i>	C-2
A Habitus Divided? Exploring the Impact of Social Mobility on Habitus and Consumption <i>Erika L. Paulson</i>	C-4
Cultural Capital, Lifestyle and Taste Distinctions: An Ethnographic Investigation of Women in Urban India <i>Tanuka Ghoshal, Rishtee Batra, Russell W. Belk</i>	C-6
A Holistic Understanding of Valuing Process <i>Sivakumari Supramaniam, Sanjaya Singh Gaur, Richard John Varey</i>	C-8

# The Role of Language in Market Creation: A Longitudinal Text-Mining Analysis of *Joshi* (Girl) in Magazine Media

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**Keywords:** language, market creation, text-mining analysis, *joshi* (girl), framing

**Description:** This paper analyzes the media discourse behind the fads related to *joshi* (girl) in Japan in order to explore the role of language in new market creation processes.

## EXTENDED ABSTRACT

### Research Question

What is the role of language in new market creation processes? To answer this question, this paper analyzes the media discourse behind the fads related to *joshi* in Japan. According to *Kojien*, one of the most authoritative Japanese dictionaries, the word *joshi* has two meanings. One is literally a female child (the word is a compound of the Chinese character *jo* meaning “female” and *shi* meaning “child”). The other meaning is woman or female when used as a modifier to show the difference of sex without referring to age, such as in *joshi* marathon (women’s marathon) or *joshi daigaku* (women’s college). *Joshi* suddenly became a popular buzzword in the mid-2000s to refer to adult women in general. This usage rhetorically connotes the former definition by *Kojien*, female children, but is used in reference to adults, not children. For example, many pub restaurant chains and exclusive hotels are providing fixed price packages for *joshi-kai* (literally, girls’ gatherings), which are party plans for women only. When people say *joshi* or *joshi-kai*, they mean adult women or gatherings of adult women. This shift in meaning of the word *joshi* contributed to the creation of new markets for fashion, cosmetics, restaurants, spas, etiquette schools, and so on.

### Method and Data

The author performed a quantitative text mining of 49,148 magazine article titles containing the word *joshi* published between 1988 and 2012 in 632 distinct magazines, following Humphreys (2010b)’s method of historical discourse analysis. The shift in meaning of the term *joshi* over twenty-five years was divided chronologically into five stages: Stage I (1988–1992), Stage II (1993–1997), Stage III (1998–2002),

Stage IV (2003–2007), and Stage V (2008–2012). The author conducted a co-occurrence network analysis among words related to *joshi* for the whole twenty-five years and for each stage. The author also conducted correspondence analysis of words over the five stages (Stage I to V) to show the shift in the meaning of *joshi*.

### Summary of Findings

The meaning of *joshi* has changed over twenty-five years in two senses. First, *joshi* originally meant female children or functioned as a modifier to show sex difference, but it now connotes the femininity of adult women, who obviously have more purchasing power than children. Second, *joshi* in the sense of adult women can now denote a consumer group that purchases products and services to improve *joshi-ryoku* (i.e. the buzzword used by the media as a blanket synonym for “femininity”) and conduct *joshi-kai* (i.e. girls’ gatherings). Words related to *joshi* spanned not only the non-commercial realm such as sports but also the realm of marketing and consumption. Once a word develops positive connotation, commercial organizations try to appropriate it in order to reap the financial rewards of our usage.

### Key Contributions

This paper makes three contributions to the research realm regarding the role of social and cultural factors in the development and functioning of markets.

First, this paper focuses directly on the role of language. Some extant studies focus on meaning observed in texts and images such as advertisements, and others focus on media

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discourse. However such approaches are not necessarily appropriate to capture the nexus of words in order to understand subtle meaning networks and structure.

Secondly, this paper assesses the development not of an industry or product but a new consumption category. Previous studies focus on industries such as gambling and the oil industry, product categories such as wagons, and products such as Botox, but new consumption categories such as *joshi* go beyond the boundaries of product, product category, and industry.

Thirdly, this paper is one of the first attempts to use Japanese language text mining technology in consumer research. The role of language in Japanese consumer society has not been examined in depth, with some exceptions. Although qualitative analysis helps us to obtain deep insight, Japanese language text mining technology can offer rich understanding of macro meaning structure that supplements meso or micro qualitative interpretation.

*References are available on request.*

# A Habitus Divided? Exploring the Impact of Social Mobility on Habitus and Consumption

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**Keywords:** social class, social mobility, habitus, divided habitus, strategic habitus

## EXTENDED ABSTRACT

### Research Question

Bourdieu's theory of distinction is commonly applied to social mobility. Briefly, this theory works to explain how individuals draw boundaries between different social groups and compete to arrange them hierarchically. The currencies in this competition are social, economic, and cultural capital. Cultural capital can be objectified in consumption items, displayed through consumption behaviors and practices known as taste, or embodied in the habitus. According to this theory, either upward or downward social mobility result in a *divided habitus* where individuals are forever caught between two competing habituses. For example, Bourdieu describes how upwardly-mobile students "continually desire reintegration into their community of origin but at the same time are also unable to fully assimilate into the elite" (Bourdieu 1998, 107).

However, others have suggested that social mobility is but one of many contradictions experienced, and that mobile individuals can pick and choose their habitus at will (Emmison 2003; Lahire 2011), a position termed a *strategic habitus*. Both positions have received empirical support, raising two questions. First, does the experience of social mobility conform more closely to the idea of the divided habitus or strategic habitus? Second, what factors influence the outcome?

### Method and Data

A total of 26 life history interviews were conducted. Respondents were first screened for subjective social mobility and semi-structured questions were included measure mobility objectively. The grounded theory method was used to guide the analysis and interpretation of the interviews (Fischer and

Otnes 2008; Glaser and Strauss 1967; Goulding 2005; Spiggle 1994). Attention was given to different types of habitus as well as other closely related concepts.

### Summary of Findings

Results suggest that the direction of mobility plays a crucial role in determining the outcome. For the downwardly mobile, habitus appears resistant to change. This is because there is little incentive for downwardly mobile individuals to adjust to a less valued habitus. In contrast, the upwardly mobile exhibit more change to their habitus. Their new habitus no longer matches their original habitus but neither does it entirely conform to their new class, resulting in a habitus that appears blended.

The downwardly mobile also managed their dislocation using two different strategies. First, individuals limited contacts with their original social class to avoid embarrassment and difficult comparisons. Second, respondents economized in order to consume in a way consistent with their former lifestyle (similar to observations made by Saatcioglu and Ozanne 2013). Nearly all downwardly mobile respondents identified such items, and many mentioned that such little "splurges" were a way to help "feel normal" and "feel like a person." Even though the respondents had to save to be able to afford such items, purchase and consumption was a way to reconnect with their former class and illustrate their unchanged habitus.

### Key Contributions

Overall, this work provides a look into the experience of social mobility. Investigating the effects of social mobility is particularly important given the frequent, dynamic nature of

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mobility in the United States. The frequency of mobility also makes it essential to understand how mobility affects habitus and consumer behavior generally.

Upward and downward mobility have different effects on taste because they are very different experiences. Downward mobility is embarrassing and provides no incentive for those

who experience it to change their habitus. For the upwardly mobile the move up is celebrated, providing an incentive to change. Furthermore, changes in the habitus do not always align with either the divided or the strategic habitus, suggesting the need for additional theorizing.

*References are available on request.*

# Cultural Capital, Lifestyle and Taste Distinctions: An Ethnographic Investigation of Women in Urban India

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**Keywords:** *cultural capital, empowerment, taste distinctions*

## EXTENDED ABSTRACT

### Research Question

There has been an upsurge of research interest with respect to the spread of markets and consumer culture in India and other Asian cultures (Vikas, Varman and Belk 2015; Askegaard and Eckhardt 2012; Cayla and Elson 2012; Eckhardt and Mahi 2012; Mazarella 2003; Varman and Belk 2008, 2009). India offers a particularly interesting context given the vast diversity of population in terms of cultural, social and historical backgrounds, as well as India's rapidly transforming economy. Marketization with its inevitable changes in social and economic conditions have brought about redefinition of status hierarchies and reshaping of symbolic power (Vikas et al 2015), but the role of cultural capital and taste distinctions in structuring consumption has not yet been studied in the heterogeneous and dynamic Indian context. With a similar goal to Holt (1998) and Üstüner and Holt (2010), we extend Bourdieu's (1984) original analysis of taste and cultural capital by updating the framework to reflect important parameters in the modern Indian context. We specifically look at cultural capital-driven consumer empowerment and how it impacts lifestyle and consumption.

### Method and Data

We conducted 28 in-home depth interviews with informants from both upper and lower socioeconomic classes in three Indian cities—Hyderabad, Chandigarh and Delhi—to ascertain their cultural and symbolic capital resources (empowerment) and observed consumption in multiple contexts. Our interviews were restricted to women, following prior research suggesting that women form stronger interpersonal relation-

ships, and may thus be more attentive to class-based consumption norms (Sherrod 1989; Fournier 1998). Secondly, variations in symbolic capital across social classes were more likely among women, as in patriarchal societies, such as India, women occupy a lower position of power and status (symbolic capital), as compared to men (Sobh and Belk, 2011) and this is likely to be accentuated among lower social classes (Bhattacharyya and Belk, forthcoming). We used a mix of probing, projective techniques, and observation.

### Summary of Findings

Much like Üstüner and Holt's (1997, 1998) findings in Turkey, and Vikas et al (2015) in India, we too find the existence of a consumption field in which classes compete to mobilize their economic, cultural and symbolic capital resources via consumption. An important consideration is symbolic capital, integrally linked to cultural capital, manifesting as gender disempowerment in the patriarchal Indian society, and impacting tastes. Our lower cultural capital (LCC) informants, in contrast to the high cultural capital informants (HCCs), were deprived of a basic degree of power with respect to decisions pertaining to their life, with their spouses controlling their choices regarding consumption and leisure. Importantly, this lack of empowerment was rooted in the habitus, evident well before most of these women were married, with their parents (mainly fathers) making key life decisions for them. All of them expressed regret at not having been able to continue their education because of the early responsibilities of marriage and motherhood. This disempowerment manifested in lifestyle choices such as higher religiosity, "superstitious beliefs," and a fas-

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cination with consumption objects that were uniquely different from those of HCCs.

## **Key Contributions**

In analyzing status consumption strategies among upper middle-class women in Turkey, Üstüner and Holt (2010) revised three key constructs in Bourdieuan (1984) status consumption theory—cultural capital, habitus and social field—and took the first step toward building a theory of status consumption specific to less industrialized countries (LICs), on which we build.

We find several differences in our context, and propose adaptations to assessing cultural capital in India. For exam-

ple, contrary to Üstüner and Holt (2010), we find that cultural capital in the Indian context is primarily rooted in the habitus, and is accrued to a limited extent among those who have moved away from their habitus. We also find no evidence of Simmel's global trickle-down theory playing out among LCC consumers, who while being cognizant of HCC practices, do not seek to emulate them. Importantly, we are able to reach a greater understanding of gender disempowerment in the Indian context, and note how this is a crucial component of cultural capital.

*References are available on request.*

# A Holistic Understanding of Valuing Process

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**Keywords:** *valuing, sense-making, process, value realization*

## EXTENDED ABSTRACT

### Research Questions

Value may emerge on its own or can be instrumentally created by customers through resource integration by applying previously held knowledge and skills related to a particular situation / context. This generates the interest to understand how customer drives value creation and how value gets created in the consumption processes. This paper meets this need to present a holistic understanding of the individual's valuing process. We attempt to understand holistic valuing process within the support-seeking phenomenon among young persons with disabilities. The aim is to understand how young persons with disabilities make sense of their environment and create value. We offer empirical support to understand the conscious practices that manifest in sense-making process in which value is perceived, assessed and created. Four broad research questions guided the exploration of how young persons with disabilities experience the support-seeking phenomenon. These questions are: How do participant recognize the need for support-seeking? What activities do participants engage in when they are seeking support? How the participants handle the situation? What was the outcome of the situation?

### Method and Data

By integrating literature from psychology, education, and systems thinking, we explored the conceptualization of valuing using a phenomenographic approach based investigation to understand how participants create value for themselves through support-seeking behavior. The work of three theorists deserves special attention: Carl Rogers' view (from the field of psychology) on an organism's valuing process; Vickers' appreciative system (from systems thinking field); and John Dewey's work (from in education) on experience as a

basis for knowing. This paper integrates perspectives of Rogers (1964), Vickers (1968) and Dewey (1938) to understand how value gets created in customer processes. Rogers, Vickers and Dewey have similar views that an individual has the tendency to strive, based on his or her own reality as experienced and perceived by him/her. To achieve the aim of this paper, we conducted a phenomenographic study with a view to understand how young persons with disabilities were experiencing and realising value in the context of support-seeking. We considered phenomenography approach to be appropriate for this study as it rests firmly on non-dualist ontology and from the epistemological standpoint, it is appropriate for understanding people's perspective of experiencing and understanding a phenomenon. This method has the potential to understand the variations in ways participants' have experienced their reality.

### Summary of Findings

The paper finds four key aspects about valuing as a process: knowing, understanding, judging, and acting. In the first aspect, knowing can be understood as an unfolding process of initially becoming aware to being fully aware of what they were experiencing. In the second aspect, understanding was observed as a process of comprehending meanings that are temporarily conceptualized and held in order to develop deeper meanings of what the participants were experiencing. In the third aspect, judging was a process in which participant's judgment played a crucial role to bring a situation to resolution. In the fourth aspect, the participant initiated the acts towards their will, regulated their actions and learned from the consequences in the hope of achieving their desired outcomes. The aspects of knowing, understanding, and judging can be logically viewed as activities involved in the

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process of observing and reasoning about a situation so as to improve one's decision to act. At each cycle the participant has the freedom to choose, appreciate and act upon their thoughts and forms an understanding that helps to comprehend the next cycle.

### **Key Contributions**

This study argues that value is not a perceptual state at an endpoint of time, but a process that is punctuated by episodes in which value is perceived, assessed and created by individuals towards their desired outcomes. The aspects of knowing, understanding, and judging can be viewed as activities involved in the process of attempting to solve what the participant sensed, felt and realized as a problem. All fours aspects of valuing can be viewed as one cycle of

understanding, in which the participant has the freedom to choose, appreciate and act upon their thoughts and forms an understanding that helps him / her to comprehend the next cycle. Thus, valuing is not a linear process but a continuous process of appreciating and valuing conducted during the interim phases of the cycle. In particular, the findings contribute to knowledge relating to the four aspects of valuing process that provides companies a better understanding of their customers' support-seeking behavior to realize value. This knowledge could enable managers to achieve a higher degree of compatibility in engaging with their customers from separate appreciations (I and You) to a shared appreciation of togetherness (We).

*References are available on request.*

# Part D

## Consumer Psychology and Behavior

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# Parents as Food Providers to Children: Understanding Parental Behavior Using the Integrated Behavioral Theory

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**Keywords:** parent, food provider, healthy food, children, theory of planned behavior

## EXTENDED ABSTRACT

### Research Question

This research investigates the cognitive and motivational decision predictors that influence parental behavior in providing healthy food, and limiting unhealthy food, for their children. Two research questions are raised in this study. Which are the factors from the integrated behavioral theory that influence parental behavior in the provision of healthy food and restriction of unhealthy food for their children? How the cognitive and motivational decision processes influence parental behavior in the provision of healthy food and restriction of unhealthy food for their children? The objective is to examine the effects of parent's attitudes toward success, failure and process in the provision of healthy food for children, subjective norms, resistance to temptation of providing unhealthy food to children and frequency of past healthy food provision behavior on parent's intention to provide healthy food to their children, that leads to their trying effort which in turn influences their behavior of providing healthy food and limiting unhealthy food for their children. This study also attempt to examine the direct effects of resistance to temptation of providing unhealthy food to children, frequency and recency of past healthy food provision behavior on parent's behavior of providing healthy food and limiting unhealthy food for their children.

### Method and Data

A survey was conducted among the parents across five public primary schools in the top three urban areas within

Malaysia include Kuala Lumpur, Putrajaya and Selangor. The participant information sheet and survey questionnaire were prepared in three languages: English, Bahasa Malaysia and Chinese. The teachers assisted in circulating all the survey materials to the parents through their students. The parents completed the questionnaire at home and returned the form to the teachers via their children. The completed questionnaires were collected from the school's teachers. The authors then analyzed the 1,158 responses using partial least square structural equation modeling. There were 73.7% female and 26.3% male respondents in this study. The respondent's ethnic composition represented Malaysian population with the sample comprised of 77.1% Malay, 18.8% Chinese, 2.5% Indian and 1.6% other ethnic group. A two-step analytical procedure involving assessment of measurement model and structural model was applied. The results showed that the reliability, convergent validity and discriminant validity were established. From the structural model evaluation, collinearity is not a problem. 15 hypotheses are strongly supported while one hypothesis is marginally supported. 10 relationships exhibited substantive impact whereby 1 relationship with medium effect size and 9 relationships with small effect sizes.

### Summary of Findings

The findings indicate that parent's attitudes toward success and parent's attitudes toward process of providing healthy food to their children, subjective norms, resistance to

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temptation of providing unhealthy food to children and frequency of past healthy food provision behavior had a significant and positive influence on the parent's intentions to provide healthy food to their children. Frequency of past healthy food provision behavior had the strongest impact followed by the parent's attitudes toward process of providing healthy food to their children and then subjective norms. This may be the first study indicating that the frequency of past healthy food provision behavior had a significant and positive influence in trying effort. Parent's behavior of providing healthy food and limiting unhealthy food for children are the direct functions of trying effort, resistance to temptation of providing unhealthy food to children, frequency and recency of past healthy food-provision behavior. Recency of past healthy food-provision behavior had the most influence on the parent's behavior to provide the healthy food for children, whilst resistance to temptation of providing unhealthy food to children had the greatest impact on the parent's behavior to limit the unhealthy food for children.

### **Key Contributions**

This study provides numerous contributions from the theoretical and practical aspects. In terms of theoretical implication, this may be the first study that contributes toward knowledge building and provides new empirical findings with an integrated behavioral theory in the context of examining parental behavior as healthy food provider. From a practical perspective, the findings of this study are beneficial to the community, public policy makers and commercial players. For the community, practical solution such as healthy eating plate can be advocated to support parent's behavioral change and promote healthy food provision. For the public policy makers, implementation of policies to drive healthy eating behavior is needed. For the commercial players and producers of healthy food, various stimuli including outline the benefits for the consumption of healthy food and provide detailed guidance on the preparation of healthy food can aid motivational decision processes in the pursuit of healthy food goals.

*References are available on request.*

# Examining the Relationship Between Power State, Self-Concept and Agreeableness: An Experimental Investigation

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**Keywords:** *social power, self- and other- focused actions, pro-social behaviors, approach tendency, agreeableness*

## EXTENDED ABSTRACT

Past research has demonstrated that consumers who feel powerful have a tendency to engage in actions that benefit the self. This tendency is problematic for organizations that depend on individuals adopting other-focused actions, whether they be gift exchanges, charitable donations, or helping behaviors more generally. In this study, we investigate a novel mechanism for reversing the typical self-interested focus of the powerful. Specifically, we examine whether reflecting on past other-focused actions activates notions of agreeableness within one's self-concept, thereby encouraging the powerful to engage in other-focused, as opposed to self-focused, actions.

## Method and Data

Two experiments were conducted to investigate how individuals' power states and their reflection on past actions that benefited either the self or others interacted to influence future other-focused actions. In Study 1, 238 participants recruited via Mturk completed a power priming task followed by a task that required them to reflect on either past other-focused or self-focused actions. As part of an ostensibly separate study, participants then completed a measure to assess whether they would engage in a future other-focused or self-focused action. Study 2 replicated and extended

Study 1 by examining the mediating role of agreeableness among 386 participants also recruited from Mturk.

## Summary of Findings

The findings demonstrate how encouraging consumers to reflect on past other-focused actions can activate agreeableness. The findings also demonstrate that after agreeableness has been activated, consumers who have been primed to feel powerful will be more likely to pursue other-focused, as opposed to self-focused, actions. Together, these findings provide a framework that could be used to motivate powerful consumers to engage in other-focused actions, reversing the general tendency for such consumers to pursue self-focused actions.

## Key Contributions

The underlying process that influences the powerful in particular to partake in other-focused actions has not previously been examined. These study results are, therefore, important as they demonstrate the mechanism by which the powerful can be motivated to engage in various other-focused actions (i.e., agreeableness). The findings also highlight a potential means for activating agreeableness, i.e., by motivating individuals to reflect on past other-focused actions. Following

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dynamic self-concept theory, this process of self-reflection activates notions of agreeableness within an individual's self-concept, steering the powerful towards actions that benefit others. This study, therefore, contributes to the broader literature on power by providing suggestions for how other-focused actions can be encouraged among the

powerful. Marketing managers wishing to promote other-focused actions, such as charity donations or gift purchases, are recommended to activate other-focused cognitions to motivate other-focused actions by the powerful.

*References are available on request.*

# Seeking Relief from Negative Emotions: Customer Revenge as a Self-Control Conflict

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**Keywords:** *customer revenge, emotion regulation, self-control conflict, goal progress, goal commitment.*

**Description:** *This research examines customer revenge as a conflict between emotion regulation and self-control goals.*

## EXTENDED ABSTRACT

### Research Question

Customer revenge encompasses a number of harmful actions available to customers to punish the firm which may be direct (i.e. aggression and vindictive complaining) or indirect (i.e. negative word-of-mouth and third-party complaining). Past research has suggested that customer revenge can be undertaken in the service of emotion regulation goals. Catharsis theory holds that individuals achieve emotional cleansing when they externalize their emotions by engaging in revengeful behaviors. Individuals may have internalized beliefs about the cathartic properties of revenge and engage in the various customer revengeful behaviors because they expect to ameliorate their negative emotions (Hypothesis 1).

Rather than a single goal, individuals usually simultaneously hold multiple conflicting goals. Customer revenge poses a self-control dilemma between emotion regulation goals (the desire to immediately seek emotional relief) and self-control goals (the desire to restrain aggressive impulses). Consequently, accessibility of these two goals will differentially impact consumer revenge (Hypothesis 2).

However, goal attainment usually requires several actions over time. In sequential behaviors, individuals' inferences about an initial goal-related action influence subsequent pursuit of or disengagement from goal-congruent behaviors. Therefore, whether an initial customer action towards the emotion regulation goal is interpreted as goal commitment or goal-progress will influence subsequent revengeful behaviors (Hypothesis 3).

### Method and Data

Three scenario-based experimental designs were employed. Study 1 tested H1. Ninety-nine participants participated in a 2 (mood change beliefs: present vs. control) one factor design. After reading the service failure scenario, participants in the mood-change beliefs condition were led to believe that at the end of the experiment they will feel good by engaging in a happy memory recall study while the control group received no such instructions.

Study 2 tested H2. Ninety participants were recruited to a 3 (goal priming: control vs. emotion regulation vs. self-control) one factor design. Participants in the treatment conditions initially received the goal priming task where the emotion regulation or self-control goal were primed. All participants then read the service failure scenario.

Study 3 tested H3. Ninety-one university students participated in a 3 (goal focus: control vs. goal commitment vs. goal progress) one factor design. After reading the scenario, participants were asked to write about their thoughts and feelings about the service failure incident. Participants in the goal commitment condition were asked about their commitment towards the emotion regulation goal while in the goal progress they were asked about their progress towards the emotion regulation goal.

### Summary of Findings

Findings from study 1 indicate that individuals in the happy memory recall condition engaged in less vindictive com-

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plaining ( $F(1,97) = 7.26, p < .05$ ), less NWOM ( $F(1,97) = 2.82, p < .10$ ), less third-party complaining ( $F(1,97) = 6.72, p < .05$ ), but no less aggression ( $F(1,97) = .71, p > .10$ ) than the control group.

Study 2 demonstrated that participants in the self-control goal condition engaged in less aggression ( $M = 3.28$ ) than participants in the emotion regulation goal ( $M = 4.26; p < .05$ ) and the control groups ( $M = 4.09; p < .07$ ) as well as less vindictive complaining ( $M = 4.31$ ) compared to the emotion regulation goal ( $M = 5.67; p < .05$ ) and the control groups ( $M = 5.77; p < .05$ ). However, there were no significant differences between the groups for NWOM and third-party complaining.

Finally, results from study 3 suggest that participants in the goal commitment condition engaged in more aggression ( $= 4.11$ ) than in the goal progress ( $= 2.72; p < .05$ ) and control groups ( $= 3.19; p < .05$ ). This effect approached significance for vindictive complaining ( $= 5.45$  vs.  $= 4.24$  vs.  $= 4.53; F(2,88) = 2.54, p < .09$ ) and third-party complaining ( $= 7.41$  vs.  $= 6.13$  vs.  $= 6.45; F(2,88) = 2.57, p < .09$ ). However, there was no significant difference for NWOM.

## Key Contributions

This research has important theoretical and practical implications. To our knowledge, this is the first study to address

the emotion regulatory properties of customer revenge and to demonstrate that all the revengeful acts, except for aggression, serve emotion regulation goals where individuals seek to ameliorate their negative emotions. Moreover, this research is the first to examine customer revenge as a conflict between emotion regulation and self-control goals. Findings from the second study indicate that when individuals have an accessible self-control goal they engage in less direct revenge but no less indirect revenge than individuals in the emotion regulation goal. Finally, it investigates how an initial goal-related action results in subsequent pursuit of or disengagement from revengeful behaviors and indicates that when an initial action towards the goal of emotion regulation is interpreted as goal commitment individuals subsequently engaged in more revengeful behaviors than when the same action was interpreted as goal progress. This finding held true for aggression, vindictive complaining and third-party complaining but not for NWOM behavior.

Findings from this research suggest that firms can prevent customer revengeful behaviors by setting in place venting outlets where customers are given the opportunity to voice and express their negative emotions.

*References are available on request.*

# \$5 of \$125 Is Still \$5: The Link Between Dispositional Greed and Thinking Styles

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Mario Pandelaere, Virginia Tech

**Keywords:** dispositional greed, absolute thinking, relative thinking, diminishing sensitivity

**Description:** In 5 studies we show that a greedy disposition leads to more absolute and less relative thinking, due to a difference in diminishing sensitivity.

## EXTENDED ABSTRACT

### Research Question

Classic economic theories state that economic choices are based on rational thinking and an absolute thinking style (Stigler, 1987). However, research in psychology showed that information processing responds to changes in stimuli in a relative style (Fetherstonhaugh et al., 1997). Limited attention has been given to information showing that neither relative nor absolute thinking is generalizable across the population. Several basic experiments (e.g. Tversky and Kahneman, 1981) indicating relative thinking actually found that 30%-60% of the population show an absolute thinking style. As studies have shown that thinking style affects a variety of consumer decisions, individual differences in numerical information processing is hugely important for academics and management practitioners. We examine dispositional greed, a personality trait that entails an insatiable, self-centered desire for more resources (Krekels and Pandelaere, 2015), to investigate stable individual differences in thinking style. We believe that their insatiability might drive greedy people to focus on absolute changes.

### Method and Data

In 3 studies we show experimentally that greedy people are more likely to use an absolute thinking style and less likely to use a relative thinking style. Replicating the classic paradigm by Tversky and Kahneman (1981) showed that the greedier people are, the less they changed their answer between the cheap and the expensive product with identical absolute discount, indicating absolute thinking. In a second study, using the unit effect (Pandelaere, Briers and Lembregts, 2011), we show that the greedier people are, the more

they suffer from scale differences, indicating less relative thinking. In a third study based on Azar (2011) we incorporate both effects and find that non-greedy people think relatively, as their relative WTP is independent of the original price. Greedy people on the other hand think absolutely, as their absolute WTP is independent of the original price. In two more studies we show that this is due to a difference in diminishing sensitivity, in the case of both subjective value when indicating happiness with free items and objective value when indicating WTP for increased quantities.

### Summary of Findings

Five experiments indicate that dispositional greed indeed affects one's thinking style. More specifically, the greedier people are, the more they think in an absolute thinking style. Furthermore, we have shown that this difference in thinking style is caused by a difference in diminishing sensitivity. However, contrary to what is often stated in literature, this does not mean that they think more rational: in certain situations this absolute thinking might actually lead to suboptimal decisions.

### Key Contributions

Despite the economic view of consumers as rational agents that think in absolute ways to maximize outcomes, much psychological research has shown that, on average, consumers take relative differences into account (think relatively), even when they should not. Although many people exhibit this tendency to emphasize relative gains (non-losses), there is significant heterogeneity in behavior that has been largely overlooked. To fill this research gap, we investigate people's level

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of greed and determine that greedier people are less likely to engage in relative thinking than less greedy people. The tendency to focus on absolute gains does not render greedier people more rational in their decision making than less greedy people; rather, it reflects their tendency to make sub-optimal decisions in different contexts, such as when they encounter specifications in alternative units. Finally, we show

that greedier people exhibit less diminishing marginal utility. This research provides a more nuanced idea of the prevalence of relative thinking while also contributing to our understanding of individual differences with regard to greed and the notion of diminishing marginal utility.

*References are available on request.*

# Breaking the Regret Curse: How Default Options Improve Maximizer Consumers' Choice Experience

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**Keywords:** maximizer, mindset, regret, choice, default, architecture, nudge

**Description:** *this research investigated whether choice architecture can alleviate feelings of choice regret for consumers in a maximization mindset*

## EXTENDED ABSTRACT

Companies are advised to achieve excellence in customer service, gourmet consumers are exhorted to find the best restaurant in town, fathers wear their “best dad in the world” tee-shirt as a badge of honour, and amateur athletes are told to outdo each other when Nike appeals to their competitiveness through its: “My better is better than your better” ad campaign. It seems as if the world around consumers conspires to make what is best the only legitimate pursuit (Ma and Roes 2014). This mantra is not limited to the most important choices in life as aiming for the best has been elevated to an attitude that should apply to everything regardless how minute. Shooting for the stars could yield better outcomes than more modest aspirations but it could also take a heavy psychological toll. Indeed, research has recently shown that when primed with a maximizing mindset, consumers experience regret with their choice as they strive to get the best and compare themselves with others (Ma and Roes 2014).

## Research Question

We propose that a default option can alleviate the level regret experienced when one is choosing while being in a maximization mindset because it counters the tendency to engage in counterfactual thinking (Zeelenberg and Peter 2007). As the number of possible “what-if” scenarios envisioned grows so is the number of alternatives that are potentially better than any option a maximizer would select. This should lead maximizers to believe they are less likely to choose the very best, which will trigger more regret

(Schwartz et al. 2002). However, a default option in the choice set can limit the number of alternatives that maximizers consider likely to be superior to any choice they could make. Consumers often infer that default options are implicitly endorsed by the choice architect (e.g., Ma and Roes 2014); hence, a default should decrease how many options are potentially better than the chosen one. If maximizers infer that the default is better than at least one of the other options, the number of counterfactual scenarios in which a better choice could have been made will be smaller than when there is no defaulted option.

## Method and Data

In study 1, 213 MTurk workers were randomly assigned to a 2 (mindset: maximizer and control)  $\times$  3 (default structure: no default, best choice is the default, 2nd best choice is the default) between-subject design. In the no default condition no option was preselected. The maximizer mindset was manipulated following Mao’s (2015) procedure. In the no default condition, maximizers experienced more regret than non-maximizers. However, maximizers and non-maximizers reported the same level of regret in both the best choice default and 2nd best choice default conditions.

In study 2, 321 M Turk workers were randomly assigned to a 2 (preliminary choice task default: yes, no)  $\times$  3 (mindset: satisficer, control, maximizer)  $\times$  2 (preference uncertainty of focal choice: moderate, high) mixed design. A default option

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was provided for the focal task in all conditions. The preliminary tasks were adapted from Brown and Krishna (2004). For the moderate and high choice uncertainty task, maximizers experienced less regret in the preliminary default than in the no preliminary default condition. On the other hand, satisficers and control group participants had a similar level of regret regardless of the preliminary task condition for both tasks.

## **Conclusion**

The feeling of regret that afflicts maximizers has been shown to lead to an array of detrimental psychological consequences (e.g., De Bruin et al. 2015; Iyengar et al. 2006;

Schwartz et al. 2002; Spunt et al. 2009). We identify a potential way around this issue. When maximizers chose among a set of options that included a default their regret was no longer stronger than that of non-maximizers. Furthermore, when they were exposed to default options in preliminary choice tasks, the default in the focal choice task became even more effective against regret. Hence, choice architects could spare maximizers the ordeal of regret by including a default option in focal choice task but also by providing defaults in preliminary choice tasks (even unrelated to the focal one as in our study).

*References are available on request.*

# Deck the Halls with Boughs of Holly to Soften Evaluations of Service Failure

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***Riza Casidy, Deakin University***

**Keywords:** priming, religion, service failure, forgiveness, evaluations

**Description:** *The effects of religion on consumers' evaluations of service failure*

## EXTENDED ABSTRACT

### Research Question

The potential for decorative or seemingly incidental features of the service environment to subtly influence how consumers evaluate service encounters has long been recognized. For example, elements as disparate as odors (Hirsch, 1995; Madzharov et al., 2015), in-store displays (Inman et al., 2009), shelf-facings (Chandon et al., 2009), and store ambience (Bitner 1990; Sharma and Stafford 2000) have all been found to influence how consumers evaluate service workers and the broader service experience. Despite this large body of research, however, the potential for religious symbols to influence service evaluations has not previously been examined or theorized.

Over three experiments, we argue and find evidence for the notion that exposure to Christmas symbols, a specific form of religious symbol associated with one of the most widely celebrated religious festivals in the world (Bowler, 2017), activate religious beliefs around forgiveness, increasing consumers' tolerance for service failures directed towards the self. Christmas symbols present a double-edged sword, however. When a service failure incident is observed (rather than directed at the self) and the recipient of that failure is perceived to be weak or vulnerable, the presence of Christmas symbols actually increases the harshness with which an observer evaluates that incident.

### Method and Data

Three experiments were conducted to test the study hypotheses. In Study 1, we tested our general contention that exposure to Christmas symbols will reduce the severity with

which people evaluate service failure encounters (H1). Study 2 assessed the mediating role of forgiveness among those who had been exposed to Christmas symbols (H2), while Study 3 demonstrated how the direction of this effect is reversed when service failure is observed (rather than experienced directly) and when the recipient of that observed service failure is perceived to be a vulnerable member of the community (H3).

Respondents were recruited from the Amazon Mechanical Turk (Mturk) workforce in exchange for small incentives. In each study, participants read a service failure scenario adapted from previous research (see Wong, Newton, and Newton 2016). Embedded within the scenario in each study were images of the hotel in which the scenario was ostensibly set, and these images were manipulated to feature either Christmas decorations (religious prime condition) or no Christmas decorations (neutral religious prime condition).

### Summary of Findings

In study 1, we found that those who had been exposed to the religious prime reported higher satisfaction levels ( $M = 2.66$ ,  $SD = .73$ ) with the service failure scenario than those exposed to the neutral religious prime ( $M = 1.68$ ,  $SD = .58$ ;  $F(1,70) = 40.99$ ,  $p < .001$ ; see Figure 1), supporting H1.

In Study 2, we found that forgiveness mediates the influence of the religious prime on service satisfaction, supporting H2. The index of moderated mediation was significant (index = .34, 95% CI [.16, .54]), indicating that the indirect effect of

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forgiveness on the relationship between religion prime and service satisfaction was conditional on Christian upbringing.

In Study 3, we found that when the vulnerability of the service failure recipient was high, service satisfaction was significantly lower in the religious prime condition ( $M = 1.94$ ,  $SD = .65$ ) than in the neutral religious prime condition ( $M = 2.22$ ,  $SD = .58$ ;  $t(136) = -2.66$ ,  $p < .01$ ). However, when the vulnerability of the service failure recipient was low, service satisfaction did not differ between the religious prime and neutral religious prime conditions, supporting H3.

## **Key Contributions**

Contextual exposure to visual-based religious symbols activated notions of forgiveness, buffering the drop in service satisfaction that usually accompanies service failure. This effect was only observed among those with a Christian upbringing, however, supporting the notion that cognitive structures linking religious symbols to religiously-infused values must be present for the influence of religious priming to emerge. These findings transform our understanding of

how religion influences service evaluations; rather than simply exerting a static, dispositional influence, our findings suggest that religiously-infused values can also be deliberately activated through the strategic use and placement of religious symbols.

Research has tended to examine only the ameliorative effects of religiosity on service failure evaluations. This unidimensional perspective ignores the complexity of religious belief systems and, by extension, the possibility that the same religious belief system can give rise to diametrically opposed influences on service evaluations. Our study demonstrates how subtle changes in a service failure encounter can motivate those with the same religious background to evaluate that encounter in completely different ways: a service failure encounter directed towards vulnerable others (the self) can activate the religiously-infused value of interactional justice (forgiveness), hardening (softening) evaluations of that encounter.

*References are available on request.*

# Consumer Preferences for Utilitarian and Hedonic Attributes in Stockout

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**Keywords:** *stockout, utilitarian, hedonic, consumer preferences*

**Description:** *This study examines which product attribute consumers prefer in the stockout context, utilitarian or hedonic.*

## EXTENDED ABSTRACT

### Research Question

This research is trying to address the following three questions: (1) in stockout, which attribute consumers prefer to choose, shared hedonic or share utilitarian? (2) What mechanism underlies the decision-making process? (3) What factors influence the mechanism?

### Method and Data

We tested our hypotheses by employing an experimental design in which participants were asked to initially indicate their preferred choice and then to make another choice when their preferred choice was stockout. Data were collected from Amazon Mechanical Turk.

### Summary of Findings

In the context of a preferred option being out of stock, consumers tend to choose the alternative with the shared-utilitarian attribute.

### Key Contributions

This research contributes to the literature about stockout by studying the consumers' preference over attribute types (hedonic and utilitarian), which has been ignored in the existing literature. Practically, the findings of this research could help retailers in their layout arrangement to minimize the negative impact of stockout.

*References are available on request.*

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# Better Understanding of Customer–Firm Relationships Through Gratitude

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*Larry Neale, Queensland University of Technology*

**Keywords:** relationship marketing, gratitude, satisfaction, trust, commitment, benevolence

**Description:** This research highlights the important role of customer gratitude in relationship marketing.

## EXTENDED ABSTRACT

### Research Question

As customer overall satisfaction, trust and affective commitment are important in relationship marketing and warrant long-term relationship between a firm and their customers, large numbers of firms continue to make economic investments to enhance the quality of that relationship (Kim et al., 2006). Yet, simply measuring customer perceptions of these investments does not adequately predict the relationship quality between the firm and their customers, as these perceptions are merely formed on economic grounds. A focus on the purely economic nature of firm relationship marketing investments may overlook the scope of affects and does not offer fully a psychological explanation of desired relationship outcomes between a firm and its customers. This paper responds to calls to explore other possible psychological mechanisms, such as gratitude, that better predict the value of relationship quality while setting the scene for further inquiry. Accordingly, we investigate: does customer gratitude strengthen the seller-buyer relationship? Bringing the hypotheses together we have developed a new customer gratitude model (CGM) describing the impact of relationship marketing investments on customer satisfaction, trust and affective commitment. The model also examines the moderating role of customer-perceived benevolence on the relationship between customer perceived relationship marketing investments and customer gratitude.

### Method and Data

In order to obtain adequate data to test the customer gratitude model, a paper-based survey was administered to 1,600 students attending three universities (private, semi-public and public) in Pakistan. A response rate of 69% was achieved, resulting in 1,093 usable surveys. All constructs were measured using previously validated scales. AMOS 23 was used to conduct Confirmatory Factor Analysis, Path Analysis and Mediation and Moderation Analysis.

### Summary of Findings

Results indicate the significant impact of perceived relationship marketing investments on customer gratitude ( $\beta = .658, p < .01$ ), and then customer gratitude on customer trust ( $\beta = .504, p < .01$ ), customer overall satisfaction ( $\beta = .316, p < .01$ ) and customer affective commitment ( $\beta = .423, p < .01$ ). Variances explained ranged from 66.6% to 96.8%, for customer gratitude and customer overall satisfaction respectively. The inclusion of the two-way interaction term (perceived relationship marketing investments  $\times$  customer-perceived benevolence; CENTRMI  $\times$  CENTCPB) explains a small but significant additional amount of variance in the dependent variable ( $\Delta R^2 = -.092, z (-2.604), p < .001$ ), confirming the significant role that customer perceived benevolence plays in strengthening the relationship between perceived relationship marketing investments and customer gratitude. In short, results suggests that gratitude plays an

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important role in explaining the relationship between customer-perceived relationship marketing investments and relationship outcomes such as satisfaction, trust and affective commitment.

## **Key Contributions**

The CGM offers a better understanding of how customer's perceptions of relationship marketing investments are important in achieving a high degree of relationship quality between the firm and its customers. The mediating role of gratitude between perceived relationship marketing investments and relationship quality is important because it has an impact on trust, overall satisfaction, and affective commitment, which are considered as well-established drivers of relationship marketing research. Secondly, our CGM shows how and when a firm's relationship marketing investments

improve the customer's perceptions of relationship quality. This is important for the better predictive ability of relationship marketing investments for outcome relationships. Thirdly, our model specifies factors that leverage relationship marketing investment effectiveness for improving customer's perceptions of relationship quality. Finally, our paper presents a context-free CGM that is applicable to all B2C service firms and B2B service industries. We also provide a model for improving organizational strategies through the development of more effective relationship marketing campaigns such as loyalty programs. Marketing managers should also endeavor to design relationship marketing benefits that allow customers to reciprocate the benefits while they (i.e. customers) experience a higher level of gratitude.

*References are available on request.*

# How Does Customer Satisfaction Pay Off? Investigating Key Mediating Mechanisms Underlying the Link Between Customer Satisfaction and Customer Engagement Behaviors in an Extended Service Encounter

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**Keywords:** *customer satisfaction, customer engagement behavior, gratitude, love, extended service encounter*

**Description:** *This study assesses key cognitive and affective mediating mechanisms underlying the link between customer satisfaction and customer engagement behaviors in an extended service encounter.*

## EXTENDED ABSTRACT

### Research Question

Practitioners increasingly recognize that customers contribute to firm value not only through purchasing goods or services, but also through customer engagement behaviors (CEBs), i.e. customer's behavioral manifestations toward a firm, that go beyond purchase and can benefit the firm directly or indirectly (Van Doorn et al. 2010). Yet, the plethora of research is leaving the questions of how CEBs are developed largely unanswered (Kumar and Reinartz, 2016). The attitudinal key predictor of CEBs is Customer Satisfaction (VanDoorn, 2010). However, there have been equivocal findings on the relationship between Customer Satisfaction (CS) and CEBs; some studies purporting a direct link (e.g., Lee et al., 2014), while others finding no direct relationship between the two (e.g. Brodie et al., 2011). One explanation for these conflicting findings is that key mediators have been ignored (Braun et al. 2016). Based on the Theory of Reasoned Action (Fishbein and Ajzen, 1975) and Frederickson's (2004) Broaden and Build Theory, this study aims to investigate key underlying cognitive (i.e., Consumer Competency) and affective (i.e., Gratitude and

Love) mediating mechanisms between CS and CEBs that are of direct (i.e., Word-of-Mouth, Participation and Monetary Giving) or indirect (i.e., Human Performance) benefit to the firm.

### Method and Data

A conceptual model was developed based on theory and tested in a higher education context, being an extended service encounter setting. Multi-source survey data was collected from undergraduate students in their final year of study from a UK university who have conducted a placement year and their direct supervisors from the companies where they have been employed during their placement. From a total of 485 student responses and 441 company responses, 209 directly-matched responses (student—direct supervisor) were obtained. The data was analyzed via structural equation modeling, including confirmatory factor analysis and path analysis. Serial multiple mediation analysis based on the bootstrapping method developed by Preacher and Hayes (2008) was used and implemented through the PROCESS macro offered by Hayes (2013).

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## **Summary of Findings**

Some interesting findings emerged that are not apparent in literature. First, the study found that CS is central, but not sufficient to achieve high levels of customer engagement behaviors. Second, this study introduced the affective mediating mechanisms of Feelings of Gratitude and Love between CS and Customer Voluntary Engagement Behaviors that are of direct benefit to the firm (i.e. Word-of-Mouth, Participation and Monetary Giving) that have been ignored in current research so far. Third, past research has focused mainly on affective mechanisms between CS and Behaviors, yet, this study found Perceived Competency to be an important cognitive mediator between the relationship of CS and Human Performances.

## **Key Contributions**

This study contributes to the literature in three significant ways as follows:

First, although recently research has begun to understand how positive emotions can systematically affect customer behavior, only a few considered the effects of different emotions in their research framework. Drawing on Broaden and

Build Theory (Frederickson, 2004), we fill this key gap in the existing literature by finding a serial mediation effects of two distinct positive emotions, i.e. Gratitude and Love, between CS and CEBs.

Second, although affective mechanisms such as emotions have been studied as mediators linking CS with CEBs, most research has ignored the role of cognitive mechanisms that may lead to the Human Performance (Luo and Homburg, 2007). We fill this gap by understanding the role of perceived competency as a key cognitive mechanism linking CS with CEBs, which may offer indirect benefits to the firm.

Third, as the mediating mechanisms between CS and CEBs are suggested to depend on the context (Kumar et al, 2013), more research on emotions in extended service encounters has been repeatedly called for (Long-Thobert 2012). We respond to such calls by understanding the mediating mechanisms between CS and CEBs in an extended service encounter setting such as higher education.

*References are available on request.*

# Sustainable Consumption Practice: The Effect of Eco-Friendly Packaging on Buying Behavior Based on Generations

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## **ABSTRACT**

Actually, organizations have been a transformative period of significant challenges. These challenges have led organizations to reinvent themselves by introducing innovation and sustainability has become an essential component. For this reason this research present the effect of eco-friendly packaging has on buying behavior process based on generation.

**Keywords:** *eco-friendly packaging, buying behavior, generational cohorts*

**Description:** *Compare the effect that eco-friendly package has on the buying behavior process according to the following generations: Baby Boomers, Generation X and Generation Y.*

## **Introduction**

The twenty-first century has been a transformative period of significant challenges. These challenges have led organizations to reinvent themselves by introducing innovation into their processes, and sustainability has become an essential component of businesses responding to environmental and social problems (Sirieix, Delanchy, Remaud, Zepeda and Gurviez, 2013). With this focus, organizations are becoming more entrepreneurial in the implementation of production processes and are focusing on responsible interaction with natural resources. These new business habits seek to preserve resources while demonstrating commitment to future generations.

In line with this goal, select businesses have envisioned how strategic planning can strengthen efforts to adapt to the needs and lifestyle of the consumer. This includes promoting eco-friendly packaging to promote recycling and a more ecological focus on basic packing materials such as wood, cardboard, plastic and textiles. Business and consumer are thus involved in being socially responsible and contributing to the decrease of waste production. Individuals produce approximately 4.4 pounds of waste on a daily basis, of which half is a result of product packaging that does not qualify for recycling or reuse (Environmental Protection

Agency, 2016). However, 80% of North American consumers are aware that climate change will have repercussions on the lives of individuals and seek opportunities to combat environmental change. Meeting the demand for eco-friendly packaging will also lead to an annual projected growth of 3.9%, creating a market value of \$41.7 billion (Freedonia Group, 2016). As a result, it has become important for businesses to develop awareness-raising programs that allow public and private sectors to involve the community in supporting the expansion of eco-friendly packaging (Shingrup, 2013).

## **Literature Review**

There has been little research focused on the effect of eco-friendly packaging on the buying behavior of consumers at the time of product selection, and even less on specific segmentations. Research has provided evidence that brands must be aware of their customers' level of commitment to social responsibility (Cowlett 2011; Sheth, Sethia and Srinivas, 2011; Young 2007). Ling (2013); Rokka and Uusitalo (2008); Young (2007) demonstrate that consumers are interested in recycling and even prefer packaging that promotes recycling, but they are not willing to pay more for sustainable packaging, and pricing will affect their buying behavior. Therefore, the purpose of this study will be to investigate the level of

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impact that eco-friendly packaging has on the buying behavior of consumers, using personal care products as a reference. This type of product is one of the biggest industries worldwide. According to the Personal Care Council (2016), the industry has annual revenue of about \$260 billion around the world. In the United States the industry includes around 850 organizations with combined annual revenue of \$42 billion. By 2020, the industry is expected to grow by 7% (Interpack, 2014). This study will be separated by generation: Baby Boomers (1946–1964), Generation X (1965–1976), and Generation Y (1977–1994) (Burnsed and Bickle, 2015; Kotler and Armstrong, 2012; New Strategist Press, 2013). According to Levy (2011), the largest section of the population can be divided into three demographic groups defined by age. The purpose of segmentation will be to better measure differing behavior and to compare and contrast the heterogeneity or homogeneity of consumer conduct. It has been proven that differences exist between generational groups in regards to their attitudes, values, concerns, and vision (Chirinos, 2009). Different life experiences lead to differing behavior among generational groups. These differences become more marked as we compare generations with greater age differences. Burnsed and Bickle (2015); Jackson, Stoel, Brantley (2011) indicate that these generational differences extend to purchasing processes. They emphasize that Baby Boomers are a more individualistic generation, showing greater competitiveness in work settings and a higher purchasing power relative to Generation X, which has a stronger focus on maintaining balance between work life and quality of life due to experiences of surviving work shortages and economic recesses (New Strategist Press, 2013; Sullivan, Forret, Carragher, and Mainiero, 2009). Generation Y, also known as Millennials, are a younger population, focused on individualism and consumption-oriented, paying little attention to economic crises and known for strong brand loyalty. This generation enjoys waiting for new innovation in their preferred brands in order to have the latest products on the market (Burnsed and Bickle 2015; Levy, 2011; O' Donell, 2006; Sullivan and Hetmeyer 2008).

## **Research Contribution**

The study results present theoretical and practical benefits. From a theoretical point, the study informs the role of businesses in relationship to social responsibility and contributing to a more sustainable world. The study also shed light on the impact these business behaviors have on consumers' buying behavior, relating to topics of management, operations, and marketing. The results strengthen and support the decision-making process of packaging choices within the personal care product industry. This component of the industry represents \$23.7 billion and is projected to experience substantial growth internationally over the coming years (Grand View Research, 2016). Some businesses have

already taken action to innovate technologically and to embrace social responsibility, including improving manufacturing processes and developing packaging that minimizes natural resource consumption and energy costs. At an individual business level, developing ways of reusing packaging at least five times has led to overall savings of 2.4 million gallons of water, the protection of approximately 4,000 trees, and energy conservation (Brand Packaging, 2016). Yet companies need to be informed about the impact of these eco-friendly steps on consumers' purchasing behavior and understand what efforts are needed to build awareness about actions taken. This will allow companies to establish strategic plans that target segments of the population with information regarding materials used in packaging, level of awareness of eco-friendly behavior, and public image campaigns related to social responsibility.

## **Design/Methodology/Approach**

This study is a quantitative study. This research is limited to Puerto Rico and individuals who were born between 1946 and 1993. The Census Office for Puerto Rico (2010) stated that the population of interest includes Baby Boomers (681,505), Generation X (731,514), and Generation Y (492,332), and the total population of interest is calculated to be 1,905,351 citizens. In order to obtain the results from a subgroup of the population of interest, a sampling method was employed. According to Ander, Sweeny, and Williams (2011), it has been demonstrated that a small percentage of a population can result in very exact estimations of the total population. At the same time, the degree to which the sample successfully represents the entire population depends on the selection of sampling methods by the researcher. For this reason, the individual participants were selected according to random sampling techniques, where each element of the population had the same probability of being selected.

The random sample that researchers use is a stratified sampling effort in which each generation was assigned in a proportionate amount after conducting a pilot test (Creswell, 2008). A sample of 383 individuals was obtained with a 95% confidence level and a confidence interval of 5. The proportion of the population groups is 35.8% (137 individuals) Baby Boomer, 38.4% (147 individuals) Generation X and 25.9% (99 individuals) Generation Y. The measurement instrument selected for this study was a questionnaire. This instrument was used for the first time so it needed to go through all of the necessary processes to ensure reliability. With the goal of proving the following hypothesis, the researchers developed the instrument:

$H_1$ : There is a statistical difference between the purchasing decision processes of Baby Boomers versus Generation X in relation to eco-friendly packaging.

$H_2$ : There is a statistical difference between the purchasing decision processes of Baby Boomers versus Generation Y in relation to eco-friendly packaging.

$H_3$ : There is a statistical difference between the purchasing decision processes of Generation X versus Generation Y in relation to eco-friendly packaging.

The instrument was organized into two sections: the first addressed the demographic information of the participants, and the second evaluated the process of consumer decision-making according to the tangible aspects of the personal care product's ecofriendly packaging. The questions used incorporated a Likert scale where 5 means "completely agree," 4 means "agree," 3 means "neither agree nor disagree," 2 means "disagree," and 1 means "completely disagree." The raw data obtained from the first section of the questionnaire will be presented with a descriptive statistical analysis. Later, the raw data from the second section will be added with the purpose of creating a score to analyze and measure the statistical difference between the process of consumer buying behavior among the generational cohort and according to the elements of eco-friendly packaging of personal care products in consumer buying behavior, utilizing a statistical analysis of Multivariate Analysis of Variance (MANOVA).

## Limitations

Limitations must be considered for the proposed investigation. Based on a stratified sample, the study intended to estimate the average of each sub-population (Baby Boomers, Generation X, and Generation Y). At the same time, the study was restricted to Puerto Rico. Likewise, the product selected for this study was restricted to personal care products in order to obtain a focused perspective. The survey reflects the perception of people who answer it based on knowledge and awareness they have on the topic of eco-friendly packaging.

## Results

The data presented was gathered through the direct administration of an electronic survey instrument by the investigators in a confidential and voluntary method. This survey was

administered to 383 individuals pertaining to the following generational cohorts: Baby Boomers (137), Generation X (147) and Generation Y (99) (Table 1). The total sample gathered in diverse public plazas of Puerto Rico consisted of 237 females, 141 males and 5 individuals who decided not to respond (Table 2).

The researchers used statistical analysis to measure the effect of eco-friendly packaging on buying behavior as a dependable variable, in relation to generational cohorts of the participants as an independent variable. The scores that the respondents reported were utilized in a Multivariate Analysis of Variance (MANOVA) statistical analysis where the researchers were able to test the hypothesis of the research study.

$H_{01}$ : There is no statistical difference between the purchasing decision processes of Baby Boomers versus Generation X in relation to eco-friendly packaging.

According to the MANOVA, between the purchase decision processes of Baby Boomer versus Generation X in relation to eco-friendly packaging in personal care products the results were ( $p = .903 > .05$ ) (Table 3). This means that there is no statistical difference between purchase decision processes in relation to eco-friendly package between these two generational cohorts.

$H_{02}$ : There is no a statistical difference between the purchasing decision processes of Baby Boomers versus Generation Y in relation to eco-friendly packaging.

According to the MANOVA, between the purchase decision processes of Baby Boomer versus Generation Y in relation to eco-friendly packaging in personal care products the results were ( $p = .961 > .05$ ) (Table 3). This means that there is no statistical difference between purchase decision processes in relation to eco-friendly package between these two generational cohorts.

$H_{03}$ : There is no a statistical difference between the purchasing decision processes of Generation X versus Generation Y in relation to eco-friendly packaging.

**Table 1.** Participants by Generational Cohorts

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1946–1964	137	35.8	35.8	35.8
	1965–1976	147	38.4	38.4	74.2
	1977–1993	99	25.8	25.8	100.0
	Total	383	100.0	100.0	

**Table 2.** Participants by Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	141	36.8	37.3	37.3
	Female	237	61.9	62.7	100.0
	Total	378	98.7	100.0	
Missing	System	5	1.3		
	Total	383	100.0		

According to the MANOVA, between the purchase decision processes of Generation X versus Generation Y in relation to eco-friendly packaging in personal care products the results were ( $p = .992 > .05$ ) (Table 3). This means that there is no statistical difference between purchase decision processes in relation to eco-friendly package between these two generational cohorts.

In order to deepen the analysis the researchers decided to compare the statistical difference between the purchasing decision process between Baby Boomers vs. Generation X according to their gender in relation to eco-friendly packaging, where ( $p = .858 > .05$ ) (Table 3). This means that there is no statistical difference. Later, it was decided to compare Baby Boomers vs. Generation Y, where ( $p = .938 > .05$ ) (Table 3). This means that there is no statistical difference. Finally, Generation X vs. Generation Y was compared, where ( $p = .990 > .05$ ) (Table 3). This means that there is no statistical difference.

## Analysis

After conducting the study that was proposed by the researchers, findings were obtained which allow for a more thorough discussion of the presented problem. As discussed previously, companies have become agents of change and innovation in order to survive the growing competitiveness. According to Sirieix, Delancy, Remaud, Zepeda and Gurviez (2013) sustainability has become an essential com-

ponent of organizations responding to environmental and social problems.

Under this concept international companies have shaped their strategic planning to promote sustainability based on the needs of the consumer. Considering that 80% of North American consumers are aware that climate change will have consequences on the individuals' lives, there has been little research focused on the effect of eco-friendly packaging on the buying behavior of customers. For this particular reason, the researchers decided to study the effect of eco-friendly packaging of personal care products on buying behavior based on generations. The results were astounding, in that no statistical difference exists between the purchasing decision processes of the three generational cohorts in relation to eco-friendly packaging in the specific case of personal care products, which are the most frequently purchased products at an international level.

Research on this topic has been published in the United States; nevertheless, the results in Puerto Rico were different. Specifically, the three generational cohorts and both genders established that they completely disagreed with the importance of the following: amount of times that the package is recycled (234 completely disagree), the packaging materials (226 completely disagree). In addition, 224 respondents established that packaging materials are not a determinant for the purchase, 205 completely disagree that

**Table 3.** MANOVA Analysis

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	141	36.8	37.3	37.3
	Female	237	61.9	62.7	100.0
	Total	378	98.7	100.0	
Missing	System	5	1.3		
	Total	383	100.0		

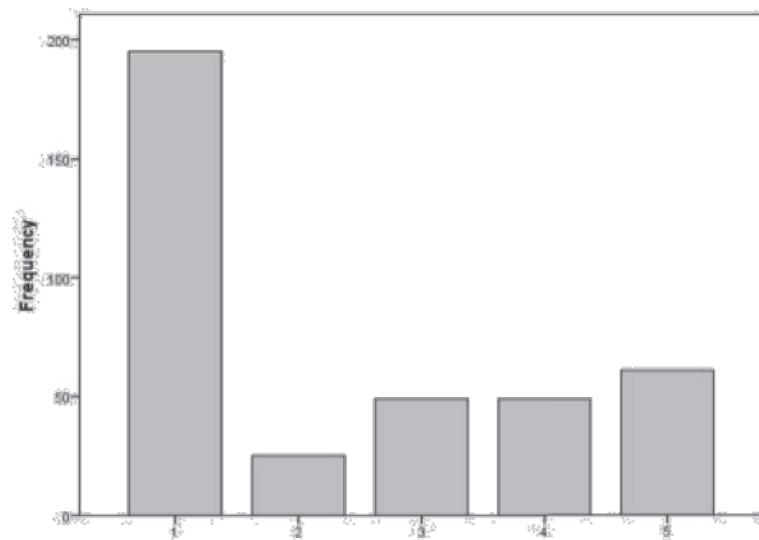
brands promote ecofriendly behavior through their promotions, 195 individuals are not willing to pay more for an eco-friendly package, 192 established that eco-friendly packaging does not promote better quality, and 191 do not care about the possibility of recycling the package. These results are contradictory to Cowlett 2011; Sheth, Sethia and Srinivas, 2011; Young (2007), who argue that consumers have developed awareness of sustainability and recognize the labor of organizations to provide sustainable packaging. At the same time Ling (2013); Rokka and Uusitalo (2008); Young (2007) demonstrate that consumers are interested in recycling and even prefer packaging that promotes recycling. Nevertheless this research (Figure 1) and Rokka and Uusitalo (2008); Young (2007) concur that customers are not willing to pay more for sustainable packaging, and pricing will affect their buying behavior.

The above results make this research novel, with great potential for further development and contributing to both theory and practice. From a theoretical point of view the study showed that there are arenas where consumers with different tastes or preferences had the same pattern of buying behavior. This, despite Chirinos (2009), proves that generations share a vision according to their cohort. However, in this particular study the three generations showed the same pattern in their purchasing behavior.

On the other hand, focusing on the academy, it is important to mention that 90% of the respondents have an academic

degree. However, the sample did not show to be oriented towards the importance of social responsibility based on sustainability. Therefore, it could be a recommendation to re-focus education and establish a culture of social sustainability from the academy with the purpose of creating professionals who are more aware of the need for protection of the environment. Walker (2017) emphasizes how early education based on sustainability can turn citizens into agents of change. Similarly, Holdsworth and Thomas (2016) expose the importance of developing sustainability programs with academic development and organizational change approaches. Therefore, it would be an opportunity to carry out the study with a population in another country that is educated from the academic point of view of either high school or university and to be able to compare buying behavior.

In relation to practice, both public and private organizations need to join efforts in areas like management, operations and marketing. However, before analyzing and offering recommendations it is imperative to recognize certain limitations that face the country. According to the Puerto Rico Solid Waste Authority (2016), plastic originates from a basic component called resin, derived from petroleum. The plastic industry has a code system to identify 7 categories of this material. Most personal care products belong to category 3 (PVC: Polvinyl Chloride) and Category 4 (LDPE: Low Density Polyethylene). However, in Puerto Rico plastic category 3 is exported to other countries to complete the recycling process, as the country does not have the facilities for this



**Figure 1.** Respondents reacted as follows to pay more for sustainable packaging: 195 complete disagree, 25 disagree, 49 neither agree nor disagree, 49 agree, 61 completely agree, 4 missing.

process. Therefore, this limitation could be a factor that affects the conduct of social responsibility of the consumer after the purchase of a product of personal care.

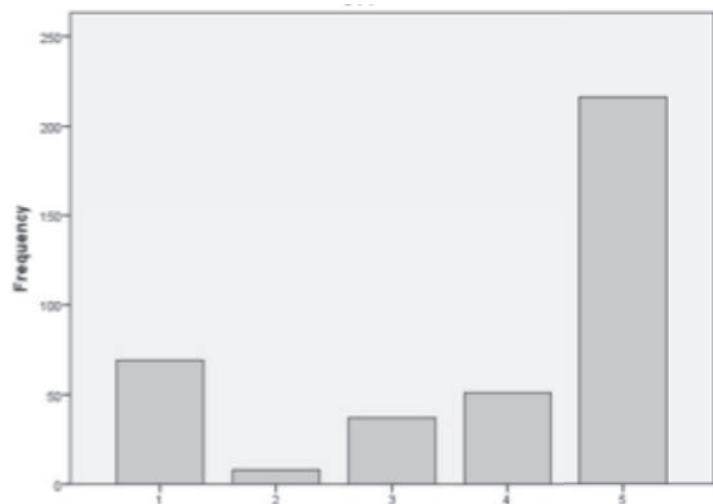
However, despite having found several arenas that the consumer did not usually consider at the time of purchase, there were others that shed light to companies to begin establish strategies and design a plan of action. In particular the three generational cohorts and both genders established that they completely agree with the following: 216 individuals established that they are willing to choose ecofriendly packaging if the company offers an incentive, 124 individuals recognized that they prefer packaging according to the size of the product, 106 individuals established that they are completely agreeable to choosing an ecofriendly package if they recognize the brand (Figure 2). The results present the opportunity to create awareness campaigns, re-evaluate packaging departments and consider reducing them according to the size of the products, as well as being able to incentivize the customer. Incentive mechanisms are usually profitable for both the consumer and the seller, thus avoiding the reduction of revenues (Sri Vanamalla, and Parthasarathy (2011). Considering also that the consumer does not always look for a monetary incentive, he prefers quantity in products, or other benefits.

This study marks a starting point for establishing strategic plans and action plans. At the same time, it is possible to convert the survey to the monitoring instrument in order to compare the results obtained with future results after action plans worked from an academic and an organizational point

of view. Likewise, it can be a starting point to compare with sustainability-based education systems. At the same time, it is an asset to be able to carry out studies of purchasing behaviors based on sustainability with the United States and internationally. Competitiveness presents significant challenges for companies but also great opportunities. Nevertheless, social responsibility focused on sustainability has become a global theme that allows us to interconnect the world of business. Therefore, individuals, academia, and organizations need to increase efforts to continue saving millions of gallons of water, protecting trees, and conserving energy. For that reasons this research can be a starting point and a monitoring instrument.

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**Figure 2.** Respondents reacted as follows to receive an incentive to buy an eco friendly package, 216 completely agree, 51 agree, 37 neither agree nor disagree, 8 disagree, and 69 complete disagree.

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# Lip Service or Real Concern: Testing the Claim to Pay Premium for Green Products Through an Experimental Research

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## ABSTRACT

Based on findings of an online survey and experimental study, this research paper reports the role of demographic variable in consumer's claimed as well as actual willingness to pay premium for a green product, and any relation between these two.

**Keywords:** *green marketing, consumer behaviour, pricing, sustainable marketing*

**Description:** *Through an experimental study, this paper examines whether consumers claiming to be willing to pay premium for green products are actually willing to do so.*

## Introduction

Concern for various environmental issues, highlighted by media coverage and facilitated by greater awareness of environmental problems, has increased willingness to save the environment from further degradation by focusing more on sustainability (Prakash and Pathak 2017). This has resulted in the emergence of green marketing as particularly important in the modern marketing scenario. However, notwithstanding research findings about consumers' positive attitude towards green products and claimed readiness to buy those more often (Ali and Ahmad 2012), the number of successful green products is not satisfactory (Gleim et al. 2013). Although the factors that lead to green purchase intention and ultimately the purchase action have been studied mostly in industrialized countries, the findings are often contradictory, probably because of the complexity associated with green purchasing behaviour and attitude of consumers coming from different market segments and culture.

Moreover, excepting a few (Kesavan and Khan 2016; Khare 2014; Kumar and Ghodeswar n.d.; Nathan and Joshua 2016; Yadav, Dokania, and Pathak 2016), there is a dearth of research conducted to understand the impact of demographic variables on intention to purchase eco-friendly products in developing countries, especially in the Indian subcontinent. A few studies that investigated green product purchase intention or behaviour and demographic profile (e.g. age, gender, mar-

ital status, education, monthly savings etc.) of the customers reported contradictory findings (Ali and Ahmad 2012; Geetha 2014; Kuthiala and Mahajan 2012; Ramanakumar, Manojkrishnan, and Suma 2012; Samarasinghe 2012).

Studies conducted to find out the effect of price on green product purchase decision are also contradictory. Interestingly, all of these research papers used the often-criticised self-reported survey method to analyse intention to purchase green products. Moreover, in majority of the cases, the surveys were based on convenient sampling. Thus, this research paper aims to explore the reality behind consumers' claimed willingness and actual willingness to pay premium for purchasing of green products with respect to their demographic factors and environmental consciousness, by using a quasi-experimental approach coupled with an exploratory survey.

The analyses find that demographic variables do not serve as appropriate profiling method to predict one's intention to pay premium for green products. Moreover, consumers' claimed willingness to pay for green premium does not necessarily reflect in their actual willingness to pay such premiums.

## Literature Review and Hypotheses

Earlier researchers have suggested that demographic variables should be examined closely in connection with environment-friendly behaviour. While some found that

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demographic factors, including race ethnicity, are among the most influential ones for pro-environmental behaviour (Memery, Megicks, and Williams 2005), others have observed that demographics have little or no effect on environment-friendly behaviour (Diamantopoulos et al. 2003).

Willingness of consumers to purchase green products at a premium has been found to be contradictory in different earlier studies, with some claiming that green consumers are less price sensitive compared to non-green consumers (Nathan and Joshua 2016) and others reporting that consumers are sensitive to price while buying green products (Gleim et al. 2013).

Ruiz et al (2001) argued that gender plays an important role to be environmental conscious consumers. Environmental conscious consumers are found to be mostly female, young (Harris, Burress, and Eicher 2000) and better educated (Bourgeois and Barnes 1979). Panni (2006) found that consumers' pro-social or pro-ethical behaviours are heavily influenced by demographic characteristics in terms of age, income level, education level and occupation. Based on these earlier research works, the first hypothesis is formed.

H1: Demography (i.e. [i] Gender, [ii] Level of Education, [iii] Phase of Educational Life, [iv] Native Place and [v] Family Income) has significant effect on (a) claimed willingness or (b) actual willingness to pay certain level of green premium.

Research results concerned with influence of knowledge on behaviour have been inconsistent. Theoretical knowledge and daily behaviour, especially related to consumers' environmental concern and purchase of green products, have been found to have contradictory relationship in different empirical research studies (Mulcahy 2005; Veluri 2012).

H2: Knowledge level regarding environmental issues has significant effect on (a) claimed willingness and (b) actual willingness to pay certain level of green premium.

Besides these, two more hypotheses are formed for in-depth exploration of the area of research by comparing the claimed willingness and actual willingness to pay premium for green products.

H3: (a) Demography (i.e. [i] Gender, [ii] Level of Education, [iii] Phase of Educational Life, [iv] Native Place and [v] Family Income) and (b) knowledge level have significant effect on actual willingness to pay certain level of green premium compared to the claimed willingness to do so.

H4: (a) Demography (i.e. [i] Gender, [ii] Level of Education, [iii] Phase of Educational Life, [iv] Native Place and [v] Family Income) and (b) knowledge level regarding environmental issues have significant effect on actual willingness to pay a certain green premium.

This paper evaluates phase of educational life in order to understand whether consumer behaviour regarding green product purchase decision changes when they are near to completion of their education life and are assured of earning their money and have full control on their expenditure.

## **Study Design and Sampling Procedure**

Data was first collected from under-graduate and post-graduate (Masters and PhD) students at a reputed higher education institute in the state of Rajasthan in India through voluntary participation in an online survey, followed by one round of small interview, in order to get more insight into the purchase dynamics of the respondents. Total 584 usable responses were collected through the survey. The data was found to be devoid of any non-response bias ( $p < .05$ ).

## **Research Methodology**

The questionnaire was mainly composed of two parts: one part captured demographic details and measured respondents' knowledge of environmental concerns by asking five questions; and the other part asked respondents about their willingness to purchase a T-shirt made of environment friendly material. All participants were also asked how much more they were ready to pay for environment-friendly products.

For the experiment, respondents were provided with an option of self-nomination for an organic cotton T-Shirt. At the end of the survey questionnaire, the female respondents were told: "As a token of appreciation for dedicating your time to complete this survey, the researchers have decided to provide few organic cotton T-Shirts (market price: Rs. 540). You need to state the price that you are ready to pay for this T-Shirt, assuming that the highest bidder will get the T-Shirt and the minimum price that you may quote is Rs. 230." Similarly, male respondents were also told about the offer of the T-shirt, with difference in price. The market price quoted was Rs. 475 for the males, while the base price for bidding was decided to be Rs. 200. A website URL was shared to see the image of the T-shirt being offered.

The market price quoted was the actual price at which those T-shirts were available at the time. The students were informed that if they quoted higher price than the market rate for the product and finally paid the quoted price to obtain it, then the additional amount above the market price would be donated to an NGO promoting eco-friendly products. Out of 584 respondents who provided meaningful data during the

survey, 243 showed their interest to get the T-shirt at the base or higher price.

T-shirts were chosen as the surprise gift, considering the preference of the survey participants. The base price was decided keeping in mind what the normal unbranded T-shirts worn by students generally cost.

To measure knowledge on various environmental issues, respondents were asked five questions to which they had to choose the correct answer from a list of given options. The questions were either related to basic knowledge about environment/green marketing or recent news about degradation of environment, which appeared in various printed as well as online media.

## Data Analysis and Results

Correlation, Chi Square tests and ANOVA were employed as per suitability for the data analysis. At the end, findings from an exploratory survey, in which 221 respondents participated, provided an in-depth understanding of consumer behaviour towards green marketing.

### Analytical Procedure

Keeping in mind the generally applicable principle of equilibrium price in the market and rationality of consumers, the bid price quoted by an individual student (Individual Bid Price: IBP) is considered to consist of two parts: market-defined Average Bid Price (ABP) of the T-Shirts, as determined by the entire bidder group (differentiated gender-wise), and individual green premium (IGP), which an individual bidder had included in the bid price [may or may not be same as claimed green premium (CGP) willing to be paid by the respondent as revealed during the survey]. Thus,

$$IBP = IGP + ABP,$$

$$\text{where } ABP = \frac{\sum(ABP - CGP)}{n}$$

From the above equation, IGP was calculated for the purpose of further investigation and considered as the actual green premium the respondents were willing to pay.

It was found that 138 respondents (56.8%) were willing to pay green premium, while 105 (43.2%) were not willing to pay any premium for the green product on offer. Moreover, 90 respondents (37%) were actually paying more premium than their claimed willingness. The rest 153 (63%) were not paying as much premium for a greener alternative, as their earlier claim.

The respondents were categorized into four different groups according to their willingness to pay certain level of green

premium as calculated (no green premium, premium up to 10%, premium in the range of 10%–20% and premium above 20%). Similarly, they were categorised into three different knowledge levels (Low: Score 0-1, Medium: Score: 2-3 and High: Score 4-5).

### Testing Hypotheses

Only phase of educational life was found to have a significant effect on claimed willingness to pay certain level of green premium. The analysis found that more number of students in early phase of their study, probably because of their prudence level, had claimed to pay green premium of up to 15%, whereas those in the ending phase of their study mostly claimed to pay green premium up to 5%. Cramer's V value of .166 suggested that phase of educational life had a weak relationship with claimed willingness to pay green premium.

### Exploratory Analysis

To get more clarity on the reason behind the willingness of students to pay green premium for the T-Shirts, the students, interested in getting the gift, were invited to an event for distribution of T-Shirts. As the students started entering the venue, a volunteer greeted each arriving student and then asked what made them to quote the price and why they did not quote more. The conversations of the students were marked by two other volunteers standing close by, equipped with some prior written options on paper in order to speed up the process.

Students almost invariably neglected environmental concerns while justifying their bidding price for the T-Shirts [Table 1]. Only 2% students, who were willing to pay more than the market price, wanted to donate to a charity to spread environmental awareness.

### Discussion

Demographic variables like gender, level of education, family income and native place as well as knowledge of the environmental issues are not significant predictors of green purchase behaviour and hence do not serve as a suitable profiling method (Straughan and Roberts 1999). Instead, marketers may explore segmentation based on psychographic variables, with emphasis on perceived consumer effectiveness and altruism (Akehurst, Afonso, and Gonçalves 2012).

Moreover, claims of consumers, even the educated segment, to pay premium for greener alternatives may not actually reflect in their actual behaviour. Thus, marketers should have better campaigns to promote internal ethics and moral intensity through continual reinforcement of belief, underscoring the importance of increased social group acceptance

**Table 1.** Rationale Behind Bid Price

	Frequency	Percentage
Quoted price should be sufficient to win the bid	137	26%
Similar T-shirts are available at the quoted price	189	36%
Cannot pay more than the quoted price for this T-shirt	91	17%
Similar ordinary (non-green) T-shirts are available at less price	57	11%
Lack of trust on an un-named charity led to not quoting more than the market price	39	7%
Want to donate extra amount to the charity	11	2%

and conformance to ensure higher success of green products (Khare 2014; Rex, Lobo, and Leckie 2015).

The environmental commitments of the consumers vary because of their different standard, expectation from green products, demand and buying power. Thus, the Indian consumers may prefer greener alternatives, but may not necessarily pay premiums for the same. If green products match the performance and price of traditional products, then consumers, having positive attitude towards green products, may buy those more often (D'Souza, Taghian, and Lamb 2006; Fraj and Martinez 2007).

### Limitation and Conclusion

Further research may be undertaken with a varied range of product categories catering to a larger mass to understand consumer behaviour at different price levels for various green products. Factors responsible for green purchase behaviour should be studied more systematically.

In conclusion, it can be claimed that the awareness of and concern for environmental issues do not always reflect in pro-environmental behaviour. Price sensitivity acts as a deterrent even for strong supporters of environmental protection. Thus, asking only the consumers whether they are doing a lip service by showing their concern for environment is a lop-sided question. Corporate houses and marketers have to transform their entire business into green, as a rule, rather than as an option, to improve society and human welfare moving beyond a profit-maximizing myopia and take a more active stand in this regard (Wymer and Polonsky 2015) by introducing quality green products at a competitive pricing.

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# Who Does the Good Deed? The Effect of Message Framing on Green Consumption

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**Keywords:** green consumption, message framing, consumer involvement

**Description:** compared to firm-centered messages, consumer-centered messages lead to greater intention to purchase green products.

## EXTENDED ABSTRACT

### Research Question

Despite their positive attitudes towards green products, consumers tend to purchase non-green items which generally offer lower prices (Olson 2013). Accordingly, there has been a great deal of research exploring factors that have the potential to boost consumers' purchases. One among them is how marketers frame their environmental messages and communicate them to consumers (Olsen et al. 2014). However, regardless of intensive research effort on this topic, the subject of environmental messages has been unexplored. Particularly, it is not uncommon that firms try to show consumers their commitment to environmental protection. Their messages are centered on themselves and how they produce products with recycled materials. Consistent with this practice, previous studies suggest that firms explicitly show their environmental commitment to consumers (e.g., Wang et al. 2016). However, a common reason that hinders green purchases is consumers' difficulty in identifying the impact they are making (Johnstone and Tan 2015). Firm-centered messages can make the situation worse since they can overshadow consumers' impact and thus discourage green consumption. Therefore, our study seeks to answer the questions: "Do consumer-centered messages (versus firm-centered messages) enhance consumers' intention to purchase green products? If yes, does consumer involvement with environmental protection moderate the effect?"

### Method and Data

We recruited 84 respondents from Amazon Turk. We told the participants that we were conducting a study about consumer purchase decisions of travel bags. Participants were asked to examine information about a bag of Hamilton

Perkins, a real company offering designer bags recycled from past billboards, and then answer questions that follow. The participants were randomly assigned to one of the following two conditions. In the "consumer-centered message" condition, the information of the firm shows "For every bag YOU PURCHASE, YOU reduce waste and cut carbon emissions." Meanwhile, in the "firm-centered message" condition, participants read "For every bag WE SELL, WE reduce waste and cut carbon emissions." Other information is the same between the two conditions. The respondents were then asked to indicate their intention to purchase the bag and their involvement with environmental protection. Finally, the participants reported their demographic information.

### Summary of Findings

H<sub>1</sub> predicts that consumer-centered message will lead to greater purchase intention than firm-focused message. H<sub>2</sub> predicts that the impact of message framing will be stronger for those who are less involved with environmental protection. Our overall model has a good fit (adjusted R<sup>2</sup> = .20,  $p < .001$ ). The effect of message framing is positive and significant ( $\beta = .75$ ,  $p < .05$ ). More importantly, the interaction term created by message framing and involvement was also significant ( $\beta = -.44$ ,  $p < .10$ ). Follow-up spotlight analyses with high involvement (one standard deviation above the mean) and low involvement (one standard deviation below the mean) showed that when involvement was high, message framing did not influence purchase intention ( $\beta = .17$ ,  $p = .71$ ). On the other hand, when involvement was low, message framing is significantly related to purchase intention ( $\beta = 1.33$ ,  $p < .01$ ). As a result, both H<sub>1</sub> and H<sub>2</sub> were supported.

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## **Key Contributions**

This paper contributes to the literature in two notable ways. First, this study has established a link between subject-centered message framing and purchase intention, especially in the green consumption context. Future research should take great precautions regarding how to persuade consumer to engage in green consumption behaviors. Furthermore, this study extends the elaboration likelihood model (ELM) in green consumption research field (Petty and Cacioppo 1986). Specifically, our findings show that less involved consumers will use peripheral cues to make decisions and thus a perceived direct experience from the explicitly consumer-centered message will enhance their purchase intention.

Our findings also offer important implications for managers. First, this empirical study proves that consumer-centered message will lead to greater purchase intention than firm-centered message, suggesting that managers should take customer perspective when developing environmental messages. Moreover, we suggest that highly involved consumers are less sensitive to message framing. Meanwhile, for the less involved consumers, they care more about the explicit aspect of the message rather than inferring a subtler meaning from the message. Such interesting findings can guide managers to attract more low-involved consumers by simply changing the way they frame their message.

*References are available on request.*

# Communicating Sustainable Benefits: Effects of Mental Representation and Psychological Distance Perceptions

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**Keywords:** sustainable consumption, sustainable packaging, IAT, psychological distance, experimental design

**Description:** The paper investigates consumers' evaluation of environmentally friendly packaging, by exploring implicit attitudes and mindset.

## EXTENDED ABSTRACT

Government and not-for-profit agencies frequently encourage adoption of ecologically friendly packaging. In addition, encouraging sustainable consumer behavior, such as adoption of eco-friendly packaging, is a growing topic of interest in marketing literature (Karmarkar and Bollinger 2015) and it has been identified as one of the more pressing research topics (Mick 2006). This paper reports on a two-method study using implicit attitude theory and construal level theory to provide insights to evaluation processes that may encourage/inhibit consumers' sustainable food packaging choices. We measure implicit versus explicit attitudes and response to advertising messages framed as environmental-centered versus self-benefit centered, matching these with respondents' abstract versus concrete mindsets. The findings confirmed positive implicit and explicit attitudes towards compostable packaging across two different food categories. Study 1 also showed dissociation between implicit and explicit associations, which informs approaches to nudging changes in consumers' behavior towards packaging choice. Study 2 confirms that a message framed as environmental-centered matched with a more abstract mindset produces more positive attitudes and intentions toward sustainable packaging.

## Research Question

Encouraging sustainable consumer behavior is a growing topic of interest in the marketing literature (Karmarkar and Bollinger 2015) and has been identified as one of the more

pressing research topics (Mick 2006). Scholars agree that for encouraging consumers to behave in a more sustainable way a deeper understanding of the relationship between attitude and behavior is needed. Indeed, despite consumers claim to be concerned about the environment, they actually fail in implementing coherent behaviors, implying a discrepancy between their expressed intentions and actions. Based on this premise, this study attempts to fill this gap by investigating the role played by implicit attitudes and mental construal level on consumers' evaluation of sustainable packaging. Consumers are increasingly demanding more environmentally friendly packaging in terms of reduced packaging, or packaging which can be recycled or reused (Magnier and Schoormans 2015) and research into consumer attitudes on new packaging indicate that consumers now expect all packages to be environmentally friendly (Olsen, Slotegraaf and Chandukala 2014). However, extant literature on this topic remains scarce.

## Method and Data

According to the research objectives, this paper adopts 2 Studies: for Study 1, 88 participants completed an Implicit Association Test and a questionnaire, whilst Study 2 employed a between-subject online experiment with 108 participants.

## Summary of Findings

The results of Study 1 show that explicit and implicit attitudes towards compostable packaging are generally positive

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and are not dependent on the food category. However, the findings also confirm that individuals' automatically activated evaluations towards sustainable packaging are not the same as those measured by self-report. Indeed, Study 1 shows a dissociation between implicit and explicit associations, which informs approaches to nudging changes in consumers' behavior towards choice of packaging. Study 2 confirms that a message framed as environmental matched with a more abstract mindset produces more positive intentions toward a sustainable packaging. Thus, results demonstrate that consumers who perceived greater psychological distance place higher importance on the other-benefits appeal (environmental appeal). However, the analysis does not provide evidence on a similar fit when individuals form a concrete mindset and self-benefits are highlighted, allowing to suppose that, in such a case, making salient the personal benefit (lower-order goals) does not change the perception that the green products help the environment.

### **Key Contributions**

This study contributes to current marketing knowledge on sustainable consumption by expanding the application of implicit attitudes and Construal Level Theory (CLT) into a new domain, such as consumers' evaluation of environmentally friendly packaging. It adds to knowledge by understanding more about self-reported (i.e., explicit) and auto-

matic (i.e., implicit) evaluations that may encourage/inhibit consumers' sustainable food choices, showing whether Implicit Association Test (IAT) has the potential to more fully explain pro-environmental behavior or its rejection. In addition, adopting the theoretical lenses of Construal Level Theory, the study contributes with important insights into the effects of different mental representation and the effectiveness of different message appeals in motivating consumers to engage in sustainable consumption choices. More specifically, it contributes to the extant literature on CLT and sustainable consumption, by exploring how psychological distance affects attitudes and behavioral intentions toward sustainable packaging, and further if this effect is linked by the presence of benefits associations (self-other).

### **Limitations and Future Research**

The main limitation of the current lies in the fact that an external validity of the results cannot be assessed. Therefore, future research could replicate the findings in other domains. Also, in order to advance sustainable consumption research, it could be useful to apply this type of study to other psychological distances, whether the environmental outcome is occurring in a local or distant place, or affecting people like or unlike the respondents in the study.

*References are available on request.*

# Action Crisis in Health Goals: Effects on Cognitive Patterns and Goal Commitment

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**Keywords:** *health goals, action crisis, motivation, cognition, goal disengagement*

**Description:** *Results from the present experiment suggest that health action crisis likely supports goal disengagement (versus re-evaluation) and that its cognitive changes offer a partial explanation of mental mechanisms behind goal disengagement.*

## EXTENDED ABSTRACT

### Research Question

Health goals prove challenging for many consumers (Scammon et al. 2011). Working on diets or quitting unhealthy habits often requires long-term effort to achieve desired outcomes (Gollwitzer and Oettingen 1998). Not surprisingly, health-seeking consumers often encounter setbacks (e.g. the weight-loss plateau) or difficulties (e.g. withdrawal). When setbacks persist or difficulties mount, how does this change health-seekers thoughts? Do these changes impede health seeker's motivation? The present work seeks answers to these questions.

Action crisis occurs when individuals uncomfortably waver between further goal pursuit and disengagement (Brandstätter, Herrmann, and Schüller 2013). Integrating cognitive shifts (Xu and Wyer 2007) and affective information from goal pursuit (Pham et al. 2001; Carver and Scheier 1990), the present work seeks to understand the cognitive pattern associated with health action crisis and to evaluate its role in decreasing goal motivation. Testing three hypotheses, this experiment finds evidence that action crisis supports a more general breakdown of goal-supportive thoughts than originally envisioned by Brandstätter and Schüller (2013). Moreover, mediation results support the role of action crisis thinking in lowering goal commitment, an important precursor to actual goal disengagement.

### Method and Data

This study evaluates whether or not action crisis thoughts more closely align with the phase-specific task of goal disengagement (H1) or re-evaluation (H2). Moreover, it eval-

uates the role of these cognitive changes in translating action crisis into lowered goal commitment (H3). Action crisis participants received instructions for selecting problematic health goals while action phase participants received instructions for selecting non-problematic health goals. After goal selection and a waiting situation, participants responded to a series of questions about their goal-related thoughts during the waiting period. Participants self-reported their implemental, desirability, feasibility, positive affect, and negative affect-related thoughts. Following thought reporting, participants completed items on commitment (Hollenbeck et al. 1989). The results provide a basis for beginning to draw conclusions about the cognitive profile of health action crisis and its role in goal pursuit. Participants were 292 (150 female;  $M_{age} = 34.97$ ; range: 20-74) individuals recruited from Amazon's Mechanical Turk. Participants were randomly assigned to one of two (action crisis vs. action phase) goal-instruction conditions in a between-participants design.

### Summary of Findings

The results from the experiment demonstrate that action crisis leads to cognitive and motivational changes. Action crisis leads to a decrease in goal-supportive thoughts (implemental and positive goal affect), and a simultaneous increase in disengagement-supportive thoughts (negative goal affect). By supporting H1, these results suggest that at least part of the phase-specific task of health action crisis involves increasingly disruptive patterns of goal-related thinking. Conversely, evidence was not found for increasing deliberative thoughts (H2), even though direct effects observed in mediation analysis suggest that the degree of action crisis may increase fea-

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sibility goal thoughts at the expense of desirability goal thoughts. Taken as a whole, action crisis cognition appears to “break” through the implemental and defensive deliberative thought patterns characteristic of an action phase to support a phase-specific task of goal disengagement rather than re-evaluation. Moving toward a process view, action crisis thought patterns play a role in translating action crisis into changes in goal commitment, an important factor in continued goal pursuit (Ferguson and Porter 2009; Fishbach, Zhang, and Koo 2009). The mediation analysis shows that decreases in goal-supportive thoughts and increases in disengagement-supportive thoughts explain, in part, how action crisis reduces health goal commitment, supporting H3.

### **Key Contributions**

In this experiment, results support a profile of action crisis comprising a breakdown in goal supportive thoughts (H1). Consumers in health action crisis think less about putting their goal into practice (implementation thoughts) and positive feelings stemming from goal pursuit (positive affect

thoughts), while placing more energy toward negative feeling resulting from goal pursuit. More generally, action crisis consumers experience a breakdown in the goal supportive mindset that marks the implemental and action phases of goal pursuit (Gollwitzer 1990; Gollwitzer et al. 1990). Moreover, these results suggest the effects of goal shielding (Shah, Friedman, and Kruglanksi 2002) may fade during action crisis, facilitating the shift toward goal disengagement. These changes in thought patterns partially mediate the relationship between action crisis and goal commitment (H3), an essential motivational trigger for further goal pursuit (Ferguson and Porter, 2009; Fishbach et al., 2009). Thus, health action crisis appears to change consumer cognition that, in turn, plays a part in reducing health goal motivation. By adding to our understanding of action crisis, the present work pushes goal disengagement and consumer goal theory forward in new directions with potential to improve theory and practice.

*References are available on request.*

# Weight Illusion: How Number of Apps Impact Weight Perception and Product Evaluations

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**Keywords:** weight perception, perceived heaviness, visual cues, smartphone, consumer judgments

**Description:** This research examines how unrelated information, number of apps on a smartphone, influences perceived heaviness and consumer judgments towards the product.

## EXTENDED ABSTRACT

### Research Question

The goal of the current research is to investigate an important factor that can influence consumers' weight perception and judgments on the target product. In particular, we investigate whether a high number of applications on a smartphone, which is not related to the actual weight of the smartphone, has an impact on perceived heaviness and evaluations of the product. We argue that when a high number of applications is presented on a smartphone screen, consumers perceive their phones as being heavier compared to when a lower number of app icons is presented. This is possibly because the number of apps creates a weight illusion when consumers are exposed to a higher number of objects in a given space.

Drawing on weight perception literature, we design experiments to answer the following research question: how can unrelated information influence weight perception, most notably the weight of digital devices? Studies are designed to demonstrate "weight illusion," in which individuals perceive weight differently based on the visuals presented while the actual weight does not change. Would consumers perceive a digital device, a smartphone in this case, as heavier when they view a higher (vs. lower) number of application icons on a screen? If so, how would the weight perception be associated with attitudinal and behavioral aspect toward the product? In this research, we introduce the number of objects displayed as a new visual cue for inferring weight and consumers' changing perception and judgment.

### Experience of Weight on Consumer Judgments

Several psychologists and consumer researchers have examined the role of weight on consumer judgments. A famous study with heavy vs. light clipboards has shown that the bodily experience of weight increased people's judgments on monetary value, caused them to think the process to be more important, and led them to have higher consistency between judgments (Jostmann, Lakens, and Schubert 2009). This shows that bodily experience of weight, or physical effort, provides connection to one's cognitive effort. Similar research has been done to show that when people have substantive knowledge about the book, they perceive the book as more important when weighted heavily (Chandler, Reinhard, and Schwarz 2012), drawing on the fact that "weight" is a metaphor for "importance." (Ackerman, Nocera, and Bargh 2010). Additionally, Schneider et al. (2011) showed the impact of the concrete experience of weight on the bodily experience. To be specific, when people were primed with the importance information, people estimated the object as heavier.

The most interesting part of the role of weight on judgments is that the weight influences a person's perception and cognition, while the actual weight does not change. Such findings are aligned with metaphorical associations of weight with importance. One can say, "The meeting holds a lot of weight" to signal the meeting's importance. Weight is also a classic metaphor to communicate significance (Lee and Schwarz 2014). Bodily experiences may activate thoughts,

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goals, or feelings that are metaphorically connected, and this consequently influences consumer mental construal and decision-making process. In a similar sense, weight can also signal the possible capacity or potency of a product; people perceive the object has greater potential if it is heavier while the actual weight has no relevance (Osgood, Suci, and Tannenbaum 1967). However, much less is known about the impact of visual imagery on weight perception. In the next section, we examine how the number of applications (or icons) on a digital device, in this case a smartphone, can influence weight perception.

### **Influence of the Number of Apps on Weight Perception**

The impact of visual imagery has been studied to extend the research on weight. For example, when the product visuals are located at the bottom-right (in comparison to top-left) position, consumers feel that the product is heavier, and this perceived weight affects the brand and product evaluation (van Rompay, Fransen, and Borgelink 2013). Analogously, when a product image is located in the bottom, or a “heavier” location, the perceived heaviness increases and affects the package evaluation (Deng and Kahn 2009). Therefore, as the embodiment of weight influences judgments, visual imagery can also affect perceived heaviness of an object by functioning as a cue for weight.

Today, there are many kinds of applications available, and consumers actively choose what to use among the floods of applications. As images on product packages influence the weight perception of the product, we assumed that the number of applications could also change the user’s weight perception of the smartphone. While the actual weight of the smartphone does not change, the greater number of applications will lead people to think about heaviness. Hence, the following is the first hypothesis:

H1: Consumers who are exposed to a higher (vs. lower) number of applications on a smartphone screen will have greater perceived heaviness.

Heaviness is often considered to be a negative aspect for portable electronic devices, such as cameras, smartphones, and tablet PCs, because heaviness signals a lack of portability (Deng and Kahn 2009) and mobility. Light weight of mobile devices is intuitively preferred and leads to the favorable product evaluation. Therefore, we hypothesize,

H2: A higher (vs. lower) number of applications on a smartphone screen has a negative impact on the product evaluation.

H3: The negative relationship between the number of applications and the product evaluation is mediated by the perceived heaviness.

We may also expect that the weight perception of the mobile devices affects the purchasing behavior for the applications. Purchasing a new application can be perceived as adding weight on the device. As we expected that consumers would negatively evaluate the product when they perceived it as heavier, we hypothesize that the greater perceived heaviness has a negative impact on the purchase intention of a new application.

H4: A higher (vs. lower) number of applications on a smartphone screen has a negative impact on the purchase intent of a new application.

H5: The negative relationship between the number of applications and the purchase intent is mediated by the perceived heaviness.

The current research is built upon previous research work regarding the role of weight perception on judgments. As stated in our hypotheses, we propose that visual imagery functions as a cue for virtual weight perception, and this triggers consumers to change their weight perceptions. In the end, perceived heaviness will influence consumer judgments about the object. The main objectives of this research are (1) to investigate whether manipulated visuals using the number of applications would have a significant effect on perceived heaviness of the smartphone and (2) to find out the role of perceived heaviness on behavioral aspects of the smartphone through experimental studies.

### **Preliminary Test**

To confirm the major research hypothesis, 99 students (52.5% female) in a university in Seoul, Korea were recruited and completed a paper questionnaire offline. The students were randomly distributed to one of two experimental groups; one group saw smartphone displays with 30 app icons, and the other group saw displays with 60 app icons. The number of apps was determined on the basis of the empirical research (Falaki et al. 2010); the range of the number of apps for average smartphone users was from 0 to 90, and the median was 50 apps per user. Participants read a short scenario that the manufacturer W was going to launch the smartphone model Y and participants were requested to estimate the weight of model Y in gram based on the information on model Y and competing models ranged from 129g to 145g. The group who viewed 60 app icons reported significantly higher perceived weight ( $M_{high} = 147.61g$ ,  $SD = 26.947$ ) than the group who viewed 30 app icons ( $M_{low} = 137.83g$ ,  $SD = 11.005$ ;  $t(97) = -2.388$ ,  $p = .022$ ,  $d = .475$ ).

### **Study 1**

Study 1 was designed to replicate the results of pretest in controlled setting where participants estimated the weight, holding an actual smartphone. 80 university students were

invited to a laboratory to participate in a study on smartphone weight estimation with small monetary rewards. Participants were given one of the two phones (Apple iPhone 6S) with 30 (low) or 60 apps (high condition) installed. They were instructed to touch, hold, and browse the smartphone. Participants completed the questionnaires on weight estimation (measured in gram), manipulation check, and previous experience related to the brand Apple.

After excluding eight outliers who indicated weight estimation less than 100g and higher than 250g, seventy-two responses were used for analyses (51.4% female,  $M_{age} = 20.6$ ). As a check on the number of apps, the identical question of the pretest was used, and the manipulation was successful ( $M_{high} = 4.58$ ,  $SD = 1.339$  vs.  $M_{low} = 3.25$ ,  $SD = 1.18$ ;  $t(70) = -4.482$ ,  $p = .000$ ,  $d = 1.054$ ). Consistent with the previous studies, the result provided the evidence that the group who viewed more app icons noted significantly higher perceived weight ( $M_{high} = 144.44$ g,  $SD = 26.967$ ) than the group who viewed less app icons ( $M_{low} = 134.19$ g,  $SD = 11.691$ ;  $t(70) = -2.092$ ,  $d = .493$ ). Considering previous experience with electronic devices from Apple as a covariate did not change the overall pattern of results. These results rule out the possible explanation that the different weight perception could be generated because participants assume the smartphone with many icons has larger screens.

## Study 2

The main goal of Study 2 was to screen out a plausible alternative explanation that the effect of the number of apps on smartphone weight perception might be caused by visual density. The weight of a smartphone might be estimated heavier not because it has more icons on screens but because it has less margin on screens.

Participants were recruited via Amazon Mechanical Turk (AMT) with small monetary rewards. They were shown a picture of displays of model Y with some applications installed and a table of specifications of model Y and competing four other brands. They were asked to evaluate the heaviness of model Y in the exact number of weight in gram. The picture did not reveal any signs related to a manufacturer or a brand name. Participants were randomly divided between four experimental conditions: 2 (number of apps: high vs. low)  $\times$  2 (visual density: high vs. low). The stimuli were identical to those of pretest except that the size of application icon was smaller in low-density condition, making the icons apart from each other, than that of in high-density condition by enlarging app icons and locating them closely to each other.

After excluding two outliers based on the same criteria applied in Study 1, 136 valid responses were submitted to analyses (56.6% female,  $M_{age} = 28.6$ ). As a check on the

number of apps, participants indicated how many applications were displayed in the model Y on a 7-point Likert scale ranging from 1 (= very few) to 7 (= very many). The mean score for the high condition was greater than the mean score for the low condition ( $M_{high} = 6.16$ ,  $SD = .632$  vs.  $M_{low} = 5.07$ ,  $SD = 1.151$ ;  $t(134) = -6.684$ ,  $p = .000$ ,  $d = 1.174$ ). To verify manipulations of visual density, participants also indicated how densely the application icons were occupied on a 11-point Likert scale ranging from 1 (= not densely occupied at all) to 11 (= very densely occupied). Participants in the high-density condition felt that the displays were more occupied by the apps than did those in the low-density condition ( $M_{high-density} = 6.61$ ,  $SD = 2.385$  vs.  $M_{low-density} = 5.23$ ,  $SD = 2.565$ ;  $t(134) = -3.268$ ,  $p = .001$ ,  $d = .557$ ).

Results indicate that participants in the high number (60 apps) condition rated the smartphone heavier ( $M_{high} = 141.53$ g,  $SD = 15.738$ ) than the participants in the low (30 apps) condition ( $M_{low} = 136.92$ g,  $SD = 8.266$ ;  $t(134) = -2.188$ ,  $p = .030$ ,  $d = .367$ ). This means that the number of installed apps enhances perception of device heaviness, supporting the main argument of the present research. However, participants in the high-density condition rated the model Y as heavy ( $M_{high-density} = 139.80$ g,  $SD = 16.489$ ) as participants in the low-density (control) condition ( $M_{low-density} = 138.20$ g,  $SD = 5.500$ ;  $t(134) = -.751$ ,  $p = .454$ ,  $d = .130$ ). Also, the interaction effect of the two main factors was not significant;  $F(3,132) = 1.651$ ,  $p = .201$ ,  $h^2 = .012$ ). This concludes the difference of weight perception is solely caused by the difference of the number of apps.

## Study 3

Study 3 was designed to examine whether a smartphone with more apps is perceived as less appealing compared to a smartphone with a smaller number of apps, and whether this effect is mediated by the perceived heaviness. Participants were recruited through AMT with small monetary rewards; they were asked to read a short scenario that s/he was using the model Y produced by the manufacturer W and asked to estimate the weight of the product. Based on the identical hypothetical product, participants were randomly assigned into two experimental conditions: high (60 apps) versus low (30 apps). In addition to the weight estimation, participants reported their attitude toward the smartphone, perceived quality, and satisfaction level. Adopted from Lee and Aaker (2004), attitude toward the product was measured using 7-point semantic differential items anchored with “bad/good,” “unfavorable/favorable,” and “unappealing/appealing,” and the items were averaged to form an index ( $\alpha = .886$ ). Perceived quality was measured with four items from Dodds, Monroe, and Grewal (1991) (e.g. “This product would be reliable”) on a 7-point scale (1 = strongly disagree; 7 = strongly agree), and these items were also averaged to form an index of perceived quality ( $\alpha = .892$ ). Satisfaction level

was measured with two items adapted from Yi and La (2004) (“Did you feel satisfied while using your smartphone?,” “Did you feel happy while using your smartphone?”) on a 7-point scale (1 = not at all; 7 = quite a lot,  $r = .822$ ).

One hundred and thirty participants were recruited for the study (43.1% female,  $M_{age} = 21.9$ ). Manipulation of the number of apps was successful ( $M_{high} = 6.11$ ,  $SD = .721$  vs.  $M_{low} = 5.46$ ,  $SD = .927$ ;  $t(128) = -4.434$ ,  $p = .000$ ,  $d = .782$ ). Results showed that respondents in the high condition estimated the smartphone as heavier ( $M_{high} = 150.84g$ ,  $SD = 27.870$ ) than respondents in the low condition ( $M_{low} = 138.13g$ ,  $SD = 13.402$ ;  $t(128) = -3.344$ ,  $p = .001$ ,  $d = .581$ ). This reconfirms that the number of installed apps increases smartphone’s perceived heaviness. Additionally, the mean score of attitude toward the smartphone for the high condition was less ( $M_{high} = 5.159$ ,  $SD = .8755$ ) than the mean score for the low condition ( $M_{low} = 5.503$ ,  $SD = .8672$ ;  $t(128) = 2.248$ ,  $p = .026$ ,  $d = .395$ ). The same tendency was found in perceived quality ( $M_{high} = 4.925$ ,  $SD = .7482$  vs.  $M_{low} = 5.302$ ,  $SD = .7367$ ;  $t(128) = 2.899$ ,  $p = .004$ ,  $d = .507$ ) and satisfaction level ( $M_{high} = 4.889$ ,  $SD = .9000$  vs.  $M_{low} = 5.261$ ,  $SD = .9628$ ;  $t(128) = 2.274$ ,  $p = .025$ ,  $d = .399$ ).

Results of mediation analysis support that the perceived heaviness mediates the relationship between the number of apps and smartphone evaluation. A bootstrapping method with 5,000 bootstrapped samples (Zhao, Lynch, and Chen 2010) using PROCESS (Hayes 2013) revealed that perceived heaviness mediates the negative relationship between a higher number of apps on attitude toward the smartphone. Specifically, we found the mean indirect effect from the bootstrapping analysis is negative ( $ab = -.1069$ ) and significant with a bias-corrected 95% confidence interval (CI) excluding zero [−.2416 to −.0207]. We also found that the perceived heaviness partially mediates the effect of the number of apps on perceived quality; the mean indirect effect ( $ab = -.0931$ ) is negative and significant with bias-corrected 95% CI excluding zero [−.1978, −.0202], while the direct effect is still significant. The perceived heaviness mediates the relationship between the effect of number of apps on satisfaction level, as the indirect effect is negative ( $ab = -.1072$ ) and significant with a 95% CI for the mean indirect effect excluded zero [−.2482 to −.0217].

Lastly, an index for product evaluation was created by taking an average of three product evaluation items ( $\alpha = .786$ ), and an additional mediation analysis predicting product evaluation from number of apps through perceived heaviness was performed (see Table 2 for model coefficients). The mean indirect effect is negative ( $ab = -.1024$ ) and significant with bias-corrected 95% CI excluding zero [−.2164, −.0281]. These results support the notion that perceived heaviness mediates the effect of the number of apps on smartphone

evaluation. Thus, the number of apps led participants to perceive the smartphone as heavy, which in turn led to unfavorable evaluation of the smartphone.

## Study 4

The objective of Study 4 was to examine the mediating role of perceived heaviness, on purchase intention of new mobile apps. Followed by the exposure to the identical scenarios and stimuli with Study 3, participants read detailed information about a fictitious media player XYZ. Subsequently, participants were randomly divided between two experimental conditions: high (60 apps) and low (30 apps). They were requested to report their estimation on smartphone weight and purchase intention toward the newly released app XYZ. Adopted from Ku, Kuo, and Kuo (2012), purchase intention was measured with three items (e.g. “My willingness to buy the product is~”) on a 7-point scale (1 = very low; 7 = very high,  $\alpha = .947$ ).

After excluding eight outliers, 115 valid responses were left in the final sample (56.5% female,  $M_{age} = 22.7$ ). Manipulation of the number of apps was successful ( $M_{high} = 6.19$ ,  $SD = .606$  vs.  $M_{low} = 5.16$ ,  $SD = 1.17$ ;  $t(113) = -5.925$ ,  $p = .000$ ,  $d = 1.100$ ). Results revealed that participants in the high condition evaluated the device as heavier ( $M_{high} = 142.53g$ ,  $SD = 15.599$ ) than participants in the low condition ( $M_{low} = 137.26g$ ,  $SD = 9.654$ ;  $t(113) = -2.171$ ,  $p = .032$ ,  $d = .406$ ). This reassures that the high number of displayed apps makes participants feel smartphone heavier. Furthermore, the mean score of purchase intention on app XYZ for the high condition was less ( $M_{high} = 4.218$ ,  $SD = 1.309$ ) than the mean score for the low condition ( $M_{low} = 4.766$ ,  $SD = 1.434$ ;  $t(113) = 2.140$ ,  $p = .035$ ,  $d = .399$ ), concluding the number of apps negatively impacted the purchase intention of the app.

A bootstrap analysis with 5,000 resamples disclosed that perceived heaviness mediates the relationship between the number of apps and purchase intention on a new application. Specifically, displaying smartphone with 60 apps had a negative impact on the purchase intention; the mean indirect effect is negative ( $ab = -.1303$ ) and significant with a 95% CI excluding zero [−.3282 to −.0310]. These results support our prediction that perceived heaviness mediates the effect of the number of apps on purchase intention of newly introduced application. Thus, it concludes that the higher number of apps results in a greater perceived heaviness, leading to evaluate a new app as less attractive.

## Summary of Findings

Across one preliminary and four main studies, we have demonstrated that participants feel the product is heavier when they are exposed to a higher number of applications on the smartphone screen and that perceived heaviness affects the product evaluation and purchase behavior. In the pretest

and Study 1, we found that participants estimated the smartphone as heavier in a high (vs. low) number of applications condition. While the actual weight does not change, the visual imagery of the application icons serves as a cue to estimate the weight and changes the perceived heaviness of the user. Study 1 replicated the main result found in the pretest through a controlled lab experiment with having participants hold the actual smartphone. In Study 2, we examined a plausible boundary condition of visual density, but the participants did not have differing estimations of weight given how densely the icons were presented. Study 3 showed that the effect of visual cues on perceived product heaviness negatively impacted on the evaluation of the product. To be specific, participants gave low ratings in the product evaluation when they were given a high (vs. low) number of apps on the screen, and perceived heaviness served as a mediator for such effect. Finally, Study 4 was designed to identify the role of visual impact on the purchase behavior of consumer. Participants who viewed a higher number of apps revealed lower purchase intent toward a new application due to greater perceived heaviness.

## **Key Contributions**

The findings in this research extend the knowledge about the role of visual cues on consumer judgments. While prior research has mainly dealt with the role of bodily experience of weight on consumer perception and judgments, the present research is the first to examine that the visual experience using app icons can also function as a cue to estimate weight. We also explored the influence of virtual weight perception on the product evaluation and purchase behavior of the users.

In addition to these theoretical implications, the findings in our studies have important practical implications. Our findings deliver a message that an excessive number of pre-installed applications on a smartphone may backfire. Consumers may think such applications that are already installed

make the product sluggish. Installed features on electronic devices may not always be beneficial. Therefore, managers at the smartphone manufacturing companies should be aware that it is important to manage users' application usage behavior. When promoting a product, marketers should be mindful in advertising a product and its features of applications, designing product package, or communicating at the point of sales. Consumers may not always like many featured apps on their products.

This research is not free from limitations. We proposed that the perceived heaviness may provide an explanation to the negative relationship between the number of apps and the product evaluation or the purchase intention for a new app. However, this research does not provide direct evidence demonstrating this underlying process. Apart from the change in weight perception, it is possible that other processes have influenced the results observed in our studies. The negative attitude driven from the higher number of apps can be explained by other factors such that users can perceive the phone as old or outdated, or that the product is running at its full capacity.

It is also possible to say that the higher number of apps creates complexity, and as consumers perceive the product more complex, it may harm the evaluation toward the product. Consumers, given too many features, are often overwhelmed by the product and feel difficulty in using it, thereby reducing its usability (Thompson et al. 2005). Many applications on a fixed screen space may be taken as overloading information to process, and it is possible to say that a high information load due to a higher number of apps is responsible for the negative product evaluation. Future research should consider such possibility and tease out other processes to strengthen our findings.

*References are available on request.*

# The Effects of Absence vs. Presence Framing of Product Ingredients on Consumer Evaluations

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**Keywords:** framing, ingredients, green products, regulatory focus

**Description:** *This paper investigates the effects of absence vs. presence framing of novel ingredients in product messaging.*

## EXTENDED ABSTRACT

### Research Question

When looking at the ingredients section of goods such as processed foods, nutrition supplements, household cleaning or personal hygiene products, most consumers have no idea about the purpose of most of the ingredients they see. While most of those ingredients are usually listed in the back, marketing practitioners sometimes highlight an unknown ingredient to differentiate their products for promoting and educating consumers. For example, Tom's of Maine® sells a product with "propolis and myrrh" both are placed on the package in big fonts. While promoting the presence of novel ingredients has been a trend in the marketplace for quite some time, recently marketing practitioners have increasingly begun to apply the opposite strategy. For example, a bottle of Method® foaming soap clearly indicates on its package the absence of mostly-unknown ingredients by promoting "no triclosan, no phthalates, no EDTA." Similarly, NuGo® protein bar proclaims "no maltitol, gluten-free" right under its brand name on its package. Also, 365® bubble bath has check-marked statements on the front of its bottle, indicating "no parabens, no sodium lauryl, no laureth sulfate."

Considering the limited space on product packaging, why would marketers promote something that their product lacks, instead of saying what the product does better? In fact, two competitors of deodorants in marketplace today use complete opposite strategies. While Secret® brand deodor-

ant says it includes "aluminum chlorhydrate" right on the front of its package, its competitor Chrystal® brand very visibly says "no aluminum chlorhydrate." Which one of these is a more effective framing strategy? What factors may impact consumer evaluations for products that promote absence of unknown ingredients? This research aims to shed light on this questions.

The results of two experimental studies show that the absence of unknown ingredients generate more positive evaluations and purchase intentions than presence of them. We call this the absence framing effect. Furthermore, when we manipulate regulatory focus using prevention and promotion explanations as potential benefits of these unknown ingredients, our findings show that this effect seems to be driven by perceived prevention needs rather than potential promotion benefits. Our results show that consumers seem to be choosing absence-framed products because they want to protect themselves from potential harm instead of gaining better performance from such choices.

### Method and Data

Two scenario based experimental studies were conducted. In Study 1, participants were first asked to evaluate product alternatives in two categories: lotion and protein bars. On the subsequent screen, they were shown a table containing two lotion ingredients. Those in the presence framing condition saw lotion ingredients which emphasized the benefits

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associated with the inclusion of novel ingredients; those in the absence framing condition saw similar information, except with emphasis on the benefits associated with the exclusion of the chemical ingredients. Following the display of lotion ingredients, participants saw a table containing two protein bar ingredients with the similar absence and presence framing.

To further explore our predicted boundary and mediating effects, Study 2 presented descriptions of two more products (detergent and vitamins) for which novel ingredients were once again framed as either present or absent. As before, to test the moderating effect of regulatory focus, we created scenarios in which the products were positioned to either prevent negative effects or promote positive outcomes. Unlike the prior study, the stimuli only showed presence or absence of novel ingredients without any benefit information (e.g., “no cyclodextrin” in absence framing condition without any benefit explanation of cyclodextrin).

Similar to Study 1, Study 2 participants were first asked to imagine that they were evaluating product alternatives in two categories: detergent and vitamins. In a between-subjects manipulation of regulatory focus, participants saw separate images depicting a shirt and a clenched hand. Those in the prevention condition were shown a clean shirt and healthy fingernails; they were told to assume that they wanted to make sure the shirt was cleaned gently without harming the skin or causing allergies, and that they wanted to protect their fingernails and make sure the nails stayed healthy. Those in the promotion condition were shown a dirty shirt and unhealthy fingernails; they were told that they needed a powerful detergent to remove the shirt’s stains, and that they needed a powerful multivitamin to receive serious treatment.

After seeing each image, subjects were shown a table containing three ingredients. Those in the presence condition saw detergent/vitamin ingredients which emphasized the benefits associated with the inclusion of certain ingredients; those in the absence condition saw similar information, except with emphasis on the benefits associated with the exclusion of these ingredients. As before, the ingredients either emphasized benefits associated with the inclusion of novel ingredients (seen by the presence condition) or bene-

fits associated with the exclusion of the same ingredients (seen by the absence condition).

## **Summary of Findings**

Results of Study 1 provided initial support for our framework: product evaluations vary with the framing of the presence/absence of novel product ingredients. In our theory, we assert that the effect of attribute framing may depend on regulatory focus—that is, whether the goal is positioned as approaching beneficial outcomes or avoiding unpleasant ones. Our product descriptions in Study 1 were text-based and included overt details about the function of each novel attribute. Study 2 uses pictorial representations of the contexts in which the products will be used.

The results of Study 2 provide additional evidence for our theory that perceptions and behavioral intentions are more favorable when the absence of novel ingredients is highlighted, compared to the presence of novel ingredients. Further supporting H1, evaluations were significantly better for products which touted the absence of chemical additives, as compared with those products which overtly added the chemical ingredients. Additionally, this study reaffirmed an important moderator to the effect: regulatory focus. In particular, the advantage of highlighting the absence of novel ingredients appears to be effective in prevention focus, but not in promotion focus.

## **Key Contributions**

This research aimed to contribute several research streams. First, focusing on novel/trivial ingredients, we demonstrate that consumers may not favor unknown product attributes positively. Our research indicates that when ingredients are not well known and sounds chemical, promoting the presence of them may not be as favorable as promoting the absence of them. Second, our research indicates that this effect is due to prevention from harm. This indicates that when consumers encounter unknown ingredients, they presume some type of harm may come from them. Finally, we demonstrate that the absence framing effect is moderated by regulatory focus. Those in promotion focus did not have any stronger attitudes toward either absence or presence ingredient framed products.

*References are available on request.*

# Conceptualizing Joint Decision-Making in Australian Higher Education

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**Keywords:** consumer behavior, joint decisions, family decisions, higher education

## EXTENDED ABSTRACT

Joint decision-making has been an area of interest for a long time in the consumer research. Marketing professionals have always been interested in understanding how families are making choices and decisions collectively. The literature of household decision-making has focused on understanding how family members interact and influence each other when making decisions to purchase a product or a service (Koc, 2004). The goods or services where decisions are formed jointly within a family have a higher level of importance and have relatively higher perceived risk associated with the decision (Sheth, 1974). Consequently, there is a greater degree of involvement, information seeking, and negotiation during joint decision-making context in the families. Higher education is an example of a high-risk decision within the families where the parents and the young adults may be involved in the process and constantly interacting to influence their choice and preference in a joint setting.

In studying joint decision-making, the decisions between the young adults and their parents will have a different preference structure for their individual consumption than the family collectively (Ott, 2012). The dyadic approach of decision-making within the family has been ignored by the marketing researchers. This research addresses three key aspects of the joint decision-making which necessitates the need for conducting the study. First, the need for understanding preference heterogeneity in individual versus joint decision-making. Second, how the preference structure varies during the interaction of the dyads. Third, the relative bargaining in the dyads during the decision-making process (Adhikari and Rao, 2013).

The applied study claims that, in the consumption of higher education services, students and their parents typically make a joint decision for university and a degree program. However, the students individually consume the higher education services. This provides an interesting perspective to conceptualize young adults' consumption of higher education services where the decisions are formed jointly within families. This has not been explored in the higher education and consumer behavior literature, despite a wide range of studies that have explored the group decision behaviors.

Parents and young adults share substantial mutual interests; their decision processes tend to be joint naturally either in academic or personal contexts. Academic excellence and the choice of educational institution is usually a shared goal for parents and young adults, and the decisions are either participative or cooperative. The choice of the university and the degree program is not entirely made by young adults, but there may be other family influences. The research is positioned to discover joint decision-making in a situation where the service is consumed individually, and the decisions are made collectively. There is a need for a qualitative study to identify the interactional aspects of the decision-making process within families in the setting of university choice.

In this study, the interplay of influence and preferences in a joint decision-making between students and their parents is explored. The students and their parents created an inter-group context. Leximancer was used as a text analysis software to compare the concepts contributed by the participants and considered the function of those concepts in understand-

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ing the variation of preferences and decision-making. The degree of influence in the conversations and the variation of preferences were evaluated. For joint decision-making, young adults were the target of the study along with one of their parents. This study approached 30 families who had a child studying in year one of their undergraduate at an Australian university and had previously completed high school at an Australian educational institution.

There is no study that explains the “how” of decision-making of the dyads, particularly in individual service consumption. It was observed that the parents and the children have different preferences for university education. However, the families influence each other in the decision process. The young adults have a larger influence on the “problem recognition” stage during the collective decision while at the later stages the parents influence more due to the instrumental

nature of their role. There is a lesser conflict and negotiation process of influence during the decision process as the parents are already trying to accommodate to the young adults’ needs and their future academic and professional goals.

This applied research provides implication for marketing by understanding the family purchase behavior and roles. Marketers can use right marketing strategies to identify the members who play the role of initiator, and the influencer in the decision-making process. With the involvement of young adults in the family decisions, a segmented and a targeted approach for marketing may be created. The research has implications for educational policy, and higher education marketers as the right intervention strategies need to be designed to approach the right audience.

*References are available on request.*

# I Am Approaching the Event Versus the Event Is Approaching: How Time-Moving Metaphor Influences Regulatory Focus

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**Keywords:** time-moving metaphor, regulatory focus, promotion focus, prevention focus

## EXTENDED ABSTRACT

### Research Question

Linguistics noted that there are two space-grounded metaphors in temporal expressions: the ego-moving metaphor that people actively move towards the stationary event (e.g., we are approaching the summer holiday) and the event-moving metaphor that event moves towards the fixed person (e.g., the summer holiday is approaching us). When confronted with a significant event, will the spatial metaphor of time-moving influence the way consumers regulate themselves?

Our claim is that when the event is positive, the movement that people approach the beneficial event is associated with aspiration and accomplishment, thus will trigger a higher level of promotion focus than when the event approaches the people. However, when the event is negative, the movement that people approach the noxious event is associated with responsibility and security, which in turn will activate a higher level of prevention focus than when the event approaches the event.

### Method and Data

Our theory was tested through three lab experiments. Our findings overall show that the influence of time-moving metaphor on regulatory focus is contingent on the valance of the event. Specifically, Study 1 examined how time-moving metaphor may have a different influence when people were expecting a birthday party versus a job interview. Study 2 replicated the findings of Study 1 with two alternations: we directly manipulated the valence of an event, and we

included a neutral event condition. Study 3 tested the marketing implications of our findings. We found that participants in an ego-moving presentation were more like to choose a product with promotion benefits (less likely to choose a product with prevention benefits) than those in an event-moving presentation.

### Summary of Findings

In this paper, we found that the ego-moving metaphor is more likely to evoke a promotion focus than the event-moving metaphor when consumers anticipate a positive event (stimulus). However, when the event (stimulus) is negative, the ego-moving metaphor is more likely to trigger a prevention focus than the event-moving metaphor.

### Key Contributions

This research makes several important contributions. First, Extant research finds that regulatory focus could be activated by contextual factors, such as associations with specific concepts (Higgins, Roney, Crowe, et al., 1994), framing of losses and gains (Förster, Higgins, and Idson, 1998), and hedonic food consumptions (Sengupta and Zhou, 2007). We contribute to this stream of research by showing that regulatory focus could be activated by the time-moving metaphor. Importantly, this effect is moderated by the valence of event. Second, according to the regulatory focus theory, positive stimuli often evoke promotion focus, whereas negative stimuli often evoke prevention focus (Higgins et al. 1994; Higgins 1997). This research supported the above propositions. More importantly, we find that this

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effect was attenuated when the event was described in an event-moving metaphor versus when it was described in an ego-moving metaphor.

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*References are available on request.*

# Consumers' Bias Correction in Advertising

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## ABSTRACT

In many advertising settings, consumers encounter a series of ads (e.g., a series of TV commercials or print ads). Research has shown that the ads encountered before the target ad can have significant influences on perceptions of the target ad and product. That is, when consumers encounter ads in sequence, perceptions of the target product can be affected not only by persuasive variables embedded in the target ad itself, but also by the concepts activated by the preceding ads. In some situations, target perceptions are *assimilated* (become more similar) to the perceived qualities of the context products or ads than if the context ads were not present (Herr 1986, 1989; Sherif and Hovland 1961). Much research suggests that assimilation is likely when contextual ads prime concepts, attributes, or categories that later get applied to encode the target product (Higgins and Brendl 1995; Schwarz and Bless 1992; Yi 1990), when there is feature match (Herr 1986), or when an overlap exists in the interpretation ranges of the target and context (Chien, Wegener, Hsiao, and Petty 2010). In other situations, however, target perceptions are *contrasted* away from (become less similar to) the context (Herr 1986, 1989; Sherif and Hovland 1961). Contrast is more likely to occur when the products in contextual ads or the concepts activated by contextual ads are used as a standard of comparison for the target (Schwarz and Bless 1992), when there is no feature match (Herr 1989), or when lack of overlap in the interpretive ranges of the context and target (Chien et al. 2010).

**Keywords:** *bias correction, context effect, involvement, assimilation, contrast*

Ads can constitute a context that influences effectiveness of later ads as when priming or comparison processes lead to assimilation toward or contrast away from the context ads. We suggest, however, that ads can also play a new correction-based role when features in the ad increase consumers' awareness of potential biases. When highly-motivated consumers detect the potential biases, they tend to make corrections for their product judgments in a direction opposite to their perceived biasing directions, which would reduce, remove, or even reverse the typical context (assimilation or contrast) effects. Or, attempts at correction can even have an effect if no bias would actually have been present. When people attempt to correct for perceived biases that would not have occurred, the correction attempts can create the opposing bias. These possibilities should hold true regardless of whether the corrections are prompted by a feature of the context ad or by a feature of the target ad itself.

Consumers' attempts at correction would not simply occur any time these correction-related features are present. Rather, consumers' motivation and ability to think carefully about the target ad would represent important limiting con-

ditions (Wegener and Petty 1997, 2001). Consumers should be more likely to correct for perceived biases when their motivation and ability to think carefully about the target ad are sufficiently high, but these attempts at corrections should be less likely if motivation or ability to think is lacking. That is, correction attempts, like other forms of meta-cognition, typically require a relatively high degree of thinking (Petty, Briñol, Tormala, and Wegener 2007).

One common bias in advertising is when consumers evaluate a product more favorably if the product endorser is attractive rather than unattractive (Petty, Cacioppo, and Schumann 1983; Shavitt, Swan, Lowery, and Wänke 1994). When people become aware of potential biases, however, attempts at corrections for endorser-based biases can reduce or even reverse attractiveness effects. For example, Kang and Herr (2006, Study 2) alerted students to a potential bias by having them provide explanations for why an attractive salesperson was generating more sales revenue than an unattractive salesperson. When research participants later received an ad for a computer with an attractive or unattractive endorser, they evaluated the target computer less favor-

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ably when the ad included an attractive rather than unattractive endorser. Consistent with the Flexible Correction Model (FCM; Petty and Wegener 1993; Wegener and Petty 1995, 1997), Kang and Herr (2006) found evidence of corrections when research participants were made aware of the potential for bias and when motivation and ability to think about the target were each high. We suggest that contextual ads might also instigate corrections for “biases” by prompting consumers to consider particular influences as biases to be avoided. When a marketer knows that a competing brand uses a particular advertising strategy (such as celebrity endorsement), one way to undermine the effectiveness of the competitor’s ads may be to convince consumers that influences of the celebrity are “biasing.”

In the current study, we examined this new correction-based role for contextual ads. We manipulated motivation to think about the target, the presence or absence of an attractive endorser for the target product, and the presence or absence of a tagline in the context ad that should instigate attempts to correct for perceived “biasing” effects of the attractive endorser. Thus, by incorporating a correction prompt into the context ad itself, we examined corrections in settings more similar to those routinely faced by consumers. In order to maximize the likelihood that the potential biases could be discerned and subsequent correction would occur, correction researchers have often provided some reminder or instruction external to the ad that notifies participants of a possible bias just preceding the target assessment. For example, in Kang and Herr (2006, Study 2) and Strack, Schwarz, Bless, Kübler, and Wänke (1993), participants were either prompted by the researcher with bias relevant knowledge or reminded of the earlier priming task prior to the formation of the target impression. Similarly, in studies of corrections based on assimilative versus contrastive naïve theories of bias, Wegener and Petty (1995; Petty and Wegener 1993) explicitly asked participants not to be influenced by the contextual stimuli just before target evaluation. We suggest that prompts that identify bias and instigate attempts at correction can be incorporated directly into ads that consumers encounter in their daily lives. That is, ads themselves can serve as both contextual stimuli and the instigator of the correction.

## **Study**

### **Pretest**

To identify an endorser who would be most likely to create positive, assimilative biases when associated with the target product, a pretest group of 30 college students rated a list of seven popular singers and movie stars in terms of favorability on a 7-point scale ranging from 1 (less favorable) to 7 (more favorable). The celebrity with the highest rating,  $M = 5.63[1.07]$ , significantly higher than the scale midpoint of

four,  $t(29) = 8.39, p < .001, \eta^2 = .71$  was selected as the favorable endorser employed in the target ad. Another group of 30 college students participated in a pretest examining whether participants perceived the potential biasing influence of the endorser similarly across motivation conditions. They received the same ads and motivation manipulation as in no-tagline conditions in the main experiment. Then, instead of answering the dependent measures from the main study, they rated how they thought the endorser would influence their initial reactions to “Fiago” coffee on a 9-point scale anchored by -4 (make “Fiago” seem less favorable than if there was no endorser in the ad and 4 (make “Fiago” more favorable than if there was no endorser in the ad. The one-way ANOVA showed that perceptions of the endorser effects on their initial reactions to the target product did not differ between high- and low-motivation conditions,  $M = .93[1.34]$  vs.  $1.07[1.28], F(1, 28) = .08, p = .78, \eta^2 < .01$ . Participants reported that the endorser used in the target ad would make their initial reactions to the target product significantly assimilated to the positively perceived endorser,  $M = 1.00[1.29]$ , in relation to 0,  $t(29) = 4.26, p < .001, \eta^2 = .38$ . Therefore, irrespective of motivation level, participants perceived endorser-based biases as assimilative.

### **Participants and Design**

A total of 120 college students were recruited to participate in the experiment for extra course credit in their introductory marketing courses. Participants were run in two classroom sessions with roughly equal size, and were randomly assigned to a 3 (Tagline: yes vs. no vs. control)  $\times$  2 (Motivation: high vs. low) between-participants factorial design. We were able to measure the direction and size of the endorser effects and the magnitude of corrections by comparing the baseline measurements in the control groups with the treatment means in the experimental groups.

### **Procedure**

Participants randomly received one of the six versions of the experimental conditions. Participants would watch several slides showing various product ads, and they were asked to evaluate the advertised product after each slide. The first slide presented a fictitious (i.e., Eneric) sport drink ad, in which one-third of the participants were exposed to the tagline saying that “Other than you, whoever drinks it is not important. Be yourself. Obey your thirst!” Another one-third of the participants viewed the same ad without the tagline. This tagline suggested to participants that reactions to the endorser was not relevant to judging the true quality of the product. We expected that such tagline would prompt participants to consider the endorser in the ad as potentially biasing. For the two control groups, the contextual “Eneric” sport drink ad was the same as in the no-tagline conditions. After seeing this slide, participants’ attitudes toward the

sport drink were assessed. Then, the second slide showed an ad for the target coffee brand, “Fiago” (a fictitious brand). In the high motivation condition, participants received a passage in the beginning of the slide indicating that a coffee brand, “Fiago” was going to be launched in the local area during the next month and that college students would be its target consumers. To further increase motivation, they were also told that their opinions and attitudes toward the target product were extremely important because only a small group of students was selected to participate in this survey. On the other hand, participants in the low motivation conditions were not given any information about launch of the target product or accountability for accuracy of survey. In the target ad, participants would view that the fictitious coffee brand, “Fiago,” was saliently endorsed by the favorable celebrity (selected in the pretest) along with a picture of coffee product. No endorser was presented in target ads for two control groups.

Participants were then asked to evaluate the target product on three 7-point scales (Cronbach’s  $\alpha = .81$ ) ranging from 1 = “bad,” “negative,” and “unfavorable” to 7 = “good,” “positive,” and “favorable.” Participants were also asked to rate their level of motivation when reading the target advertisement on three 7-point scales (Cronbach’s  $\alpha = .84$ ) ranging from 1 = “not important to answer accurately,” “not prudent to make the accurate answer,” and “not concentrating on providing the accurate answer” to 7 = “very important to answer accurately,” “very prudent to make the accurate answer,” and “concentrating very much on providing the accurate answer,” respectively. They then rated their favorability toward the endorser using four 7-point scales (Cronbach’s  $\alpha = .81$ ) with 1 = “unattractive,” “dislikeable,” “negative,” and “unfavorable” and 7 = “attractive,” “likable,” “positive,” and “favorable,” respectively. Perceptions of the target information were measured using two 7-point scales (Cronbach’s  $\alpha = .83$ ) anchored with 1 = “not very persuasive” and “with very weak arguments” and 7 = “very persuasive” and “with very strong arguments,” respectively. Participants then continued to view some other slides and were asked several questions about the advertised products of the slides. After an open-ended suspicion probe, participants were thanked, debriefed, and dismissed. No participants correctly guessed the study purpose in the suspicion probe.

## Results

**Manipulation check.** A 3 (Tagline)  $\times$  2 (Motivation) analysis of variance (ANOVA) on the motivation index yielded only the expected main effect of Motivation. Participants in the high-motivation conditions expressed greater motivation for making accurate judgments than participants in the low-motivation conditions,  $M = 4.63[.95]$  vs.  $4.02[.70]$ ,  $F(1, 114) = 16.03, p < .001, \eta^2 = .12$ . Participants’ perceptions of

information supporting the target were not strongly influenced by the manipulation of motivation,  $F(1, 114) = 1.05, p = .31, \eta^2 < .01$ . The perceived quality of the target information was non-significantly higher when participants were in high-motivation rather than low motivation conditions,  $M = 4.38[.87]$  vs.  $4.21[.98]$ . More importantly, the quality of the target information was not perceived differently across the groups that did or did not receive the tagline in the context ad ( $F < 1$ ). Participants reported favorable perceptions of the endorser in the target ad,  $M = 5.17[.98]$ , significantly higher than the midpoint of four,  $t(79) = 10.60, p < .001, \eta^2 = .59$ . Liking of the endorser did not reveal any effects of the tagline manipulation or of the motivation manipulation ( $F_s < 1$ ), and there was no interaction,  $F(1, 76) = 2.09, p = .15, \eta^2 = .03$ . Therefore, any effects of the tagline cannot be attributed to changes in the perception of the endorser across conditions. Rather, taglines are more likely to influence one’s use of reactions to the endorser in product evaluation.

**Target attitudes.** Participants’ attitudes toward the target product were submitted to a 3 (Tagline)  $\times$  2 (Motivation) ANOVA. The ANOVA revealed a significant Tagline main effect,  $F(2, 114) = 5.17, p < .01, \eta^2 = .08$ , and a significant Tagline  $\times$  Motivation interaction,  $F(2, 114) = 5.29, p < .01, \eta^2 = .08$ . An interaction contrast (Abelson and Prentice, 1997) focusing on the experimental conditions showed a significant Tagline  $\times$  Motivation interaction,  $F(1, 76) = 4.70, p < .05, \eta^2 = .06$ . That is, when motivation was high, the target product was evaluated as significantly less favorable under the tagline condition,  $M = 4.48[.77]$ , than under the no-tagline condition,  $M = 5.37[.49]$ ,  $F(1, 76) = 14.27, p < .001, \eta^2 = .16$ . On the other hand, when motivation was low, target attitudes did not differ between the tagline condition,  $M = 5.23[.67]$ , and the no-tagline condition,  $M = 5.40[.95]$ ,  $F(1, 76) = .51, p = .48, \eta^2 < .01$ . When comparing no-tagline conditions to the control conditions, assimilation to the endorser was the general pattern. Collapsing across the level of motivation, participants’ attitudes toward the target were more favorable when participants received the endorser without a previous bias-relevant tagline,  $M = 5.38[.75]$ , than for those in the control group,  $M = 4.88[1.00]$ ,  $F(1, 76) = 6.67, p < .05, \eta^2 = .08$ . Consistent with past research on processing motivation, the effects of endorser were significant when motivation was low,  $M = 5.40[.95]$  vs.  $4.65[1.09]$ ,  $F(1, 76) = 7.26, p < .01, \eta^2 = .09$ , but not high,  $M = 5.37[.49]$  vs.  $5.10[.87]$ ,  $F(1, 76) = .92, p = .34, \eta^2 = .01$ , though this interaction was not significant,  $F(1, 76) = 1.51, p = .22, \eta^2 = .02$ . When comparing the corrected ratings with the ratings of control groups, we found that participants in high-motivation, tagline condition actually rated the target product significantly less favorably,  $M = 4.48[.77]$ , than in the high-motivation, control group,  $M = 5.10[.87]$ ,  $F(1, 76) = 5.10,$

$p < .05$ ,  $\eta^2 = .06$ . This indicated that participants over-corrected for the perceived assimilation bias, leading the attractive source to backfire on the product. In low-motivation conditions, when no significant corrections occurred, ratings following contextual taglines remained in the direction of assimilation,  $M = 5.23[.67]$ , compared with the low-motivation control group,  $M = 4.65[1.09]$ ,  $F(1, 76) = 4.56$ ,  $p < .05$ ,  $\eta^2 = .06$ .

## Discussion

These results supported our predictions that the contextual ad could serve to remind consumers of the potential bias and elicit consumers' bias correction behavior for the subsequent encountered ad. Our study also further demonstrated that such a corrective attempt could even create a bias (contrast) opposite to the typical assimilative effect of the endorser (i.e., causing an over-correction). In general advertising contexts, consumers might not spontaneously identify endorser attractiveness as "biasing," but a previous ad identifying one's own reactions as primary and exhorting consumers to resist the "bias" of an attractive endorser can result in significant adjustment of one's perceptions of a later target, as long as motivation to think carefully about the target is high. Thus, a context ad can do more than activate concepts or establish a comparison process to create traditional context effects (i.e., assimilation or contrast). A contextual ad can also help people identify potential biases and, by doing so, can encourage attempts at correction that might reduce, remove, or reverse biases that would occur without the corrections.

Our current research provides several contributions. First, our research shows that bias reminder for triggering corrections can be embedded within the context ads. Including correction prompts in the context ads emphasizes the potential practical benefits of considering the use of ads to instigate corrections. In past research on corrections, researchers have often used the direct, explicit correction instructions made by the experimenters to instigate corrections (Petty, Wegener, and White 1998; Wegener and Petty 1995, 1997). However, these direct instructions may themselves have increased motivation to process (and to correct) even when initial motivation to process is low. Thus, with direct correction instructions, corrections have occurred across both low and high levels of motivations (Petty et al. 1998). When bias prompts are embedded within contextual ads, however, the hypothesized effects of motivation to think may be more likely to occur (Wegener and Petty 1997, 2001).

Second, the current research supports the postulations of the FCM (the Flexible Correction Model: Wegener and Petty 1995, 1997, 2001) and demonstrates that consumers can self-activate bias corrections based on their own naïve theory about the biasing effects. Our results indicated that,

for high-motivation participants, although target assessments were not different between the control condition and the no-tagline condition, denoting that high motivation to process led to relatively accurate judgments (without being contaminated by the bias), bias prompt made participants to further correct their judgments, which resulted in an over-correction. The creation of an opposing bias in high-motivation/tagline conditions was consistent with the FCM suggesting that consumers' perceptions are sometimes relatively accurate and sometimes relatively inaccurate; the same psychological process of theory-guided correction can sometimes lead to corrections of biases that are real and sometimes lead to corrections of biases that would not occur without the corrections (Petty et al. 1998; Wegener and Petty 1995). When a bias is operating without the corrections, then corrections can reduce or eliminate the bias (and over-corrections might create the opposite bias). When there is no bias without the corrections, then corrections for perceived biases can create the bias opposite to the perceived bias.

Third, the current research may offer some important implications to marketers. Marketers should be aware of potential correction-based reversals of common judgment effects, such as corrections for likable endorsers resulting in less favorable perceptions. If marketers know that a rival brand includes tagline material that labels common techniques, such as celebrity endorsement, as "biasing," this may call for a change in marketing strategy to at least temporarily avoid these "biasing" agents in one's ads. On the other hand, marketers may intentionally promote the ad with a particular bias-relevant tagline in order to restrain competitors' ads from delivering the contextual influence to consumers (e.g., prestigious themes or attractive endorsers).

There are some issues left for future research. For example, the use of naïve theories of bias in the corrections could be more directly examined. This would require direct measures or manipulations of theories of bias within the study or in pretests. Such studies would be particularly useful within the consumer domain where naïve theories of bias have not previously been explored. Also, if consumers are able to correct for potential biases without external correction reminders or instructions, then it will be very interesting to investigate the factors that might increase the likelihood that potential biases are perceived or identified. For example, even without bias-relevant information in the current advertising setting, previous consumer experience with biases and corrections might dispose them toward paying attention to potential biases or unwanted influences (cf., Friestad and Wright 1994). These awaits future research.

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# This Brand Is Inspirational: The Influence of Logo Shapes

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**Keywords:** *brand logo, logo shape, inspiration, brand personality, holism*

**Description:** *In this study, we demonstrate how different combinations of logo shapes could influence the brand personality judgment and make brands become inspirational, and found a significant moderation of holism on this logo shape effect.*

## EXTENDED ABSTRACT

### Research Question

Companies could spend millions of dollars to design a new logo or to renovate an existing one for growing business domestically and internationally (Jiang and Gorn et al., 2016). Besides, companies and brands could benefit from the inspirational images when consumers are seeking for changes, for hopes, and/or for better future, because of the fit between the brand images and the needs and wants of consumers. Surprisingly, the literature is still silent on how logo can make consumers perceive that the brand is inspirational. Therefore, in this paper, we attempt to demonstrate how different combinations of logo shapes could become influential in the brand personality judgment and make brands become inspirational. Especially, very few studies have noticed the effect of different size (large or small) or shape (angular or circular) combination in logos. Would the combinations of different logo shapes polarize or compromise the brand inspiration perception?

Inspiration has been developed as a new psychological construct and defined as a motivation state that energizes and directs one's behavior (Thrash and Elliot, 2003, 2004). Liang, Chen and Lei (2016) found that victims in donation appeals could inspire consumers to make better evaluation of the donation appeals and even donate more to the victims by eliciting a combination of sadness and strength emotions.

Veryzer and Hutchinson (1998) show that consumers prefer the products with the same whole shape and part shape (vs. the different shape combination), and they call this "Unity effect." Similarly, we want to test whether the shapes (i.e.,

circular and/or angular) in the same logo would interact with each other and lead to different comfortableness and durability perceptions, which then influence the dimensions of brand personality (e.g., ruggedness; Aaker, 1997). Moreover, we propose that the use of same (vs. different) logo shapes would make a brand more (vs. less) inspirational and increase (vs. decrease) the brand attitude because of the higher (vs. lower) perceptions on certain dimensions of brand personality (e.g., excitement). Furthermore, we propose that the cognitive processes (i.e., high vs. low holistic processor; Choi et al, 2003, Choi and Koo et al., 2007)) moderate the impacts of different logo shapes so that high holistic (low) processor would be more (less) influenced by the effects of different logo shape combinations, because high (low) holistic processors are more (less) concerned about the congruency of logo shapes.

### Method and Data

We manipulate two logo shapes in the same logo: circular and angular. Meanwhile, all the logo shapes have two difference sizes (i.e., small and large) and the logo always has a small logo shape inside a large logo shape. Hence, we establish four different logo conditions in a 2 (circular-small vs. angular-small) × 2 (circular-large vs. angular-large) design and 118 university students participated.

We choose the sport shoes as the experimental stimuli based on Jiang et al. (2016). Participants are shown a picture of a branded shoe with one of the four logos in each condition, as well as some description about the brand (the same in all

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conditions). They then answer questions in 9-point scales on their perceptions about attitude toward the shoe, product comfortableness and durability.

Participants then complete a set of 7-point scales measuring the five dimensions of brand personality (adapted from Aaker 1997) and the extent to which the brand is inspirational, as well as the circular and angular evaluations. Finally, they finish demographic questions on gender, age and profession.

## **Summary of Findings**

### **Comfortableness and Durability**

When large and small logo shapes are congruent (either both circular or both angular), the products are considered to be more comfortable than the products when large and small logo shapes are incongruent (circular and angular in the same logo), while those ratings within congruent or incongruent logo shapes are the same. When both large and small shapes are congruent, the products are perceived to be significantly more durable than the products with incongruent shapes (circular and angular shapes) in the logo.

### **Inspirational Brand**

We found that when large and small logo shapes are congruent, consumers think that the brands are more inspirational than the brands with incongruent shapes in the logos.

### **Mediations of Dimensions of Brand Personality on Inspirational Brand**

We found significant moderated mediation effects for three brand personality dimensions, i.e., excitement, sophistication, and ruggedness, but not the other two dimensions, i.e., sincerity and competence. Further examinations indicate that when both small and large logos are congruent (either both in angular or both in circular), the three brand personality dimensions mediate the effects of the logo shapes on brand inspiration in different ways. In particular, when small logos are angular, if large logos are also angular (vs. circular), excitement, sophistication, and ruggedness mediate the effects of logo shape on brand inspiration. Meanwhile, when large logos are circular, if small logos are also circular (vs. angular), excitement and sophistication are significant mediators between logo shapes and brand inspiration.

### **Mediation of Brand Inspiration on Product Quality Evaluation**

We found significant moderated mediation effects for brand inspiration. Further examinations indicate that when both small and large logos are congruent (either both in angular or both in circular), the brand inspiration mediate the effects of the logo shapes on product quality perception. In particular, when small logos are angular, if large logos are also angular (vs. circular), brand inspiration mediate the effects of logo shape on quality perception.

### **Moderations of Holism on Logo Shape Effect**

We found significant moderated effects for holism. Further examinations indicate that when both small and large logos are congruent (either both in angular or both in circular), high holism moderate the effects of logo shape on brand inspiration, that is, for high holism individuals, they are more likely to evaluate higher brand inspiration when the large and small logo shape are both in angular or both in circular.

### **Key Contributions**

The study reveals that different combinations of logo shape (circular or angular) and logo size (large or small) indeed impact the brand perceptions and brand attitudes. When different size logo shapes are congruent (either both circular or both angular), the products are considered to be more comfortable, more durable and the brand is perceived more inspirational than the condition with incongruent logo shapes (circular and angular shapes). Further, we found a significant moderated mediation effects for three brand personality dimensions, i.e., excitement, sophistication, and ruggedness, and a significant moderated effect for holism on this kind of logo shape effect. To our best knowledge, we are the first to introduce the inspiration construct into the literature of the brand logo shape perception and demonstrate the impact and the mechanism of brand inspiration.

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*References are available on request.*

# Effect of Context Visual Complexity on Perceived Enjoyment

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## ABSTRACT

This study focuses on the relationship between context visual complexity of an online retailing web site and consumers' enjoyment. Built upon the S-O-R paradigm, it demonstrates that an e-retailer web site with low visual complexity is evaluated as more enjoyable than high visually complex one and processing fluency and perceived control are mediators of this relationship.

**Keywords:** *context visual complexity, online retailing, consumer enjoyment, intention, experimental design*

**Description:** *The effect of context visual complexity on enjoyment through processing fluency and perceived control*

## Introduction

In recent years, the research have revealed that web sites are the primary interfaces for online retailers that stimulate consumers to engage in online shopping activities (Ganesh et al., 2010). Despite the cheaper merchandise offers and faster delivery, the potential buyers may not be interested in continuing surfing in an e-retailer web site if they do not enjoy it. Such fact has driven previous studies to focus on web site's atmospheric cues such as perceived aesthetics (Wang et al., 2011), level of image interactivity (Kim et al., 2007) and their influence on e-shopper purchase behaviors (Wang et al., 2011) and basket value (Mallapragada et al., 2016). Even though these studies attempt to understand shopping behavior, they generally neglect the emotional states that consumers go through during their online experiences which in turn may determine their shopping behavior.

Accordingly, this research aims to investigate the role of enjoyment as an emotional state in responding to e-retailer web sites which is driven by context visual complexity. Moreover, it attempts to understand the role of processing fluency and perceived control in the context visual complexity-enjoyment relationship. In order to test the value of this model for practice, marketing performance outcomes of revisit and repurchase intention are assessed as outcome variables.

## Literature Review

Online retailing appeals a great deal of attention owing to its several benefits for both consumers and retailers.

Online retailing with technology improvements provides greater convenience and accessibility to big amount of information than traditional retailing (Eroglu et al., 2001). More retailers consider it as a desirable commercial medium that provides efficient use of time, convenience and value comparison (Kalakota and Whinston, 1997). Therefore, managing customer experiences in a retail setting is highly contextual and significant (Grewal et al., 2009). Deep understanding of the nature of online shopping outcomes and the factors that influence them remains an emerging area of investigation (Narayanan and Kalyanam, 2015). With this study, we attempt to investigate to what extend enjoyment during online purchase experience are reliant on the web site characteristics (context visual complexity) and personal (perceived control, processing fluency) variables.

One of the major variables related to online retailing is the atmospheric properties of the medium through which consumers are exposed to products and services (Shih, 1998). Like in traditional retail stores, physical environment features (e.g. visuaudial qualities) affect the various psychological and behavioral shopping outcomes (e.g. satisfaction and time spent in online store) of online shopping (Bitner, 1992). Previous studies focus on the categorization of online atmospheric cues (Eroglu et al., 2001) as well as on the impact of specific features of online retailing, that are, perceived aesthetics (Wang et al., 2011), navigational cues (Hsieh et al., 2014), level of image interactivity (Kim et al.,

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2007), online in store displays (Breugelmans and Campo, 2011) on attitudes, loyalty and shopping outcomes.

Grewal and Levy (2007) stated that the retail design elements have emerged as a major issue that require in-depth investigation. By relying on the fact that atmospheric factors influence internal states of consumers (Bitner, 1992) that trigger patronage behavior, this study takes context visual complexity into account and links it to an understudied issue of enjoyment in online retailing setting. Online retailing industry has witnessed increasing competition due to the rising emphasis on how to appeal and retain online customers (Eroglu et al., 2001). Many online retailers adopted advanced technologies (e.g. customized solutions, computer-aided analytical tools) to offer better functionality. However, providing functional designs may not be enough for creating a consumer-oriented online retailing environment. Other design issues should support the functionality. Visual complexity has potential to affect people's perceptions, preferences, and behaviours toward many objects, from artworks to web sites (Machado et al., 2015). Thus playing with the visual complexity of an e-retailer web site may be an effective tool for enhancing shoppers' online experiences (Wang et al., 2011) via stimulating their emotional states. Accordingly, this study proposes a model (Figure 1) claiming that the online retail store's context visual complexity influences shoppers' emotional states, specifically enjoyment, that in turn alters revisit and repurchase intentions. It also unfolds this underlying mechanism with regards to the individual variables of perceived control and processing fluency as potential mediators.

In the following, first, major characteristics of online retailing will be discussed to understand the nature of this non-conventional retailing format, and then the development of a research framework with key research hypotheses will be laid out. The document will continue with potential theoretical and managerial contributions. Finally, the initial steps of the research design will be discussed.

### **Context Visual Complexity**

Complexity can be defined as the "amount of variety or diversity" in a stimulus (Berlyne, 1960, p.38). Context visual complexity, which is a subdimension of overall web site complexity, generally described as the amount, diversity, and distinguishability of visual cues in an online environment (Mai et al., 2014). Several studies in the literature about experimental aesthetics (Birkhoff 1933), evolutionary aesthetics (Kaplan and Kaplan 1983), environmental aesthetics (Nasar 2000) and Human Computer Interaction research (Lavie and Tractinsky, 2004) indicate that visual complexity is one of the major factors in individuals' visual perception. Especially in online retailing, visual appeal is an

important consideration in the design of online retail atmosphere because it guides shopping behavior (Orth and Crouch, 2014).

Context visual complexity consisting of feature complexity (the density of visual detail in terms of color and edges) and design complexity (the complexity of the design in terms of its shapes, objects, and organization) helps or hurts the performance in various environments (Pieters et al., 2010) from product packages (Orth and Malkewitz, 2008) to online interfaces (Guo and Hall, 2009). Goodness of a visual design evokes liking that provides a basis for consumer-brand relationships beyond product level (Chitturi et al., 2008; Henderson, 2003).

Previous research have investigated the concept of complexity in different contexts such as advertisements (Cox and Cox, 1988), brand logo design (Janiszewski and Meyvis, 2001), package design (Pieters et al., 2010), and mobile marketing (Sohn et al., 2017). In this study

we extend the issue of context visual complexity to online retailing context and propose that online retailing web site's context visual complexity has a significant effect on consumer's enjoyment level that in return affects revisit and purchase intention. The visual complexity of a context through which an online retailer displays its offers may influence enjoyment of consumers through processing fluency and perceived control.

Less complex stimuli are generally easier to process, leading to higher enjoyment (Janiszewski and Meyvis, 2001). Fluent processing triggers positive affect by indicating error-free processing as well as by signaling safety (Halberstadt and Rhodes, 2000). The positive affect activated by fluent processing is attributed to the stimulus (e-retailer web site) and as a result, enjoyment gets stimulated (Corneille et al., 2005). Therefore, it is hypothesized that;

$H_1$ : E-retailer web site will be evaluated as more enjoyable when presented in low context visual complexity than high visual complexity.

### **Processing Fluency**

Visual complexity may play a key role in how consumers process environmental cues in online retail contexts. However, processing fluency of an individual may change the interpretation of visual complexity and hence the emotional reactions towards the target. Fluency can be explained as "the subjective experience of ease with which a person processes an important source of information" (Reber et al., 2004, p. 338).

The processing fluency experienced related to one object might also influence evaluations of a subsequently viewed different object. For example, the ease of processing an article might influence the ease of processing a subsequent advertisement in the same magazine. This may also lead to changes in the evaluations of the product described in this advertisement. It is hard to predict the direction of this influence on evaluations (Shen et al., 2010). Several research studies suggest that as the processing difficulty associated with the first product increases, evaluations related to the second product will become more unfavorable (an assimilation effect). In their research Winkielman and Cacioppo (2001) indicate that positive (negative) affect is elicited if there is high (low) processing fluency. More fluent stimulus is associated with greater enjoyment, because people attribute the fluency to the target (Orth and Crouch, 2014). Hence, it is expected that;

$H_2$ : The effect of context visual complexity on enjoyment will be mediated by processing fluency.

### **Perceived Control**

The need to feel dominant, influential and in control is a human desire that consumers seek to satisfy in their exchange relationships (Ward and Barnes, 2001). Control is defined as “an individual’s beliefs, at a given point in time, in his or her ability to effect a change, in a desired direction, on the environment” (Greenberger et al. 1989, p. 31). Feeling in control leads to positive affect such as enjoyment (Ward and Barnes, 2001).

Perception of control in the retail environment evoke affect since it induces consumer’s judgement of whether the environment will support goal achievement which in turn produces positive affect and involvement. The visually less complex e-retailer web sites are likely to trigger favorable emotions such as enjoyment, since they allow effective goal achievement. Based on these arguments, the following can be hypothesized:

$H_3$ : The effect of context visual complexity on enjoyment will be mediated by perceived control.

In brief, the unique aspects of this study supported by the short argumentation above are the following: Firstly, by focusing on the relationship between context visual complexity and enjoyment which has not been considered in earlier studies of online shopping, it argues that visual design triggers emotional states that in turn stimulate higher revisit and repurchase. It also claims that the connection between visual senses and emotions in an e-retailer setting is likely to be indirect, that is it depends on an online shopper’s processing fluency level and his/her feeling of perceived control

over the e-retailer web site. Secondly, it is one of the first studies that considers the conditions that may increase or decrease the strength of the relationship between visual stimulus (context visual complexity) and emotions (enjoyment) in e-retailing setting. The proposed model of the study which illustrates this argumentation is presented in Figure 1 above.

### **Theoretical and Managerial Contribution**

Literature from diverse disciplines provide theoretical ground for a conceptual framework that explores the impact of physical surroundings on the behaviours of customers (Mehrabian and Russell, 1974; Russell and Pratt, 1980; Donovan and Rossiter, 1982). Based on the stimulus-organism-response (S-O-R) paradigm, environmental psychology claims that the environment is a stimulus (S) with cues that affect people’s internal evaluations (O), and in turn create approach/avoidance responses (R) (Russell and Pratt, 1980). In their S-O-R paradigm environmental psychologists argue that emotional states (i.e. pleasure, arousal, dominance) are intervening variables that define how environmental stimulus influence behavior. Those studies adopt pleasure-arousal-dominance (PAD) sequence as in Russel’s (2003) revised S-O-R paradigm.

This study challenges this sequence which has not been done in earlier studies of the field by arguing that online shopping settings require the individuals to possess some skills’ utilization such as computer literacy, navigation skills, familiarity with online jargon and so on. Therefore, before a consumer begins to shop online, his/her cognitive mechanism is already activated. Drawing on this argument, the main contribution of this study is that cognitive elaboration takes place before emotional states in online shopping contexts and revises PAD model as DAP (dominance-arousal-pleasure) (Table 1). More specifically, it proposes that context visual complexity of an e-retailer’s web site cannot lead to enjoyment without an individual’s processing fluency and perceived control are activated.

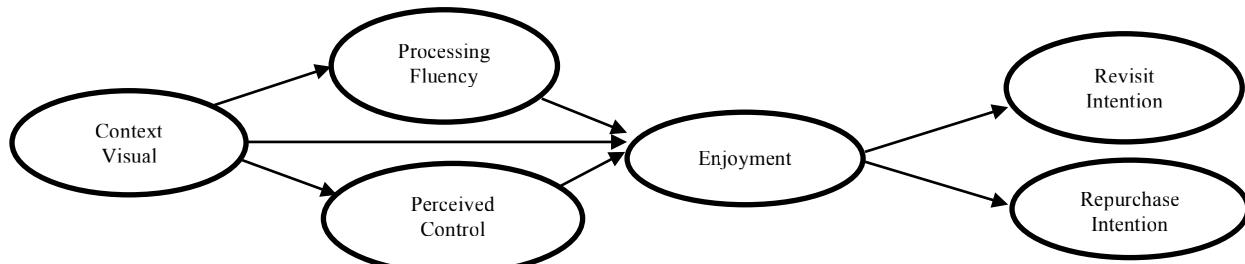
### **Research Design**

This study adopts experimental design in order to assess the causal links between the variables of the study aiming to answer the following questions: How does context visual complexity of an online retailing web site affect enjoyment of consumers? and How do processing fluency and perceived control interact with context visual complexity and revisit and repurchase intention? (Figure 1).

Two existing web sites are selected on a basis of an initial study in which respondents were asked to evaluate a pool of e-retailer web sites in terms of context visual complexity (high vs. low). Later, data was collected through an online

**Table 1.** The Revised DAP of S-O-R and the Variables of the Study

Stimulus	Organism			Response
Environmental Stimulus	Emotional States			Approach/ Avoidance
	Dominance	Arousal	Pleasure	
Complex Visual Complexity	Processing Fluency Perceived Control	Enjoyment		Revisit Intention/ Repurchase Intention

**Figure 1.** Theoretical Model of the Study

survey. Respondents were assigned randomly to view these two e-retailer sites. After being exposed to the screenshot of these web sites (see appendix), they filled a questionnaire that assess the following constructs: visual context complexity (Pieters et al., 2010), processing fluency (Landwehr et al., 2011), perceived control (Mehrabian and Russell, 1974), enjoyment (Mehrabian and Russell, 1974), revisit and repurchase intention (Oliver and Swan, 1989; Zeithaml et al., 1996).

### Summary of Findings

A total of 303 people from Amazon Mechanical Turk (MTurk) participated in the study for pay. 41% of 303 respondents were between the ages of 26 and 35, 26% were between the ages of 36 and 49. 47% of the respondents were female. The participants were randomly assigned to view a landing page shot of an e-retailer site (see appendix) in which context visual complexity was manipulated as high vs. low. We tested whether the e-retailer web site is evaluated as more enjoyable when presented in low visual complexity than high visual complexity. Additionally, the mediating effects of processing fluency and perceived control were assessed on this relationship.

All scales used to measure the constructs above had acceptable reliabilities (context visual complexity  $\alpha_{CVC} = .69$ ; processing fluency  $\alpha_{PFLU} = .84$ ; perceived control  $\alpha_{DOM} = .77$ ; pleasure  $\alpha_{PLEAS} = .95$ ; revisit intention  $\alpha_{REINT} = .88$ ; repur-

chase intention  $\alpha_{REPINT} = .91$ ) (Nunnally, 1978). Independent sample t-test for manipulation check of context visual complexity was statistically significant ( $M_{high} = .7$  vs.  $M_{low} = 1.9$ ;  $F = 2.86, p < .05$ ).

Following manipulation check, the effect of context visual complexity on enjoyment was analyzed. The result indicated that context visual complexity has a direct effect on enjoyment ( $b = -.65$ , standard error = .12,  $t = -3.98, p < .01$ ) (H1 supported). After that mediation analysis (with independent variable [IV] = Context visual complexity, Mediator1 = Processing Fluency, Mediator2 = Perceived control and dependent variable [DV] = Enjoyment) was conducted by following Hayes 2013, model 4: 10000 bootstrapped samples. Analysis demonstrated that processing fluency mediates the relationship between context visual complexity and enjoyment ( $b = .52$ , standard error = .04,  $t = 11.41, p < .01$ ) (H2 supported); and perceived control mediates the relationship between context visual complexity and enjoyment ( $b = .28$ , standard error = .05,  $t = 5.54, p < .01$ ) (H3 supported). Mediation analysis indicated a full mediation since the direct effect of context visual complexity on enjoyment became non-significant, when the former two variables were introduced in the model.

### Discussion

Creating ideal range of web site complexity to facilitate user–web site interactions is a crucial issue (Nadkarni and

Gupta 2007). Previous empirical findings have sparked a lively debate about whether web site complexity inhibits or enhances user responses towards a web site. However, the academic literature has not sufficiently answered this question (Nadkarni and Gupta 2007). This study addresses this gap by examining the effect of different levels of context visual complexity (high vs. low) on consumer enjoyment. As a result of the study, the hypothesis ( $H_1$ ), that is, an e-retailer web site will be evaluated as more enjoyable when presented in low visual complexity than high visual complexity, is supported. Also mediating roles of processing fluency and perceived control are assured ( $H_2$  and  $H_3$  supported).

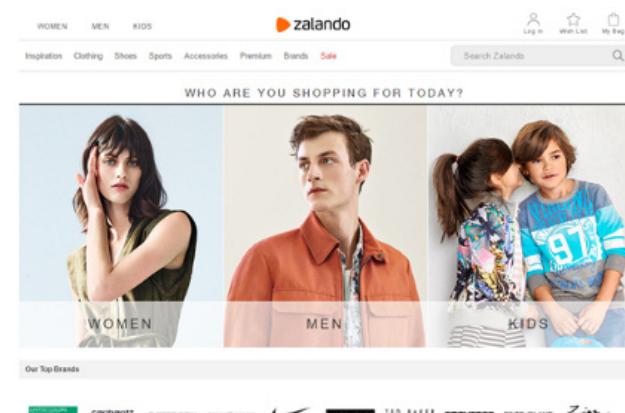
The most suitable explanation for the mediating role of the processing fluency stems from the processing fluency/attribution model (Klinger and Greenwald, 1994). The fundamental premise of this model is that people will make attributions about the processing fluency according to the context and their memory. For example, if a person easily assesses the visuals on a web site, these stimuli trigger posi-

tive emotional state such as enjoyment. This favorable experience of visual processing is automatically attributed to the web site too (Klinger and Greenwald, 1994). Accordingly, low level of context visual complexity is found easier to process. In other words, it provides a context in which a person could feel fluent in visual processing (processing fluency) and hence gets higher enjoyment.

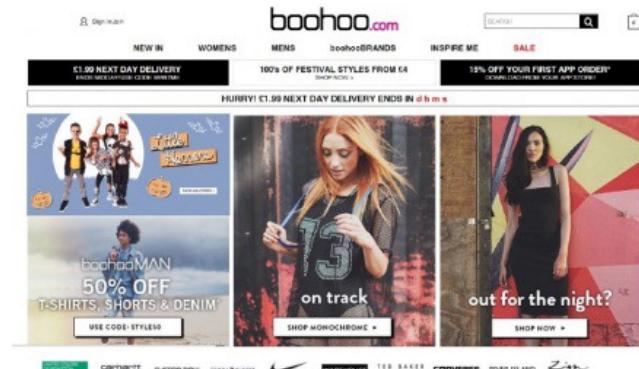
The theory of psychological reactance may help to explain consumers' reactions to reductions in control caused by restrictive cues (Dailey, 2004). Online retailing atmospheric cues may restrict consumers' control over navigation. Since the theory of psychological reactance assert that perceived control is situation specific (Dailey, 2004), it is expected that visual complexity of a web site generates reactions specific to its own context. The findings of this study suggest that one of these reactions is feeling in control of the context (perceived control). As Brehm (1966) suggests when the expectation of feeling in control is fulfilled, one feels that his/her goal is attained and hence person's enjoyment is increased.

## Appendix

**Picture I.** Low Context Visual Complexity Manipulation



**Picture II.** High Context Visual Complexity Manipulation



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# The Right Formula of Language and Relationship Norm for a Cute Spokes-Character

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**Keywords:** *anthropomorphized spokes-character, cute, assertive language, communal, exchange*

**Description:** *The present research empirically investigate how anthropomorphized spokes-characters affect consumer perceptions and judgments regarding the firm.*

## EXTENDED ABSTRACT

Anthropomorphism is popular for marketers to position their products/brands. Anthropomorphizing refers to the seeing of human in nonhuman objects or forms, and it pervades human judgment (Guthrie 1993). This marketing communication technique creates favorable consumer reactions, such as increased product likability, enhanced positive emotions, and more favorable attributions of brand personality (Delbaere, McQuarrie, and Phillips 2011).

### Research Question

In this research, we attempt to explore how and why consumer responses differ between two types of ASCs (cute or mature looks) and identify boundary conditions associated with the roles of advertising language and relationship norm.

### Method and Data

A 2 (type of anthropomorphized spokes-character: cute vs. mature)  $\times$  2 (advertising language: aggressive vs. non-aggressive)  $\times$  2 (relationship norm: communal vs. exchange) between-subjects experiment was designed. Attitude toward advertising and purchase intention served as dependent measures. In this study, we chose panda as ASC. A professional photo editor created two ASCs: cute vs. mature look. These two ASCs differed in various different facial appearances on the eyes, ears, chin, and body size. The second part was an ad based on the combination of ASC type and advertising language. Participants were randomly assigned to one of the eight experimental conditions. Respondents were

given one of two experimental scenarios, which instructed them to read a description of a travel agency that either described the communal or exchange norm, and to indicate their perceptions as the manipulation check of relationship norm. Then, they clicked the “continue” button and were told to evaluate a forthcoming ad for a travel agency, which varied in type of ASC and advertising language. After the ad, respondents completed a questionnaire with dependent measures (i.e., attitudes toward the advertising and purchase intention), and mediator (advertising fluency).

### Summary of Findings

The results suggest that the decision of whether to use a cute or mature ASC can influence consumer attitudes and purchase intention. Three observations from the findings are noteworthy. First, when consumers perceive their relationship with a brand as communal, a cute ASC is advantageous by using non-assertive language in an ad. Under the communal norm, consumers make about the warmth of a brand. Consistent with the babyface schema (Zebrowitz 1997), a cute ASC enhances warmth inferences which fit into the notions of communal norm. Compared with assertive language, non-assertive language also reduces the violation of consumer expectation and polite and non-assertive language thus improves advertising fluency. Second, when consumers consider their relationship with a brand as exchange, a mature ASC will be more effective by presenting assertive language in an ad. A cute anthropomorphized spokes-charac-

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ter backfires when assertive language is presented in an ad under the exchange norm. Finally, to determine whether the advertising fluency accounted for participants' purchase intention and attitude toward ads, we conducted a mediated moderation analysis (Zhao, Lynch, and Chen 2010). As hypothesized, advertising fluency mediated the relationship among ASC type, advertising language, and relationship norm.

## **Key Contributions**

Marketing practitioners frequently anthropomorphize their brands with humanlike qualities and previous research supports the notion that consumers form more favorable attitudes toward the anthropomorphized brands (Aggarwal and McGill 2007; Delbaere et al. 2011). However, prior research is largely silent on how ASCs can be categorized and how the ASCs with different looks work when advertising-based and contextual factors are considered. The findings give

insight into which type of ASC (cute or mature) are more effective under certain circumstance. The results suggest that the decision of whether to use a cute or mature ASC can influence consumer attitudes and purchase intentions. This research contributes to anthropomorphism theory by deepening understanding of how consumers use social beliefs and perceptions when a non-human spokes-character is anthropomorphized as cute or mature. Either a cute or a mature ASC can be effective subject to the advertising language used in the ad and the relationship norm being primed. This research therefore extends the field's understanding the sorts of factors that can affect the selection between cute and mature ASC. The current research also contributes to the literature by providing theoretical and empirical documentation of the interactive effects among ASC type, advertising language and relationship norm.

*References are available on request.*

# No Experience Required: Experience Identification in the Pre-Experience Stage

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**Keywords:** *virtual communities, experiential consumption, brand loyalty, social identity theory*

**Description:** *Experience identification can be fostered in the pre-experience stage by encouraging participation within an online community.*

## EXTENDED ABSTRACT

### Research Question

While experiences have received much attention within the marketing literature across diverse areas (e.g. service and retail experiences, brand experiences, product experiences), researchers have most often focused on experiences at the time of consumption (Tynan and McKechnie, 2009). However, the value of an experience is created and judged across three stages—pre-experience, customer experience, and post-experience—and “not merely at the point of exchange” (Tynan and McKechnie, 2009, p. 508). Currently, however, little is known about the pre-experience stage and how it may influence the actual experience. The need to understand the pre-experience stage has increasingly gained significance as Internet technologies encourage consumers to become more involved with an experience even before it begins (Cho, Wang, and Fesenmaier, 2002). The purpose of the current study is to understand whether consumers, through participation in an online community, identify with an experience even before it initially occurs. Specifically, the focus is on first time consumers of the experience. In summary, this research aims to answer the following research questions:

1. Is it possible for first time experiential consumers to identify with an experience beforehand?
2. What effect would that pre-experience identification have on brand-related outcomes, such as brand loyalty?

### Method and Data

The authors developed a survey to measure the six variables of interest—Utilitarian Motivations, Hedonic Motivations, Emotional Significance, Experience Imagination, Experience Identification, and Brand Loyalty. All scales were adapted from existing multi-item measures with established reliability and validity. An online cruise community setting was chosen as the research setting since cruising captures the conceptualization of an experience and these communities are extremely active, including many first-time passengers. 248 cruise community members were surveyed via an online panel and had to qualify for the survey by reporting a primary community and number of previous cruises. The data were then tested in a two-staged process (Anderson and Gerbing, 1988). First, the measurement model was assessed via confirmatory factor analysis to evaluate the validity of the scales used in the model, ( $\chi^2 = 492.64$ ,  $df = 279$ ,  $p < .001$ , CFI = .96, TLI = .96, RMSEA = .05). Next, a structural model was estimated to assess the overall model fit ( $\chi^2 = 466.02$ ,  $df = 286$ ,  $p < .001$ , CFI = .96, TLI = .95, RMSEA = .05) and the hypothesized relationships. All hypotheses were empirically supported,  $p < .05$ .

### Summary of Findings

The results indicate that both hedonic and utilitarian motivations for participating in an online community within the pre-experience stage drive (1) experience imagination and (2) allow consumers to develop deep and meaningful bonds

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with fellow community members. This in turn leads to experience identification whereby first-time experiential consumers perceive themselves as one with the experience and other consumers within the experience. Additionally, initial support is provided that brands may benefit if experience identification occurs during the pre-experience stage by facilitating the development of brand loyalty.

### **Key Contributions**

This research represents an initial attempt to examine the role of experience identification, while connecting online communities to offline experiences. Our findings have important theoretical and managerial contributions.

First, these findings help to advance social identity theory by connecting it with new areas not previously explored (i.e. experiences). Further, while length of time formally involved with an organization has been identified as a prin-

cipal antecedent to social identity, these results indicate that community members (non-formal members) begin to define themselves in terms of the experience by participating with others in the pre-experience stage.

Second, with the growth of the experience economy arrives a need to better understand the experiential aspects of consumption. It is important to note that companies cannot force identification, but rather consumers must seek it out. Therefore, companies must be aware of how identification can be fostered within communities. Our results indicate that marketers of experiences should focus on providing online mediums for experiential consumers to interact with one another in order to form the emotional bonds necessary for emotional significance and imagine the future experience together.

*References are available on request.*

# The Role of Multisensory Marketing and Brand Experience in the Luxury Hotel Industry: Exploring the Effects on Customer Perceived Value and Brand Strength

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**Keywords:** *multisensory marketing, brand experience, customer perceived value, brand strength, luxury hotel industry*

**Description:** *This paper provides an empirical study showing that multisensory marketing is an important mean to create a positive brand experience and that both are key drivers of the dimensions of customer perceived value (i.e., financial, functional, individual, and social value) further influencing the components of brand strength (i.e., affective, cognitive, and conative).*

## EXTENDED ABSTRACT

### Research Question

Along with the rising homogenization of products and brands, companies are continuously looking for ways to better appeal to the consumer (Reimann et al., 2010). In this regard, sensory marketing may represent an adequate approach for effective marketing communication (Krishna, 2012). Especially in the luxury industry, the concept of multisensory marketing is of increased relevance. To meet the customers' desires and justify high prices, luxury companies need to build an exclusive brand image (Tynan et al., 2010). Creating a positive customer-brand relationship via an outstanding experience and a high customer perceived value (CPV) is especially important for the luxury hotel sector due to an increasing volume and pace of competition calling for differentiation (Kandampully and Suhartanto, 2000). As hotel guests are stimulated by all senses during their stay (e.g., appearance of the hotel room, haptics of bathroom towels), the luxury hotel industry is used as the sector of application for the study in this paper (Park et al., 2010).

Against this background, the purpose of the study is to analyze the direct and indirect effects of multisensory marketing on brand experience, CPV, and brand strength. A further aim is to explore underlying impact factors of multisensory marketing.

### Method and Data

The conceptual model consists of two formattives (i.e., multisensory marketing and brand experience) and seven reflective constructs (i.e., dimensions of CPV and brand strength). To measure brand experience, we applied the scale developed by Brakus et al. (2009). Brand strength is captured by the items of Hennigs et al. (2013). For multisensory marketing and CPV, we conducted a pre-study including factor analyses and reliability checks to identify appropriate measurement models. Finally, all items were specified to a luxury hotel context and rated on a five-point Likert scale. To test the proposed conceptual model, we conducted a quantitative study in the form of an online survey with 706 subjects. Age ranged from 18 to 83 years, with an average of 33.5 years. In addition, gender distribution was almost equal, most of

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the participants were single, full-time employees, had graduated from senior high school, and had a monthly income higher than 4000 €. For descriptive analyses and for specific quality criteria of the measurement models, we used SPSS 23.0. Furthermore, we applied SmartPLS 2.0 including the PLS algorithm, a blindfolding and a bootstrapping procedure to test the hypotheses.

### **Summary of Findings**

Basically, companies can apply multisensory marketing to create a positive brand experience, which will further lead to an enhanced CPV and finally, to an improved brand strength. Additionally, multisensory marketing activities may also directly influence the value dimensions, especially the perception of functionality. Compared with this, brand experience shows only a minor effect on functional CPV. In contrast, a positive experience with the brand is particularly effective in achieving the perception of a social benefit, while multisensory marketing shows a negligible direct effect on social CPV. The other two dimensions (i.e., financial and individual) are stimulated by both factors, whereas multisensory marketing acts both directly and indirectly via brand experience. Furthermore, the causal chain ends up strengthening the brand via an enhanced value perception. On all three levels (i.e., cognitive, affective, and conative), the brand is most powerfully strengthened through the indi-

vidual value for the consumer. In addition to that, the perception of financial value has its strongest effect on conative brand strength, that is, will rather directly affect consumer behavior. The perception of both functional and social value most intensely influence the consumer on an affective basis that is, leading to positive emotions towards the brand.

### **Key Contributions**

Despite a considerable number of articles providing evidence for the relationships among brand experience, multisensory marketing, and CPV, there is limited knowledge among academics and practitioners about the interplay of these constructs. Further, the causal effects on brand-related outcomes (here: brand strength) are widely unexplored. Our study gives new insights into the causal relationships between these constructs in the special case of luxury hotels. The study confirms the relationships and highlights the great potential of multisensory marketing to create valuable customer experiences further leading to an enhanced CPV and brand strength. The results may support luxury hotels to effectively set sensory stimuli and thus, to succeed in a competitive market. Additionally, it may also benefit brand managers as our empirically confirmed research model may be adapted to other contexts.

*References are available on request.*

# In the Nose of the Beholder: Constructed Product Attributes Drive Olfactory Product Purchases

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**Keywords:** sensory marketing, olfaction, online word-of-mouth, preference formation, purchase intention

**Description:** This research uses fragrance reviews and a lab experiment to explore the influence of constructed attributes when consumers choose among olfactory products.

## EXTENDED ABSTRACT

### Research Question

What idiosyncratic attributes do consumers construct when choosing among olfactory products, and how do these constructed attributes influence choice?

### Method and Data

The data for Study 1 is a set of 70,758 fragrance reviews from the website Fragrantica.com. We developed a semantic network of word associations, coded the words as pertinent (e.g., “strawberry”) or not (e.g., “I”), and then analyzed the network using a community-detection algorithm to uncover words that are commonly used together in the reviews. Coders then coded each word as belonging to one of six hypothesized constructed dimensions.

Study 2 is a lab experiment utilizing a single-factor, three-level design which simulates a fragrance purchase situation. We manipulated the presence of brand and price information (no information, information first, or information last). Participants were undergraduate students ( $n = 393$ ).

### Summary of Findings

Study 1 uses fragrance reviews to uncover 15 underlying themes present in the way consumers are talking about fragrances after purchase. These themes highlight the importance of the hypothesized 6 constructed dimensions. Study 2 uses an experimental setting to examine how the 6 hypothesized constructed dimensions influence fragrance purchase decisions. It finds that, of the 6 dimensions, qualitative attributes play a significant role in influencing likelihood to purchase. It also

finds a moderating effect of gender. First, when no brand or price information is available, for men, having thoughts about qualitative attributes reduced the likelihood of purchase. However, for women, the presence of thoughts about qualitative attributes positively influenced likelihood of purchase. Second, when brand and price information are presented at the end of the study, right before fragrance choice, the impact of qualitative attributes on men’s purchase likelihood goes away. However, the positive impact of qualitative attributes on women’s choices is still present. Third, when brand and price information are presented at the beginning of the study, men are influenced by valence, and slightly influenced by qualitative attributes. Women, on the other hand, are no longer influenced by qualitative attributes in this case.

### Key Contributions

1. This research conceptualizes the formation of preferences for olfactory products and subsequent purchase behavior as the outcome of a constructive process.
2. It empirically investigates the structure of the constructive determinants, and how key unobserved themes emerge from them using an online word-of-mouth dataset of more than 70,000 reviews.
3. It uncovers the constructed determinants of fragrance purchase behavior through a lab study, and explores the moderating impact of gender differences in the presence of brand and price information.

*References are available on request.*

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# Customers' Evaluated Product Quality: A Neglected Construct in Marketing and Operations Management

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**Keywords:** *product quality, formative measurement, scale development, operations management, operations-marketing interface, customer satisfaction*

**Description:** *Development and validation of a multidimensional construct capable of measuring product quality as experienced and evaluated by the customer.*

## EXTENDED ABSTRACT

### Research Question

The objective of this article is to develop a reliable and valid measurement instrument capable of measuring product quality as experienced by the customer, "Customers' Evaluated Product Quality (CEPQ)" which is consistent with theoretical conceptualizations of perceived product quality as per the existing literature.

This study aims to answer the following research questions:

1. If the developed scale for customers' evaluated product quality (CEPQ) fulfills the required reliability and validity criteria?
2. If there exists a relationship between CEPQ and customers' satisfaction (SAT) and how they (CEPQ and SAT) influence customers' repurchase intentions (RI) and willingness to pay a price premium (WTPP)?
3. If the boundary conditions like customers' ability or motivation to process quality information possibly alter the impact of CEPQ on RI and WTPP for them?

### Method and Data

Based on the literature research and qualitative interviews with customers across four product categories in two countries, initially the authors conceptualized CEPQ as a second-order formative construct with eight first order reflective dimensions namely, performance, features, ease of use,

durability, reliability, material, serviceability and aesthetics, measured with a 27 item survey instrument. The developed CEPQ-scale was validated using a model predicting customers' willingness to pay a price premium (WTPP) and repurchase intentions (RI) across four diverse product categories. Additionally, Consumer Reports scores were related to CEPQ-scores in the four studied product categories.

The main study was conducted across the four heterogeneous product categories namely cars ( $N = 1,011$ ), tablet computers ( $N = 519$ ), dishwashers ( $N = 523$ ), and headphones ( $N = 521$ ). Respondents were asked to compare their present product with other products in the same category using a 5-point scale. (3 sets of labels were used for the scale with 1 being "very poor"/"very short"/"very low" and 5 being "very good"/"very long"/"very high" as per the wordings of each item). For other constructs in our study, we used established scales from the literature. The obtained data was analyzed first using SPSS for the descriptive and exploratory factor analysis. Mplus v7.4 was used for further confirmatory analysis. And finally, the developed model was analyzed using partial least square-structural equation modeling (PLS-SEM) using SmartPLS v3.2.6.

### Summary of Findings

Our study shows that the developed CEPQ (Customers' Evaluated Product Quality) scale is generalizable since it meets all the prescribed reliability and validity criteria

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across the four diverse product categories. Our multidimensional measure CEPQ also shows that it is wrong to conceptualize product quality merely as an antecedent to satisfaction, which as of now has mostly resulted in a decline in the need and interest to explore the product quality construct.

In four diverse product categories, the CEPQ measure shows more impact on relevant relationship outcomes like repurchase intentions (RI) and willingness to pay a price premium (WTPP) when compared to satisfaction. Furthermore, the fact that customer's expertise and quality consciousness moderates the impact of CEPQ on RI and WTPP provides additional validation of the developed CEPQ-scale and underlines its practical relevance. For customers with high expertise/quality consciousness satisfaction is negligible as an antecedent of WTPP and RI when compared to CEPQ.

Furthermore, in contrast to other perceived quality metrics such as the Amazon star ratings, the CEPQ scores significantly and substantially correlates to the objective quality scores from the Consumer Reports.

### **Key Contributions**

In contrast to the rich literature available on service quality, as of now no validated multidimensional measure for prod-

uct quality exists. Also, most of the existing unidimensional measures of perceived product quality tend to mask the true relationships between antecedents and consequences of quality perceptions leading to doubts and misinterpretations of product quality implications.

This work aims to fill in this void by defining and measuring product quality as experienced and evaluated by customers using the developed CEPQ (Customers' Evaluated Product Quality) scale. To the best of our knowledge, this is the first multi-dimensional conceptualization of CEPQ, which is generalizable across product categories in terms of its constituent dimensions. These findings suggest that marketers, as well as operation managers, should instead of only relying on their well-established satisfaction metrics also start to measure CEPQ. In addition, the formative weights of the first-order quality dimensions show the relative importance of the different quality dimensions in shaping overall quality perceptions and buying behavior of customers across the product categories.

*References are available on request.*

# How Extrinsic Religiosity Affects Vice Product Consumption

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**Keywords:** extrinsic religiosity, vice product, impulsivity, drinking, gambling

**Description:** The research indicates that extrinsic religiosity is negatively associated with drinking urge and gambling urge through the mediating role of impulsivity.

## EXTENDED ABSTRACT

### Research Question

Vice product consumption involves substance and behavior that can result in addiction when consumed in an excess amount. This study draws on alcohol as substance vice product and gambling as behavioral vice product. Religion beliefs, accounting for eighty-eight percent of the world population (Johnson and Grim, 2013), is one of the most common sources of self-restrict mechanism for vice product consumption. Allport and Rose (1967) bring up that religiosity, rather than religious beliefs, is the underlying factor affecting individual behaviors. The concepts of “extrinsic religion” and “intrinsic religion” refer to an extrinsically motivated person *uses* his religion for selfish reasons, while an intrinsically motivated person *lives* his religion for spiritual objectives (Allport and Ross, 1967). On the other hand, impulsivity involves individual urge and behavior in making tempting choices that go against our maximized self-interest (Patton et al., 1995), which is associated to vice product consumption. In this study, we explore how extrinsic religiosity can impact on vice product consumption through the mediating effect of impulsivity.

### Method and Data

Working adults with religions, aging 21 years old or above were invited to fill in an online questionnaire. Two hundred and sixty-one valid questionnaires were collected in total across the four largest cities in China. Measuring scales included the Religious Orientation Scale (Allport and Ross, 1967) and Barratt Impulsiveness Scale BIS-11 (Patton and Stanford, 1995). Drinking urge scale was adopted from Bohn et al. (1995) and gambling urge scale was adopted from Raylu and Oei (2004), while drinking frequency was

adopted from Saunders et al. (1993) and gambling frequency was adopted from Neighbors et al. (2002).

### Summary and Findings

SEM analysis by AMOS 24.0 shows that extrinsic religiosity is negatively associated with impulsivity (standardized regression coefficient =  $-.189, p < .001$ ); impulsivity is positively associated with drinking/gambling urges; drinking/gambling urges are positively associated with its consumption frequency respectively.

Mediation effects were also examined through bootstrapping. The indirect effects for extrinsic religiosity and drinking/gambling urges were statistically significant. After controlling the indirect effects, direct effects between extrinsic religiosity and drinking/gambling urges were no longer significant. So, it means that impulsivity fully mediates the relationships between extrinsic religiosity and drinking/gambling urges.

This study suggests that extrinsic religious followers treasure the utilitarian aspects derived from their religious community. In order to maintain such benefits, followers will eventually behave according to the norms shared by the religious community and adjust their impulsivity to a socially reasonable level (Vitell, 2009), such as reducing their vice product consumption to a socially acceptable level.

### Key Contributions

This paper suggests that religiosity can be a potential psychological denominator for future consumer studies. Tradi-

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tionally, researchers focus more on intrinsic religiosity and its negative effect on vice product consumption. However, it is worth noting that extrinsic religiosity is also an important source of self-regulation in catering the expectation of the religion community.

Second, since most of the vice product research investigates either substance or behavioral vice products, systematic

studies in both are rarely found in the marketing literature. The paper explores addictions in both substance and addictive behavior as a whole, which is crucial for marketers to understand the contributor of vice product urge and consumption in a holistic point of view in order to guide reasonable consumption.

*References are available on request.*

# When Moral Mindsets Increase Unethical Consumption: The Influence of Religion and Moral Emotions on Luxury Consumption

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*Elizabeth A. Minton, University of Wyoming*

**Keywords:** *luxury consumption, religion, morality, moral emotions, moral vs. marketplace mindsets*

## EXTENDED ABSTRACT

### Research Question

What is the relative influence of an individual's level of religiosity and self-esteem on the propensity to consume luxury brands, attitude towards luxury consumption and perceived morality of the consumption of luxury brands?

### Method and Data

Through two experiments we collect information on the influence of religiosity on luxury brand consumption. For study 1, students ( $n = 167$ ,  $M_{age} = 21.0$ , 49% female) at a Mountain West university participated in a paper and pencil questionnaire which asked, in order, about their purchase intentions and moral affect for a luxury perfume, reasons for purchasing a luxury perfume, attitudes towards luxury branded products in general, and, lastly, religiosity. In study 2, a total of 142 respondents ( $M_{age} = 48.2$ , 54% female) were recruited from Amazon's Mechanical Turk. Respondents were randomly assigned to one condition of a 2 (mindset: moral, marketplace) between-subjects design. After exposure to condition, participants were told they would complete an ostensibly different study, and then proceeded to indicate their purchase intentions and moral affect for two product categories: luxury perfume and luxury sunglasses.

### Summary of Findings

While substantial research has examined the consumption of luxury brands, such prior research has yet to explore the role of religion in influencing luxury perceptions as well as the influence of morality in this relationship. Through three studies, our research addresses this gap in the literature. Study 1

shows that religiosity influences negative moral emotions (but not positive moral emotions), which then negatively influence the consumption of luxury brands and morality evaluations. Study 2 replicates the effects of Study 1 and shows that priming a moral (marketplace) mindset decreases negative moral emotions and increases the consumption of luxury brands evaluations for highly (less) religious consumers.

### Key Contributions

While research has extensively explored religiosity's influence on materialism (c.f., Burroughs and Rindfleisch, 2002; LaBarbera and Gurhan, 1997; Rindfleisch, Burroughs, and Wong, 2005, 2009; Swinyard, Kau, and Phua, 2001), there has yet to be an examination of how religiosity influences the consumption of luxury brands, despite religious scripture suggesting followers should suppress desires for buying goods or performing actions just for show (Hunt and Penwell, 2008; Schmidt et al., 2014). This research not only examines the relationship between religiosity and luxury consumption, but it also examines how priming a moral or marketplace mindset influences such consumption. In doing so, this research builds on the literature on licensing effects (Jordan, Mullen, and Murnighan, 2011; Khan and Dhar, 2006; Merritt, Effron, and Monin, 2010). Most interestingly, this research identifies that priming morality can actually license more religious consumers to act in presumably immoral ways with heightened interest in purchasing luxury goods (i.e., providing a licensing effect).

*References are available on request.*

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# How Can Morality-Irrelevant Inspiration Lead to Morality Behavior?

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**Keywords:** morality, inspiration, prescriptive morality, proscriptive morality, transcendence

**Description:** *This is the first paper to explore the roles played by the emotional and cognitive transcendence resulted from the inspirational experiences and the consequences of transcendence on a source-irrelevant context.*

## EXTENDED ABSTRACT

### Research Question

Researchers have been concerned about how to increase the social welfare and the well-being of the whole society from two important aspects: (1) decreasing immoral behaviors, and (2) increasing prosocial behaviors. Traditionally, these two aspects have been studied separately (e.g., Bhattacharjee, Berman, and Reed II, 2013; Liang, Chen and Lei, 2016).

Recently, researchers integrate both immoral behavior and prosocial behavior under the same umbrella concept of "morality." In particular, morality has two faces: prescriptive morality and proscriptive morality (Janoff-Bulman et al., 2009). Prescriptive morality emphasizes what we should do and is related to activation and positive outcomes, including prosocial behaviors such as charitable giving and participation in relief efforts. Proscriptive morality, on the contrary, emphasizes what we should *not* do and is related to inhibition and negative outcomes, including immoral behaviors such as illegal file sharing/piracy and counterfeit product consumption (Loureiro, et al., 2016). As Loureiro et al. (2016) pointed out, the routes of moral judgment leading to these two faces of morality are different. Proscriptive (immoral) behavior is a result of pressure/incentive, opportunity, and rationalization. Prescriptive behavior results from immediate and short-term impact (e.g., benefits), as well as delayed and long-term impact (values, norms and habits).

Interestingly, Bhattacharjee, Berman, and Reed II (2013) propose the concept of moral decoupling that judgments of performance are separated from judgments of morality, and

found that consumers use this strategy to support a transgressor's performance while condemning his or her transgressions at the same time. If judgments of performance and morality could be separated, we wonder whether and how judgments of performance (instead of morality) can influence a consumer's own morality. In this paper, we mainly focus on the performance (instead of morality, either achieved by others or by oneself) that consumers have witnessed or experienced and judged as inspirational.

Thrash and Elliot (2003) conceptualized inspiration as a psychological construct with three core characteristics: evocation, transcendence, and motivation. *Evocation* indicates that inspiration is triggered by a stimulus, which includes those people appreciate and value such as thought-provoking ideas and personal achievements. Some other stimulus could be anything external to a person, such as the extraordinary nature and the exceptional performances of role models and heroes. As Thrash and Elliot (2004) found, judgments of performance (by oneself or others) may trigger inspiration. When inspired, people feel *transcendence* that they have the capability to actualize ideas, personal goals, or achieve a better outcome of a given situation. Subsequently, people develop the *motivation* to respond to the triggered object (e.g., higher evaluations, word of mouth or more donations).

In this paper, we integrate the two streams of literature on morality and inspiration. In particular, we focus on the inspirational experiences (triggered by others or oneself)

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that are morality-irrelevant, and examine their impacts and process on morality behavior. We propose that the same antecedent of morality-irrelevant inspirational experiences could lead to more morality behavior on its two different aspects, including less prescriptive (e.g., immoral) behavior and more prescriptive (e.g., prosocial) behavior. Moreover, we investigate how inspirational experiences can influence morality behavior via emotional and cognitive transcendence experience.

## **Study One**

### **Method and Data**

We manipulated the inspirational experiences in a 3-levels (control vs. self-triggered vs. others-triggered inspirational experience) between-subject experiment. Participants were asked to recall and describe a morality-irrelevant experience (that they feel normal in daily life vs. inspired by yourself vs. inspired by others), followed by writing down three emotions they felt most strongly in the described experiences. They also completed an inspiration scale in a 7-point scale (adapted from Thrash and Elliot 2003, Liang et al. 2016) and a measurement scale of immoral behavior tendency (8 items, Detert, Trevono and Sweitzer 2008). One hundred and sixty-one undergraduate students participated in this study. We coded the three emotions participants listed after they described their experiences and combined them into a 3-items positive emotional transcendence experience index (Thrash and Elliot 2003, 2004, Thrash et al. 2010).

### **Summary of Findings**

Following Thrash et al. (2010), we ran the PROCESS model 6 (5000 bootstrapping samples, Hayes 2013) using the inspiration scale and the positive emotional transcendence experience index as the two sequence mediators between the described experiences and the immoral behavior tendency. In particular, we found that self-triggered inspirational experiences (vs. normal daily experiences) could indeed lead to higher inspiration and more positive emotional transcendence experience, which finally decrease immoral behavior tendency. Similarly, we found the same pattern of results for others-triggered inspirational experiences (vs. normal daily experiences).

### **Key Contributions**

Hence, we have found supportive evidences that either self- or others-triggered inspirational experiences that are morality-irrelevant could lead to less prescriptive morality (e.g., immoral) behavior via emotional transcendence experience.

## **Study Two**

In this study, we aim to test the relationship between morality-irrelevant inspirational experiences and the real prescriptive morality behavior (actual donation behavior), as well as the process of both emotional and cognitive transcendence experiences.

### **Method and Data**

We manipulated only the others-triggered inspirational experience and the control condition in the same way as in Study 1 (due to the same results of self-triggered and others-triggered inspirational experience in Study 1). We asked participants ( $n = 92$ ) to first complete an irrelevant study on a 5G network survey and give them 17 local currency as incentives. Participants were then randomly assigned to one of the 2 conditions and describe their experiences in details, followed by a questionnaire on the inspiration scale (adapted from Liang et al. 2016) and a list of specific emotional transcendence experiences. Adapted from Liang et al. (2016), participants watched a donation appeal and then indicate how much they would donate to the victim in the ads so that we would deposit the residual amount (17-donation amount) to their mobile phone account. Finally, they completed a 3-items cognitive transcendence experience index.

### **Summary of Findings**

Similar to Study 1, we ran the PROCESS model 6 (5000 bootstrapping samples, Hayes 2013) using the inspiration scale, the positive emotional transcendence experience index, and the cognitive transcendence experience index as the three sequence mediators between the described experiences and the actual donation amount. We found that others-triggered inspirational experiences (vs. normal daily experiences) could lead to higher inspiration, more positive emotional transcendence experience, and more cognitive transcendence experience, which finally increase the actual donation amount.

### **Key Contributions**

Therefore, we supported our proposition that morality-irrelevant inspirational experiences could lead to more actual prescriptive morality behavior (i.e., donation behavior) via emotional and cognitive transcendence experience.

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*References are available on request.*

# Emotions and Morality: Distinct Effects of Pride and Gratitude on Consumer Acceptance of Unethical Behavior

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**Keywords:** pride, gratitude, positive emotions, ethical judgment, firm reputation

**Description:** This research examines the differential influence of pride and gratitude on consumer acceptance of unethical behavior and the moderating role of firm reputation in this relationship.

## EXTENDED ABSTRACT

### Research Question

How pride and gratitude differentially influence consumer acceptance of unethical behavior when a firm has a negative reputation?

### Method and Data

Study 1 employs a 2 (dispositional emotion: pride, gratitude [within-subjects design])  $\times$  2 (firm reputation: control, negative [between-subjects design]) mixed design. One hundred and one participants (59% male,  $M_{age} = 36.89$ ,  $SD = 10.91$ ) are recruited from a national online panel for a small monetary compensation.

Study 2 employs a 3 (emotion: pride, gratitude, neutral)  $\times$  2 (firm reputation: control, negative) between-subjects design. Two hundred and fifty-two participants (47% male,  $M_{age} = 38.53$ ,  $SD = 13.13$ ) are recruited from a national online panel for a small monetary compensation.

Study 3 employs a 4 (emotion: self-pride, vicarious-pride, gratitude, neutral)  $\times$  2 (firm reputation: control, negative) between-subjects design. Three hundred and seventeen students from a large public university (44% male,  $M_{age} = 19.25$ ,  $SD = 1.59$ ) are recruited for this study in exchange for course credit or financial compensation.

Study 4 employs a 3 (emotion: pride, gratitude, neutral)  $\times$  1 (firm reputation: negative)  $\times$  2 (firm response: no-apology, apology) between-subjects design. Two hundred and forty-

two students of a large public university (35% male,  $M_{age} = 21.64$ ,  $SD = 2.90$ ) participate in this experiment in exchange for financial compensation.

### Summary of Findings

Study 1 shows that when the firm has a negative reputation, increasing dispositional pride is correlated with more acceptance of unethical behavior, while increasing dispositional gratitude is correlated with less acceptance of unethical behavior. In Study 2, we find that consumers in the gratitude condition exhibited less acceptance of unethical behavior than did those in the pride condition. Moreover, the effects of emotion are mediated by perceived self-righteousness, thus providing support for the proposed process mechanism. Study 3 replicates the findings of Study 2 and further illuminates the underlying process for the hypothesized emotion effects. The results demonstrate that gratitude and vicarious-pride, as compared to self-pride, lead to less acceptance of unethical behavior in the negative firm reputation condition. These effects are mediated by self-responsibility, which influences perceived self-righteousness. Finally, Study 4 extends the findings of Studies 1-3 to examine the moderating role of firm response. In particular, given that the firm has a negative reputation, emotion effects are attenuated when the firm responds with an apology.

### Key Contributions

First, this research demonstrates that incidental, discrete positive emotions can differentially influence consumers'

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ethical judgment. Second, it establishes the underlying process driving the emotion effects. Specifically, current findings suggest that gratitude, as compared to pride, can reduce perceived self-righteousness, leading to less acceptance of unethical behavior when the firm has a negative reputation. Third, the current research provides important empirical evidence for the concept of vicarious-pride. We find that consumers experiencing vicarious-pride (i.e., pride that emerges from others' accomplish-

ments) exhibit less acceptance of unethical behavior than those experiencing self-pride. Finally, our research identifies the boundary condition under which differences caused by a firm's negative reputation across pride and gratitude are attenuated. Specifically, when a firm responds to a negative incident with an apology, emotion effects are attenuated.

*References are available on request.*

# Costs Loom Larger Than Gains: An Investigation of Consumers' Online Versus Instore Shopping Preferences

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## **ABSTRACT**

In this study we suggest that the value (benefits-costs) provided by in-store or online shopping outlet will impact shoppers' purchase decision. We test the proposed hypotheses by tracking purchases of actual shoppers and found support for them. The findings have implications for both online and in-store shopping outlets.

**Keywords:** *benefits, costs, online shopping, instore shopping*

**Description:** *This study examines the absolute as well as the relative impacts of the various costs and benefits on shoppers' purchase decision in online versus instore shopping*

## **Introduction**

Obtaining value from a purchase is a key consumption goal for the consumer (Holbrook, 1994). However, there are gaps in current literature. Researchers have conceptualized value in the context of shopping from different perspectives and disagree on its dimensions (Davis and Hodges, 2012). Further, studies investigating shopping values have focused on benefits and largely ignored costs. Therefore, in this study we first elaborate value in the traditional and classical sense of constituting benefits as well as cost elements and apply it in the context of consumers' shopping activity.

Second a systematic comparison of the consumer benefits and costs has not been made for in-store and online shopping. This investigation is relevant for organizations engaged in-store as well as online shopping. In general these two types of outlets compete with each other for consumers' attention. The relative strengths and weakness of each type of shopping outlet with respect to the value dimensions of benefits and costs can have useful practical implications for organizations engaged in both types of retail business.

Therefore, in this study, we first define the concept of value and describe in detail the various dimensions of shopping value. We then develop a theoretical model of relationships

between the various dimensions of value and their impact on consumers' actual purchase decision rather than the intention to purchase. Behavioral intention to purchase may not translate into consumer action and actual purchase decision. We then tested the model with actual consumers by tracking their purchases over a four month period and their response to the value derived from shopping. The results of the study have potentially useful implications for shopping outlets.

## **Literature Review**

A review of literature shows that earlier in-store shopping research focused on shoppers' utilitarian needs (Babin et al., 1994). Utilitarian consumer behavior is described from a functional or task-related standpoint and may be thought of as accomplishment of "work" (Babin et al., 1994). Consumers derive Utilitarian Benefits (UB) when the shopping mission or tasks are accomplished efficiently (Sherry et al., 1993). Later research established that consumption can take place for hedonic reasons too (Hirschman and Holbrook, 1982; Lim and Ang, 2008). Consumers often shop because they enjoy shopping and not just for accomplishing a mission or goals. Babin et al. (1994) in an empirical study found that Hedonic Benefits (HB) unlike UB can influence unplanned shopping behavior.

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However, while HB and the UB of shopping are well researched in online shopping literature, less attention has been focused on social benefits (SB) of shopping. The in-store shoppers also view shopping as a social outing and a way to bond with family and friends (Arnold and Reynolds, 2003). Additionally, patronizing a particular store or buying a particular product represents a way in which the consumer wants to see herself or be seen by others (Sheth et al., 1991; Sirgy et al., 2000; Sweeney and Soutar, 2001) and can serve as a vehicle for status enhancement by communicating “signs of position or membership to others” (Rintamaki et al., 2006, p.10).

For example, in in-store shopping, buying clothes at Zara creates the impression of being “cool” and buying luxury goods at Cartier is a symbol of status and prestige. Further, consumers are known to identify themselves in relation to other consumers or group of consumers (Bagozzi, 2007; Kelman, 1974). “When I go to Starbucks, I am part of a closed club of aficionados even if I don’t interact with any.” (Aaker, 2009). Thus retail shopping experience can also be used by individuals in enhancing self-esteem as well as assigning social identity and status to themselves as well as others (Belk, 1988; Solomon, 1983).

One can expect online shopping will also provide self-esteem and status benefits to its consumers. By sharing their online shopping experience consumers can enhance their own self esteem as well as status within the desired community of consumers. Self-esteem and status can provide immense psychological and emotional benefits to the consumer. Status is often pursued by consumers as an ego reward (Emerson, 1962), or a source of gratifying social contract (Homans, 1950) and serves as a psychological asset (Fornbrun, 2001). However, there are gaps in the current literature. The relevance of social benefits of online shopping in building consumers’ self-identity and social status has not been investigated.

In addition to deriving hedonic benefits (HB), utilitarian benefits (UB) and social benefits (SB) from the software product, the user also incurs various types of direct and indirect costs such as:

1. Financial (monetary) costs: They represent the direct monetary cost of purchase (Venkatesh, Thong and Xu, 2012).
2. Indirect Costs: They represent the time and other costs associated with reaching or accessing the outlet for making the purchase
3. Switching costs: Switching costs are the users’ perceptions of time, effort and money they will have to incur for changing the shopping outlet (Jones, Mothersbaugh and

Beatty, 2000). We identify the following costs of switching software in the context of software products:

- a) Pre-switching evaluation and search costs: Pre-switching evaluation and search costs are the user perceptions of the effort and time required in looking out for information and assessing the viability of new shopping alternatives prior to switching.
- b) Uncertainty costs (Guiltinan, 1989; Schmalensee, 1982; Jiang et al., 2000; Krovi, 1983): Uncertainty costs are prominent in new shopping outlets and represent the psychological uncertainty or perceptions of risk surrounding the performance of unknown, untested or untried outlets (Zeithaml et al., 1985). Risk and uncertainty are high when quality is difficult to judge or varies considerably across alternatives.
- c) Learning costs: Learning costs occurs after switching, as consumers adjust to a new alternative. They are behavioral and cognitive costs of adjusting to the new environment and reflect the user perceptions of the time and effort needed to effectively use the new outlet for making a purchase (Joshi, 1991; Joshi, 2005; Hirschheim and Newman 1988; Markus 1983; Martinko et al., 1996).
- e) Sunk costs (Dick and Lord, 1998): Sunk costs represent customer perceptions of the non-recoupable time, money, and effort invested in the existing outlet which will be lost after switching. Sunk costs are economically irrelevant but psychologically important to the user.

4. Opportunity Costs: These are users’ estimate of (opportunity lost) costs associated with not deriving benefits from using alternative outlets.

To address the aforementioned gaps in literature we develop a theoretical model to suggest and later test the complex relationships between the various cost and benefits provided by the shopping site and their impact on consumers’ purchase decision.

## Hypothesis Development

In the consumer behavior literature the value provided by the product is suggested to lead directly to favorable outcomes such as purchasing, using or remaining loyal to a product or service (e.g., Cronin et al., 1997; Sirohi, McLaughlin, and Wittink, 1998; Sweeney, Soutar and Johnson, 1999; Wakefield and Barnes, 1996; Holbrook, 1994; Yang and Peterson, 2004). Sirdeshmukh, Singh and Sabol (2002) argue that customer value is a superordinate goal and behavioral intention is a subordinate goal. According to goal and action identity theories, a superordinate goal is likely to regulate subordinate goals.

Thus, “customer value regulates behavioral intentions toward the service provider as long as a product or service provides superior value” (Sirdeshmukh et al., 2002, p. 21). Further, loyalty (and purchase) is the result of the individual’s belief that the value received from consuming a product or service is greater than the value of non-consuming (Hallowell, 1996). In response to this greater value obtained, the individual is motivated to remain loyal to the shopping outlet by making repeated purchases from it, and also promote it by, for instance, positive WOM (Word-of-Mouth) behaviors (Luis, Carlos and Migue, 2008).

The UB that the consumer derives from online shopping is the degree to which it helps her achieve functional and practical goals. The HB that the consumer derives from online shopping is the degree to which it gives her pleasure, enjoyment or fun. The SB that consumers derive from online shopping is the extent to which it provides both self-esteem and status benefits to the consumers. Thus, UB, SB and HB are antecedents of consumer purchase action. The greater the UB, SB and HB derived by the consumer of the shopping site the greater will be their impact on consumers’ purchase decision. All three benefits provided by the software product, SB, UB and HB, will therefore significantly and positively impact the purchase decision of consumers, leading us to the following hypothesis:

Hypothesis 1: The decision to purchase from an outlet will be positively influenced by the perceived UB, HB and SB derived from the site by the consumer

The user may incur financial as well as non-financial costs while purchasing from an outlet. Financial costs (FC) are the costs he may incur for acquiring the product. The higher the costs in the users’ perception the lower will be the impact on purchase decision. Financial costs may be direct or indirect. The direct cost is the price paid for the product or service bought at the outlet. All consumers also incur varying degrees of non-financial direct costs such as the expected switching costs (SC) of the outlet and the estimated opportunity costs (OC). While opportunity costs (OC) represents the costs (sacrifices) of not realizing the perceived superior benefits offered by other similar outlets, switching costs (SC) represents the costs (sacrifices) that the user will incur when he switches to another outlet. If the consumers estimate that the switching costs (SC) of changing to an alternative option are likely to be high then his intention to purchase from the existing outlet will increase. However, if the users’ estimate of the opportunity costs (OC) is high as determined by the attractiveness of alternatives (Jones, Mothersbaugh and Beatty, 2000) then his intention to purchase from a given outlet will decline, leading us to the following hypothesis:

Hypothesis 2: The decision to purchase from an existing outlet will be negatively influenced by financial costs (FC), Indirect Costs (IC) and opportunity costs (OC) and positively influenced by switching costs (SC)

According to Thaler’s (1985) value function, the consumer weighs the perceived benefits (gains) and costs (losses) in their mental accounting and evaluation of a purchase to cognitive comparisons with some natural reference. Further, costs (losses) hurt consumers more than the pleasure given by benefits (gains). Consumers will thus apply higher weight to losses than to gains in decision to purchase or choose between outlets. The value function replaces the rationality of consumer choice proposed by the economic utility theory. Thus from a value perspective, the intention to purchase will be more influenced by costs than benefits leading us to the following hypothesis:

Hypothesis 3: Perceived Costs will be salient compared to the Perceived Benefits in impacting consumer purchase from an outlet

Shoppers are likely to derive higher benefits overall from shopping in-store rather than online. The utilitarian benefits of sopping in-store unlike online shopping include immediate gratification and possession of product and service purchased. Further hedonic benefits include atmospherics such as store décor. The sights, smells and service can be experienced directly by the consumer in person in-store shopping which cannot be fully replicated in online shopping. Further social benefits such as a shopping outing with friends and relatives can be experienced only in in-store shopping.

Hypothesis 4: Consumer benefits will be higher at in-stores compared to online shopping outlets

Reaching a physical store takes time and money, while “with online retailing, constraints of time and space disappear” (Kalakota and Whinston, 1997, p. 219). Consumers can make quick comparisons between online shopping sites to get the best deal. Further consumers can easily switch between sites. The psychological costs such as opportunity and sunk costs are therefore lower in online shopping. Changing a physical outlet and the indirect costs of surveying their product or service offerings for comparison among them requires much more efforts in terms of time when compared to on-line shopping. Thus,

Hypothesis 5: Consumer costs will be higher at in-stores compared to online shopping outlets

## **Method**

### **Study Setting and Design**

An Experimental method was adopted in the study. Experimental research is a useful method for examining cause and effect. It offers a methodical way of comparing differences in the effect of treatments (such as perceived value provided by the shopping site to the consumers) on the dependent variable (purchase outcome at the shopping outlet). Actual shoppers participated in the study. Each randomly chosen subject in the study answered a questionnaire based survey that captures data on demographics and relevant independent variables, dependent variable and control variables. The shoppers provided their responses on all shopping outlets, in-store and online) they used for purchasing goods in the past 2 months. Catalogue shopping was not included. In all 172 subjects provided a total of 1,044 responses to the survey.

### **Subjects**

The subjects were recruited from a large public university. The college of business of this university encourages research exposure by awarding students extra credit for research exposure. An email was sent randomly to 200 students of the college of business from among its 2,300 students inviting them to participate in the study. We received a total of 181 responses. Based on this response we invited all 181 students to participate in the study. Among those invited to participate 172 actually participated in the study. The subjects were given extra course credit for their efforts.

### **Measures Used**

Tested measures were used to capture data pertaining to HB, SB, UB (Rintamaki et al., 2006) and Costs (Jones, Mothersbaugh and Beatty, 2000). All measures used a 9-point Likert scale with anchors of 9 (strongly agree) and 1 (strongly disagree) in line with the recommendation that increasing the number of choice-points increases scale sensitivity without damaging scale reliability (Cummins and Gullone, 2000). Responses were coded such that high levels of the constructs are represented by high values. Some items were reverse coded. The overall value for each construct was created by averaging the subject responses.

### **Control Procedures**

Extraneous variables such as age, gender and length of use experience were controlled for in the analysis of subject responses. Studies have shown that HB impacts outcomes for females and males differently (Gefen and Straub, 1997; Venkatesh, Morris and Ackerman, 2000; Wu and Lu, 2013). Further, younger men tend to seek greater novelty and innovativeness and are likely to be more responsive to using a

new technology (e.g., Chau and Hui, 1998). Thus age and gender may impact the outlet preferences and the impact of HB on dependent variable. Additionally, length of use experience may impact consumers' purchase decision. If the consumer derives value from using a shopping site it becomes increasingly important to him due to habitual use behavior. When a behavior has been performed many times in the past, subsequent behavior increasingly becomes under the control of an automated cognitive process (Aarts, Verplanken and van Knippenberg, 1998). Consumers form favorable intentions about acts they have frequently performed in the past (Ouellette and Wood, 1998), such as repeated use of the same online or in-store shopping outlets, making them increasing dependent on the habit (Gefen, 2003).

### **Method of Analyses**

Factor analysis was performed on the data set obtained from the subjects to establish that validity and reliability of the measures used in the study. Logistic regression was used to model the factors influencing the decision to purchase. In recent years, logistic regression has become a preferred statistical technique for multivariate modeling of categorical dependent variables (DeMaris, 2012). Research has shown that using linear regression with expected value E(Y) as dependent variable is problematic because of its underlying assumptions (for more details see Aldrich and Nelson, 1984; Hanushek and Jackson, 1977; Maddala, 1983).

## **Results and Analyses**

The results of the factor analysis using IBM® SPSS® Statistics Version 19 show that the factors extracted using Varimax rotation represented the scales used in the study. The high loadings ( $>.50$ ) within factors demonstrated convergent validity of items within scales, and the no cross loadings ( $>.40$ ) between factors demonstrated discriminant validity between scales. The internal reliabilities of all the scales used in the study were greater than .70 (see Table 1). Further none of the inter-correlations between the scales were greater than .65 (Tables 2, 3 and 4).

As expected the results show (Table 2) that in general the benefits and costs were higher for In-store shopping compared to Online shopping. The difference in opportunity lost cost was not found to be significant. Thus overall hypotheses 4 and 5 were supported. Further, as expected, the impacts of benefits on purchase was positive and except for switching costs the impacts of costs were negative, thereby supporting Hypotheses 1 and 2). The sum of the regression coefficients (see Table 3) show that the impact of benefits on purchase was lower than the impact of costs for both in-store (.859 versus 1.034) and on-line shopping (.807 versus .830), thus Hypothesis 3 was also supported.

**Table 1.** Internal Reliability of Scales

Name of the Scale	Cronbach's Alpha	Number of Items
Utilitarian Benefits (UB)	0.960	6
Hedonic Benefits (HB)	0.941	6
Indirect Costs (IC)	0.888	4
Switching Costs (SC)	0.860	3
Financial Costs (FC)	0.881	3
Social Benefits (SB)	0.812	6
Opportunity Costs (OC)	0.801	3

**Table 2.** Difference in Value Between In-Store and Online Shopping

Variables Measure	In-store Shopping		Online Shopping		Difference in Means
	Mean	Standard Deviation	Mean	Standard Deviation	
Utilitarian Benefits (UB)	6.999	0.882	6.284	0.877	0.715*
Hedonic Benefits (HB)	5.222	1.008	4.300	0.961	0.922*
Indirect Costs (IC)	5.083	1.020	3.675	0.983	1.408**
Switching Costs (SC)	7.135	0.827	5.624	0.854	1.511**
Financial Costs (FC)	6.920	0.961	6.094	0.908	0.826*
Social Benefits (SB)	5.982	0.932	5.444	0.935	0.538*
Opportunity Costs (OC)	6.034	0.812	6.342	0.796	-0.308

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

**Table 3.** Coefficients for logistic regression models of the log odds of Purchase

Variable	Instore Shopping	Online Shopping
Intercept	0.013	0.024
Hedonic benefits (HB)	0.225 **	0.265**
Utilitarian benefits (UB)	0.291**	0.185**
Opportunity Cost (OC)	-0.319**	-0.262**
Social Benefits (SB)	0.343***	0.357***
Switching Costs (SC)	0.123**	0.082*
Experience	0.192**	0.242**
Age	-0.002	0.009
Gender	-0.005	0.005
Financial Costs (FC)	-0.192*	-0.119**
Switching Cost (SC)	-0.281**	-0.118**
Indirect Costs (IC)	-0.119**	-0.149*

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

## Conclusion

Thus overall the model proposed in the study was supported. Some findings were rather surprising. SB had a larger impact on consumers' decision to purchase, both in-store shopping outlet as well as online shopping outlet, although it is possible the nature of social benefits derived might be different. In in-store shopping the social benefits could be due to the shopping excursions with family and friends or even to be seen shopping at some luxury goods store such as at Cartier, for example. In online shipping it could be enhancement of self-esteem by bargain hunters and the advice sought from family and friends for about the best site for a particular good or service. Therefore shopping outlets whether in-store or online should ensure a good social experience for its customers. Also, although the online shoppers derived higher UB from purchases at online shopping outlets (Table 2), they gave more importance to HB and SB in their purchase decision than utilitarian benefits (see Table 3). As both the hedonic and social benefits provided by online shopping outlets were lower compared to in-store outlets, online shopping outlets have scope to improve on atmospherics and provide richer symbolic benefits.

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# How Should Companies Set Prices in Offline and Online Channels? Comparing Responses Across Consumer Segments in a Multichannel Environment

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**Keywords:** *multichannel pricing, price fairness theory, segmentation, mixed methods, experimental research*

## EXTENDED ABSTRACT

### Research Questions

Our paper deals with consumer reactions (purchase intention and perceived price fairness) towards price consistency and price differentiation across offline and online sales channels. Thereby, we address the following questions which prior research has not answered yet.

1. Can companies stimulate consumer acceptance of an offline surplus with the provision of purchase advisory service or communication of price motives?
2. Do consumer segments differ in their reactions to higher offline prices, i.e. do some segments accept higher offline prices?

### Method and Data

First, we first performed a qualitative pre-study with 10 managers from diverse industries and backgrounds. We analyzed the data relying on grounded theory. Second, we conducted a large-scale experiment with 642 subjects using a market research consumer panel. In order to analyze our research questions, we conducted regression analysis and analysis of variance (ANOVA) for the experimental data. We analyzed the total effects of our independent variables (price differences, purchase advisory service, and communication of price motives) on perceived fairness of the offline price and on purchase intention offline. Third, we performed a mediation analysis to test whether perceived price fairness mediates the effects of our independent variables on purchase intention. Fourth, we

conducted a cluster analysis based on hierarchical Ward's linkage and non-hierarchical k-means algorithm and analyzed the results segment-wise.

### Summary of Findings

First, the pre-study results showed the fuzzy picture of the multichannel pricing strategy which we observed in prior literature. On the one hand, some industries (e.g., apparel retailers) employed consistent pricing strategies across their offline and online channels. On the other hand, other industries (e.g., consumer electronics) differentiated their prices to be more competitive in one channel or to offset higher offline channel costs. Moreover, companies stimulated the acceptance of an offline surplus by providing purchase advisory services and communicating their motives for the different prices.

Second, the experimental results demonstrate that consumers hardly accept different prices in offline and online channels. Consumers tend to accept a 2% offline surplus, however, higher offline surpluses decrease their offline buying intentions significantly. However, we observe substantial heterogeneity between segments in the acceptance of multi-channel price differentiation. Some segments accept even larger price differences than 2% (e.g., 5% offline surplus).

Third, our results show counterintuitive findings. In contrast to price fairness theory, typically suggested actions such as service offerings in form of purchase advice as well as utility

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oriented and cost based communication of motives of price differences do not help to enforce higher offline than online prices overall.

## Key Contributions

Our paper contributes to marketing research and practice in four major ways.

First, our results from the qualitative pre-study show that managers are divided about and need guidance on the optimal multichannel pricing strategy. Some argue in favor of price convergence across offline and online channels, whereas others are convinced of the feasibility of multichannel price differentiation as consumers value the channel services distinctly and thus, show varying willingness to pay.

Second, to the best of our knowledge, this study is the first to examine price differentiation and the mediating role of perceived price fairness in an offline-online context. On the one hand, we can replicate the link between price fairness perceptions and purchase intentions in an offline-online setting. On the other hand and more important, we find no support for central predictions of price fairness theory in our setting. In an offline-online context, purchase advisory service and the communication of price motives do not lead to the favorable outcomes expected by price fairness theory. Hence, insights gained from offline settings are difficult to generalize to the multichannel environment. Relatedly, our findings suggest competing mechanisms to price fairness theory which future research should study further.

Third, future research should capture consumer heterogeneity. Our total sample results and the segment-wise regression analyses lead to different conclusions. For instance, the importance of the mediating price fairness effect in relation to the total effect varies depending on the segment. Similarly, consumers' willingness to pay higher offline prices differs remarkably between segments. A sole focus on the average total segment effects would have obscured the heterogeneity in consumers' response patterns.

Fourth, we provide managerial implications. First, the results demonstrate that enforcing higher prices in the offline channel is generally difficult, if not impossible. Therefore, if companies pursue broad market coverage, they should employ price consistency across channels. Second, we show some opportunities for retailers to generate value with market segmentation. We differentiate between two situations. In the first situation, if salespeople cannot recognize a customer's segment membership and consequently, cannot derive which sales-accompanying offer the customer appreciates, they should refrain from providing these measures and save the costs instead. In the second situation, if salespeople are able to categorize regular customers, they should proactively address customers with additional offers such as service or communication if they belong to segments that value these aspects.

*References are available on request.*

# Patterns in Online and Offline Information Search Behavior: The Role of Need for Cognition, Web Expertise and Trust

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**Keywords:** *eWOM, need for cognition, trust, web expertise, experimental design*

**Description:** *The paper deals with the influence of need for cognition, trust and web expertise on online and offline information search behavior.*

## EXTENDED ABSTRACT

### Research Question

When making a decision, consumers are increasingly confronted with a plethora of information from different sources, both online and offline. The aim of this research is to identify patterns of information seeking behavior using different sources of information. Commercial sources refer to sources provided by companies, for instance brand pages in the online environment or advertisements in the offline environment. Public sources refer to sources from organizations, which aim to provide neutral information about products or services, such as consumer rating organizations. In this context, we treat (electronic) word-of-mouth (WOM) as personal source. Which information source is chosen and how much time is spent on it depends on individual characteristics, such as need for cognition (NFC), expertise and trust.

### Method and Data

The core of our experimental design was an interactive online information search task. Participants were asked to gather information for a buy or no-buy decision of a high involvement product, namely an HDTV monitor. Therefore, they were provided with a limited set of information items from all three groups of sources, i.e. commercial information material, reports from public sources and eWOM messages. The information provided was original data retrieved from the Internet. Corresponding to the reality on the Internet, eWOM outweighed the other types of sources by number of messages but not necessarily by information content per

item. Participants were asked to gather as much information as they perceived necessary in order to make their decision whether to buy the product in question or not. Each participant's interaction with the database was tracked and the following data were logged: (i) Sequence, in which websites and information items were accessed, (ii) number of revisits to single pages and (iii) time spent on each element. In addition, the participants' demographics, need for cognition (using scale by Bless et al., 1994) and web expertise were measured. The sample of 366 respondents from Austria is composed of 195 female and 171 male respondents ( $M_{age} = 30.23$ ,  $SD = 11.35$ ).

### Summary of Findings

In order to test the influence of NFC, web expertise and trust on information search behavior, multiple regression analyses were run. Consumers, who have a high NFC  $t(362) = 2.20$ ,  $\beta = .11$ ,  $p < .05$ , also have a higher usage frequency of public online sources, but do spend significantly less time on public online sources,  $t(359) = -2.91$ ,  $\beta = -.16$ ,  $p < .01$ . Web-expertise increases usage frequency of online personal sources significantly,  $t(361) = 2.26$ ,  $\beta = .10$ ,  $p < .05$  and minimizes the time spent with those sources,  $t(361) = -2.43$ ,  $\beta = -.13$ ,  $p < .05$ . Consumers with less web expertise show a stronger preference for offline and a lower preference for online information search behavior  $t(362) = -5.10$ ,  $\beta = -.26$ ,  $p < .0001$ . The usage of commercial online sources depends on the trust consumers have in commercial online  $t(363) = 9.99$ ,  $\beta = .46$ ,  $p < .0001$ , and in commercial offline sources

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$t(363) = 9.38$ ,  $\beta = .45$ ,  $p < .0001$ . Consumers, who show higher trust in public online sources  $t(362) = 5.34$ ,  $\beta = .27$ ,  $p < .0001$ , and in public offline sources  $t(362) = 5.97$ ,  $\beta = .30$ ,  $p < .0001$ , also have a higher usage frequency of public online sources. Also, the usage frequency of personal online sources depends on trust consumers have in personal online  $t(361) = 11.38$ ,  $\beta = .51$ ,  $p < .05$ , and on trust in personal offline sources  $t(361) = 4.19$ ,  $\beta = .21$ ,  $p < .0001$ .

## Key Contributions

We extend existing research on eWOM by investigating experimentally usage frequency, time spent, and consumer's offline and information search behavior for commercial, pub-

lic and personal online and offline sources. Depending on NFC, web expertise and trust, our study reveals significantly different patterns of how often consumers use, how much time they spend with and if they rather prefer to consider those sources in an offline or online context. Web expertise outperforms NFC, and trust in turn, diminishes the impact of web expertise in terms of usage frequency and time spent. Generally, trust in online and offline sources plays a crucial role in consumers information search behavior, as trust in online and offline sources increases usage frequency of online sources for commercial and personal sources.

*References are available on request.*

# Bolstering New Product Reviews in the Digital World

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Vincentia W. Yuen, City University of Hong Kong

**Keywords:** new product reviews, online forums, electronic word of mouth, culture

**Description:** This research draws on Construal Level Theory to offer theoretical and practical insights for harnessing the growing power of new product reviews around the world.

## EXTENDED ABSTRACT

### Research Question

Previous word-of-mouth (WOM) research has focused on the retrospective nature of WOM, typically viewing it as a post-purchase behavior. The past-oriented perspective also persists in the e-WOM literature, as evidenced by a comprehensive review of pertinent publications in the field. In this paper, we depart from the retrospective approach by exploring a future orientation in e-WOM behavior. Arguably, new products and future consumption generate more enthusiasm and discussion than do existing products and past consumption. In addition, we also challenge the long-held assumption (that consumer-generated content is beyond managerial control) and instead argue that e-WOM behavior is susceptible to influence by forum design features (which can be manipulated by online platform managers).

To maximize the potential contributions of these insights, we put forth several provocative claims in the context of a worldwide online phenomenon: the growing popularity of new product review sites. More specifically, we argue—in a series of research propositions—that forum design plays an important role in shaping future-oriented e-WOM behavior (in the form of new product reviews) across cultures.

### Summary of Propositions

In a series of related propositions, we explicate why and how new product reviews can be bolstered through strategic forum designs. Drawing on Construal Level Theory (CLT), we identify the conditions that favor one forum design versus another. Specifically, we contrast new product platforms that promote an attribute-focused review style and those that promote a self-focused review style—in terms of their

impacts on review favorability. According to our analysis, forum designs that encourage an attribute-focused (vs. self-focused) review style would create more favorable buzz for really new products to be launched in the distant future. Space limitations preclude a discussion of all the propositions. The following are two exemplars that highlight how WOM favorability reflects the interactions between forum design and common targeting and communication strategies.

#### **The Moderating Role of Audience Culture**

New product review forums that encourage an attribute-focused (vs. self-focused) review style generate more favorable e-WOM, and this e-WOM pattern is more pronounced in individualist (vs. collectivist) cultures.

#### **The Moderating Role of Information Richness**

New product review forums that encourage an attribute-focused (vs. self-focused) review style generate more favorable e-WOM, and this e-WOM pattern is more pronounced with concise (vs. detailed) new product information.

### Key Contributions

This research advances e-WOM theory by addressing a conceptual dimension previously unexplored in the literature, namely, a future-oriented (rather than past-oriented) time perspective. It draws on CLT to analyze several factors under direct control of forum or new product managers (e.g., review style, audience culture, information richness), and explicates why and how these factors can influence reviews of new products not yet released. As such, it opens the door to an intriguing area of research on strategically managing

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consumer-generated content about forthcoming new products. From a managerial standpoint, our research offers valuable guidance for marketers to capitalize on a fast-growing trend in the online arena—that of generating and sharing new product reviews. Toward this end, practical insights abound for buzz management and the design of e-WOM forums.

**Acknowledgement:** This research was supported by a research grant awarded by the Hong Kong Research Grants Council to the first author (UGC/FDS14/B10/15).

*References are available on request.*

# Why Being Credible Counts: The Impact of Brand Credibility and Place Attachment on Consumers' Approach Behavior

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**Keywords:** place branding, destination branding, brand credibility, place attachment, brand signaling

## EXTENDED ABSTRACT

### Research Question

Despite the growing attention place attachment and place branding attract in recent literature, little is known about the credibility of destination brands and their relationship with attachment formation. The present study builds on brand signaling and attachment theory to investigate whether the credibility of information affects consumers' attachment with a destination and, subsequently, their word-of-mouth (WOM) activities and intention to return. The study makes two core contributions. First, in line with brand signaling theory (Erdem and Swait 1998), we postulate that the trustworthiness of information about a destination is likely to exert a persuasive effect on customers' opinions (Bougoure et al. 2016). We argue that consumers become attached to a place only when the information and claims promoted are viewed as credible and reliable. Second, we regard destination attachment as crucial mediating construct between destination brand credibility and behavioral outcomes, since consumers' sense of connectedness with a place should play a vital role in (and further enhance) intention to return and positive WOM. Consistent with attachment theory (Mikulincer and Shaver 2007), credible destination brands should thus facilitate brand-self connection and lead to a favorable approach behavior towards the destination.

### Method and Data

For empirical validation of the proposed model, a self-administered field survey in the Alpine winter destination Lech-Zürs was conducted during winter season 2015/16. Data collection was administered by scheduled interviewers, resulting in a final, useable sample of 243 questionnaires

(41.6% female, on average 41–50 years old, 84% repeat time visitors). Hypotheses were tested by using structural equation modeling (Mplus 7.0) with a bootstrapping mediation analysis. In a first step, internal consistency was assessed using EFA, item-to-total correlation and Cronbach's alpha as first-generation criteria. Model parameters were further estimated with the help of confirmatory factor analysis (CFA). In a second step, the measurement and structural model were tested and revealed a good fit.

### Summary of Findings

Results prove that credible destination brands are a key antecedent of consumers' attachment formation, their intention to return and to engage in positive word-of-mouth (WOM) activities. Consistent with brand signaling theory (Sweeney and Swait 2008), credible brands exert a particularly strong direct effect on consumers' word-of-mouth, while a positive effect on their intention to return will only be obtained if consumers feel attachment with the brand beforehand. Implications concerning both research and managerial practices are offered.

### Key Contributions

Credible destination brands are a key antecedent of consumers' attachment formation and their satisfaction. DMOs therefore have to be clear, precise and truthful in their information claims to facilitate the formation of destination attachment. While attachment to a destination directly affects intention to return and causes consumer to recommend a destination, it is an even more powerful mediating factor for the intention to return to a destination. Hence, if

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consumers' feel attached to a destination, credible destination communication will cause them to return. By contrast, if they do not obtain a feeling of perceived oneness with the destination during their stay, also the most credible and trustful communication or branding campaigns will not make them return. For influencing consumers' WOM activity, a different rationale comes to light: even though attachment shows a significant mediation effect between brand credibility and WOM, the direct effect credible brands exert on WOM activity reveals to be much stronger.

Communication, positioning and branding efforts thus have to be well coordinated and aligned to build and sustain a loyal customer base. DMOs should invest steadily in the formation and preservation of strong brands, as they constitute the backbone of their communication. Destination brands based on regional values and a high degree of authenticity could moreover streamline DMO communication and at the same time increase consumers' intention to (re)turn to the respective place.

*References are available on request.*

# Stress and Consumer Ethical Beliefs: The Role of Construal Level and Materialism

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*Yeyi Liu, University of Leeds*

**Keywords:** stress, construal level, materialism, consumer ethics

**Description:** *The study examines the influence of perceived stress on consumers' ethical beliefs, which is mediated by construal level and materialism.*

## EXTENDED ABSTRACT

### Research Question

Stress has become a common experience in our lives. The influence of stress on individual behaviors has drawn a growing attention in psychology and in marketing. However, regarding the relationship between stress and moral activities, the literature is scarce. The current research aims to answer the question whether and how consumers' perceived stress influence their ethical beliefs.

The research examines the influence of stress on consumer ethical beliefs and the underlying mechanism. The current research proposes two psychological mechanisms: construal level and materialism. Specifically, stress increases consumers' low-construal mindsets and materialistic values, both of which lead to less tolerance towards unethical behaviors.

### Method and Data

An online survey was employed to collect data. Four hundred and fifty-one American adults were recruited from Amazon Mechanical Turk to participate in the survey, self-reporting their perceived stress, materialism value, and their attitude towards different unethical behaviors.

Existing measures were adopted. Perceived stress was measured by adopting the Perceived Stress Scale developed by Cohen, Kamarck, and Mermelstein (1983). Materialism was assessed by the most frequently used Material Values Scale (MVS) developed by Richins and Dawson (1992). Chronic construal level was measured by the Behavioral Identifica-

tion Form (Vallacher and Wegner, 1989). Consumer Ethical Beliefs were measured by the Muncy-Vitell consumer ethics scale (Vitell and Muncy, 1992, 2005).

A series of regression analyses was employed to examine the mediation relationships, with perceived stress as the independent variable, and different dimensions of consumer ethical beliefs as dependent variables, materialism and construal level as mediators. Demographic variables were controlled.

### Summary of Findings

Empirical results suggest that consumers' perceived stress level serves as an important indicator of their unethical beliefs and this relationship is mediated by consumers' chronic construal level and materialism value. Specifically, stressed consumers tend to develop low-construal mindsets and more materialism values, both of which further increase consumers' tolerance of ethically questionable behaviors.

### Key Contributions

The present research highlights the importance of stress on consumer ethics, and contributes to prior literature in three ways. Firstly, the current study adds to the literature on consumer ethics by examining a new predictor of consumers' ethical beliefs, which enriches the understanding of why some consumers act more ethically than others do. Secondly, to the best of our knowledge, little prior literature has examined the underlying process of why stress relates to ethical beliefs. The current research for the first time examines the

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underlying process, and reveals the mediating roles of construal level and materialism value. Thirdly, the present research finds that stress increases low-level construal, leading to unethical beliefs. This finding broadens the scope in

construal level theory by suggesting that chronic construal level predicts individual ethical judgments.

*References are available on request.*

# The Dark Side of Competition: Both Winning and Losing After Competitions Predict Unethical Behaviors

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**Keywords:** competition, win or lose, unethical behavior, power

**Description:** Both winners and losers conduct unrelated unethical behaviors after competitions.

## EXTENDED ABSTRACT

### Research Question

- Whether winning and losing after competitions predict subsequent unrelated unethical behaviors?
- What are the moderators that can constrain the association?

### Method and Data

Study 1 is an experiment. This study is collaborated with a non-profit organization at Hawaii. With their help, we are able to create a real competitive situation as the manipulation. Data was collected from undergraduate students using online questionnaires. Study 2 is a correlational study. We combined the 2016 Presidential Election into our cover story to enhance the external validity. Data was collected from Amazon Mechanical Turk.

### Summary of Findings

Post-competition consumer behavior is rarely studied in the past. Our study fills this gap by analyzing the relationship between winning or losing a competition and subsequent unrelated unethical behaviors. Also, we've identified power as a moderator for this relationship (study 1). Specifically, in the high-power conditions, losers are more likely to lie than winners. Furthermore, we added beneficiary of lies as another moderator (study 2). Three-way analysis shows that

both winners and losers lie under certain conditions, replicating study 1 and past work. Specifically, winner with high power were more likely to lie for themselves. Winners with low power were more likely to lie for others. Lastly, losers with high power were more likely to lie for others, replicating findings from study 1.

### Key Contributions

Our novel contribution is that we analyzed the association between winning and losing and subsequent unethical behaviors, with two moderators introduced. Our research contributes to the competition literature by adding post competition consumer behaviors into analysis. Also, it contributes to past work on consumer unethical behaviors through connecting it with competition literature. Practically, when planning future marketing campaigns, marketers can take the side effects of competitions into consideration and adopt the proposed moderators to effectively control the negative side effects. Also, Study 1 was designed with support from a non-profit organization. The ecological validity of our research was boosted. Additionally, study 2 utilized the 2016 Presidential Election as a natural context of post competition consumer behavior analysis, enhancing the external validity.

*References are available on request.*

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# WOM Source Characteristics: Do Information Seekers Get What They Need?

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**Keywords:** word-of-mouth, information seeking, information congruence, source characteristics

**Description:** This paper examines the characteristics of WOM sources which WOM seekers prefer in a credence service context and explores the likelihood to get the desired information from these sources.

## EXTENDED ABSTRACT

### Research Question

This study explores the characteristics of word-of-mouth (WOM) sources consumers actively seek, and the congruence between the information their sources provide and the information needs of the consumer. Based on the popular source characteristics reviewed in WOM literature, this study sheds light on how consumers of credence services actively select WOM sources and if the message content satisfies what the seekers need to find. The following research questions are addressed:

1. What are the WOM source characteristics high-involved consumers actively seek?
2. What are the effects of WOM source characteristics on the information congruence?

### Method and Data

A quantitative survey of prospective university students, currently final-year high school students, was conducted. The exploration sought to determine how prospective university students obtain WOM sources when making university selection decisions. The sample comprises 509 respondents for the data analysis. Data was analyzed using structural equation modeling with AMOS software.

### Summary of Findings

The data analysis resulted in the significant relationship between active WOM seeking activity and all source charac-

teristics. Of these WOM source characteristics, consumers are most likely to seek opinion leaders and less often to seek sources which are similar to them. Findings also suggest that the communication with trustworthy sources and opinion leaders lead to high levels of information congruence. Experts and sources whom are perceived to be similar to the WOM seeker have no significant impact on information congruence.

### Key Contributions

The study provides insight into the WOM source preference of consumers when they are seeking information within a credence service context. Practically, the findings help marketers of credence services and higher education, in particular, understand the WOM source preferences of their consumers, an important outcome because consumers of these services are more active in information acquisition activities. We explore active WOM seeking behavior, which has not been adequately covered within this research domain, as the main focus in this study. The results contribute to the knowledge of WOM information acquisition behavior and identify the WOM source characteristics which are potential to have the highest influence on consumers.

*References are available on request.*

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# Do Ambivalent Attitudes Toward Products Reduce as a Result of Selective Learning from Online Reviews? A Two-Stage Exploration

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**Keywords:** consumer ambivalence, online reviews, selective learning

**Description:** This paper investigates how ambivalent consumers processes online reviews in order to reduce felt ambivalence and form an attitude and purchase intention towards a product.

## EXTENDED ABSTRACT

### Research Question

1. Whether online consumers' knowledge strength (measured by knowledge quantity and knowledge ability) towards a given product would arouse their need for closure (High vs. Low) to form an attitude that is clear, certain and confident?
2. Whether high level of attitude ambivalence towards a given product would intensify consumers' need for closure, while low level of attitude ambivalence would dissolve their need for closure?
3. Whether a more ambivalent user motivated by need of closure to selectively learn from information of specific types, such as valence (positive vs. negative), sources of reviewer (expert knowledge-based vs. common user experience-based)
4. Whether the users' learning from selective exposure to different types of information would reduce their felt ambivalence.

### Method and Data

The study employs a two-stage quasi-experiment design. We recruit university students to do an online learning task in a real Amazon website. Three hundred and twelve students between 18 and 20 years old (158 females and 154 males, *Mean age = 19.468, SD = .499*) took part, who expressed that they didn't own an iPhone 5s and wanted to buy it

within the next 3 months. In the first stage, they complete a survey about their current knowledge level, attitudes towards iPhone 5S, and need for closure level. Then they proceed to take as much time as they want to read the customer reviews page of iPhone 5S in Amazon.com. When they think they have learned enough about iPhone 5S, they do another survey to recall their information preference, and report their updated knowledge level and attitude.

### Summary of Findings

1. Online consumers' extant product knowledge strength towards a given product influences their need for closure to form an attitude that is clear, certain and confident.
2. The level of attitude ambivalence towards a given product moderate the relationship between product knowledge strength and consumers' need for closure, specifically, high level of ambivalence intensifies need for closure, while low level of ambivalence dissolve need for closure.
3. Consumers with different levels of need for closure influence learning from different types of online reviews, specifically, highly ambivalent consumers prefer common user experience-based reviews, while less ambivalent consumers prefer expert knowledge-based reviews.
4. Consumers' learning from different types of information can significantly reduce their felt ambivalence level.

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## **Key Contributions**

This study contributes to consumer ambivalence theories by elucidating why and how online users, given their extant knowledge, make selections of online customer reviews to learn in order to reduce ambivalence and form a clear, certain and confident attitude.

Specifically, firstly, we highlighted the interaction effect between consumers extant product knowledge and felt ambivalence level will arouse need for closure and moti-

vates consumers' to search, read and learn different types of online consumer reviews.

Secondly, we contribute to the literature on word-of-mouth and online consumer reviews. Specifically, we identified two types of online reviews, one posted by experts and featuring attributes-based knowledge about the product, another posted by common users and featuring experience-based feelings and attitude.

## **Appendix**

The major Measurements are as follows (all are 7-point Likert Scales)

**Knowledge strength** (adapted from Wood, Rhodes, and Biek 1995; Brannon, Tagler, and Eagly 2007)

I know a lot about the iPhone 5S.

I feel that my knowledge strength about the iPhone 5S is high.

**Attitude ambivalence** (adapted from Priester and Petty 1996; Priester, Petty, and Park 2007)

I feel conflict in my feelings towards the iPhone 5S.

I feel tension in my reactions towards the iPhone 5S.

I feel confused about the iPhone 5S.

**Need for closure** (adapted from Kruglanski & Webster 1996; Rucker, Petty, and Briñol 2008)

I would like to establish clear thoughts about the iPhone 5S.

I want to be certain about the benefits and risks of owning an iPhone 5S.

I want to be confident about my iPhone 5S purchase decision.

**Learning from expert knowledge** (adapted from expertise scale developed by Germain and Ruiz 2009; attribute-centric vs. benefit-centric measurements developed by Park and Kim 2012)

I prefer to learn from experts who are able to judge what attributes are important in the iPhone 5S.

I prefer to learn from experts who have knowledge that is specific to the iPhone 5S.

**Learning from tacit-based experience** (adapted from attribute-centric vs. benefit-centric measurements

developed by Park and Kim 2012 and Expertise Scale developed by Germain and Ruiz 2009)

I prefer to learn from users who are able to judge what benefits are important in the iPhone 5S.

I prefer to learn from users who have a track record of owning an iPhone 5S.

**Perceived congruence** (adapted from measurements in Brannon, Tagler, and Eagly 2007)

I prefer to learn from reviews that hold similar opinions to my own about the iPhone 5S.

I prefer to learn from reviews that have a similar product perspective towards iPhone 5S as my own.

**Ambivalence after exposure** (Priester, Petty, and Park 1996)

I feel conflict in my feelings towards the iPhone 5S.

I feel tension in my reactions towards the iPhone 5S.

I feel confused about the iPhone 5S.

*References are available on request.*

# Secret Competition: How Social Goal Pursuit Impacts Motivation

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**Keywords:** competition, social influence, goal pursuit

**Description:** This research examines how and when social influence can help or hinder motivation to pursue goals by specifying and testing a theoretical account that examines the link between social influence and competitiveness.

## EXTENDED ABSTRACT

### Research Question

Prior research has shown conflicting results as to whether social influence facilitates or hinders goal pursuit. The current research helps resolve this conflict by demonstrating that social influence is motivating when people view social others as competitors who are potentially performing better than they are. Specifically, when goal pursuers know that close, similar social others (i.e., friends who are more likely to be viewed as competitors than distant strangers) are doing better, goal pursuers tend to compete harder.

Society is filled with examples of purported benefits of pursuing goals in a group setting. For example, Weight Watchers is a widely used weight-loss program that encourages participants to attend “peer powered” meetings to get support with their weight loss goals. There are numerous smartphone apps and websites that can be used for setting and tracking goals, many of which include options to work toward similar goals along with other people. Wearable fitness trackers (e.g., Fitbit) allow individuals to keep track of steps, calories burned, and compare personal activity to the activities of others. There are also many variations of twelve-step programs for overcoming substance abuse and other dependency problems that advocate a group orientation toward recovery. All of these group goal pursuit settings suggest that it is better to work toward a goal with other people.

However, the literature is split on whether the presence of social others helps or hinders motivation to work toward a goal. While some papers suggest social influence can help

goal pursuit (e.g., Aarts, Gollwitzer, and Hassin 2004; Phua 2013; Uchino 2004), others have found it to be counterproductive (e.g., Fitzsimons and Finkel 2011; John and Norton 2013).

In this paper, we reconcile this conflict by proposing that social influence is more likely to be helpful for motivation when it elicits competitiveness. We build on previous research on social influence, competitiveness, interpersonal closeness, and motivational orientation (Berger and Pope 2011; Cialdini 2008; Deci and Ryan 1985; Festinger 1954; Garcia, Tor, and Schiff 2013; Goldstein, Cialdini, and Griskevicius 2008; Tauer and Harackiewicz 2004) and argue that not all social others increase motivation. We propose that people are more motivated by social others only when these others are viewed as competitors. We show that variables affecting perceived competition drive these effects. Importantly, this competition is covert rather than overt. People tend to be more competitive with close, similar others, but they are also less likely to be dishonest with close others. By testing this secret competition proposition, the current research offers a more comprehensive understanding of why social influence may not always be beneficial for goal pursuit.

The current paper makes a number of contributions. First, we reconcile the conflict in the literature as to whether social others help or hurt motivation toward a goal by examining the role of competitiveness. We specify and test a previously underdeveloped link between social influence and competitiveness to show that motivation depends on how the social

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others are viewed. Although prior literature has hinted at the relationship between social influence and competitiveness (e.g., Festinger 1954; Garcia, Tor, and Schiff 2013), we demonstrate empirically that this link exists, and we further show how competitiveness can be influenced by both situational and individual variables. When social others elicit competitiveness, people are more likely to be motivated. When social others are not viewed as competitors (as is the case when others are performing worse than the self, etc.), the presence of social others is less likely to motivate goal pursuit.

Second, the current research sheds light into the underlying process and tests when people are more likely to view social others as competitors. We show that close, similar social others (i.e., friends), a focus on external motivation, and negative feedback are more likely to elicit competitiveness. Examining how these variables influence the link between social influence and competitiveness provides a more comprehensive understanding of social goal pursuit by explaining why prior research has shown divergent results.

Third, we demonstrate that while people are more competitive against friends, they keep this competition hidden from friends (vs. strangers), presumably due to their affiliation goals with friends (Urdan and Maehr 1995). We test the impact of social influence on dishonesty and show that people tend to be significantly less dishonest about their own goal progress when pursuing a goal with friends as compared to strangers. Thus, the competitiveness is secret, in the sense it does not result in overt lying. In other words, competition with friends is not outwardly demonstrated via dishonesty.

The psychology of social influence can be quite powerful in causing behavior change, particularly when people follow the lead of similar others (e.g., Cialdini 2008; Festinger 1954; Goldstein, Cialdini, and Griskevicius 2008). Individuals often use their perceptions of peer behavior as a standard of comparison for themselves (Schultz et al. 2007). Indeed, research has demonstrated that the presence of social others can facilitate the initiation of goal pursuit (e.g., Aarts, Gollwitzer, and Hassin 2004; Fitzsimons and Bargh 2003). The act of observing other people's actions can prompt an individual to begin working toward a goal (Aarts, Gollwitzer, and Hassin 2004). Thinking of helpful others may heighten social pressure, which could enhance goal pursuit behaviors (e.g., Urdan and Maehr 1995).

That said, industry surveys and other research suggest that social influence might not motivate goal-pursuit behaviors. Approximately forty percent of people using fitness trackers that have the ability to track one's own performance along

with the performance of social others end up ditching them within the first year (NPD 2014). John and Norton (2013) found that office workers who were using treadmills made less progress when they were assigned to groups than when they were pursuing the fitness goal alone. Similarly, messages that discuss behaviors of social others have been shown to be ineffective, if not counterproductive, in the prevention of undesirable behaviors such as binge drinking (e.g. Perkins, Haines, and Rice 2005; Werch et al. 2000) and overuse of electricity (Schultz et al. 2007).

Taken together, prior research shows diverging results on whether or not social influence is beneficial for goal pursuit. We propose that social influence can increase motivation when it elicits feelings of competition (Franken and Brown 1995; Kilduff, Elfenbein, and Staw 2010; Reeve and Deci 1996; Stanne et al. 1999). While the majority of lab and field studies of competition have not directly examined the nature of the relationship that exists between competitors (e.g., Tauer and Harackiewicz 2004), one variable that has been proposed to affect competitive behavior is social comparison (Festinger 1954). If this is the case, then variables that affect perceived competition, such as characteristics of social others (close vs. distant others; Garcia, Tor, and Schiff 2013), valence of social feedback (positive vs. negative; Berger and Pope 2011; Eccles and Wigfield 2002), and individual differences in focus on competition (low vs. high; Deci and Ryan 1985), will determine the extent to which social influence facilitates goal pursuit.

## Method and Data

Our predictions were tested in a series of five studies (see Table 1 for a summary of the studies). The first study uses a secondary data set of weight loss over time. This data set was collected in a unique setting where individuals are working toward their goal with differences in social influence and feedback. These data allow us to examine each individual's goal progress as competitiveness changes over time. Study 1 examined goal progress using secondary data from individuals who are advancing toward a weight-loss goal in both a more social and more individual context, thus influencing the level of competitiveness. The competitiveness varies over time due to social influence and feedback. We hypothesize that similar social others tend to increase competitiveness, as does negative feedback.

Next, we turned to experimental data in order to demonstrate how competition impacts motivation to pursue social goals. In our experiments, we alter competitiveness via social influence group (friends vs. strangers) and valence of feedback (negative vs. positive). We further explore whether competitive effects are moderated by how much people focus on external competition (extrinsic vs. intrinsic motiva-

tional orientation). Finally, we test whether competitiveness influences one's propensity to engage in dishonesty.

We predict that friends provide more social influence than strangers, therefore people pursuing social goals will be more competitive with friends. We further predict that competitiveness will increase motivation to continue to pursue a chosen goal. Study 2 tests for the proposed mediating role of competitiveness.

If our effect is indeed driven by increased competitiveness due to extrinsic social influence, then it should be attenuated as people become more intrinsically motivated. Thus, Study 3 tests our proposed theory by examining how likely intrinsically vs. extrinsically motivated individuals would be to persist with their goal pursuit in a social, competitive goal context.

We further propose that higher competitiveness is induced by receiving negative feedback (e.g., performing worse than others). Study 4 tests whether negative feedback elicits increased competitiveness more so than positive feedback.

Finally, our theoretical account is based on increased competitiveness with friends, although we have classified this as "secret" competition, in the sense that people tend not to be overtly competitive with friends through dishonesty. Study 5 tests whether people will tend to be less dishonest about reporting their own progress with friends.

Study 1 used weekly weight loss data, collected from the third season (2006) of the popular television show, *The Biggest Loser*. In this season of the show, 16 participants worked toward their weight-loss goal in a social context (i.e., on *The Biggest Loser* ranch), while 36 participants worked on the same goal at home.

We have proposed that in order for social influence to positively affect motivation, the contestants need to feel competitive. Based on this explanation, we predict that those in the at-home group will perform better in later weeks. This prediction is based on the fact that some of the contestants experienced both the benefit of social influence because they started on the ranch, and they experienced negative feedback (i.e., were told they were underperforming and were sent home).

An AR(1) model revealed a significant location by week interaction ( $\beta = -1.89, p < .001$ ), which suggests that there was a different rate of weight loss between the home and ranch participants across time. On average, participants on the ranch lost weight more quickly during the first few weeks, while participants at home lost weight more quickly

during later weeks. Importantly, there was no significant main effect of location ( $\beta = 3.19, p > .22$ ), which shows that losing weight in a social environment was not overall significantly better than losing weight in a more individual environment.

This analysis demonstrates that social influence is not necessarily beneficial in isolation but depends on other factors such as competitiveness. Our theory suggests that those who started on the ranch and later ended up at home became more competitive, partly because they received negative feedback. In order to test this possibility, we compared the regression coefficients among the ranch group, the sent-home group, and the at-home group in order to examine the line slope change of weight loss over time. Specifically, weight loss increased over time for both the sent-home participants ( $\beta_{\text{sent-home}} = 1.380, p < .05$ ) and at-home participants ( $\beta_{\text{at-home}} = .239, p < .01$ ), whereas it decreased over time for participants on the ranch ( $\beta_{\text{ranch}} = -.642, p < .001$ ). Importantly, weight loss was significantly larger for the sent-home participants ( $M = 10.17, SD = 13.04$ ) than the at-home participants ( $M = 6.45, SD = 5.56; t(517) = 4.19, p < .001$ ), confirming this group was driving the success of the home participants in later weeks.

Study 2 examined whether motivation tends to be higher when people pursue goals in a context with more social influence. The previous study showed that the effect of social influence depends on other factors. In the second study we manipulate social influence using interpersonal closeness (friends vs. strangers).

Two hundred adult participants (41% female, average age of 33) located in the United States were recruited from Amazon Mechanical Turk and randomly assigned to one of two conditions, a friends or a strangers social influence condition. In both conditions, participants were first asked to think of a goal that they would want to pursue and then select a goal from six listed options (save money, exercise, lose weight, get more sleep, meditate, be more productive) or an "other" option that included an open-ended text box. Respondents were told that they would be tracking their goal progress on a website called mygoaltracker.com. The website description indicated that participants would either be pursuing similar goals with their friends (friends condition), or participants would not know any of the other website participants (strangers condition).

Participants were next asked to rate how competitive they feel in this situation with [your friends/other website users] on a 7-point scale where 1 = "extremely uncompetitive" and 7 = "extremely competitive." Participants were then asked, "if you noticed that [your friends/other website users] were

making much more progress than you toward a particular goal, would you be more or less motivated to continue to work toward that goal?" Responses to this question were recorded on a scale from 1 to 7 where 1 = "much less motivated" and 7 = "much more motivated." Finally, participants indicated their age and gender.

A mediation analysis (Preacher and Hayes 2004) demonstrated that competitiveness fully mediated the relationship between social influence (friends vs. strangers) and motivation to work toward the chosen goal. The total effect of social influence on motivation to pursue the goal was significant ( $\beta = -.54, p < .01$ ). Additionally, social influence significantly predicted competitiveness ( $\beta = -.82, p < .001$ ), such that pursuing a goal with friends lead to increased competitiveness, which in turn positively impacted their motivation to pursue the goal ( $\beta = .37, p < .001$ ). Finally, the main effect of social influence on motivation was no longer significant when controlling for competition ( $\beta = -.23, p = .12$ ). The bootstrap results based on 5,000 re-samples indicated that the 95% confidence interval for the indirect effect did not include zero  $[-.52, -.12]$ .

Study 3 examined the external nature of our theoretical account of competition. Two hundred adult participants (37% female, average age of 33) from the United States were recruited from Amazon Mechanical Turk. Participants were randomly assigned to one of two conditions, a goal pursuit context with friends (high competitiveness) or strangers (low competitiveness), using the procedure that was similar to the previous study. Respondents were also asked to indicate to what extent certain measures described how intrinsically or extrinsically motivated they were on a scale from 1 to 7 where 1 = "not at all like me" and 7 = "just like me." These measures were an eight-question subset of the Intrinsic Motivation (IM) trait scale ( $\alpha = .68$ ) and the Extrinsic Motivation (EM) trait scale ( $\alpha = .72$ ) from the Work Preference Inventory (Amabile, Hill, Hennessey, and Tighe 1994).

A moderated regression was performed on continued motivation. We used the independent variables (i) intrinsic-extrinsic motivational orientation index, (ii) a dummy variable for condition (friends vs. strangers), and (iii) their interaction. The results showed a significant two-way interaction between motivational orientation and condition ( $\beta = .53, p < .05$ ). To explore the interaction, we examined the slopes of motivational orientation in each condition. The slope of motivational orientation was not significant in the strangers condition ( $\beta = -.08, p = .60$ ), whereas it was significant and positive in the friends condition ( $\beta = .45, p < .05$ ). There were no significant main effects. The lack of a

significant main effect for condition is consistent with the first study, which also showed no main effect for location.

In addition, a spotlight analysis (Hayes and Matthes 2009) at one standard deviation above the mean of motivational orientation showed a significant difference such that people who were high in extrinsic motivation were more motivated in the friends condition ( $M = 5.51$ ) than the strangers condition ( $M = 5.12$ ). A similar spotlight analysis at one standard deviation below the mean of motivational orientation showed a significant difference such that people who were high in intrinsic motivation were more motivated in the strangers condition ( $M = 5.24$ ) than in the friends condition ( $M = 4.84$ ).

Study 4 examined the role of both positive and negative feedback on motivation. Three hundred adult participants (46% female, average age of 34) located in the United States were recruited from Amazon Mechanical Turk and randomly assigned to one of four conditions in a  $2 \times 2$  design: social influence (friends vs. strangers)  $\times$  valence of feedback (positive vs. negative). The method was similar to previous studies.

A two-way ANOVA revealed that there was a significant main effect of valence of feedback ( $F(1, 296) = 26.64, p < .001$ ), which was qualified by a significant interaction of valence of feedback  $\times$  social influence group (friends vs. strangers;  $F(1, 296) = 4.87, p < .05$ ). Overall, participants who received positive feedback were less motivated ( $M = 4.63, SD = 1.28$ ) than participants who received negative feedback ( $M = 5.38, SD = 1.26$ ). A simple slopes analysis of the interaction revealed that the influence of feedback was even stronger when the social comparison group was friends ( $\beta = -1.08, p < .001$ ) rather than strangers ( $\beta = -.43, p < .05$ ).

Study 5 examined when people would be more likely to be dishonest about reporting their progress. Two hundred adult participants (36% female, average age of 34) from the United States were recruited from Amazon Mechanical Turk. Participants were randomly assigned to one of two social influence conditions with either friends or strangers. The design of the study was similar to the previous studies, except that the chosen goal was converted to a daily goal (working on the goal for 15 minutes a day), and this study used a different dependent measure to assess how likely participants would be to record their progress on the website even if they had not quite achieved their daily goal.

A moderated regression was performed on continued motivation using the independent variables (i) motivational orientation index, (ii) a dummy variable for condition (friends vs. strangers), and (iii), their interaction. There was no significant main effect for condition ( $\beta = -.17, p = .43$ ), which

is consistent with our previous studies. The results showed a main effect for motivational orientation, such that extrinsically motivated people were more likely to be dishonest about their progress ( $\beta = 1.30, p < .001$ ). This main effect was qualified by a significant two-way interaction ( $\beta = -1.09, p < .001$ ). To explore the interaction, we examined the slopes of motivational orientation in each condition. The slope of extrinsic motivation was significant and positive in the strangers condition ( $\beta = 1.30, p < .001$ ), but it was not significant in the friends condition ( $\beta = .21, p = .27$ ).

A spotlight analysis (Hayes and Matthes 2009) at one standard deviation above the mean of motivational orientation showed a significant difference such that people who were high in extrinsic motivation were more dishonest in the strangers condition ( $M = 3.97$ ) than in the friends condition ( $M = 3.01; t(98) = -3.30; p < .01$ ). A similar spotlight analysis at one standard deviation below the mean also showed a significant difference between conditions such that people who were high in intrinsic motivation were more dishonest with friends ( $M = 2.70$ ) than strangers ( $M = 2.06; t(98) = 2.19, p < .05$ ).

## Summary of Findings

This research contributes to our understanding of goal pursuit by providing a more nuanced view of how and when social influence can help or hinder motivation. We specify and test a theoretical account that examines a previously underdeveloped link between social influence and competitiveness. While prior papers have suggested this link, we

systematically show a strong relationship between social influence and competitiveness. Importantly, this link can be influenced by situational and individual variables. We rely on interpersonal closeness, motivational orientation, and valence of feedback to test our competitiveness theory using both secondary data and experiments. Furthermore, we show that this competition is covert as goal pursuers are less willing to act outwardly competitive (by refraining from dishonest reporting of goal-pursuit progress) with friends than strangers.

## Key Contributions

This research provides some relevant practical insights into the potential effectiveness of social goals. Obesity, for instance, is a critical societal problem and social goals are quite often proposed as a solution. Currently, over two-thirds of American adults are overweight or obese (CDC 2017). Obesity costs American families, businesses, and governments about \$168.4 billion each year in health-care and related costs, or 16.5% of national spending on medical care (Cawley and Meyerhoefer 2012). Anecdotal evidence suggests that social goals sometimes help people exercise and lose weight and sometimes they do not. Our research contributes to developing potential solutions to this issue by examining the conditions under which social weight loss and/or social exercise may be more effective, and how competitiveness shapes motivation.

*References are available on request.*

# The Effect of Retailer Price Image and Price Primacy on Product Evaluations

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**Keywords:** *price image, primacy, retail promotion, purchase decisions*

**Description:** *This research examines how price vs. product information primacy and overall retailer price image influence consumer purchase likelihood and product choice for both hedonic and utilitarian goods.*

## EXTENDED ABSTRACT

### Research Question

Sequential effects in consumer shopping decisions have been studied in relatively well-controlled environments in the marketing and psychology literatures up to this point. In the real world, there are many contextual cues that also inform the purchase decision of the consumer. In this paper, we examine how the overall price image of a retailer (e.g., low-priced or high-priced) can interact with price primacy (i.e., emphasizing price rather than product information) and shift desirability of the type of products under consideration. Specifically, we explore when a retailer should emphasize price or product information to its customers and which types of goods (hedonic or utilitarian) will be most influenced by a low versus high retailer price image. We show that product primacy (rather than price primacy) leads to increased purchase intent and choice for hedonic goods, and is even stronger for retailers with a low-price image, whereas the opposite occurs for utilitarian goods.

Retailers often emphasize either price or product information when consumers are browsing for a potential purchase. For example, a retailer might offer its customers the option to search for gifts in a specific price range (e.g., “Gifts for \$14.99 and below”), or the option to search for gifts within a particular product category (e.g., “Electronic gifts”), regardless of price. In-store signage and point-of-purchase displays can be used to communicate this information selectively in brick and mortar retail stores. Online retailers have even more flexibility in displaying specific information to their consumers via targeted ads and emails. E-commerce

sites can also offer consumers search tools such as filtering and sorting that help manage the specific information they see, by pointing, constraining, and/or encouraging them to search by product category or price.

In general, previous research has shown that price is a central product attribute that can shift choice in numerous ways. Consumers use reference prices as a benchmark to help them evaluate product value (Bolton, Warlop, and Alba 2003; Thaler 1985). Consumers also rely on prices to judge whether the product is worth the cost; in other words, whether the transaction, as offered, seems fair (Kahneman, Knetsch, and Thaler 1986).

We further clarify the role of price cues by exploring the conditions under which emphasizing price versus product information at the product level and drawing consumers' attention to overall price image at the retailer level can shift preferences. This research contributes to the literature on shopper decision-making, sequential effects, and price image by examining how price or product primacy interact with hedonic and utilitarian goods. We also study how sequential effects operate within the context of the existing price image of a store to influence purchase intent and choice.

Given that prior literature has shown that sequencing effects are important for consumer choice (Feldman and Lynch 1988; Johnson et al. 2007; Tavassoli and Lee 2004; Weber et al. 2007), we propose that presenting price or product infor-

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mation first, before consumers make a purchase decision, should establish a preference for a particular type of product (hedonic or utilitarian) that matches the type of information (experiential or functional) contained in the attribute emphasized by information primacy (product or price).

Hedonic products are fun, exciting, and enjoyable (Dhar and Wertenbroch 2000; Voss, Spangenberg, and Grohmann 2003). Product information such as a description and a visual image similarly engages the senses and showcases the experiential aspects of the product itself (MacInnis and Price 1987; McCracken and Macklin 1998). Conversely, utilitarian products tend to be practical, functional, and sensible (Dhar and Wertenbroch 2000; Voss, Spangenberg, and Grohmann 2003), which corresponds well with the information conveyed in a price. While price can at times play a complex role in decision-making, an objective (actual or listed) price is a product attribute that tends to serve a very functional purpose (Zeithaml 1988).

Typically, consumers may think that the price or product information that they encounter while shopping information gets factored into each purchase decision in a very similar way, regardless of its sequence. Research has shown, however, that early exposure to certain facts or attributes could also set a context for processing subsequent information, thereby shaping product perceptions and choice behavior.

Several research studies have examined what happens when information is presented sequentially. Across these studies, changing the order in which information is viewed can influence cognitive processes and decision-making. Information primacy, or information that is viewed first in a sequence, has been shown to increase its salience and facilitate retrieval of associated information (Asch 1946; Anderson 1973; Page and Norris 1998; Wyer and Srull 1986). In the context of decision-making, options that are viewed or contemplated first in a sequence can set benchmarks, expectancies, or reference points by which all later options are compared (e.g. Bruine deBruin and Keren 2003). Order effects can also influence how information or certain attributes contribute to making a choice. For example, initial attributes can bias how people interpret information presented later on (Russo et al. 1998; Yeung and Wyer 2004).

Across the literature on sequencing effects, the main finding is that the order in which information is presented can influence how subsequent information is processed and used. Furthermore, previous work has found that the sequence in which price and product information are encountered can

change the decision-making process (e.g., Karmarkar, Shiv, and Knutson 2015).

This literature has isolated some specific effects of various types of sequences but examines these effects in a context-free environment. In other words, prior research on sequencing effects has omitted the fact that sequences can themselves depend on the overall context in which they are encountered. We argue that the overarching decision-making context can, in fact, make a difference for how sequencing effects are processed by consumers.

Therefore, we further propose that the effect of price or product primacy will depend on whether a retailer is generally perceived as having high prices or low prices. It has long been recognized that consumers have a tendency to infer a general level of prices in a retail store (Brown 1969). Advertising, additional services, and the quality of products, among other signals, help consumers set expectations for overall prices (Brown 1969; Simester 1995). Price image is the general belief about the overall level of prices that consumers associate with a retailer (Hamilton and Chernev 2013), and reflects consumer beliefs about whether that retailer's prices are higher or lower than competitors' prices.

Prior literature has demonstrated that price image helps inform customer choice. Specifically, price image can impact whether consumers believe prices are fair (Campbell 1999) and whether they think they should shop now or postpone a purchase while continuing to search for lower prices (Hamilton and Chernev 2010). However, research has yet to study which types of goods (e.g., hedonic or utilitarian) will be most influenced by a low/high price image or which stores should emphasize price versus product cues to consumers. We seek to address these gaps in the literature by examining how product or price primacy, along with the retailer's overall price image, can influence purchase likelihood and product choice.

In sum, in addition to the relatively stable price image of a retailer, situational factors such as product or price cues are hypothesized to significantly influence consumer decision-making. Four experiments, presented next, test these predictions. Experiment 1 explores how price or product information primacy influences purchase likelihood for both hedonic and utilitarian items. Experiment 2 tests whether perceptions of value mediate the relationship between primacy and purchase likelihood. Experiment 3 further explores the effect of retailer price image along with primacy on purchase intent for both hedonic and utilitarian products. Experiment 4 extends these findings to a choice setting. Taken together, our experiments demonstrate that

the information emphasized (price or product) depends on both the type of product being considered and the overall price image of the retailer.

## Method and Data

Experiment 1 discovered that purchase likelihood is stronger for hedonic items when consumers are first presented with product information, rather than price information. Thus, product primacy can increase purchase likelihood for hedonic goods. Four hundred participants (51% female, average age of 39) were recruited from Amazon Mechanical Turk and randomly assigned to one of four conditions in a 2 (primacy: price vs. product information)  $\times$  2 (product type: hedonic vs. utilitarian) between-subjects design (See Table 1 for a summary of the experiments).

Participants were asked to imagine that they were walking into a store to do some shopping. They were instructed that they would be asked to consider an item at this retailer, and they would also be asked to provide some ratings. For each product, participants first saw either just the price information in isolation (price primacy condition) or just product information, which included a picture and a brief product description, without the price (product primacy condition). The price or product information was displayed for 8 seconds, after which time participants were able to click the “next” button and continue with the study. On the following page, all participants were shown all of the information simultaneously (i.e., the retail price along with the picture and description of the product), and rated their purchase likelihood by responding to the question, “How much do you want to buy this item?” on a sliding scale from 0 to 100 where 0 = “do not want to buy” and 100 = “definitely want to buy.” Participants evaluated two different items: a 2-slice toaster (retail price \$11.99) and a dozen assorted gourmet cupcakes (retail price \$9.99).

A two-way ANOVA revealed a significant interaction between primacy and product type ( $F(1, 397) = 4.27, p = .039$ ). For the hedonic product (cupcakes), purchase likelihood was marginally higher following product primacy ( $M = 48.80, SD = 32.69$ ) as compared to price primacy ( $M = 40.33, SD = 31.79; F(1,397) = 3.76, p = .053$ ). Conversely, purchase likelihood was higher following price primacy ( $M = 54.84, SD = 30.65$ ) as compared to product primacy ( $M = 50.53, SD = 28.62$ ) for the utilitarian product (toaster), but this difference did not reach significance ( $F(1,397) = .970, p = .325$ ).

Experiment 2 found that perceptions of value mediate the relationship between information primacy and purchase likelihood. Five hundred participants (55% female, average age of 35) were recruited from Amazon Mechanical Turk

and randomly assigned to one of four conditions in a 2 (primacy: price vs. product information)  $\times$  (product type: hedonic vs. utilitarian) between-subjects design. Similar to the previous study, participants first saw either just the price information in isolation (price primacy condition) or just product information, which included a picture and a brief product description, without the price (product primacy condition) for each product. Participants evaluated one of two items: assorted gourmet chocolates (retail price \$9.99) in the hedonic condition or a bamboo cutting board (retail price \$11.99) in the utilitarian condition. After rating purchase likelihood for the item, participants next rated the product’s value for the money on a scale of 1 to 5 where 1 = “terrible value” and 5 = “excellent value.”

A two-way ANOVA revealed a significant main effect of primacy ( $F(1, 496) = 8.42, p < .01$ ) such that participants indicated they would be significantly more likely to purchase these products under product primacy ( $M = 51.80, SD = 28.66$ ) rather than price primacy ( $M = 44.29, SD = 29.04$ ), which is consistent with the previous study. This main effect was qualified by an interaction between primacy and product type ( $F(1, 496) = 4.44, p < .05$ ). In the price primacy condition, people indicated higher purchase likelihood for utilitarian products ( $M = 46.82, SD = 30.22$ ) than hedonic products ( $M = 41.83, SD = 27.75$ ). Conversely, in the product primacy condition, people had higher purchase likelihood for hedonic products than utilitarian ( $M_{\text{hedonic}} = 54.72, SD = 30.59$  vs.  $M_{\text{utilitarian}} = 48.86, SD = 26.37$ ).

A mediation analysis (Preacher and Hayes 2004) demonstrated that value perceptions fully mediated the relationship between primacy and purchase likelihood. The total effect of primacy on purchase likelihood was significant ( $\beta = 7.51, p < .01$ ). Additionally, primacy significantly predicted value ( $\beta = .19, p < .05$ ), such that price primacy increased value perceptions, which in turn positively impacted purchase likelihood ( $\beta = 19.97, p < .001$ ). Finally, the main effect of primacy on purchase likelihood was no longer significant when controlling for value ( $\beta = 3.73, p = .07$ ). The bootstrap results based on 5,000 re-samples indicated that the 95% confidence interval for the indirect effect did not include zero [.70, 6.76].

Experiment 3 examined the impact of retailer price image and found that purchase likelihood for hedonic goods increases when consumers view product information at low-priced retailers. Conversely, purchase likelihood is higher for utilitarian goods following price primacy at a high-priced retailer. Two hundred participants (50% female, average age of 32) were recruited from Amazon Mechanical Turk and randomly assigned to one of four conditions in a mixed 2  $\times$  2  $\times$  2 design with price image (low vs. high-priced retailer)

and information primacy (price vs. product) as between-subjects factors and product category (hedonic and utilitarian) as a within-subjects factor. Participants were first either asked to imagine that they were walking into a store that has a reputation of having low prices (low-priced retailer) or high prices (high-priced retailer) to do some shopping. In both conditions, participants were shown a series of four products with relatively similar retail prices, two of which were more utilitarian in nature (a 32GB USB flash drive (\$12.99) and water filtration pitcher (\$19.99)) and two of which were more hedonic (a card game (\$14.99) and a jelly bean jar with a variety of flavors (\$18.99), similar to the procedure used in the previous studies.

A mixed-design ANOVA revealed a significant between-subjects interaction of price image and price/product information primacy ( $F(1, 188) = 5.85, p < .05$ ). Overall, product primacy significantly increased purchase likelihood for a low-priced retailer ( $M = 42.65, SD = 17.90$ ) as compared to a high-priced retailer ( $M = 33.14, SD = 19.55$ ). Purchase likelihood for following price primacy was not significantly different between the low-priced retailer ( $M = 36.52, SD = 17.30$ ) and the high-priced retailer ( $M = 38.46, SD = 22.22$ ).

This two-way interaction was further qualified by product category. There was a main effect for product category such that purchase likelihood was significantly higher for the utilitarian items ( $M = 46.88, SD = 26.18$ ) than for the hedonic items ( $M = 27.76, SD = 21.09; t(199) = 12.57, p < .001$ ).

There was also a significant within-subjects effect of product category  $\times$  price/product information primacy ( $F(1, 188) = 6.20, p < .05$ ). Similar to the previous studies, purchase likelihood increases for hedonic items, but only when consumers are first presented with product information. In contrast, for utilitarian items, purchase likelihood increased when consumers are first presented with price information.

Experiment 4 extended these findings to a choice context by showing that a product described as more utilitarian is also more likely to be chosen following price primacy, and even more so when the retailer is viewed as having high prices. Three hundred participants (43% female with an average age of 31) were recruited from Amazon Mechanical Turk and randomly assigned to one of six conditions in a  $3 \times 2$  price image (low/high/none)  $\times$  information primacy (price vs. product) between-subjects design. Participants were first either asked to imagine that they were walking into a store that has a reputation of having low prices (low-priced retailer), high prices (high-priced retailer), or a store (no price image) to shop for a laptop bag. Next, participants were either shown price information, which simply dis-

played a retail price of \$49.99, or product information, which displayed a product description for one of the bags for a total of 8 seconds. The description for the more hedonic (utilitarian) laptop bag stated that customers give this bag high ratings for stylishness (functionality). After the 8 seconds of information primacy, participants were then shown both the retail price and description for both bags and were asked which bag they would be more likely to buy. Participants were told that the retail price was the same for both bags. The order of presentation of the bags in the product primacy condition was counterbalanced, as was the order of choice.

A logistic regression predicting choice of laptop bag revealed a significant main effect for both price image (high/low/none;  $\beta = -.912 (.445), p < .05$ ) and information primacy (price/product;  $\beta = -1.289 (.618), p < .05$ ) along with a significant interaction between price image and primacy ( $\beta = .588 (.287), p < .05$ ).

The choice shares of the utilitarian, or functional, laptop bag increased significantly under price primacy when the retailer had a high price image. Further, a linear regression showed that price primacy significantly increased willingness to pay for the functional laptop bag ( $\beta = 3.605 (1.812), p < .05$ ).

## Summary of Findings

We contribute to the literature on sequential effects by showing that context effects such as retailer price image and product type can further influence sequential processing. The impact of sequential processing has been studied relatively context-free in the literature to date. We propose and find evidence that environmental cues are another important consideration in this domain. We find that while the price image of the retailer is important, the order in which information is presented to the consumer can further influence their decision-making.

## Key Contributions

This research furthers our understanding of price image by examining how this contextual variable can influence choice. Consumers are often aware of whether they are shopping at a generally high- or low-priced retailer. Sometimes they are looking for bargains, but often this can be a result of a multichannel shopping environment. Online consumers, for example, typically equate the online channel as being low-priced, whereas a brick and mortar store can be viewed as being higher-priced. While these generalizations can be informative, we show in this research that other cues in the environment, such as signage and product category can interact with the price image of the store to influence choice.

These results have important implications for retailers and consumers. In particular, these findings suggest that retailers may benefit from emphasizing product information over price for hedonic goods, or those products that tend to be impulse buys. Well-known brand names and flashy packaging, for example, can help promote the product attributes. Conversely, for utilitarian goods, typically planned pur-

chases, retailers may be better off emphasizing the price. Further, our research suggests that retailers with a low-price image will benefit even more from matching the emphasized information with the type of products that consumers are shopping for.

*References are available on request.*

# The Moderating Effect of Temporal Distance on Partitioned vs. Combined Pricing

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**Keywords:** *partitioned pricing, temporal construal, surcharges, psychological pricing*

**Description:** *Based on the premise that a distant (as compared to proximate) event facilitates global processing, which decreases attention paid to surcharges, we find that people perceive partitioned pricing to be more attractive than combined pricing in the distant purchase event, but not in the proximate event.*

## EXTENDED ABSTRACT

### Research Question

Partitioned pricing strategy gains more popularity with fast growth of online transactions and development of various surcharges (Morwitz, Greenleaf, Shalev, and Johnson 2009). Surcharges can be combined with a base price, which is referred to as combined pricing or present separately from the base price, which is referred to as partitioned pricing. Extant previous work suggests that partitioned pricing makes the offer more attractive than combined pricing because it is perceived as more inexpensive (Morwitz, Greenleaf, and Johnson 1998, Clark and Ward 2008, Lee and Han 2002). The reason consumers perceive partitioned pricing to be less expensive is due to lack of attention to surcharges (Morwitz et al. 1998).

There are several factors that contribute to the amount of attention to a surcharge, which increases with its salience. Physical characteristics of a surcharge such as visual and semantic emphasis and the magnitude relative to the base price might increase its salience, which results in erasing the effect of partitioned pricing (Kim and Kachersky 2006). Consumer and seller characteristics such as seller reputation (Cheema 2008), skepticism (Schindler, Morrin, and Bechwati 2005), and need for cognition (Burman and Biswas 2007) are found to moderate the effectiveness of partitioned pricing. In the present study, we investigate how temporal construal moderate the effectiveness of partitioned pricing.

### Method and Data

In Study 1, we test the hypothesis by examining how temporal distance (proximate vs. distant) affects the attractiveness of partitioned pricing. The study had a 2 (pricing type: partitioned vs. combined)  $\times$  2 (temporal distance: proximate vs. distant) between-subjects design. Participants in the proximate condition imagined that they were buying a plane ticket for a trip that is 2 days away. Participants in the distant condition imagined that they were buying the ticket for a trip that is 2 months away. The manipulation check indicated that our temporal distance primes were successful. Those who imagined that their travel was in 2 months felt that they had more time before travel than those who imagined that their trip was in 2 days. A 2  $\times$  2 ANOVA temporal distance and pricing type as predictors revealed an interaction effect marginally. More central to our hypothesis, pairwise comparisons showed that partitioned pricing was perceived to be more attractive than combined pricing in the distant event, but such a difference was not found in the proximate event.

We designed Study 2 with the intention to examine the relationship between information processing style and the effectiveness of partitioned pricing. Based on the strong relationship between temporal distance and information processing (Liberman and Forster, 2009), we find those who are engaged in global (but not local) processing to perceive partitioned pricing as more attractive than combined processing.

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In Study 3, we replicate the findings of Study 1 with more reliable measures and examine a downstream behavior. In addition, we also rule out an alternative explanation that temporal construal is correlated with purchase interests, which attenuates the effect of partitioned pricing. We find the attractiveness of the offer mediates the effect of partitioned pricing on purchase intention, which is moderated by temporal construal, such that the indirect effect is found in the distant event, but not in the proximate event.

### **Summary of Findings**

Three studies confirmed our hypothesis that partitioned pricing is more attractive than combined pricing for a distant purchase, but not for a proximate purchase.

### **Key Contributions**

Our research contributes to studies on the boundary conditions of the superiority of partitioned pricing strategy (e.g., Chema 2008, Sheng et al. 2007; Völckner et al. 2012) by showing temporal distance as a significant moderator of the relationship between attention to surcharges and the effectiveness of partitioned pricing.

*References are available on request.*

# Investigating the Effect of Gender on Companies' Pricing Strategies Using Real-World Data

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*Elika Kordrostami, Humboldt State University*

**Keywords:** *pricing strategies, price-quality perceptions, gender differences, symbolic/non-symbolic products*

## EXTENDED ABSTRACT

### Research Question

1. How do demographic characteristics of the target market (more specifically gender) influence companies' pricing strategies in the marketplace?
2. What is the effect of product type on companies' pricing strategies?

### Summary of Findings

Recent literature shows that gender influences consumers' price-quality perceptions; specifically, it suggests that men are more likely to associate higher prices with higher levels of quality than women are. This study attempted to investigate the actual prices that companies set for their men's and women's product lines. The results of examining the information of 4000 product items sold on Amazon.com revealed that companies on average charge a premium of 18% on athletic shoes and 78% on formal shoes when the target market is men rather than women.

Furthermore, our findings provided empirical support that the price difference between men's products and women's products is likely to be greater in product categories that have a high symbolic value than those with a low symbolic value. Further GLM and regression analyses revealed that the findings were not driven by the brand name, online review volume, online review valence, product description, sales promotion, sales volume, and cost information of the

products. Finally, robustness checks revealed that the observed relationships were unchanged under a wide range of variable transformations.

### Key Contributions

Two studies showed that men pay significantly higher prices to buy formal and athletic shoes on Amazon.com than women do. These findings make several theoretical contributions. First, our study provides further evidence that the effect of price on men's and women's purchase decisions is not homogenous. Men are more likely to associate higher prices with higher levels of quality and, as our findings demonstrate, they literally pay a high price for their misconception. Second, our study provides empirical evidence that the product type influences the effect of price on consumers' perception of quality and subsequently their purchase decisions. Third, to our knowledge, our study is the first study that reveals the interaction between gender and product type in influencing the final price. Our findings show that the average price that women pay for formal shoes (i.e., a symbolic product as measured in a pretest) was lower than the average price that they paid for athletic shoes (i.e., a functional product). On the contrary, the average price that men paid for formal shoes was higher than the average price that they paid for athletic shoes.

*References are available on request.*

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# Transaction Cost and Consumer Decision Making Process at Bottom of Pyramid

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**Keywords:** consumer decision making process, vulnerability, transaction cost, information asymmetry

**Description:** This study analysed the consumer decision-making process at the Indian bottom of the pyramid (BOP) and revealed that consumer vulnerability and transaction cost affects the decision-making process at BOP level.

## EXTENDED ABSTRACT

### Research Questions

Through this study, we have tried to understand the consumer decision-making process at BOP level. The sheer volume of BOP with its consumption potential can be a determining factor for the global economy. The macroeconomic factors affecting BOP consumption can be manipulated with intervention from different stakeholders (Varman et al, 2012). This research undertakes an empirical study to investigate (1) the factors affecting decision making at Bottom of the Pyramid (BOP) level (2) the sources of these intervening factors, and (3) propose a conceptual model of consumer decision-making at the BOP. This study for the first time, tried to investigate the decision-making process for subsistence consumers in detail. It sheds light on different moderating factors such as consumer vulnerability and transaction cost which are affecting the process. By doing so it bridged the micro-economic concepts of individual consumption with a broader macro-economic concept of wellbeing.

### Method and Data

Data collected though in-depth semi-structured interviews of the 53 BOP consumers from various parts of India were subjected to Grounded Theory Analysis for theory development. The analysis part was guided by the methods proposed by Glaser and Strauss, (1967), Corbin and Strauss (1990), Spiggle (1994) and Goulding (2005). The data collection method used in this study conforms to those followed by other

researchers (Viswanathan et al., 2005, Chikweche and Fletcher, 2010; Viswanathan et al., 2010, Mukherjee and Pal, 2014, Jaiswal and Gupta 2015). The audio-recorded interviews were documented in transcript form for analysis. Transcripts were repetitively read for data abstraction and identifying common themes. As proposed by grounded theory, open coding was conducted for first level abstraction followed by axial coding for second level categorization. The outcome of this process resulted in the identification of five subthemes and three major constructs for the study. We have further resorted to the “member checking” mechanism (Trottier & Robitaille, 2014) to ensure the validity of the findings.

### Summary of Findings

Consumer vulnerability is one of the major sources of constraints imposed on decision-making at BOP level. The immediate outcomes of consumer vulnerability are bounded rationality, locking-in effect, and opportunism. Bounded rationality, locking-in effect, and opportunism result in an attempt to minimize higher transaction cost (Bardhan, 1980) at BOP and constrains their decision-making process. To minimize transaction cost the BOP consumers’ stick to their current purchase point and avoid switching between purchase points.

The key propositions drawn from the study are as follows:

Proposition 1: Consumer vulnerability leads to bounded rationality.

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- Proposition 2: Bounded rationality constraints decision-making process at BOP level.
- Proposition 3: Consumer vulnerability leads to lock-in effect.
- Proposition 4: Lock-in effect constraints decision-making process at BOP level.
- Proposition 5: Consumer vulnerability leads to opportunism.
- Proposition 6: Opportunism constraints decision-making process at BOP level.
- Proposition 7: Bounded rationality, locking in effect and opportunism leads to higher transaction cost at BOP level.
- Proposition 8: Attempt to minimize the Transaction cost leads to constrained selection of purchase point.
- Proposition 9: Transaction cost increases with switching between purchase points for BOP consumers.
- Proposition 10: Transaction cost decreases with current purchase point for BOP consumers.

## **Key Contributions**

This study reveals that the consumer vulnerability affects the decision-making process at BOP level, along with the transaction cost. It was observed that the consumers at BOP level make constrained choices due to their vulnerability and try to minimize transaction cost while selecting purchase point. This in turn constrain their choice of products and brands. Therefore, in terms of consumption psychology the BOP consumers are affected by constrained consumption. This study for the first time tried to investigate the decision-making process for subsistence consumers in great details. It sheds light on different moderating factors such as consumer vulnerability and transaction cost which affect the consumer decision making process. By doing so this study integrates the micro-economic concepts of individual consumption with a broader macro-economic concept of wellbeing. These findings can lead the way to designing various market offerings and/or to frame development policies both in terms of sustainable standard of living and profits.

*References are available on request.*

# Love Is Blind: The Impact of Emotional Brand Attachment on Brand Extension Success

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**Keywords:** *brand extension success, emotional brand attachment, brand extension fit, consumer-brand relationships, Johnson-Neyman Procedure, floodlight analysis*

**Description:** *This paper uncovers the impact of consumers' emotional brand attachment on brand extension success using floodlight analysis.*

## EXTENDED ABSTRACT

### Research Question

Brand extensions, the use of established brands in new product categories, (e.g. Aaker and Keller 1990) serve as an important marketing growth strategy for a lot of new product introductions. Given that new products are prone to failure the use of an established brand can help facilitate acceptance of the new product by reducing consumers' perceived risk, enhancing efficiencies associated with distribution and promotional activities, and reduced overall costs associated with launching a new brand. Prior research on brand extensions has demonstrated that the fit between a parent brand and its extension is the most important driver of the extension's success (Völckner and Sattler 2006). However, the consumer marketplace also provides a number of examples of successful brand extensions that are distant from their parent brand, respectively with less fit to it. The role of consumers' emotional brand attachment with regard to reactions to a brand extension has largely been neglected in the literature so far. We believe that attachment theory (e.g. Bowlby 1979) can help explain why consumers differentially evaluate brand extensions. In particular, we propose that consumers who have strong emotional bonds to a brand will be less impacted by a lack of category fit of the extension with the parent brand.

### Method and Data

In this paper, we investigate the moderating role of brand attachment on consumers' reactions to brand extensions that vary in terms of fit with the parent brand. We begin by providing a review of the brand extension success and brand attachment literatures, along with offering hypotheses. We suggest that consumers who are emotionally attached to a brand will be less impacted by a lack of brand extension fit, compared to those who are less attached to the brand. In other words, consumers who are emotionally attached to a brand essentially wear "rose colored glasses" when evaluating brand extensions. Furthermore, we propose that brand image fit, rather than product category fit, will play a more central mediating role in the observed effects. We then report the results of an experimental study regarding the evaluation of different extensions for a real-world brand.

### Summary of Findings

For our study, we have data from a household panel available. We used a three level between-participants design and manipulate fit of the extension. A two-step regression analysis and follow-up floodlight analysis (c.f. Spiller et al., 2013) indicate that those who are emotionally attached to a brand are largely unaffected by lacking brand extension fit, resulting in positive attitudes and purchase intentions (compared

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to those who are less attached). Moreover, multiple mediator analyses indicate that brand attachment's moderating effect is mediated through brand image fit.

### **Key Contributions**

Our empirical results underscore the importance to consider the impact of consumers' emotional attachments to brands when making decisions about brand extensions. The results of the research suggest that prior work demonstrating the importance of brand extension fit with the parent brand should also consider consumers' emotional brand attach-

ment. While promising for brands that have a following of true brand aficionados, one needs to consider that brand extension fit has a significant influence on brand extension evaluations for those who are less attached to the brand. Moreover, our findings indicating that brand image fit mediates the moderating effects of attachment indicate the important role of a brand's image in how consumers respond to brand extensions. Finally, we contribute to managerial perspective by giving implications for marketing practitioners.

*References are available on request.*

# Dilemma Between Brand Extension and Product Innovation: A Schema-Theoretic Perspective

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**Keywords:** *brand extension, product innovation, schema, new product evaluation*

## EXTENDED ABSTRACT

### Research Questions

This study aims to explore the complicated relationship between brand extension and product innovation, proposes practical implications to marketing personnel, and introduces a schema development framework to complete past literature, which lacks dynamic and diverse perspectives. Two main research questions are addressed in this study.

1. With new product innovation, how is the consumers' schema structure transformed?
2. What is the relationship between product innovation and brand extension construction?

### Method and Data

This study recruits thirteen Apple product users in Taiwan for personal in-depth interviews. The participants have different occupations, levels of education, and experience using Apple products. According to the timetable of Apple Inc. to introduce new products, this study separate three different periods- Phase 1 is the “period of public market orientation” (2001–2005); Phase 2 is the “period of mobile phone revolution” (2005–2010); Phase 3 is the “period of digital integration” (2010–2015).

### Summary of Findings

Through repetitive demonstration in different product situations, this study demonstrates that, in deconstruction and unitization process, there was a bounding between consumers' knowledge nodes (negotiation) and connection of the nodes, which would influence the final unitization due to unequal function. This study further classified brand extension by the type of schema (product and type of brand), and perceived fit (high and low), and proposed 4 different kinds of innovation to explain the possibility of brand extension.

### Key Contribution

This research contributes to literature in several aspects. First, the findings of this study respond to two suggestions proposed by Bingham and Kahl (2013) and refer to different views. Second, this study demonstrates that, if a company can find an innovative attribute that reaches schema process of negotiation and unitization, it can effectively enhance the research and development of the parent brand, as this type of consumer schema will change from product attribute to brand type. Finally, some managerial guidance in achieving success product innovation is further offered.

*References are available on request.*

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# The Effect of Synchrony on Non-Human Objects Involved in the Synchronous Performance

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**Keywords:** *synchrony, product preference*

## EXTENDED ABSTRACT

The tendency to synchronize, or perform movements in a temporally related manner pervades many aspects of daily life. Past research has investigated consequences of interpersonal synchrony, such as affiliation, rapport, trust toward partner, and partner likability. It is also found that interpersonal synchrony enhances memory of partner's appearance, words, and other characteristics. However, existing research predicts that increases in prosociality will be confined to synchronous performers. It is unknown if the general positive effect of synchrony could be extended beyond synchronous co-performers, and generalized to non-human objects that are directly involved in synchrony. In addition, existing research has focused on the effect of synchrony on participants rather than synchrony observers. Observing synchrony events is as common as participating synchrony. It is important to understand if the experience of observing synchrony influences the observers' judgment on the object(s) involved in the synchronous performance.

The purpose of this research is to examine if the positive effect of synchrony extends beyond human co-performers, and projects also to non-human objects that are directly involved in the synchronous event. We further consider how synchronous performances affect both those participating and observing synchrony.

## Method and Findings

We conducted three experiments to test the main effects of participating and observing synchrony on a non-human object directly involved in the synchrony under different conditions at a Chinese university in the southeast region. Experiment 1 and 2 tested how participants of synchrony evaluated an object in relative to participants of asynchrony (hypothesis 1);

while experiment 3 tested how observers of synchrony evaluated an object in relative to observers of asynchrony (hypothesis 2). Experiment 1 and 2 differed in synchronous conditions. In experiment 1, the synchrony was the typical interpersonal synchrony. In experiment 2, the synchrony was achieved between an individual and an external referent.

The results supported the hypothesis that an individual's participation in an interpersonal synchrony led to more positive evaluation of an object that was involved in the synchrony experience. Together, experiment 1 and 2 proved that the positive effect of synchrony extended to objects that were involved in the synchronous experience no matter the synchrony occurred between people or between a person and a non-human referent. Results in Experiment 3 provided support for the hypothesis that an individual who observed a synchrony would give more positive evaluation of objects involved in the synchrony.

## Key Contributions

This research extends the current literature in two important ways. First, this research is the first to provide a theoretical account of why a synchronous experience can positively affect evaluations of a non-human object involved in the synchrony. Second, this research has focused on the effect of synchrony on participants and synchrony observers. Managerially, the observed positive effect of participating and observing synchrony on those non-human objects involved in the synchronous performance has broad applications in marketing, branding, and advertising.

*References are available on request.*

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# **Part E**

## **Consumer Welfare and Transformative Consumer Research**

### **Marketing Action for People, Planet, and Profit**

Innovative Marketing Strategies to Influence Sustainable Actions for People, Society and Environment <i>Vimviriya Limkangvanmongkol</i>	E-2
Value Creation at the Bottom of the Pyramid: Examining Value Offering Strategy of Micro-Credit Institutions for Street Vendors in India <i>Kanika Meshram, Aron O'Cass</i>	E-3
Loving Brand to Overcome Emotional Pains and Enrich Life <i>Huey Shee Loh, Yang Zhao, Sanjaya Singh Gaur, Yuka Fujimoto</i>	E-11
Tackling Food Waste Through Value Added Surplus Products (VASP) <i>Siddharth Bhatt, Jeonggyu Lee, Jonathan Deutsch, Hasan Ayaz, Benjamin Fulton, Rajneesh Suri</i>	E-12

### **Health and Healthcare for Consumer Flourishing**

Reducing Health Disparities Through Physical Activity and Nutrition (PAN) Practices: The Case in a Northeastern U.S. Community <i>Ada Leung, Huimin Xu, Gavin Jiayun Wu, James Shankweiler, Lisa Weaver</i>	E-14
Patient Healing in Health Care: Exploring Causal Attributions and Implications for Well-Being <i>Andrew S. Gallan, Anu Helkkula</i>	E-16

# Innovative Marketing Strategies to Influence Sustainable Actions for People, Society and Environment

Vimviriya Limkangvanmongkol, Bangkok University

**Keywords:** new media, corporate social responsibility, fair trade movement, social marketing

**Description:** This conceptual paper review aims to understand innovative marketing strategies that contribute in a positive way to better humanity, society, and environmental sustainability.

## EXTENDED ABSTRACT

### Research Question

How do innovative marketing strategies using new media contribute in a positive way to better humanity, society, and environmental sustainability?

### Summary of Findings

- Corporate social responsibility (CSR), the fair-trade movement, and social marketing serve to influence the role of citizen-consumers as part of global consumption behaviors.
- The case study of the 2015 Super Bowl #kissforpeace by Axe® Deodorant company aims to spread an awareness of peace on Twitter. The brand was the first Super Bowl advertiser who released their commercial ads two weeks before the game day. The launched ads, *Make Love Not War*, were shared almost 15,000 times, mainly on Twitter within the first two weeks. The #kissforpeace campaign aims to promote (1) an international ceasefire Peace Day (September 21st) linked with a non-profit One Day Peace project that Axe® donated \$250,000 to the organization, and (2) the new fragrance, *AXE PEACE*. Although the campaign was under no illusions of ending Israeli-Palestinian, South-North Korean, and Iraqi-American conflicts, it enabled citizens' awareness of such conflicts, and provided a means for them to voice their support for victims manipulated by wars (e.g. using civilians as human shields, child abuse and detention).
- The Dutch case study of #zwerfie promotes local people and visitors' awareness to make the environment clean and green. During 2014 summer, the Dutch national campaign

asked people to pick up one piece of litter a day, make a "zwerfie" (a combination of "selfie" and "zwerfafval," which is the Dutch word for *litter*), and post the photo on Twitter with #zwerfie added (Digital Methods Initiative, 2014). By using social media as part of social marketing campaign, the campaign seeks to influence behavior for doing social good responding to alarming sustainability issues.

### Key Contributions

- While much attention is given to how the marketing system has degraded people, society, and the environment, this conceptual review argues that the marketing system also contributes to people, society, and the environment.
- Key case examples (such as AXE's #kissforpeace and Amsterdam's #zwerfie campaigns) are provided to demonstrate that corporate social responsibility, the fair-trade movement, and social marketing serve as practical sustaining actions that are adopted around the world by private and public sectors.
- In particular, adaptive marketing tools help raise public awareness for peace, poverty, ethics, social inequalities and human rights. These issues are most often of concern to international organizations, including the United Nations Global Impact, International Labor Organization (ILO) Covenants, the World Bank, Principles for Global Corporate Responsibility, Amnesty International Guidelines for Companies, and China Business Principles.

*References are available on request.*

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# Value Creation at the Bottom of the Pyramid: Examining Value Offering Strategy of Micro-Credit Institutions for Street Vendors in India

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*Aron O'Cass, Macquarie University*

## **ABSTRACT**

Drawing on positional advantage theory and Bowan and Ambrosini's value creation framework, a comprehensive value offering model of Indian Micro-Credit Institutions targeting street vendors is reported. Survey of 336 micro-finance employees and 672 street vendors who use micro-credits for their business depicts determinants of value offering via relationship, performance, price and co-creation value.

**Keywords:** *value offering, value creation, bottom of the pyramid, India, micro-credit institutions*

**Description:** *examination of value offerings strategy of Indian micro-credit institutions for street vendors in India*

## **Introduction**

A central challenge to poverty alleviation is to position entrepreneurs alongside supportive credit systems on which sustainable developments takes place. This challenge is significant when, in emerging economies more than half of their entrepreneurs lives in the bottom of the [financial] pyramid and engages in informal work such as, street vending to support their living (Jebarajakirthy, Lobo, and Hewege, 2015). The National Policy for Street Vendors (2009, p. 3; p3) defines these vendors as "self-employed workers in the urban informal sector who offer their labour for selling goods and services on the street in the absence of any permanent built-up structure." Within India, an overwhelming 10 million people engage in street vending business (Bhowmik and Saha, 2013). These vendors have limited skills and resources and mostly depend on formal and informal credit sources for survival and support. As early as 1950s, the Indian government started Microfinance programs (MFIs) for poverty alleviation. Many street vendors access MFIs to support their business and escape the usurious interest rates charged by money lenders (Meyer, 2002). Previous studies highlighted the financial dependency of BoP markets on formal and informal sources (e.g.

Madestam, 2014; Moulton, Loibl, Samak, and Michael Collins, 2013), but to date no marketing scholars examined how MFIs engage and create values for businesses at the BoP. Hence, a firm's perspective on BoP market warrants attention. Against this backdrop, the focus of this study is to examine value creation by MFIs for street vendors in India.

Customer value has long been recognized as the fundamental basis for all marketing activities and a precursor to customer loyalty (Kumar and Reinartz, 2016). To create superiors value, the positional advantage theory suggests that firm's should first understand what their customers' value and then work backwards into developing those value offerings (Day and Wensley, 1988). O'Cass and Ngo (2011) explains that value creation is exogenously determined via perceived value, exchange and relationship value and *use value* [which we refer to as the *pre-emptive strategic value offering* and which in effect is the *firm's value offering*] created at the *point of proposition by the firm*. In a though provoking paper, Bowman and Ambrosini (2000) proposed a comprehensive, yet untested, theoretical framework of *use value* and places strategic emphasis on firm's *value offering*, while *perceived value* is subjectively assessed by the cus-

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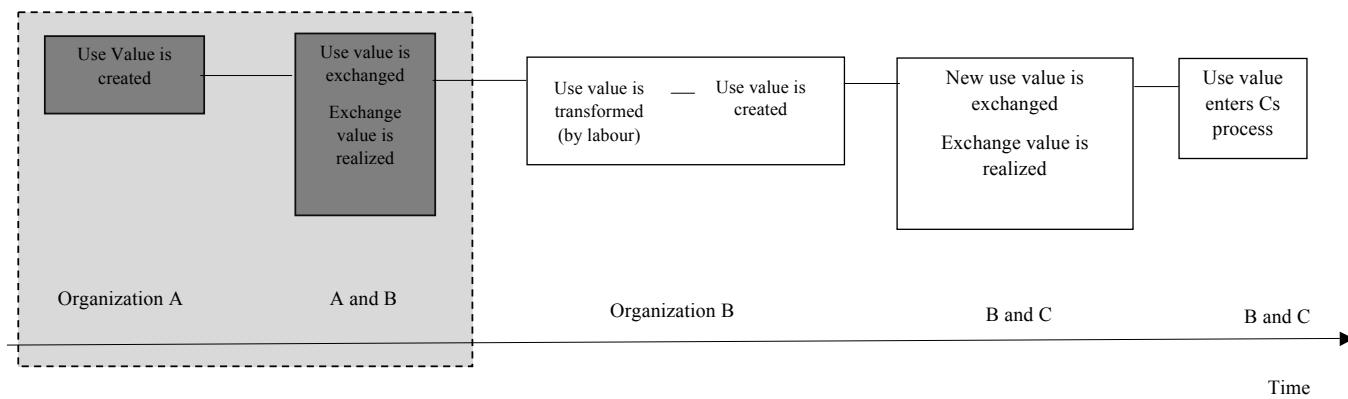
tomer and *exchange value* is realised at the point of exchange via firm-customer interaction. Bowman and Ambrosini's framework has inspired a body of work on value and value creation, yet most of these studies are of conceptual nature while empirical work on value creation from the firm's perspective is under researched (Sirmon, Hitt, and Ireland, 2007) especially for those firms that support and engage with BoP markets. Hence, this paper takes support of positional advantage theory and Bowman and Ambrosini's framework in Figure 1 (where we focus our attention on the shaded section) to examine the design and delivery of MFI's value offerings [at the *point of proposition*] and its influence on street vendors' loyalty.

## Literature Review and Hypothesis Development

A critical stream of marketing research advocates opportunities for firms who provide solutions to poverty alleviation as part of a mutual value creation (Bryson, Sancino, Benington, and Sørensen, 2016). Prahalad (2012) cited examples of Mobile phones and MFIs that have successfully delivered products to BoP markets that improved their quality of life. Correspondingly, market-oriented scholars validate that firms should design value offerings based on values their customers perceive to be looking for in a market offering (e.g. see studies by Chuang and Lin, 2016; Hoskins, 2016). On this point, Bowman and Ambrosini (2000) argue that origins of value are the processes inside the firm that create the firm's value offering. This implies that at the *point of proposition* firms need a *pre-emptive value offering strategy* that aligns with what customers are seeking in a marketplace offering. This is because understanding what constituted value offering provide managers with guidelines that can be manifested as perceived use value and eventually help realise exchange value.

The extent literature suggested that value creation from the firm's perspective operated at the level of positional advantage. On this point, we took support of the positional advantage theory to argue that value offerings that matches customer expectations provides the means for firms to achieve competitive advantage (Day and Wensley, 1988; Hult and Ketchen, 2001). Proponents of product-centric advantage contend that positional advantage can be obtained via product performance superiority and innovative features (e.g. studies Hansen, McDonald, and Mitchell, 2013; Pezzotta, Pinto, Pirola, and Ouertani, 2014). While, relational view scholars contended that positional advantage can be built upon close relationships nurtured with customers (e.g. studies Bridoux and Stoelhorst, 2016; Campos Tescari and Ledur Brito, 2016). To this end, we take the position supported by Day (2003) that firms can achieve positional advantage through a hybrid of product advantage (i.e. credit facilities) and relational advantage (i.e. customer bonding). Our position is also supported by Dey and colleagues (2016) who found that *use value* of mobile phone amongst BoP farmers in Bangladesh were facilitated through product performances that suited their lifestyle and relational advantage through interactions with mobile service providers. Correspondingly, BoP markets are price sensitive. There are increasing number of studies that claimed BoP consumers purchase products that are affordable and have no-frills (Gupta, 2016; Jaiswal and Gupta, 2015). Hence, any value offering delivered in BoP markets should include (product) performance-and-pricing-based benefits to enable firms to achieve product advantage. Thus, we argue that value offering is a composite construct that can be labelled as 1) "what can we do for you" via performance value and pricing value (Dost and Geiger, 2016; Grahovac and Miller, 2009) and 2) "what can we do with you" via relationship building value and co-creation value (Bendapudi and Leone, 2003; Vargo

**Figure 1.** Bowman and Ambrosini's (2000) Process of Value Creation



and Lusch, 2010). As such, we propose that both product-and-relational-based benefits can be bundled into value deliverables that can be broadly grouped into performance value, pricing value, co-creation value and relational building value.

### **Configuring Value Offering at the Higher Order Level**

Value offering is a configuration of value components based on how firms seeks to gain a positional advantage. In effect, value offering is a bundle that reflects different value components through performance value, pricing value, relationship value and co-creation. Thus, while other indicators are plausible, the focus here is on the present four because of their deep roots in past literature. With respect to the construct's nature, we conceive that conceptualisation of value offering at the higher order level requires a reflective operationalisation where each value component reflects a part of value offering. Along with this theoretical consideration, reflective measurement models are widely used in marketing research (Jarvis, MacKenzie, and Podsakoff, 2003). Researchers recommended reflective models due to issues of misspecification in formative models and better conceptualisation of validity in reflective models (for e.g. Bagozzi, 2011; Howell, Breivik, and Wilcox, 2007). Therefore, we hypothesize that;

*H1a: Performance value is a positive first-order indicator of the higher order MFI's value offering.*

*H1b: Pricing value is a positive first-order indicator of the higher order MFI's value offering.*

*H1c: Relationship building value is a positive first-order indicator of the higher order MFI's value offering.*

*H1d: Co-creation value is a positive first-order indicator of the higher order MFI's value offering.*

### **Customer Loyalty**

Customer loyalty is one of the best intangible assets for a firm's long-term viability (Chen and Wang, 2016). The general definition of loyalty is a commitment to repurchase a preferred product or service in such a way as to promote its repeated purchase (Kandampully and Suhartanto, 2003). Previous studies considered value as an aggregate evaluation and confirmed a positive value–loyalty link. For e.g. Zhang, Wang and Wang's (2016) study confirmed that relationship value based on relationship benefits had the most significant effect on customer loyalty ( $\beta = 0.55$ ;  $t$ -value = 10.72); while Cossío-Silva and colleagues (2016) confirmed a link between co-creation value and attitudinal loyalty ( $\beta = 0.58$ ;  $t$ -value 6.92). Research in various sectors also empirically confirmed the direct effects of price value on repurchase intentions (for e.g. Park, Lim, and Kim, 2013). A positive

impact of a firm's performance is also anticipated through their ability to deliver quality service and innovation for loyalty outcomes (CErri, 2012). Thus, taking support of prior works on value and loyalty and understanding the supportive role of MFIs for BoP markets we anticipate a link between a higher order value offering of MFI and customer loyalty. Therefore, we hypothesise that:

*H2: The MFI's value offering has a significant effect on street vendors' loyalty to MFI.*

### **Method**

The study was conducted in five major Indian states- Maharashtra, Tamil Nadu, Uttar Pradesh, Madhya Pradesh, Bihar and West Bengal. The Directory of MFI in India was used to identify MFIs contacts. Included in this list of MFIs are self-help groups with bank linkage programmes, NGOs and non-banking finance companies registered under relevant regulations stipulated by the Reserve Bank of India. All these institutions give micro-credits to US\$800 and employed about 5-to-250 employees depending on the number of clients they serve which are classified into tire sizes: 15 > 3,500 clients (Tier 1); 500–3,500 clients (Tier 2) and Tier 4500 – < 500 clients (Tier 3).

The data was collected by means of a survey and drop boxes were places on MFIs premises for collection. A market research agency with prior experience in BoP markets was hired for data collection. We followed a specific pre-screening to ensure surveys were send to only those employees whose job role involved developing new financial schemes, making recommendations on loan approvals and addressing loan redressal. Employees were approached during work meetings or through recommendations. Street vendors were contacted using MFI's database either on MFI premises or via phone and where feasible personal visits were made to their place of business. We distributed surveys to 1,200 employees and 3,600 vendors and received 336 employees and 672 vendor surveys giving us a response rate of 28% and 18.67% respectively.

The employee sample consisted of 61 % females and 39 % males with an average age of 42 years. Employees worked in their current role for about 3 years to 12 years. More than half of the employees have undergraduate degree (56%); while a quarter have post graduate education (26%) and few are high school educated (18%). None of the employees had prior experiences working with MFIs or received any formal job training to work with BoP consumers.

Street vendors' sample constituted 74% males and 26% females in age range of 40 to 45 years. All vendors had basic reading and writing abilities. Vendors were specifically

asked to rate on a 7 point Likert scale if they felt confident in taking the survey; to which most vendors (about 73.5%) responded in favour of confidence. Monthly income of these vendors ranged from US\$ 150 to US\$ 200. Vendors approached MFIs on an annual, monthly or fortnightly bases for loans up to US \$ 500 to support their business.

### **Measurement Items**

Since the development and validation of the measurement instrument is in English, appropriate procedures assured equivalence of the meaning of the instrument in four state languages—Marathi, Hindi, Tamil and Bengali. Three professors who were experts from National Accreditation Authority for Translators and Interpreters were recruited to do the translation from English to all regional languages and back. The common method bias was controlled by collecting two separate data for independent and dependent variable and avoiding use of negatively worded items in the study (MacKenzie and Podsakoff, 2012). MFI employees responded to the survey items on value offering and street vendors responded to the items on loyalty. The data analysis was done using SPSS V24 and AMOS V24 programs. SPSS was used for descriptive analysis and to perform reliability analysis while AMOS was used for confirmatory factor analysis and covariance structure analysis.

### **Value Offering**

We adapted O'Cass and Ngo's (2011) value offering scale to reflect BoP market. All items were relatively rated in comparison with formal and informal credit options for BoP consumers. We used a seven-point Likert scale ranging from 1 (strongly disagree) to 7 (strongly agree). The performance value component was measured via a five-item reflective measure capturing MFIs quality, innovative features and personal preferences for BoP consumers. The pricing value component was measured via a five-item measure reflecting a MFI's efforts to exercise pricing practices in favour of BOP customers. The relationship building value component was measured via a five-item reflective measure referring to MFI's efforts to provide hassle-free credit experience and beneficial relationships. The co-creation value component was measured via a six-item measure capturing MFI's efforts to interact with BoP customers to co-construct the consumption experience.

Analysis of factor loading showed that all items of performance value loaded on single factor. Three items of pricing value loaded on the second factor in the range of .82 to .72. Four items of relationship building value loaded on third factor in the range of .43 to .89. Five items of co-creation value loaded on the fourth factor in the range of .70 to .86. In this work, and to minimize the loss of information, the

study adopts the requirement that the correlation of each item with the rest surpasses the threshold of 0.3 (Nurosis, 1993), and that eliminating the item does not significantly improve the Alpha indicator. The internal consistency resulted in "good" Cronbach alpha coefficient range from .85 to .72 (See Table 1 for results).

Analysis of the full measurement model resulted in 12 indicators- performance value and relationship value with four indicators and co-creation value each with five indicators. As consequence of reliability analysis, the removal of price value occurred. The resulting goodness of fit measures indicated a well-fitting model with chi-square  $\chi^2 / df = 2.689$ ; GFI = 0.917; AGFI = 0.864; TLI = 0.904; CFI = 0.932; NFI = 0.916; IFI = 0.932; and RMSEA = 0.056. From the inspection of the standardized regression weight all the items significantly loaded into their intended factors ranging from 0.564 to 0.971 (Churchill 1979), which assures convergent validity. The Critical Ratio for all estimated parameters exceeded the  $\pm 1.96$  benchmark (Arbuckle and Wothke 1999), which were also found to be statistically significant. Average variance extracted for all the constructs ranged from 0.558 to 0.841 which exceeded the recommended threshold level of 0.5 (Hair et al. 2006). The constructs' reliability (composite reliability), were above the threshold level of 0.7(Hair et al. 2006). Hence, convergent validity and construct reliability were assured. Moreover, following the suggestion of Jöreskog (1971) and Bagozzi and Phillips (1982), the chi-square difference tests were employed for a five-factor model (the measurement model) which was compared against four-factor to one-factor models. The critical value ( $\Delta\chi^2 > 3.84$ , df = 1) assured the presence of discriminant validity.

### **Loyalty**

This scale was an adaptation from Zeithaml, Berry, and Parasuraman's (1996) behavioural intentions battery. BoP vendors' loyalty was measured using six items on a seven-point Likert scale (e.g. sample items I would highly recommend "this MFI" to other people). The reliability analysis for loyalty scale resulted in the removal of one item, giving us an acceptable Cronbach's alpha (0.74) necessary for exploratory research. All the items loaded on one factor that explained 62.77% of the variance. As a consequence of confirmatory analysis, the removal of one item occurred. The different indicators of reliability surpassed the acceptance values or are very close to them. As the model's fit is appropriate and the eliminating of any indicator only contributes to worsening the analysis, all four items remain. A guarantee also exists of the convergent validity, average variance extracted for all constructs ranged from .54 to .68 which is in the acceptable threshold range of .05 (Hair et al. 2006). The result of the goodness of fit measures indicated a well-

fitting model with  $\chi^2 / df = 2.064$ ; GFI = 0.992; AGFI = 0.975; TLI = 0.969; CFI = 0.979; NFI = 0.973; IFI = 0.979; and RMSEA = 0.068. Regarding discriminant validity, all the correlations are less than 0.6 and their squared value is less than the variance extracted of each construct. These results guarantee this validity.

## Results

In Hypotheses 1a, 1b, 1c and 1d we predicted that the four higher order components would be significant determinants of value offering. The reliability analysis showed price value with low and negative loadings and hence had to be dropped from the final model. Thus, Hypothesis H1b is not supported. The adjusted three factor model of value offering showed an inter-correlation range from 0.53 to 0.61 indicating the presence of a second-order factor (Fornell and Larcker, 1981). The results indicated that each of the three components make a significant contribution to the value offering with statistically significant  $\beta$ s ( $t$ -values > 1.96,  $p < 0.01$ ), supporting Hypotheses 1a, 1c and 1d (see Table 1 for results). Model fit index suggested a good fit model  $\chi^2 / df = 1.165$ ; GFI = 0.994; AGFI = 0.980; TLI = 0.996; CFI = 0.998; NFI = 0.989; IFI = 0.998; and RMSEA = 0.020.

Hypothesis 2 which predicted that superior value offerings would lead to customer loyalty was supported  $\beta = 0.37$  ( $t$ -values = 6.41,  $p < 0.01$ ). We also found that price value as an independent variable strongly contributed to customer loyalty  $\beta = 0.69$  ( $t$ -values = 17.29,  $p < 0.01$ ). The standardised regressions suggested that price value had stronger influence on BoP vendors' loyalty than MFIs' value offerings (excluding price).

## Discussion and Contribution

The discussion of the results draws from the aims of this work. The higher order value offering of MFIs was partially supported and reflected through performance value, relationship value and co-creation value. The three value components are valid conceptualisation and measures specifying where MFIs are headed in their efforts to support BoP community. This provides support to O'Cass and Ngo's (2011) conceptualisation of value offering as a higher order model. The adjusted model specifies MFIs value offering as responsiveness to, and interpretations of, customer requirements via superior performance by delivering services that are exactly needed by BoP customers, providing customers with hassle-free credit experiences and beneficial relationships and interacting with customers to co-construct their credit experiences.

Price value via exercising pricing practices that street vendors are willing to pay for their credits was not supported in the study. Possible explanations to this finding could be that

pricing related decisions are mostly regulated by the Reserve Bank of India (RBI) hence price value was not perceived as a value offering component that specifically gives them positional advantage. Many MFIs now function as independent banks under RBI regulations (Jebarajakirthy et al., 2015). They must earn some returns to pay utilities and staff salaries and pay taxes to state governments. Hence employees are aware of their limitation about charging interest rates that are easily affordable by street vendors. Instead, many MFIs place emphasis on savings programs and other value components, mentioned above, to gain positional advantage over other informal and formal credit sources.

Findings confirms street vendors' loyalty to MFIs' value offerings. Through this study, we establish that a superior value offering for BoP markets based on customer bonding (relationship value); quality services (performance value) and customer participation/interaction (co-creation value) will retain BoP customers in a superior way. This provides empirical support to Prahalad's (2012) claim to create value for poor consumers and make profits. This study also suggests that offerings that are exclusively based on price will retain these customers. This finding (although not hypotheses) confirms studies that suggest creating business models that accommodate low price products for poor consumers to gain their loyalty and attention (for e.g. studies by Mason and Chakrabarti, 2016; Simanis, 2012).

We examined the contributions of this study, first, by extending Bowman and Ambrosini's (2000, 2007) theoretical framework that captures the state of value creation perceived by buyer-seller relationship in context of BoP markets. Bowman and Ambrosini's (2000) affirms that customers choose the good that confer on them the largest consumer surplus. The chosen product must therefore be differentiated in ways which are valued by the customer it must deliver more consumer surplus than alternatives. Our contribution is in specifying the key components of value creation practices including performance value and pricing value and relationship building value that a firm and its managers much strategically develop and adopt to carry out its primary pursuits (value creation) in BoP markets. Second, this study provides deeper theoretical and empirical insights into BoP markets by examining the nature of MFI's value offering and the contribution it makes to specific performance outcomes—street vendors' loyalty. Lepak, Smith and Taylor (2007) point out that it is essential to understand not only how value is created, but also the consequence of value creation. Our findings suggest that creating superior value offerings for BoP markets not only provides positional advantage for firms but also increases their wealth via customer retention. Third, this study advances the positional advantage theory (Day and Wensley, 1988; Hult and Ketchen, 2001), by iden-

**Table 1.** Summary of Principal Component Analysis Results

	<b>Measures</b>	<b>F1</b>	<b>F2</b>	<b>F3</b>	<b>F4</b>
	<b>Performance Value</b>				
VO1	ensuring customers' personal preferences are satisfied	0.786	0.19	0.12	0.41
VO2	delivering quality financial products and/or services	0.813	0.321	0.22	0.30
VO3	delivering financial products that are exactly what our customer want	0.826	0.22	0.24	-0.16
VO4	delivering financial products that exceed expectations of our customer	0.570	-0.30	0.30	0.29
VO5	delivering financial products with innovative performance features	0.682	-0.02	0.53	0.21
		<i>reliability</i> 0.78			
	<b>Price Value</b>				
VO6	pricing policies are fair to our customers	0.17	0.662	0.26	0.608
VO7	pricing policies are consistent and accurate with Reserve Bank of India regulations in the industry	0.10	0.601	0.71	0.30
VO8	pricing policies are more beneficial to customers than other formal and informal credit sources	0.330	0.828	-0.265	0.01
VO9	pricing financial products according to how valuable customers perceive them to be	0.399	0.723	0.22	-0.47
VO10	delivering quality financial products which are priced right	0.36	0.784	-0.34	0.18
		<i>reliability</i> 0.81			
	<b>Relationship Building Value</b>				
VO11	ensuring that our customers have easy access to the institute at any time	-0.027	0.897	-0.179	0.24
VO12	ensuring rapid response standards to deal with any customer enquiry	0.411	0.025	0.839	0.28
VO13	having continuing relationship with customers	0.299	0.312	0.430	0.24
VO14	delivering add-on values to financial products (special offers, special recognitions) to keep customers	0.30	-0.049	0.898	0.29
VO15	maintaining long-term relationship with our customers	0.23	-0.15	0.886	0.25
		<i>reliability</i> 0.72			
	<b>Co-creation Value</b>				
VO16	interact with customers to serve them better	-0.495	0.37	0.24	0.803
VO17	working together with customers to produce offering that mobilises them	-0.628	0.31	0.17	0.713
VO18	interacting with customers to design offerings that meet their needs	-0.051	0.32	0.21	0.863
VO19	providing services for an in conjunction with customers	0.273	0.492	0.23	0.824
VO20	co-opting customer involvement in providing services for them	0.312	0.10	0.412	0.703
VO21	providing customers with supporting systems to help them get more value	0.579	0.101	-0.123	0.550
		<i>reliability</i> 0.771			
	<b>Eigenvalues</b>	5.93	2.25	1.92	1.15
	Variance (%)	31.23	11.86	10.10	6.06
	Cumulative (%)				59.25
	Loyalty				
BI1	would want to come back for financial support	-0.397	0.579		
BI2	highly recommend the institute to others in my business	0.021	0.778		
BI3	continue to use the service of the institute	-0.369	0.715		
BI4	intend to follow financial advices given to me by the institute	0.633	0.658		
BI5	intend to follow business advice given to me by the institute	-0.456	0.697		
BI6	glad to use the institute rather than somewhere else	0.375	0.658		
		<i>reliability</i> 0.74			
	<b>Eigenvalues</b>	2.754			
	Variance (%)	54.040			

tifying the importance of value offering, in BoP markets, as a firm's efforts to deal with "how it will achieve positional advantage in response to customers" requirements' at the strategic level.

In terms of methodology, this study contributes quantitative data to understand BoP markets. Most studies on BoP markets have qualitative and conceptual focused. This study demonstrates methods and guidelines that can assist in data collection for BoP consumers.

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# Loving Brand to Overcome Emotional Pains and Enrich Life

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**Keywords:** *brand love, life enrichment, emotional pain, consumer-brand relationship, brand consummate love*

## EXTENDED ABSTRACT

### Research Question

The emotions of love and feeling of loneliness are complex and interrelated. Loneliness and emotional pains caused due to lack of love in interpersonal relationships is a growing phenomenon among individuals in today's time. Due to the decline of direct physical interactions, more and more individuals are falling out of love and experience loneliness despite of the high connectivity in the virtual world that does enable real-time communication. Though brands as relationship partner metaphor are not new, falling in love with brands for self-healing among heartbroken and lonely individuals is relatively unknown. Therefore, our research attempts to answer the following questions: Can the brand consummate love process help lonely individuals overcome emotional pains by building the brand relationship? How does the brand consummate love process ultimately enrich individuals' life?

### Summary of Findings

This paper proposes a framework to explain the mechanism of combating emotional pains resulting from loneliness. The framework further suggests that individuals can consequently enrich life through a novel brand consummate love process (i.e., self-brand connection, passionate attachment, and commitment). Our proposed framework of brand consummate love process depicts all stages; starting with the initiation of a brand relationship to the development of a short-term and long-term relationship with consumers. It is also posited that brand love consists of different types of emotions (i.e. romantic, passionate, emotional attached and dependency, long-term commitment) depending on the phases of developing a loving brand relationship. We also

propose that one of the most important consequences of brand love is individual life enrichment. Unlike feeling satisfaction with life, life enrichment is about synergizing all aspects of individual life and emphasizing the whole person (Friedman 2006). Brand love can let individuals figure out what matters to them most and feel as a whole person. In turn, the meaning of life and holism can enrich individual's personal life.

### Key Contributions

#### **Theoretical Contributions**

A "brand consummate love" framework proposed by us is expected to provide a new perspective on consumer brand relationship theory. This perspective considers a brand as a relationship partner. The framework shows that life enrichment is one of the key consequences of brand consummate love. This framework has a strong theoretical foundation and can be empirically tested in future studies.

#### **Practical Contributions**

We propose a self-healing process to deal with emotional pains of lonely individuals by considering brands as relationship partners. The framework encourages brand managers to devise effective brand love meanings and incorporate them in brand positioning strategy to help lonely individuals overcome their emotional pains. It could further inspire marketers to look for a meaningful purpose such as life enrichment (rather than just emphasizing on status consumption) as life fulfillment goals while developing the brand positioning based on the brand love.

*References are available on request.*

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# Tackling Food Waste Through Value Added Surplus Products (VASP)

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**Keywords:** food waste, value-added food products, self- versus other-benefit

**Description:** This research examines consumers' acceptance of a novel category of foods termed as Value Added Surplus Products (VASP) which are foods made from surplus ingredients that are otherwise wasted.

## EXTENDED ABSTRACT

### Research Question

To address the high rate of food waste, researchers have created food products from ingredients that are otherwise wasted. Such food products made from surplus ingredients can be an effective solution to the food shortage problem. However, no research has examined how consumers will perceive such food products. In this research, we examine consumers' perceptions of such foods that we term as Value Added Surplus Products (VASP).

### Method and Data

Study 1 used a within-subjects design in which participants evaluated descriptions of VASP vis-à-vis those for traditional and organic foods. Participants were presented with food images and descriptions and were asked to rate the three foods on four items that described the foods. The four items measured whether the foods were traditional foods, whether the foods were organic, whether the foods were helpful to the environment and whether the foods were manufactured through unconventional processed. Study 2 tested nine labels that could be used to brand VASP foods. Study 3 examined the benefits that participants perceive from consuming such foods. Given that "upcycled" and "reprocessed" were ranked by participants in Study 2 as the most preferred labels, these labels were used for VASP foods which were tested alongside conventional and organic foods in the study. Perceptions of self and other benefit were meas-

ured using one item each ("To what degree do you think buying these foods will benefit yourself?" 1 = *not at all*, 7 = *very much* and "To what degree do you think buying these foods will benefit society? 1 = *not at all*, 7 = *very much*).

### Summary of Findings

Results from Study 1 indicate that Participants perceived VASP foods as more eco-friendly than conventional foods ( $t(50) = -1.78, p = 0.08$ ) and less traditional than conventional foods ( $t(50) = 3.66, p = 0.00$ ). Results from Study 2 suggest that participants preferred "upcycled" as the best label for VASP foods followed by "reprocessed." Finally, results from study 3 suggest that VASP foods labeled as "upcycled" were perceived to have greater benefits for others compared to conventional foods ( $t(73) = -5.37, p = .00$ ). These foods were also perceived to have greater self-benefits than conventional foods ( $t(73) = -2.03, p = .04$ ) but not compared to organic foods ( $t(72) = 0.85, p > .30$ ). "Reprocessed" VASP foods were perceived to have much lesser other-benefits than "Upcycled" VASP foods ( $t(72) = 1.91, p = .059$ ). On the measure of self-benefits there was no significant difference ( $t(72) = 1.28, p > .20$ ).

### Key Contributions

This research is the first to examine how consumers perceive foods made from surplus ingredients. While VASP foods seem to be a promising step towards solving the food crisis,

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they may not be commercially viable if consumers do not accept such foods. To that end, this research provides critical insights into how consumers feel and think about VASP foods. Our findings suggest that it is important to use labels that resonate with consumers. Further, marketers of such

foods may be better off by communicating the benefits that VASP foods offer to the society and environment while underplaying the benefits to the individual consumer.

*References are available on request.*

# Reducing Health Disparities Through Physical Activity and Nutrition (PAN) Practices: The Case in a Northeastern U.S. Community

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**Keywords:** *health disparities, race, nutrition, physical activity, social capital*

**Description:** *This study investigates the physical activity and nutrition (PAN) practices among Hispanic residents in Reading, PA, USA so as to develop strategic alternatives to reduce health disparities in the community.*

## EXTENDED ABSTRACT

### Research Question

Making changes in lifestyles appear to be the most cost-effective way to improve health outcomes. But, how come it takes so many years or even generations to achieve modest results? What are the challenges for improving health outcomes among people of low income and education levels? The purpose of this study is to understand physical activity and nutrition (PAN) practices from the consumers' perspective by examining their lived experiences, so as to develop strategic alternatives to reduce health disparities in an impoverished community in northeastern U.S.

### Method and Data

We recruited study participants from the City of Reading, PA, USA to participate in semi-structured, focus groups and/or in-depth interviews. Reading City has a population 88,000 in 2016, about 58% of which are Hispanic or Latino origin. Convenience sampling was used to purposively recruit ethnic minority informants from a Catholic Church. Bilingual (Spanish-English) moderators and interviewers were trained to conduct the interviews with both English- and Spanish-speaking informants. Four focus groups ( $n =$

29) were conducted to generate consumers' thoughts and vocabulary about their lifestyles, including social lives. We then invited these informants (and their family members) to participate in depth interviews ( $n = 25$ ) two weeks afterwards. The participants each brought 10–15 pictures about their lifestyle to the interviews, namely meals, food items in their refrigerators and pantries, and physical activities. During the interviews, the participants were asked to tell stories about the pictures and how they fit in their lifestyle. The video-recorded focus groups and the audio-recorded interviews were translated and transcribed in English, ranged in length 1 to 2.5 hours. We also asked questions about each informant's subjective well-being, family situation, neighborhood, health and working conditions.

### Summary of Findings

Based on the focus groups and interviews, two major findings emerged. The first is that the household physical activity and nutrition (PAN) practices are situated in and dynamically affected by the stressors and resources encountered in their daily lives. Stressors and resources are often antagonistic with each other. If the driving forces of resources are

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greater than the limiting forces of stressors, adoption of PAN practices is more likely. We found that stressors could stem from consumers' living, working, family, and medical conditions (Braveman and Egerter 2013). Resources that the consumers could deploy to engage in PAN practices include personal resources, such as economic, cultural capital and emotional capital (Froyum 2010; Reay 2004), and interpersonal resources, such as social capital (Bourdieu 1984), institutional and community social capital (Putnam et al. 2003).

The second finding is that changing one's lifestyle is a complex, interwoven, and delicate constellation of consumption-related practices. The PAN practices include five processes: maintenance, socialization, assimilation, segregation, and reverse socialization. Therefore, when an intervention that suggests community residents to engage in certain PAN practices, the change agent is actually requesting the consumers to perform a set of behaviors, often without taking their stressors/resources into account.

### **Key Contributions**

We investigated the health disparities among low-income Hispanics in this research. Hispanics have surpassed African Americans as the largest U.S. minority group in 2003 (National Research Council 2006).

The expanded understanding of stressors helps explain why it is difficult to adopt a new PAN practice, because a disruption in any one practice due to stressor(s) can trigger a disruption in another. On the other hand, consumers' health outcomes are likely to improve if they can wield their personal and interpersonal resources synergistically. Consumers' personal resources of health literacy enable them to engage in both diet control and physical activities, which in turn allow them to be the change agents in their respective families (social capital) and community (community social capital).

In light of our findings, the foremost need is for the medical professionals and community advocates to understand their community members' lived context. This understanding will enable community advocates to design appropriate community services that encourage the cultivation of various types of resources (e.g. job training to improve residents' economic capital, cooking shows to increase cultural capital, emotional intelligence workshop to increase emotional capital), to implement projects that take advantage of existing networks (e.g. parent-teacher associations, churches, local YMCAs), to build alliances that among community agencies, and to set up an advisory board that will guide and sustain the change initiative over a long period of time.

*References are available on request.*

# Patient Healing in Health Care: Exploring Causal Attributions and Implications for Well-Being

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**Keywords:** attributional theory, goal setting theory, health care, patient well-being, qualitative research, semi-structured interviews

## EXTENDED ABSTRACT

Engaging in thinking about causal attributions, or “post-hoc interpretations or redefinitions of what caused the illness” (Roesch and Weiner 2001, p. 205), is an act of sense-making. This process may lead patients to new realizations about their own behaviors that may guide future behavioral intentions and goal-setting in order to improve their health and well-being. Research questions of the current work include: What are the forms and structures of patients’ causal attributions of their own health? What effect, if any, do discussions with health providers about causal attributions of health have on patients’ behavioral intentions? How do patients translate discussions about causal attributions into new and/or modified goals for future health and well-being? What can health service providers do to better enable patients to move through healing toward improved health and well-being?

Attribution theory is concerned with causal inferences, how and why people explain events as they do, while attributional theory relates causal attributions to the consequences of those explanations (Folkes 1988; Michela and Wood 1986). Attributional theory creates a connection between contemplation of causes and goal setting related to patient healing and wellness. The three elements of attribution theory are locus of control (residing inside or outside of a person), stability (whether causes are temporary or permanent), and controllability (if a person could have altered the cause of their situation) (Weiner 2000). Goal setting theory asserts that “setting specific goals leads to higher performance when compared with no goals or vague, nonquantitative goals, such as “do your best”” (Strecher et al. 1995, p. 190), provided a person is committed, capable, and does not

have conflicting goals (Locke and Latham 2006). Goals demand that patients direct their focus and behaviors toward relevant actions, such as physical rehabilitation on ones’ own or reducing or quitting smoking.

In order to investigate causal attributions in health, a qualitative approach was taken to obtain and evaluate a wide range of views about causal attribution and goal setting in health care. The context of this research was home health care, a service that provides clinical care and patient and family education in the patient’s residence. First, discussions with nurses and other home health providers about the patient’s condition, progress, and support network were conducted prior to entering the patient’s home. A total of eighteen (18) ride-alongs with home health providers were conducted including patient interviews and home visit observations. Data were analyzed by identifying themes that were representative of different types of perspectives on causal attributions and goal setting.

From the analysis of these data, patient perceptions of the causes of negative health were found to exist in three distinct categories: (a) the patient him- or herself (e.g., smoking, obesity, alcoholism); (b) others (e.g., automobile accident, gunshot wound, food poisoning); and, (c) factors beyond the control of the patient (e.g., infectious diseases, cancer, allergies), including unknown etiology or unavoidable causes. Patients who face a health condition that is undeniably self-inflicted appear to be most likely to construe plans for the future, and to set goals regarding their new health status. Another finding includes inattention to or misattribution

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for<sup>3/4</sup>the cause of one's condition can substantially affect a patient's ability to listen, a patient's ability to participate in service coproduction, and a patient's ability to comply with expectations for behaviors that facilitate healing. A patient's emotional state appears to be significantly influenced by discussions about causal attributions. A patient's ability to listen to providers in order to fully absorb critical information likewise appears to be affected by attributional thinking and discussions. Discussions with any provider appear to be a critical aspect of helping a patient focus on the present moment, and not dwell on the past. A patient's ability to comply with expectations for behaviors that facilitate healing also appear to be impacted by being able to move past thinking about causal attributions. Analyses of the interview transcripts reveal important learnings about causal attributions in health care: patients often don't want to think about themselves as their own worst enemy. Yet when they do, they often realize that they have control over their own lives. Another finding is that discussions between providers and patients about causal attribution, regardless of the exact

cause, can create a partnership orientation that can open new possibilities for patients to start to think more positively about their health and well-being.

While the health care system in the U.S. struggles with costs and quality, there is sufficient culpability to go around, including payers, physicians, hospital systems, lawyers, the government, and patients (Powers, Cassel, and Jain 2014). In order to transform any system of health care, thinking must evolve from "blaming the victim" and treating the disease, a pathogenic approach, to an appreciation for capabilities available to move toward health and treating the person, a salutogenic approach (Antonovsky 1996). First, developing a sense of coherence is at least partly dependent on resolving any issues with causal attributions, as evidenced here. Secondly, utilizing resistance resources to better realize health capabilities is facilitated by collaboratively engaging in patient-centered goal setting.

*References are available on request.*

# Part F

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# Rewarding Online Product Review Behaviors Effectively: From a Self-Determination Perspective

Nan Zhang, North Carolina Central University

Mavis T. Adjei, Southern Illinois University

**Keywords:** consumer reviews, causality orientations, rewards, self-determination

**Description:** This study investigates the influence of rewards on consumers' likelihood to review products online, and subsequently purchase intentions.

## EXTENDED ABSTRACT

### Research Questions

1. How do different types of rewards from the firm impact the likelihood that the consumer will provide online reviews?
2. What is the impact of consumer's causality orientation on the effects of rewards?
3. Can consumers' causality orientation be primed to improve the effectiveness of the available rewards?
4. What is the impact of creating online reviews on the reviewer's purchase behavior?

### Method and Data

Two studies were used to investigate these research questions. In study 1, a survey was used to capture types of rewards, likelihood to review, purchase behavior and causality orientations. Study 1 was completed in three steps. Step 1 was used to identify subjects who (1) had purchased a product online in the last month, and (2) remember the details of the purchase and consumption experiences. In Step 2, the 457 qualified respondents completed a survey to measure the constructs in the proposed base model and the control variables. In step 3, we measured subjects' causality orientations. To mitigate common methods bias, causality orientations (moderators) were measured two weeks after completing step 2 (see Podsakoff et al. 2003). Of the 1000 who started study 1, 406 respondents completed it, resulting in a response rate of 88.84%. Structural equation modeling with AMOS was used to assess the hypothesized model.

Study 2 was comprised of two  $2 \times 3$  experiments to examine whether an individual's causality orientation can be primed or made salient (Srull Wyer 1979).

### Summary of Findings

The results for study 1 showed support for the positive impacts of intrinsic rewards and extrinsic rewards on likelihood to review. The impact of intrinsic rewards on likelihood to review was higher for subjects with higher autonomous orientation while the impact of extrinsic rewards on likelihood to review was stronger for subjects with higher controlled orientation. As hypothesized, impersonal orientation reduces the effects of both intrinsic and extrinsic rewards. Finally, likelihood to review had a positive relationship with repurchase intention, and the impact was higher when the review was positive.

In Study 2 we found that an individual's causality orientation can be primed to interact with rewards. We found a positive interaction effect between primed autonomous orientation and intrinsic rewards on likelihood to review. However, there was no interaction effect between primed autonomous orientation and extrinsic rewards on likelihood to review. With regards to the hypothesized interactions between primed controlled orientation and intrinsic rewards, the results showed that there was no significant difference in likelihood to review when controlled orientation was made salient compared to likelihood to review in the neutral condition. The likelihood to review when controlled orientation

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was primed was significantly higher than it was in the neutral condition.

### **Key Contributions**

Our results underscore the need for firms to dump the one-size-fits-all approach to incentivizing customers to review purchases. Instead firms should employ different strategies for different customers. This research shows that the impact of rewards is not universal, and that consumers respond better to rewards that support their unique psy-

chological needs. Specifically, intrinsic rewards are more effective motivators for autonomous oriented consumers while extrinsic rewards are more effective for controlled oriented consumers. This study suggests that managers can maximize their returns on investments in customer engagement strategies on review platforms by priming the causality orientation of the consumer to match the rewards available.

*References are available on request.*

# Social Media Criticism of the Top U.S. Art Museums

*David S. Waller, University of Technology Sydney*

*Helen J. Waller, University of Sydney*

**Keywords:** social media, art museums, Facebook, reviews

**Description:** This exploratory paper discusses the influence of social media on art museums and using thematic analysis identifies negative issues that have been posted by the public on 20 of the major US art museums' Facebook review site.

## EXTENDED ABSTRACT

### Research Question

What are the main negative issues that have been posted by the public on 20 of the major U.S. art museums' Facebook review sites? What are the views of art museum management on the role of social media and the process of dealing with online criticism?

### Method and Data

To identify issues that have caused concern to visitors to the main cultural institutions in the United States, an analysis was undertaken of negative comments posted by the public on the major art museums' Facebook review site. The 20 cultural institutions chosen for this study included the major art museums in the country: Metropolitan Museum of Art, Museum of Fine Arts Boston, Philadelphia Museum of Art Location, National Gallery of Art, Museum of Modern Art, Cleveland Museum of Art, Art Institute of Chicago, Detroit Institute of the Arts, Los Angeles County Museum of Art, Solomon R. Guggenheim Museum, Whitney Museum of American Art, Hirshhorn Museum & Sculpture Garden, Seattle Art Museum, the Menil Collection, Getty Museum, the Museum of Contemporary Art, Chicago, Walker Art Center, and Asian Art Museum, San Francisco, Frick Collection, and San Francisco Museum of Modern Art. The list was created based on online lists, such as on Time Out and Fordor's Travel lists. The public comments were reviewed using thematic analysis to identify specific "themes" or patterns to generate a number of categories that are perceived to be negative issues to past visitors, and that can be the subject of improvement to gallery/museum management.

### Summary of Findings

Of the 20 galleries, 1 did not keep a "Review" section on their Facebook page to allow for public comments. As this study was interested in negative public comments, the primary interest were the comments that had a 1 or 2-star rating that appeared directly on the page, without clicking on "see more". Once the comments were collected they were each categorized into a theme. These were then given to the chief investigator who independently categories the comments. The analysis resulted in 14 categories: Customer service, Collection, Cost, Child-related, Crowds, Closed, Corporate Decisions/Sponsor/Partner, Cell phones, Comparison, Curator and expert communication, Car parking, Checking Bag, Cultural/Race Issues, Catalogues, gifts, and souvenirs. A short email survey was undertaken of the 20 art museums asking some questions on the social media use by the art museum. As for the role of social media for the museum, they all saw it as important for communication engagement with visitors. Regarding the process for dealing with negative comments, they all review and respond to negative comments in some form, while some also used their members/friends to respond. Finally, they finished with some advice would you give to other arts institutions.

### Key Contributions

This paper contributes to the cross-disciplinary areas of digital customer feedback and museum management, and is unique in that while there have been papers that have studied social media and museums, none of these have utilized online comments as part of their methodology to improve activities for future visitors.

*References are available on request.*

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# Setting the Right Tone: How the Interplay of Response Style and User Goals Influences the Effectiveness of Handling Consumer Criticism in Social Media

*Marius Johnen, University of Hamburg*

*Oliver Schnittka, University of Southern Denmark*

**Keywords:** response strategy, negative word-of-mouth, social media, complaint management, goal priming

**Description:** This research focusses on the effectiveness of different brand responses to nWOM in social media and its dependency on response style and observing users' goals.

## EXTENDED ABSTRACT

### Research Question

This paper analyzes how the effectiveness of a brand response to nWOM in social media depends on response style and observing users' goals. More specifically, we analyze how users perceive different brand response strategies (accommodative vs. defensive) and response style (humoristic vs. factual) when they strive for hedonic or utilitarian goals. Furthermore, we examine how these perceived benefits of a brand fan page act as a mediator for the relationship between response strategy and observing users' brand attitude.

### Method and Data

We conducted an online lab experiment with  $N = 437$  respondents using a 2 (accommodative response vs. defensive response)  $\times$  2 (hedonic goal vs. functional goal)  $\times$  2 (humoristic response vs. factual response) between-subjects-design. Besides, we used unconscious goal priming techniques (scrambled-sentence task and picture priming) to ensure that respondents were actually striving for the respective goal as users do in real brand pages. To assess different effects of response strategies and response styles, respondents were shown different fictitious Facebook brand page stimuli of a real sports apparel brand with five responses to negative postings.

We used a full-factorial ANOVA to analyze the proposed three-way interaction and separate ANOVAs to further

investigate the different mechanisms. To test the mediating role of perceived benefits in the relationship between response strategy and brand attitude, we applied a "moderated moderated mediation model" (model 11 in Hayes' (2013) process macro).

### Summary of Findings

Our results reveal a three-way interaction between response strategy (accommodative vs. defensive), response style (humoristic vs. factual), and the usage goal of the observing consumer (hedonic vs. utilitarian). Specifically, results suggest that, in a hedonic context, accommodative strategies are superior to defensive strategies when brands apply a factual response style, but they are inferior for a humoristic response style. In contrast, in a utilitarian context, an accommodative response is more advisable for a humoristic style compared to a defensive strategy, but no strategy performs better when brands use a factual tonality.

### Key Contribution

Our research contributes to literature by extending the understanding of digital interactions between brands and consumers and by indicating that core principles of traditional complaint management strategies may not apply in social media. As a theoretical contribution, we are first to combine benign violation theory (McGraw, Warren, and Kan, 2014) and goal-directed information processing (Fitzsimons and Shah, 2008),

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which provides a suitable approach to explain the effectiveness of response strategies. Besides, as a managerial contribution, our findings help social media managers to find an adequate response strategy to consumer criticism in social media. We show that the effectiveness of a response strategy to nWOM in social media is moderated by (1) response style, i.e., if the brand uses a humoristic or factual tonality in its

reply and (2) consumer goals for using brand pages, i.e., whether consumers use the brand environment for hedonic or utilitarian goals. Specifically, a balance between users' preferred strategy and response style is needed to increase the effectiveness of handling user complaints.

*References are available on request.*

# You Are All Competent, but Can You Be Nice? Leveraging Social Media for Leadership Communication

*Hsin-Hsuan Meg Lee, ESCP Europe*

**Keywords:** CEOs, content strategy, leadership communication, gender stereotypes

**Description:** This study examines how CEOs can optimize their social media strategies depending on the gender.

## EXTENDED ABSTRACT

### Research Question

What should CEOs broadcast on social media to communicate desired leadership traits? How would CEOs' content strategies influence perceived organization personalities? Social media has empowered CEOs to engage with stakeholders online. Their personal branding on social media is suggested to diminish the psychological distance and enhance the reputation. The current consensus seems to imply that the mere presence of leaders on social media can automatically create an enhanced personal and corporate image. However, it is inadequate when active and purposeful participation is expected. Though creative content strategies have been well established for brands, content strategies for c-suite executives to communicate their leadership have been overlooked. Based on prior empirical findings, this research typifies CEOs' content strategy into four categories: professional-, personal-, societal-oriented and mixed profiles. The impact of different profiles is evaluated with perceived competence, empathy, and authenticity, all of which are pertinent traits in establishing positive leadership. Moreover, prior research postulates that there are strong stereotypic perceptual differences regarding the perceived traits of male versus female CEOs. The effect of gender is also examined. This study aims to understand the impact of CEOs' social media content strategies on CEOs' and organizations' perceived leadership traits.

### Method and Data

The study is conducted with a  $2 \times 4$ , digital, between-subjects, and survey-based experimental research design with content strategy as independent variables. The experiment is comprised of four scenarios, each consisting of nine Twitter

updates based on one of the four types of content strategies: professional-, personal-, societal-oriented, and mixed profiles. A fictitious CEO and an organization in FMCG industry were created to decrease the impact of any earlier experiences of the respondents. The industry was chosen as it is one of the active industries online with a seemingly non-controversial image to avoid potential bias. Two versions of each scenario are made manipulating the gender of the CEO. Adapted from the prior literature, perceived CEO and organizational competence, authenticity and empathy are measured using 7-point Likert scales with multiple items. Control variables include the respondents' age, gender, educational background, job level, familiarity with the FMCG industry, familiarity with Twitter, social media usage, and whether the respondent follows one or more CEO(s). Participants ( $N = 206$ , 54% male, average age =  $28.7 \pm 5.7$ ) were recruited via Amazon's Mechanical Turk services for an experiment about leadership communication in return for monetary compensation.

### Summary of Findings

The result suggests that CEO content strategy exerted a significant impact on the perceptions of the CEO's personal leadership traits, which subsequently influence organization perceived personality traits. Professional-oriented profiles appear to be the least desirable option as they yield similar level of competence but a significantly lower level of authenticity and empathy, compared to other profile strategies. The results highlight that broadcasting predominantly industrial-related information does not necessarily generate a higher level of competence. Instead, CEOs are missing out the opportunity to create a favorable perception of authentic-

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ity and empathy. It is interesting to note that mixed profiles do not seem to perform worse than the other strategies. This may be contradicting with the usual assumption that having a clear and focused story is typically more favorable. The study illustrated that having a mixed profile may hint on a sincere approach and adds the preferred human element to the communication. Also, the findings show that CEOs' gender moderates the effects of the perceived leadership traits. Female CEOs are rewarded with a higher level of competence when communicating with a professional-oriented profile, while male CEOs are rewarded with a higher level of empathy when interacting with a societal-oriented profile.

## **Key Contributions**

This study contributes to literature asserting the importance of CEO personal branding and the debate on how CEO personal branding affects themselves and the organizations. It is the first attempt at understanding the direct impact of CEOs social media activities and the effectiveness of different con-

tent strategies. Contradicting to the common beliefs, keeping a mixed profile may be most beneficial and influential than having a profile clear strategic patterns. While the current literature on social media marketing tends to marginalize the impact of CEO, our results suggest that corporate personality traits can only be established through perceived CEO leadership traits. This highlights the importance to incorporate CEOs' personal branding as part of the organizational branding. Moreover, the research confirms that the diminishing bias of gender stereotyping has resulted in a moderate level of incongruence when the certain gender posts a specific type of content. Instead of being punished by communicating incongruent messages with their gender stereotypes, CEOs are in fact rewarded. The finding underlines the opportunity for CEOs, especially male CEOs, to break their conventional image of only being a thought leader or acting as typical gender-biased leaders.

*References are available on request.*

# Involving “Your” Brand and Consumer Outcomes in Digital Environments: A Case for Second Person Pronouns

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*Todd Pezzuti, University of Chile*

**Keywords:** second person pronouns, Facebook, involvement, branding, collectivism

**Description:** This paper investigates the relationship between second person pronouns and brand outcomes.

## EXTENDED ABSTRACT

This research conducts a textual analysis of brand-to-fan interactions on Facebook and finds that consumer engagement is enhanced when second-person pronouns (e.g., “you”) are included in brand posts. Two behavioral experiments confirm this relationship and identify mediational processes as well as boundary conditions for the hypothesized effects.

### Research Question

The goal of study 1 was to assess whether a relationship between second person pronouns and consumer involvement exists for actual brand-to-consumer behavior. Study 2 utilizes an experiment to assess whether the relationship between using second person pronouns and consumer involvement is causal rather than correlational and helps identify the underlying process through which second person pronouns influence consumer involvement. The final study tests whether brand messaging that uses second person pronouns exerts an indirect effect on brand attitude (through consumer involvement) on cultural orientation.

### Method and Data

Three studies investigate the role of second person pronouns on brand communications. Study 1 utilizes field data con-

sisting of Facebook posts for 10 brands across 13 months. Study 2 implements an experiment utilizing ostensible Facebook brand posts to test the role of second-person pronouns on brand outcomes. Study 3 utilizes an experimental approach using ostensible blog posts.

### Summary of Findings and Key Contributions

Three studies find initial evidence for a positive effect of using second person pronouns in brand messages on consumer involvement and brand attitude. The first study found that, when compared to brand posts that did not use second person pronouns, brand posts with second person pronouns were associated with higher consumer involvement. The second study demonstrated that self-referencing mediates the effect of second person pronouns on consumer involvement. In the final study, cultural orientation is identified as a boundary condition.

*References are available on request.*

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# Role of Narrativity and Prosodic Features in Driving: The Virality of Online Video Content

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**Keywords:** *virality, storytelling, affect, online video*

**Description:** *The narrativity of online video content along with speakers' vocal prosody drive the sharing of online video.*

## EXTENDED ABSTRACT

### Research Question

Earlier work on online virality has focused on the semantic content of *what* is being said largely to the exclusion of syntactic and prosodic aspects of *how* it is being conveyed. Further, prior research has mostly examined social transmission of text-based content to the exclusion of more dynamic and visually evocative material such as video. The present research examines the question "How does the narrative structure of content and speakers' vocal prosody impact sharing of online videos?"

### Method and Design

We analyzed transcriptions from a collection of TED presentations posted online between 2010 and 2016. Transcripts from these presentations were analyzed using multiple computational linguistics software. In line with prior work in marketing (e.g., Berger and Milkman 2012; Ludwig et al. 2013), we used Linguistic Inquiry and Word Count (or LIWC) to quantify the proportion of words in each text that matched psychometrically validated word categories included within the software, including general affect and positive and negative emotions. In addition, we utilized the LIWC data to derive measures of pace of delivery and vocal prosody. The transcripts were also analyzed using Coh-Metrix (Graesser et al. 2004), which provides a number of indices that represent the syntactical cohesion of a body of text. In line with recent emphasis on the importance of story-

telling in marketing communications, we focused on the dimension of discourse narrativity.

Our model links semantic (affect), syntactic (narrativity), and prosodic (speaker pace, vocal intonation and voice stress) characteristics of the videos to the total number of YouTube "shares." In addition, we propose the effects of narrativity and prosody on virality are strengthened by the presence of more emotional content. We control for video age and length.

### Summary and Findings

All study hypotheses were supported. In line with prior expectations, narrativity (H1:  $\beta = .41$ ,  $t = 5.69$ ), pace (H2:  $\beta = .10$ ,  $t = 4.46$ ), and changes in voice stress and intonation (H3:  $\beta = .02$ ,  $t = 3.09$ ) were positively associated with YouTube shares. Affective language was positively related to sharing behaviors by viewers, supporting H4 ( $\beta = .19$ ,  $t = 6.82$ ). We likewise find evidence in support of H5–H7, which investigated interaction effects involving the influence upon viewer shares of affective language and narrativity, speech pace, and changes in intonation, respectively. Study results show significant interactions for Narrativity  $\times$  Affect ( $\beta = .18$ ,  $t = 4.53$ ), Pace  $\times$  Affect ( $\beta = .04$ ,  $t = 2.92$ ), and Intonation  $\times$  Affect ( $\beta = .01$ ,  $t = 3.26$ ) upon viewer YouTube shares.

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## **Key Contributions**

The present study incorporates a number of novel research design features and offers interesting new insights on online content virality. Prior research has suggested that physiological arousal resulting from the consumption of emotionally-evocative content lies at the root of online virality. While we agree with this premise, our findings suggest that arousal is not simply a function of the nature of the content—how that content is being delivered may be of even greater significance in produc-

ing this effect on audiences. In particular, narrativity seems to play a stronger role in leading to viewer sharing relative to the other predictors in our model, including affective language. Moreover, the importance of narrativity and prosody on sharing of online content is not limited to their direct effects. Our results show that both narrativity and speech pace may amplify the impact of affective language upon virality.

*References are available on request.*

# An Investigation of the Effects of Project Rhetoric and Dynamic Characteristics on Crowdsource Funding Formation

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**Keywords:** crowdfunding, benefit-focused language, linguistic style match, backers' support, social media shares

**Description:** This paper focuses on the effects of language style and content of crowdfunding project description text and the project dynamic characteristics on funding formation.

## EXTENDED ABSTRACT

### Research Question

One of the major challenges faced by potential crowdfunding backers involves their value uncertainty about the projects. To reduce these uncertainties, the project creators provide a project description on the crowdfunding platform, which may consist of text, images, sound clips, and videos. We investigate two research questions: (1) Do benefit-focused language (BFL) and linguistic style match (LSM) of the product description text reduce the value uncertainty of the crowdfunding projects, and positively affect the funding formation? (2) Do the dynamic characteristics such as backer's support and social media shares moderate the above effects?

### Method and Data

To explore these research questions, we examine data from 599 technological gadget projects posted on a popular crowdfunding website, *Kickstarter*, to dynamically explore the effects on the funding formation. One of the methodological challenges in analyzing crowdfunding data is the arrival of funds in an unsystematic fashion. Funds are not typically received at uniform time-period, and therefore, creates challenges using traditional time-series models that requires availability of data at each time-period. Therefore, we use Functional Data Analysis. We next validate our findings using four laboratory studies where we further explore the effects of these factors on

backers' attitude, trust, risk, perceive innovation, and intention to contribute.

### Summary of Findings

Results suggest that both BFL and LSM reduce the value uncertainty, and positively affect the funding formation, particularly during the beginning of the funding cycle. However, these effects diminish in presence of high backers' support, suggesting prominent herding effects during funding formation.

### Key Contributions

The contributions of the paper are of three-fold. First, to the best of our knowledge, this is the first paper that explores funding formation of crowdfunded projects, and examines how two signals of the project description language style, including benefit-focused language (BFL) and linguistic style matching (LSM), affect the funding formation over the funding cycle. Second, we investigate the moderating effects of two dynamic factors, including the number of backers and social media share, on the relationship between BFL (and LSM) and funding formation. And third, we provide strategic recommendations for the project developers on how to frame their communications with the potential backers and conclude with listing insightful determinants of project success criteria.

*References are available on request.*

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# Communicating Complex Services Using Electronic Word-of-Mouth on Twitter: An Exploratory Study

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**Keywords:** *electronic word-of-mouth, eWOM, Twitter, social media marketing, social networking, content marketing, complex services*

**Description:** *This paper presents preliminary findings on the determinants of eWOM engagement on Twitter for communications relating to complex services.*

## EXTENDED ABSTRACT

### Research Question

Word-of-mouth (WOM) has been found to play a crucial role in services marketing as intangibility makes the pre-purchase trial of services impossible. It is particularly important when services are complex and associated benefits may be ambiguous or not immediately observable (Berry 1980; Zeithaml 1981; Zeithaml et al. 1985). Similar to WOM, electronic word-of-mouth (eWOM) has been found to be more effective and to have higher credibility, empathy and relevance to customers than traditional marketing vehicles and marketer-designed electronic media (Bickart and Schindler 2001; Hogan et al. 2004; Trusov et al. 2009). Despite the considerable number of studies on eWOM, there are few on the determinants of eWOM impact on social media and social networking sites (SNS). This study seeks to extend the literature by investigating the determinants of eWOM engagement for communications relating to complex services on social media.

### Method and Data

Recent advances in information and communications technologies have enabled high performance computing (HPC) to be delivered as a service in the cloud. Traditionally, HPC in the cloud is used in scientific and technical computing and requires specialized infrastructure and expertise to operate. As such, HPC in the cloud is deemed an appropriate example of a complex service for the purposes of this study. We adopt Twit-

ter as the empirical context as it has a monthly active user base of over 316 million and is used extensively by the ICT and scientific community, the target audience for HPC in the Cloud.

The study investigates the effect of three antecedents—user social factors, message sentiment and user credibility—on eWOM engagement as measured by viral reach (volume of shared messages) and affective evaluation (responses to messages visible to others) (Alhabash and McAlister, 2014). The sample consists of 4,569 original messages containing keywords “cloud” and “cloud computing” within a wider dataset of 124,044 Twitter messages related to HPC over a 12-month period for the calendar year 2015. The dataset was generated under license from GNIP, Twitter’s data aggregation service, and stored in accordance with DCU’s data management plan. A mixed method approach was used. The majority of variables were estimated using quantitative analytic techniques. This was supplemented with manual coding to identify user type, occupation and affiliation. An ordinary least squares (OLS) regression was adopted to test the hypotheses.

### Summary of Findings

The empirical analysis of 4,569 original posts suggests that message sentiment is positively related with eWOM engagement while the impact of user visibility and user credibility tends to be negative. Interestingly, messages originated by

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organization users tend to receive less retweets and more replies than messages originated by other users suggesting that customers tend to share information gathered from their peers but verify it by engaging with companies.

## **Key Contributions**

This study extends the literature on eWOM by analyzing the determinants of eWOM engagement on Twitter for a complex service. Twitter's prominence as the largest microblogging site and a prominent social networking site reflect two contexts that are under-researched in the extant eWOM literature. The results of this study are of interest to marketing researchers, and service marketing researchers in particular, with respect to the peculiarities of complex service environments. Similarly, the results are of interest to practitioners,

who can get valuable insights on how to better utilize SNSs to improve the impact of their social media marketing activities. As a preliminary study, this paper presents avenues for future research aiming to explore the reasons behind differences in eWOM antecedents for complex services and whether they apply to other services, SNSs, or Twitter communities.

## **Acknowledgment**

This work was partially funded by the European Union's Horizon 2020 Research and Innovation Programme through the CloudLightning project (<http://www.cloudlightning.eu>) under Grant Agreement Number 643946.

*References are available on request.*

# Examining Brand-Related User-Generated Content on Twitter Using Big Data

Xia Liu, Rowan University

**Keywords:** user-generated content, big data, LDA, topic modelling, Twitter

**Description:** This study investigates brand-related UGC on Twitter and extracts the consumer insights by analyzing over 1 million data.

## EXTENDED ABSTRACT

### Research Question

This study investigates brand-related UGC on Twitter. The research questions are: Why do people interact with brands and spread word of mouth regarding those brands on Twitter? What aspects of brands do consumers mention in their tweets and retweets?

### Method and Data

The approach for the present research involves the use of two methods investigating brand related user generated content on Twitter: (1) qualitative research in the form of answers to open-ended questions provided by individuals who tweet about brands on Twitter, and (2) LDA analysis of approximately 1.3 million tweets for 16 brands across 4 categories of consumer goods, namely, fast food, mass merchandise, sports shoes, and electronics.

### Summary of Findings

Our findings from this paper have revealed that U&G theory does provide an appropriate framework with which to study and understand consumer-generated content. In particular, in both our qualitative and topic modeling research, consumers are satisfying a number of personal needs ranging across: (1) information (cognitive) needs, (2) emotional (affective) needs, (3) self-esteem (social status) needs, (4) social integrative (contact and communication) needs, and (5) entertainment and diversion (tension release) needs.

### Key Contributions

#### Theoretical Contributions

To the best of our knowledge, this is the first study that uses the U&G theory as both grounding for qualitative research and with the use of over one million comments from the social media platform of Twitter. Consequently, based on our interpretations of LDA findings and our qualitative study, we found evidence that consumers post tweets to variously satisfy their informational, emotional, entertainment, self-esteem, and social integrative needs. Thus, we have confirmed the operation of all dimensions of U&G theory in consumer-generated content found on Twitter.

#### Methodological Contributions

It is challenging for marketers to tame the large amount of unstructured text data. LDA is one of a variety of appropriate methods with which to analyze the unstructured UGC. Hence, our research uses LDA to analyze the brand related text data and to draw the conclusion of the content by studying the unseen attributes of UGC. Therefore, this study makes methodological contributions in studying online consumer behavior by using LDA topic modeling. In addition, our research demonstrates the value of the coordinated use of small data and big data when studying user-generated social media content.

References are available on request.

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# The Effects of Social Influence and Self-Enhancement on Consumers' Willingness to Share Their Purchase Decisions on Social Media

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*Richard Conde, University of North Texas*

**Keywords:** *social media, self-enhancement, social influence, purchase decision sharing*

**Description:** *This paper studies the effects of social influence and self-enhancement on consumers' willingness to share their purchase decisions on social media*

## EXTENDED ABSTRACT

### Research Question

Aided by advances in internet technology, social media has emerged as the communication platform of the twenty-first century (Hetzler, 2012). Defined as Internet-based applications that allow users to create and exchange content (Kaplan and Haenlein, 2010), social media provides opportunities for firms and organizations to create awareness, increase brand knowledge, and reinforce brand associations (Yazdanparast et al., 2016). For consumers, social media is a significant source of information about products, services, and brands (Bruhn et al., 2014). Many individuals rely on this information to make online purchase decisions (Ludwig et al., 2013). A vast literature examines electronic word-of-mouth, focusing on the generation, transmission, and effects on the communicator's consumption and eWOM effects on consumer behavior (King et al., 2014). However, to the authors' knowledge no research has explored why consumers share brand-related content on social media based on the notion that social influence mediated by self-enhancement may have an impact on online purchase decision sharing behavior. Therefore, based on Kelman's (1958, 1961) social influence theory and the concept of self-enhancement (Goffman, 1956; Sirgy, 1982; Sedikides, 1993) this study seeks to answer the following research question: What are the effects of social influence and self-enhancement on con-

sumers' willingness to share their purchase decisions on social media?

### Method and Data

An online survey was provided to 450 undergraduate students at a large public university in the United States. A student sample is deemed appropriate for the present research since the young population has an active presence on social media; 18- to 29-year-olds are the primary market driver for social engagement (Duggan et al., 2015; Kennedy and Guzmán, 2016). After removing twelve responses that were either incomplete, were answered too fast, or took too long, 250 usable responses were analyzed. The measurement items for all the constructs were selected from previous studies with modifications made to better match the purpose of this current study.

### Summary of Findings

Our results show that identification ( $\beta = 0.41$ ;  $p < 0.01$ ) and compliance ( $\beta = 0.22$ ;  $p < 0.01$ ) with social media friends have a positive relationship with self-enhancement. On the other hand, internalization ( $\beta = 0.44$ ;  $p > 0.05$ ) with social media friends did not show any relationship with self-enhancement as we had hypothesized. Furthermore, consumers' self-enhancement has a positive relationship with

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purchase decision sharing on social media ( $\beta = 0.48$ ;  $p < 0.01$ ); whereas the level of online shopping self-efficacy of consumers ( $\beta = 0.007$ ;  $p > 0.05$ ) shows no relationship whatsoever. Moreover, the R-squared analysis indicates that self-enhancement explained 14% of purchase decision sharing behavior, and social influence explains 49% of self-enhancement behavior.

### **Key Contributions**

This study makes several contributions to research. First, it demonstrates that one of the characteristics of the consumers sharing brand-related content on social media is their need to create a positive impression of themselves. In other words,

one of the reasons they share this content is to make themselves look good. Second, it indicates that complying with social media friends may lead to self-enhancement behavior. Finally, it demonstrates that identification with social media friends will encourage consumers to engage in a self-enhancement behavior. As a result, consumers will be more likely to post content that they think will improve their social media image. By understanding the impact identification, internalization and compliance have on an individual's self-enhancement it allows marketers to thoughtfully position products, services, and brands on social media.

*References are available on request.*

# Examining the Influence of Social Capital on e-WOM Behavior and Brand Experience for SNS Platforms

Kazuhiro Kishiya, Kansai University

## ABSTRACT

This study examines the influence of social capital on SNS effectiveness between SNSs. It hypothesizes social capital (bonding, bridging social capital) as antecedent factors for each platform (Twitter, Line, and Facebook) in terms of WOM behavior and brand experience. This study tests these hypotheses by estimating a structural equation model.

**Keyword:** *social media, social capital, brand experience, e-WOM behavior*

## Introduction

This study investigates the effectiveness of social media in terms of e-WOM (electronic word-of-mouth) behavior and brand experience, and examines the impact of social capital on such effectiveness for SNS platforms. There have been many studies on online social networks, ranging from the persuasive effect of e-WOM to the building of brand meaning through brand communities (e.g., Chi 2011; Chu and Kim 2011; Kwon et al. 2014; Logan 2014; Zaglia 2013).

However, the influence on e-WOM behavior and brand experience seems to depend on the characteristics of SNSs concerned. There are two dimensions in the characteristics of SNSs; Social capital and Platform. Consumers interact with other users through SNSs, thereby building and maintaining social relationships with their friends, as well as strangers with whom they share interests. Consumers build social relationships in their own way, resulting in the formation of different kinds of social capital. Furthermore, the sites on which consumers interact, and the platforms thereof, influence how they connect with others and obtain information. Although prior studies have focused on SNS effectiveness in term of each of the perspectives, little research has been conducted to examine the most suitable relationship between the form of social capital and the platform in terms of SNS effectiveness. Moreover, the suitable relationship depends on SNS effectiveness (e-wom behavior and brand experience). This study was thus designed to research the influence of social capital on social media effectiveness for each platform (Twitter, Line, and Facebook).

## Theoretical Foundation and Hypotheses

### **Embedded Brand Community in Online Network**

Due to the penetration of SNSs, most SNSs facilitate the building of brand communities through the creation of brand pages and accounts on their sites. Therefore, online social networks and brand communities on SNSs overlap in terms of eliciting consumers. Though differences exist between online social networks and online brand communities, their structures are separate yet interdependent (Zaglia 2013). Furthermore, the ease of transmission of information on SNS platforms is likely to blur the distinction between online networks and brand communities. The advance of SNSs allows consumers to participate in e-WOM and experience brands through both online social networks and brand communities.

Prior studies focused on cause-and-effect relationships in referral e-WOM on online networks (e.g., Brown, Broderick and Lee 2007; Chu and Kim 2011). Social relational variables such as the strength of ties and homophily among members have been examined in e-WOM studies (Brown, Broderick and Lee 2007; Chu and Kim 2011). However, a different kind of word-of-mouth occurs in online networks. Unlike single-theme virtual communities where members share with others who have the same interests, or offline communities where members interact to build their social relationships, SNSs enable the connection of multiple, varied networks. Moreover, SNS platforms have functions that facilitate the easy generation of e-WOM, such as the “Like”

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function on Facebook, and the “Retweet” function on Twitter. E-WOM on SNSs range from opinion receiving” and “opinion giving,” to “opinion passing” (Chu and Kim 2011). Thus, consumers are likely to engage in various kinds of e-WOM on SNSs.

Simultaneously, SNSs allow companies to build brand relationships through embedded communities such as brand pages and accounts. Brand relationships with consumers are built through brand experience online (Youn and Youn 2016). “Brand experience,” defined as an internal and behavioral response, is evoked through brand-related stimuli. Brand experience incorporates emotional, cognitive and behavioral responses. Brand experience differs from brand constructs such as brand affection, attitude and loyalty as proposed thus far in studies. Brand experience can occur without high involvement with the brand (Brakus, Schmitt, and Zarantonello 2009).

Brand experience occurs not only directly through product usage and in shops, but also indirectly through advertising and websites. Experience caused by stimuli is focused and therefore preferable (Brakus, Schmitt, and Zarantonello 2009). In particular, interactivity on the web leads to higher brand experience (Youn and Youn 2016).

SNSs are so versatile that they can evoke brand experience. Unlike singular communities such as brand communities, SNSs allow consumers to connect with embedded brand sites anytime and anywhere. Embedded communities on SNSs provide not only product and shop information but also recommendations from endorsers, influencers and friends. Interactivity in brand communities on SNSs enhances the consumer-brand relationship (Kwon et al. 2014) and the social identity of the members (Dholakia, Bagozzi and Pearo 2004). Thus, embedded communities enhance the brand experience because of building the relationships between self and social identity, and brand. SNSs thus enable consumers to experience brands to a degree unrivaled by other media.

### ***Social Capital***

This study focuses on social capital as an antecedent factor influencing e-WOM behavior and brand experience. Social capital is an intangible resource embedded within a person’s networks (Bourdieu 1986; Putnam 2000), which arises through trust and norms (Mathwick, Wiertz, and De Ruyter 2008). There are two forms of social capital: bridging social capital and bonding social capital (Putnam 2000). Bridging social capital (BRSC) involves connections between users of different backgrounds. Through weak ties that facilitate the distribution of information between social groups, loosely connected groups are transformed. On the other hand, bonding social capital (BNSC) involves strong ties that incorpo-

rate relational reciprocity and trust (Putnam 2000). Members of bonding social capital groups share emotional attachment and expect social support.

Originally, the Internet facilitated the creation of new, weak ties, in contrast to offline networks (Chi 2011; Ellison, Steinfield, and Lampse 2007; Williams 1996). As brand community studies show, online brand communities enable consumers to interact with those who share common interests and involvement (Kozinet 1999). On the other hand, during the penetration of SNSs, consumers tend to practice alternative usage to maintain existing relationships involving strong ties. Instant messaging and online chat services are mainly used by those who already have personal relationships (Dholakia, Bagozzi, and Pearo 2004). Such users utilize SNSs as a complement to their face-to-face interaction (Dholakia, Bagozzi, and Pearo 2004; Ellison, Steinfield, and Lampse 2007). Thus, online connections through SNSs often result in BRSC and BNSC (Ellison, Steinfield, and Lampse 2007). BNSC, which consists of strong ties, is influential (Chu and Kim 2011), while BRSC, consisting of weak ties, distributes information widely (Mathwick, Wiertz, and De Ruyter 2008). Both of these forms of social capitals are expected to influence e-WOM behavior.

As mentioned earlier, brand experience can be generated by indirect stimuli such as advertising and websites (Brakus, Schmitt, and Zarantonello 2009). Social influence from other members in SNSs also seems to generate brand experience. SNSs convey the symbolic meaning of products as providers of identity value (Yadav et al. 2013). Both online social networks and brand communities influence social identity (Zaglia 2003). Regardless of the form of social capital, online social capital creates group norms and a sense of community. Weak ties in online communities result in referrals through sharing with significant others with common interests (Kozinets 1999). Meanwhile, strong ties influence the self-brand connection (Escalas and Bettman 2005). Network-based and small-group based communities form social identity (Dholakia, Bagozzi, and Perso 2004). Social identity can enhance self-identity as defined by a brand, which leads to higher brand experience.

On the other hand, regardless of tie strength, SNS platforms themselves influence the user’s beliefs and perception (Bickart and Schindler 2001). Whether or not social capital facilitates e-WOM behavior and brand experience depends on the platform characteristics, e.g., deep interaction or the exchange of short messages among users.

### ***SNS Platforms***

Currently, there are various SNS platforms such as blogs, microblogs and instant messaging. The platforms have dif-

ferent features that determine how the users connect and interact with each other (Smith, Fischer, and Yongjian 2012), and various functions for connecting with others and sharing information, such as “Like” (Facebook), “Retweet” (Twitter), and the “Group” function (instant messaging).

Twitter is a microblogging site used for posting short messages (Jin and Phua 2014). As well as the common characteristics of virtual communities, Twitter allows users to connect with people with whom they share interests and involvement (Jin and Phua 2014). Twitter platform follows the weak-tie model, since Twitter user is free to follow another user without mutual agreement, as is required by Facebook. Connections with weak ties tend to result in the widespread sharing of information. Those with weak ties through Twitter are likely to generate e-WOM behavior. Furthermore, the ease of connecting and making weak ties with users with whom the user shares brand interests facilitates brand experience.

H1:2: BRSC is positively related with e-WOM behavior (H1) and Brand experience(H2) for Twitter users

Instant messaging is a real-time online chat system (Dholakia, Bagozzi, and Pearo 2004). Consumers mainly use the Group function and exchange messages with other users registered in chat groups. At the beginning, interaction in instant messaging is likely to require an existing relationship to reduce misunderstanding, since only short messages are shared (Dholakia, Bagozzi, and Pearo 2004). Compared to other SNSs, users utilize instant messaging to supplement their face-to-face interaction (Quan-Haase and Young 2010). However, as instant messaging becomes popular, its functionality is expanding to facilitate the easy creation of connections with weak ties, resulting in BRSC. When instant messaging allows users to connect with weak ties, it promotes e-WOM and brand experience among them, just as Twitter does. This study focuses on Line, a widespread instant messaging service in East Asia.

H3:4: BRSC is positively related with e-WOM behavior (H3) and brand experience(H4) for Line users.

Facebook allows users to interact with others through the user's blog, profile and wall, with updates sent from friends, which can create deeper interaction with others compared to other SNSs. Facebook connections are likely to overlap with offline connections, since “friendship” in Facebook requires mutual agreement. Moreover, users use Facebook to maintain their existing relationships (Ellison, Steinfield, and Lampse 2007). Facebook users tend to seek information about other people they know rather than those they do not know. In term of posting on Facebook, it facilitates self-presentation behavior to enhance self-esteem among those con-

nected by strong rather than weak ties (Wilcox and Stephen 2012). Facebook users focus on the relationships between brands and other users with whom they enjoy close relationships, as a form of collective behavior (Ellison, Steinfield, and Lampse 2007; Logan 2014; Smith, Fischer, and Yongjian 2012).

H5:6: BNSC is positively related with e-WOM behavior (H5) and Brand experience(H6) for Facebook users.

## Method

This study adopts measurements from past studies: measurements of BNSC and BRSC from Williams (2006), and Ellison, Steinfield, and Lampse (2007); measurements of brand experience from Brakus, Schmitt and Zarantonello (2009); and measurements of e-WOM behavior from Chu and Kim (2011). This study recruited people who use most frequently on each of the three SNSs and use a brand page or account on the SNS as respondents. The number of users recruited for each platform was 504, producing a total sample of 1512. The survey used stratified sampling by age group (20s, 30s, 40s and 50s) and sex. Thus, for each of the three SNSs, there were equal numbers of male and female respondents, while each of the four age groups accounted for 25.0% of the total.

## Results

### Measurement Model

This study evaluates our measurement model following the two-step approach recommended by Anderson and Gerbing (1988). The author conducted a confirmatory factor analysis using the maximum likelihood method. The results of a confirmatory factor analysis using the full data set yielded a satisfactory result ( $\chi^2 = 2077.507$ ,  $df = 269$ ,  $p < 0.01$ , CFI = 0.93, IFI = 0.93, TLI = 0.92, RMSEA = 0.06). Each of the loading items was found to be more than 0.60. Convergent validity was assessed using composite scale reliabilities and the Average Variance Extracted (AVE) (Fornell and Larcker 1981). The composite scale reliabilities ranged from 0.79 to 0.91, exceeding the cutoff value of 0.70. The AVE of each construct was required to be greater than 0.50. The AVEs satisfied this criterion (Fornell and Larcker 1981). To examine discriminant validity, we compared the square root of the AVE with the correlation between the two latent constructs (Fornell and Larcker 1981). The square root of the AVE should exceed this correlation; this criterion was satisfied.

### Results of Convergent and Discriminant Validity and Hypotheses Test

**Hypotheses Testing.** The proposed model in SEM yields a satisfactorily fit ( $\chi^2(880) = 3044.829$ ,  $p < 0.01$ , IFI = 0.91, TLI = 0.90, CFI = 0.91, RMSEA = 0.04). BRSC is positively related not with e-WOM behavior but with brand experience for Twitter users. H2 is supported whereas H1 is not. BRSC

**Table 1**

	(a)	(b)	(c)	(d)	CR	AVE
BNSC(a)	<b>0.74</b>				0.79	0.56
BRSC(b)	0.74	<b>0.71</b>			0.84	0.51
e-WOM(c)	0.55	0.55	<b>0.82</b>		0.95	0.68
Brand Experience(d)	0.29	0.36	0.35	<b>0.76</b>	0.91	0.58

Note: On-diagonal elements are the square root of the average variance extracted (AVE) for each construct.

Proposed Hypotheses	Twitter( $\beta$ )	Line( $\beta$ )	Facebook( $\beta$ )
BNSC→e-WOM	0.49** (No hypothesis)	0.24** (No hypothesis)	0.5** (H5)
BRSC→e-WOM	NS(H1)	0.39** (H3)	NS(No hypothesis)
BNSC→Brand Experience	NS(No hypothesis)	NS(No hypothesis)	0.24* (H6)
BRSC→Brand Experience	0.26* (H2)	0.33** (H4)	NS(No hypothesis)

Notes: \*P<.05 \*\* P<.01, control sex variable for e-WOM and Brand Experience

is positively related with e-WOM behavior and brand experience for Line users. H3 and H4 are supported. BNSC is positively related with e-WOM behavior for Facebook users. Thus, H5 is supported. Moreover, with no regard to the hypotheses, BNSC is positively related for Twitter and Line users. Regarding the positive relationship of BNSC with e-WOM behavior among the three SNSs, multiple sample moderation analysis is conducted as additional analysis. To test differences in impact on e-WOM behavior between the three SNSs, it is estimated that the pair of coefficients were equal in each of the two constrained models, and they are compared to the original model (Baseline model:  $\chi^2 = 3041.143$  df = 879). The positive impact of BNSC on e-WOM behavior is greater for Facebook users than for Line users ( $\chi^2 = 3045.436$  df = 880  $\chi^2_{(1)} = 4.239$ ), but is not significantly greater than that for Twitter users. Finally, BNSC is positively related with brand experience for Facebook users. Thus, H6 is supported.

## Discussion and Future Research

The findings in this study contribute to SNS studies in several ways, since this study indicates the effect of social capital on SNS effectiveness for each platform, which most studies confuse.

First, BNSC influences e-WOM behavior not only for Facebook as predicted, but also for the other two SNSs. Irrespective of the platform, strong ties might facilitate the sharing of product-related information. As a result of the differences in impact shown, Facebook is found to be superior to Line in terms of e-WOM behavior, because Facebook can accommodate deep interaction whereas Line cannot. On the other hand, contrary to expectations, BRSC is related with e-

WOM behavior only for Line. Twitter which can building a lot of weak ties easier do not cause e-WOM behavior. Overloaded information in twitter's timeline due to easy connection may prevent users from perceiving e-WOM. In any case, overall, BNSC is useful for e-WOM behavior rather than BRSC. In line with the findings of recent studies that have emphasized online connection with strong ties (Ellison, Steinfield, and Lampert 2007; Wilcox and Stephen 2013), an overlap between online and offline networks is speculated.

Second, BNSC is significantly related to brand experience for Facebook, whereas BRSC is thus related for Line and Twitter as predicted. These findings show that the matching social capital with the platform is successful for brand experience. The assertion of Escalas and Bettman (2005) that an offline network as a reference group strengthens self-brand connection only applies to Facebook users who are interested in people with whom they have strong relationships as significant others, not SNSs overall. In regard with Line and Twitter, BRSC, consisting of weak ties, enhances brand experience, which is consistent with assertion of brand community study. Suitable relationship between social capital and platform is crucial factor for brand experience which leads to generate brand meaning.

This study has some limitations. The measurements adopted were based on self-reported answers, resulting in potential bias such as overstating scores. Moreover, this study examines Line as an instant messaging platform. Although Line is the most popular of such platforms in Japan, What's up and WeChat have achieved greater penetration around the world. The findings may be therefore lack of generalizability. Finally, as for other forms of social capital, social capital

maintained through connections with geographically distant friends is proposed (Ellison, Steinfield, and Lampse 2007). Social capital should thus be further clarified and examine the relation of these with SNS effectiveness and platforms. Future studies should examine the relationships between social identity, self-brand connection and brand experience. Though this study assumes that the formation of social identity enhances brand experience empirically, it lacks a theoretical explanation. Future studies should examine the relationship between brand experience and social relationships theoretically, and identify the source of the brand experience.

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## Appendix

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### Concepts and Measurement Items

<b>Bonding Social Capital(N=3)</b>	There are several people at the SNS I trust to solve my problems There is someone at the SNS I can turn to for advice about making very important decisions I can find someone who would share their last dollar with me
<b>Bridging Social Capital(N=5)</b>	I feel I am part of the SNS community The SNS is a good place to be Interacting with people at the SNS makes me feel like a part of a larger community Interacting with people at the SNS makes me want to try new things At the SNS, I come into contact with new people all the time
<b>E-WOM Behavior(N=9)</b>	When I consider new products, I ask my contacts on the SNS for advice I like to get my contacts' opinions on the SNS before I buy new products I feel more comfortable choosing products when I have gotten my contacts' opinions on them on the SNS I often persuade my contacts on the SNS to buy products that I like My contacts on the SNS pick their products based on what I have told them On the SNS, I often influence my contacts' opinions about products When I receive product related information or opinion from a friend, I will pass it along to my other contacts on the SNS On the SNS, I like to pass along interesting information about products from one group of my contacts on my "friends" list to another I tend to pass along my contacts' positive reviews of products to other contacts on the SNS
<b>Brand Experience(N=7)</b>	I find this brand interesting in a sensory way. This brand induces feelings and sentiments. This brand is an emotional brand. I engage in physical actions and behaviors when I use this brand. This brand results in bodily experiences. I engage in a lot of thinking when I encounter this brand. This brand stimulates my curiosity and problem solving.

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# Emoji and Brand Engagement on Social Media

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**Keywords:** emoji, brand engagement, social media, Twitter

## EXTENDED ABSTRACT

### Research Question

Emoji, which are pictographs that can represent facial expressions, people, places or things, are rapidly becoming a mainstream form of communication. 92% of consumers online use some form of emoji in their communications (Emogi Report, 2015). The Oxford Dictionary went so far as to declare the “face with tears of joy” emoji as the word of the year in 2015 (Steinmetz 2015), and the Telegraph noted emoji as “Britain’s fastest growing language” (Emogi Report 2015; Telegraph 2016). This trend is not limited to consumer interaction, but rather is becoming a dominant form of expression in brand communications. Well-known brands such as Sony, Chevron, Coke, Burger King and Taco Bell have all embedded emoji into their marketing communications with many having developed customized brand emoji as well. Despite the prevalence of emoji in brand communications, empirical research in the domain is limited, especially with regard to meaningful consumer responses. In the current work, we examine how emoji use in both human and corporate brand communication influence consumer engagement on social media.

### Method and Data

We test our hypotheses in two field studies. In Study 1, we focused on consumer engagement with emoji-based tweets on celebrity brand Twitter feeds. As a microblogging platform, Twitter constrains messages to 140 characters or less, features frequent publishing, and high-volume content: all elements that would demand rapid information processing. This initial emphasis on human brands, rather than corporate brands, was made in an effort to ensure that our sample included a high degree of both (i) emoji use and (ii) brand-consumer interaction. In terms of emoji use, celebrities are

active users of emoji in their social media content, to the point where certain celebrities have actually customized their own emoji (e.g., Kim Kardashian and Kimojis). Furthermore, leading celebrities have high-levels of active followers (e.g., Katy Perry has the most Twitter followers with 93M). Taken together, the context of human brands offered a conservative context for our initial examination of the emoji-engagement phenomenon. In Study 2, we replicate our effects in a corporate brand context and extended our focus to examine how facial emoji, more specifically, influence brand engagement. Corporate brands are increasingly engaging with consumers via social media, striving to build relationships and connect with consumers. We examined some of the most followed corporate brands to supply a high volume of tweets and consumer interactions.

### Key Contributions

From a praxis perspective, brands are continuously searching for ways to navigate evolving technologies to optimize their brand communication strategies. They face ongoing challenges with new media, changing patterns of both consumer behavior and the media, and the divided attention of consumers (Batra and Keller 2016). These challenges have led to a vast body of research investigating the online brand experience. Dominant themes in this literature include concern for how brands can leverage technology to emotionally engage and connect consumers (e.g., Christodoulides et al. 2006), to foster engagement (e.g., Wirtz 2013) and to develop strong brand-consumer relationships (e.g., Morgan-Thomas and Veloutsou 2013). Our research speaks to these themes, identifying emoji as an important tool that managers can use to generate consumer brand engagement via social media. Emoji can help managers to make their content

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clearer and easier to process for consumers. This is incredibly powerful given that brands are vying for consumers' divided attention across multiple media channels. Emoji are a simple tool to implement across digital communications.

### **Summary of Findings**

Brands, both human and corporate, frequently use emoji in their social media communications. Yet, perhaps because of their rapid integration into computer-mediated communication platforms, we have little understanding how they influence consumer-brand relationships. The current work takes steps to address an initial key piece: how does brand emoji use influence consumer social engagement? Specifically, we

find that the mere presence of an emoji in brand tweets increase the extent to which consumers like and share content, and that more emoji within a message amplify this effect further. These findings are consistent with our theorizing, which suggests that emoji support facilitate visual perceptual fluency. Our results also support the idea that facial emoji may be particularly useful in connecting and fostering engagement because they allow brands to create a personal connection. In a sense, facial emoji might help to anthropomorphize the brand, lending human characteristics that better enable the consumer to engage.

*References are available on request.*

# The Role of Information Entropy and Product Lifecycle in Word of Mouth Effect

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**Keywords:** *information entropy, word of mouth, new product life cycle*

## EXTENDED ABSTRACT

### Research Question

Conventional eWOM (word of mouth) studies have investigated three dimensions of WOM: volume, valence, and variance (e.g., You, Vadakkepatt, and Joshi, 2015), and interestingly, mixed results were found. Volume can tell us how many people are talking about the product, and valence suggests users' attitude toward the movie. However, we need more information about the composition of WOM, which is an interesting indication of customer product involvement as well. The purpose of this study is to investigate the effect of WOM volume and valence on movie box office revenue at different stages of the lifecycle (i.e., early and late stage), as well as the moderation effect of WOM entropy on the relationship between volume/valence and box revenue.

### Method and Data

To test the hypotheses, we collected data for 51 movies released from November 2015 to February 2016 in China. This is a peak season for movie releases in China, and the variety is also representative of genres. Three publicly available sources provide the movie information for this study: douban (<http://movie.douban.com>), Box Office Database (<http://58921.com>), and Sina Weibo (<http://www.weibo.com>). In China, Douban is the most popular third-party website for movie reviews. The evaluations on this site are regarded representative and objective. From Douban, we collected the following information on a daily basis: user ID, daily rating, cumulative daily rating, and volume of ratings. Box office data includes daily revenue and cumulative revenue for each movie.

As WOM before the release is barely available, our longitudinal data of WOM starts from the day before release. Sina

Weibo is the most popular microblogging service in China. Its mechanism is the same as Twitter. Due to the enormous amount of information, we used WebCrawler (programmed with Python) to capture posts about movies on Weibo. The following information was collected on a daily basis: user ID, Weibo posts, the number of posts/reposts, and postdate.

### Summary of Findings

Our findings suggest that both volume and valence of WOM have stronger main effects at the later stage. In our stage model, the results showed no significant main effect for valence and a very weak significant coefficient for volume in the early stage. In addition, we introduce the concept of entropy which has been used in information theory to explain the disorder, diversity and complexity of WOM on social network. Our findings suggest that entropy enhances the effect of valence, as it draws early moviegoers' attention when many viewers are motivated to post original comments. Even in the late stage, a highly evaluated movie with high entropy is also attractive, because a high rating warrants that the "controversial" or "conflicting" diverse in a good way. However, for consumers who use social media as their only information source, high entropy signals uncertainty and confusion. Especially, a large volume of WOM coupled with high entropy will discourage them to adopt the movie. Thus, we argue that entropy is an important factor to influence movie sales, and it interacts with volume and valence of WOM in different ways.

### Key Contributions

It enriches the literature with more information about the composition of WOM, and provides possible explanation for conflicting results about volume and valence. Our find-

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ings are useful for managers to leverage their communication tools in different life stages of a movie. Around the opening week, mass media takes the responsibility to wear in and notify people the release. WOM will take charge later, as both volume and valence of WOM are critical parameters in improving movie performance during this time. Based on the findings from information entropy, consumers can be encouraged to post their original opinions about the movie when it is released, so that more early

moviegoers would be attracted for adoption. This is especially the case for high rating movies. However, in the later stage, advocating reposts would be more cost-efficient than stimulating original posts. A high volume of similar positive messages is more persuasive than dissimilar ones during this period, because latecomers perceive diverse messages confusing.

*References are available on request.*

# Examining the Impact of Online Consumer Reviews on Consumer Satisfaction

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**Keywords:** consumer satisfaction, online consumer reviews, consumption goal, information processing, review valence

**Description:** *The present research proposes and empirically examines how the exposure to online consumer reviews (OCRs) occurred prior to consumers' purchase decision impact consumer satisfaction after actual experience with the product.*

## EXTENDED ABSTRACT

### Research Questions

Recent statistics show that 92% of consumers read OCRs prior to their purchase and 40% of them form an opinion about the product by reading one to three OCRs (Shrestha 2016). While the strong impact of OCRs on consumers' purchase decision (pre-purchase stage) is well-documented, limited studies have investigated how OCRs further impact consumer satisfaction (post-purchase evaluation stage). As an increasing number of retailers aim to build a long-term relationship with their customers, it is important to understand the potential impact of OCRs on consumer satisfaction, which serves as an important foundation for long-term relationships between retailers and consumers (Orel and Kara 2014). The present research proposes and empirically examines how social influence (e.g., OCRs) that takes place prior to consumers' purchase decision impact consumer satisfaction. In other words, this research focuses on how OCRs alter consumers' product evaluation and therefore subsequently bias consumer satisfaction.

### Method and Data

The authors conducted a 3 (OCRs: positive versus negative versus control)  $\times$  2 (consumption goal: hedonic versus utilitarian)  $\times$  2 (actual experience: positive versus negative) between-subject design. Four hundred and eleven participants ( $M_{Age} = 35.3$ ; 57.4% male) recruited from M-Turk panel were randomly assigned to one of the 12 conditions.

### Summary of Findings

The results show that when consumers are exposed to positive OCRs prior to purchase, it enhances their satisfaction level after their actual experience with the product. In contrast, when consumers are exposed to negative OCRs prior to purchase, they experience less satisfaction after their experience with the product. The biasing impact of OCRs is shown to be stronger when the consumption goal is hedonic versus utilitarian and when there is congruent information (i.e., positive OCRs and positive experience, negative OCRs and negative experience). However, when there is incongruent information (e.g., negative OCRs but positive experience), the biasing impact of OCRs becomes stronger for utilitarian consumption.

### Key Contributions

The present research is the first to explore the impact of OCRs on consumer behavior during post-purchase evaluation stage (e.g., consumer satisfaction) rather than its impact on consumer behavior during consumers' pre-purchase stage (e.g., purchase decision). This is important because consumer satisfaction serves as an important foundation for developing long-term relationships, which has become an increasingly important goal among retailers. Our findings suggest that consumer satisfaction is positively biased by positive OCRs. Hence, retailers who provide good products and services would benefit from having more

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consumers posting reviews online. To do so, retailers need to encourage their consumers to post the reviews by providing effective incentives. On the other hand, consumer satisfaction is negatively biased by negative OCRs. Thus, when retailers have received many negative reviews, it would be critical for the retailers to reach out to their customers and handle the complaints properly. As suggested by service recovery paradox, consumers could become more satisfied

after retailers have effectively managed the service failure. In addition, we found that the biasing impact of OCRs is stronger when consumption goal is hedonic (versus utilitarian). Thus, retailers should allocate more resources to handle OCRs that reflect hedonic consumption experiences (e.g., vacation trip).

*References are available on request.*

# Assessing the Effects of Social Media Attachment and Peer Influence in Modeling Consumer Acceptance of Mobile Marketing Offers

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**Keywords:** social media, peer influence, consumer acceptance, mobile marketing offers, structural equation models

## EXTENDED ABSTRACT

### Research Question

Acceptance of mobile marketing (AMM) is described as the consumers' openness and willingness to participate in mobile marketing related activities. Such activities may include but are not limited to executing product purchase transactions and responding to promotional offers on mobile phones. AMM captures the transactional activities between companies and consumers and willingness to accept promotional deals. More importantly, AMM also takes into consideration the idea of opt-in and opt-out or online permission based marketing. Despite the significant contribution of previous work, there is still a dearth of studies in the literature examining factors that impact consumers' acceptance of mobile marketing and mobile shopping behavior. In particular, examination of the social influence in explaining AMM offers is lacking. In order to fill this gap, we adapt a framework on mobile marketing by integrating two social influence factors to predict mobile marketing behaviors: social media attachment and number of peers. Therefore, the purpose of this study is to develop and empirically test a model to examine the effect of social media attachment and peer influence on consumer acceptance of mobile marketing offers.

### Method and Data

The theoretical foundation is based on attachment, consumer socialization and technology acceptance theories. The variables assessed include: personal attachment to mobile phone, social media attachment, number of peers, sharing

mobile content, providing solicited information to mobile marketers and acceptance of mobile marketing. The effects of time spent using social media were evaluated as moderating variables.

A questionnaire was administered to 360 students at a Mid-western US university. A total of 346 questionnaires were useable for analysis. College students were considered appropriate for this research because millennial consumers are the largest segment of mobile phone owners in the US, have positive disposition toward mobile phone technologies and are motivated to use mobile phones for a variety of lifestyle activities.

The structural model analysis found support for most hypothesized relationships. Nevertheless, even though the relationship between social media attachment and sharing content is significant, the negative relationship that emerged is not in line with theory. Also, the hypothesized relationships between sharing content and providing information and personal attachment and sharing content were not supported. We observed the unsupported hypotheses are linked to the construct measuring sharing content with others. A closer look at the sharing content measure shows the items captures aspects of peer-to-peer mobile sharing that are increasingly less common on mobile networks. The results suggest the AMM model is stronger at explaining sharing content with others for the heavy social media only group

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but stronger at explaining providing information for the light social media group.

### **Summary of Findings**

This study offers three key contributions to the existing literature. First, this study contributes to the attachment literature by assessing the effects of social media attachment on mobile marketing activities. In tune with previous work, social media attachment significantly affected consumers' perceptions about providing information to companies using mobile marketing to reach customers. The second contribution relates to the analysis of the effects of consumers' perceptions of number of peers on providing information and

AMM. Our findings are consistent with the theory of perceived value, which suggests consumers' involvement in mobile-based activities is influenced by perception of social value and peers' opinion. The third contribution relates to the surprising result about the negative relationship between social media attachment and sharing content with others on mobile phones. This negative relationship deviates from the expected positive relationship justified in the literature review discussion. Evidence from industry articles and practitioner research on mobile marketing provide some justification for this unexpected result.

*References are available on request.*

# Eat, Post, Change: The Effect of Food Photos Posting on Consumers' Dining Experience and Brand Evaluation

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**Keywords:** food photos posting, self-identity, self-expression, social validation, dining experiences

**Description:** Examine the mechanism and consequences of a potentially interesting topic with a practical nature: food photos posting in social media.

## EXTENDED ABSTRACT

### Research Question

Statistics so far provide consistent and strong evidence of the popularity and importance of the phenomenon of posting food photos in social media. As a popular form of user-generated content (UGC) in social media, food photos posting is re-shaping the way people eat, and a lot of consumers are exposed to those images frequently. In fact, from the perspective of the restaurant, food photo posting may serve the purpose of eWoM for the food industry. However, despite the proliferation of food photos posting in practice, little is known about the real effect of this phenomenon, especially from a marketing and consumer social welfare angle—can it enhance consumers' dining experience and benefit restaurant? To our best knowledge, no rigorous studies so far. The extant studies only focus on the effect of food photos capture on consumption experience, while the effect of food photos posting still challenges researchers. Thus, we're interested in this question: Does posting food photos in social media enhance consumers' dining experience and brand evaluation? If yes, how?

### Method and Data

Our hypotheses were tested through one field study and three scenario simulation in the behavioral lab. In study 1, 146 customers of a dessert shop in a shopping mall participated in the study to earn supermarket coupon as compensation. Three conditions (post food photo vs. post irrelevant photo vs. post nothing) between-subject design was

employed (main effect). In Study 2, 128 college students (all degree level) from a comprehensive university participated in the study to earn supermarket coupon. A 2 (post relevance: food vs. environment photos)  $\times$  2 (social validation: high vs. low) between-subject design was employed, and a scenario simulation approach was utilized (moderating effect). In Study 3, 160 paid participants were recruited in a comprehensive university. We used a 2 (post relevance: food vs. environment photos)  $\times$  2 (setting: public vs. private) between-subject design (mediating effect). In Study 4, 160 college students participated in return for cash. We applied a 2 (identity consistency: high vs. low)  $\times$  2 (social validation: high vs. low) between-subject design (boundary condition).

### Summary of Findings

1. Studies 1, 2, and 3: consumers who post food photos in social media before eating enjoyed their experience more and had a higher perception of dining experience as well as brand evaluation than those who did not post or post irrelevant photos.
2. Study 2: posting food photos make people eat more cookies and enjoy the eating process longer than those post irrelevant photos.
3. Study 2: when received more confirmatory feedback (high social validation) in social media, food photos posting results in the greater dining experience and enjoyment

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than when received few confirmatory feedback (low social validation).

4. Study 3: self-expression fully mediated the effect of post relevance on dining experience and enjoyment when the post is private while partially mediated the effect when the post is public.
5. Studies 1, 2, and 3: the studies showed that the posting effect is universal regardless of the viewers are friends and peers (strong tie) or unknown people (weak tie).
6. Study 4: when the posting was consistent with ideal self (high identity consistency), consumers had a better dining experience and higher brand evaluation than those with low identity consistency.

## **Key Contributions**

This paper makes both practical and theoretical contributions. Extant research only focuses on food photo captures, our research has filled this gap in the literature.

From a theoretical perspective, first, our research contributes to the existing self-identity literature by identifying

self-expression as the underlying mechanism of food photos posting on consumers' dining experience and brand evaluation and demonstrated identity consistency was a boundary condition. Second, we applied Social Impact Theory (SIT; Latané 1981) to social media context and found that social media intensify social influence. Our results showed that the posting effect is ubiquitous regardless of the viewers are friends and peers (strong tie) or unknown people (weak tie).

From a practical perspective, this research inspired restaurants to take advantages of these cues to actively encourage consumers to post by initiating some promotion activities such as providing incentives or preferential treatment. From consumers' perspective, if one would like to make the dining experience more enjoyable, then he or she can attempt to post the food photos in their social media. For social media platforms, they can initial some topics and hashtags to attractive consumers to post their consumption objectives. Thus it's helpful to increase users activity and engagement.

*References are available on request.*

# A Matching Model for Hardware and Software Bundles and an Application to the U.S. Home Video Game Industry

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**Keywords:** *bundling, hardware and software, matching model, video games*

**Description:** *We develop a framework for the simultaneous decisions made by both the hardware and software providers to bundle using a structural two-sided matching model.*

## EXTENDED ABSTRACT

### Research Question

Bundling in hardware/software industries is increasingly common. Especially bundling hardware with digital content. However managerial questions regarding bundle formation have not been adequately explored. For example, how do managers on both the hardware and software side evaluate each other as potential bundle partners? We examine this question using a structural two-sided matching model to account for the simultaneous decisions being made by both the hardware and software providers to bundle (see Yang, Shi, and Goldfarb 2009).

### Method and Data

We employ a modification of the two-sided matching framework with endogenous transferable utility developed in Fox (2010). This approach is useful in contexts where we observe bundles but we do not observe any endogenous transfers (i.e. payments) between hardware and software makers.

Using Fox's (2010) terminology, each possible match has a "production value" which is the excess value the match provides to the agents beyond being unmatched. The "production value" is based on the interaction of agent characteristics (e.g. the interaction of relevant hardware characteristics and relevant software characteristics). Observed matches are a "local production maximum" based on the game theoretic equilibrium concept of pairwise stability (Fox 2010) where all matched agents prefer their observed match to exchanging

partners to form new match. For example, if we observe 4 agents, say A, B, C, and D, and 2 matches, say A & B; C & D, all agents must prefer their match rather than exchanging partners to form 2 different matches, or A & B; C & D is preferred to A & C; B & D; observed matches are a local production maximum in that the joint production value  $A \& B + C \& D \geq A \& C + B \& D$ . In other words, the combined "production value" of A & B (based on the interaction of the relevant characteristics of A with the relevant characteristics of B) and C & D has to at least as high, if not higher, than the combined hypothetical "production value" of A & C and B & D.

We use this framework to generate "production value" inequalities that must hold in order for the observed bundles in our dataset to be preferred to potential bundles that are not observed. Our main dataset comes from the NPD group (a market research firm) covering monthly industry sales in the U.S. from January 1995 to September 2010. In total, we observe 117 bundles with 98 distinct bundle introductions. We generate 40908 inequalities from comparing actual bundle introductions to potential bundle introductions for all periods where we observe at least one bundle introduction. We then find the parameter values that satisfy the greatest number of inequalities.

### Summary of Findings

The interplay of console and game characteristics in our matching model gives insights into bundling arrangements

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most favored by console and game makers. High quality games are valued most by older consoles and market laggards. However, game makers with the better history of producing killer applications are valued most by older consoles and market leaders. With respect to the latter, game makers with a history of producing hits likely have more options and prefer to bundle with experienced market leaders. With respect to the former, managers of lagging consoles likely seek high quality games in an effort to keep their console relevant. High quality game makers will have a stronger negotiating position in this case, especially when the lagging console is trying to attract additional consumers later in the console lifecycle. Additionally, we find that first-party games are preferred by older consoles and laggards. For managers of these consoles, first-party games are likely suit-

able alternatives to dealing with third-party game makers who may be in a dominant bargaining position.

### **Key Contributions**

Our paper makes important contributions to the marketing field by providing a framework to examine the supply side of bundle formation in the hardware\software context. We then apply this framework to examine hardware/software bundling decisions in the U.S. home video game industry. Our matching model gives insight into the interplay between products characteristics that potential bundle partners tend to prefer. We believe that our framework can meaningfully be extended to other industries and other high-tech markets.

*References are available on request.*

# The Impact of Online Review Content on DVD Sales: An Investigation of Movies' Sequential Releases

*Yinglu Wu, John Carroll University*

**Keywords:** movie's sequential release, online reviews, text mining, content topics, DVD sales

**Description:** This study investigates how the textual content of movie reviews affects movie performance in the course of the sequential release, i.e., from the initial theatrical channel to the DVD channel.

## EXTENDED ABSTRACT

### Research Question

In the digital age, online consumer reviews are crucial to product success as consumers often consult these reviews when making purchase decisions. Previous research has shown that online movie reviews play a critical role in determining movies' box office revenues. Releasing films across multiple channels sequentially is a common practice in the motion picture industry, e.g., releasing a movie DVD after the theatrical showing. Researchers have conducted extensive investigations on the sequential release with the purpose of maximizing returns; however, studies on the impact of online reviews in this process are limited. There are also inconclusive findings regarding how review rating and review volume affect the movies' performances in the sequential channels, e.g. DVD sales.

The current study attempts to further examine the effect of movie reviews in the sequential release by incorporating movie review text. Specifically, this study utilizes the textual content topics mined from large-scale online reviews to investigate two research questions.

1. Does review content affect DVD sales?
2. Does review content possess carry-over effect so that reviews posted in the theatrical stage will affect the DVD sales in the subsequent channel?

### Method and Data

The dataset contains information on 28 films including the box office revenues, weekly DVD sales, and IMDb movie

reviews. Text-mining methods are applied to extract content topics from the movie reviews. We identify both informational and evaluative content embedded in the reviews. By separating the reviews posted during the theatrical release and DVD release stages, we are able to compare the content compositions of reviews posted in the two markets. We use a two-stage least squares (2SLS) model to analyze the dynamic impacts of reviews posted during the DVD stage (i.e., the channel specific effect) and of the reviews posted during the theatrical release stage (i.e., the carry-over effect).

### Summary of Findings

We find that reviews posted in the DVD release stage systematically differ than the reviews posted in the theatrical release stage: reviews for DVDs contain less information about movie plots and experience, and more information about others' opinions. Later reviews also include more negative and fewer positive comments.

Analyses of sales suggest that information about movie details and attributes revealed at both theatrical release and DVD release stages negatively affect DVD sales. The emotional buzz does not affect consumers' decisions on purchasing DVD. The findings suggest that at the subsequent stage, movie distributors should focus on tactics that reduce information disclosure.

### Key Contributions

This study directly analyzes and compares the textual content of reviews across movies' sequential markets. We find that review content varies systematically, confirming previous

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theories on different consumer segments during movies' sequential releases. We demonstrate that due to consumer difference, particular review content will drive movie performance at various stages. Some information embedded in the reviews posted during the theatrical release will carry over

and influence consumer decisions in the DVD market. Our findings provide insights into how to shift movie promotion strategy over the course of movies' sequential releases.

*References are available on request.*

# The Impact of Intangible Assets on Earnings and Market Value: An Accounting-Based Approach for the Entertainment Industry

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*Alexander Liss, University of Paderborn*

**Keywords:** *market value, intangible assets, entertainment industry, marketing accounting*

## EXTENDED ABSTRACT

### Research Question

- What is the impact of intangible assets for market value?
- How can market value and intangibles be measured?
- What is the difference between abnormal earnings and intangible assessed abnormal earnings?
- What is the marginal contribution of intangible assessed abnormal earnings on a firm's market value?

### Method and Data

We use the residual income model to explain earnings and market value of entertainment firms.

We incorporate intangible assets as an additional explanatory variable.

We use a stochastic process model for earnings and a two-stage estimation model for market value.

We use annual accounting and financial data from WRDS (Compustat North America and CRSP) from 1980 to 2015.

### Key Contributions

We value the concrete impact of changes in intangibles on revenues and market value.

An increase of movie rights results in higher abnormal earnings and thus, creates value in the first year. On the other hand, the effect turns negative for the second year.

We are able to explain positive and even negative growth better. We are even able to provide better forecast of abnormal earnings and market value.

### Summary of Findings

We use stock market data to study the impact of intangible assets on earnings and market value over time. Our main contribution is the focus on media rights libraries and on a production orientated perspective rather than a traditional consumer orientated study approach. We value the impact of movie libraries of U.S. entertainment firms on its market value and revenues. In contrast to earlier movie literature, we specifically model movie assets via an accounting-based valuation framework relying on concrete cost components. Our model provides a suitable tool for managers to forecast the impact of an intangible asset extension on future earnings and market value.

*References are available on request.*

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# Bye Bye, Old Reality: Understanding the Motivations of Using Augmented Reality Devices

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**Keywords:** augmented reality, AR, augmented reality smart glasses, U&GT, uses & gratification theory

**Description:** This study applies Uses and Gratification Theory to explain how consumers react to Augmented Reality Technologies in different situations.

## EXTENDED ABSTRACT

### Research Question

Research is needed to better understand how and why consumers react to novel media technologies. This study investigates an emerging and promising media technology: Augmented Reality Smart Glasses, such as Microsoft HoloLens. Grounded in Uses & Gratification Theory (U&GT) this study provides answers to the following research question: Which gratifications drive the intended use of Augmented Reality Smart Glasses?

### Method and Data

We conduct an empirical study among American consumers. Data is analyzed using structural equation modelling.

### Summary of Findings

The empirical study identifies several gratifications associated with Augmented Reality Smart Glasses. Findings show

that each of the gratifications is either related to the intended use in private situations or in public situations.

### Key Contributions

This is one of the first studies to investigate the expected gratifications of Augmented Reality Smart Glasses. Given the promising forecasts of the diffusion of this new form of media technology, the current research provides highly relevant pre-market knowledge, can stimulate future research and guide manufacturers and app developers in this crucial stage of the product lifecycle. In addition, the current research introduces new gratifications to the U&GT research domain: that people want to alter their perception of the real-world in a desired way.

*References are available on request.*

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# **Virtual World Addiction and Problematic Consumption: The Distortive Effects of Addiction on Perceptions of Cognitive Absorption and Subsequent Usage Outcomes**

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*Andrew D. Pressey, University of Birmingham*

**Keywords:** *virtual worlds, addiction, cognitive absorption, usage outcomes*

## **EXTENDED ABSTRACT**

### **Research Question**

This study examines problematic consumer behavior (or what Hirschman (1991: 4) calls "...consumption gone wrong") by focusing on a novel context: consumer addiction to virtual worlds. The present study examines the relationship between virtual world addiction and usage perceptions with problematic consumption outcomes. It examines how user cognition towards information technology (measured through cognitive absorption) is distorted due to addiction to virtual worlds, and how this distorted cognition can, in turn, determine spending intentions and continuance intentions.

### **Method and Data**

The study is based on data collected via two surveys ( $n = 662$ ) administered in two virtual worlds (*Second Life* and *World of Warcraft*). The structural equation model was tested using SmartPLS 3 (Ringle et al. 2015) for PLS algorithm and bootstrap tests. The mediation tests for cognitive absorption components were conducted using the bootstrapping methods of Preacher and Hayes (2008), along with the traditional Sobel test (Baron and Kenny, 1986).

### **Summary of Findings**

The present study has significant theoretical implications by finding that users' levels of addiction of virtual worlds alter their belief systems and usage perceptions resulting in maladaptive behaviors. Consequently, higher levels of virtual world addiction will result in faulty perceptions (in the present study levels of cognitive absorption), exerting a distortion effect on users which then impacts problematic consumption behaviors.

### **Key Contributions**

The study provides credence to the notion that online consumption experiences may be strongly influenced by levels of user addiction, which then leads to an exaggerated positive perception of a cyberspace. Therefore, consumers who are addicted to certain virtual worlds will adopt biases that adjust their perceptions; this mechanism affords the user the capacity to rationalize or validate excessive usage of a site. The differences in consumers' addiction levels help illuminate why variations exist in their assessment of different websites.

*References are available on request.*

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# Using Mobile Apps to Meet New People: What Drives Adoption of Social Discovery Features on WeChat

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*Iryna Pentina, University of Toledo*

*Wendy Fox Kirk, Weber State University*

## EXTENDED ABSTRACT

As a special case of context-aware apps, mobile (geo) social networks bring rich contextual information from online social circles into the real world of interpersonal communication, substantially enriching one's social wellbeing by lowering barriers to social interaction (Beach et al., 2008). For example, social discovery (SD) apps utilize such personal contextual information as location, pictures, gender, relationship status, preferences, interests, contact availability and social connections to help identify and communicate with others who have similar needs in the same time. Unlike check-in-based mobile social networks, such as Foursquare, Gowalla and Facebook Places, context-aware SD apps are specifically designed to initiate new connections and establish new friendships and relationships (Chen et al., 2013). Although widely covered in popular press, their adoption and use have received little academic attention. Given the growth opportunities for SD apps afforded by the exploding technological breakthroughs, it is important to understand who uses such features, both in the interests of public security and policy, and for the development of new and innovative services, as well as for more precise target marketing and advertising. In this study, we will examine how individual characteristics affect the use of social discovery features of WeChat, the most widely used social networking service in China (Lien and Cao, 2014). This platform has been selected as the context of the study due to its high level of popularity and expansive penetration rate. Specifically, we examine the roles of sensation seeking, loneliness, privacy concern and the Big Five personality factors on adoption and use of SD features on the WeChat platform. The three SD features offered by WeChat are People Nearby, Shake, and Drift Bottle.

Data for the study were collected from 213 WeChat users in China. Hierarchical regression analyses were used to exam-

ine the extent to which individual factors predict use of context-aware SD features after controlling for demographics (age, gender), frequency of WeChat use, and the time spent on WeChat per day. The predictors were entered as blocks. Demographic variables were entered first. Next, frequency of using WeChat and the time spent on WeChat per day were entered. Last, sensation seeking, loneliness, privacy concern and the Big Five factors were entered to determine their incremental contribution to the variance accounted for in the use of SD features. After controlling for other variables, sensation seeking is positively related to SD features adoption ( $\beta = 0.428$ ,  $p$ -value < 0.01). Loneliness is not related to SD features adoption ( $\beta = -0.042$ ,  $p$ -value > 0.1). Regression results provide support that privacy concern has a significant negative relationship with an individual's use of SD features ( $\beta = -0.158$ ,  $p$ -value < 0.05). Among the Big Five factors, extraversion has a marginally significant positive relationship with the use of SD features ( $\beta = 0.122$ ,  $p$ -value < 0.1). Both agreeableness ( $\beta = -0.174$ ,  $p$ -value < 0.05) and neuroticism ( $\beta = -0.183$ ,  $p$ -value < 0.05) have a significant negative relationship with the use of SD features. Openness to experience and conscientiousness have no relationship with the use of SD features. Among the control variables, usage frequency of WeChat is positively related to SD features use ( $\beta = 0.177$ ,  $p$ -value < 0.05). However, time spent on WeChat per day is negatively related to SD features use ( $\beta = -0.168$ ,  $p$ -value < 0.05). The results also show that the regression model with sensation seeking, loneliness, privacy concern and the Big Five factors explains significantly more variance in the usage of SD features (26.3%) beyond demographic factors and WeChat usage variables.

This study makes two contributions to the existing literature on adoption of context-aware services and applications.

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First, this is one of the earliest studies addressing the characteristics of individuals who use context-aware social discovery features to meet new friends based on their real-time location. We examined the roles of sensation seeking, loneliness, privacy concern and the Big Five personality traits in adopting social discovery features to meet strangers on WeChat, the most widely used social networking service in China. Our findings show that sensation seeking is positively related to SD feature adoption, while privacy concern, agreeableness and neuroticism are negatively related to the use of such features. For context-aware app developers and marketers this finding implies creating promotional messages and app features that align with the promotion orientation of their current and potential users. Second, this study is one of the earliest to examine users' behavior on WeChat,

the largest standalone message application in China. While bringing friends and family closer for its users, WeChat also offers convenient and fun features to meet strangers, sometimes with unexpected consequences. Future research can explore how innovative, yet privacy-compromising technology, affects users' behaviors in other social media venues that combine a strong-tie personally-revealing environment with a possibility of superficial fleeting contacts. Another interesting research direction would be to investigate how different types of loneliness affect online behavior. Depending on whether the loneliness is caused by situational factors or personal factors, loneliness may either motivate or demotivate people to meet strangers online.

*References are available on request.*

# Modeling Visual Aesthetics of M-Atmospherics: An Environmental Psychology Perspective

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**Keywords:** *m-atmospherics, m-loyalty, visual aesthetics, mobile apps, ease of use, usefulness, enjoyment*

**Description:** *This study presents and validates a holistic model for subjective appraisal of visual aesthetic dimensions of m-atmospherics, by applying theories from environmental psychology and the Technology Adoption Model.*

## EXTENDED ABSTRACT

### Research Question

Mobile commerce is currently becoming very popular and in the foreseeable future, it will grow at a very high rate. To succeed in this scenario, marketers will have to identify factors that influence the mobile app adoption behavior of users. One important factor that influences the adoption of mobile apps is the visual aesthetics of interfaces or m-atmospherics. Capturing the holistic evaluation of aesthetics is quite crucial. This study proposes a holistic model by making use of the information processing model from environmental psychology and the Technology Adoption Model thereby linking the visual aesthetics of mobile apps to revisit intentions or m-loyalty.

### Method and Data

The study employed a field experiment with one-shot treatment using 4 travel related mobile apps (*Trip.com, TripAdvisor, Cleartrip and Tripoto*) as stimuli. Since the goal of the study was to simulate the users experience in m-atmospherics, this study employed real apps. These apps were installed in 4 android mobile phones of the same make with the display specifications kept the same. The respondents were mostly working executives and few post graduate students from 3 Indian cities. The respondents were contacted in their

office / institute premises and were asked to use two randomly chosen apps for 5 minutes for a given task. They were instructed to perform a task as to select a destination which they would like to visit, identify hotels which they would prefer to stay, read the reviews about tourist destination and the hotels, check the flight rates, and browse through the pictures and maps in the app. On completion of the above-mentioned task, the participants were asked to fill a physical questionnaire, with scales adapted from literature. A total of 280 participants contacted for the study. 258 usable responses were obtained.

### Key Contributions

The study considers the users' adoption and loyalty to m-atmospherics by considering the comprehensive set of visual aesthetic variables from Kaplan's (1987) model in environmental psychology. These antecedent variables are largely integrated with the technology adoption model to generate a holistic model for assessing the visual aesthetic qualities. The study establishes that the perceived levels of complexity, coherence and legibility drives perceptions of usefulness, ease of use and enjoyment of m-atmospherics. This study further extends the existing aesthetic studies related to mobile apps by providing a subjective, parsimonious set of stimuli variables.

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## **Summary of Findings**

The study underlines the importance of adjusting complexity, coherence and legibility in m-atmospherics in order to achieve greater levels of m-loyalty. Perceived levels of complexity, coherence and legibility are having a significant positive impact on perceived levels of ease of use, usefulness and enjoyment. Further, the mediation effects of ease of use, usefulness and enjoyment between complexity,

coherence and legibility, and m-loyalty have been established. The insights of this study can possibly help managers and designers in assessing, designing or redesigning the GUIs of their apps so as it increases the user involvement and behavioral loyalty.

*References are available on request.*

# An Empirical Examination of Factors Influencing Retailer Pricing in Electronic Markets

*Tong (Tony) Bao, Long Island University*

*Enping (Shirley) Mai, East Carolina University*

*Vithala Rao, Cornell University*

**Keywords:** *actual prices, list prices, extended market, Amazon*

**Description:** *This paper empirically examines several key factors influencing actual price in electronic markets and suggests that the actual price in such markets has multiple dimensions.*

## EXTENDED ABSTRACT

### Research Question

Due to Internet development and evolving technology, new types of e-retailers go beyond the simple role of directly selling products to consumers by including an extended market of third-party sellers. For example, Amazon.com, a leading American electronic commerce company, lists many third-party sellers for their products.

As a key aspect of marketing mix, pricing is the only element contributing directly to product sales revenue. Research opportunities exist for a better understanding of e-retailer pricing strategy in today's electronic commerce. This study integrates pricing and word-of-mouth to explore the factors influencing e-retailer's actual price in an extended market.

Specifically, the research questions of this article are:

Research Question 1: How does product's list price affect its actual price?

Research Question 2: How does competition from third-party sellers affect actual prices?

Research Question 3: How do consumer product reviews impact product actual prices?

Research Question 4: How do seller reputation reviews influence product actual prices?

### Method and Data

This study uses a quantitative research design and empirical modeling. We collected weekly panel data for over 400 video games from Amazon.com for multiple weeks. The data contains variables on prices, third-party sellers, consumer reviews on products, and user ratings on third-party sellers. A difference-in-difference method across two platforms, Xbox and PlayStation, is used for empirical estimation.

### Summary of Findings

For the first research question, our empirical results suggest that products with higher list prices will result in higher actual price. Second, products with a larger number of third-party sellers of either new or used products in an extended market will result in lower actual prices. Third, products with a larger number of product reviews (volume) will result in higher actual prices. Products with a higher average rating of product reviews (valence) will result in higher actual prices. Finally, products with a larger number of seller ratings on third-party sellers in an extended market will have lower actual prices. Products with a higher average rating of third-party seller reviews in an extended market will result in higher actual prices

### Key Contributions

Our research fills a research gap by empirically examining factors influencing actual price in electronic markets. E-retailer pricing decisions have multiple dimensions. The

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actual price in such markets also has multiple dimensions. This paper suggests four key factors: e-retailer's list prices, product reviews from consumer ratings, competition level of third-party sellers, and third-party sellers' reputation feedback from previous buyers. By painting an overall picture of

which e-retailer, third-party sellers, and consumers jointly influence the actual prices, this study contributes to the pricing and word-of-mouth in marketing.

*References are available on request.*

# The Gender Differences in Online Shopping Payment Methods

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**Keywords:** *online shopping, cash on delivery (COD), gender differences*

## EXTENDED ABSTRACT

This study examines the gender effect on consumer attitudes toward payment methods of online shopping. One of the main goals of this study is to close the gap left by previous studies' failure to address critical factors that may affect consumer online shopping behavior. The empirical analysis of this study relies upon data from 526 valid Chinese consumer questionnaire responses. Although the empirical results reveal that both male and female consumers demonstrate a high concern about the importance of Cash on Delivery (COD) and perceived risks when shopping online, female consumers pay more attention to these two factors than their male counterparts. Female consumers express low confidence about using online payment methods compared to male consumers. In addition, it was found that when female consumers recognized the existence of perceived risks, their online shopping intention was lower than male consumers. The results may direct marketing managers of online retailers to establish integrated long-term market strategies to promote online shopping for female consumers.

## Introduction

This study is trying to explore the difference of male and female consumers' attitudes toward online shopping payment methods in China. In recent years, China has experienced dramatic growth in e-commerce. This phenomenon results from an increase of disposable income from the rapidly growing middle class, quick and widely available broadband Internet access, and widespread mobile phone use (Digital River, 2016). In addition, online shopping websites offer visually appealing and user-friendly broadband and mobile internet webpages. Online shopping is becoming increasingly more convenient to online shoppers than ever before. However, in China, the preferences for online payment methods are very distinct and include, Cash-on-Delivery (COD) and third-party platforms such as Alipay, Wechat pay and Paypal. Even though online shopping websites provide consumers an easy and convenient shopping opportunity, there are still negative concerns about online shopping that keep consumers away.

ery (COD) and third-party platforms such as Alipay, Wechat pay and Paypal. Even though online shopping websites provide consumers an easy and convenient shopping opportunity, there are still negative concerns about online shopping that keep consumers away.

It has been proven that men and women process information differently, mainly because women tend to engage in more detailed, elaborative and comprehensive information processing compared to men (Dubé and Morgan, 1996; Meyers-Levy, 1989). While men tend to rely on single or multiple messages with a single inference, women try to assimilate all available information (Kempf et al., 2006).

Hence, what happens to male vis-à-vis female attitudes and behavioral intention when they face the two main payment methods, online payment methods and COD, for online shopping? What are male and female consumers' attitudes toward the effect of perceived risks on online shopping intention? These are challenging questions, which have seldom been explored by previous works that have investigated online shopping. This paper explores gender preferences, primarily to represent an interesting case of providing online payment methods to address these preferences.

## Literature Review

### **Online Shopping Intention**

The construct online shopping intention is originally derived from the theory of planned behavior (TPB), which is defined as an individual intention to perform different behaviors, which is extended from the theory of reasoned action (TRA) (Ajzen, 1991; Ajzen and Fishbein, 1980) and designed to explain social behavior (Ajzen, 1991).

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### **Gender Differences in Consumer Attitude**

It is obvious that men and women can either share or have different conceptions. For example, for shopping behavior, men and women both emphasize that reasonable price, quality of products, respectable reception and a comfortable shopping environment are important. Woodruffe (1997) explains that the perspective of shopping has changed over the years and has often been described as a leisure activity. In fact, the big difference between males and females in purchasing behavior is that women enjoy the shopping process, while men only shop when necessary.

### **Online Payment Methods and Perceived Risks of Online Shopping**

There are different ways to complete transactions while shopping online, these payment options include; credit and debit cards, online bank transfer, third party payment platform, and Cash on Delivery (COD). Based on the aforementioned payment methods, it is simple to classify those methods into two type of payment methods, offline payment methods (i.e., COD) and online payment methods. Regarding COD, consumers are able to order, schedule delivery, make payment and collect receipt for their order (Chiejina et al., 2014). With online payment methods, most online shopping websites provide varied channels of online payment methods to their customers, which adds convenience during the shopping process. In online shopping, a credit/debit card, which is often issued by a bank to the cardholder, is one popular method of payment. The third-party payment is a business transaction involving a buyer, seller and third party.

Three main perceived risks are introduced. *Financial risk*: Compared to traditional/offline shopping, consumers usually describe online shopping as riskier (Kuczmarski, 1996), because consumers are afraid that the information shared on the Internet might be misused for an illegal purpose by any unauthorized party (George, 2002). *Delivery risk*: The process of product delivery usually makes consumers anxious and concerned; that is, they may not receive their products in time or receive damaged products caused by careless human factors. *Product risk*: Without the opportunity to examine the quality of the product before buying it, consumers might be unsatisfied with the product they receive. It also causes an unwillingness to shop online.

### **Perceived Risks and Online Shopping Intention**

Customers' trust and low perceived risks are critical in the context of online shopping. Perceived risks regarding online shopping have been identified as primary obstacles in the future growth of ecommerce and are main determinants influencing consumers' decisions to shop online (Noort *et al.*, 2007). We draw down the following hypothesis:

H1: Consumers awareness of using COD option could increase their online shopping intention.

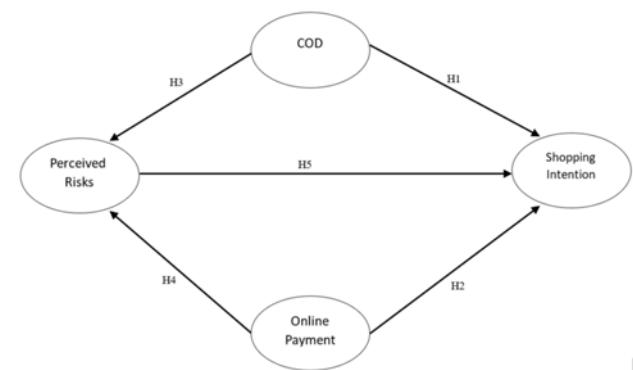
H2: Consumers awareness of using online payment option could increase their online shopping intention.

H3: Female consumers perceive COD to reduce more risk than male consumers.

H4: Female consumers perceive online payment methods to reduce more risk than male consumers.

H5: Female consumers perceive more risk existence in online shopping intention than male consumers.

The empirical model is below:



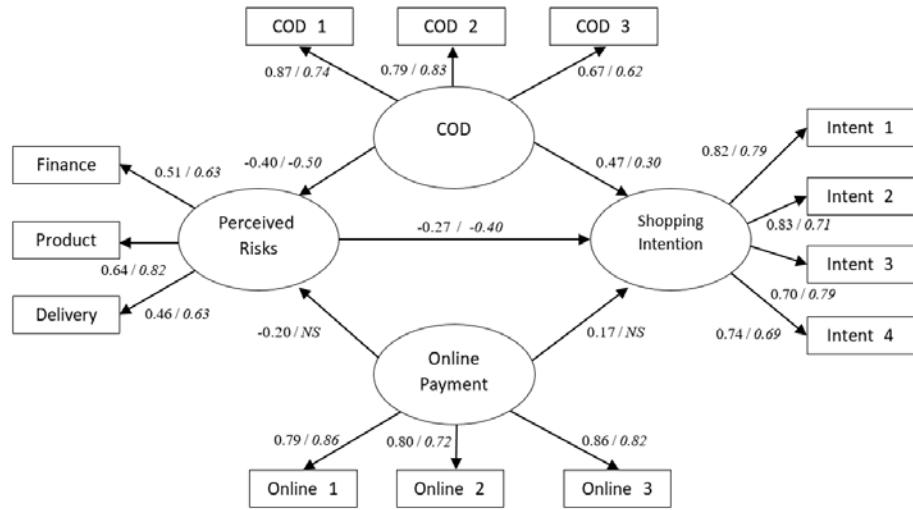
### **Methodology and Empirical Results**

Empirical analysis uses data from 526 valid Chinese consumers' responses to a questionnaire. 45% of the respondents were male. After making sure that data have no problems with common bias variance, reliability and validity. In this study, we used Structural Equation Modeling (SEM) to perform multi-group analysis. The measurement model exhibited adequate fit of the data to the model ( $c2 [118] = 407.02, p < 0.01, RMSEA = 0.06, SRMR = 0.06$  and  $CFI = 0.92$ ), even though  $p$ -value is at a significant level for the data. Given that the sensitivity of the statistic to sample size, the  $c2$  index represents less important guidance in affecting the extent to which the model lacks fit. Hence, decisions are based on other indices of fit (Byrne, 1998). The empirical results show that H1, H3, H4 and H5 are not rejected, but H2 is rejected.

The hypothesized model is at the top of the next page.

### **Conclusions**

The empirical results present that both male and female consumers show their high concern about the importance of Cash on Delivery (COD) and perceived risks when shopping online; especially female consumers pay more attention to these two factors than their male counterparts. Female consumers express a low confidence about online payment methods comparing to male consumers. In addition, it was



Note: Numbers indicate significant relationships ( $p < 0.05$ ); Numbers in normal font represent Male; Numbers in italic font represent Female; NS indicates non-significant relations.

found that when female consumers recognized perceived risks, their online shopping intention were lower than male consumers.

The critical finding of our study is that gender influences consumers' attitudes toward payment methods, perceived risks and online shopping intention in online shopping. Male and female consumers mainly base behavioral decisions on their own preferences. The empirical findings of this study offer practical information for marketing practitioners. Even though some Chinese consumers do not think that online shopping is easy, due to the advantages associated with online shopping (e.g., low price, comprehensive selection and time-saving), consumers still demonstrate favorable attitudes toward online shopping (Gong and Maddox, 2010). Based on the results and finding, this study identifies some managerial implications. Online retailers should implement ways to reduce risks and build consumers' confidence. For example, online retail mangers should offer post-purchase services such as prompt settlement of delivery disputes so that Chinese consumers will build confidence in online shopping.

Based on the lack of confidence to reduce perceived risks, online retailers should introduce a system of protection of online shopping to Chinese consumers that would strengthen personal safety and privacy and encourage consumers to shop online, especially taking care of female consumers' concerns. Retailers should employ the most widely available security such as Secure Sockets Layer (SSL) protocol or Transport Layer Security (TLS) protocol. This would better safeguard the payment process and ensure that personal confidential information would not be compromised. Online

retailers also could display a certain license or certificate from governmental authorities on their website, which would reassure consumers and minimize concerns regarding the leak of confidential personal information.

In addition, the results show that both female and male consumers believe that COD effectively reduces the perceived risks associated with online shopping concerns. According to one research consulting company, Daxue Consulting (2016), COD makes up around 40% percentage of China online shopping payments. It is easy to realize this phenomenon because of the low trust consumers have regarding China's online payment methods. COD provides greater assurance that the purchased products will be received before having to pay. However, adopting COD as the main payment method in online shopping exists one puzzle, which is the time to stay at home for the payment. It causes a lot of invisible cost (i.e., wasting time to wait) to take COD as their primary payment method. Hence, these costs may inspire consumers to select online shopping payment methods instead. It also could provide managers with an essential reason to strengthen security of online payment methods.

Perceived risks are important to female consumers. Online retailers may also offer insurance for female consumers when they order products to better insure they will receive their products as ordered. This is particularly appealing to allay consumers' concerns since they are unable test products and confirm correct sizes before purchasing. Finally, female Chinese consumers seem less confidence in online shopping. Online retailers should put more effort in how to enhance female consumers' confidence for online shopping and make sound marketing strategies to promote online marketing.

# New Entrant's Attack Strategy in O2O Marketing Platform Business

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**Keywords:** *O2O (Online to Offline), Structural Alignment Theory, Defender Model, conjoint analysis, platform business*

**Description:** *This paper examines the effects of new attributes presented by new entrants and explores changes in the competitive O2O market that result from the proposed attributes, then derives corresponding attack strategies for companies in accordance with changes in a competitive O2O market.*

## EXTENDED ABSTRACT

### Research Question

With the growth of Uber and Airbnb, a variety of O2O services are emerging, suggesting new value creation, and these O2O services have a great effect on the structure of existing industries, breaking down boundaries between industries. O2O services, including the sharing economy, are growing and creating new markets as the acceptance rate of O2O services is gradually increasing among consumers. Especially in China, the O2O market has developed rapidly, showing huge market size and a high growth rate, with new entrants free to enter and exit the market. However, although research on O2O service has increased greatly during the formation and development of this new business model, marketing strategies for O2O service remain to be studied.

In this research, we explore differentiation strategies and strategic direction in two services markets: accommodation reservation and car rental. To penetrate the market, do successful new entrants offer any particular service attributes? To resolve our research questions, we empirically analyze consumer behavior using the consumer decision-making model. This research provides strategic marketing alternatives for new entrants according to the importance of attributes that consumers recognize in competitive conditions. We explore the effects of new attributes presented by new entrants and then look at changes in the competitive market that result from the proposed attributes. In this way, we

derive corresponding strategies for companies in accordance with changes in a competitive market.

### Method and Data

This research is composed of three pretests and the main study. Three pretests were analyzed by analysis of variance, and main study used conjoint analysis and defender model. Conjoint analysis is a method that estimates the relative importance and level of utility of each attribute using consumers' preferences for product alternatives (Green and Srinivasan 1978). Conjoint analysis can be used to estimate the influence of an attribute based on preference, even if the attributes of a product launched on the market do not vary, and it is useful for evaluating potential markets for new products or products that need to be repositioned (Cattin and Wittink 1982). To understand optimal market entry strategy, the defender model (Hauser and Shugan, 1983) compares perceptual maps before and after attribute introduction. Analyzing consumer preferences, market share, and market structure using the conjoint analysis method and defender model methodology provides empirical and meaningful results.

In pretest 1, we verified the classification of service types and the validity of the target service setting for the main study. In pretest 2, we derived attributes and attribute levels for the conjoint analysis of the main study. The configuration of attributes and attribute levels for the conjoint analysis profile design are derived by factor analysis based on the

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attributes important for consumer decision-making and the realities of actual service provision. In pretest 3, we verified whether low-level changes in attributes can represent the nature of attributes according to the conjoint profile design. In the main study, we analyzed a consumer perception map of consumer preferences before and after the entry of new attributes using a congestion design and profile presentation derived from the pretest results. To confirm the appropriateness of the setting for testing the hypotheses, we conducted a manipulation check. We tested the hypotheses using a conjoint analysis and the defender model. In simulation studies using the defender model, we examined the change in market share from the viewpoint of both the attacker and the defender.

## Summary of Findings

In this research, we explored what strategy should be used when new entrants enter the market against the background of China's O2O market condition. Empirical results were derived using the sophisticated and sound methodology of conjoint analysis and the defender model. Specifically, we examined how new entrants should use marketing strategies that emphasize service attributes to enter or penetrate the market. In this study, the service type consists of experience and credence services, and the service attribute type distinguishes alignable and nonalignable attributes applying to structural alignment theory. We find that offline service is more effective in determining the type of O2O service than online service: a supplier that provides an actual product or service has more influence than one who does not on consumer perception formation in the O2O service structure. In addition, which attributes consumers prefer differ according to the service type, then alignable attributes are more important for experience services, and nonalignable attributes are more important for credence services. When we examined the market share of new entrants through a simulation study, we found that an experience service gains a higher market share when the new entrant presents alignable attributes, and a credence service gains higher market share when the new entrant proposes nonalignable attributes.

## Key Contributions

Our examination of competitive marketing strategies for O2O platform businesses provides the following implications and contributions. We first classify the types of O2O service, proposing a new classification method, and the results show that the importance of alignability (based on the possibility of comparing attributes) differs by service type. Our results widen knowledge about attack strategies and

provide normative suggestions for new entrants by inspecting successful strategies for market entry and market penetration in the potential service market.

This research has some implications for marketing discipline and for markers and managers. First, we have classified O2O services into experience and credence services. That is a meaningful distinction for this emerging business model. We've also established that offline aspects of platform business are more important than online aspects in determining the service type. Therefore, our work has extended the academic field by providing new implications for many studies on existing service types. Second, this research has applied and tested structural alignment theory in the new industry of O2O service. It is meaningful that we have applied both online and offline attributes to the existing structural alignment theory of alignable and nonalignable attributes. In O2O service, it is particularly important to distinguish between online and offline attributes, so researchers should apply the alignability of attributes differently to O2O services. Hypotheses were supported because we classified the service types and service attribute types proactively through pretests, and our results provide clear direction and interpretations. Third, the literature of marketing competition strategy contains many defender strategies but few attacker strategies. In a new market such as O2O platform business, strategies for an attacker's position in market entry and market penetration are important, and this research presents such strategies. In particular, we present strategic alternatives by service type and service attribute type, suggesting which attributes new entrants should consider when entering and penetrating a market. We also suggest strategic implications for all players in the market regarding which service attributes to promote, providing a normative approach to strategic marketing implications for new entrants. According to our results, easily comparable attributes such as price, accessibility, specific properties of the facility, and a flexible refund policy should be presented for experience services such as accommodation reservations. Credence services, such as car rentals, should offer distinctive characteristics that are not easily comparable, such as community activities, an insurance system, and the provision of legal services. Our results can also be applied to representative experience services, such as restaurants, food delivery, flower delivery, beauty services, and fashion services as well as to representative credence services, such as real estate, social dating, job seeking services, legal services, and medical services.

*References are available on request.*

# Analysis of Motives in Using Instagram Among Hong Kong Millennials in Contextual Age Perspective

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**Keywords:** *contextual age, instagram, millennials, leisure boredom, life satisfaction, Hong Kong, self-promotion*

## EXTENDED ABSTRACT

### Research Question

RQ1: How do contextual age and leisure boredom relate to motives for Instagram use?

RQ2: How do life position indicators and motives predict the behavioral outcomes of Instagram use?

RQ3: How does the gender difference relate to the motive of using Instagram?

### Methodology

#### *Participants and Sampling Procedure*

The data of this study was collected via the online survey in Qualtrics. The data was conducted during a 2-week period from 14 to 30 November 2016. A total of 200 online questionnaires were collected, of which 23 of them reported that they do not have any Instagram account. These were omitted from the sample and treated as non-eligible respondents, resulting in a valid sample size of 177 respondents. Respondents were recruited through a non-probability convenience sampling in which we posted the survey link in our social media platforms such as Facebook and Instagram and asked our friends and colleagues to do the survey.

### Measures

#### *Contextual Age*

Rubin and Rubin's (1982) contextual age life-position scale was used in measuring this variable. Physical health, economic security, mobility did not include in this study as those factors were not related to this study. Thus, interpersonal interaction, life satisfaction and social activity scale were included in the study. Interpersonal interaction will be measured by asking "I spend enough time communicating

with my family or friends", "I have ample opportunity for conversation with other people" and more. To measure life satisfaction, respondents reported their feelings with the statements such as "I find a great deal of happiness in my life", "I am very content and satisfied with my life" and so on. Besides, social activity is measured by asking "I often travel, vacation, or take trips with others." and "I often hang out with close friends, relatives or co-workers" etc. All of the responses were measured in 5-point Likert scale (1 = strongly disagree; 5 = strongly agree)

#### *Leisure Boredom*

To assess the perceptions of boredom in leisure, the Leisure Boredom Scale (LBS), developed by Iso-Ahola and Weissinger, that contains 16 questions to ask people to indicate how they feel about their leisure time was adopted in this questionnaire. LBS is potentially usable in clinical and applied research that involving the investigation of leisure dysfunctional such as substance abuse and vandalism. (Iso-Ahola and Weissinger, 1990) In order to avoid the verbose of the survey, 3 questions among the scale were asked in the survey. The scale items (e.g. "Leisure time is boring"; "Leisure time activities do not excite me"; "In my leisure time, I want to do something, but I don't know what I want to do" were adopted on a 5-point Likert scale (1 = strongly disagree; 5 = strongly agree), with high scores indicating a greater tendency of leisure boredom.

### Key Contributions

#### *Life Satisfaction Is a Key Indicator*

In our research, life satisfaction was recognized to be an important indicator which positively correlated with various

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motives. There was significant positive correlation between life satisfaction and self-promotion ( $p < 0.05$ ). Positive correlations among life satisfaction with information access, archiving and peeking with high significance ( $p < 0.01$ ).

The use of hashtags in Instagram provides the convenience and possibility for people to search different posts. People with higher life satisfaction may use Instagram as a tool to search for travel idea, fashion trend and recently happening. The positive relation of life satisfaction and information access was consistent with previous finding that people with more satisfied lives would have higher tendency to seek for information through social media. While people have higher life satisfaction, it is sensible that they are more willing to share their gratified lives through Instagram. Although Sheldon, P., and Bryant, K. (2016) suggested that Instagram use had negative relation with using Instagram to appear cool, similar to our motive of self-promotion, our finding showed that life satisfaction was positively related to self-promotion. Actually sharing contented lives by using Instagram can be viewed as kind of self-promotion, as those posts are mostly positive and thus can be kind of image building (i.e. self-promotion). Instagram users with high life satisfaction has higher tendency to view their friend's lives and posts related to their interests. It may reflect their preference to use Instagram as a medium to connect with friends.

### ***Self-promotion Is a Key Motive***

While life satisfaction is a key life position indicator, self-promotion is the key motive associated with driving major Instagram use behavioral outcomes. There was significant position correlation between self-promotion motive and editing outcome ( $p < 0.01$ ), interacting outcome ( $p < 0.01$ ), searching outcome ( $p < 0.01$ ), and uploading outcome ( $p < 0.01$ ).

People prefer to communicate digitally when they have common interests (Lea and Spears, 1992, p. 323) because they do not have real verbal connections with online acquaintances. Through building bonds online with images they like (p. 324), the lack of verbal connections makes it much easier to create a "selective self-presentation" of oneself in a favorable light. This study reflects similar results. The findings indicate that using more of the various Instagram features (spending more time on editing, uploading more posts, etc.) helps one feel important, be noticed by others, and establish a positive self-image.

## **Summary of Findings**

### ***Life-Position Indicator***

In examining the first research question, principal components factor analysis with varimax rotation was performed to determine the potential grouping of 12 items, while 2 of them are deleted due to low factor values.

The three life-position indicators were defined as Interpersonal Interaction, Life Satisfaction and Leisure Boredom, with Cronbach's alpha value larger than 0.6, suggesting a high internal consistency. While the statement "I often hang out with close friends, relatives or co-workers." was grouped with other interpersonal interaction statements in rotation, interpersonal interaction and social activity combined together, naming "interpersonal interaction" in our research, with high reliability indicated by high a value of 0.80.

Another two life position indicators, "life satisfaction" and "leisure boredom" have value of 0.68 and 0.82 respectively, suggesting the reliability is acceptable.

### ***Motives of Using Instagram***

To examine the first and second research questions, principal components factor analysis with varimax rotation was performed to determine the underlying motives of using Instagram. 17 items were tested and 2 of them are eliminated because of not falling into any groups.

As shown in table 2, the first component "Information Access", which implying users' activities in discovering information and browsing daily lives of celebrities and unknown people all over the world, has four items formed a reliable scale, indicated by Cronbach's alpha ( $\alpha = 0.79$ ).

The second component "archiving" with three items, that is using Instagram to record personal life and special moments was found to be reliable ( $\alpha = 0.72$ ). The third component is "escaping" suggested Instagram as a medium to let users escape from real lives, consisted of three items and found to be reliable. ( $\alpha = 0.83$ ). The fourth component "self-promotion", including three items, which means that Instagram lets user feel important and be noticed by others also has high value of alpha ( $\alpha = 0.81$ ).

*References are available on request.*

# A Meta-Analysis on the Effect of Triggers of Electronic Word of Mouth on Consumer Based Brand Equity

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**Keywords:** *electronic word of mouth (eWOM), triggers, social media, consumer based brand equity (CBBE)*

**Description:** *The study examines the effect of triggers of electronic word of mouth on consumer based brand equity through a rigorous meta-analysis of extant literature.*

## EXTENDED ABSTRACT

### Research Questions

Extant literature highlighted a number of factors that motivate the internet-savvy people to spread positive electronic word of mouth (eWOM) about the products or services in the social networking sites. However, a concrete model integrating the triggers spreading positive eWOM is yet to be developed. Therefore, the first objective of the present study is to identify and consolidate the triggers that spread positive eWOM from extant literature.

Secondly, several approaches of CBBE have offered valuable insight on how the consumers evaluate and choose brands within a given product category. Since marketers need to build their brand using a specific and limited budget for promotion and eWOM is a low-budget promotional tool (Dixit, 2016), it is important that marketers be aware of the triggers of eWOM and relative importance of those triggers for generating eWOM and their subsequent impact on brand building. Such understanding will help them focusing on the most important triggers of eWOM for their products and reach millions of customers with a single click a meager expenditure. Nonetheless, not many studies have analyzed the effect of triggers of positive eWOM on CBBE. Therefore, this study aims to examine the repercussions of the triggers of positive eWOM on CBBE.

### Method and Data

This study involved collecting academic and peer-reviewed journals articles that addressed the triggers of spreading

positive eWOM, correlation between eWOM and CBBE, and the impact of triggers of eWOM on CBBE. First, we carried out a methodical electronic search using premiere databases. Following the standards of methodical literature review of the inclusion and exclusion criteria were applied to the set of studies that were considered. A methodical review puts forth a thorough and in-depth summary of extant literature relevant to a research question. In the present study, the inclusion criteria ensured that the publications were academic and peer reviewed in nature with prime focus on the realm of eWOM and its antecedents. Thereafter, the studies addressing the impact of eWOM and antecedents of eWOM on CBBE were considered. The studies with no proper theoretical background and structure and the market level analysis of eWOM were excluded. Market-level analysis refers to the effect of eWOM communication on the sales of the products and the individual-level analysis digs out what motivates the individuals to engage in brand related communication in the SNS. A total of 103 eWOM articles published between 2006 and 2016 were identified and analyzed to develop a conceptual model.

### Summary of Findings

The main objective of the present study is to provide a methodical review of the existing literature on eWOM communication. Through a rigorous search of several mainstream MIS and marketing journals, as well as key electronic research databases, we have identified and summarized the key triggers or triggers that help in spreading positive

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eWOM communication, and we have proposed a conceptual framework for the study of the impact of eWOM communication in building CBBE. A conceptual framework explaining the impact of the triggers of eWOM communication on CBBE was developed. The conceptual framework identified consists of three components—triggers of eWOM, eWOM, and CBBE. According to the extant literature, some of the triggers of positive eWOM (including Satisfaction, Loyalty, Social relationship, Trust) have an influence on CBBE and eWOM also has an impact on CBBE. Therefore, there is a possibility that eWOM as a construct might act as mediating factor between these four triggers of eWOM and CBBE, while the correlation between other triggers of eWOM and CBBE could not be established from the literature.

### **Key Contributions**

Existing research supports the “importance of online communication in building brand equity and creating communities

around the brand. However, the questions of what kind and what level of online communication activities are needed to help firms build CBBE are not properly addressed” (Phuoc and Bashar, 2015). So, the present study provides an inclusive summary of the current stage of studies in eWOM communication area. Earlier studies have discretely put forth that some of the triggers of eWOM influences CBBE. However, there is dearth of literature that analyses the relationship between the other triggers of eWOM and CBBE. Hence, given this big void in eWOM research, this study contributes to the literature by pioneering the analysis of the direct and indirect impact of all the triggers of eWOM on CBBE through an extensive review of existing literature. We assume that the framework will provide a salient platform for empirical research for analyzing the impact of the triggers of positive eWOM on CBBE.

*References are available on request.*

# All Eyes on Me: Who Is Really Leading the Influential Show in Online Brand Communities?

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*Julia Tyrrell, Coventry University*

**Keywords:** social media, online brand communities, social ties, purchases, eWOM

**Description:** This research centers in finding out whether it is brands or consumers who are influencing and driving purchases in social media and online brand communities.

## EXTENDED ABSTRACT

### Research Question

RQ1: To measure the belongings to online communities built around a brand.

RQ2: To study the strength of the relationship between social ties and brand advocacy in an online brand community.

RQ3: To identify and measure the strength of social ties as a driver of acceptance and engagement to an online brand community.

### Method and Data

A quantitative approach was used for this research (Saunders, Lewis and Thornhil 2009). A Bristol Online Survey (BOS) was used for quantitative data collection. 241 participants were recruited. A link to the questionnaire was placed on Facebook, Google+ and shared via e-mail. A 5-point scale Likert scale was used to measure the likelihood of participants recommending brands in an OBC. Nominal or quantifiable data (Malhotra and Birks 2006) was used for questions regarding OBC platform use and awareness while an interval scale was used in the measurement of the frequency of access. 79% of respondents belonged to online communities and 50% had been members for over 6 years confirming the importance of OBCs in everyday life and marketing strategies. 50% of respondents reported accessing online communities multiple times a day. "Friends" are both the main way to find out join an online community, therefore, demonstrating their influence on peers with a 42.9% response rate of participants learning

about OBCs thru them and 61.5% joining because OBCs where they knew the members. Membership to OBC is still significantly lower in comparison to overall online community membership (37.9% in comparison to 62.1%) reflecting the reported new challenge for marketing managers. Most participants experienced an overall good experience in OBC with an agreement of 81.1% of respondents ( $m = 4.02$ ). The majority of participants felt that they belonged to the OBC, with a total of 64.8% ( $m = 3.65$ ) "Agreeing and Strongly Agreeing." 59% of respondents reported having made purchases because of their membership to OBCs. 71.1% of participants ( $m = 3.81$ ) were influenced by content posted by the brand and 56.1% ( $m = 3.45$ ) were influenced by the content posted by other members when they made their purchase.

### Summary of Findings

Results from the data collected demonstrated that friends are the foremost influential force for learning, joining and engaging in OBCs. Furthermore, members of the community who exhibited a stronger attachment to the OBC and the brand attributed their awareness and affiliation to the OBC to prior social ties with other members. However, while social ties are a factor that drives OCB membership and interaction, they are not a factor that determines purchase intention as per the results of this research. This study also found that brand awareness, positive impression, brand satisfaction, loyalty and advocacy in members of OBCs are driven by both brands and members, where brands are mainly responsible for harnessing positive perception and

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loyalty via customer interactions, members are mainly responsible for harnessing the acquisition and socialization of new members, brand awareness and advocacy. These findings corroborate academic theories that support the benefits that brands can gain from online communities. The results of the survey conducted suggested that brands should try to focus on creating engaging and meaningful experiences with utilitarian value for the members of their OBC rather than just for promotion and advertisement in order to create strong cognitive and emotional connection with the brands sponsoring the OBCs.

### **Key Contributions**

This research also confirms that there is a strong relationship between brand identity, loyalty and advocacy in members of online brand communities. Thus, this research found that while relationships and belongings in OBC are driven by its members; purchases, awareness, and eWOM are driven by both the brand and its members. This work evidence that the content generated by brands and supported by the members is which lead the eLoyalty and brand advocacy.

This study found that there is a positive perception about online communities that either represent, or are sponsored by brands. Additionally, this research found that while having an online community is a common practice for brands in the main social sharing platforms, the sharing and engagement capabilities of these are not being exploited appropriately as a large number of participants did not belong to any OBC, and additionally, the sharing and engagement capabilities of these are being limited by the content shared as consumers perceived most brand-generated content to be advertisement.

Therefore, brands should leverage the combined effects of brand and member generated content to increase interaction frequency and engagement, as well as strengthen social ties which consequently can lead to repeat purchases, positive eWOM, eLoyalty. On the contrary, the sharing of negative user-generated content and low online customer engagement brand-generated content, can lead to disengagement in consumers, which could potentially damage a brand's image.

*References are available on request.*

# Building Brand Governance: A Small Company Study

*Michelle Renton, Victoria University of Wellington*

*James E. Richard, Victoria University of Wellington*

**Keywords:** SMEs, brand governance, relational norms, entrepreneurial organisations, socialization

**Description:** This paper investigates the organizational use of relational norms in social media based engagement practices.

## EXTENDED ABSTRACT

### Research Question

The paper initiates a discussion about the role of relational norms, Selection, Solidarity, Flexibility, Information Exchange and Trust (Heide and John, 1992, Stephen and Coote, 2007) as brand governance mechanisms in entrepreneurial SME organizations (Heide and John, 1992; Wathne and Heide, 2004; Busco et al., 2006; Ind and Bjerke, 2007; Hatch and Schultz, 2010; Röndel et al, 2015; Renton and Richard, 2016). The paper's two major contributions are to investigate the role of relational norms in helping organisations socialize partners and to prepare the way for a quantitative study into the role of relational norms in brand driven SME organisations (Wathne and Heide, 2000).

The lower architectural capability for value creation within SMEs (Renton and Richard, 2016) highlights an increased need for socialization with exchange partners and the sharing of brand related goals, a key aspect of Brand Governance (Hatch and Schutz, 2010). The context within which this study takes place is the engagement activities of SMEs which use Social Media (SM) platforms. We contribute to the SME and SM discussion by exploring the role of relational norms in facilitating socialization, brand governance and value creation in SME Social Media engagement contexts.

### Method and Data

The founders of four companies were interviewed individually by the co-authors using a semi structured questionnaire to draw out evidence of socialization and social media engagement practices. Questions were asked about each of the four socialization norms and the brand management

practices of the organisations. The semi structured nature of the interviews allowed for a discussion unique to each organization and gained insight into their SM engagement practices. Each interview lasted approximately 90 minutes, transcripts of the raw interview data were prepared and a thematic analysis undertaken by each of the authors individually. These were then compared and discussed until a consensus on the themes emerging was reached.

Three of the companies were 10 years old, and one was three years old. All generated revenues of between \$1-5 million and had less than 20 staff, they can be therefore defined as micro sized firms. All of the companies had a focus on their brand strategy, could discuss their brand values and had developed brand artefacts to forge their brand identities. Within these companies we investigate the use of relational norms in their engagement activities.

### Summary of Findings

The four companies were active in social media based engagement and while all had developed a range of SM practices, only one was closely monitoring and tracking their impact. Evidence of relational norms in the SM environment included the prioritization of the Selection of content creation partners by all companies, "More and more my job is to find partners to work with" (CEO—company one). A second priority in each company was the building of Solidarity and goal alignment with content partners, "our fans get that we are small business and that every review helps" (Marketing manager—company three). Only one company displayed Flexibility in adopting content partner and consumer feed-

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back, “*Transparent engagement means that there will be rough edges around which the user driven narrative can’t be controlled*” (*CEO—company one*). In terms of Exchanging Information with engagement partners, all companies pushed information out, but only one analyzed information they derived from the engagement tools they used. Finally, as these engagement initiatives were relatively new to the companies, Trust between partners was less evident overall, although potentially emerging in two of the companies “*I think I trust them, the sales indicate its ok*” (*Marketing Manager—company three*).

### **Key Contribution**

The analysis suggests that where SM engagement activities exist in small companies there is potential to create value. The relational norms of Selection, Solidarity, Flexibility and Information Exchange are shown here as useful socialization mechanisms. Greater understanding of these norms allows us to gain some sense of what brand governance is in the

context of organizational SM engagement practices, with these exploratory results suggesting that all four relational norms have a role in enabling SM engagement activities. However, the results also suggest that their roles are supportive rather than instrumental in creating value, as in the one company in which brand related management norms were in place, these appear central to the creation of value. Within this small sample, greatest value was gained by the one company which actively monitored their SM engagement practices. This company identified that their Selection practices enlarged reach into narrowly defined market segments and their social media practices operationalized Solidarity. Additionally, the analytical tools they used in Information Exchange identified key target markets and brand attitudes. This study uncovered less evidence of either Flexibility or Trust having a role to play in supporting engagement activities. These results will be used to inform further study.

*References are available on request.*

# Social Capacitance: Analyzing Social Media's Influence in Organizational Absorptive Capacity

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**Keywords:** *social capacitance, social networks, organizational innovation, virtual customer environments, online communities, capacitive coupling, digital marketing strategy*

## EXTENDED ABSTRACT

### Research Question

A key issue for marketers resulting from increased popularity of social media is how to leverage external knowledge: (a) within organizations through internal social media networks; and (b) outside and across organizations with partners, collaborating firms and consumers through external social networks. Although there is an extensive body of research available on absorptive capacity in organizations, there is a dearth of research related to absorptive capacity in the context of social media. To address this research gap, this paper introduces a new construct of *social capacitance*, a term that refers to social media's role in an organization's absorptive capacity development which in turn leads to organizational innovation, long term success, and competitive advantage for the firm.

### Summary of Findings

We develop a series of research propositions related to the antecedents of social capacitance, process of social capacitance, and consequences of social capacitance.

### Key Contributions

Our research provides insights into the concept of social capacitance in business and consumer life in the context of digital business environment including social media. We define and examine social capacitance for consumers and businesses and explore theoretical perspectives through eleven propositions. We have entered the post digital world where there are no more distinctions between traditional and digital marketing phenomena, and that is why we believe our research on social capacitance has significance for consumers and businesses alike since all marketing activities have some aspect of digitization. There are many challenges, risks, and opportunities in the field of social capacitance research; and we strongly feel that synergistic interrelationships between marketing academics and practitioners will help provide a sustainable future for social capacitance research.

*References are available on request.*

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# The Role of Social Viewing in Digital Marketing Strategy

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**Keywords:** *digital marketing, social viewing cues*

**Description:** *This paper is about social viewing strategies.*

## EXTENDED ABSTRACT

### Research Question

Researchers currently lack a theoretical understanding of social viewing as a strategic tool in promoting a firm and its products. According to a recent MSI Research Report (2016), the formulation of a firm's digital strategy has emerged as one of their research priorities for better engaging with consumers. Thus, a systematic understanding of the role of social viewing in digital marketing strategy is needed. The purpose of this study is to investigate the influence of social viewing cues on consumers' social viewing experience as an influencer of marketing-related behavioral outcomes.

### Method and Data

A scenario-based experiment was utilized. Participants were randomly assigned to various social viewing strategy conditions. The study's analysis follows established multi-group analysis guidelines by testing for measurement validation, measurement and structural model comparison and multi-group differences. Measures employed in the study were all adopted from well-validated scales in the marketing and communication literature.

### Summary of Findings

The findings show that social viewing cues inherent in various social viewing strategies authenticate social viewing experience. This in turn leads to higher intention to purchase a new product.

### Key Contributions

Our research findings have theoretical and managerial implications. The theoretical framework being tested confirms the importance of including social viewing as part of a firm's digital marketing strategy in a unified, systematic fashion, filling the void of research and empirical evidence on this topic in the marketing literature. Our results also provide evidence that authenticating the experience is the underlying process by which social viewing is effective. The findings validate the importance of social viewing as a viable strategic marketing tool for a firm.

*References are available on request.*

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# The Effects of Online Reviews on Purchase Intention: Investigating the Moderating Role of Regulatory Focus

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**Keywords:** *online reviews, online review volume, online review valence, purchase intention, regulatory focus*

## EXTENDED ABSTRACT

### Research Question

Generally, valence and volume of online reviews are considered to positively influence sales; however, the findings in the literature are inconclusive. How can we explain this inconsistency? How regulatory focus moderates the relationship between online reviews volume/valence and purchase intention?

### Method and Data

We used Experimental Design (within-subject). Participants were hired from Amazon Mechanical Turk for monetary compensation.

### Summary of Findings

We explain some of the inconsistencies in the literature by examining the moderating role of regulatory focus. In sum, the results of our study show that consumers' regulatory focus moderates the effect of online review volume and valence on purchase intention. Specifically, for consumers with promotion focus, the role of the higher valence of online reviews in their decision-making is stronger compared to that of consumers with a prevention focus. Additionally, it is shown that for consumers with prevention focus the role of the volume of online reviews in their decision-making is stronger compared to that of consumers with promotion focus.

These findings can aid managers in multiple ways. Interestingly, our results showed that the individual-disposition of

regulatory focus impacts the way individuals process online review information. This shows companies that understanding consumers' psychographic variables is crucial in the online shopping context. Current research implies that understanding regulatory orientation of companies' target market in the marketplace is imperative. If a prevention orientation is more common in companies' target market, then the company should invest in increasing the number of online reviews. On the other hand, if a promotion orientation is more common in companies' target market, then the company should invest in increasing the average rating of online reviews.

### Key Contributions

In this research, we contribute to the online review stream of research by explaining some of the existing inconsistencies in the literature. We investigated the moderating effect of regulatory focus on the relative role of valence versus volume of online reviews in consumer purchase decisions. Regulatory focus theory suggests that people tend to have either a promotion or a prevention orientation in approaching their desired goals. Our findings show that depending on consumers' regulatory orientation, the effect of either review valence or review volume on consumers' likelihood to purchase the product will become more salient.

*References are available on request.*

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# Examining the Interaction Between Online Review Volume/Valence and Scarcity Appeal

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**Keywords:** *online reviews, online review volume, online review valence, purchase intention, scarcity*

## EXTENDED ABSTRACT

### Research Question

How marketing strategies (e.g., scarcity appeal) interact with consumer-generated content (e.g., online reviews) in an online shopping setting?

### Method and Data

Data was collected over a 40-day period from the U.S. website of Amazon.com.

### Summary of Findings

The current research contributes to the literature in several ways. First, by looking at marketing tactics and components of consumer generated content in a single framework, this research points to the opportunity in coordinating firm-generated marketing activities with consumer-generated content to achieve maximum effectiveness. The insights from the

research will help identify optimal coordination strategies between one type of firm marketing messages, scarcity appeal and online consumer reviews. Second, current research contributes to online review literature by introducing the moderating role of scarcity appeals on the online review-sales relationship. Scarcity appeals can explain the inconsistencies that exist in the online review literature regarding the effect of volume and valence on sales and purchase intentions. In this research, it is argued that the presences of scarcity appeals can strengthen/weaken the effect of volume and valence of online reviews on firm sales and consumers' purchase intention. Finally, the findings of this essay contribute to scarcity appeals literature as previous research mostly used lab experiments instead of real-world data from Amazon.com.

*References are available on request.*

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# Influence of Relational Characteristics of Social Network Sites on Intention to Pass-Along Electronic Word of Mouth: Exploring the Role of Trust

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**Keywords:** *online trust, social media marketing, word of mouth, social network sites*

**Description:** *This paper empirically validates a proposed social media marketing model that depicts the relationship between relational characteristics of one's online social network, which influence trust among individuals, as well as trust on online store, in the context of moderating role of interpersonal trust on intention to pass along electronic word of mouth.*

## EXTENDED ABSTRACT

### Research Question

This paper explores the role of five relational characteristics (i.e. tie strength, homophily, embeddedness, cohesiveness and social capital) in influencing trust on individuals in one's social network and on the online store that is engaged in social media marketing. It also examines the relative strength of relationship between these characteristics and interpersonal trust. The primary focus of this study is to verify whether interpersonal trust in one's contact in a social network site influences interpersonal trust in an online store engaged in social media marketing and whether interpersonal trust and attitude influence one's intention to pass along electronic word of mouth about the same online store. It further investigates the significance of the effect of aforementioned relational characteristics in influencing one's intention to pass along electronic word of mouth about the online store engaged in social media marketing. Finally, it examines if attitude has any moderating role between interpersonal trust and one's intention to pass along electronic word of mouth about the online store in the context of social media marketing.

### Method and Data

Data has been collected from students pursuing undergraduate and post-graduate courses in various reputed technical

institutes in different parts of India through online survey. Total of 424 usable responses (after data cleansing) have been used to empirically verify the conceptual model proposed in the research paper. All constructs considered in the research are multi-item, measured on 5-point Likert scale and adapted with minor modifications from past research.

Variance-based Partial Least Square (PLS) structural equation modeling was used to build the path model. SmartPLS 2.0 was used for this purpose, following recommendations by eminent researchers.

### Summary of Findings

All perceived relational characteristics significantly influence trust on individuals in one's online social network. Tie Strength, followed by cohesiveness and homophily, has the strongest influence on trust in an individual. It is important to note that interpersonal trust in one's contact in a social network site influences interpersonal trust in an online store engaged in social media marketing. Moreover, trust on an online store is more important than attitude towards it in influencing intention to pass along e-WOM. Except for the total effect of Embeddedness on Attitude and e-WOM and that of Social Capital on Attitude, all other antecedents considered in this study had significant total effect on Interper-

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sonal Individual Trust, Interpersonal Organizational Trust, Attitude and e-WOM. Finally, attitude was not found to play any significant mediating role between Interpersonal Organizational Trust and intention to pass-along e-WOM.

### **Key Contributions**

This research paper identifies the significance of various relational characteristics in influencing interpersonal trust at two different levels: (a) trust in one's contact in online social network sites and (b) trust in an online store engaged in social media marketing. This is one of the very few papers which have discussed both the antecedents and outcomes of trust in the context of social media marketing, investigating

it from two different levels. The paper has empirically validated the proposed conceptual model and described its practical implications for the managers entrusted with managing communities in social media. One seemingly counter-intuitive revelation is that trust directly influences one's intention to pass along electronic word of mouth, and formation of attitude is not needed for this purpose. This underscores the importance of trust in social media marketing, which, on one hand, can help many companies sustain their business in highly competitive market, and on the other hand, can influence consumers to adopt sustainable behavior.

*References are available on request.*

# The Effect of Persuasiveness of Online Requests on Customer Reactance

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**Keywords:** consumer reactance, compliance, need for affiliation, persuasiveness, guilt appeal

**Description:** This study investigates the effects of the components of online requests revealed as persuasiveness and guilt appeal on customer reactance and retention intention.

## EXTENDED ABSTRACT

### Research Question

Internet surfers frequently encounter various online requests when they browse websites for different purposes. For consumers, these pop-up messages delivered by marketers or website operators usually are unexpected and even undesired. However, these requests are important communication tools. In response, consumers may experience some negative feelings such as reactance and angry. Specifically, what aspect of request message would influence consumers' reactance and compliance intention? What consumer characteristics would alter the relationship between request message and reactance? To answer these questions, this study would like to investigate the influence of persuasiveness and guilt appeal as two key request components on consumers' outcome variables, including reactance and compliance.

### Method and Data

A pre-test was conducted to determine experiment stimuli prior to the main study. 32 students participated in the pre-test. A 2 (persuasiveness: high vs. Low)  $\times$  2 (guilt: high vs. Low) between-subject experiment was then implemented to collect data. All participants were randomly assigned to one of the four scenarios. An instruction was presented to respondents to assure anonymity and confidentiality before they participate the experiment and survey. The manipulation check questions for persuasiveness and guilt were adapted from prior studies. Questions for all responses were assessed with 7-point Likert scale. A final sample with 120 responses were used for hypotheses testing.

### Summary of Findings

The results indicate an indirect effect of reactance on persuasion and individual's intentions to comply with request. Moreover, participants who unlikely to comply with request are even less likely to visit the site of the message sender in the future. The findings also suggest that people's need for affiliation with others remains to be a powerful tool in online context. The suppressing effect of affiliation on reactance was statistically supported. Guilt appeal did not meet the research expectations. The cost of threatened freedom might had been perceived greater than the aroused guilt feeling.

### Key Contributions

This current study contributes to the literature on reactance in two ways. First, this research examines the consumers' reactance issue in terms of the components of online request. The persuasiveness of the request is proposed to trigger consumers' reactance whereas the guilt feeling acts to alleviate the reactance. The reactance further mediates the impact of persuasiveness. Second, the need for affiliation is introduced to the model to further understand the conditions that may alter the relationships between the request components and the induced reactance. The suppression effect is backed by the data. Managerially, the findings of this study could provide guidelines regarding how to design the request content so as to avoid the occurrence of the negative reactance. By increasing the element of guilt appeal, the likelihood of reactance could be reduced. Moreover, the result also suggests that individuals with a higher need for affiliation may be less likely to generate reactance and hence appear to be a better target group.

*References are available on request.*

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# Part G

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# The Impact of Holistic Thinking on Price Magnitude Perception

*Lingjiang Lora Tu, Baylor University*

*Chris Pullig, Baylor University*

**Keywords:** thinking style, price ending, perception, holistic, analytic

**Description:** The research examines the role culture places in the nine-ending price effect.

## EXTENDED ABSTRACT

### Research Questions

This research aims to answer three research questions. First, is the nine-ending price effect universal or culturally specific? Second, if it is culturally specific, what is the underlying process? Third, is there any boundary condition to the culture effect?

### Method and Data

We conducted three experiments with Chinese and American students to explore answers to our research questions. Study 1 was a 2(price ending)  $\times$  2 (thinking style) mixed study with price ending manipulated and thinking style measured. 85 students in China participated in the study. In the low holistic thinking condition, participants perceived 9-ending prices as lower than 0-ending price ( $M_{9\text{-ending}} = 2.97$ ,  $M_{0\text{-ending}} = 4.20$ ,  $t = -2.21$ ,  $p < .05$ ). In contrast, in the high holistic thinking condition, participants perceived no difference in price magnitude between 9-ending and 0-ending prices ( $M_{9\text{-ending}} = 4.80$ ,  $M_{0\text{-ending}} = 4.35$ ,  $t = .84$ ,  $p = .40$ ). Study 2 was a 2 (price ending)  $\times$  2 (thinking style) between subject study with 231 students in United States. The results were consistent with those of study 1. Study 3 tested the moderating role of cognitive load in the process of thinking style affecting the 9-ending price effect. The study was a 2(cognitive load)  $\times$  2 (price ending)  $\times$  2 (thinking style) between subject design. 350 students in United States participated in the study. In the analytic condition, the results were consistent with study 1 and study 2. In the cognitive load condition, no effects were significant, indicating that

holistic thinkers' perception of the price magnitude was not different from that of analytic thinkers. Mediation test further supported the full mediation of holistic thinking (Choi et al. 2003,  $\alpha = .84$ ) on the effect of primed thinking style on perceived price magnitude.

### Summary of Findings

1. Nine-ending price effect is attenuated among native Chinese speakers.
2. Holistic thinking mediates the cultural effect on perceived magnitude of nine-ending prices.
3. Cognitive load moderates the impact of holistic thinking. Specifically, with holistic thinkers, nine-ending price effect manifests when cognitive load is high, and disappears when cognitive load is low. Analytic thinkers are not affected by cognitive load.
4. Manipulating thinking style within a culture leads to variation of the nine-ending price effect, indicating great managerial applications.

### Key Contributions

The research contributes to price cognition research by systematically examining the role culture places in the nine-ending price effect which is assumed to be universal. We identified holistic thinking as the underlying mechanism and a boundary condition for the cultural effect.

*References are available on request.*

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# Increasing Brand Experiences and Word of Mouth in Experiential Retailing: A Cross-Cultural Perspective

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*Tomas Falk, Aalto University*

**Keywords:** *experiential retail, brand experience, cross-cultural research, pop-up store*

**Description:** *Surveying 1,313 visitors of identical luxury brand's pop-up stores in the USA, UK, China, Japan, and Russia, this study examines the impact of brand pop-up store characteristics on brand experience and word of mouth while accounting for cultural context.*

## EXTENDED ABSTRACT

### Research Question

This research aims to assess whether experiential retail formats such as brand pop-up stores work equally effective in different consumer cultures. Considering the hedonic shopping value, store uniqueness and store atmosphere as determining factors of brand pop-up stores, we investigate its impact on brand experience while accounting for cultural context. In particular, we contrast the effects in countries with consumer cultures shaped by individualism and indulgence to countries with a collectivistic and restrained consumer culture. Furthermore, we investigate which role brand experience thereby plays as a behavioral trigger for WOM.

### Method and Data

In five countries—USA, United Kingdom, China, Japan and Russia—identical brand pop-up stores of a well-known luxury car brand have been established. The stores were designed in a way that the visitors could interact with and experience the brand. Within the three weeks of opening of the store, we conducted a survey via self-administrated questionnaires using established scales when visitors were about to exit. A final sample of 1,313 visitors was surveyed.

The data was pooled into two groups according to the cultural dimensions of Hofstede: USA and United Kingdom are pooled as they are considered countries with individualistic,

indulgent consumer cultures; China, Japan, and Russia are pooled having a collectivistic, restrained consumer culture. Next, after having established configural and (partial) metric invariance, the data was analyzed using multi-group structural equation modelling. The critical ratios for differences between the structural loadings were finally calculated to find significant differences between the two groups.

### Summary of Findings

Our findings suggest that culture critically influences the effect of experiential retail store characteristics on brand experience and WOM. Thus, the effectiveness of luxury brand pop-up stores strongly depends on how different characteristics of the store are emphasized in different cultural contexts.

In particular, study demonstrates that in countries shaped by individualism and indulgence the hedonic shopping value and store atmosphere are significant determinants of the brand experience. In contrast, in collectivistic, restrained consumer cultures the perceived uniqueness of an experiential store influences the brand experience significantly. Testing the mediation effect of brand experience using the bias-corrected bootstrapping procedure, we find significant indirect effects for all three store characteristics on word of mouth intentions. Additionally, the study demonstrates that the influence of brand experience on word of mouth inten-

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tions is universal, i.e. it is the same in individualistic, indulgent as in collectivistic, restrained consumer cultures.

## **Key Contributions**

We contribute to the international marketing literature and managerial practice as follows: first, we advance current knowledge on brand experiences by conducting a cross-cultural comparison that sheds light on how different cultural contexts influence consumer's experiences with a brand. This is a critical advancement of existing literature, which directly addresses the need for customer experience research in general and the lack of cross-cultural perspectives on the drivers of brand experience in particular. Second, we contribute to literature that investigates the influence of culture dimensions on brand and behavioral outcomes. Specifically, we contrast the influence of two crucial cultural dimensions—individualism-

collectivism and indulgence-restraint—on the effect of experiential store characteristics on consumer's brand experience and word of mouth. Additionally, we investigate the mediating role of brand experience on word of mouth across these cultural contexts. Third, we provide managerial recommendations for the effective coordination and adaption of experiential retail strategies across the globe. We highlight that accentuating experiential store characteristics appropriately for countries with diverging cultural dimensions according to Hofstede can improve the overall experiential marketing efficiency. Thereby, our findings enable managers to address cultural differences in experiential store design and thus to efficiently increase brand experiences and word of mouth.

*References are available on request.*

# Method Improvements to Enhance Construct Measurement Equivalency in Cross-Cultural Consumer Research

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*José Antonio Rosa, Iowa State University*

**Keywords:** *construct measurement, cross-cultural consumer research, translation, linguistics*

**Description:** *This paper argues for theory-grounded (Construct Measurement Equivalency) methodological improvements in survey and experimental instrument translation in cross-cultural consumer research.*

## EXTENDED ABSTRACT

### Research Question

In cross-cultural consumer research, instruments translation is often necessary. Frequently, research materials are developed in English and translated into the target language(s). Available translation guidelines most often build on Brislin's (1970, 1986) standard translation/back-translation procedures (STBTP) and the Werner and Campbell (1970) text decentering method (TDM). Although widely used, these methods are grounded in a model of mind that treats words as the fundamental building blocks of human thought (Whorf, 1956), and give primacy to word equivalency. Research in psychology (e.g., Barsalou, 1999) and linguistics (e.g., Lakoff, 1987), however, argues that embodied and culturally-grounded conceptual symbols are the fundamental building blocks of thought, and that word-to-symbol correspondences are contextually derived. Additionally, cultural psychology research gives great importance to the person's immediate and historical context in understanding and influencing individual-level emotions and developmental milestones. It argues that cultural nuances specific to a person's background and experiences cannot be ignored (Miller and Boyle, 2013), and hence calls for enhanced validity in translated research materials (Van de Vijver and Leung, 1997). This research seeks to provide the field with data gathering guidelines and methods that go beyond traditional STBTP/TDM approaches in cross-cultural research.

### Translation Practices in Cross-Cultural Research

STBTP involves source-to-target language literal translation and back-translation iterations until researchers determine that "meaning" has been retained. TDM seeks to eliminate culture-specific remarks from instruments to eliminate source/target differences and ensure linguistic equivalence through a similar iterative process. The approaches are based on the linguistic equivalence paradigm, which gives primacy to word-to-word equivalency and only passing attention to the cultural shaping of thought and the intended final use of the translated text. Research outcomes using STBTP are mixed. Torelli and Shavitt (2010) successfully show that power is conceptualized differently depending on the vertical/horizontal individualist/collectivist orientation, while Maddux et al. (2011), in seeking to measure the function and meaning of apologies in the US and Japan, explain their modest results by acknowledging that their survey failed to capture the more context-dependent nature of Japanese apologies when compared to US ones.

### The Construct Measurement Equivalency Method (CMEM)

To overcome these difficulties, we propose the use of CMEM. This methodology approaches translation from a concept-centric and target text-goal perspective. Using CMEM typi-

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cally leads to (1) more conceptually precise cross-cultural consumer research instrument translation, (2) improved construct equivalence and results comparison (based on disciplined respect for the constructs being measured or manipulated), and (3) richer data interpretation. CMEM places cultural meanings at the heart of instrument preparation.

CMEM is complex and people-intensive. It involves a team of experts in the source and target cultures who work to achieve target-language instruments that are construct-level equivalent to source-language instruments. In line with neopositivists scientific values, CMEM is best applied in situations when linguistic and cultural source-to-target distances are high. The less taxing TDM approach is adequate when linguistic distance is low even if cultural distance is high, and the STBTP one is appropriate when cultural distance is low.

## **Contributions**

Linguistic approaches to translation do not always meet researcher needs. The Construct Measurement Equivalency Model here proposed helps when research needs to go beyond word-to-word linguistic equivalence. Moreover, it enriches cross-cultural consumer research by focusing translation efforts on the concepts or constructs being researched, while affirming respect for the cultural and linguistic contexts in which the research is conducted. In general, it leads to more conceptually precise translated instruments, and, in so doing, addresses issues central to cross-cultural research such as bias, equivalence, and validity.

*References are available on request.*

# Local Versus International Brands: Different Routes to Success?

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*Timo Mandler, University of Hamburg*

**Keywords:** local brands, international brands, brand image, consumer-based brand equity

**Description:** Analysis of consumers' brand image perceptions of local and international brands and their relationships to consumer-based brand equity measures.

## EXTENDED ABSTRACT

### Research Question

This paper investigates (1) how local and international brands differ in terms of brand image perceptions, and (2) how these perceptual differences relate to consumer-based brand equity measures (i.e., brand esteem and brand relevance) and brand usage.

### Method and Data

We use a multi-national, cross-sectional dataset from Young & Rubicam's Brand Asset Valuator (BAV), one of the world's largest proprietary databases of brand perceptions, which monitors more than 40 brand image attributes (e.g., high quality, fun, trustworthy, innovative, traditional) for the food and beverage category in two countries (Germany and UK). We employ multi-group exploratory structural equation modeling (ESEM) to (a) identify the prevalent brand image dimensions and (b) link these image dimensions to consumer-based brand equity measures.

### Summary of Findings

Our results suggest that local and international brands can be compared along eight shared brand image dimensions (e.g., value, innovativeness, classiness, or groundedness). However, these image dimensions are not identical across countries, i.e., consumers perceive local and international brands slightly differently in Germany and the UK. The results from

each country reveal that perceptions of a brand's value are the major driving force of CBBE. Interestingly, even though much of the assumed advantage of global brands centers on the status and prestige associated with global reach, perceptions of classiness negatively affect CBBE in both countries. By contrast, innovativeness is positively related to brand esteem and relevance in Germany, but negatively related to the same outcome variables in the UK. Overall, our model estimations reveal a range of meaningful similarities and differences between local and international brands on the one hand, and countries on the other hand.

### Key Contributions

Our contributions to global branding literature are twofold. From a theoretical standpoint, we confirm and extend common brand image dimensions of local and international brands. We further show that even though local and international brands do not necessarily differ in terms of consumer-based brand equity (CBBE), the equity accrues from different sources (i.e., brand image dimensions). From a methodological standpoint, we employ a novel analytical approach (i.e., ESEM) to analyze the extensive set of brand image perceptions (48 individual items) we have available.

*References are available on request.*

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# Antecedents of Perceived Brand Globalness and Moderated Effects on Brand Quality and Prestige

*Yi Peng, University of Alabama*

## ABSTRACT

The authors demonstrate how to accurately define globalness. Specifically, whether the number of markets and the development of markets influence consumers' perceptions of the brand's globalness. The authors also propose the moderating roles of additional variables between PBG and brand quality/prestige.

**Keywords:** *perceived brand globalness, brand origin, consumer origin, product category*

**Description:** *We propose that the level at which the brand is perceived global can be accurately detected, and we also propose the moderating roles of additional three variables between PBG and brand quality/prestige.*

## Introduction

Within the globalized world markets, companies in emerging markets advertise their brands as global symbols and concentrate effort on the development of global brands. Global brands have worldwide availability (Özsomer and Altaras 2008) and have the same brand names with consistent positioning strategies in target markets (Yip and Hult 2012). In multinational marketplace, globalization can help corporations yield economies of scale and scope (Schuiling and Kapferer 2004), and speed up the development of a new brand to enter market (Neff 1999).

Recently, researchers study global brand in the consumers' perceptions that the brand is marketed in multiple countries (Alden et al. 1999). Steenkamp et al. (2003) define perceived brand globalness (PBG) as the extent to which consumers perceive the brand is sold in multiple global markets. Academic and practitioners maintain that PBG positively influences brand quality and brand prestige (Holt et al. 2004). These global brand advantages are especially evident among emerging country consumers, who associate global brands with the aspirated lifestyles of consumers in the advanced world (Batra et al. 2000) and view these brands as a pathway to becoming a citizen of the global community (Strizhakova et al. 2008).

Although brand managers of multinational corporations in emerging markets try to strengthen perceived brand equity

by positioning their brands as global (Gammon et al. 2011), only 4 of the top 100 best global brands are from developing countries (INTERBRAND 2006). It is difficult for many consumers to spontaneously recall a global brand by an emerging market company (Kumar and Steenkamp 2013). The question is should the brand managers in emerging markets target developed countries or developing countries in order to strengthen consumers' perceptions that the brands are sold all over the world? If brand managers plan to position the brand as global, should the number of countries in which the brands are marketed influence the consumers' perceptions? Although brand managers can use global symbols (i.e. brand name, spokesperson, symbols) to demonstrate that their brands have a global mark (Alden et al. 1999), the subjective perception of consumers is more important. However, very limited guidelines are available for managers in emerging markets to increase the perception that consumers have on their brands globalness.

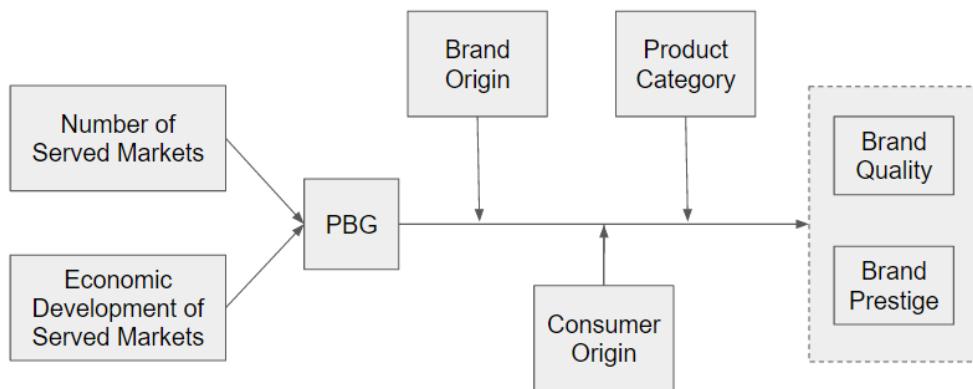
Antecedents, related constructs, and consequences have not yet been subjected to in-depth investigations. In fulfilling the research gaps in the area of PBG, we contribute to the literature by developing a theoretical framework illustrated in Figure 1 that highlights the antecedents and conditions under which PBG influences brand quality and prestige. Specifically, this article supplements prior explanations in literature with two significant antecedents: the roles of (1) economic

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**Figure 1.** Conceptual Framework of PBG



development of served markets, (2) the number of served countries. Also, based on the study of consumers from emerging and developed countries, our research adds to the extant literature by proving that brand origin, consumer origin, and product category moderate the effect of PBG on brand quality and prestige.

## Theoretical Foundations

We draw from subitizing to conceptualize the decision-making process of consumers using products' external information. When facing small sets of objects, consumers can apprehend the numerosity accurately with a specialized numerical process. However, empirical experiments suggest that consumers can optimally process a maximum of only six alternatives (Bettman 1979; Wright 1975), and they apply simplifying information-processing strategies when the number of alternatives exceeds six (Bettman 1979; Olshavsky and Granbois 1979). Thus, we use subitizing to conceptualize the subjective judging process of consumers, who might recognize the number of served markets without actually counting. Consumers then will conclude the extent of globalness based on the number of served markets. It is these subjective perceptions that determine whether the brand can benefit from consumers viewing it as global (Xie et al. 2015). Therefore, we use subitizing to measure the antecedent effect of the number of served markets on PBG.

Prior research has commonly used signaling theory for explaining consumers' brand evaluation and brand choice (Erdem and Swait 2004; Erdem and Swait 1998). Due to information asymmetry, consumers cannot evaluate the perceived quality of the global brands only based on exterior features, because the global brands are usually new to them (Connelly et al. 2011). Therefore, they perceive uncertainty in buying brands from foreign countries. Brands can be

served as credible and consistent signals of perceived product quality (Erdem and Swait 1998; Montgomery and Wernefelt 1992). Brands as signals improve consumers' perceptions and increase confidence in brands' advertisements' claims.

## Conceptual Framework and Propositions

### Number of Served Markets and PBG

Subitizing was first coined by Kaufman, Lord, Reese, and Volkmann (1949) to describe the individual's feeling of immediately knowing how many items lie within the visual scene. Individuals have finite limits to process information during any given unit of time (Jacoby 1984; Malhotra 1982). If consumers are provided with a systematically varied amount of product information regarding the number of brand attributes, they can only make accurate numerosity response within the subitizing range (Mandler and Shebo 1982). A small number of things are discriminated in one way and larger numbers are discriminated in another way (Kauffman and Raimy 1949). While scholars have different ideas about where the point of discontinuity lay, the point of threshold value does exist.

Global brands have the characteristics of wide availability and geographical reach (Dimofte et al. 2008), thus highlighting the perception of wide availability nationally as the key component of brand globalness (Davvetas and Diamantopoulos 2016). Steenkamp et al. (2003) assert that the brand benefits from consumer perceptions that it is global—a perception that can be formed only if consumers believe the brand is marketed in multiple countries and is recognized as global in these countries. However, at what point do consumers perceive globalness on the number of countries?

Alternatively, how many served markets consumers will consider multiple?

We draw from subitizing to conceptualize the extent of consumers' perception of the brand's globalness based on the number of served markets. From the perspective of quantitative way, the capability of the consumer is very limited (Miller 1956). In the process of decision making, consumers experience information loading breakdown if the task complexity has been varied regarding the number of alternatives and the number of attributes (Olshavsky and Granbois 1979; Payne 1976). Consumers then use the subitization to immediately apprehend small numbers. We argue that when the brand is sold in an extremely small number of countries, for the sake of fast judgment, consumers do not actually count the exact number but subitize and draw a conclusion that the brand is not global.

Global brand is characterized by high-actual reach and availability (Dimofte et al. 2010). Brands cannot be widely purchased are not truly global (Nijssen and Douglas 2011). Without other exterior information, consumers may conclude the extent of the brand's globalness based on the number of the brand's served markets. Along with the number of served markets grows, the perception of globalness will increase simultaneously. However, the perception will stay stable when the number of served markets reaches a discontinuity point. Based on the consideration above, we assume that:

P<sub>1</sub>: The trend of perception is a logistic growth, the growth rate of globalness perception decreases as the number of served markets reaches carrying capacity.

#### **Economic Development of Served Markets and PBG**

Developed countries constitute more than 80 percent of world GDP and world trade (Kumar and Steenkamp 2013). Popular lists of top best global brands demonstrate that 96% of all the leading global brands originate from the developed world (INTERBRAND 2006). Many such brands (e.g. Coca-Cola, Mercedes) that have achieved enviable market positions all over the world are exclusively from the economically developed countries (Kumar and Steenkamp 2013). Thus, it is common for consumers to have the stereotype that developed countries have more chance to have global brands than emerging countries do.

Signaling theory suggests that consumers use information cues to infer the attribute of a product and to reduce perceived risk (Connelly et al. 2011; Erdem and Swait 1998). The economic development of a country is an important quality signal. Earlier studies have found that products quality variation is greater in underdeveloped countries than

in developed countries (Akerlof 1970), thus economic developing countries were related to a lower quality image (Nes et al. 1993). Firms that export a large proportion of output to developed countries need to meet the strict ISO requirements (Christmann and Taylor 2001). Most ISO certified facilities are located in developed countries (ISO world, 1999). Thus, consumers may presume those brands that are available in developed countries with higher quality and therefore qualified to be sold all over the world are global brands.

A brand from emerging countries may assert or imply its globalness through marketing strategies that emphasize the availability of the brand in developed countries. Brand availability in developed countries is a distinct brand attribute that is weighted in the consumer-based brand evaluation process. When a brand promotes itself as being sold in developed countries, the economic development of the country image may serve as a signal that can fundamentally affect consumers' perceptions of product attributes, improves consumer perceptions about brand attribute levels and then increase confidence in brands' globalness. Thus, we expect that:

P<sub>2</sub>: the perception of consumers about the brand globalness is stronger when the brand is marketed in economically developed countries

#### **Moderating Role of Brand Origin**

Motivated by the admiration of the lifestyles in developed countries, consumers assess brand's quality and prestige variably according to the economic development of the country; brand originate from developed or Western countries can be very favorable (atra et al. 2000). There may be a hierarchy of perceived risk having an inverse relationship with economic development (Hampton 1977). Wang and Lamb (1983) find that consumers are more receptive to products from developed countries, less receptive to products from developing countries.

Consumers in emerging countries care about the brand origin for symbolic reasons and consider brands from developed countries higher prestige. Although it is mentioned anecdotally that brand origin moderates the effect of PBG on brand quality and prestige, empirical evidence is not available. To test the considerations above, we offer the following proposal:

P<sub>3</sub>: The positive effect of PBG on brand quality and prestige is weaker when the brand originates from a developing country.

### ***Moderating Role of Cultural-Free Product Category***

We introduce the construct of culture-bound product and define it as those emphasize the intermingling of cultural traditions and ways of local life. Cultural-bound products exhibit traditionally shared consciousness and rituals and have a sense of moral responsibility (Muniz and O'guinn 2001). Brands that possess culture meanings consistent with consumers' identities are preferred (Alden et al. 2006; Zhang and Khare 2009) since consumers seek identification with a belongingness with a certain cultural life.

Cultural-free then is defined as standardized, non-culture-bound. Cultural-free products are characterized by fairly homogenous and share the same meanings, ways of life, and unifying values. Throughout the twentieth century, culture-embedded products are gradually being replaced by more depersonalized and mass-produced culture-free products. A culture-free category such as global high-tech products are marketed as a signal of technical advancement, stability, safety, and they have quality related aspects that strengthen consumers' confidence in the brand's ability to deliver on its promise.

With regard to product-category effects, the impact of positive dispositions on consumer behavior is likely to differ across product categories (Cleveland et al. 2016). Global brands are associated with status, modernity, cosmopolitan and technology, whereas local brands are associated with local culture values (Özsomer 2012). Furthermore, multi-national companies adjust to the segments which require separate treatment because of institutional or customer differences. The standardization of the marketing programs is lower in the culture-bound category than in the culture-free category (Ozsomer et al. 1991). Under the standard management, global brand in the culture-free category is expected to be perceived to have higher quality and prestige than in culture-bound category. Thus:

P<sub>4</sub>: The positive effect of PBG on brand quality and prestige is stronger when the product is culture-free vs. culture-bound.

### ***Moderating Role of Consumer Origin***

Global brands have stronger value to consumers from emerging countries compared with developed countries (Strizhakova et al. 2008). Consumers from developed countries tend to evaluate own country products more favorably than those of other countries mainly due to the perception that domestic products as being of higher quality (Jaffe and Martinez 1995; Lillis and Narayana 1974; Nagashima 1970; Ozretic-Dosen et al. 2007). For example, Morganosky and Lazarde (1987) suggest that consumers in developed coun-

tries find the quality of imported clothing brands was found to be significantly lower.

The reverse has been observed in consumers in developing countries, who consider products from developed countries as superior (Chryssochoidis et al. 2007). Consumers from emerging countries often seek to emulate the apparently glamorous western consumption practices and lifestyles and purchase the brands they are exposed to. A negative home-country bias exists for products marketed in emerging countries (Tan and Farley 1987), where market evolution lags behind the general industrial development and consumers are less aware of local products, while they are more exposed to messages about foreign products (Papadopoulos et al. 1990).

The surging economic development of emerging countries caused the economic transition, income disparities and status mobility (Belk 1988; Kottak 1990), which magnify the tendency to show status through the brands one consumes (Luckmann and Berger 1964). When consumers originate from countries that have lower confidence and esteem, they have a desire to imitate foreign products and people (atra et al. 2000). They see the brand as determining a desirability for symbolic, status-enhancing reasons, in addition to suggesting overall quality. Thus, we expect that:

P<sub>5</sub>: The positive effect of PBG on brand quality and prestige is stronger when evaluated by consumers from a developing vs. consumers from developed countries.

## **Discussion**

### ***Theoretical Implications***

Our extended model tests the antecedents and moderated effects on brand quality and prestige. We suggest a more accurate measurement of the PBG construct in research: the number of served markets and the economic development of served markets. We expect that the subjective perception of consumers is the main factor that influences their judgment of brand globalness. Our research also expects that brand origin is positively associated with PBG and brand equity and could be profitably highlighted in brand positioning and advertising strategies (Papadopoulos et al. 2011). Such strategy is particularly successful in emerging countries, where consumers perceive brands sold in developed countries more superior. Consumers in emerging countries perceive global brands from developed countries higher quality and prestige. Products that enjoy high scale economics and are not highly culture-bound are easier to market globally than others (Quelch and Hoff 1993).

## **Managerial Implications**

Our study provides recommendations for brand managers, especially from emerging markets, with the market selection, market assessment, and positioning strategies. Considering that brand managers who target markets across multiple cultures are challenged with coordination of resources and strategies to enter broad global markets (Dimofte et al. 2008), they should target at appropriate countries and help consumers form the perception of the brand globalness. In internationalization efforts, global brand managers from emerging markets need to assess which markets are attractive to be the priority.

Brand managers should realize that PBG is a quality signal for consumers because consumers assume that brands that are successfully accepted by lots of countries should have high quality and high prestige (Holt et al. 2004; Özsomer 2012; Steenkamp et al. 2003). A brand that has been served in many developed countries may strengthen the perception of globalness. Furthermore, when consumers are uncertain about product equity, brand managers might use the developed economic of the served markets to inform consumers about product positions.

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# Perceptions and Effects of Cross-National Corporate Reputation: The Role of Hofstede's Cultural Value Approach

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**Keywords:** corporate reputation, national culture, cross-cultural marketing, multilevel structural equation modelling.

**Description:** This study addresses the impact of each cultural dimension of Hofstede's approach on consumers' corporate reputation (CR) perceptions of multinational corporations (MNCs) and its effect on the CR-consumer loyalty relationship across nations.

## EXTENDED ABSTRACT

### Research Question

National culture is a common set of values that describes a society as a whole and is expressed within a nation through similar values and beliefs (e.g., de Mooij, 2013). The approach of Hofstede (1980) is by far most often used to explain international differences in consumer behavior (e.g., Jin et al., 2008). We therefore theoretically and empirically address the relative importance of Hofstede's five main cultural value dimensions power distance (PD), uncertainty avoidance (UA), individualism (IDV), masculinity (MAS), and long-term orientation (LTO).

Focusing on CR is crucial because it is important for product brands, of strategic importance for MNCs, and a CEO responsibility. Scholars have shown strong effects of CR on consumer behavior (e.g., Swoboda et al., 2016). However, only a few scholars have analyzed CR internationally and link CR effect differences only to selected Hofstede cultural dimensions (e.g., Falkenreck and Wagner, 2010). Also CR perceptions are mainly nationally studied (e.g., Ali et al., 2015). By integrating signaling theory and each Hofstede dimension, we ask the following research questions: whether and how do the dimensions of the most important cultural approach in marketing explain different consumers' CR perceptions and CR effect on consumer loyalty across nations?

### Method and Data

We conceptualize the five major Hofstede cultural value dimensions (country level) as antecedents of CR perceptions and moderators of CR effects on loyalty (individual level). Our data derive from a cooperation with a German MNC that consistently endorses the corporate brand. We used the most recent data for 37 countries surveyed in 2012. Quota sampling according to gender and age distribution was implemented. After outlier diagnostics, 26,897 respondents regarding the focal MNC remained. The data were normally distributed.

Regarding individual-level measurements, we relied on established scales from previous studies (using five-point Likert-type scales). CR was measured by 15 items that captured the five dimensions developed by Walsh and Beatty (2007); Walsh et al. (2009). Loyalty was measured as intentional loyalty with three adapted items (Oliver, 1999). Country-level measurements of the national cultural value dimensions were based on the most recent available data (Hofstede et al. 2010).

We controlled for age, gender, and the number of respondents per country. We satisfactorily checked model fit statistics, multilevel measurement invariance, common method variance, and unobserved heterogeneity. We used multilevel SEM to test the hypotheses using Mplus 7.4. For each cul-

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tural dimension, a separate multilevel model was computed and used for hypothesis testing.

## Summary of Findings

Individual CR perceptions and effects are strongly attributable to national culture; however, the explanatory power of cultural dimensions differs between CR perceptions and effects.

CR perceptions across nations are important indicators for differences in MNC positioning, which in turn are strongly linked to national culture. CR perceptions are stronger in countries that score high on PD and MAS and weaker in countries that score high on IDV. By contrast, we did not find support for the effects of LTO or UA, which supports the findings of Falkenreck and Wagner (2010) but contradicts the findings of Deephouse et al. (2016). PD and IDV explain particularly high levels of country-level variance (31.7% and 41.7%, respectively).

Concerning CR effects on loyalty, the relationship is reinforced in countries with high UA, PD, and MAS. IDV has a diminishing effect on the CR-loyalty relationship. MAS, IDV, UA and PD explain high levels (23.1% to 46.2%) of country-level variance. The insignificant role of LTO may be related to the focus of this dimension on a society's own past and future (e.g., Bearden et al., 2006).

Regarding cultural value research in marketing, we infer that Hofstede's five-dimension approach explains more variance than each dimension individually.

## Key Contributions

We make valuable contributions to the literature.

First, this study contributes to cultural values research in marketing. Although various Hofstede dimensions have been acknowledged, all dimensions have seldom been analyzed in a study. Most scholars seem to assume no (theoretical) relationship between the cultural dimensions. By contrast, we argue that CR perceptions and effects cannot be separated. In particular, we conclude that marketing scholars who consider one cultural dimension in their research (e.g., UA is considered by Bartikowski et al., 2011) do not measure the entire network of cultural relationships and fail to explain country-level variance. The results of this study show the relative importance of Hofstede's dimensions. Theoretically, we develop the applicability of signaling theory (Spence, 1973) in cross-cultural research by combining it with the reasoning of Hofstede's (1980, 2001) value dimensions.

Second, we provide novel insights into culturally affected CR perception and effect differences across nations. Analyzing perceptions and effects is of paramount importance because a poor reputation can harm local positioning and intended reputational effects on consumer responses to MNCs. Following the results of this study, MNCs learn which dimensions are core antecedents of CR and core moderators of CR effects on loyalty.

*References are available on request.*

# A Comparison of National Cultural Value Approaches for Corporate Reputation Perceptions

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**Keywords:** corporate reputation, national culture, cultural value approaches, multilevel SEM

**Description:** This study addresses the important but often neglected differences in national cultural value approaches in research on consumer behavior by comparing the roles of the four major approaches for consumers' perception of corporate reputation (CR) across nations: Hofstede, Schwartz, the GLOBE study, and Inglehart.

## EXTENDED ABSTRACT

### Research Question

Culture is one of the most-observed context variables in international marketing, and MNCs are highly aware of the importance of countries' cultural differences. Scholars primarily use either Hofstede's (1980) descriptive approach or one of its dimensions to explain cultural differences in consumer behavior across nations. Although it is the most-criticized approach (e.g., McSweeney 2013), scholars seldom use alternative approaches such as those suggested by Schwartz (1994), the GLOBE study (House et al. 2004) or Inglehart (1997) (e.g., Jin et al. 2008).

Scholars have often studied perceived CR and its effects on behavioral outcomes (e.g., loyalty; Walsh et al. 2009a). Nationally, scholars primarily focus on CR antecedents (e.g., Ali et al. 2015; Basdeo et al. 2006). Internationally, CR perception differences are addressed only by Falkenreck and Wagner (2010), Ali et al. (2015), and Deephouse et al. (2016). Finally, research on CR across nations is rare and there is no consensus on how to analyze culture.

Therefore, based on signaling theory, we aim to advance the literature by analyzing whether and how the most important cultural value approaches—i.e., Hofstede (1980), Schwartz (1994), the GLOBE study (House et al. 2004) and Inglehart

(1997)—explain different consumers' CR perceptions across nations.

### Method and Data

We conceptualize the four national cultural value approaches (country level) as antecedents of different CR perceptions (individual level) across nations. We developed a sample in cooperation with a German MNC whose central CR unit conducts annual customer surveys in up to 40 countries. Quota sampling according to the age and gender distribution was applied. After outlier analysis, 21,278 respondents remained for the 29 countries surveyed in 2011. The data was normally distributed.

We measured CR as a second-order construct at the individual level using established five-point Likert-type scale with 15 items reflecting five first-order CR dimensions (Walsh and Beatty 2007; Walsh et al. 2009). Country-level measurement of the national value approaches was based on the most recent available data (Hofstede et al. 2010; House et al. 2004; WVS 1984-2014; Shalom H. Schwartz).

We controlled for age, gender, and brand familiarity (individual level) and for MNC's country experience (country level). Tests for model fit statistics and multilevel measurement invariance were satisfactory. The multilevel structural equation modeling approach is reasonable, because of the

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existing nested data structure and the fact that 21.8% of the variation in CR is attributed to country differences. For hypotheses testing, we use Mplus 7.4.

## **Summary of Findings**

This study provides new theoretical rationales by making signaling theory applicable to cross-cultural research for the role of national culture as an antecedent of CR perceptions. For MNCs, this study indicates that culture strongly affects consumers' CR perceptions across nations and identifies the most important cultural value approach and particular dimensions.

The approaches explain different levels of variance in CR perceptions: Hofstede (77.3%), Schwartz (63.6%), GLOBE (59.1%), and Inglehart (36.4%). Each approach explains more variance than each respective dimension. Cultural value dimensions within each approach show varying explanatory power. Hofstede: Individualism explains most of the country variation in CR (59.1%), followed by power distance (54.5%), masculinity (13.6%) and indulgence (4.5%), whereas uncertainty avoidance and long-term orientation do not explain any variation. Schwartz: Intellectual autonomy and hierarchy explain the most variance (40.9% each), followed by egalitarianism (36.4%), embeddedness and affective autonomy (each 31.8%), mastery (22.7%), and harmony (9.1%). GLOBE: Collectivism II (45.5%) explains the most variance. Uncertainty avoidance, power distance, and future orientation explain 27.3%, 22.7% and 18.2%, respectively. Collectivism I and performance orientation account for 4.5% each, and gender egalitarianism, assertiveness and human orientation

account each for 0.0%. Inglehart: Traditional values explain 31.8% and survival values 22.7% of the variance.

## **Key Contributions**

We address important but often neglected differences in cultural value approaches—i.e., Hofstede (1980), Schwartz (1994), the GLOBE study (House et al. 2004) and Inglehart (1997)—by theoretically and empirically comparing their relevance to consumers' perceptions of CR. These major approaches have not been systematically analyzed in an empirical study. In doing so, we respond to call to move beyond Hofstede to draw a broader picture of national culture (e.g., Søndergaard 1994). Theoretically, we incorporate the reasoning of the signaling theory (Spence 1973) and the respective cultural-value approach, providing rationales for corresponding hypotheses. Through multilevel structural equation modeling (MSEM), we distinguish explained variance at the individual and country levels and show the relative importance of national cultural dimensions and approaches.

We identify starting points for centrally managed reputation, such as the determination of higher CR budgets and the definition of related targets for subsidiaries in countries with major diminishing cultural dimensions (i.e., Hofstede's individualism, Schwartz's individual/affective autonomy and egalitarianism), or the adjustment of CR budgets and the maximization of the CR's payoffs in countries with opposite, reinforcing role of culture.

*References are available on request.*

# Disloyalty Syndrome Among Chinese Consumers: A Historical Perspective

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**Keywords:** *disloyalty syndrome, perception of business and businessmen, Chinese consumers*

**Description:** *this research deals with the historical reasons that Chinese consumers are not loyal to brands or businesses.*

## EXTENDED ABSTRACT

### Research Question

This article intends to explore the reasons behind the widespread disloyalty syndrome among Chinese consumers and propose a new model that can assist international marketers to cope with the syndrome and improve consumer loyalty. Specifically, this research attempts to explain from a historical perspective why Chinese consumers change brands frequently and are not interested in a long-term self-brand relationship.

### Method and Data

The research consists of two qualitative studies. Study 1 deals with five focus groups studies involving different age groups to understand disloyalty syndrome among Chinese consumers. Study 2, based on historical documents regarding business and business people, explores the influence of governmental policies on the attitude of the public toward business and business people.

### Summary of Findings

The findings confirm that Chinese consumers distrust business and businessmen and they have low respect for business and business people which explain why they are loyal only to a brand or company if they find the brand or com-

pany trustworthy and respectful. From a historical perspective, the root of consumer distrust and low respect for business and businessmen lies in the cultivation of long-term restrictive and discriminatory governmental policies against business organizations and business people.

### Key Contributions

This research is the first one dealing with the causes of disloyalty among Chinese consumers. Examining the root of disloyalty from a historical perspective, the findings enrich our understanding of consumer disloyalty. Methodologically, our research illustrates the importance of using the historical documents as data to extract valuable information that can provide insights into consumer behavior. This research suggests that while many popular marketing strategies can be effective in luring Chinese consumers to a brand for a short period of time, the most effective ones are those that can directly improve consumer respect for the brand or firm that owes the brand. Also, building consumer trust may help a company gain the first purchase in China, but consumer loyalty can only be achieved through building consumer respect.

*References are available on request.*

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# Risk, Uncertainty, and Consumption: Consumer Motivations in Emerging Markets

*Gregory Kivenzor, University of Connecticut*

**Keywords:** cross-cultural research, emerging markets, luxury consumption, consumer purchasing decision making

**Description:** The paper analyzes behavior of consumers in emerging markets and cultural influence on their risk perception and purchasing decision making.

## EXTENDED ABSTRACT

### Research Question

Consumer culture theory developed in and for more stable Western economies does not sufficiently explain the dynamics of consumption preferences and stark contradictions between the insatiable pursuit of luxury and limited income in EMs. These subjects are in need of further conceptual and empirical research to help marketers understand and predict consumer behavior. The present conceptual study aims at building a bridge across the research gap by analyzing the conflict between the compulsory and hedonic motivations of luxury consumption and revealing the critical role of social group subcultures as dominant factors affecting the purchasing decision-making process of individual consumers in EMs. A better understanding of these factors should equip marketing practitioners with the knowledge much needed to develop sound marketing strategies.

### Theoretical Background and Contribution to the New Conceptual Development

The present study contributes to the body of research on consumer behavior in EMs by offering an explanation of antecedents and consequences of consumption choice in social environments affected by the cultural transformation. First, we analyze the effect of emotional stress induced by the social transition on consumer value orientation. Second, we review the process of social migration in EMs and the dynamics of intrapersonal psychology in the light of the prevailing cultural norms in desired social groups. Third, we examine cultural transformation in EMs at the societal and group level as a factor motivating hedonic consumption.

Fourth, we suggest the probabilistic model explaining the phenomenon of burgeoning luxury consumption in EMs resulting from the consumer volitional and compulsory choices. Finally, we formulate research propositions and discuss the directions of the future research.

To attain the stated research objectives, we review and integrate findings from marketing theory, sociology, behavioral economics, and cultural psychology to establish the connection between cultural transformation and changes in individual consumer self-construals under emotional stress induced by the transition. From this analysis, we derive the model, helping explain consumption patterns in EMs at the present time and predict them for the future.

### Summary of Findings

We posit that, to resolve this discord, each EM consumer has to find a psychological balance between volitional and compulsory factors stemming from the subjective valuation of the future hedonic pleasure of the desired group membership and imminent pain associated with excessive luxury expenditures. To analyze the aforementioned imbalance and consumer decision preferences, we suggest a new model of the subjective expected utility of luxury consumption SEU(L), a probabilistic model which mathematically describes perceived potential benefits of social acceptance and assumed consequences of rejection by the target social group.

The conceptual framework based on the probabilistic model describing the rol of SEU(L) provides a basis of the realistic

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interpretation of the registered, but poorly explained phenomenon of the spiking demand of luxuries in the EMs. Deriving from the analysis above, we can outline the shifting cultural norms and extensive social migration as the primary antecedents of luxury consumption while hedonic motivation becomes a secondary factor coming into play mostly upon acceptance by the desired social group.

### **Key Contributions and Directions of Future Research**

This study contributes to the body of marketing theory by researching the cultural meaning of consumption choice in EMs where access to luxury products and premium services equates to high social status and bears a greater value in contrast to that in developed economies. Intertwining socio-psychological concepts with economic theories and cultural research, we highlighted the contradictory character of consumer psychology in EMs caused by social migration and cultural transition.

The suggested conceptual framework bridges theory with managerial implications helping marketing managers develop more effective strategies promoting luxury and premium goods and services in EMs. Such strategies and associated tactics in advertising and positioning of luxuries should focus not only on the features and characteristics of products but rather on cultural norms of social groups and aspirations of their members.

Future research should include the characterization of the dominant types of cultures associated with social groups and linking them to the respective levels of luxury consumption by the current group members. The model describing the subjective expected utility of luxury can be then used to estimate the key factors motivating aspiring group members to splurge on luxury goods and services and predict their consumption preferences.

*References are available on request.*

# The Effects of Entrepreneurial Innovation and Institutional Support on Export Performance: Evidence from Emerging Market Firms

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**Keywords:** entrepreneurial innovation, institutional support, export performance, emerging market firms

**Description:** This study provides a theoretical framework to explain how entrepreneurial innovation and institutional support play their differentiated roles in influencing export performance of emerging market firms.

## EXTENDED ABSTRACT

### Research Questions

- Whether there is a significant relationship between entrepreneurial innovation and export performance among emerging market firms?
- Whether a curvilinear relationship exists between institutional support and export performance among emerging market firms?
- Whether institutional support plays an important role in moderating the relationship between entrepreneurial innovation and export performance among emerging market firms?

### Method and Data

We used secondary data and employed GLS random-effects models to test our hypotheses. We assembled a unique dataset for empirically testing our theoretical model by merging the following two data sources: the Database of Industrial Enterprises released by the National Bureau of Statistics of China (NBSC), and China Taxation Yearbook (2006–2008).

### Summary of Findings

The findings suggest that while entrepreneurial innovation is positively associated with export performance, institutional

support influences export performance in a curvilinear manner: too much or too little institutional support is adversely related to export performance. We also find that the relationship between entrepreneurial innovation and export performance is negatively moderated by institutional support.

### Key Contributions

First, we examine a relatively understudied innovation-related antecedent to export performance. We adopt the actual innovation outcome, rather than R&D spending or innovation activities that have been heavily investigated in previous studies, to investigate the effect of entrepreneurial innovation on firm export performance. By doing so, our findings help gain a direct and deeper understanding of why emerging market exporters have great incentives to experiment and expand business into the international market, and how engaging in entrepreneurial innovations helps them minimize the negative impact of the institutional and market constraints in their home markets.

Second, we contribute to the literature by finding the nonlinear inverted U-shaped effect of institutional support on export performance of emerging market firms, which refines our understanding of the role of institutional support, show-

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ing that institutional support can only boost export performance to a certain point. Insight into this question will shed more light on the degree to which institutional support would do more harm than good to emerging market firms' export performance.

Third, we provide the evidence that the relationship between entrepreneurial innovation and export performance is less

pronounced when there is an increase in the level of institutional support, which is conducive to reconciling the controversial findings on the innovation-export performance link.

*References are available on request.*

# Social Responsibility, BOP Consumers, and the Admiration of Economically Developed Countries

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**Keywords:** *social responsibility, BOP consumers, economic development, consumer psychology*

## EXTENDED ABSTRACT

### Research Question

In BOP markets, how does the admiration of economically developed countries affect the success of CSR strategies from developed country firms?

### Method and Data

To collect data, a survey questionnaire was created which included a CSR manipulation, as well as measures for AEDC (Batra et al. 2000), attitudes toward the firm, and WOM intention (Wang, Jain, Cheng, and Aung 2012). The survey was administered to students at the University of Antananarivo, the University of Toamasina, ISCAM (a business school in Antananarivo), and the Alliance Francaise in Toamasina. The questionnaire was administered through paper surveys. This method gained 142 initial respondents, and a final sample of 125 usable responses after eliminating cases with missing data.

### Summary of Findings

Two one-way ANOVAs tested the differences in attitudes toward the firm and WOM intentions between BOP consumers with high and those with low AEDC when exposed to the CSR manipulation. The first ANOVA showed that the effect of AEDC on attitudes toward the firm was significant,  $F(1, 123) = 20.21, p = .001$ . The second ANOVA showed that the effect of AEDC on WOM intention was significant,  $F(1, 123) = 6.45, p = .05$ . In both analyses, the means for “high AEDC” group were higher than those of the “low AEDC group.”

### Key Contributions

This paper provides strategic implications in several ways. First, the results corroborate the perspective that CSR strategies can be utilized to gain legitimacy in host countries. Although the idea that CSR increases legitimacy has been previously stated (e.g. Campbell et al. 2012; Castelló and Lozano 2011); this current research not only theoretically corroborates this stance, but also provides empirical evidence of the practical benefits of gaining legitimacy with consumers. Thus, this paper further supports CSR as a tool to add to a firm’s arsenal of legitimacy-seeking strategies. Second, this paper suggests that managers should consider the importance of consumer stakeholders in the legitimacy-based institutional environment. By employing CSR strategies, firms could positively influence WOM intentions and attitudes toward the firm. Finally, this research provides managers with guidance on how to effectively implement strategies in BOP markets. Specifically, the results show that when implementing CSR strategies, levels of AEDC should be considered. Specifically, international marketing managers may utilize this insight to segment consumers into “high AEDC” and “low AEDC” within BOP markets. The ability to segment consumers with this construct would allow managers to better target BOP consumer segments that are more likely to positively perceive CSR strategies.

*References are available on request.*

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# How Strategic Orientations Predict Business Growth in Global Versus Local B2B Markets?

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**Keywords:** *market orientation, entrepreneurial orientation, brand orientation, business growth*

**Description:** *The study examines the impact of market orientation, entrepreneurial orientation, and brand orientation on business growth, measured in terms of turnover growth and EBIT margin growth, and analyses if these effects vary between global and local B2B markets.*

## EXTENDED ABSTRACT

### Research Question

The present study examines the impact of market orientation, entrepreneurial orientation, and brand orientation on business growth, and analyses if these effects vary between global and local markets. So far, the understanding of whether business performance in global and local markets is related to the same strategic orientations has been limited. This question is, however, highly relevant, given the fact that “international marketplaces potentially are very different from domestic markets, and the international marketing context brings new variables into consideration that may affect how useful strategic orientations are” (Cadogan 2012, p. 341). Moreover, while earlier research evinces that each of these strategic orientations affects business performance, only few papers study these performance effects simultaneously by including multiple orientations in their models (Laukkanen et al. 2013). Understanding these simultaneous performance effects is important: emphasizing one strategic orientation at the expense of others may cause companies to perform worse than if they had built upon multiple orientations (Grinstein 2008). Addressing these limitations in the extant literature, the present study provides both academic researchers and business practitioners with insights into the performance effects of strategic orientations both globally and locally.

### Method and Data

The authors derived the measurement scales for market orientation, entrepreneurial orientation, and brand orientation from earlier research literature. As for company performance, the authors used objective performance data from companies’ official annual financial reports, utilizing two single item metrics for measuring 1) *turnover growth* and 2) *EBIT margin growth*. In order to collect the research data, the authors collaborated with an Italian public research institute that provided access to a large commercial company database. The authors sent an email request to complete an online questionnaire to all limited liability companies having a valid email address in the database. The survey resulted in 456 effective responses from Italian B2B companies. For the purpose of using objective performance data, the authors matched these responses with a commercial database with detailed financial information for public and private companies across Europe. After removing the respondents not listed in the database, the final dataset included 377 responses. The data divides evenly between global ( $N = 202$ ; 53.6%) and local companies ( $N = 175$ ; 46.4%) companies. The data analysis began with confirmatory factory analysis that allowed the authors to analyze the validity of the latent research constructs. The authors further examined discriminant validity following Fornell and Larcker (1981).

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## **Summary of Findings**

The authors classified the companies as either *growing* or *declining* in relation to both turnover and EBIT margin. Next, the authors calculated factor scores for each strategic orientation and used them as predictors in four logistic regression models: (1) Growth in turnover [1] vs. decline in turnover [0] among global companies; (2) Growth in EBIT margin [1] vs. decline in EBIT margin [0] among global companies; (3) Growth in turnover [1] vs. decline in turnover [0] among local companies; (4) Growth in EBIT margin [1] vs. decline in EBIT margin [0] among local companies. The analysis followed the forward conditional method and controlled the effects of firm age, the number of employees, and product type (service vs. product). The results indicate that Model 2 is the only model with statistically significant predictors, showing that market orientation has a significant positive effect on EBIT margin growth for B2B companies operating in global markets. The odds ratios demonstrate that one unit change in market orientation factor score increases the odds of a company being growing by 1.335. On the other hand, the results show that brand orientation and entrepreneurial orientation have no impact on business growth.

## **Key Contributions**

The present study offers interesting and even surprising insights, as it reports that market orientation contributes to

EBIT margin growth, but has no impact on turnover growth. In addition, the effect is significant among globally operating B2B companies, but not among companies operating in local markets. The results further indicate that neither entrepreneurial orientation nor brand orientation affects business growth. The finding that market orientation affects EBIT margin growth may find its explanation from the fact that globally operating companies often face greater complexity and uncertainty than companies operating locally. Consequently, globally operating B2B companies can benefit from building on a market-oriented philosophy, as this strategic *modus operandi* helps them to be more effective in relation to acting upon customers' current and future needs, competitors' strategies and actions as well as the broader business environment (Morgan et al. 2009). As to entrepreneurial orientation and brand orientation, these strategic orientations may not contribute to growth due to their emphasis towards risky endeavors and protecting the brand against constantly changing market trends (respectively). For example, regarding entrepreneurial orientation, the fact that globally operating companies deal with different markets and countries means that constant risk-taking and exploration require lots of resources.

*References are available on request.*

# Entrepreneurial Orientation in MNCs: Antecedents and Outcomes

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*Hui Xu, Nankai University*

**Keywords:** *multinational corporations, entrepreneurial orientation, innovation*

**Description:** *This study explores antecedents and outcomes of entrepreneurial orientation in the context of multinational corporations.*

## EXTENDED ABSTRACT

### Research Questions

- What is the effect of entrepreneurial orientation on MNCs' financial performance?
- Do all types of MNCs benefit similarly from adopting an entrepreneurial orientation?
- What are the factors that influence the formation of entrepreneurial orientation in MNCs?

### Method and Data

We collected primary data using a cross-sectional mail survey of multinational corporations (MNCs) in manufacturing industries. We targeted 434 MNCs for the study that were obtained from Dun & Bradstreet Information Services and were based on three selection criteria. First, the MNCs had to be based in the United States, although their parent companies could be based in elsewhere. Second, the MNCs had to have at least 200 employees. Third, total annual sales of the MNCs had to total at least \$20 million. Overall, we received 126 completed questionnaires for MNCs, for an effective response rate of 29.1 percent.

We conducted a two-stage approach to analyzing the data and testing the proposed research hypotheses: a confirmatory factor analysis (CFA) followed by a structural path analysis. We found that the CFA model fits the data well. All factor loadings are positive and significant. Discriminant validity is also present by comparing a two-factor CFA

model with a one-factor CFA model, for every pair of factors. In the second stage, we performed a path analysis to assess the proposed model. We found that the path model fits the data well and the results support most of our hypotheses.

### Summary of Findings

Our findings indicate that in general, the positive effect of EO on MNCs' financial performance is marginally significant. However, the positive relationship between EO and financial performance is significantly stronger for MNCs with low international experience than for those with high international experience. So there is a significant negative moderating effect of international experience on the positive relationship between EO and MNCs' financial performance. We also find that MNCs' EO is positively influenced by subsidiary cooperation and technology flexibility, and negatively influenced by centralization of decision making in MNCs.

### Key Contributions

The contribution of this study is threefold. First, we extend the EO research in the context of large MNCs. Most prior studies of EO in an international context focus on born-global or small and medium-sized enterprises (SMEs). Very few has investigated EO in large MNCs. Second, we advance the understanding of EO's boundary effect on different types of MNCs. Specifically, we found that MNC's international experience weakens the relationship between EO and MNCs'

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performance. This finding represents a step forward in understanding the mixed empirical evidence regarding the relationship between EO and MNCs' performance. Third, we demonstrate the importance of organizational factors in the development of EO in MNCs. Most prior research treats EO as a firm level trait that is stable over time rather than a strate-

gic orientation shaped by certain organizational variables. Focusing on the effects of organizational characteristics on the formation of EO, we contribute to the existing knowledge of antecedents in EO research.

*References are available on request.*

# From International Joint Ventures to Wholly Owned Subsidiaries: The Roles of Resource Structure and Competition

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**Keywords:** *International joint venture, acquisition, resource structure, trust, and learning race*

**Description:** *Acquiring the partner's equity has been an option for international joint ventures (IJVs) to expand their business. This research examines how the resource configuration of an IJV influences one partner's decision to further acquire the venture.*

## EXTENDED ABSTRACT

### Research Question

Acquiring an international joint venture (IJV) has become a popular strategy for foreign firms to fully own resources in a local market. Scholars have found that firms who acquire IJVs generate more financial benefits than counterparts who keep IJVs (Chang, Chung, and Moon 2013). Accordingly, scholars and practitioners must wonder in what conditions a foreign firm should acquire its IJV. Therefore, the research question is “what factors facilitate or inhibit IJV acquisition?”

### Method and Data

We collected data from IJVs in China through survey. All scales are adapted from the existing studies. Eventually, we obtained 124 usable surveys out of a total of 269 questionnaires. We constructed the econometric model to test our hypotheses.

### Summary of Findings

The findings suggest that the total commitment and resource complementarity impact the acquisition negatively and posi-

tively, respectively. Even though commitment asymmetry has no significant effect on the acquisition, learning race strengthens the positive effect of commitment asymmetry on the acquisition. Furthermore, we also find that both trust and learning race weaken the positive relationship between resource complementarity and acquisition.

### Key Contributions

This study makes three contributions to the literature. First, to our knowledge, it is the first study to examine the effects of resource structure on the IJV acquisition. Second, this study examines the effects from the competition perspective. Third, this research adds knowledge into the literature about IJV governance change.

*References are available on request.*

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# **“Subtle or Salient”? Examining Mainstream Consumers’ Attitudes Toward Ethnic-Targeting Services with Different Cultural Salience Levels**

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**Keywords:** *mainstream consumer, attitude, ethnic-targeting service, ethnic cultural salience level*

**Description:** *This research examines mainstream consumers’ attitudes toward ethnic-targeting services containing different salience levels of ethnic cultural factors.*

## **EXTENDED ABSTRACT**

### **Research Questions**

The populations in many countries are becoming increasingly ethnically diversified. To take advantage of the business opportunities emerging as a result of this demographic trend, many businesses have begun to provide services targeting ethnic consumers. This research examines mainstream consumers’ attitudes toward ethnic-targeting services. Specifically, by applying social identity theory (Tajfel and Turner 1986) and intergroup contact theory (Allport 1979), we intend to answer three research questions: What attitudes will mainstream consumers show toward services containing subtle or salient ethничal cultural factors? Do individual difference variables, such as Cosmopolitanism (COS), Consumer Ethnocentrism (CE), and National Identity Strength (NI), affect their attitudes? And will mainstream consumers living in ethnically homogeneous (e.g., rural areas in the Midwest in the U.S.) and heterogeneous areas (e.g., metropolitan cities in the U.S.) show different attitudes toward ethnic-targeting services?

### **Method and Data**

A 4 (salience levels of ethnic cultural factors: no vs. subtle vs. salient vs. more salient)  $\times$  2 (consumers’ living areas: ethnically heterogeneous vs. ethnically homogeneous) between-subject experiment design was used in this

research. Participants included 45 students (51.1% women) from a large university in the East Coast region in the U.S. and 134 members of a national online panel (61.2% women), residing all over the U.S. Participants were measured with attitudes toward services containing different salience levels of Chinese cultural factors, along with their levels of COS (Cleveland et al., 2014), CE (Shimp and Sharma, 1987), NI (Berry et al., 2006), China country image, demographics, and a manipulation check question. All the variables revealed good reliability, and convergent and discriminant validity values.

### **Summary of Findings**

We obtained three findings. Firstly, mainstream consumers show more positive attitudes toward service containing subtle cultural factors than toward services containing more salient cultural factors, but their attitudes toward any other two types of services are similar. Secondly, none of COS, CE, NI, and China country image affects attitude in the no- and subtle- ethnic cultural factor conditions. However, China country image positively affects attitude in the salient ethnic cultural condition, and COS positively affects attitude in the more salient ethnic cultural condition. Finally, mainstream consumers in ethnically homogeneous and heterogeneous areas show similar attitude patterns.

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## **Key Contributions**

This research contributes to the academic literature and to marketing managers in several ways. Our theoretical contributions include: first, our research is the first study in examining mainstream consumers' attitudes toward ethnic-targeting services with different cultural salience levels; second, our findings indicate that social identity theory is applicable only to a certain extent in the research questions we examined and other factors should also play a role; third, whereas previous research has examined the effects of COS on consumers' reactions toward foreign products or services, our research identifies that it also predicts consumers' attitudes toward domestic services (with foreign flavors), thus extending the boundary of the predictive

power of this construct; fourth, though the three ethnic services we examined are provided by the same business and targeting the same ethnic customers, different variables affect mainstream customers' attitudes toward each of them. Our managerial contributions include: first, when designing services targeting ethnic consumers, managers should consider the salience levels of ethnic cultural factors because mainstream consumers will react toward them differently; second, managers should consider the home country image of an ethnic group for which they provide a service because it is expected to affect mainstream consumers' attitudes.

*References are available on request.*

# Other-Consumer Ethnocentrism: Examining Consumers' Perceptions of Other Consumers in Intercultural Service Encounters

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**Keywords:** *ethnocentrism, intercultural service encounters, collective narcissism, services*

**Description:** *This paper reports the results of a cross sectional survey examining the ethnocentric preferences for consumption environments.*

## EXTENDED ABSTRACT

### Research Question

What influences consumers' ethnocentric tendencies for consumption environments?

### Method and Data

Data were collected using a cross sectional survey from Qatar.

### Summary of Findings

We propose a construct called other-consumer ethnocentrism (OCE), which is defined as local residents' preference for consumption environments patronized by the local population versus foreign residents. A model of the antecedents of OCE was developed and tested using structural equation modelling. We distinguish in the model between OCE when a person is considering going out alone (i.e. IOCE) and OCE when a person is going out with family (i.e., FOCE).

According to our findings, OCE is driven by out-group comfort and in-group comfort, and that out-group comfort is influenced by (a) perceived cultural similarity and (b) intergroup threats. The influences of in-group comfort, out-group comfort, and intergroup threats on IOCE vary based on the level of collective narcissism.

### Key Contributions

We conceptualize a concept which we refer to as other-consumer ethnocentrism and develop a measure for it. We also test the antecedents of other-consumer ethnocentrism.

*References are available on request.*

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# The Indirect Influences of Cultural Values and Personality Traits on Customer Satisfaction Through Product Beliefs: The Case of Power Distance and Extraversion

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**Keywords:** *culture, personality, customer satisfaction, power distance, extraversion*

## EXTENDED ABSTRACT

### Research Question

Globalization and the growing availability of personal information through social networks have raised the importance for companies to adapt their marketing strategy to countries and consumer segments where they do business. In order to satisfy consumers successfully in different countries and consumer segments, firms need to understand and adapt to targeted consumers' cultural values and personality traits. The marketing literature has established such knowledge through separate analysis of the direct influences of cultural values and personality traits on customer satisfaction, but there is an absence of studies analyzing their simultaneous influences on customer satisfaction. Moreover, while the literature has demonstrated a salient role of product beliefs in the formation of customer satisfaction, no studies have explored whether and how product beliefs mediate the effects of cultural values and personality traits on customer satisfaction. Addressing these research gaps, this study seeks to answer the following research questions. Do personality (extraversion) and culture (power distance) have simultaneous effects on affective and cognitive customer satisfaction? Are these effects mediated by product beliefs?

### Method and Data

Our study presents a conceptual model and original set of hypotheses. To test these hypotheses, we developed a ques-

tionnaire for a consumer survey measuring consumer attitudes and intentions regarding mobile phones. To test the generalizability of the results across national boundaries, we collected survey data from over 2000 consumers in Bolivia, Sri Lanka, and Japan. In all three countries, the multi-item scales of our survey fulfill the basic criteria for convergent and discriminant validity. As the method for testing our hypotheses, we used structural equation modelling.

### Summary of Findings

For the context of mobile phones, the results consistently confirm across countries (Bolivia, Sri Lanka, and Japan) that power distance negatively and extraversion positively influences both affective and cognitive customer satisfaction and that these effects are mediated by hedonic and utilitarian beliefs. In all three countries, the structural model fulfills the basic criteria for goodness of fit.

### Key Contributions

Our study contributes to a new theoretical understanding of the indirect influences of culture and personality on (affective/cognitive) customer satisfaction, which are mediated by (hedonic/utilitarian) product beliefs. The findings emphasize the importance of adapting marketing strategy to both cultural values and personality traits.

*References are available on request.*

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# Part H

## Innovations and New Product Development

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# Showing All Your Cards to Win: Development Activity Information Sharing and Its Impact on Product Adoption

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**Keywords:** continuous innovation, product development activities, signaling, adoption, information-asymmetry, cue diagnosticity

**Description:** This research explores the effect of sharing information on ongoing product development activities on the adoption of the current version of the product.

## EXTENDED ABSTRACT

### Research Question

Firms vary in the degree of information about product development they make available to users before the product is offered for purchase. Such variances are more pronounced in the case of firms offering continuous improvement products. We define continuous improvement products as products whose features, functions, and capabilities can be improved by the firm offering the product after its initial introduction and purchase by customers. For example, in 2016 Tesla (in)famously added self-driving capabilities to its Model S through a software update. Continuously improved products, such as software, mobile applications, and Internet-of-Things technology, are rapidly becoming the norm. This growth trend is expected to accelerate as the distinction between goods and services narrows with each passing year (Vargo and Lusch 2004) and as firms increasingly focus on creating products that are goods embedded with services. In this context we explore the question: does sharing information on continued development activity help or hurt adoption of currently available versions of the product, and if so, under what conditions? More specifically, does such information convey to the user that the developer has conducted due diligence on the currently available version of the product or that the product needs further development before it can be adopted? Moreover, we also explore how third party signals such as online user generated content (OUGC) moderates the effect of development information sharing on product adoption.

### Method and Data

To answer these questions, we analyze longitudinal data from an open source software platform (sourceforge.net). Product adoption is measured by the number of downloads. Development information sharing is measured by the number of activities announced. OUGC is measured by the number of customer posts on forums.

We regress the number of downloads on the number of development activities announced (initiation and completion together and then separately), the number of forum posts, their interaction, and control variables. The endogeneity problems caused by the product specific terms and the error terms are eliminated by the method suggested by Arellano and Bond (1991) using lags as instruments. Two-step system generalized method-of-moments is used to maximize the efficiency of the estimations. The results of Hansen and Difference-in-Hansen tests indicate that all the instrument sets and subsets are valid. The results of Arellano-Bond tests indicate that the estimations do not suffer from serial correlation.

### Summary of Findings

After the effect of new versions released has been controlled for, the total number of product-development activities (both initiation and completion) announced has a positive impact on the number of downloads. This positive effect suggests a signaling effect because product improvement can only be

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realized when new versions are released, not when development activities are announced.

The results show a negative interaction between OUGC and product-development activities announced in their influence on product adoption. According to Basuroy et al. (2006), when the effect of default-independent information on product adoption reduces in the presence of independent third-party information, it is a signaling effect. Therefore, the negative moderating effect of OUGC further confirms the signaling nature of the effect of continued development activities announced on the adoption of the current version of the product.

We further find that after controlling for the effect of new version released and other factors, an increase in either the number of development activities completed or the number of development activities initiated drives more downloads.

## **Key Contributions**

This research makes several contributions. First, we believe this is the only research to date that uses real-world longitudinal behavioral data to empirically show that sharing information on ongoing product-development activities reduces

information asymmetry and has a positive effect on the adoption of the current version of the product. Second, this research shows that this effect of information about product-development activities on the adoption of the currently available version of the product is likely a signaling effect because it is attenuated in the presence of third-party and other more credible information such as OUGC. The signal sent to the user is likely a signal of commitment to the continued development of the product. Finally, this study illustrates that two-step GMM estimation, as suggested by Arellano and Bond (1991), is an appropriate method for analyzing dynamic panel data with endogeneity.

Usually, users do not know whether and what developers are working on, so they do not know if they should commit to a product. From a managerial standpoint, the results from this research suggest that managers should share product-development activity information that is irreversible and credible, and that can function as a high-scope cue. Our results suggest that such information can reduce the information-asymmetry problem in a meaningful way and signal their commitment to the continued development of the product.

*References are available on request.*

# The Interplay of Innovation Models from a Marketing Perspective

*Fu-Mei Chuang, Rennes School of Business*

**Keywords:** *product innovation model, high technology firms, emerging market learning, structural equation modeling*

## EXTENDED ABSTRACT

This study contributes to gaps in the theoretical and empirical literature, by developing and testing a “product innovation” model from marketing learning perspective. This study contends that market orientation is a form of adaptive learning whereby information is generated from an organization’s environment, which is, in turn, distributed and interpreted by the actors within the organization and, finally, an organizational response is executed. The hypotheses were tested using data generated from a survey

of Chinese High Technology Ventures. This study finds interesting patterns of significant relationships between market learning and product innovation model. This study developed multi-item scales for the study constructs and followed a multistage process to assess construct validity via confirmatory factor analysis (CFA) with maximum-likelihood estimation in AMOS.

*References are available on request.*

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# Knowledge Absorption Platforms of International Knowledge Acquisition on the MNE's Product Innovativeness

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**Keywords:** *dynamic capabilities, product innovativeness, resource-based theory, international knowledge acquisition and transfer*

## EXTENDED ABSTRACT

### Research Question

Overseas tacit knowledge is a fundamental source for Multi-national Enterprises' (MNEs) product innovativeness. Accordingly, the capability of MNEs' product innovation increasingly depends on their ability to acquire tacit knowledge from overseas subsidiaries. However, valuable knowledge is typically tacit attribute that generally embedded in overseas subsidiaries and difficult to acquire. This study asks the question of why and how knowledge absorption platforms influence international knowledge acquisition on MNEs' product innovativeness.

### Method and Data

The study collected data from Taiwan-based multinational enterprises that comprise of headquarters and subsidiaries. Overseas subsidiaries are sources of their own host countries and MNEs in Taiwan serve as recipients to assess the overseas tacit knowledge contributed to product innovativeness. Surveys were distributed to the firm's executives working in research and development, marketing, and manufacturing

areas. The company contacts called each company to find one informant well-informed about their company's product innovation process. The company contacts were asked to deliver the survey to the most senior managers who were able to reply.

### Summary of Findings

This study finds three practices of knowledge absorption platforms as potential enhancements of the MNE's capability to convert overseas tacit knowledge into product innovativeness.

### Key Contributions

By using resource-based theory and absorptive capacity to frame knowledge absorption platforms as dynamic capabilities, we build a model that enables the continued interaction between the knowledge resources gained from overseas subsidiaries and the focal MNEs' product innovativeness.

*References are available on request.*

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# Innovation Orientation and NPD Success: The Mediating Role of Team Information Processing

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**Keywords:** innovation orientation, NPD performance, team information processing

## EXTENDED ABSTRACT

### Research Question

One of the key factors to assure the survival of a firm is its capacity to create and develop new ideas and products in order to cope with customer's needs. Due to the globalization of the market and the systematic change of technology, the successful development of new products shall determine the success of the firm. Therefore, innovation and creativity are required for new product development (NPD) to enable firms in building a strong competitive advantage and provide more business opportunities. However, the previous studies' findings related to the influence of innovation and creativity on new product success remain inconclusive. One of the arguments suggests that there should have been some mediators to mediate the influence of innovation-orientation on NPD performance which have been neglected in the current literature. Due to its importance, this study proposes team information processing as an important mediator between innovation-orientation and NPD performance.

### Method and Data

In this study, data were collected from 156 NPD team members of high-tech firms and other industries who are committed to develop new products in Taiwan and further analyzed by the Partial Least Squares (PLS) approach. These types of firms are inclined to engage in intense product innovation, thus, it can be assured that they have developed NPD projects. In order to identify proper participants from the selected firms, this study employed the following stages. First, this study called up the marketing and R&D managers as key informants. Then, these R&D managers are asked to identify one NPD team including its team members to become the

respondents. In order to ensure the cooperation of the respondents, a personalized, university-addressed letter with requests for their participation was sent from researcher to Human Resources Manager as contact person. Each letter consists of four questionnaires for the NPD members. Human Resources Managers were asked to transfer the questionnaires to 2–4 of their team members. Furthermore, some follow-up telephone calls were performed. Respondent anonymity and complete confidentiality were ensured. Team members were chosen, because they are expected to possess knowledge related to the research constructs.

### Summary of Findings

The principal aim of this study is to examine and recognize the mediator variable which may influence on the relationship between innovation-orientation and NPD performance. Firstly, innovation-orientation strategy, innovation-orientation structures/processes, innovation-orientation H&R practices, innovation-orientation culture, and innovation-orientation leadership are three important dimensions to configure innovation-orientation within the organization. These research findings are in line with previous studies (e.g. Siguaw et al., 2006; Stock and Zacharias, 2011). Innovation-orientation does not have any significant influences on NPD performance. These results are in line with previous scholars who argued that it is not enough for the organizations to merely possess innovation-orientation, some mechanisms are needed (Zhang and Zhu, 2015; Zhou et al., 2005). Talke et al. (2011) stated that market newness and technology newness of new product are two mediators of the aforementioned relationship. Furthermore, they assert that organi-

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zations should focus in a more proactive innovation-orientation which put the latent customers' needs in the center for the decision-making regarding the strategic planning. Secondly, team information processing has positive impacts on NPD performance. The mediation mechanism has significant impacts on NPD performance. Moreover, this mediation mechanism fully mediate the influences of innovation-orientation on NPD performance.

### **Key Contributions**

This study represents an important starting point for scholars to employ innovation-orientation as the organizational learning structure which may benefit NPD performance through team information processing. Moreover, this study contributes to the strategic research by examining the way that organizations may implement an innovation-orientation strategy. In addition, this study shed some lights through the

implementation of a more complete team information processing definition which extends the understanding of the learning process with some socio-cognitive perspectives to NPD context.

Managers should encourage team members to pay attention on the current information and regularly review the procedures and the environmental changes which may contain unique information in order to assure an effective information processing. Specifically, managers should create some activities and mechanism which allow NPD teams to experiment new procedures and ideas in order to break down the pre-established models. Through these experiments, managers may promote the adoption of the new information in order to internalize it as a part of the team memory.

*References are available on request.*

# Extrinsic Rewards, Intrinsic Motivation, and New Product Development Performance

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**Keywords:** rewards, motivation, new product development, teams, creativity

## EXTENDED ABSTRACT

New product development (NPD) is the lifeblood of organizations and plays a crucial role in sustainable company performance (Rubera and Kirca, 2012; Gatignon, Gotteland, and Haon, 2016). NPD is inherently a creative process because innovative products are more likely to lead to new product success (Sethi, Smith, and Park, 2001; Hauser, Tellis, and Griffin, 2006; Burroughs et al, 2011;).

Empirical evidence, largely based on experiments, suggests that extrinsic rewards should thwart the intrinsic motivation required for creativity to thrive (Deci, Koestner, and Ryan, 1999; Eisenberger and Shanock, 2003). However, many of these researchers have failed to distinguish between the effects of different kinds of extrinsic rewards. Stajkovic and Luthans (1997; 2001) note that this distinction is critical because the different kinds of extrinsic rewards vary in:

- the immediacy of their benefit (i.e., outcome utility), which can be immediate (i.e., explicit) or deferred (i.e., implicit);
- the amount of information they offer in the form of positive task feedback; and
- how controlling they are perceived to be.

## Research Question

Self-Determination Theory (e.g., Deci, 1971; 1972; Deci and Ryan, 1985; 2000) suggests that based on these characteristics of the (extrinsic) rewards, they are likely to affect

intrinsic motivation differently, which would consequently have varying effects on the performance of NPD teams. Hence a better and more nuanced understanding of the effect of extrinsic rewards, on intrinsic motivation, and subsequently NPD performance is warranted. The objective of this study is to distinguish between different types of extrinsic rewards, and examine how each type affects intrinsic motivation and subsequently performance in NPD teams.

To our knowledge, this is the first empirical investigation based on field data to examine the effect of different types of extrinsic rewards on NPD performance through intrinsic motivation of the team. Specifically, we examine the following research questions:

- How do different *types of extrinsic rewards* (i.e. financial, recognition, and social) affect intrinsic motivation on the NPD team?
- How do *NPD team characteristics* (i.e., functional diversity), and *NPD project characteristics* (i.e. project complexity, project length) moderate the relationships between extrinsic rewards types and intrinsic motivation of NPD teams?
- How does intrinsic motivation on the NPD team in turn affect *NPD product creativity* (i.e. degree of innovation, product quality), and *NPD process efficiency* (i.e. speed to market, adherence to budget and schedule)?

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## **Method and Data**

We conducted over 37 hours of in-depth qualitative field interviews with 57 individuals involved in the NPD process, who represented 26 NPD teams from nine Fortune 1000 firms from the high-tech industry. Qualitative data were used to develop deeper insights into the theoretical model, and develop and refine measures for constructs unavailable in the literature. Six of these nine organizations were also involved in the second phase of this study, in which we administered two rounds of surveys.

Where ever possible established scales were used to measure the constructs in this study. New measures were developed for extrinsic reward constructs (i.e. financial, recognition, social) based on the field interviews, and were extensively pretested using field data and expert opinion. Following procedures outlined by Churchill (1979) and Gerbing and Anderson (1988), we validated the reflective scales developed in this study. All scales displayed satisfactory psychometric properties.

We empirically tested our hypotheses with data collected from surveys distributed to 246 members of 65 NPD teams in six organizations. Given their nested nature, data were analyzed, and hypotheses were tested using 2-Level hierarchical linear models (HLM; Raudenbush and Bryk, 2002; Aguinis, Gottfredson, and Culpepper, 2013).

## **Summary of Findings**

Financial rewards were found to have a negative relationship with intrinsic motivation ( $Y = -.38; p \leq .01$ ) however, as projects become more complex, this effect is attenuated ( $Y = .28; p \leq .05$ ). Thus, both H1 and H2 find support. Recognition rewards had a positive relationship with intrinsic motivation ( $Y = .23; p \leq .05$ ), providing support for H3. However, we did not find any evidence that project length attenuates this relationship ( $Y = -.01; p = ns$ ), thus H4 fails to find support.

Social rewards had a positive relationship with intrinsic motivation ( $Y = .22; p \leq .01$ ), with this relationship becoming stronger as the functional diversity of the team increased ( $Y = .31; p \leq .01$ ). Thus, both H5 and H6 find support. Over-

all, the proposed model explains nearly 71% of the Level 1 variance in intrinsic motivation of the team. Finally, intrinsic motivation is positively related to product creativity as well as process efficiency, as evidenced by its positive relationship to: degree of innovation (H7:  $Y = .24; p \leq .01$ ), product quality (H8:  $Y = .24; p \leq .001$ ), speed to market (H9:  $Y = .22; p \leq .01$ ), and adherence to budget and schedule (H10:  $Y = .29; p \leq .001$ ). Overall, the proposed model explained 30% of the Level 1 variance in level of innovation, 45% in product quality, 17% in speed to market, and 14% in adherence to budget and schedule.

## **Key Contributions**

Although there is much theoretical support for the intrinsic motivation-creativity relationship (Amabile et al., 1996), field studies remain sparse (Anderson, Potocnik, and Zhou, 2014); particularly in the NPD literature (e.g. Dewett, 2007), which is surprising because creativity and innovation play an imperative role (Gatignon, Gotteland, and Haon, 2016).

Our study contributes to SDT by using field data to support our suggestion that different kinds of extrinsic rewards (based on their properties) activate differing perceptions of managerial actions and intentions, and thus impact growth needs, and consequently intrinsic motivation, differently.

Our research has practical implications as well. When developing reward structures, managers should incorporate rewards with an implicit outcome utility (e.g. recognition, social) to reduce perceived managerial control; this encourages NPD teams to develop their own goals, and regulate their own actions semi-autonomously (Stajkovic and Luthans, 1997; 2001; Gagne and Deci, 2005). Managers should consider project complexity when distributing financial rewards, because complex projects decrease social comparison, thus reducing the negative relationship between financial rewards and intrinsic motivation. Functional diversity is complementary to the use of social rewards, because greater managerial involvement will make social rewards more meaningful to diverse NPD teams.

*References are available on request.*

# Should Managers Be Scared of Their Emotions? Impact of Envy and Regret on Managerial Behavior

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**Keywords:** envy, regret, innovation, managerial behavior

**Description:** Consequences of envy and regret on managerial behavior.

## EXTENDED ABSTRACT

### Research Question

How do managers feel and act when the outcomes of their decisions are below their expectations and/or when their competitors make better decisions? Do emotions influence managers' strategic behavior? We study two most common emotions that drive managers' strategic behavior: *envy*; namely, an evoked sense of inferiority and a desire to attain comparable returns due to a rival's superior status; and *regret*, a feeling that one could have done better had different decisions were made.

Both envy and regret trigger counterfactual thinking; i.e., thoughts of what could have been had one made different choices. However, these emotions are also distinct: the outcome of someone else's choices could trigger envy, while regret may be driven by the outcome of one's own actions. Since these emotions foster upward counterfactual thoughts, they motivate to improve one's position or performance.

We study the separate and joint effects of envy and regret on managerial behavior. Building on Kitchell (1995) and Tellis et al.'s (2009) work, we study three innovation dispositions that impact managers' behavior, (namely risk-taking, aggressive, and analytical processing behaviors). We contribute to the literature by demonstrating that (1) these emotions can co-occur and (2) can jointly impact managerial behavior.

### Method and Data

A pilot study was conducted with undergraduate students enrolled in marketing courses at a university in Turkey. 157 participants were randomly assigned to one condition in a 2

(envy: benign vs. malicious)  $\times$  2 (regret: low vs. high) between-subject factorial design. All participants read a fictitious story about a marketing manager, Mark Granger of Company A. They were told that Company B was a competitor. Then, they read about Mark's unsuccessful new product launch, but Company B's successful new product launch. To avoid confounding effects, participants were informed that both products were technologically the same. To manipulate benign (malicious) envy, participants were told that Mark felt admiration (resentment) because his competitor deserved (did not deserve) the success. Perceived deservingness was also manipulated, a key dimension on which benign and malicious envy differ (Van de Ven et al. 2009; Van de Ven et al. 2012). In the high (low) regret conditions, participants were told that Mark intensely (slightly) regretted his previous decision regarding his new product launch strategy.

### Summary of Findings

We discuss the interaction effects (given no significant main effects), starting with risk-taking. In the low (/high) regret condition, maliciously envious participants were *more* (*/less*) risk-taking compared to benignly envious ones. In the benign envy condition, there were no significant differences in managers' risk-taking at high versus low regret levels. In the malicious envy condition, participants who felt high regret were *less* willing to take risks compared to those who felt low regret.

There were no significant differences in analytical behavior across regret levels in the malicious envy condition, and between envy-types in the high regret condition. In the low regret condition, maliciously envious participants engaged

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in *less* aggressive compared to benignly envious ones. In the benign envy condition, participants who felt more regret were *less* aggressive compared to those who felt less regret.

There were no significant differences in analytical behavior across regret levels in the benign envy condition, and between envy levels in the high regret condition. In the low regret condition, maliciously envious participants engaged in *more* analytical behavior compared to benignly envious ones. In the malicious envy condition, participants who felt more regret engaged in *less* analytical processing compared to those who felt less regret.

### **Key Contributions**

The goal of envy is to level the difference between the self and the envied other, while the goal of regret is to learn from previous unsuccessful decisions. This article contributes to the literature on emotion, competition and decision-making, highlighting the differential effects of envy and regret in isolation, and when the emotions co-occur.

This paper provides a step further to understanding how envy and regret impact managers' strategic behavior. The current research demonstrates that when managers feel maliciously envious, high regret seems to suppress managers' strategic behavior. More specifically, in the high regret condition, the maliciously envious are less risk-taking than the benignly envious, but no differences are observed in aggressive behavior or analytical processing. On the flip side, when they feel less regret and dissatisfaction with their previous performance, the maliciously envious tend to be more risk-taking and analytically inclined than the benignly envious, whereas the benignly envious tend to be more aggressive than the maliciously envious.

Studying the effect of these emotions on real-life decision-making would give us an understanding of how emotions, particularly those which are negatively-valenced, affect firm strategic behavior.

*References are available on request.*

# How to Successfully Compete in Dynamic Markets with Radical Innovation: The Role of Organizational Slack in Avoiding Adverse Product Reliability Outcomes

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**Keywords:** *radical innovation, new product development, product recalls, product reliability risks, empirical research*

## EXTENDED ABSTRACT

### Introduction

*“Truly innovative products are important engines of economic growth” –Sorescu et al. (2003)*

This statement highlights that firms’ organizational ability to innovate is a key determinant of their success when competing in global, dynamic markets. Accordingly, a large number of studies focused on exploring radical innovation (e.g., Sorescu et al., 2003; Gatignon and Xuereb, 1997).

However, there are still considerable limitations in research when it comes to understanding the risk side of radical innovation. Studies examining product reliability risks associated with radical innovations are surprisingly scarce (e.g., Story et al., 2015). Further limitations involve the lack of knowledge about organizational means to balance the benefits and risks of radical innovations. Our research is motivated by calls to explore these gaps (Kalaignanam et al., 2013; Mackelprang et al., 2015).

The objective of this research is thus to empirically investigate whether there is a negative relationship between radical innovation and product reliability and how firms may use organizational slack to mitigate product failures. For this purpose, we refer to organizational information processing theory (OIPT) (Galbraith, 1973, 1974; Daft and Lengel,

1986) which has already been applied successfully across a multitude of contexts in marketing research (e.g., Mackelprang et al., 2015; Nohria and Gulati, 1996).

This study makes three contributions: First, we contribute to OIPT and marketing research by integrating a risk perspective on firm innovativeness. To the best of our knowledge, we are the first to directly examine the association between radical technological product innovations and product reliability risk. Second, by applying OIPT to the emerging research on innovation risks, we extend it by integrating organizational slack as a moderator attenuating adverse product reliability outcomes of radical innovation. Third, we are among the first to empirically derive knowledge about the means that firms have at hand when introducing new products to competitive markets where uncertainty about product reliability is high.

### Conceptual Development and Hypotheses

Prior research has found that radical innovations are regularly built upon a substantial shift in core technologies (Chandy and Tellis, 1998). A higher degree of technological radicalness, however, implies at the same time a greater complexity. Such complexity usually comes along with an increase in potential failure modes (Jacobs and Swink, 2011; Mackelprang et al., 2015). Moreover, we argue that radical

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**Table 1. GEE models predicting incidence of product reliability risks<sup>a</sup>**

<b>Independent variables</b>	<b>DV is number of recalls (count)</b>		
	<b>(1)</b>	<b>(2)</b>	<b>(3)</b>
<b>Lagged recall activity</b>	0.611*** (0.0641)	0.545*** (0.0681)	0.670*** (0.0600)
<b>Company size</b>	0.954*** (0.167)	0.781*** (0.203)	0.752*** (0.206)
<b>Company capital intensity</b>	-0.158 (0.228)	-0.143 (0.221)	-0.118 (0.215)
<b>Company cash reserves</b>	-0.539*** (0.155)	-0.393** (0.190)	-0.352* (0.187)
<b>Previous new product experience</b>	0.000576 (0.103)	0.0714 (0.111)	0.110 (0.0961)
<b>Company past performance</b>	-0.112 (0.166)	-0.114 (0.154)	-0.0892 (0.136)
<b>Market turbulence</b>	-0.0213 (0.127)	-0.0705 (0.122)	-0.111 (0.126)
<b>Industry competitiveness</b>	-0.108 (0.148)	-0.113 (0.140)	-0.115 (0.137)
<b>Capacity slack</b>	-0.966** (0.439)	-0.913** (0.436)	-0.835** (0.419)
<b>Inventory slack</b>	-0.226 (0.171)	-0.304* (0.177)	-0.105 (0.202)
<b>Supply chain slack</b>	0.485*** (0.154)	0.577*** (0.173)	0.198 (0.258)
<b>Company R&amp;D intensity</b>		-0.622** (0.249)	-0.489** (0.231)
<b>Radical innovations</b>		2.541** (0.995)	3.337*** (0.940)
<b>Radical innovations<sup>^2</sup></b>		-2.275*** (0.821)	-2.928*** (0.778)
<b>Capacity slack x R&amp;D intensity</b>			0.421** (0.192)
<b>Inventory slack x R&amp;D intensity</b>			0.597* (0.316)
<b>Supply chain slack x R&amp;D intensity</b>			-1.148*** (0.439)
<b>Constant</b>	-2.832*** (0.363)	-2.828*** (0.381)	-2.811*** (0.343)
<b>Observations</b>	1,165	1,165	1,165
<b>Number of firms</b>	208	208	208
<b>Wald <math>\chi^2</math></b>	231.43***	248.09***	383.02***

a Robust standard errors in parentheses. Industry and year dummies included but not shown.

\*p<0.10; \*\*p<0.05; \*\*\*p<0.01; two-tailed tests.

innovations are making common mechanisms to handle uncertainty such as organizational routines and learning (cf. Chandy and Tellis, 2000; Henderson and Clark, 1990) obsolete as they cannot be developed by following the usual logic of repetition to efficiently manufacture and distribute products free of defects. Accordingly, we hypothesize:

*H1: Radical product innovations are positively related to product reliability risk.*

OIPT states that organizations have limited capabilities to plan and execute processes under uncertainty (Galbraith, 1973, 1974; Daft and Lengel, 1986). The new product development (NPD) process for radical innovations is a characteristic for a high degree of uncertainty (e.g., Sorescu and Spanjol, 2008). On the one hand, literature has found that companies oftentimes significantly invest in R&D for being able to develop radical innovations (Chen and Miller, 2007; Davies and Joglekar, 2013). On the other hand, OIPT suggests that organizations tend to build organizational slack in the form of buffer resources and capacities to increase their flexibility to react in situations of high uncertainty (Galbraith, 1974). Drawing on the findings from slack literature (e.g., Hendricks et al., 2009; Kovach et al., 2015), we find organizational slack to be likely to weaken adverse product reliability outcomes. Hence, firms with higher capacity slack may use excess production capacities to replace defective products. Moreover, firms with higher inventory slack may react more flexibly to product failures by using finished goods inventory to quickly provide for replacement units or parts for immediate repair in the course of the production process. Finally, more slack in the supply chain (e.g., redundant suppliers), is likely to attenuate the suggested negative impact of radical innovation on product reliability. Taken together, we hypothesize:

*H2a–c: Increased (a) capacity, (b) inventory, and (c) supply chain slack weaken product reliability risks in organizations with highly R&D-intensive organizational set-ups*

## **Method**

To test the hypotheses developed above, our study draws on two unique hand-collected secondary datasets for a seven-year period (2008–2014): To measure radical product innovation, we assembled and coded data from over 7,100 firm press releases. To assess the degree of radicalness of each innovation, we replicated the scale and coding methodology established by Chandy and Tellis (2000) using the average rating of three experts on two 9-point Likert scales for technology and customer benefits. Following prior research, we measured product reliability risk by referring to firms' product recall activity (e.g., Chen et al., 2009). We thus assembled a comprehensive database of product recalls for our sample firms which are under the jurisdiction of the U.S. Consumer Product Safety Commission. Finally, we merged data from COMPUSTAT to construct our slack measures and to control for product-, firm-, and industry-level effects.

## **Initial Results and Discussion**

Table 1 displays the initial results of our regression models. All models show significant Wald Chi-squared statistics. Based on model 2 with significant coefficients for radical innovation ( $\beta = 2.541, p < .05$ ) and radical innovation squared ( $\beta = -2.275, p < .01$ ), hypothesis 1 can be supported. Interestingly, the relationship is inverted U-shaped. As can be seen in model 3, the interaction terms for capacity ( $\beta = .421, p < .05$ ), inventory ( $\beta = .597, p < .10$ ), and supply chain slack ( $\beta = -1.148, p < .01$ ) are significant supporting hypotheses 2a–c. Our initial results consequently yield important theoretical and practical implications. First, OIPT and organizational slack seem to play an important role to successfully compete in competitive markets based on radical innovation. Second, plotting the interaction effects reveals that high capacity slack seems to be an adequate means to attenuate reliability failures in case of low R&D intensity. Contrarily, the same applies for inventory and supply chain slack in settings of high R&D intensity.

*References are available on request.*

# Paths to New Product Success: Exploring Impacts of Competitor and Alliance Orientations

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**Keywords:** competitor orientation, alliance orientation, NPD decision-making flexibility, knowledge creation, product program newness, product program meaningfulness

## EXTENDED ABSTRACT

### Research Questions

While strategic orientations reflect a firm's strategic directions to develop appropriate behaviors for achieving desirable performance, this research aims to investigate the respective roles of competitor and alliance orientations and further demonstrates how they influence new product success. Three main research questions are addressed in this study.

1. How do competitor orientation and alliance orientation create new product success?
2. What is the relationship between competitor and alliance orientation?
3. How do market turbulence and competitive intensity moderate the link between product program innovativeness and new product success?

### Method and Data

The primary data for our research came from electronics companies in Taiwan. Senior managers were designated as the key informants of this study, and a total of 141 usable questionnaires were obtained. In addition, among these 141 firms, this study was able to collect objective financial performance data, return on assets (ROA), for 109 respondent firms from secondary sources. Hypothesized model relationships were assessed employing path analysis.

### Summary of Findings

The model results provide support for our proposed mechanism behind the competitor and alliance orientations—new product success link. More specifically, the results suggest that NPD decision-making flexibility and knowledge creation fully mediate the relationship between competitor orientation and product program innovativeness, while alliance orientation influences product program innovativeness not only directly, but also indirectly through NPD decision-making flexibility and knowledge creation. Empirical results also indicate that product program newness and meaningfulness fully mediate the knowledge creation—new product success link, while NPD decision-making flexibility influences new product success not only directly but also indirectly through both product program newness and meaningfulness. In addition, the results suggest that the impact of product program meaningfulness on new product success is stronger in highly turbulent markets than in low turbulent markets, the impact of product program newness on new product success is stronger in low competition markets than in high competition markets. On the other hand, this study finds that competitor orientation is a prerequisite for improving alliance orientation.

### Key Contribution

This research contributes to the literature in several aspects. First, by using RBV as the theoretical foundation, this study

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contributes to the extent literature by illuminating the underlying mechanisms through which competitor and alliance orientations influence new product success in the context of NPD. Second, this research highlights the importance of the relationship between competitor and alliance orientations by empirically investigating the link and demonstrating the benefit of understanding a combined value. Third, this study

provides new insights into the relative importance of product program newness and product program meaningfulness in new product success under different circumstances. Finally, some specific managerial guidance in achieving effective NPD is further offered.

*References are available on request.*

# Idea Generation in Crowdsourcing Communities: The Impact of Exposure to Ideas Posted by Others

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**Keywords:** *crowdsourcing, idea exposure, idea generation, cognitive stimulation, social recognition*

**Description:** *This paper investigates the effect of exposing people to posted ideas that vary in terms of ratings and degree of novelty on the quantity and originality of subsequently generated ideas in a crowdsourcing context*

## EXTENDED ABSTRACT

### Research Question

Across a broad variety of industries, crowdsourcing has become a popular means for engaging consumers early in the process of developing new products. Similar to traditional brainstorming practices, idea generation in crowdsourcing communities is influenced by exposure to ideas generated by others. Cognitive psychology research has demonstrated positive effects of exposure to others' ideas on both the quantity and quality of subsequent ideas, due to their capacity to active knowledge in the person's long-term memory. Social psychology research has shown that people's tendency to seek social approval may lead to subsequent ideas that are similar to the popular ideas, potentially resulting in a less diverse pool of ideas. An important characteristic of crowdsourcing community is that members are often encouraged to provide instant feedback during the idea generation phase. Idea ratings basically signal the perceived quality or popularity of an idea and may thus influence the diversity and originality of subsequent ideas. Drawing on the brainstorming literature, this paper investigates the effect of exposing people to posted ideas that vary in terms of (aggregate) ratings and degree of novelty on the quantity and originality of subsequently generated ideas in a crowdsourcing context.

### Method and Data

Three studies have been conducted to test these hypotheses. The first study concerns an exploratory field study with data (i.e., ideas and ratings) obtained from an active online crowdsourcing platform, namely "My Starbucks Idea". The second

study, an in-class experiment, aimed at corroborating the findings of the first study by manipulating both the ratings and the novelty of ideas posted on a simulated crowdsourcing platform. It concerns a 2 (type of ideas: novel versus common)  $\times$  2 (ratings: high versus low) between-subjects design and a crowdsourcing community was simulated. 92 undergraduate students participated in return for course credit. In a follow-up experiment, using a more natural online setting, participants were exposed to a combination of novel ideas and common ideas for which only the ratings were manipulated. It involves a 2 (ratings of common ideas: low versus high)  $\times$  2 (ratings of novel ideas: low versus high) between-subjects experiment and 119 participants were recruited via an online research portal.

### Summary of Findings

Through three empirical studies, including one field study and two experiments, this paper shows that exposure to common ideas leads to a larger number of subsequent ideas than exposure to novel ideas, in particular when the community rated the posted common ideas highly, but it also results in subsequent ideas that are less original. However, when the posted ideas are rated poorly, the effects of cognitive stimulation on idea generation performance are weaker or even disappear. Results also show that the participants' tendency to generate ideas that are similar to highly-rated posted ideas, seeking social approval recognition, renders the effectiveness of exposure to poorly-rated ideas largely ineffective, as the knowledge activated by these ideas is likely to be discarded for the production of new ideas in working memory.

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## **Key Contributions**

This article contributes to the creative cognition literature by showing that social forces can influence the cognitive effects of knowledge activation on idea generation performance. Knowledge activation is often seen as an automatic and largely subconscious process. However, this article suggests that individuals do exert control over whether they use or dismiss the activated knowledge, based on the social approval of the stimulus ideas. Traditional brainstorming practices require withholding evaluative feedback during the idea generation process. Nevertheless, this article shows that whether evaluative feedback has a positive or negative impact on the originality of the subsequent ideas depends on the specific combination of idea ratings and idea novelty.

This paper also provides managerial implications for companies that seek to solicit ideas from customers via crowdsourcing communities. Companies could highlight certain ideas according to their goals. When companies seek useful solutions to problems in new product developments, a large pool of ideas may facilitate identifying promising ideas. In those sessions, highly-rated ideas should be positioned prominently in order to stimulate subsequent ideas. When the purpose is to attract consumers' attention, the emphasis of crowdsourcing should be placed on originality. As such, highly-rated novel ideas or poorly-rated common ideas should be featured.

*References are available on request.*

# Entrepreneurial Marketing for Small Business Ventures: Is Crowdfunding a Method of Financing Capital or Creating Customer Base?

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**Keywords:** *crowdfunding, small business ventures, entrepreneurial marketing, lending-based crowdfunding, equity-based crowdfunding*

**Description:** *This paper studies use of crowdfunding as a method of signaling quality and also creating customer base for small business ventures.*

## EXTENDED ABSTRACT

### Research Question

The use of different crowdfunding models for small business ventures can be interpreted as signals of two abilities (quality and demand). First it can signal quality of the project and founders' managerial capabilities. Secondly it can be interpreted as a signal of future demand for that small business venture.

Type of crowdfunding and share of crowd in required capital can be used by founders of small business ventures to reduce information asymmetry (between founders and investors) and to create a future customer base for that business.

The key objectives of this study are to understand how founders' choice of crowdfunding type (lending-based Vs. equity-based) and their decision about the share of required capital that is going to be financed through crowdfunding, can provide signals (to investors/contributors) about the quality of the project and potential future demand for that business.

### Method and Data

The method of collecting data to test the suggested model is through survey. Two questionnaires have been designed to test the proposed hypotheses and framework.

The first questionnaire has 25 items that measure the investors' judgement in interpreting success of different crowdfunding campaigns (SBVs with four different crowdfunding structures) with regard to future demand for those SBVs.

The second questionnaire has 25 items that measure the investors' interpretation of crowdfunding campaigns for SBVs as signals of quality of the project and its founders' managerial skills.

All respondents were also asked about their *willingness to contribute* to crowdfunding campaigns with different structures.

All questions of the survey are non-comparative with 7-point Likert scale answers. Structural equation modeling is being used to analyze the data and to test the hypotheses. Data is being collected currently, and findings are at preliminary stage. Final results will be presented at the conference.

### Summary of Findings

Research is in progress, but analysis of the preliminary results provides statistically significant support for the role of founders' share of required capital in signaling managerial quality, and project quality. Also share of the required capital

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that is financed through crowdfunding is found to be a statistically significant signal of future demand for SBV's offerings.

## **Key Contributions**

To the best of our knowledge this study is among the first attempts to examine role of different crowdfunding models in financing small businesses.

From theoretical point of view, this study shows the role of crowdfunding (as an innovative financing method for small businesses) in reducing information asymmetry and also in providing signals of potential market demand for SBVs.

Practical contributions of this study are of high value specially considering the new changes that happened in SEC

regulations (Since January 2016, SEC allows companies to offer and sell securities through crowdfunding). Crowdfunding is a new method of financing capital specially for entrepreneurs that do not have access to conventional early stage investors such as venture capitals and angel investors. The findings of this study will guide SBV startups in signaling their project quality, managerial capabilities and motivations to potential investors in a context where regular measures of credit are not available.

The results will also be helpful for policy makers in regulating equity-based crowdfunding as an emerging method of financing for small businesses.

*References are available on request.*

# Manufacturer's Optimal Marketing Decisions under Debt Financing When Lenders Can Trade Financial Derivatives

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*Shan-Yu Chou, National Taiwan University*

**Keywords:** *product line design, advertising, stock-out, debt financing, credit default swaps*

## EXTENDED ABSTRACT

### Research Question

This paper examines how debt financing and the trading of a special financial derivative called credit default swaps (CDS) may respectively impact a manufacturer's product-line design, advertising, pricing, and stock-out decisions.

### Key Contributions

Despite that most firms in the real world are financially leveraged and seek to maximize equity value, the existing marketing theory has mostly assumed profit-maximizing firms. The 2008 financial crisis indicates that debt financing can impact literally each and every firm facing demand or cost uncertainty, and a marketing theory that overlooks the effects of financial leverage on firm behavior and industry equilibrium can be seriously biased and flawed.

The existing research on the interface of finance and marketing is rather limited and has focused primarily on how changes in specific marketing elements such as advertising, customer satisfaction, and branding may affect shareholder value, equity offerings, or merger and acquisition activities; see for example Mizik and Jacobson (2007), Luo (2008), Kurt and Hulland, (2010) and Malshe and Agarwal (2015). How debt financing and the trading of financial derivatives may respectively impact marketing decisions remains largely unknown.

This article characterizes a manufacturer's optimal marketing decisions in a changing financial world where debt financing represents a major source of external funds and where innovative financial derivatives are constantly created and actively traded.

Our findings shed new lights into the accusation that marketing decisions may be value-destroying. For a borrowing firm, marketing decisions that maximize shareholder value may not maximize firm value, and vice versa. If a marketer insists on serving the best interest of all investors (including both shareholders and creditors) and choosing profit-maximizing strategies accordingly, his or her decisions may not increase shareholder value. Should the marketer be accused of any sort of wrong-doing?

### Summary of Findings

Since debt financing may involve a subsequent strategic default problem, a manufacturer that does not have enough retained earnings may fail to raise external funds at all. When the strategic default problem is not severe, so that debt financing is feasible, relative to its equity-financed counterpart, a borrowing manufacturer tends to choose lower quality for a low-end item and it tends to price the high-end item higher and low-end item lower, and it may trigger a stock-out for the low-end item in the low-demand state. The trading of CDS contracts raises the likelihood that a manufacturer may obtain debt financing. When debt financing is already feasible without CDS trading, the trading of CDS further enhances the distortions in marketing decisions caused by debt financing if the firm can only spend on informative advertising; but if the firm can only spend on persuasive advertising, the opposite may actually happen. The trading of CDS may help mitigate the under-spending on informative advertising caused by debt financing, but it sometimes leads to over-spending on persuasive advertising.

*References are available on request.*

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# Dynamic Pricing for New Products: Utility-Based Generalization of the Bass Diffusion Model

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## ABSTRACT

The Bass Model (BM) has an excellent track record in the realm of new product sales forecasting. However, its use for optimal dynamic pricing or advertising is relatively limited. This is because the Generalized Bass Model (GBM), which extends the BM to handle marketing variables, uses only percentage changes in marketing variables and not the actual values of the marketing variables. This restricts the normative use of the GBM, for example, to deriving the optimal price path for a new product, conditional on an assumed launch price, but not the launch price itself. In this paper, we propose a utility-based generalization of the BM which can yield normative prescriptions regarding both the introductory price, as well as the price path after launch, for the new product. We propose two versions of our proposed diffusion model, namely the *Bass-Gumbel Diffusion Model (BGDM)* and the *Bass-Logit Diffusion Model (BLDM)*. Using empirical data from four product categories, we show that our proposed diffusion models handily outperform the GBM and BM in forecasting new product sales both in sample and out of sample, with the *BLDM* outperforming the *BGDM*. We derive optimal pricing policies for a new product that are implied by the *BLDM* under various ranges of model parameters. We explain how managers can use our proposed diffusion model to derive optimal marketing policies in a computationally convenient manner without having to explicitly solve a dynamic optimization problem.

**Keywords:** *dynamic pricing, optimal pricing, new products, Diffusion Model, Bass Model (BM), Generalized Bass Model (GBM), new product sales forecasting*

## Introduction

The Bass Model (BM, henceforth), first proposed by Bass (1969), is the best known new product diffusion model in the marketing literature. The BM has well served the managerial purpose of new product sales forecasting in thousands of industrial applications over the past 35 years or so (recent successful applications include forecasting market adoptions of DirecTV, XM-Sirius Satellite Radio, Microsoft Windows Operating Systems etc.). The appealing aspect of the BM is its parsimony. Using just two parameters—the innovation coefficient ( $p$ ) and the imitation coefficient ( $q$ )—the BM fits a wide range of observed adoption patterns which reflect two influences on market adoption of the new product, i.e., external media effects, as well as the effects of inter-personal communications or “word of mouth.” While pre-launch sales forecasting has indeed been its main field of use, another important managerial purpose for the BM is to

inform the development of optimal marketing policies for the new product, e.g., dynamic pricing, advertising etc. (see Peres, Muller and Mahajan 2010 for an extensive review of the BM).

With regard to the above-mentioned managerial purpose of designing optimal marketing policies for new products, it is necessary for the BM to incorporate the effects of marketing variables on new product diffusion. Taking this view, the Generalized Bass Model (GBM, henceforth), which is an extension of the BM to handle marketing variables such as price, advertising etc., was proposed by Bass, Krishnan and Jain (1994). The GBM nests the BM as a special case. In fact, the GBM reduces to the BM when either the new product’s marketing mix is constant over time, or when each marketing mix variable changes by a constant percentage amount from one period to the next. For example, suppose

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price is the only marketing variable of interest, if price decreases by  $x\%$  from one period to the next, then the BM and the GBM would do equally well in terms of fitting the observed sales pattern of the new product even though the BM ignores the effects of price. The reason for this is that the GBM overlays the effects of the marketing mix within the BM by parameterizing the diffusion speed in a given period to depend on only the percentage changes in the marketing mix variables from the previous period to the current period, and not the actual current values of the marketing mix variables. Therefore, if the percentage change in price is constant from one period to the next, the price change covariate is perfectly collinear with time, which makes it unnecessary to explicitly incorporate the effect of the price change in the model.

The above-mentioned restrictive operationalization of marketing mix effects, using percentage changes, under the GBM makes it necessary to make additional assumptions before rendering the GBM usable for optimal price policy planning. For example, Krishnan, Bass and Jain (1999) make a specific parametric assumption about how the diffusion speed of the new product additionally depends on the absolute price of the new product, which cannot be validated using empirical data yet is assumed for the sake of mathematical necessity, before solving the dynamic optimization problem characterizing the new product's optimal pricing policy. Krishnan and Jain (2006) make a similar untested assumption about how the diffusion speed depends on the absolute advertising level in order to derive the optimal advertising policy for a new product. Even after making such untested assumptions, the GBM can be used to derive only the optimal price path or advertising path for the new product after launch, conditional on an assumed launch price, but not the launch price or advertising level itself (which must be figured out using other means, such as a conjoint survey, as discussed in Krishnan, Bass and Jain 1999). Furthermore, Fruchter and Van den Bulte (2011) explicitly show that different assumptions about how absolute levels of the marketing mix are incorporated in the GBM can lead to vastly different optimal marketing policies. On that basis, they argue that the GBM is ill-suited for normative marketing planning. In sum, therefore, the GBM has some serious shortcomings as a normative model for marketing policy planning. These shortcomings have been recognized in the literature (see, for example, Bass, Jain and Krishnan 2000).

In this paper, we propose an alternative diffusion model, which is utility based (unlike the GBM) and does not suffer from the normative weaknesses of the GBM. Built on the foundations of consumer utility maximization, our proposed diffusion model allows the adoption rate for the new product to directly depend on the absolute levels of the marketing mix. Therefore, our diffusion model can yield, for example,

normative prescriptions regarding both the introductory price, as well as the optimal price path after launch, for the new product. We propose two versions of our proposed diffusion model, namely the *Bass-Gumbel Diffusion Model (BGDM)* and the *Bass-Logit Diffusion Model (BLDM)*. The *BGDM* version nests the BM as a special case and reduces to the BM when consumers are unresponsive to the marketing mix (and not when the marketing mix changes over time, in either absolute or percentage terms, or when consumers are responsive to the marketing mix). Since product managers are often interested in figuring out the launch price and advertising strategy for their new products, and the GBM cannot be used to derive launch strategies for the marketing mix (as explained above), our proposed diffusion model offers great practical value for new product planning.

Using empirical data from 4 product categories, we show that our proposed diffusion models handily outperform the GBM and BM in forecasting new product sales both in sample and out of sample, with the *BLDM* outperforming the *BGDM*. On the basis of these findings, we propose that even if one's purpose is to only forecast new product sales, and not optimize the new product's marketing mix, our proposed diffusion model is still to be preferred to the GBM.

The rest of the paper is organized as follows. In section 2, we develop our proposed utility-based diffusion model for new products. Specifically, we lay out two different versions of our proposed diffusion model, namely the *Bass-Gumbel Diffusion Model (BGDM)* and the *Bass-Logit Diffusion Model (BLDM)*. We also show how the widely used BM is an important special case of the *Bass-Gumbel Diffusion Model (BGDM)* model. In section 3, we present the empirical results from estimating both versions of our proposed diffusion model, as well as two comparison models (BM, GBM), using new product sales data for 4 different product categories. In section 4, we discuss how to derive the optimal pricing policy for the new product given the parameters of our proposed diffusion model. We present a computationally convenient solution to the firm's dynamic optimization problem which is easy for managers to use. Section 5 presents the optimal pricing policies for a new product that are implied by the *BLDM* under various ranges of the model parameters. Section 6 concludes with directions for future research.

## **Proposed Utility-Based Generalization of the Bass Diffusion Model**

We develop our proposed diffusion model in four stages. First, we present the BM and its associated Non-linear Least Squares (NLS) estimation procedure for discrete-time data, first proposed by Srinivasan and Mason (1986) and now commonly used to estimate the BM by researchers and practitioners. Second, we show how to derive the discrete-time BM as a utility-based diffusion model. Third, we extend the utility-

based BM to handle marketing variables to obtain one version of our proposed diffusion model, the *Bass-Gumbel Diffusion Model (BGDM)*. Fourth, we present a second version of our proposed diffusion model, the *Bass-Logit Diffusion Model (BLDM)*. We discuss both the difference between the two versions of our proposed diffusion model, as well as the difference between our proposed diffusion model and the GBM.

### **Step 1: Bass Model (BM)**

According to the BM (Bass 1969), in a market size of  $M$  consumers for a new product, the likelihood that a consumer will adopt the new product at time  $t$ , given that the consumer has not yet adopted, is given by the following equation.

$$(1) \quad \frac{f(t)}{1-F(t)} = p + qF(t),$$

where  $p$  and  $q$  represent the coefficients of innovation and imitation, respectively,  $F(t)$  is the cumulative distribution function (cdf) and  $f(t)$  is the probability density function (pdf) characterizing the random variable  $t$ , which represents the consumer's time to adoption for the new product. Assuming  $F(0) = 0$  and solving the differential equation (1) yields the following.

$$(2) \quad F(t) = \frac{1 - e^{-(p+q)t}}{1 + \frac{q}{p}e^{-(p+q)t}}.$$

Since new product sales data are commonly available in discrete time intervals (such as quarters or years), the discrete-time version of the BM is commonly estimated using the non-linear least squares procedure, first proposed by Srinivasan and Mason (1986), by minimizing the following criterion function.

$$(3) \quad SSE = \sum_{t=1}^T [\hat{N}(t) - N(t)]^2,$$

where  $T$  stands for the total number of periods for which new product sales data are available,  $N(t)$  represents the observed sales of the new product in period  $t$ , and  $\hat{N}(t)$  represents the predicted sales of the new product in period  $t$ , and is given by

$$(4) \quad \hat{N}(t) = M * [F(t) - F(t-1)].$$

Minimizing the criterion function in equation (3) yields estimates of  $p$ ,  $q$  and  $M$  for the new product. Sales forecasts can then be generated for the new product for any period  $t$ , whether in sample or out of sample, using equation (4) above.

### **Step 2: Deriving the Discrete-Time BM as a Utility-Based Diffusion Model**

In a market size of  $M$  consumers for a new product, suppose the utility of a consumer for the new product at time  $t$  is given by the following equation.

$$(5) \quad U_t = \ln \left[ \ln \left\{ \frac{1 - F(t-1)}{1 - F(t)} \right\} \right] + \epsilon_t,$$

where the first term on the right-hand side,

$$\ln \left[ \ln \left\{ \frac{1 - F(t-1)}{1 - F(t)} \right\} \right],$$

represented by  $V_t$  for short, represents the *deterministic* attractiveness of the new product to the consumer at time  $t$ ,  $F(t)$  represents the cdf given in equation (2), and  $\epsilon_t$  represents an unobserved (by the researcher) random component that captures other influences on the consumer's utility for the new product. If one assumes that the random component  $\epsilon_t$  follows a Gumbel distribution with location parameter 0 and scale parameter 1, it can be shown that the consumer's probability of buying the new product at time  $t$ , given that the consumer has not yet bought the new product, also called the *discrete hazard function* characterizing the consumer's time to adoption for the new product, is given by the following equation (Seetharaman 2004).

$$(6) \quad \Pr_t = 1 - e^{-e^{V_t}},$$

which, in turn, can be rewritten as follows.

$$(7) \quad \Pr_t = \frac{F(t) - F(t-1)}{1 - F(t-1)},$$

which implies that the consumer's probability of not buying the new product at time  $t$ , given that the consumer has not yet bought the new product, also called the *discrete survivor function* characterizing the consumer's time to adoption for the new product, is given by the following equation.

$$(8) \quad 1 - \Pr_t = \frac{1 - F(t)}{1 - F(t-1)}.$$

The consumer's unconditional likelihood of buying the new product at time  $t$ , also called the *probability mass function* characterizing the consumer's time to adoption for the new product, depends on the consumer's discrete hazard and discrete survivor functions, as follows.

$$(9) \quad L_t = [1 - \Pr(1)] * [1 - \Pr(2)] * \dots * [1 - \Pr(t-1)] * \Pr(t),$$

which can be rewritten, using equations (7) and (8), as follows.

$$(10) \quad L_t = \frac{1 - F(1)}{1 - F(0)} * \frac{1 - F(2)}{1 - F(1)} * \dots * \frac{1 - F(t-1)}{1 - F(t-2)} * \frac{F(t) - F(t-1)}{1 - F(t-1)},$$

which reduces to the following.

$$(11) \quad L_t = F(t) - F(t-1).$$

This implies that the predicted sales of the new product in period  $t$  is given by

$$(12) \quad \hat{N}(t) = M * [F(t) - F(t-1)].$$

Equations (4) and (12) are identical. This establishes that the discrete-time version of the BM can be derived as a utility-based diffusion model, as formulated in equation (5). This equivalence between a utility-based discrete choice model and the BM has not been explicitly recognized in the marketing literature (except for Krishnan, Seetharaman and Vakratsas 2012 where it is tacit in their model derivation, even though it is not made explicit, that they are aware of this equivalence).

### **Step 3: Proposed Bass-Gumbel Diffusion Model (BGDM)**

In a market size of  $M$  consumers for a new product, suppose the utility of a consumer for the new product at time  $t$  is given by the following equation.

$$(13) \quad U_t = \ln \left[ \ln \left\{ \frac{1-F(t-1)}{1-F(t)} \right\} \right] + \text{Price}_t * \beta + \epsilon_t,$$

where  $\text{Price}_t$  represents the price of the new product at time  $t$  and  $\beta$  represents the price sensitivity of the consumer, and the remaining terms are as in equation (5). Under the same Gumbel distributional assumption for  $\epsilon_t$  as in equation (5), this implies that the consumer's probability of buying the new product at time  $t$ , given that the consumer has not yet bought the new product, also called the *discrete hazard function* characterizing the consumer's time to adoption for the new product, is given by the following equation.

$$(14) \quad \Pr_t = 1 - e^{-e^{W_t}},$$

where

$$(15) \quad W_t = \ln \left[ \ln \left\{ \frac{1-F(t-1)}{1-F(t)} \right\} \right] + \text{Price}_t * \beta.$$

The consumer's unconditional likelihood of buying the new product at time  $t$  is as follows.

$$(16) \quad L_t = \left[ \prod_{u=1}^{t-1} 1 - \Pr(u) \right] * \Pr(t),$$

and the predicted sales of the new product in period  $t$  is, therefore,

$$(17) \quad \hat{N}(t) = M * L_t.$$

The criterion function in equation (3) is minimized to estimate the parameters of this proposed diffusion model, that we call the BGDM. This model reduces to the traditional BM when  $\beta = 0$ .

### **Step 4: Proposed Bass-Logit Diffusion Model (BLDM)**

Suppose the utility function in equation (13) still applies, but we assume that the random component,  $\epsilon_t$ , follows the Logistic distribution (rather than the Gumbel distribution) with location parameter 0 and scale parameter 1. This implies that the consumer's probability of buying the new product at time  $t$ , given that the consumer has not yet bought the new product, also called the *discrete hazard function* characterizing the consumer's time to adoption for the new product, is given by the following equation.

$$(18) \quad \Pr_t = \frac{e^{W_t}}{1 + e^{W_t}},$$

where  $W_t$  is given by equation (15). We call this model the *BLDM*. The only feature that distinguishes the *BLDM* from the *BGDM* is the assumption about the random component,  $\epsilon_t$ . Equations (16) and (17) still apply and the criterion function in equation (3) is still minimized to estimate the parameters of the proposed *BLDM*. Unlike the *BGDM*, the *BLDM* will not reduce to the traditional BM when  $\beta = 0$ . However, it will reduce to a logistic counterpart of the discrete-time BM instead. Since the logit model is a workhorse random utility model in the marketing literature, inspired by the seminal work of Luce (1958) and a highly cited empirical application by Guadagni and Little (1983), we propose this version as an alternative formulation of our proposed diffusion model even though it does not nest the widely used BM as a special case.

As a comparison model, which presents an alternative way of incorporating marketing variables within the BM (as opposed to our proposed diffusion model), we present the GBM below.

$$(19) \quad F(t) = \frac{1 - e^{-(p+q)X(t)}}{1 + \frac{q}{p} e^{-(p+q)X(t)}},$$

where

$$(20) \quad X(t) = t + \beta \ln \left( \frac{\text{Price}_t}{\text{Price}_0} \right),$$

where  $P_0$  is the launch price for the new product (which needs to be assumed to be equal to  $P_1$  in the estimation of the GBM; even more importantly, the value of  $P_0$  needs to be assumed, rather than explicitly optimized, while deriving the optimal pricing policy using the GBM, as explained earlier). We estimate the GBM using equations (3) and (4) as well.

### **Model Discussion**

Our proposed diffusion model, on account of having a utility foundation, makes it natural to incorporate marketing variables in the usual additive manner within the consumer's utility function (see equation 13). The GBM, on the other

hand, does not operationalize marketing variables within the BM framework using a behavior-theoretic foundation. It simply embeds the effects of marketing variables on the adoption hazard using a multiplicative function. In fact, it is not possible to easily derive the discrete-time GBM as a utility-based diffusion model (in the same manner as we derive the discrete-time BM as a utility-based diffusion model). It is useful to note that Bass, Jain and Krishnan (2000) propose a discrete-time Proportional Hazard Model (PHM) as an alternative diffusion model to the GBM. However, their proposed PHM does not reduce to the BM as a special case. Since the BM has long-standing precedent in the diffusion literature and has enjoyed great success in new product forecasting applications, we retain the BM within our proposed diffusion model as a special case. In the absence of marketing variables, our model reduces to the traditional BM. Our goal is to exploit the excellent forecasting properties of the adoption hazard that is implied by the BM, while also additionally modeling the effects of marketing variables so that our model can be used for normative decision-making. An added benefit of our proposed utility-based diffusion model is that it can handle multiple products, while the GBM cannot.

## Empirical Results

We have discussed the theoretical merits of our proposed diffusion model. Now we study how our proposed diffusion model fares, relative to comparison models (BM and GBM), in explaining actual new product sales data. For this purpose, we employ annual new product adoptions data, along with annual average prices, pertaining to four categories of durable goods: Color TV, Air Conditioner, Clothes Dryer and Freezer. The reason for choosing these categories is that three of these categories (except freezer) were used in the first empirical application of the GBM by Bass, Krishnan and Jain (1994). All four categories were used in a recent application of the GBM by Jiang, Bass and Bass 2006.

We compare the empirical performance of the two versions of our proposed diffusion model—BGDM and BLDM—

versus two comparison models, BM and GBM. The results of fit comparisons are given in Table 1. In terms of the fit criterion (SSE), we see that the BLDM does the best, while the BGDM does second best, in three out of four categories (AC, Dryer, Freezer). Not surprisingly, since it ignores the effects of prices, the BM does the worst in all 4 categories. Interestingly, in the only category (Color TV) where the GBM outperforms our proposed diffusion model, its superior performance is only marginal (SSE of 402,514 for GBM versus 457,051 for BGDM), in sharp contrast to our proposed model vastly outperforming the GBM in the remaining three categories (for example, SSE of 89,550 for BLDM versus 294,659 for GBM in the Air Conditioners category). This reveals that our proposed diffusion model is able to much better explain new product adoption patterns than the GBM.

It is possible that an in-sample fit criterion may exaggerate the superior empirical performance of our proposed diffusion model versus the GBM and BM. For this reason, we additionally compare model performance using out-of-sample holdout predictions. For this purpose, we re-estimate all four diffusion models using only the first 80 % of the observations in the data (estimation sample), and then use the estimates to make predictions of sales in each of the last 20 % of observations in the data (holdout sample). Table 3 provides the results from the holdout comparison, period by period for each product category. The table shows that the predicted sales yielded by the BLDM comes closer to the actual sales in 11 out of the 12 cases, when compared to the predictions yielded by the other models. In the only case where BLDM does not yield the best prediction, the BGDM does the best. In other words, both versions of our proposed diffusion model yield sales predictions that are closer to the actual sales data in the holdout sample in all cases when compared to the GBM or BM. This strongly vindicates the forecasting performance of our proposed diffusion model. On the basis of these findings, we propose that even if one's purpose is to only forecast new product sales, and not opti-

**Table 1.** Fit Comparison of Diffusion Models—Full Sample

SSE	BGDM	BLDM	GBM	BM	T
Color TV	457,051	457,387	<b>402,514</b>	996,421	10
Air Conditioner	90,726	<b>89,550</b>	294,659	341,468	13
Clothes Dryer	129,485	<b>129,227</b>	210,770	212,777	13
Freezer	136,767	<b>136,728</b>	209,251	242,672	15

T = Number of Observations

Note: The best-fitting model for each product category is shown in bold.

**Table 2.** Predictions Comparison Of Diffusion Models—Holdout

SSE	Actual	BGDM	BLDM	GBM	BM	Period
Color TV	5962	5506	<b>5524</b>	4705	4288	9
	4631	<b>4951</b>	4977	3102	2527	10
AC	1800	1688	<b>1695</b>	1244	1283	11
	1580	1453	<b>1471</b>	862	947	12
	1500	1466	<b>1488</b>	648	652	13
Dryer	1425	1041	<b>1064</b>	942	991	11
	1260	841	<b>878</b>	631	739	12
	1236	635	<b>684</b>	472	521	13
Freezer	1205	988	<b>989</b>	866	829	11
	1045	988	<b>988</b>	754	724	12
	1050	905	<b>910</b>	620	620	13

Note: The best-fitting model for each product category / period combination is shown in bold.

imize the new product's marketing mix, our proposed diffusion model must be preferred to the GBM.

We report the estimated parameters—innovation coefficient ( $p$ ), imitation coefficient ( $q$ ), market potential ( $M$ ), and price sensitivity ( $\beta$ )—for each model in Table 3. We see that the estimated price sensitivity ( $\beta$ ) is negative and significant for each category, as expected, under BGDM and BLDM. This means that as price of the new product decreases (increases), its adoption speed accelerates (decelerates). However, under the GBM, the estimated price coefficient is insignificant in three out of four categories (except Color TV). This means that using the GBM, one could spuriously conclude that price does not significantly influence new product adoption even though our proposed diffusion model may suggest otherwise. The estimated market potential ( $M$ ) is lower under the GBM and BM than under the proposed diffusion model in three out of four categories (except freezer). In order to investigate this issue further, we look at the re-estimated values of  $M$  in the estimation sample (i.e., first 80 % of observations), as opposed to the full sample. These are reported in Table 3(b). For all four categories, we note a systematic and large downward bias in the estimated values of  $M$  under the GBM and BM. This is consistent with the findings in Van den Bulte and Lilien (1997) that the estimated value of  $M$  goes systematically downward as one right-truncates the observed diffusion data. The two versions of our proposed diffusion model, on the other hand, yield roughly similar estimates of  $M$  for two categories, and an understated, albeit much less so than the GBM and BM, for the other two categories. This highlights an additional benefit to using our pro-

posed diffusion model, i.e., robustness to minor right truncations in the data.

It is difficult to directly interpret the estimated  $p$  and  $q$  coefficients in Table 3. Therefore, we convert these estimates to probability densities of adoption times (under the assumption that price stays at the introductory price, so that we are able to isolate the intrinsic adoption pattern, absent price effects), using the formulas in equations (11) and (16), for the BM / GBM and the BGDM / BLDM, respectively. First, we note that the estimated probability density is almost identical between the BM and GBM, and between the BGDM and BLDM. However, there are significant differences between the probability densities yielded by the BGDM / BLDM versus those yielded by the BM / GBM. For two categories (Color TV and Air Conditioner), the BGDM / BLDM implies a much longer, and therefore slower, adoption cycle, versus the BM / GBM. For one category (Freezer), we find the reverse, with the BM / GBM implying a longer adoption cycle. For one category (Clothes Dryer), the estimated probability densities do not differ by much across categories. While there is no systematic pattern in these differences, it is interesting to see that our proposed diffusion model yields a different intrinsic adoption pattern (which is still formulated as following a Bass curve when marketing variables are absent) when compared to the BM or GBM.

### Dynamic Pricing Model

The pricing objective of the innovator firm selling the new product is shown below.

**Table 3a.** Parameter Estimates for the Four Diffusion Models

	<b>Parameter</b>	<b>BGDM</b>	<b>BLDM</b>	<b>GBM</b>	<b>BM</b>
Color TV	p	.007	.006	.004	.005
	q	.887	.890	.591	.635
	M	52,290	52,274	40,273	40,248
	$\beta$	-.003	-.003	-5.026	na
Air Conditioner	p	.030	.029	.009	.009
	q	.800	.798	.361	.375
	M	27,848	28,542	18,820	18,710
	$\beta$	-.008	-.008	-.812*	na
Clothes Dryer	p	.030	.029	.014	.014
	q	.455	.461	.327	.327
	M	20,350	20,802	16,387	16,497
	$\beta$	-.006	-.006	-.302*	na
Freezer	p	.058	.057	.020	.025
	q	.435	.439	.143	.148
	M	20,932	21,437	25,578	22,266
	$\beta$	-.004	-.004	1.301*	na

Note: \* denotes that the coefficient is not significant at the .05 level.

**Table 3b.** Market Potential Estimates Using Estimation Sample

	<b>BGDM</b>	<b>BLDM</b>	<b>GBM</b>	<b>BM</b>
Color TV	59,961	61,317	33,729	31,608
Air Conditioner	25,720	26,845	13,467	13,660
Clothes Dryer	12,683	13,183	11,532	11,844
Freezer	18,971	19,414	16,961	15,774

Note: The estimates in this table are generated using only the first 80 % of the observations.

$$\{Price_1, Price_2, \dots, Price_T\} = argmax \sum_{t=1}^T \rho^{t-1} * Price_t * N_t$$

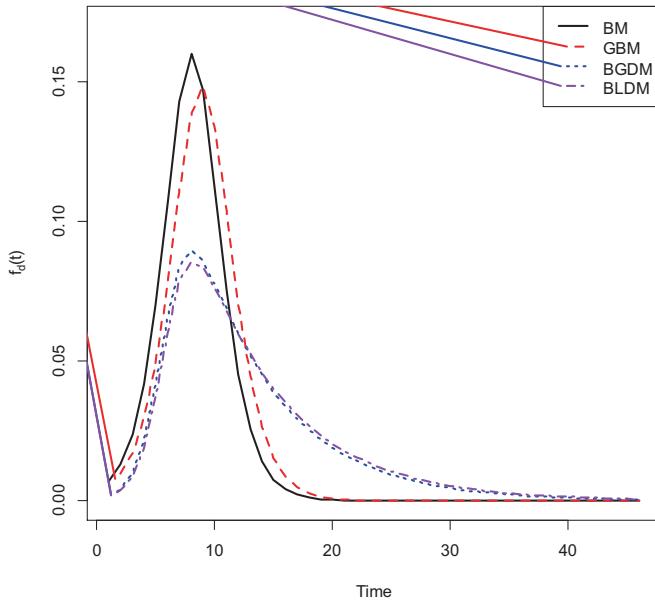
where  $\rho$  is the time discount factor,  $Price_t$  is the price of the new product at time  $t$ , and  $N_t$  is the expected sales at time  $t$ . In this setting, the profit maximizer's decision for the current price affects not only the current period revenue, but also the revenue stream in the future through changing the remaining market potential for the new product and the rate at which it adopts the new product in the future. The relevant state

variables ( $Z$ ) for the innovator firm's dynamic pricing problem are, therefore, time and the remaining market potential, i.e.,  $Z_t = \{t, R_t\}$ , where  $R_t = M - \sum_{k=1}^{t-1} N_k$ . In order to find the optimal pricing policy function for the new product, we adapt the dynamic optimization algorithm developed in Cosguner, Chan and Seetharaman (2016). First, we parameterize the firm's temporal pricing policy as a flexible function of the state variables,  $Z$ , as shown below.

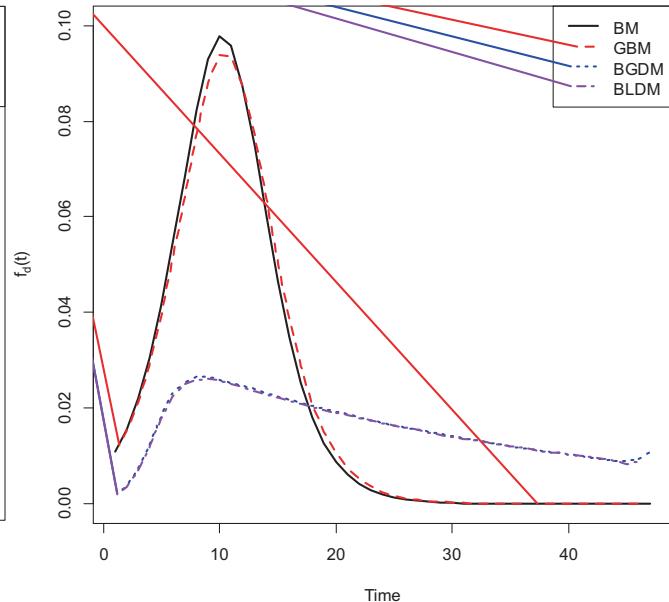
$$Price = \widehat{Price}(Z|\theta),$$

**Figure 1.** Estimated Probability Densities of Adoption Times

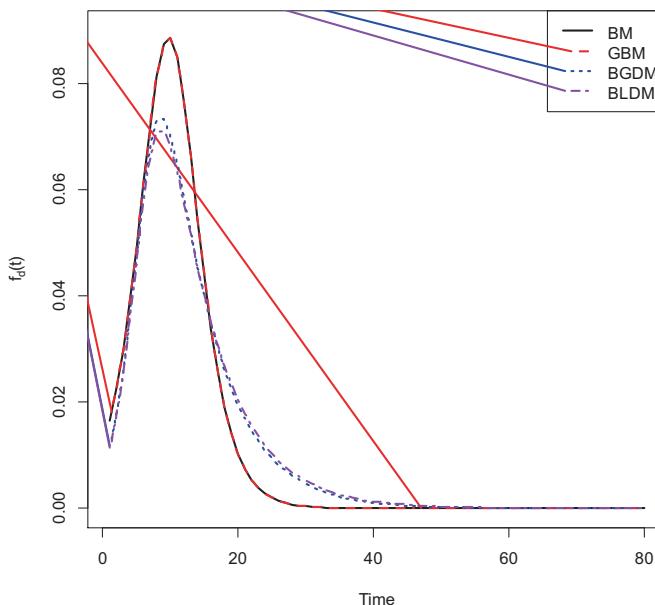
**Figure 1A: Color TV**



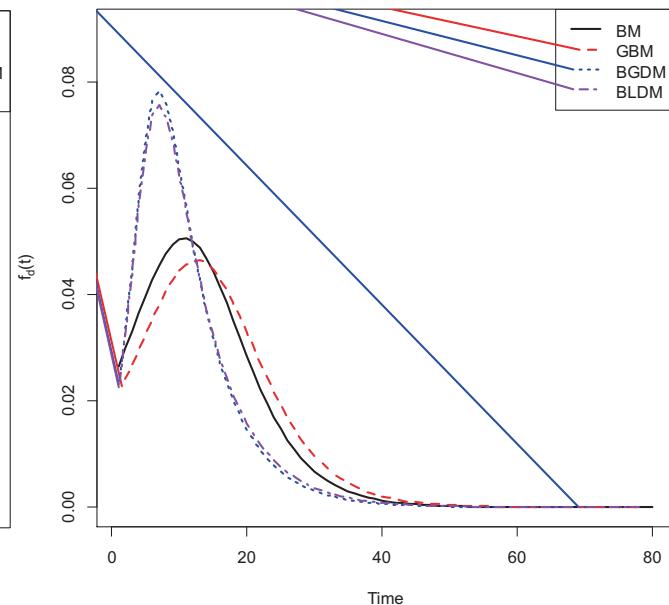
**Figure 1B: Air Conditioner**



**Figure 1C: Clothes Dryers**



**Figure 1D: Freezers**



where  $\widehat{Price}(\cdot)$  denotes a flexible parametric approximation of the firm's pricing policy, and  $\theta$  is a vector of parameters. In order to find the true  $\theta$  for a given set of diffusion parameters and the discount factor, i.e.,  $(p, q, M, \beta$  and  $\rho$ ), we numerically search for  $\theta$  that maximizes the lifetime product revenue. This requires us to calculate the lifetime revenue for each candidate value of  $\theta$ . In order to do that, we use the following forward simulation algorithm (see the technical appendix in Cosguner, Chan and Seetharaman 2016 for details).

For each candidate value of  $\theta$ :

Start with the first period, i.e.,  $Z_1 = \{t = 1, R_1 = M\}$ .

Given  $Z_1$ , calculate  $Price_1 = \widehat{Price}(Z_1 | \theta)$ . Given  $Price_1$  and  $Z_1$ , calculate  $N_1(Price_1, Z_1)$  using equation (4) or (17) for the BM / GBM or BGDM / BLDM, respectively.

Given  $Z_2 = \{t = 2, R_2 = M - N_1\}$ , calculate

$$Price_2 = \widehat{Price}(Z_2|\theta).$$

Given  $Price_2$  and  $Z_2$ , calculate  $N_2(Price_2, Z_2)$  using equation (4) or (17).

Repeat (ii) until an iteration  $T$  such that

$$R_T = M - \sum_{k=1}^{T-1} N_k \approx 0.$$

Calculate the discounted sum of revenues, i.e.,

$$\sum_{t=1}^T \rho^{t-1} * Price_t * N_t.$$

That will be the life time revenue for the given policy function  $\widehat{Price}(Z|\theta)$ .

For our implementation, we use the second order polynomial approximation with interaction terms for the parameterized policy function. Since the state transitions are deterministic, and the market is fully covered within a limited number of iterations, the simulation exercise becomes extremely fast. In other words, the user can recover the optimal path of prices within a few seconds using a programming environment such as R. This is a computationally convenient solution to the firm's dynamic optimization problem which is easy for managers to use.

## Optimal Pricing Policies

We have already shown in section 3 that our proposed diffusion model has excellent forecasting properties using empirical data. Now we derive the normative pricing policies that are implied by our diffusion model under various ranges of model parameters. For these numerical simulations, we employ the dynamic optimization technique discussed in the previous section and use the BLDM version of our proposed diffusion model.

First, we study the impact of  $p$  and  $q$  on the optimal pricing policy. We keep  $M$  and  $\beta$  at the average of their estimated values across the four categories (30,880 and -.005, respectively). Based on the range of estimated values of  $p$  and  $q$  across the four categories, we choose the following three possible values for  $p$ : .01 (low), .04 (medium), .07 (high), and the following three possible values for  $q$ : .4 (low), .7 (medium), 1.0 (high). This yields nine possible combinations of  $p$  and  $q$ . We present the implied optimal pricing policies for these nine conditions in Figure 3. We see that at low values of  $q$ , the optimal pricing policy shows a price increase for several (10-15) periods after launch after which price flattens out and remains roughly constant over time. At medium and high values of  $q$ , the optimal pricing policy is non-monotonic, i.e., initially increasing then decreasing. At medium values of  $q$ , the launch price is higher

than that at low values of  $q$ , and the subsequent price increase is also steeper, but the increase does not last for long. Between 7 and 12 periods after launch, the price reaches its peak and starts decreasing. These effects get even more pronounced at high values of  $q$ , i.e., higher launch price, steeper subsequent price increase, and faster subsequent turnaround. Holding  $p$  constant, changing  $q$  from low (medium) to medium (high) shifts the optimal price policy upward in a more pronounced manner than changing  $p$  from low (medium) to medium (high) at a constant  $q$ . A decreasing optimal pricing policy is never found to be optimal under any combination of  $p$  and  $q$ . One reason for this is that we assume that revenue maximization governs the firm's pricing objective (since we do not know the firm's cost function). On the other hand, if profit maximization is the firm's objective and the firm has a steep experiential learning curve for the marginal cost of production for its new product, it would be possible to derive a declining optimal pricing policy. Our dynamic optimization method can still be applied under such a scenario.

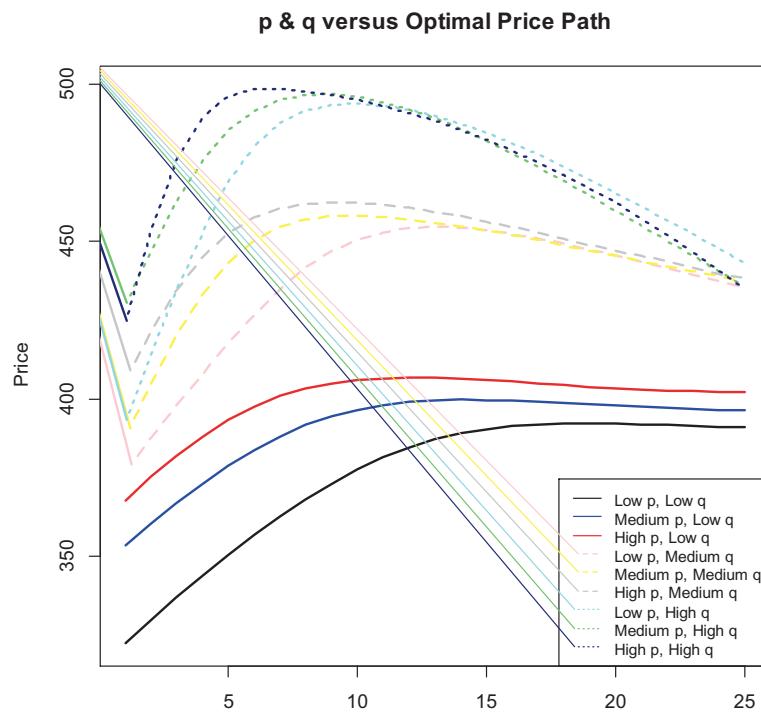
Next, we study the impact of the price sensitivity ( $\beta$ ) on the optimal pricing policy. We keep  $p$  and  $q$  at the average of their estimated values across the four categories (.03 and .65, respectively). Based on the estimated values of  $\beta$  across the four categories, we let  $\beta$  vary from a low value of -.001 to a high value of -.01. We present the implied introductory prices in Figure 3 (the optimal price paths are non-monotonic, i.e., first increasing and then decreasing.). We see a steep decline in the implied introductory price as the market becomes more price sensitive. Beyond a threshold level of price sensitivity (-.003 or so), the decrease in optimal introductory price almost flattens out.

Last, we study the impact of the firm's time discount factor ( $\rho$ ) on the optimal pricing policy. We let  $\rho$  vary from 0 to 1. We present the implied introductory prices in Figure 3 (the optimal price paths are non-monotonic, i.e., first increasing and then decreasing.). We see a very slow increase in the implied introductory price as the discount factor increases from 0 (myopic) to about .7, and then a steep increase thereafter. For example, an increase of the discount factor from .8 to .9 implies an increase in the introductory price from about \$250 to \$325. We present Figures 3 and 4 mainly to demonstrate that the optimal launch price, a key strategic lever in a new product manager's list of responsibilities, can be calculated using our proposed diffusion model for any combination of market and firm parameters. The GBM cannot be used for this purpose. The GBM requires an *assumed* launch price even to compute an optimal post-launch price path.

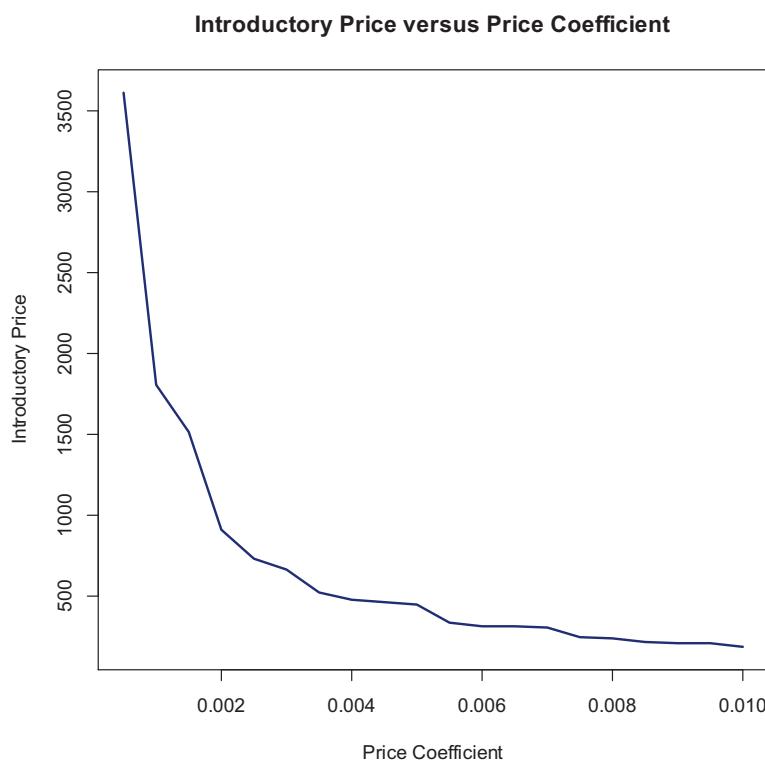
## Conclusions

The Bass Model (BM) has well served the managerial purpose of new product sales forecasting in thousands of industrial applications over the past few decades. While pre-

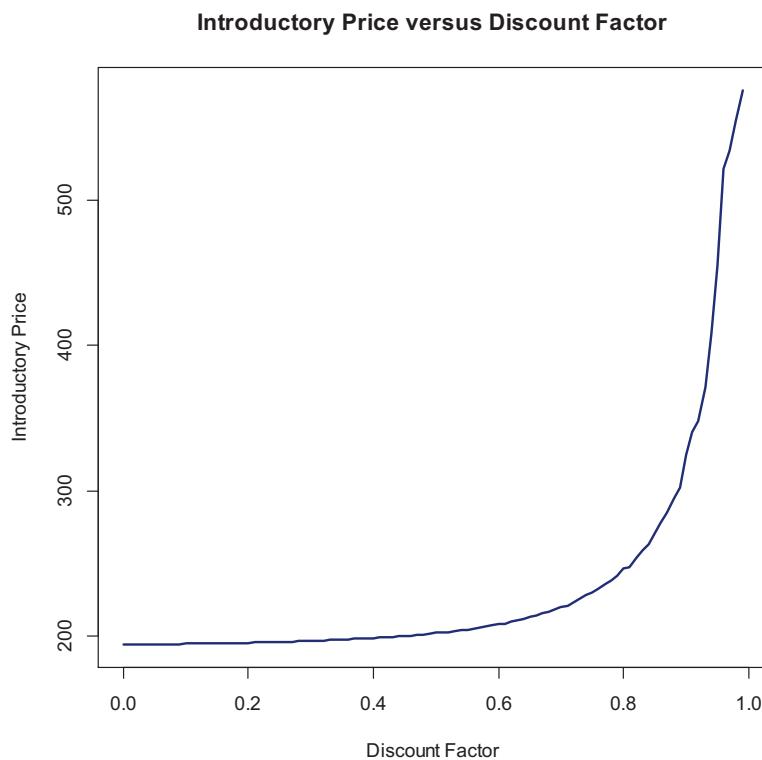
**Figure 2.** Optimal Pricing Policy Implied by the BLDM



**Figure 3.** Optimal Introductory Price at Various Levels of Market Price Sensitivity ( $\beta$ )



**Figure 4.** Optimal Introductory Price at Various Levels of Firm Discount Factor ( $\rho$ )



launch sales forecasting is important for new product planning, an equally important responsibility for a product manager is the design of optimal marketing policies, especially launch price and advertising, for the new product. In this regard, the most successful sales forecasting model for new products, the Generalized Bass Model (GBM), is found to be severely lacking. This is because the GBM incorporates marketing mix effects within the BM using percentage changes in marketing variables from period to period, and not using their absolute levels themselves. Therefore, it is necessary for the manager make additional, untested, assumptions before rendering the GBM usable for optimal price policy planning. Even after making such untested assumptions, the GBM can be used to derive only the optimal price path or advertising path for the new product after launch, conditional on an assumed launch price, but not the launch price or advertising level itself (which must be figured out using other means, such as a conjoint survey). Furthermore, different assumptions about how absolute levels of the marketing mix are incorporated in the GBM can lead to vastly different optimal marketing policies.

In this paper, we propose a new product diffusion model, which is utility based (unlike the GBM) and does not suffer

from the normative weaknesses of the GBM. Built on the foundations of consumer utility maximization, our proposed diffusion model allows the adoption rate for the new product to directly depend on the absolute levels of the marketing mix. Therefore, our diffusion model can yield, for example, normative prescriptions regarding both the introductory price, as well as the optimal price path after launch, for the new product. We propose two versions of our proposed diffusion model, namely the *Bass-Gumbel Diffusion Model (BGDM)* and the *Bass-Logit Diffusion Model (BLDM)*. The *BGDM* version nests the BM as a special case.

Using empirical data from 4 product categories, we show that our proposed diffusion models handily outperform the GBM and BM in forecasting new product sales both in sample and out of sample, with the *BLDM* outperforming the *BGDM*. On the basis of these findings, we propose that even if one's purpose is to only forecast new product sales, and not optimize the new product's marketing mix, our proposed diffusion model is still to be preferred to the GBM. We derive pricing implications by varying the ranges of various model parameters and deriving the optimal pricing policies under those cases.

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# Are Indirect Network Externalities Warm or Chill? A Case of the U.S. Video Game Market

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**Keywords:** diffusion, indirect network effects, software variety, technology generation

**Description:** This paper empirically tests the warm nature of network externalities, and finds evidence that such characteristics of network externalities is often mitigated by a chilling effect on the size of potential consumer market.

## EXTENDED ABSTRACT

### Research Question

There have been two opposing thoughts on the characteristics of network externalities: the first is the traditional thought in which the network externalities generate a warm bandwagon effect to expedite the market adoption process; the other believes that network externalities are more likely tend to chill and slow down the adoption process. The rationale is, people often hold a wait-and-see attitude when encountered with a new network product and accept it only when sufficient number of others have adopted. Dramatically different from the traditional school of thoughts, the second theory demonstrated by Goldenberg, Libai, and Muller (2010) has provoked great debate among economic and marketing scholars. In this study, we intend to empirically examine the network externalities in a diffusion model framework and pursue the following research questions: (1) Are network externalities in the video game market more likely to accelerate or slow down the hardware adoption process? Are there any temporal changes in such nature and possible reasons? (2) How to better delineate network effects from the word-of-mouth effect in a Bass Model framework?

### Method and Data

We empirically examine the network externalities in the U.S. video game market across two generations. Specifically, with the same dataset, we run estimations of various models that have been used in the Bass Model (BM) family on network externalities, and compare their performances. The performance evaluation of each model is based on its data

explanation power of the overall diffusion process and its sensitivity to marketing variables. The main part of the data on the U.S. video game retail sales during 1995-2006 is obtained from the U.S. market research company NPD Group, which contains information of monthly unit sales and revenue of game consoles by brands, and the sales of respective brands' compatible software titles that are available. Supplementary data for software information such as game titles' quality scores and online features is collected separately from various online sites developed and maintained by the gaming industry and game user groups.

### Summary of Findings

The results suggest that overall, consumers in the fifth-generation video game market held thresholds on the available software (but not the hardware installed base) while considering purchasing the hardware consoles. But such thresholds seemed dissolved when the market migrated to the sixth generation, with the total market potential increasing monotonously in software availability. Consistent with et al. (2010), the results suggest that the time to takeoff tends to be shortened as the market migrates to a newer generation, especially when there is no major technological breakthrough or uncertainties during standard war. Among all forms of variations of BM that have been used to capture network effects at market level, we find that the model specification that ties such effects to the total market size performs the best. The reasons are: (1) it explains the overall diffusion data better; (2) it is a more reliable approach to dis-

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tinguishing the network effects from WOM effect in the diffusion process; (3) it is better aligned to the consumer utility theory.

### **Key Contributions**

This study has attempted to resolve the conundrum over the nature of network externalities to be warm or chilling. We have found empirical evidence that both thoughts have merits, and are possible to happen, depending on the specific marketing environment. Therefore, whether the network externalities expedite or prolong the adoption process is an empirical question. Furthermore, we identify that in the video game market where indirect network externalities are prominent, the derived chilling or warm effect is also indi-

rect (i.e., with respect to the complementary software) but not direct (i.e., with respect to the hardware installed base).

Our study has also refined the understanding on the network effects in line with the BM framework. We systematically examined various model specifications and the respective underlying assumptions when incorporating the network externalities in the BM framework. Through the analysis, it shows that BM framework is useful more than just as a data-fitting device; it is also effective in identifying effects of marketing mix variables at the aggregate level and drawing marketing implications.

*References are available on request.*

# New Product Launch by Emerging Market Firms

*Arpita Agnihotri, Northland College  
Saurabh Bhattacharya, Newcastle University*

**Keywords:** new product launch, business groups, CEO, resource based theory, power theory

## EXTENDED ABSTRACT

This paper explores the drivers of innovative capability of firms in emerging markets. Institutional context of emerging markets renders resource advantages to firms affiliated with business groups. Consequently, as ownership concentration of owners of business groups increases, innovation as measured by new product launched by firms also increases. However, beyond a certain point, increase in the ownership concentration of group members, deteriorates innovative capability of emerging market firms. Furthermore, the group affiliated CEO moderates the impact of ownership concentration on innovation such that with increase in ownership, innovation also increases and beyond a certain point as ownership concentration further increases, business group CEOs regress the impact of ownership on innovation at a faster rate. The study is based on four consumer products sectors of the Indian market namely, consumer electronics, pharmaceuticals, automobiles and fast moving consumer goods, with data collected for six years i.e., from 2010 to 2016.

## Introduction

Extant literature from developed markets have explored the innovative capability of firms in depth (Block, 2012; De Massis et al., 2013; Chen and Hsu, 2009; Munari, Oriani, and Sobrero, 2010; Munoz-Bullon and Sanchez-Bueno, 2011). However, today emerging markets are growing at a faster rate than developed markets (Forbes, 2015). Furthermore, they are also launching new products more than ever before, which has also attained scholars' attention (Sun and Lee, 2013). It thus becomes vital to understand how innovation is driven in emerging markets.

Based on the resource based (Barney, 2000) and the CEO power (Pfeffer, 1992) theories, this paper investigates, how ownership concentration of family members in business

groups (BGs) affect new product launch capability of Emerging market firms (EMFs). As a consequence of weaker legal and financial environment in emerging markets, BGs rely on their internal resources to fund growth of affiliated firms (Kim and Song, 2016). This happens by virtue of accrual of internal, group affiliated resources. Thus, BGs can transfer or share human capital and provide financial resources from internal capital markets which can enhance focal firms' ability to develop and launch new product (Almeida et al., 2015, Manikutty, 2000). However, BGs to some extent have the traits of family firms as well (Almeida and Wolfenzon, 2006; Craig et al., 2014). Thus, where on one hand by virtue of resource efficacy, BGs can enhance innovation on the other hand by virtue of risk averseness, BGs can inhibit innovation (Khanna and Yafeh, 2007; Kotlar et al., 2013). Furthermore, being a family business, business groups (BGs) believe in family altruism or nepotism (Revilla et al., 2016). This would be specifically true if the business is not only owned but also managed by BG members through top management positions such as a CEO. Thus, if and when an incompetent relative or a friend is hired, due to poor managerial resources, innovation may be impeded. This implies that BGs by virtue of their ownership concentration can shape innovative capability of firm in both positive and negative directions. Given the poor infrastructure in emerging markets, they are likely to first enhance innovation and then deteriorate it thus making curvilinear relationship with innovation. Furthermore, management control through CEO position being occupied by a BG member is likely to moderate this relationship.

This study offers several contributions that stand at the interface of innovation in emerging markets. First, the present study enhances the existing knowledge on correlates of

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innovative capability in BG affiliated firms. Our results indicate that BGs influence innovative capability through resource based advantages and risk averseness disadvantages. Second, the study contributes to extant research in emerging markets by providing complementing evidence of both positive and negative impact of ownership concentration of BG on innovation (Lee et al., 2016). In particular, it contributes to resource sharing effect that BGs offer through their internal slack resources, in the context of innovative capability of group affiliated firms. Third, this study does not include R&D intensity as measure of innovation, but new product launch. This is because BGs are likely to affect marketing capabilities of firms also and innovation in its truest sense completes its cycle when a new product has been launched in market.

## Theory and Hypothesis

A BG refers to a set of firms which otherwise are legally independent, however are bound together through network of formal and informal ties of well-connected families who own these firms by virtue of being corporate parent (Khanna and Rivkin, 2001, Yiu et al., 2007). Thus, BGs are resource rich corporate parents, which substitute for imperfect markets in emerging economies. Employees' skills and knowledge, which are often considered as a prerequisite for new product innovation (Sköld, M., and Karlsson, 2012) could be provided by resource rich BGs and be shared across businesses affiliated to the same corporate parent. Group firms may also be able to arrange external funds at nominal rates as a consequence of reputation resources they earn in a resource scarce institutional environment (Manikandan and Ramachandran, 2015). Overall, with increase in ownership concentration, BGs by virtue of strategic configurations of internal resources and capabilities are able to substitute for voids in emerging markets, thus enhancing the innovative potentiality of an affiliated firm (Peng et al., 2008).

Nevertheless, BGs may promote innovation, thus substituting for the imperfect institutional market only up to a certain extent. Beyond a certain level, as ownership concentration of BGs increase, several negative consequences can occur, due to their considerable reliance on the performance of focal firms. First, as BGs are family firms by nature, they are likely to show risk averse tendencies at a high ownership concentration (Memili et al., 2010; Goel and Jones, 2016). Thus, instead of risking resources at innovation, they might prefer to channel resources towards other affiliated firms and sustain growth with existing products and services. Furthermore, as BG members divert their attention from innovation, employees are also likely to show withdrawal behavior, further curbing the spirit of innovation (Berrone, et al., 2012).

Still another consequence of risk averse behavior could be over monitoring of already invested resources in developing

innovative capability, given the considerable dependence on performance of the firm. As a result of over monitoring by corporate parent, inefficiencies and frustration amongst employees may increase. Consequently, contribution of tacit knowledge by employees may also deteriorate, thus negatively impeding their capability to innovate (Bammens et al., 2015; Madison et al., 2016; Westring et al., 2010).

Extant literature indicates that family ownership was detrimental to R&D intensity (Sciascia et al., 2015). Research of Morck et al. (2000) based on Canadian firms and Czaar-nitzki and Kraft (2009) based on German firms asserted that family firms were reluctant towards innovation. When developed country family firms show risk averse behavior, emerging market firms (EMFs) with institutional voids and imperfect market conditions can also be expected to behave in a similar manner, after taking care of these voids to certain extent. Thus, risk conservativeness, amongst group members can impede the progress of new product development, hence the innovative capability for BG affiliated firms. Thus, we hypothesize:

*H1: Ownership concentration of owners of BG follows a curvilinear relationship with innovative capability of a firm*

## Role of BG CEO

When family members of a BG only own the firm and do not control it through day to day management, their ability to influence firms' decisions is limited. However, when a firm is managed by an insider CEO, i.e. one who is member of the BG, it gives him opportunity to control the business (Chittoor and Das, 2007; Diéguez-Soto et al., 2016). Thus, through control, BG CEO is able to exercise power to support or oppose decisions (Peng and Jiang, 2010). When the CEO is an insider, firms' ability to invest in innovative capability is likely to be high, especially when external markets are imperfect (Sciascia, Nordqvist, Mazzola, and De Massis's, 2015). This is because BG CEOs due to their authoritative power and resourcefulness are better able to substitute for scarce capital markets, and implement innovative programs. Thus, as ownership concentration of BG increases, BG CEO can closely influence resource orchestration of financial and human resources required for faster innovation (Bammens et al., 2015). Similarly, with increase in ownership concentration, the BG CEO would also be more likely to leverage their social capital and network with resource rich agencies (Young and Tsai, 2008). However, as ownership increases further, to a point, where the BG becomes excessively reliant on the performance of the firm, unlike non-family CEO, BG CEO can also use his power to exhibit a risk conservative behavior (Duran et. al, 2016; Huybrechts et al., 2013; Kraiczy et al., 2015). Risk aversion would be specifically smooth at high ownership concentration, as conflicts with

other minority shareholders, referred to as Principal-Principal conflict would be minimal (Young et al., 2008).

Overall, a BG CEO can expedite the innovation and substitution process for imperfect capital and labor markets. However, beyond a certain level of increase in ownership concentration, a BG CEO can also impede the innovative capability of a firm. Thus, we hypothesize:

*H2: BG CEO moderates' the ownership concentration and innovation relationship in EMFs such that with increase in ownership concentration new product launch capability increases at a faster rate with BG CEO upto a certain point beyond which as ownership concentration increases, innovation performance decreases at a faster rate compared with BG to non BG CEO*

## Methods

In the extant literature, innovative capability has been captured through R&D intensity, patent filing and new product launch (Chiesa, 2001). Since product innovation according to its definition completes with commercialization of products, we selected new product launch as a measurable variable. We select new product launch to measure innovation for EMFs for other reasons as well. First, due to low cost advantage, many a times firms make technology transfer agreement and as a part of outsourcing deal, manufacture and distribute products on behalf of third parties. The payment made for technology transfer is reflected in R&D intensity, which is not the actual measure of innovation capability. Furthermore, traits of BGs such as family conflicts, non-economic goals, insulation from external markets not only impact innovation input i.e. R&D intensity but innovation output i.e. the ability to manage new product development process and finally new product launch (De Massis et al., 2013). Hence, to capture innovation capability holistically it is vital to capture innovation capability with new product launch. Finally, new product launch has been the most common measure for innovation (Garcia and Calantone, 2002).

## Data

We consider consumer products industry from India to test our hypothesis. We specifically considered pharmaceuticals, consumer electronics, fast moving consumer goods and automobile industries to conduct the analysis. These four industries generated a sample of 269 group affiliated firms. After filtering firms for unavailable financial information, we were left with a sample of 203 firms. Data was collected for six years i.e. from 2010 to 2016. We used, annual reports and press releases, newspaper articles and business magazines for information on new product launch and Prowess, CMIE database to extract financial information about firms.

### Dependent Variables

Our dependent variable was new product launch. This was captured as a count variable, depending on how many new products were launched by the focal firm in a given year.

### Independent Variables

*Ownership concentration* of BG was calculated as the percentage of equity ownership held by family members of a BG (Khanna and Palepu, 2000).

*Ownership concentration square* was calculated using a mean centering technique so as to avoid multicollinearity (Iacobucci et al., 2016). Thus, average of each ownership concentration was calculated and was subtracted from individual values of concentration. The new variable so obtained was multiplied with the original ownership concentration.

*BG CEO* was calculated as dummy variable. When family member of a BG was CEO it was captured as 1 else 0.

### Control Variables

We controlled for firm age, firm size, R&D intensity, and firms' performance (Aghion et al., 2005). Firm performance was measured as return on assets (ROA) (Barker and Mueller, 2002). Size was measured as total number of employees in firm (Chen and Hsu, 2009) while firm age was captured as years since establishment (Lee and O'Neill, 2003). Log transformation of firms' age and size were applied as they were skewed. R&D intensity was calculated as the ratio of a firm's R&D expenditure to total sales. Industries were controlled as dummy variables with pharmaceuticals as base category. We also controlled for business group size by incorporating total number of firms associated with a particular business group.

### Controlling for Self-Selection

Furthermore, a common challenge in innovation studies is missing information on new product launch. Firms may launch new product, however may not announce it through media. Thus, self-selection bias may create error amongst firms announcing their new product launch (Anderson et al., 2012; Chrisman and Patel, 2012). To control for self-selection biasness, propensity score method was employed. Following Chrisman and Patel (2012) and Anderson et al. (2012), two instruments were selected that could affect firms' announcement of new product launch. First, was firms' visibility. Generally, firms listed on stock exchange are more visible and hence more covered by media. Second was firms' uniqueness measured as log of 1 plus percentage of firms in the same industry that were present in Prowess. Probit regression was run in the first stage and the propen-

sity scores were obtained, which were then used as control for self-selection in the next stage regression.

### **Controlling for Endogeneity**

R&D intensity as an innovation input is likely to be endogenous to new product launch (Van de Vrande et al., 2011). Thus, an instrument variable two-stage least-squares regression was applied (Greene, 2004). Industry R&D intensity was used as the instrumental variable (Matzler et al., 2015).

*Model Specification:* A Hausman (1987) specification test was conducted, to choose between random and fixed effect model. Since no significant differences were found between chi square values, a random effects model was selected. Furthermore, to avoid any potential causality inference problem, a one-year lag between the dependent and independent variables was taken. All independent and control variables were lagged with one year so as to avoid any simultaneity problem.

## **Results**

The correlation coefficient between the independent variable and control variables, were significant, although the values were not too high. Also, to ensure multicollinearity was not an issue, we calculated the variance inflation factors for these variables. Their value ranged between 1.25 to 3.02, well below 10, thus indicating that multicollinearity was not an issue.

For regression, we found insignificant impact of size of firm on new product launch capability ( $\beta = .05, p > .10$ ). Firms' leverage was also found to have negative and insignificant impact on firms' innovation ( $\beta = .04, p > .10$ ). Business group size was found to have positive and significant impact on new product launch (( $\beta = .16, p < .01$ ). In model 2 independent effect of BG ownership and control were added. In model 3 square term of family ownership was added. Since beta coefficient of ownership concentration was positive ( $\beta = .23, p < .01$ ) and significant and beta coefficient of ownership concentration square was significant and negative ( $\beta = -.18, p < .01$ ) we receive evidence in support of our first hypothesis. Thus, BG ownership followed a curvilinear relationship with innovative capability of EMFs. In model 4 we add the interaction term of ownership concentration square and BG CEO. Since beta coefficient of interaction term is significant, we receive evidence in support of our second hypothesis as well. Thus, BG CEO first increased the impact of concentration on innovative capability of firm and then decreased the impact of BG ownership concentration on innovation. Refer to figure 1.

## **Discussion**

This paper explores a vital aspect of emerging market firms' i.e., innovation and how ownership concentration and con-

trol impacts firms' ability to innovate. While ownership concentration and control, of BGs has been intensively investigated with regards to strategic decisions, yet its impact on product innovation is limited (Beck et al., 2011). Institutional context of emerging markets sets behavior of BGs apart from family firms to some extent (De Massis et al., 2013). New product launch is costly and risky decision and requires both strategic and tactical inputs. BG firms are resource rich, and are able to orchestrate bundle of resources required for innovation (Sirmon et al., 2011). Integrating resource based and power theory of CEO (Pfeffer, 1992) we assert that ownership concentration of family members of BGs influences product innovation pursued by EMFs.

Our results specifically indicate that ownership concentration of BG members follows curvilinear relationship with product innovation. BGs avail their ability to lend resources for innovation only up to a certain extent beyond which, as ownership concentration increases, their risk averse propensity deteriorates product innovation.

Our curvilinear findings thus explain contradictory results in extant literature where inside ownership has been found to be beneficial for firms for innovation (Anderson et al., 2014; Classen et al., 2012; Belenzon, and Berkovitz, 2010), where other studies claim negative impact on innovation (Naldi et al., 2007; Choi et al., 2011), while few others claim insignificant impact on innovation (Lee et al., 2016; Hsieh, et al. 2010)

Our study also supports the view that ownership concentration of BGs and their investment in innovative capabilities is contingent upon institutional environment of country (Miller et al., 2009; Chang et al., 2006). It is also in indirect agreement with extant studies where BGs' market share in an industry was found to have curvilinear relationship innovation in industry (Lee et al., 2016; Mahmood and Mithcell, 2004).

As our results indicate, due to presence of slack resources, family members of BG with are more likely to substitute for imperfect markets through innovation, however, beyond a certain point of ownership concentration, risk averse propensity may overpower the ability to sponsor innovative products as a consequence of which innovation and hence new product launch declines after certain point.

Furthermore, resource lending is likely to be stronger, when apart from ownership, family members also control firm by virtue of holding CEO position. Compared with professional managers, family CEOs may have competitive advantages in gaining access to unique resources. In emerging economies, where market-supporting institutional frameworks are weak,

access to resources is made through informal rather than formal channels such as banks (Peng, 2003). As BGs have extensive network linkages, BG CEO might have access to resources, which non BG CEO does not have (Arregle et al., 2007; Jørgensen and Ulhøi, 2010). Thus, BG CEOs can bring in more resource based advantages required for new product development and launch. However, again BG CEOs may trigger risk averse behavior with increase in ownership concentration and due to direct control over day to day operations may impede deterioration of innovation at a faster rate with increase in ownership concentration.

### **Managerial Implications**

Several managerial implications can be drawn from our study for emerging market firms.

First our findings indicate that BGs do substitute for institutional voids and hence launch more new products. Thus, firms affiliated to BGs are more likely to be innovative. BGs should continue providing cultural and social and human resources. To be able to compete against multinationals in emerging markets, it is vital that BGs substitute for market imperfections and provide human, financial and other resources required for new product launch.

Second, BGs may need to rethink about their level of investment in innovation, as when they have high stake in focal firm, our results indicate they tend of withdraw from innovative behavior. Given increasing competition in emerging markets, innovation can be a potential source of competitive advantage.

Third, the finding that management of business by BG CEO moderates the curvilinear relationship between innovation and ownership concentration implies that BG CEOs in emerging markets could fasten innovation in emerging markets by using BG resources efficiently and also monitoring orchestration of resources, by virtue of their authoritative power. However, as ownership concentration increases and

BGs reliance on focal firm for revenues increases, BG CEOs shows withdrawal behavior from innovation. They need to relook at their risk averse behavior, so that when reliance on focal firm for revenue increases, by virtue of ownership concentration, they enhance performance through risk taking activities such as innovation, rather than risk averse behavior.

### ***Limitations and Directions of Future Research***

From a theoretical point of view, this research has some limitations. The study uses data from only one emerging market, so generalizations beyond the country should be treated tentatively. Future research can be conducted across a wider sample of emerging markets. Thus, future research may build on the insights from this study and investigate the established relationships between BG ownership, control and innovation capability within different sample frames covering other geographies.

The study also focuses exclusively on new product launch as an innovation outcome variable. Although it might be difficult to access information on new product launch success, yet launch success could capture complete innovative performance of BG firms in emerging markets. Information on aspect could provide more conclusive results on how BG ownership and control influences innovative capability of EMFs. Similarly, future studies could further explore how BGs are similar to family firms in influencing explorative vs exploitative innovation (Moss et al., 2014).

Future research could also examine how dimensions of organizational performance such as overall firm financial success is influenced by new product launch capability. Future research could also identity other determinants of new product launch in emerging markets, which foster or hinder innovation efforts in emerging markets. Also, we did not differentiate between incremental, or radical innovation. Future studies can take factor in account.

*References are available on request.*

# Differential Effects of Uncertainty in New Product Preannouncements

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**Keywords:** new product preannouncements, positive uncertainty, temporal distance, preannouncement timing, preannouncement specificity

**Description:** Across two studies, this article demonstrates that the effect of content uncertainty on consumers' behavioral intentions in new product preannouncements varies depending on time to launch (i.e., how far in advance a preannouncement is released).

## EXTENDED ABSTRACT

### Research Question

Firms frequently preannounce new products and services to consumers before they are launched. A key issue that regards both preannouncement theory and practice is content specificity – that is how much information to provide or how uncertain a preannouncement should be (Calantone and Schatzel, 2000, Su and Rao, 2010). How consumers respond to different degrees of content uncertainty is not well understood. Existing empirical results are inconclusive. For example, Talke and Snelders (2013) demonstrate positive effects of both unspecific and specific content. What is missing is a framework that specifies conditions in which providing specific and unspecific content is more effective. Especially, understanding when specific content is not effective is important because providing specific content always bears the risk of information spillover to and potential retaliatory actions from competitors (Milewicz and Herbig, 1994, Popma et al., 2006). In this article we focus on temporal distance (i.e., how far in advance of the product launch a NPP is released; Calantone and Schatzel, 2000) to conceptually explain and empirically examine consumers' differential responses to uncertainty in NPPs.

### Method and Data

Study 1 used a 2 (content: certain vs. uncertain)  $\times$  2 (temporal distance: near vs. distant) between-subjects design. Participants were 207 U.S. consumers (MTurk sample: 60% female,  $M_{age} = 36$  years). Study 1 manipulated uncertainty by providing several alternative options. In the certain content condition participants learned that the movie *Shutter*

*Island* would be continued, whereas in the uncertain content condition participants learned that there will be a sequel to either *The Wolf of Wall Street*, *Shutter Island*, or *The Revenant*. Temporal distance was manipulated by varying the time to the release of the movie ("next month" vs. "in July 2017"). Study 2 used a 2 (content: certain vs. uncertain)  $\times$  2 (decision immediacy: low vs. high) between-subjects design. Participants were 216 U.S. consumers (MTurk sample: 44% female,  $M_{age} = 33$  years). Study 2 preannounced a new novel by Dan Brown. We manipulated uncertainty by varying the location of the novel's story. In the certain content condition participants learned that the novel's story would take place in "Paris." The uncertain condition participants learned that the novel's story would take place in "a major European city." We manipulated decision immediacy using a pre-order button (button: present vs. absent).

### Summary of Findings

Study 1 provides evidence for our main assumption – that is, NPPs promoting near versus distant events require different types of information to be effective. Specifically, the results show that for NPPs promoting a near future event, certain content outperforms uncertain content, while for NPPs promoting a distant future event, uncertain content outperforms certain content. In addition, Study 1 sheds light on the underlying processes. As predicted by CLT, we find that the positive effect of uncertainty in NPPs promoting distant events is mediated by desirability, whereas the positive effect of certainty in NPPs promoting near events occurs because certainty enhances the future product's feasibility. Study 2

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explicates a managerially relevant boundary condition to that positive effect. The results show that using uncertain content backfires for distant NPPs that prompt an immediate consumer decision (i.e., prompt consumers to pre-order the future product).

## **Key Contributions**

Overall, our work contributes to preannouncement research by challenging literature's predominantly negative perception of uncertain NPPs. We advance a more nuanced understanding of uncertainty in NPPs by developing a framework that delineates conditions under which to use and avoid

uncertainty in NPPs. In addition, our work underlines the importance of distinguishing between announcements and preannouncements. Previous studies often used these terms interchangeably (Su and Rao, 2010). Our results demonstrate that preannouncements are not just announcements made earlier. Rather, because of temporal distance, preannouncements and announcements are represented differently in consumers' minds. To be effective, they require different types of content that matches consumers' construal level.

*References are available on request.*

# Linking Users with Personas to Facilitate Business-Wide Integration and Ongoing Innovation

**Tomasz Miaskiewicz, Fort Lewis College**

**Coryndon Luxmoore, Mortgage Builder**

**Keywords:** *personas, user-centered design, user experience, product management, innovation*

**Description:** *A methodology for linking individual users with personas is developed, which allowed for over 28,000 users to be linked with an existing set of six personas at a software as a service (SaaS) organization.*

## EXTENDED ABSTRACT

### Research Question

The organizational impact of personas has been limited because they are only directly associated with a small portion of the user population while the majority of the user base cannot be linked with one of the personas. A related limitation is that personas are typically a snapshot of the users at a specific point in time. Consequently, we investigate if existing personas can be dynamically linked with a broader group of organizational users.

### Method and Data

A methodology is proposed for linking individual users with existing personas. The methodology is applied at a software as a service (SaaS) organization. The organization's users are linked with the personas through the use of attributes that are continually being captured about individual users as they interact with the software (e.g., number of logins) as well as a survey that was shown when the users logged in to the software.

Our approach linked users with personas using a stepwise methodology. During each step, a specific part of the dataset was incorporated into our model. The statistical approach then evaluated the "distance" between each of the users and the six personas. The smaller the distance across the variables, the greater the similarity between the user and the specific persona.

### Summary of Findings

An application of the proposed methodology led to a majority of users (over 28,000) being linked with one of six personas. Our approach also allowed us to estimate the overall confidence of the link between the users and the individual personas. The individual users for whom we captured a series of attributes could be more accurately linked with a given persona.

### Key Contributions

Our methodology for progressively linking personas with users allows organizations to use personas in order to monitor and better understand their users. By incorporating the proposed approach, an organization can see how metrics related to satisfaction, profitability, and churn vary across personas and better focus their future investments. An organization can also assess the effectiveness of the product and UX teams' investments in specific personas ensuring accountability.

Expanding the persona assessment to the broader user base also allows an organization to capture changes in its users over time. For example, the proposed methodology can help to uncover shifts in the user base towards specific personas, which could lead an organization to refocus its efforts towards satisfying the needs of those personas through specific product development initiatives.

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Additionally, the dynamic association of users with personas opens up opportunities to tailor the customer experience to a specific persona. One example is displaying the persona on a call center screen for a representative in order to provide

an instant way of understanding the likely point of view of the customer.

*References are available on request.*

# Value Development During the Self-Design Process: A Demonstration and Explanation of the “Swoosh” Effect

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*Page Moreau, University of Wisconsin-Madison*

**Keywords:** mass customization, self-design, toolkits for user innovation and design, value creation, FaceReader

**Description:** The paper examines the value development during self-designing and identifies factors influencing this value.

## EXTENDED ABSTRACT

### Research Questions

We ask two research questions:

1. Does the value development during self-designing with a configurator follow a power law or a “swoosh”-curve?

The relevance of this question results from a puzzle: While research repeatedly found a strongly increased willingness to pay for self-designed products than their off-the-rack counterparts, the market share of self-designed products in any given category remains low and the rates of customers who do not finish the process are extremely high. It is thus likely that the subjective value consumer expect to derive from self-designing develops during the process of self-designing. But how?

2. In which stage of the self-design process does which category of knowledge influence value?

It is plausible that the subjective value the customers expect during self-designing is a function of their current knowledge. We argue that the influence of different categories of knowledge (knowledge how the configurator works, knowledge about one's own preferences) changes as the process unfolds. Understanding the drivers of value is not just of theoretical import, it is also the basis for managerial implications.

### Method and Data

We gathered data in a laboratory experiment where 508 participants self-designed Nike Sneakers. In order to measure subjective value in an unobtrusive, data rich, longitudinal within-subject manner, we employed FaceReader technology. Facial expressions, most often uncontrolled and spontaneous, are one of the primary channels for humans to transmit emotional signals.

In order to validate our dependent variable, we used BDM auctions at randomly pre-determined points in time during the self-design process (between-subject measurement). The two categories of knowledge were also measured during this interruption using survey technique.

For our analyses, we employed OLS regressions and multi-level fixed effects regressions.

### Summary of Findings

Our core finding is that the value development during self-designing follows a “swoosh”-curve. An initial high value expectations is followed by a rapid decrease, caused by the necessity to learn about the toolkit functioning (in the first phase) and one's own preferences (in the second phase). The resulting minimum level may be the exact moment when potential customers abandon the configurator in frustra-

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tion—unaware of the typical sharp increase of value they would have achieved directly after this “valley of death”.

## **Key Contributions**

By introducing a truly longitudinal perspective and shedding light on the development of value in self-designing, our research contributes to the literature on value elicited by toolkits and its driving forces (Bharadwaj, Naylor, and ter Hofstede, 2009; Franke and Piller, 2004; Jiao, Ma, and Tseng, 2003; Schreier, 2006; Squire, Readman, Brown, and Bessant, 2004; Trentin, Perin, and Forza, 2014; Wirtz, Schilke, and Ullrich, 2010). Our research offers a solution to the puzzle sketched above: Despite their great potential, self-

designed products have not yet captured greater market share because extant configurators are typically not adapted to the learning processes customers undergo.

Our work also contributes to the creativity literature by demonstrating the role that the Dunning Kruger effect has on value development in novel, generative tasks (Aggarwal et al., 2015; Kruger and Dunning, 1999; Miller and Geraci, 2011). To the best of our knowledge, ours is the first study to empirically demonstrating this effect in both virtual environments and in a design context.

*References are available on request.*

# From Ordinary to Extraordinary: Analogical Reasoning and Consumer Co-Creation

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*Nancy Spears, University of North Texas*

**Keywords:** *co-creation, creativity, innovation, analogical reasoning, regulatory focus*

**Description:** *Co-creation often requires consumers to be creative yet studies have overlooked the importance of a creative task and therefore the present paper uniquely combines precepts of analogical reasoning and regulatory focus to exam downstream consumer responses (i.e. creativity and purchase intentions) and the underlying psychological process driving results (i.e. task engagement, the consumer imagination, self-brand connection, and brand sincerity).*

## EXTENDED ABSTRACT

### Research Question

New product development was once conducted within the boundaries of an organization but emphasis has recently been placed on the merit of involving consumers in the ideation stage. These collaborative efforts, often termed co-creation, take many forms and frequently rely upon consumers to help envision and design mutually beneficial market offerings. While scholarship has deepened our current knowledge about this process much remains to be learned. This is especially true in regard to the consumer creativity (i.e. analogical thinking) and motivation (i.e. regulatory focus) side of co-creation. Thus, three overarching research questions are examined: (1) How does regulatory focus and analogical reasoning interact to influence downstream responses such as creativity and purchase intentions within a co-creation scenario? (2) What is the underlying psychological process driving the effect of analogical reasoning and regulatory focus on purchase intentions? (3) In what ways can organizations encourage consumers to unleash their creative potential in order to produce better innovations?

### Method and Data

Two studies were undertaken and method and data for each study are as follows: Study 1 employed a 2 (analogical reasoning: task present versus no task)  $\times$  2 (Regulatory Focus: promotion vs prevention) between-subjects design. Using

Process model 1, regulatory focus was run as a continuous variable and analyzed at standard deviation above/below the mean (-1 std labeled as prevention and +1 std labeled as promotion). 212 undergraduate students completed the study in exchange for extra credit. The proposed causal chain was tested using Process Model 6 with 10,000-bootstrap resampling. Analogical thinking was primed using a series of analogical reasoning questions.

Study 2 Study 2 employed a 2 (regulatory focus: prevention vs. promotion) by 3 (analogical reasoning: near vs. far vs. control) between-subjects design using Process model 1. 194 participants were recruited from Amazon Mechanical Turk in exchange for monetary compensation. Two serial mediation models were tested using Process model 6 with 10,000-bootstrap resampling. Study 2 primed analogical distance using photos that contained either “near” content or “far” content.

### Summary of Findings

Study 1 found that promotion focused consumers have greater purchase intentions if they receive an analogical reasoning task prior to developing new product ideas, versus receiving no task. However, there was no significant difference between the two conditions when considering a prevention focus. Study 1 also found that regulatory focus is posi-

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tively association with task engagement, which in turn activates the consumer imagination leading to self-brand connection, brand sincerity, and ultimately purchase intentions. Lastly, study 1 found that providing an analogical reasoning task produced ideas that are significantly more creative than no task.

Study 2 revealed that consumers who are promotion focused have greater purchase intentions if primed with far analogies or are left on their own. However, purchase intentions significantly drop if primed with near analogies. On the other hand, prevention focused consumers have greater purchase intentions if shown near visual analogies, rather than being left alone, or being shown far visual analogies. The serial mediation effect proposed in study 1 was also significant in study 2 within the far and near conditions. Specifically, task engagement, the consumer imagination, self-brand congruity, and brand sincerity mediate the effect of regulatory focus and analogical task on consumer purchase intentions. Lastly, study 2 showed visually distant analogies result in ideas that are more creative compared to near or no visual analogies.

## **Key Contributions**

Contributions are as follows: (1) Consumers can be engaged to create better innovations if they are provided with a creative task prior to engaging in NPD. This can be in the form of an analogical reasoning task or by providing consumers with images as inspiration. However, the analogical distance of these images should match a consumer's regulatory focus in order to optimize the potential for creative ideas. (2) Managers should explore the role of analogical distance to encourage break-through innovations. More specifically, this paper finds that the more analogically far that connections are made between concepts the more creative the ideas produced. (3) Even if co-creation does not necessarily result in creative output, brands can still enjoy favorable outcomes. Indeed, by engaging customer participation in NPD, organizations can increase overall purchase intentions and creative output. This paper demonstrates that, despite scholars who question the benefits of co-creation to creativity (Chang and Taylor, 2016), positive benefits beyond product ideation do indeed exist.

*References are available on request.*

# The Role of Developed Versus Emerging Country-of-Origin in Product Innovativeness

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*Ge Xiao, Wilkes University*

**Keywords:** *design newness, technical newness, really new products (RNPs), incrementally new products (INPs), country-of-origin, experimental design*

**Description:** *Our research investigates consumer responses when incrementally new and/or radically new products come from developed versus developing countries.*

## EXTENDED ABSTRACT

### Research Question

The specific research questions that this paper attempts to address are summarized below:

- How does customer response compare between INPs and RNPs with respect to varying levels of design newness coupled with technical newness when the incremental or radical innovation originates from developed country, and
- How does customer response compare between INPs and RNPs with respect to varying levels of design newness coupled with technical newness when the incremental or radical innovation originates from developed country when the incremental or radical innovation originates from emerging economy?

### Method and Data

We utilized two experimental studies for testing visual product newness (coupled with technical newness) for hedonic products. The studies test the effects of differential levels of design + technical newness on purchase intentions for hedonic products originating from developed COO versus emerging COO. We presented print ads of real life and fictional hedonic products to our survey respondents in order to elevate the recognition about COO. We conducted a series of three pretests for identifying radical versus incremental innovations, low versus high levels of design newness for hedonic products, and segregating RNPs and INPs in the hedonic context.

### Summary of Findings

Through two experimental studies, we found that consumers preferred high design newness in both incrementally and radically innovative product category during developed COO situation; and consumers preferred high design newness for incrementally new products while avoiding radically new hedonic products completely during emerging COO situation. The results have important implications for researchers and managers in developing incremental and radical innovations by understanding differential performance effects of levels of design and technical newness with respect to developed versus emerging COO situations and consumer purchase intentions.

### Key Contributions

In NPD literature, an examination of country-of-origin (COO) is limited, particularly, in the context of new product design and adoption. Consumers utilize a range of product-related cues for evaluating product's quality as per the cue utilization theory (Olson 1972). Multiple cue utilization scenario-based theory helps in building multiple scenarios and combinations of intrinsic and extrinsic cues in order to gauge consumer purchase intentions (Arora et al. 2015), and this research employs cue utilization theory for assessing visual product design and product innovativeness during developed—emerging COO situations.

*References are available on request.*

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# Evaluating Sustainability as a Core Competency: Consumer Response to Sustainable Products

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**Keywords:** sustainability, innovation, consumer preference, resource-based view, product choice, competitive advantage

**Description:** This research evaluates the influence of the individual and combined product attributes of sustainability and innovation on consumer preference, to understand their strength of differentiation and to inform sustainability-marketing strategies.

## EXTENDED ABSTRACT

### Research Question

This research investigates two potential reasons to buy, innovative and sustainable product features, both individually and together, and the strength of their influence on consumers' product preference, relative to an undifferentiated product. Undifferentiated product is defined as a traditionally produced product that possesses neither innovative nor sustainable characteristics. Further, the effect of different product attribute emphasis (sustainability vs. innovation) on consumers' product preference is considered as a proxy-measure of the marketability of the sustainable product, which is operationalized as consumer preference for a remanufactured product. The bundling of innovation and sustainability competencies by a company may present new opportunities for improved performance, per the resource-based view of the firm. Whether such bundling also creates value for the customer, and therefore offers an inherent justification for the company to pursue this bundling of competencies as a means of achieving co-created opportunities for sustainable consumption, is also evaluated.

### Method and Data

A survey of USA-based consumers was conducted using paired product survey responses to delineate the influence

and interaction of innovative-design versus sustainability attributes on the consumer's preference and intent to purchase the product. The study used an online sample ( $n = 344$ ) recruited from across the United States through the Qualtrics consumer panel and was completed in June 2016. The sustainability attribute was operationalized as a remanufactured product, which offered production cost savings, relative environmental benefits, and the potential for the co-creation of a sustainable consumption opportunity. Respondents indicated preference across a variety of paired product options that included: an undifferentiated product; a sustainable (remanufactured) product; an innovative-design, not-sustainable product; and an innovative-design, sustainable product. The specific product example was a personal office workspace, including chair, storage, and work surface. Respondents were informed that a budget of \$2000 had been allocated to them for the purchase. The budget was sufficient to cover the costs of any workspace option. Potential motivators of preference, including pre-existing degree of concern about the environment, willingness-to-pay, and the presence/absence of different product options offering a particular sustainability or innovative attribute were captured. Frequency analysis, Chi-square test for equal proportions, and generalized logit regression were performed.

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## **Summary of Findings**

Findings suggest that sustainability product features offer consumers a stronger reason to buy than innovative-design product features. In isolation, the sustainable product was preferred (86%,  $p < .001$ ) to the undifferentiated product, and in joint comparison the sustainable product was preferred (49%,  $\chi^2(1) = 43.98, p < .01$ ) over both the innovative-design (30%) and undifferentiated products (21%). However, when sustainable products are unavailable, the innovative-design product outperforms the undifferentiated, non-sustainable product (57%,  $p < .01$ ). Contrary to expectations, the bundling of sustainability and innovation attributes does not create additional attraction for the consumer, with the sustainable product preferred (57%,  $p = .01$ ) over the product that was both sustainable and innovative. Further, while sustainability differentiation alone creates sufficient reason to buy for the majority of consumers, stated concern for the environment alone does not affect preference for the sustainable option, with the relationship not being statistically significant (Wald  $\chi^2(1) = 2.25, p = .13$ ).

## **Key Contributions**

Innovation does not overshadow sustainability for two possible reasons: first, the sustainability aspect of corporate social responsibility (CSR), remanufacturing specifically,

may lead to higher consumer preference (and consequently, better performance) when isolated from other CSR elements; or second, sustainability may constitute innovation itself from the perspective of the consumer, specifically, innovation in the process rather than product design. In the isolation of sustainability attributes from innovative attributes, it was found that customers who favor sustainable products are more than four times more likely to favor innovative-design products when sustainable products are unavailable. This suggests that there may be merit to considering sustainability attributes within the hedonic values spectrum, and may explain the strength of preference for the sustainable product, in spite of stated environmental concern: Customer preference for the sustainable product may originate in variety-seeking behavior, rather than personal and social values structures. The failure of bundled sustainability and innovation product attributes to create additional attraction for consumers affirms the complex sustainability-innovation relationship already identified in the literature, and lends support to the idea that current sustainability marketing strategy has oversimplified the role of sustainability values as the basis for consumer sustainability preferences.

*References are available on request.*

# Understanding Wearable Augmented Reality Technologies

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**Keywords:** augmented reality, AR, virtual reality, wearables, smart glasses, ARSG

**Description:** *The authors conduct a series of empirical studies to assess how consumers react to wearable Augmented Reality Smart Glasses, a prototypical example of a new generation of wearable technologies (fashnology).*

## EXTENDED ABSTRACT

### Research Question

This research addresses a fundamental research question: How do consumers react to Augmented Reality Smart Glasses (ARSGs)? Providing answers to this question is of both theoretical and managerial interest. For example, ARSGs are also a form of fashion and thus represent an example of “Fashnology.” Likewise, ARSGs can threaten people’s privacy and provide numerous novel benefits to consumers. Understanding how people react to this new form of technology, such as Microsoft HoloLens, EverySight Raptor, Google Glass or Magic Leap, is also relevant for marketers, manufacturers of such technologies, and policy makers alike.

### Method and Data

We conduct a series of survey studies. Data is analyzed using structural equation modelling using different samples and measures. Robustness tests replicate the findings across different studies.

### Summary of Findings

The empirical studies identified several benefits (e.g., functional, enjoyment, fashnion) and risks that explain variations in consumers’ reactions to ARSGs. In addition, findings show that only particular aspects of privacy seem to matter and that effect sizes differ across different contexts.

### Key Contributions

This is one of the first studies to investigate ARSGs based on large-scale data. By doing so, the current research provides a comprehensive overview about consumers’ decision making when it comes to Augmented Reality technologies. Finally, the study indicates that ARSGs should be studied in terms of “fashnology.”

*References are available on request.*

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# Rejection Behavior Prior New Product Evaluation: Examining Occurrence and Determinants of Passive Innovation Rejections

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**Keywords:** *passive innovation resistance, passive innovation rejection, new product evaluation, innovation decision process*

## EXTENDED ABSTRACT

### Research Question

The launch of new products represents a strategic imperative in today's economies. Unfortunately, new products face a severe risk of failure. More specifically, past literature reports high failure rates for innovations, ranging around 50%. Innovations can only become successful in the market if they are accepted and finally adopted by consumers. Most new products, however, fail as they are rejected by consumers due to their resistance to innovation. The importance of innovation rejection behaviour has been acknowledged both by scientific research and management practice. Past research differentiates passive innovation rejections, i.e. rejection behavior that happens rather unconsciously prior new product evaluation, from active innovation rejections, i.e. rejection behavior that happens after deliberate new product evaluation. While several studies have examined active innovation rejections, no empirical study yet has investigated passive innovation rejection behaviour. Thus, empirical evidence for its existence and its determinants is still missing. Yet, prior research suggests that a significant amount of the US\$135 billion spent each year in the United States on marketing new products that ultimately fail, is wasted due to passive innovation rejections. A better understanding of passive innovation rejection behavior would thus not only contribute to adoption theory, but also help managers develop effective measures to fuel the adoption process and avoid misallocating resources.

### Method and Data

The aim of this research is to systematically explore whether passive innovation rejections really exist and to shed light on the nature and determinants of this phenomenon. For this purpose, 153 participants are confronted with a set of innovative products from different product categories in a laboratory setting. At first, an experimenter invites the participants to deal with each product as long as they wish. In the event of inquiries about product features, the experimenter is available as a respondent. The responses of the participants on the individual products are externally audio- and videotaped, employing the think-aloud protocol. Consequently, participants were asked to say whatever comes into their mind as they inspect the products. This might include what they are looking at, thinking, doing, and feeling. In addition to a pure observation protocol, this method makes thought processes as explicit as possible and thus offers additional insights into the participant's cognitive processes during confrontation with the 25 innovative products. At the end of the confrontation, participants are asked to indicate their willingness to pay for each product by placing a bid. If their reported WTP lies above a non-public threshold, they have to purchase the innovation at that amount. At second, participants were asked to provide further information within an online survey. Within this survey, the central constructs

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of interest as well as several additional traits that are most commonly used within studies of adoption behavior were measured as controls and for additional analyses. In order to assess the occurrence of passive rejections, the recorded videotapes were analyzed by three independent experts. More specifically, the three experts analyzed all 153 videos and observed how much attention each participant devotes to each product. Based on the degree of attention devoted to the products, these products are assigned to the several decision outcomes of the adoption process. Products which met attention or were placed with a bid are classified as products that were evaluated. All other products that experienced little or no attention by the volunteers, for the reason that they were not considered, tried out, or carefully studied, thus can be identified as products which were passively rejected in the phase of "awareness."

### **Summary of Findings**

Structural equation modeling (SEM) was applied in order to evaluate the research model. Preliminary results of our study allow the following interpretations. Overall, the preliminary results show that passive innovation resistance represents a major cause of passive innovation rejections. More specifically, passive innovation resistance exhibited a significant and positive effect on passive innovation rejection ( $\beta = .41, p < .01$ ). Furthermore, arousal moderates the effect of passive innovation resistance on passive innova-

tion rejections by significantly increasing the positive effect ( $\beta = .22, p < .01$ ).

### **Key Contributions**

This research can contribute to extending adoption theory by shedding first light on whether passive innovation rejection behavior exists and which determinants are responsible for this phenomenon. More specifically, our findings point out, that passive innovation rejection represents a common consumer reaction when confronted with innovations. With respect to a theoretical rationale for such nonpurchase behaviour prior to new product evaluation, our findings provide first empirical evidence, that the level of passive innovation resistance primarily determines the occurrence of passive rejections. Further results from the moderation analysis indicate that the probability for passive innovation rejections due to passive innovation resistance is even higher in presence of high perceived arousal. These findings extend adoption theory by shedding first light on the existence and underlying psychological processes of passive innovation rejection behaviour, thereby contributing to the ongoing discussion on pro-change bias. From a managerial perspective, new product managers may use our results to develop measures to reduce rejection behaviour prior new product evaluation and by that enhance the probability for new product success.

*References are available on request.*

# Greening Your New Products? Get a Partner! Green Innovation in Technological Networks

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**Keywords:** green innovation, inter-firm networks, panel data

**Description:** *The paper explores drivers of a firm propensity to create environmentally friendly (green) innovation in the context of industry-wide technological networks.*

## EXTENDED ABSTRACT

### Research Question

Across industry sectors, firms actively invest in green R&D to create novel, cleaner and greener, products and technologies, in response to growing consumer demands for eco-friendly products. The emerging stream in environmental management literature advocates the relevance of the networks perspective to analyze firm green innovation. Far-reaching consequences of environmental concerns have provoked more frequent and meaningful interactions between business and stakeholder communities, leading to emergence of complex relational networks where diverse social agents collaborate to create environmental and social value.

Yet, most of extant research on the topic are case studies that analyze green innovation at the project or firm level and “often do not explicitly address the mechanisms through which influencing factors affect innovative capacities” (Boons and Lüdeke-Freund 2013). Firms need better understanding how inter-firm relationships can be leveraged to enhance green innovation and maximize sustainability benefits. This paper provides partial answers to this question by exploring a firm’s propensity to create green innovation in the context of networks of technological partnerships. The patterns and predictors of firm green innovation are explained by observing dynamic changes in knowledge and structural properties of technological networks at multiple levels.

### Method and Data

To test the model, the U.S. chemical industry was chosen, which is a high-tech sector of the economy sensitive to sus-

tainability issues. Innovation is an important determinant of competitive advantage in the industry, and companies actively collaborate to pursue innovation and systematically patent inventions. Based on the intensive archival search of multiple sources, a unique database was constructed, observing a development of industry-wide technological networks over the period from 2005–2012. The database covers 55 largest publicly traded chemical companies, their partnerships and patenting activities and comprises 314 firm-years. The proposed theoretical model invites two different perspectives on the dynamics of technological networks. Accordingly, two models addressing the local-network and the global-network levels of analysis were estimated, using random-effects and fixed-effects Poisson specifications. Based on the results of Hausman test, fixed effects Poisson model with conservative bootstrapped standard errors was assumed more appropriate. Additionally, several alternative model specifications were tested to confirm robustness of the results.

### Summary of Findings

The findings support the argument that green technology partnerships can enhance firm green innovation. However, the impact differs, if different levels of analysis are considered. At the firm network level, the breadth of knowledge pool, knowledge compatibility and knowledge specificity are all important determinants of firm green innovation. Importantly, breadth of knowledge pool and knowledge compatibility play although complementary, but distinct roles in knowledge creation process. This finding helps reconcile mixed empirical results in extant innovation literature regarding the impact of

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knowledge heterogeneity on firm innovation. Knowledge specificity also positively affects firm green innovation: firms maintaining green partnerships are more likely to develop domain-specific knowledge transfer mechanisms and thus more likely to create green innovation in inter-firm relationships. A firm's network density also positively affects firm green innovation, which is in line with extant literature.

At the level of the global industry networks though, none of the knowledge or structural attributes had effect on firm green innovation. This suggests that knowledge and structural attributes of the local networks might be more important determinants of firm green innovation than the attributes of the global industry network.

### **Key Contributions**

A novel multi-dimensional conceptualization of network knowledge heterogeneity is shown to provide a better

explanatory power and reconcile conflicting results in extant innovation management literature. Knowledge specificity is an important driver of firm green innovation. This points to the importance of exploring how different types of knowledge, i.e. green vs. non-green, managerial vs administrative, etc. diffuse in interorganizational networks and affect firm innovation. The impact of knowledge attributes and network structure properties on a firm propensity to patent green innovation differs at the local and global network levels. This finding further contributes to the structural perspective of firm innovation and suggests that the local search might be a more crucial factor of firm innovation than the global search is. Even in the fragmented industries, lacking in terms of large technological networks, firms are still able to achieve green innovation, if wisely choosing partners in their local, small-scale networks.

*References are available on request.*

# Consumer's Perception of Sustainable Food Innovations: Effects on Perceived Risk, Perceived Benefit, and Attitude Strength

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**Keywords:** sustainable food innovation, acceptance, food perception, risks, benefits

**Description:** This article examines in which way consumers perceive sustainable food innovations and the consequential effects on perceived risk, perceived benefit, and attitude strength.

## EXTENDED ABSTRACT

### Research Question

Consumers are more and more interested about food technologies and specific food ingredients, but at the same time, they are also worried about new food technologies and food additives. Consequently, consumers increasingly mistrust new developed food products or food production technologies, which in turn is leading to a decreased acceptance of those innovations. Therefore, our research question is, how consumer perceive innovative and sustainable food products and in which way the perception affects the customer perceived risk (CPR), customer perceived value (CPV) and attitude strength toward food innovations.

### Method and Data

For the empirical investigation of the conceptualized model, an online survey was conducted in Germany and in sum, 617 valid questionnaires were received. In order to examine the impact and effects between the latent variables a causal analysis was performed. Due to the fact that our conceptual model includes formative as well as reflective measurement models, we considered Partial Least Squares (PLS) structural modelling as the appropriate method for the empirical tests.

### Summary of Findings

The results confirmed a high predictive power of the conceptual model. In detail, the six perceived product characteristics compatibility, innovativeness, advantageousness, naturalness, avoidability, and trust in regulations have been identified as the most important indicators in respect to form the perception of sustainable food innovations. Furthermore, the results have shown that the perceived product characteristics of innovative food have a strong positive and highly significant impact on CPV, respectively a strong negative and highly significant impact on CPR, that both subsequently influence all three components of attitude strength (cognitive, affective and behavioral). Likewise, the total effects show a strong and significant direct impact of product-related perceptions on attitude strength.

### Key Contributions

For the purpose of our paper, we developed a new model of the perception of innovative food products. Further, we took food product perception, perceived value as well as perceived risk and attitude strength as selected outcomes for the

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acceptance of innovative food products into account to ensure a comprehensive evaluation of consumers' acceptance and build a multi-dimensional framework. The results of the empirical investigation, revealed satisfying quality for

the conceptual model as well as the generated manifest indicators for food product perception.

*References are available on request.*

# The Sustainability of Product Innovation: New Product Competence and Performance Gains

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**Keywords:** *new product competence, product innovation, contingent theory, resource-based view*

## EXTENDED ABSTRACT

Managers typically claim considerable benefits by adopting structured processes in their new product development (NPD) so as to identify key issues, solve problems, and guide decision making. This is based on the management supposition that the competence displayed by firms in these structured processes is likely to impact significantly upon NPD outcomes. However, the theorizing to support such a plausible tenet remains ambiguous, especially in the emergent market context. Based on the contingent resource-based view and capabilities theory, this study argues that the relationships of NPD competence with economic and customer performance are mediated by the product's competitive

advantage and moderated by the firm's clan culture and the technological environmental turbulence faced. This study tested the assertions using a sample of high-technology new product ventures in China, and a follow-up survey capturing longitudinal data. The results suggest that product competitive advantage mediates the NPD competence to performance relationships, and that the link between NPD competence and product competitive advantage is respectively weakened and strengthened by increases in technological turbulence and clan culture.

*References are available on request.*

# The Knowledge-Dependent, Differential Effects of Supplier Orientation Strategies on Green Innovation Performance

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*Björn Frank, Sophia University*

**Keywords:** *green innovation, environmental sustainability, supply chain management, open innovation.*

## EXTENDED ABSTRACT

### Research Question

How can managers leverage different types of green supply chain orientation into green innovation performance (green product, green process performance)? Does the optimal type of green supply chain orientation depend on the level of inside CSR knowledge that product developers have obtained?

### Method and Data

The study follows an empirical research approach. A questionnaire survey was developed and targeted at worldwide manufacturing companies operating in the automotive and packaging industries. The survey resulted in responses from 327 managers in 246 strategic business units, representing 29 different countries in Europe, North America, and Asia. All multi-item scales satisfy the standard criteria of convergent and discriminant validity. The data were analyzed using hierarchical linear modeling.

### Summary of Findings

The results show that green supplier sourcing (choosing new green suppliers, or creating pressure on incumbent suppliers to emphasize environmental sustainability), green supplier support (aiding suppliers in improving environmental sustainability), and inside CSR knowledge (sustainability knowledge that product developers have obtained from outside their department) positively influence all measured types of green innovation performance (green product: material efficiency, post-sale use efficiency; green process: manufacturing efficiency, recycling efficiency, transportation efficiency). In addition, the study shows that a low

degree of inside CSR knowledge makes green supplier sourcing highly effective but renders green supplier support ineffective, whereas a high degree of inside CSR knowledge makes green supplier support highly effective but renders green supplier sourcing ineffective. These results provide a guideline for managers to adapt their green supply chain strategy to the current level of inside CSR knowledge obtained by product developers.

### Key Contributions

Based on both green supply chain management theory and open innovation theory, this study develops a conceptual model identifying green supply chain management strategies that support managers in improving green innovation performance operationalized as green product (material efficiency, post-sale use efficiency) and green process (manufacturing efficiency, recycling efficiency, transportation efficiency) performance. The results reveal the extensive benefits of integrating CSR knowledge during the development of environmentally friendly products and processes. In addition, they provide a guideline for managers to adapt their green supply chain strategy to the current level of inside CSR knowledge obtained by product developers. Therefore, this study extends the literature on open innovation strategy to explain knowledge-dependent green supply chain orientation, and it extends the literature on supply chain management with a more in-depth understanding of factors affecting green innovation performance.

*References are available on request.*

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# Part I

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# When Does a Manager Matter in Franchising?

**Stephen K. Kim, Iowa State University**  
**Pushpinder Gill, Iowa State University**

**Keywords:** routines, enforcement, relationship maturity, ambidexterity, franchising

**Description:** This paper examines the conditions under which the effect of routine on store ambidexterity changes.

## EXTENDED ABSTRACT

### Research Questions

Franchising has become a dominant form of retailing in recent years. Franchising sector in the U.S. employed 8.8 Million people and produced output of \$892 Billion in 2015 (IHS Economics 2016). Therefore, it is essential to know what drives performance of individual stores in franchising. A franchisor develops an organizational routine and diffuses it through a network of stores. Routine is articulated in detail in an operations manual so that it can be easily replicated across stores. This raises a question on the incremental value of a store manager in franchising: Does a manager matter for store performance in franchising? Our hypotheses are:

H<sub>1</sub>: A franchisor's greater routinization has a positive effect on ambidexterity of  
(a) franchisee stores and (b) corporate stores.

H<sub>2a</sub>: For franchisee stores, the positive effect of routinization on store ambidexterity becomes weaker when enforcement discretion goes up.

H<sub>2b</sub>: For corporate stores, the positive effect of routinization on store ambidexterity does not change when enforcement discretion goes up.

H<sub>3</sub>: The positive effect of routinization on store ambidexterity becomes weaker as a franchisor-franchisee relationship matures.

H<sub>4</sub>: The deleterious effect of enforcement discretion on the link between routinization and store ambidexterity is amplified in mature stages of a relationship.

### Method and Data

We collected data from the franchising sector spanning dining, retail and services in South Korea for the empirical test of the hypotheses. A franchise chain in this context consists of three groups of key players: a franchisor, a group of corporate stores where corporate managers supervise store employees, and a group of franchisee stores where each independent franchisee manages her own employees, all connected through a common trademark. Our unit of analysis is a dyad of a chain and a franchisee (corporate) store. Sampling frame of the survey was the membership list of Korea Franchise Association (KFA), the largest franchise industry association in South Korea. We secured 104 complete sets of dyads for analysis.

### Summary of Findings

The coefficient for routinization is positive and significant ( $b = 2.66, p < .01$ ), which indicates the higher the routinization, the higher the level of franchisee store ambidexterity. This result supports our baseline hypothesis (H<sub>1a</sub>). The positive effect of routinization on ambidexterity is diminished by a franchisee store manager's greater discretion in enforcement ( $b = -1.76, p < .05$ ), which supports our prediction (H<sub>2a</sub>). Similarly, the positive effect of routinization on ambidexterity becomes weaker as the franchisor-franchisee relationship becomes mature ( $b = -4.21, p < .05$ ), which supports our prediction (H<sub>3</sub>). The negative effect of enforcement discretion becomes stronger under a mature franchisor-franchisee relationship ( $b = -2.59, p < .10$ ) than under an early relationship, which marginally supports our prediction (H<sub>4</sub>). The coefficient for routinization is positive and significant

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( $b = 3.88, p < .01$ ), which indicates the higher the routinization, the higher the level of corporate store ambidexterity. Therefore, our baseline hypothesis ( $H_1$ ) is supported by both franchisee store data and corporate store data. The positive effect of routinization on corporate store ambidexterity does not change with greater enforcement discretion ( $b = -.42$ , n.s.), which supports our prediction ( $H_{2b}$ ).

### **Key Contributions**

This study makes two contributions. First, this study proves empirically that routine and routine enforcement matter for store performance in franchising, namely ambidexterity. Unlike prior studies that either imputed routine enforcement through a store type (Knott and McKelvey 1999) or relied on the measure of propensity to comply with routines through secondary data (Knott 2001), we directly measured and tested the effects of routine and routine enforcement. Second,

we identified two important boundary conditions for the effects of routine and routine enforcement: Governance mode and time. Whereas Knott and her colleagues treated corporate stores and franchisee stores as identical entities within a franchise chain, we reasoned and proved that the effect of enforcement discretion varies across two types of stores that are under different governance modes. Furthermore, we theorized on the moderating effect of temporal context on the effects of routine and routine enforcement. Unlike prior studies that examined the effect of routine enforcement in a linear fashion, we theorized that the effects of routine and routine enforcement vary along relationship stages. The finding that the potency of routine dissipates over time resonates with the recognition that, without chain's intervention, the power of routines erodes over time (Knott 2003).

*References are available on request.*

# Performance Implications of Organizational Signaling and Screening to Distribution Channels: Evidence from Franchising

*Farhad Sadeh, McMaster University*

*Manish Kacker, McMaster University*

**Keywords:** *distribution channels, signaling, screening, transaction cost theory, business to business marketing, interorganizational relationship formation, franchising, voluntary information disclosure, contracting, organizational performance*

**Description:** *This paper examines performance consequences of signaling (through voluntary information disclosure) and screening (through qualification) during the business-to-business relationship formation process in distribution channels (in the context of franchising).*

## EXTENDED ABSTRACT

### Research Question

What are the performance consequences of signaling to (and screening of) prospective channel members as a firm looks to add partners and expand its distribution channel system?

### Method and Data

*Data:* We primarily rely on secondary unbalanced panel data from 2001 to 2009 from Bond's Franchise Guides.

*Method:* We conduct econometric analyses of panel data. Instrumental variables and Roodman's Conditional Mixed Process (CMP) framework are used to address endogeneity problems.

### Summary of Findings

- The results shed new light on performance consequences of organizational signaling (through voluntary information disclosure) and screening (through qualification) by upstream channel members. The results show that organizational disclosure of past financial performance metrics for the distribution network (to signal the quality of the business concept to prospective channel members) leads to superior performance.

- We also show that organizational performance is impacted by the use of qualification standards for choosing channel members.

### Key Contributions

This study makes theoretical, managerial and policy contributions. We apply transaction cost theory and agency theory to distribution channels questions and make contributions to scholarly research on the substantive topics of interorganizational relationship formation, contractual relationships, franchising, and voluntary information disclosure. We provide managerial implications for practitioners and offer public policy insights on the issue of voluntary versus mandatory information disclosure.

We contribute to organizational signaling research in multiple ways. First, we empirically study signaling in a business-to-business context and consider quality signaling to prospective channel partners in franchising, whereas much of the empirical research on this topic looks at quality signals in securities markets and the issue of attracting investors to a firm's stock. In addition to differences between the two contexts in terms of forms, risks, and bene-

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fits, the ability to longitudinally study quality signaling (instead of one shot IPO events) is an important and unique feature of our research context (franchising). Second, this study has implications for firms that face a shortage of prospective partners because of their intense qualification and selection standards. Extant transaction cost theory research maintains that rigorous ex-ante qualification and screening standards decrease ex-post transaction costs in distribution channels. Our results show how a firm's use of such screening mechanisms interacts with quality signaling to impact organizational performance.

This study contributes to the franchising and voluntary information disclosure literatures in multiple ways. First, it provides empirical support for the positive impact of quality signaling (through voluntary provision of Financial Performance Representations) on a franchisor's performance. Although previous studies (e.g., Michael, 2009; Price, 2000; Sadeh and Kacker, 2017) explore the antecedents of providing Financial

Performance Representations (FPR), performance outcomes of such activity have, to our knowledge, not been studied. Second, this study introduces franchising as a novel and rich context for empirical research on voluntary information disclosure—a topic that has been subject of extensive scholarly investigation in accounting, finance and law where the typical empirical context (stock market data) has some limitations that can be mitigated by the use of franchising data.

This study also has public policy implications since FPR requirements and enforcement have been the subject of debate in the US among several parties. Our findings reveal beneficial franchisor performance outcomes from making voluntary information disclosures (in the form of FPR). This provides support for the view that such financial performance disclosures should remain voluntary rather than be made mandatory.

*References are available on request.*

# Socio-Technical Congruence and Information Systems Integration

Rajesh Rajaguru, Australian Institute of Business

**Keywords:** IOIS integration, socio-technical congruence, operational performance, interorganizational relationship.

**Description:** The study determines the role of socio-technical congruence in IOIS integration and investigates how information systems can be integrated with partnering organizations information system and operational processes to ensure the desired benefits.

## EXTENDED ABSTRACT

### Research Question

Recent development and innovation in information and communication technology (ICT) alter the way business and supply chain partners sustain their businesses (Johnston and Wright, 2004) in the dynamic business environment. To attain the desired ICT benefits and to avoid the information systems failure, Poon and Swatman (1999) encourage the organizations to integrate their information systems with partnering organizations. Such interorganizational information systems (IOIS) facilitate interorganizational relationships and supply chain performance (Kim et al., 2006). IOIS enhance retailers to communicate changes in consumers' requirements to manufacturers and simultaneously enable the manufacturers to address retailer requirements (Soliman and Janz, 2004). By providing timely, accurate and consistent information, IOIS integration facilitates the manufacturers' fast response to dynamic challenges in the market and enable retailers to effectively respond to consumers (Bhatt and Troutt, 2005). Differences in partnering organizations information systems and operational processes inhibit the IOIS integration (Claycomb et al., 2005; Li and Williams, 2001). The implementation of ICT/ IOIS of an organization needs to align with partnering organizations information systems and operational processes to achieve the desirable benefits. Hence, assuring socio-technical congruence between partnering organization is important. Socio-technical congruence is the fit or congruence between the organizational structure and the software technologies used (Hester, 2014; Bostrom and Heinen, 1977). Bachmann and van Witteloostuijn

(2006) highlight the importance of socio-technical congruence in achieving interorganizational information sharing and relationship. Incongruity between retailer and manufacturer information systems and operational processes hinder the interactive e-business and the realization of operational performance at retailer level (Siau and Tian, 2004). Prior research called for empirical work focus on factors that contribute the integration of IOIS between organizations (Dewett and Jones, 2001). Therefore, the study addresses the following research questions.

1. How does IOIS integration influences operational performance?
2. What is the role of socio-technical congruence in IOIS integration and retailer level operational performance?

### Method and Data

Data was collected from food and hardware retailing sectors. Senior managers involved with organizational level decision making were considered as appropriate respondents. The study achieved a response rate of 15.1% with the response from 302 respondents. Measurement items for socio-technical congruence were developed from prior researches and socio-technical system theory. Measurement items for IOIS and operational performance were adapted from Kim et al. (2006) and Yu et al. (2014), respectively. Regression analysis was used to test the relationship between socio-technical congruence, IOIS integration and operational performance. MacKinnon et al. (2007)'s three-step procedure was used to assess the mediation effect.

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## **Summary of Findings**

The study found positive and significant effect of socio-technical congruence ( $\beta = .312, p \leq .001$ ) on IOIS integration. The results indicated a positive and significant effect of IOIS integration ( $\beta = .523, p \leq .001$ ) on the dependent variable retailer operational performance. The direct effect of socio-technical congruence ( $\beta = .144, p \leq .01$ ) on retailer operational performance found to be positive and significant. The study confirmed the partial mediation effect of IOIS integration on the relationship between socio-technical congruence and retailer performance, as the regression coefficient for indirect effects (.166) was smaller than for the direct effects (.144). In addition, the  $R^2$  value for the indirect model (.37) was higher than for the direct model (.29).

The results highlight the fact that the organisation's information systems need to congruent with partnering organizations information systems, operational processes and business systems. The relationship emerged between IOIS integration and operational performance indicate that the consistent sharing of strategic and operational information between retailers and manufacturers contribute to the achievement of retailers' responsiveness to consumers and market fluctuations, on-time delivery, reduced on-shelf and warehouse inventory and ful-

filling consumer requirements. The mediating effect implies that socio-technical congruence is a prerequisite to achieving integration and the desired operational performance.

## **Key Contributions**

The study has several theoretical and managerial implications as outlined below. The study support and extend the application of socio-technical system (STS) theory to inter-organizational and business-business context. By exploring the relationship between socio-technical congruence, IOIS integration and retailer operational performance the study extends current knowledge of STS theory to IOIS integration and business to business marketing context. The study provides some guidelines to manufacturers and retailers and encourage partnering organizations to integrate their IOIS to attain the full benefits of socio-technical congruence. Retailers also need to pay attention to socio-technical factors when integrating their information systems with partnering organizations. The results also offer some insight to stakeholders involved in the development of information systems and urge developers to pay attention to interorganizational requirements.

*References are available on request.*

# Interorganizational Learning: Contractual Antecedents, Moderators and Differential Results

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**Keywords:** *contract, promotion focus, prevention focus, exploration, exploitation*

**Description:** *This paper discusses about how promotion contract and prevention contract affect performance through interorganizational learning.*

## EXTENDED ABSTRACT

### Research Question

Responding to Schepker and colleague's (2013) call for revealing contract's role beyond safeguarding, we aim at providing a new framework on how contract encourages or refrain interorganizational learning by using regulatory focus theory and organizational learning theory. Weber and Mayer (2011) divide contract into promotion contract and prevention contract. Promotion contract includes various clauses creating a flexible and cooperative relationship to reach the maximal goal between a buyer and a seller; while prevention contract includes various clauses punishing the unintended behaviors and create a vigilant relationship to prevent deviations from goals (Weber and Mayer, 2011). Though recent studies gradually enrich people's recognitions towards these two kinds of contracts, it's still unknown whether and how these contracts affect suppliers' learning and thus performance. Specifically, we mainly answer the following questions in this study: (1) how do promotion contract and prevention contract affect supplier learning and thus outcomes (e.g., performance and shadow of future)? (2) how do these effects of contracts on learning vary under different contexts? (3) what are the differential effects of distinct learning (exploration vs. exploitation)?

### Method and Data

To test the hypotheses, we collected buyers and sellers' data from China. We got back 258 questionnaires from buyers. Then we made a list of sellers according to the recommendation from 258 buyers. In the end, we got effective ques-

tionnaires from 135 pairs of companies, resulting in an effective response rate of 27%.

To testify our hypotheses, we conduct two separate sets of analyses. First, we estimate the relationship between contract and interorganizational learning. Second, we estimate the relationship between interorganizational learning and outcomes, including performance and shadow of future. We conducted seemingly unrelated regression (SUR) to analyze the data. To further explore how the combination of promotion contract and prevention contract jointly affect interfirm learning, we used polynominal regression with response surface analysis.

### Summary of Findings

We find different contracts affect interorganizational learning in distinct ways. Specifically, promotion contract enhances a seller's exploration, while prevention contract reduces both exploration and exploitation. As the levels of behavioral uncertainty increase, both positive effects of promotion contract and negative effect of prevention contract become smaller. Higher levels of environmental complexity decrease the positive effects of promotion contract. We also find that a seller's exploration enhances its buyer's shadow of future, while a seller's exploitation enhances its buyer's performance.

The mix between promotion contract and prevention contract also affects the effects of interorganizational learning. Interorganizational learning occurs when: (1) promotion

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contract is greater than prevention contract; (2) discrepancy between promotion contract and prevention contract increases. When promotion contract and prevention contract increase together, a seller's exploitation will decrease and then increase in a U-shape.

## **Key Contributions**

First, we contribute to interorganizational learning literature by revealing new antecedents, namely promotion contract and prevention contract. We also reveal relating contingent factors, environmental complexity and behavior uncertainty, to provide a complete framework. As for contract literature, we further develop Weber and Mayer's contract framing theory (2011) by clarifying the roles that promotion contract

and prevention contract play in interorganizational activities. Given that promotion focus and prevention focus may coexist (Higgins, 1997), we discuss the scenarios when the total amount of them and discrepancy between them increase. Most of current studies discuss different kinds of contracts separately. These conclusions about the mix of different contracts enrich people's recognitions about contract framing. Finally, we reveal differential effects of different interorganizational learning. In dyadic relationship, exploration and exploitation play different roles. Exploration enhances a buyer's shadow of future, while exploitation enhances a buyer's performance.

*References are available on request.*

# Does Channel Conflict Lead to Changes in Channel Governance?

**Kamran Eshghi, McMaster University**

**Sourav Ray, McMaster University**

**Keywords:** *channel conflict, channel governance, contract details*

**Description:** *This paper addresses the following questions: if firms adapt their channel governance in response to channel conflict, and how?*

## EXTENDED ABSTRACT

### Research Question

Channel conflict is endemic in marketing channels. Such conflict depletes efficiency in the short term and can have long term negative impact on firm performance. So, how do firms respond to such conflict? While the relationship marketing literature would focus on relational mechanisms to address such conflict, the Transaction Cost Economics (TCE) perspective would suggest adaptations in governance structures. TCE looks upon such conflicts as transaction costs that acquire significance in the presence of transaction specific assets. In general, in order to safeguard their specific assets in response to manifest conflict and its consequent negative outcomes, TCE points to two options: moving toward vertical integration and making the contract more detailed. The authors draw upon this literature to investigate the effect of channel conflict on channel structure and governance. To control for relational mechanisms, they choose a channel context where the relational approach has evidently failed—that of formal litigations between franchisors and franchisees. Litigation results from intense conflict and where the informal or formal relational efforts have not succeeded, leaving only governance changes as residual options if the firm wants to adapt.

### Method and Data

The authors conduct their analysis using a unique unbalanced panel dataset manually created from publicly available sources (Franchise Disclosure Documents and franchise rankings). This dataset has information on 277 franchisors over 12 years and includes data on litigated conflict, contract items, channel structure, and other firm characteristics. Their analyses controls for the dynamic nature of the panel data, endogeneity and the constraints of limited dependent variables. In particular, they use the conditional Mixed-Process (CMP) regression method.

### Summary of Findings

Their key result shows that following litigation, firms make their contracts more detailed over moving toward more structural vertical integration.

### Key Contributions

The authors' main contribution is to establish how firms respond to conflict by adapting their governance, in this case, degree of contractual details. Thus, this builds upon the literature on efficient governance through ex-post adaptations.

*References are available on request.*

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# Market Competitiveness Has an Impact on Marketing Expenditures in the CPG Manufacturing Industry

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*Jane Yoo, Ajou University*

**Keywords:** *trade promotions, market competitiveness, fixed-effect model, general method of moment*

## EXTENDED ABSTRACT

### Research Question

The HHI has a crucial role in explaining firm-specific heterogeneity of trade promotions. To be more specific, the heterogeneity of firm-specific variables is associated with market competitiveness (HHI), and their impact on trade promotions differs with the given level of HHI.

H1: Firms with high market power (high HHI) spend less in trade promotion.

This explains differences in the trade promotions of large and small manufacturers: small manufacturers are likely to pay up-front for trade promotions to keep products from failing and disrupting their business (Sudhir and Rao 2006), whereas large manufacturers negotiate more favorable contracts and hence, are likely to pay smaller fees (Rao and Mahi 2003)

H2: A firm is less willing to pay for trade promotions when a firm when a firm size is as large as recognized by a market within the CPG manufacturing industry.

H3a: The effect of advertising expenditures on trade promotions as the complementary function is positive in a concentrated market.

H3b: The effect of advertising expenditures on trade promotions as the substituted function is negative in a competitive market.

### Method and Data

For U.S. CPG manufacturers who sell through supermarket retailers to consumers, we collect data from various sources,

such as Securities and Exchange Commission (SEC) filings and COMPUSTAT. The dataset consists of 109 manufacturers, which we divide into 20 different sub-groups using the 3-digit SIC code. We collect data over a four-year period, between 1998 and 2001, and the final balanced panel data contains a total of 436 observations.

First, we use the fixed effect panel regression for testing the impact of some variables including the amount of intangible assets normalized by net sales, advertising expenses, R&D expenses, net profit margin, and total SGA.

After testing the relationship between trade promotions and the predetermined advertising expenditures, we use GMM model suggested by Hansen (1982) and Hansen and Singleton (1982). The GMM model is similar to the instrumental variable (IV) regression model but is different by using the only estimated advertising. The variance covariance matrix of heteroskedastic errors is robustly estimated. More importantly, the GMM models relax the assumption of linearity and normality of errors, so that they provide a better fit, especially when parameter heterogeneity exists and therefore they are considered to be more advantageous than classic regression models.

### Summary of Findings

First it is still hard to confirm H1 because the coefficients of HHI dummies are negligible and insignificant. Second, with the small-firm-sample, the sign of the impact of advertising expenditure remain supporting H3b. In the CPG industry, most firms with small number of employees are in a competitive market environment. Subsequently, the results cannot support H3a.

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By combining these findings with the results on advertising, we infer that advertising expenditure's substitution impact on trade promotions is limited for those in highly concentrated. The results on the role of advertising in determining trade promotions according to the market competitiveness are substantiating H3a and H3b.

Third, because the number of employees represents the firm size, the results confirm the hypothesis H2, by implying that the negative impact of the firm size on trade promotions. The size of the impact is not statistically significant because trade promotions have been viewed as marketing strategies.

### **Key Contributions**

This study makes a unique contribution to the literature on trade promotion by using dollar-value measure of expenditures on trade promotions per firm in the CPG industry. We hand-collected the data from changes in a firm's balance sheet by exploiting accounting rule change in 2001.

First, the results indicate that market concentration is a crucial factor in understanding the relationship between market

processes and trade promotions. Here, we specifically make the case for parameter heterogeneity in variables like relative firm size as number of employees, gross profit margin, SGA, HHI, advertising, R&D, interaction advertising and R&D, and HHI dummy variables. Thus, this study's results can help capture firm-specific variables more accurately than previous studies.

Second, managerial considerations and strategic tradeoffs are important in determining trade promotions. The allocation of resources to advertising and R&D is associated with different market circumstances, from competitive to highly concentrated. This study describes the factor to change the shape of the relationship according to the level of market competitiveness.

Third, market signal, power, and channel phenomena considerations are intermixed in the CPG manufacturing industry environment. For example, the absolute difference in trade promotions according to the level of HHI is not obvious.

*References are available on request.*

# Product Deletion and Its Impact on Lean and Green Supply Chain?

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**Keywords:** *product deletion, supply chain management, sustainability, analytical hierarchy/network process model, BOCR*

**Description:** *This paper conceptualizes the product deletion decision as an important strategic concern for organizations, and incorporates its impact on supply chain management, with a lean and sustainability linkage.*

## EXTENDED ABSTRACT

### Research Question

Product managers typically focus on the innovation, acquisition, expansion, and management of product lines and products. However, product deletion or discontinuation is also crucial. Despite its strategic importance, product deletion has received comparatively less consideration in both academia and practice. Researchers have conceptually investigated product deletion, its influence on firm's resources, the factors influencing product deletion decisions, and the product deletion process. However, very few papers have connected product deletion decisions to supply chain management, especially when to goal is to create and maintain a lean and sustainable supply chain. This paper investigates this strategically important yet under-researched field of product deletion in the context of sustainability and lean supply chain management by proposing a model that integrates product deletion, sustainability, and lean supply chain management literatures. The research question is: How does a firm decide which product(s) to delete to make the supply chain leaner and more sustainable?

### Method and Data

Multi-attribute decision-making methodologies, such as the Analytical Hierarchy/Network Process model (AHP/ANP) and benefits, opportunities, costs, and risks (BOCR) analysis are utilized. This proposed multi-criteria decision model can help organizations make a sound product deletion decision with a goal to enhance lean and sustainable supply chains. The model applies three major decision dimensions (i.e.,

(1) product deletion decision specific characteristics, (2) internal organizational operational characteristics, and (3) external environmental characteristics) with 29 factors and an illustrative company scenario is provided for the model application. The overall AHP-initiated and ANP-based BOCR model is a computational modeling approach for assessing synthesized results. In this case, the complexity of the model provides a more realistic set of factors and interrelationships, enabling a systematic evaluation of the strategic decision of product deletion.

### Summary of Findings

It was found that the product deletion decision, i.e., which product to delete is different when lean and sustainability factors are integrated into the decision-making process. The proposed model is also flexible and so organizations with other goals or priorities could modify the proposed model with a different set of factors and utilize it to facilitate their product deletion decisions. The proposed model can be used not only to make product deletion decisions, but also to demonstrate the overall benefits, costs, opportunities, and risks ratio of every deletion scenario. The comprehensive structure can be an effective way to integrate strategic and operational factors to guide a cross-disciplinary managerial team through the product deletion process.

### Key Contributions

This paper conceptualizes the product deletion decision as an important strategic concern for organizations and its

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influence on lean and sustainable supply chains. It is critically important to organizations, but has a dearth of academic research. Theoretically, this research fills an important research gap by integrating the sustainability, supply chain management, and product deletion literatures. Furthermore, this paper develops a flexible and replicable model providing significant opportunity for future research, model expansion, and practical validation.

Practically, the proposed model develops a network decision hierarchy that can help facilitate the product deletion deci-

sion across multiple organizational functions or departments. Managers from marketing, finance, operations, and environmental sustainability can work together under the guidance of this model to make a comprehensive product deletion decision. The integrated efforts and the decision can meet organizational goals while considering social and environmental sustainability impact.

*References are available on request.*

# Customer Reacquisition in Business-to-Business Contexts: It's Not What You Do, It's How You Do It

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**Keywords:** *customer reacquisition, business-to-business marketing, supplier–customer relationship, equity theory*

**Description:** *Relying on equity theory, we develop and with structural equation modeling empirically test a B2B framework of the influence of the supplier's reacquisition offer on the customer's reacquisition satisfaction and, in turn, reacquisition performance.*

## EXTENDED ABSTRACT

### Research Question

Which aspects of the reacquisition offer are relevant in a B2B setting? And, which contingency effects exist?

### Method and Data

We conducted two large-scale empirical studies (survey data). Our first study, based on a customer dataset (purchase managers), asked the respondents detailed questions about reacquisition processes that they had previously experienced. Using structural equation modeling (SEM), we analyzed this dataset. Thereafter, we conducted a second study to validate the results from Study 1. We therefore collected an independent supplier dataset (sales managers) that asked the respondents the same questions the purchase managers in Study 1 were asked. Again, using SEM, we analyzed the data. In order to test for moderation effects in the SEMs, we used latent interaction terms (Marsh, Wen, and Hau 2004).

### Summary of Findings

Drawing on equity theory, we find that, for B2B reacquisition offers, distributive, procedural, and interactional adaptions exert a significant positive influence. Remarkably, the procedural adaptions are the most important. These results differ tremendously from comparable B2C findings. In a B2C setting, the distributive adaptions play a predominant role, while the procedural adaptions are not significant at all (Homburg, Hoyer, and Stock 2007). We also examine the

interaction effects among the three types of adaptions. We find that the procedural adaptions negatively moderate the effects of both interactional and distributive adaptions. While the effects of the interactional and distributive adaptions exist for low levels of procedural adaptions, they diminish for high levels of procedural adaptions. Hence, the procedural adaptions not only exert the strongest main effect but also weaken the effect of the other adaptions.

The central managerial implication of our study is that, in a B2B setting, what companies do to win their customers back matters less than how they do it. Contrary to popular belief—and to findings in B2C settings—price concessions or modified offerings do not have the strongest impact on reacquisition performance. Companies should instead provide transparent solutions and integrate the customer into the solution-finding process.

### Key Contributions

First, the current paper is the first to empirically investigate this issue in a B2B context. In this way, we address an important research gap and provide an important foundation for further investigations. We empirically show that B2B reacquisitions clearly reveal differences compared to B2C reacquisitions. Accordingly, the reacquisition context seems to be central for the design of successful reacquisition offers. Second, the empirically supported differences

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between B2C and B2B in our study conflict with prior findings, which imply that the traditional dichotomy between the two contexts appears outdated due to the lack of empirical evidence of these differences (e.g., Coviello et al. 2002; Kumar and Shah 2009; Shah et al. 2012). However, we are able to empirically demonstrate a clear distinction between B2C and B2B. Accordingly, our findings contribute to the B2C-B2B controversy, demonstrating that remarkable differences between B2C and B2B settings still

exist. Third, our research contributes by providing insights into equity theory for marketing research. Our results regarding moderating effects indicate that substitution occurs between the effects of interactional, procedural, and distributive adaptions. Previous marketing literature that relied on the equity theory did not account for such substitution effects.

*References are available on request.*

# Content Characteristics and B2B Social Media Brand Engagement: A Fluency Perspective

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**Keywords:** *processing fluency, social media, brand engagement, B2B, Twitter*

## EXTENDED ABSTRACT

### Research Question

Social media has emerged as a powerful brand management tool with a variety of benefits for both business-to-consumer (B2C) and business-to-business (B2B) organizations (Swani, Brown and Milne, 2014). B2C organizations have been particularly quick to adopt social media technologies to engage consumer markets based on the ability to interact directly with potential customers to facilitate need satisfaction (Baird and Parasnis 2011; Labrecque 2014). Of particular interest for the current paper, however, are more recent trends indicating a rise in the social media activities of B2B organizations, yet a simultaneous gap in our understanding (both in terms of research and practice) on the effectiveness of B2B social media strategies (Cawsey and Rowley 2016). In the current work, we aim to address one piece of this puzzle by examining how specific characteristics of B2B social media content influence brand engagement.

### Method and Data

To examine our predictions, we created a dataset based on the most recent tweets from the Top 50 organizations featured in Brandwatch's B2B Social Ranking Index (Brandwatch, 2015). Brandwatch is a global social intelligence organization and their analytics software, Brandwatch Analytics, is one of the world's leading social media monitoring platforms (G2 Crowd 2017). The B2B Social Ranking Index evaluated the social media performance of 200 firms based on the number of positive and neutral mentions that they received from 90 million web sources over a two-month period (January 5th, 2015 to

March 5th, 2015). We scraped up to the most recent 3,200 tweets from each organization as of November 18th, 2016—this represents the maximum allowable limit for downloading tweets using the public Twitter API. This download excluded replies, which are responses to other user tweets, because they are not visible to followers unless they follow both parties mentioned. This represented a total sample of 119,050 tweets from B2B firms. This allowed us to create a corpus of sufficient size for analysis (considering that fluency effects of specific variables might be small) and achieve a relatively balanced sampling across traditional B2B industries.

### Key Contributions

B2B organizations are facing increasing expectations from stakeholders to engage in social media activities, evolving industry trends demanding that they devote more attention to online brand-building activities and a growing body of both research and case-based evidence highlighting the significant benefits that can be garnered from effective social media engagement. Yet, B2B organizations remain seemingly somewhat cautious in their social media endeavors for a number of reasons including a stated lack of understanding for best approaches (Swani et al., 2014). The current work importantly contributes to our theoretical understanding of how B2B organizations can create social media content to engage stakeholders. Specifically, examining recent tweets from the top 50 organizations featured in Brandwatch's B2B Social Ranking Index, it highlights content characteristics that enhance (i.e., embedded media) brand engagement and

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that harm brand engagement (i.e., hashtags, text difficulty). Further, consistent with our fluency framework, it also finds that tweets generated in off-peak hours elicit greater levels of engagement than working hours. More generally, however, it presents fluency as a powerful construct for understanding social media content development and consumption. That is, above and beyond the specific conclusions of the paper, it introduces fluency as a valuable framework for examining social media messaging. Features that enhance fluency are likely to positively influence stakeholder engagement and features introducing disfluency are likely to have the opposite effect. This broader framework, although requiring further testing to examine specific underlying processes, provides a useful tool for guiding social media content development.

### **Summary of Findings**

The results were consistent with our general argument that the more disfluent a tweet, the less it was liked and shared.

With regards to our specific predictions, the mere presence of a hashtag was predictive of a decrease in the number of likes and shares that a tweet received. We also found a similar conceptual effect with a text-based predictor: the more unfamiliar words a tweet contained, the less it was liked and shared. More specifically, engagement was suppressed as the tweet's Dale-Chall Readability Score rose (i.e., as text difficulty increased). Conversely, when tweets were embedded with an image or video, tweets were more liked and shared more frequently. This is consistent with our predicted fluency framework. We also found that posts made in the evening or on weekends were liked and shared significantly more than during work days. Our results held when controlling for a myriad of other factors that could potentially influence Twitter brand engagement.

*References are available on request.*

# Sensory Marketing in a Business-to-Business Context: Investigating the Effects on Product Design, Attitude, and Customer Behavior

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**Keywords:** business-to-business, sensory marketing, product design, attitude, customer behavior

**Description:** This paper presents an empirical study providing evidence for the potential of sensory marketing in a B2B context as sensory perception is shown to affect customer behavior via the establishment of a well perceived product design and a favorable attitude towards the product, where the most effective path runs via visual appeal and aesthetics instead of haptics and functionality.

## EXTENDED ABSTRACT

### Research Question

Business-to-Business (B2B) markets are mostly associated with objective decision-making and rational customer behavior, where hard facts like functionality are central (Bonomo and Johnston, 1978). However, decision-makers are still individual people that are influenced by subjective perception, even the most rational ones (Kotler and Pfoertsch, 2006; Leek and Christodoulides, 2011). To succeed in competition, B2B companies may therefore not only consider rational concerns but also address emotional aspects and individual preferences (Lynch and De Chernatony, 2004). In this regard, sensory marketing could provide a promising approach (Krishna, 2012; Noad and Rogers, 2008; Soars, 2009). As business products are generally not intended to provide any specific aesthetic or symbolic value to the customer (Bingham and Raffield, 1990), there is a great need for research to investigate how these factors might still influence customers' decision making (Yamamoto and Lambert, 1994). Therefore, the aim of this paper is to examine the causal effects of sensory perception on product design, attitude, and customer behavior. For this purpose, we present a quantitative study for the dental market as a specific B2B industry. The object of investigation is

a dental treatment chair representing the particular product stimulus.

### Method and Data

The conceptual model consists of seven factors (i.e., visual and haptic perception, aesthetics, functionality, symbolism, attitude, and customer behavior). We used the item set introduced by Haase and Wiedmann (2016) to measure visual and haptic perception. For the measurement of the product design dimensions, we applied the scale of Homburg et al. (2015). Further, we relied on single-item scales of Ferraro et al. (2013) for attitude, Chitturi et al. (2008) for word-of-mouth recommendation, Fischer et al. (2010) for price premium, and Esch et al. (2006) for purchase intention. All items were rated on a five-point Likert scale. To test the conceptual model, we conducted an online survey. As research in a B2B context is highly specific to people operating in the considered business area, our sample consists of 300 dentists. The average age is 44.9 years and gender distribution is almost equal. Moreover, most of the dentists work in a single practice, are located in a small town and have an average amount of 3.4 treatment chairs. For descriptive analyses, we applied SPSS 24.0. To test the hypotheses, we performed

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partial least squares structural equation modeling (PLS-SEM) using SmartPLS 2.0 including the PLS algorithm, a blindfolding, and a bootstrapping procedure.

## **Summary of Findings**

The results support the potential of sensory marketing in a B2B context. Visual perception proves to be the initial driver of the structural model. First, it shows direct effects on all three dimensions of product design. Moreover, through the strong impact on haptic perception, it features additional indirect effects on functionality and symbolism. Further, all three product design dimensions directly influence the customer's attitude towards the product and, through this, also indirectly the customer's behavior. So, through the establishment of value in terms of perceived product design, a positive visual and haptic perception of the product will also indirectly lead to a favorable attitude and behavior of the customer. With regard to the strengths of the causal relationships, we may further state that the most effective path to evoke positive customer behavior runs via visual appeal and aesthetics. Symbolism, is of medium importance, less than aesthetics but strikingly more than functionality. In summary, the application of sensory cues may evoke positive customer behavior via the establishment of a well perceived product design and a favorable attitude towards the product.

## **Key Contributions**

Despite a considerable number of articles providing evidence for the usefulness of sensory marketing in a B2C context, studies on sensory marketing in a B2B context are still rare. Therefore, our study gives new insights on the potential of sensory marketing in that field. In detail, this paper examined the causal effects of sensory perception on product design, attitude, and customer behavior for the dental market as a specific B2B industry. As a result, an insightful causal chain of direct and indirect effects is established. Our findings give evidence that dental companies need to primarily focus on the appearance of their products to elicit word-of-mouth recommendation, a willingness to pay a higher price, and actual purchase intention of the dentists. In contrast to expectations, haptics and functionality as more rational product benefits do not appear to be principally decisive, but rather represent a necessary condition. Consequently, B2B companies shall not only focus on rational product benefits but also on the customers' personal liking, for example, regarding the product's appearance, to succeed in competition. Apart from the dental market, product managers operating in other industries, may also use our empirically confirmed research model to check and improve their product's performance.

*References are available on request.*

# When and Which Wholesale and Retail Prices Should Be Set in Multichannels?

*Kenji Matsui, Kobe University*

**Keywords:** *channels of distribution, multiple channels, decision timing, game theory, marketing science*

**Description:** *This paper investigates the optimal timing of wholesale and retail pricing set in multichannels, where a manufacturer produces and wholesales products to multiple retailers that compete to sell the products, by introducing an observable delay game framework developed in the noncooperative game theory literature.*

## EXTENDED ABSTRACT

### Research Question

When a firm employs a multichannel system, the timing of pricing in separate channels is a crucially important problem, as this timing can trigger subsequent strategic reactions by other channel members by influencing their pricing decisions. In the marketing literature, the question of “which” wholesale and retail prices a manufacturer and a retailer should respectively choose, for the purpose of channel coordination, has commanded significant attention and has been discussed extensively from both academic and practical perspectives. However, research investigating “when” the wholesale and retail prices should be determined is missing in the existing literature, even though this is a critical practical issue for manufacturers and retailers in multichannels. Our marketing science model constructed in this paper provides an answer to this question: we investigate the optimal timing of wholesale and retail pricing set in multichannels, where a manufacturer produces and wholesales products to multiple retailers that compete to sell the products, by introducing an observable delay game framework developed in the noncooperative game theory literature. Ultimately, our research question is summarized as: “At what level” should wholesale and retail prices be set in multiple marketing channels, and “when”, for the purpose of coordinating the channels?

### Method and Data

We employ noncooperative game theory to construct a marketing science model. Because this paper is theoretical research, it uses no data.

### Summary of Findings

The first major finding from our marketing science model is that the manufacturer must simultaneously set its wholesale prices of products that are sold to separate retailers at the same time. Otherwise, the manufacturer may face the risk that the equilibrium determining a stable sequence of pricing by retailers disappears. The second finding is that the manufacturer should set the monopolistic price level of one product as its wholesale price, regardless of the level of product substitutability between the retailers. Finally, the third finding is that the retailers must sequentially set respective retail prices at different times; thus, the retailers should stagger their timings of setting retail prices. In other words, they must never decide retail prices simultaneously. We formally demonstrate that these pricing decision timings by the manufacturer and the retailers constitute a subgame perfect Nash equilibrium of the dynamic noncooperative game played by the channel members.

### Key Contributions

Major contributions of this paper are twofold. First, we identify a desirable pricing policy that can be directly used for practical decision-making about channel management by firms that constitute multiple distribution channels. Specifically, our results indicate that while a manufacturer must simultaneously set its wholesale prices of products that are sold to separate retailers at the same time, retailers should stagger their timings of setting retail prices. Second, this study contributes to the academic marketing literature because, to date, no research has investigated “when” firms that constitute multichannels should set their prices, even

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though a significant number of marketing studies have investigated various channel coordination problems. Hence, it is worth noting that this paper is the first to introduce the framework of the timing game in the decision problem of wholesale and retail prices in multiple marketing channels.

This paper addresses such an unexplored issue, providing the above practical implications based on a rigorous game theory framework.

*References are available on request.*

# Establishing Channel Partnership for Outlying Island Duty-Free Shop by Using the Fuzzy Cognitive Map Model

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*Tsuen-Ho Hsu, National Kaohsiung First University of Science and Technology*

## ABSTRACT

There are considerable differences between the establishment and operation of duty-free shops on offshore islands and common retail stores, including regulations, target customers and sales methods, merchandise and items, marketing strategies, distribution systems, and so on. Simultaneously, each island's duty-free shops must also highlight that island's specialty products to attract consumer spending by foreign tourists. In this study, island duty-free shops are used as the object of empirical research. Relevant literature on the development of integrated strategic alliance relationships and the measurement variable of partnership quality is used to establish an analytical model for channel strategic alliance cognitive mapping with which to understand the characteristics and substance of partnerships that are deemed to be important by duty-free shop owners and partnering firms. Finally, this research propounds channel alliances management strategies to maintain long-term partnerships for outlaying island duty-free shops, including: (1) strengthened management models of both parties' managements to achieve common values and consistent objectives; (2) strengthened relationships between the governing mechanisms of both parties and the improved value benefit of the channel strategic alliance; (3) continued close communications to enhance the quality of channel strategic alliance relationships; (4) establishment of personnel training mechanisms and strict formulation of management rules for channel strategic alliance relationships.

**Keywords:** *channel strategic alliance, partnership relationship management, outlying island duty-free shop, fuzzy cognitive map, fuzzy linguistic preference relation*

**Description:** *This paper clarifies the importance of the factors affecting the development of relationships between the outlying island duty-free shop channel strategic alliances and existing vendors, the key factors that should be considered in developing and maintaining channel strategic alliance partnerships are further proposed.*

## Introduction

Research topics related to the channel type of strategic alliances have gradually drawn the attention of scholars in the marketing and circulation management fields (Li, Boulding and Staelin, 2010), such as exploring the partnerships among strategic alliance members and entrepreneurial values (Chen and Tseng, 2005). Shah and Swaminathan (2008) discussed the factors influencing the selection stage of strategic alliances, and Gedeon, Andrew and Nigel (2009) discussed the factors influencing the termination phase of strategic alliances. Hence, there are complex factors influencing the developing process of strategic alliance partnerships among businesses themselves and alliances that are

worth studying for the development of channel strategic alliances. Even though studies have considered the concept of the development of strategic alliance relationships to discuss the factors influencing the establishment of long-term cooperative relationships (Jiang, Li and Gao, 2008) and despite the availability of research results indicating numerous stable and unstable factors, these studies have been unable to explain ways in which these factors transpire and also to validate the stability of factors influencing channel partnership development.

Considerable differences exist between the establishment and operations of duty-free shops on outlying islands and

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common retail stores (e.g., shopping malls, departmental stores, supermarkets and hypermarkets), including regulations, sales targets and methods, merchandise and items in stock, marketing strategies, and distribution systems. Simultaneously, each island's duty-free shops must also highlight products with the island's local flair to attract the business of foreign tourists. As for the manufacturers of duty-free goods being introduced, in addition to the proper management of customer relations for their businesses, they also have to establish good partnerships with the land owners of the islands' duty-free shops as the owners may frequently act (termination of partnership) by replacing vendors to conform to the changes of merchandise types purchased by consumers. For duty-free shops, providing consumers with duty-free brands and merchandise types and features is the key role that determines their business success. Therefore, finding ways to bring in the appropriate duty-free goods manufacturers and establish and maintain channel strategic alliance partnerships with duty-free goods manufacturers is a management issue of strategic alliances with practical values for discussion.

Therefore, the study has three main objectives: (1) reviewing the relevant literature on the development of strategic alliances and partnerships and using the associative retrieval method for the factors that affect partnerships to derive the factors influencing channel strategic alliance management; (2) the fuzzy linguistic preference relations (Fuzzy Lin-PreRa) and fuzzy concept maps (FCM) are utilized to construct a "fuzzy cognitive map model" to apply as an empirical study on the channel strategic alliance management; and (3) by clarifying the importance of the factors affecting the development of relationships between the outlying island duty-free shop channel strategic alliances and existing vendors, the key factors that should be considered in developing and maintaining channel strategic alliance partnerships are further proposed.

## Literature Review

### ***Factors Influencing the Development of Strategic Alliance Partnerships***

Previously, the transaction cost perspective was predominantly adopted for the development of strategic alliance relationships, with emphasis on transaction cost efficiency as the key incentive for companies to engage in strategic alliances as businesses can avoid the massive transaction costs resulting from the relevant factors (Vrande, Vanhaverbeke and Duysters, 2009). Transaction cost theory lays emphasis on accessing resources in the external environment to bring transaction costs to a minimum. Williamson (1981) used the economic perspective to explain the way in which transactions are conducted to achieve minimal production and transaction costs and proposed three transactional characteristics,

including asset specificity, indeterminacy, and transaction frequency. In the practice of strategic alliance partnership development, keeping transaction costs to a minimum by accessing external resources is emphasized along with reducing operating costs and other risks at the economic exchange level, of which the most obvious financial incentive is the reduction of resource acquisition costs (Anderson, 1995).

Many recent studies relate to strategic alliances, utilizing transaction cost theory to explain the reasons for the development of strategic alliances and the factors influencing them. Ke and Wei (2007) also explored the factors that affect information-sharing relationships between firms in supply chain partnerships from the transaction cost perspective. When discussing the management structure of business strategic alliances, Lai and Chang (2010) describe the way in which uncertainty in the behavior of the transacting parties in transaction cost theory directly affects the decision-making behavior of the alliance. However, since transaction cost theory presents a static perspective, it cannot explain how businesses will continually rearrange the cooperative methods of their strategic alliances in changing times and business environments. Moreover, it fails to describe in what way the partnerships of a strategic alliance vary over time as well as the changes in the collaborative projects.

According to the definition of social exchange theory, the process of social exchange involves the outcomes of mutual reciprocity that result in mutual gratitude, responsibility, and trust. Therefore, even though social exchange relationships of business activities are based on contracts to conduct transactions, mutual trust is also required for the transfer of goods and services or financial performance to be fulfilled in accordance with contractual provisions. In social exchange theory, "trust" and "commitment" are the most important factors. It is also believed that in the social exchange process, the implementation of mutual obligations of relation exchange gradually establishes mutual trust during the exchange process by way of commitment, making the bilateral relationship tend to be more stable and adaptive, thus developing and establishing long-term exchange relationships (Bignoux, 2006).

Using social exchange theory to explore the establishment and maintenance of cooperative relationships between organizations has become a common topic in related research in strategic alliances; for example, the exploration of the supply chain relationships between manufacturers and suppliers (Rangan, 2006), performance measurement of strategic alliance partnerships (Lee and Ding, 2010), and establishment of business cooperation (Palmatier et al., 2008). The factors influencing the development of strategic alliance partnerships are deduced in this study in accordance with the fundamentals of transaction cost theory and social exchange theory.

### **Fuzzy Cognitive Map**

Fuzzy set theory, which is referenced in the cognitive map, is applied to describe the concept of complex systems. The concept may be an entity, a state, a variable, or the features of a system, the architecture of which is presented as a structure instead of a one-way tree diagram (Xirogiannis and Glykas, 2004). One feature of the fuzzy cognitive map is that it can process variable relationships that are not easily defined in the original cognitive map, emphasizing that only the approximate relationships among the variables need to be known, and the rational number {-1, 1} can be used to express the degree of influence between two variables (Lee, Kim and Lee, 2004). A fuzzy cognitive map is a graphical model that represents decision-making environmental factors with nodes that are linkable by arrows to represent the relevance of these factors (Rodriguez-Repiso, Setchi and Salmeron, 2007). The methods of fuzzy cognitive map have also been used in many other fields, e.g., enterprise resource planning (Bueno and Salmeron, 2008).

The fuzzy cognitive map can be divided into two: questionnaire survey and document coding (Xirogiannis and Glykas, 2004). Among them, the survey method first assembles experts from specific fields to discuss the relationships between the variables and the degrees of influence pertaining to each variable in the cognitive map for discussion, identifying which variables are worthy of inclusion, and confirming that these variables are about to be affected by other variables. After a methodical systematic analysis performed by experts in specific fields, a more complete preliminary fuzzy cognitive map can be obtained. The file encoding rule is for the researcher to first collect related research literature and conduct further research on the useful information for sorting, summarizing, and comparing, from which to select the variables related for the system correlation architecture to establish the network structure and relationship of the cognitive map.

Herrera-Viedma et al. (2004) proposed the consistent fuzzy preference relationship method to resolve the consistency problem posed by pairwise comparisons and analytical complexity in the situation of many analysis elements. Normally, other analytical methods require pairwise comparisons, but the method proposed by Herrera-Viedma et al. (2004) requires only pairwise comparisons ( $n$  denotes the number of elements in the analysis). Once the pairwise comparisons are conducted, there is no need to conduct consistency tests using the consistency index. As a result, this method not only reduces the number of comparisons required and improves evaluation consistency but also increases analysis efficiency because the manual adjustment step is not required after the analysis. This method has been proven in related studies to be effective at resolving the consistency issue and has been applied to many research topics, such as

supplier selection (Wang and Parkan, 2008), and evaluating key supplier relationships for the TV panel manufacturing industry (Tang and Hsu, 2015).

Kahraman, Cebeci, and Ruan (2004) believed that managers and decision makers' differences in perception, standards of judgment, and evaluation of needs or values often implicitly demonstrate their subjectivity. To overcome the problem of fuzzy linguistics and preference uncertainty, Wang and Chen (2008) incorporated the concept of fuzzy linguistic variables into the consistent fuzzy preference relationships method and proposed a fuzzy linguistic preference relationship (Fuzzy LinPreRa) approach. This approach can be used to interpret the linguistic fuzziness expressed by decision makers when conducting preference relationship evaluations, therefore adding greater applicability and value to multiple-criteria decision analytical methods. Fuzzy LinPreRa possesses characteristics and advantages of both the consistent fuzzy preference relationship approach and fuzzy linguistic variables. Therefore, Fuzzy LinPreRa has already been applied in multiple-criteria decision making researches (Wang and Chen, 2010; Chen, Wang, and Wu, 2011).

### **The Formulation of a Fuzzy Cognitive Map Model**

In this study, the fuzzy cognitive map and fuzzy linguistic preference relation method were used to formulate a fuzzy cognitive map model to explore the relations, interactions, and importance of factors and the conditions of interactive impacts during various stages of the establishment of strategic partnerships. Empirical research was also applied on the relationship management of the outlying islands' duty-free shop strategic channel alliances and an in-depth clarification of the factors influencing them was provided. Key factors to be considered in the maintenance and development of strategic channel partnerships were further proposed. A quality management strategy was introduced for the strategic channel partnership alliances of the islands' duty-free shops to develop long-term strategic alliance partnerships. The following are three major steps for formulating the analytic model:

Step 1: To develop the factor structure of strategic alliance channel partnerships for outlying islands' duty-free shops.

Step 2: To draft a fuzzy cognitive map of strategic alliance channel partnerships for island duty-free shops.

Step 3: An important factor analysis of channel strategic alliance development for island duty-free shops.

### **Empirical Application and Analysis**

In this study, "outlying islands' duty-free shops" are the object of empirical applications, which refers to the places of business where goods and merchandise are sold to tourists in

the Penghu, Kinmen, and Matsu areas. Through registrations with customs and agreements with city authorities, sales targets of duty-free goods are generally limited to tourists who are holders of passports, travel documents, or identification credentials. Simultaneously, duty-free shop merchandise sold to tourists must be limited to noncommercial use. The scope of tax exemption includes business tax, customs duty, excise tax, tobacco and alcohol tax, and health tax on tobacco products. Merchandise sold by the outlying islands' duty-free shops includes foreign goods and products in stock from bonded warehouses, logistics centers, bonded factories, export processing zones, scientific industrial parks, agricultural science and technology parks, free trade zones, and other bonded areas.

There are many differences of operation and management between duty-free shops on offshore islands and common retail stores, including regulations, target customers and sales methods, merchandise and items, marketing strategies, distribution systems, and so on. Each island's duty-free shops must also highlight that island's specialty products to attract consumer spending by foreign tourists. In addition to the proper management of customer relations for duty-free shops, they also have to establish good partnerships with the land owners of the islands' duty-free shops as the owners may frequently act (termination of partnership) by replacing vendors to conform to the changes of merchandise types purchased by consumers. Therefore, establishing and maintaining channel strategic alliance partnerships with duty-free goods manufacturers is an important management issue with practical values for discussion

A shareholding company (hereinafter referred to as Company E) owns the duty-free retail outlets with the largest number of stores and the highest product turnover (a total of 15 business locations on Taiwan's main island and the outlying islands with an annual turnover of about 6.45 billion U.S. dollars). The locations of Company E's island duty-free shops include Penghu, Kinmen, and Green Island in Taiwan. In April 2010, Company E was established in Penghu County as the first outlying-island duty-free shop. Thus far, its total annual turnover has exceeded 20.3 million U.S. dollars. Its Penghu duty-free shops' business model is the integration of Penghu's local culture and seascapes, drawing attention to its fashionably branded and professional, internationalized shopping environment. It has introduced a variety of international boutique brands, perfume, cosmetics, fashionable clothing, jewelry, tobacco, wine, and other merchandise. Moreover, it also partners with Penghu's local handicraft and agricultural industries to sell local specialties and creative souvenirs as well as the abundant and diverse duty-free goods. Company E is chosen as the object of empirical research to illustrate the way in which to operate and apply the "fuzzy correlation cognitive map model."

#### **Data Collection Design**

With regard to the partnership-influencing factors of the associative sentence collection phase and integration phase of the personal drafting partnership cognitive chart, information was collected from 24 duty-free shop internal staff members via interviews and questionnaires. The demographic variables of the surveyed subjects are shown in Table 1. In the influencing factor weighting phase, a total of

**Table 1.** Sample Description of Company E Duty-Free Shop Internal Staff

Variable	Category	Times	%	Variable	Category	Times	%
Gender	Male	8	33%	Service unit	Business	8	32%
	Female	16	67%		Merchants	3	13%
	Total	24	100%		Marketing	4	17%
Job Title	Above department manager	1	4%		Finance	3	13%
	Team manager	2	8%		Others	6	25%
	Floor manager	2	8%		Total	24	100%
Education level	Commissioner	8	34%	Years of service	Under 1 year	7	29%
	Salesperson	11	46%		1–3 years	4	17%
	Total	24	100%		3–5 years	4	17%
	Undergraduate	20	83%		Over 5 years	9	37%
	Graduate	4	17%		Total	24	100%
	Total	24	100%				

seven duty-free shop employees, each with more than 5 years of work experience, who were mainly managerial staff of company E (comprising one senior assistant manager, one floor manager, three team managers, one department manager, and one commissioner), were selected as subjects.

Using the questionnaire survey, the employees of 18 partnering firms stationed at the duty-free shops were interviewed for data collection, which included the partnership-influencing factors of the associative sentence collection phase and the personal drawing partnership cognitive chart integration phase. The demographic variables of the surveyed subjects are shown in Table 2. In the fuzzy cognitive map's influencing factor weighting phase, the partnering firms of six well-known brands were selected. The participants were supervisors of various manufacturers.

## Empirical Results

With the statistical results from the associative sentences of Company E's outlying island duty-free shops and partnering

firms, the associative network maps from the duty-free shops and partnering firm staff were collected separately in accordance with the steps for drawing the fuzzy cognitive maps. After incremental statistical coding, the results of the associative sentence statistical measurements of Company E's outlying island duty-free shops and partnering firms are generated. Results of the associative sentence statistical measurements are generated as shown in Tables 3 and 4.

Among them, the statistical analysis on the partnership associative sentences' factors influencing Company E's outlying island duty-free shops that exceeded 80% consensus of the respondents included the following 12 associative sentences with core associations. According to the statistical analysis of the stationed vendors' partnership influencing factor associative sentences, the associative sentences of respondents reaching beyond 80% include the following 11 core associative sentence.

Conducting further data analysis through the Fuzzy Lin-Prera-ANP method, the mutual influence weight matrix

**Table 2.** Sample Descriptions of Partnering Firms

Variable	Category	Times	%	Variable	Category	Times	%
Gender	Male	7	39%	Company classification	International brand	5	28%
	Female	11	61%		Men's/women's clothing	3	16%
	Total	18	100%		Accessories/Jewelry	5	28%
Job title	General manager	2	11%		Beauty care	5	28%
	Regional manager/Director	4	22%		Total	18	100%
	Brand business manager/assistant manager	4	22%	Number of stores nationwide	1~10	8	44%
Education level	Assistant manager	8	45%		11~20	4	22%
	Total	18	100%		21~30 and over	6	21%
	High school graduate	8	44%		Total	18	100%
Years of service	University graduate	10	56%	Main store Access	Dept. store/shopping center	16	52%
	Total	18	100%		Discount store	2	6%
	Under 1 year	1	5%		Independent store	7	23%
	1~3 years	3	17%		Others	6	19%
	3~5 years	2	11%		Total (note)	31	100%
	Over 5 years	12	67%	Note: The total number of main store accesses (31) and the number of partnering firms (18) are different, representing partnering firms with multiple access layouts.			
Total		18	100%				

**Table 3.** Statistical Measurement Table of Partnership Associative Sentences of Company E Outlying Island Duty-Free Shop

Content Partnership Associative Sentences	Total number of association appearances (x)	Ratio of associations to number of respondents (x/n)	Number of links with other associations	Number of first-level occurrences (F)	Association percentage on first level (F/x)	Number of associations on lower levels	Number of associations on higher levels
Profit opportunities for both parties	19	100%	35	16	84%	16	22
Vendor has brand reputation	19	100%	41	12	63%	20	24
Mutual integrity and reliability	18	95%	36	13	72%	16	21
Consistent mutual objectives	18	95%	32	12	67%	14	18
Vendor has future development	18	95%	26	8	44%	16	10
Good bilateral communication	17	89%	34	12	71%	17	20
Mutual willingness to share resources	17	89%	30	8	47%	17	13
Vendor has mass customer appeal	17	89%	29	7	41%	15	14
Vendor coordinates with the shop's marketing activities	17	89%	32	6	35%	14	13
Mutually consistent business philosophy	16	84%	33	10	63%	13	20
Vendor brand has indicator value at duty-free shop	16	84%	30	4	25%	16	14
Vendor has high confidence in information transmission	16	84%	31	2	13%	13	12
Vendor brand has meritorious value	15	79%	37	5	33%	25	12
Vendor service quality meets expectations	15	79%	26	4	27%	19	7
Information sharing by both parties	14	74%	22	5	36%	14	8
Vendor has a favorable shopping environment	14	74%	15	3	21%	14	1
Shared concepts of coexistence and shared prosperity	13	68%	29	7	54%	16	14
Shared emphasis on education and training	13	68%	32	5	38%	18	14
Vendor respects mutual rights	13	68%	34	4	31%	16	15
Vendor has abilities in executing marketing activities	13	68%	26	2	15%	15	11
Vendor can properly handle customer responses	12	63%	24	6	50%	13	11
Vendor has immediate response capability	12	63%	23	4	33%	14	9
Friendly mutual contact	11	58%	23	4	36%	13	10
Vendor has high confidence in information transmission	11	58%	19	4	36%	13	6
Mutually consistent specifications	10	53%	17	4	40%	12	5

between partnership variables of Company E outlying island duty-free shops was obtained (as shown in Table 5). The fuzzy cognitive map was drawn up according to this matrix (as shown in Figure 1). According to this fuzzy cognitive map, “A. Mutual integrity and reliability” and “C. Good bilateral communication” represented by double arrows means they have interaction relationship. Moreover, “A. Mutual integrity and reliability” affecting “C. Good bilateral communication” has influence degree of 0.73 and indicating

the numerical value of which approaches 1, which is a rather high degree of influence. Conversely, a numerical value approaching 0 indicates a rather low degree of influence.

With the same method, the mutual influence weight matrix between the partnership variables of stationed vendors can be calculated, as shown in Table 6. The fuzzy cognitive map of stationed vendors was drawn up according to this matrix (as shown in Figure 2).

**Table 4.** Statistical Measurement Table of Partnership Associative Sentences of Company E Outlaying Island Duty-Free Shop' Vendors

Content Partnership Associative Sentences	Total number of association appearances (x)	Ratio of associations to the number of respondents (x/n)	Number of links with other associations	Number of first-level occurrences (F)	Association percentage on first level (F/x)	Number of associations on lower levels	Number of associations on higher levels
Profit opportunities for both parties	20	100%	40	17	85%	16	24
Duty-free shop has meritorious value	19	95%	62	17	89%	26	36
Good bilateral communication	19	95%	34	16	84%	13	21
Mutually consistent business philosophy	18	90%	54	18	100%	24	30
Shared concepts of coexistence and shared prosperity	18	90%	47	15	83%	21	26
Consistent mutual objectives	18	90%	49	12	67%	22	27
Duty-free shop has indicator value in the industry	17	85%	44	8	47%	21	23
Mutual integrity and reliability	17	85%	40	7	41%	16	24
Duty-free shop holds diverse marketing activities	17	85%	49	7	41%	27	22
Duty-free shop conducts fewer speculative actions	16	80%	28	5	31%	17	11
Duty-free shops holds steady marketing activities	16	80%	44	5	31%	26	18
Duty-free shop has brand reputation	15	75%	39	6	40%	21	18
Duty-free shop respects mutual rights	15	75%	36	8	53%	20	16
Both parties have departmental store business sensitivity	14	70%	29	8	57%	22	7
Duty-free shop has membership appeal	14	70%	45	4	29%	25	20
Mutual willingness to share information	13	65%	36	5	38%	21	15
Duty-free shop coordinates with various marketing activities	13	65%	34	2	15%	25	9
Shared emphasis on education and training	12	60%	32	9	75%	21	11
Understanding the values represented by both parties	12	60%	33	7	58%	14	19
Duty-free shop has good marketing planning ability	12	60%	36	5	42%	22	14
Duty-free shop service quality meets vendor expectations	12	60%	30	5	42%	22	8
Duty-free shop has favorable shopping environment	12	60%	26	3	25%	25	1
Termination of relationship will cause losses for both parties	11	55%	22	7	64%	13	9
Duty-free shop brand has meritorious value	11	55%	33	5	45%	21	12
Both parties have good public relations ability	11	55%	27	4	36%	17	10

## Conclusions and Managerial Implications

### Conclusions

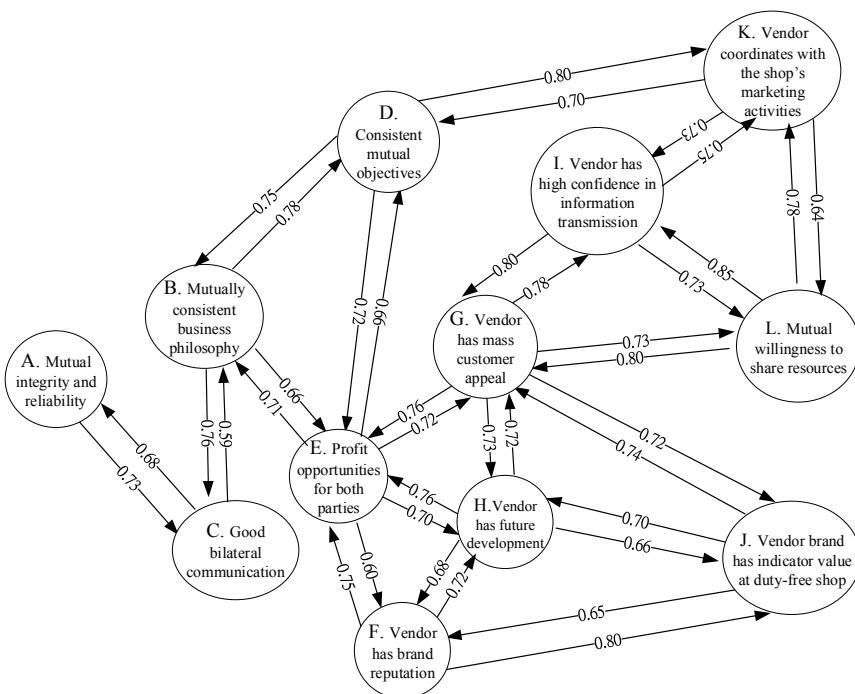
The results of this study show that there are certain similarities and differences in the concept of maintaining strategic channel partnership alliance relationships between duty-free shop owners and stationed vendors.

First, whether for outlaying island duty-free shop owners or stationed vendors, there are four identical factors to be considered as benefits of the relationship at the core of the first level that sum up the facets of their associative sentences when generating mutual consensus associative sentences: mutually consistent business philosophy, shared concepts of coexistence,

**Table 5.** Partnership Variable Mutual Influence Weight Matrix of Company E outlaying Island Duty-Free Shop

		Influenced Factors											
		A	B	C	D	E	F	G	H	I	J	K	L
Influenced Factors	A	0.00	0.00	0.73	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	B	0.00	0.00	0.76	0.78	0.66	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	C	0.68	0.59	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	D	0.00	0.75	0.00	0.00	0.72	0.00	0.00	0.00	0.00	0.00	0.80	0.00
	E	0.00	0.71	0.00	0.66	0.00	0.60	0.72	0.70	0.00	0.00	0.00	0.00
	F	0.00	0.00	0.00	0.00	0.75	0.00	0.00	0.72	0.00	0.80	0.00	0.00
	G	0.00	0.00	0.00	0.00	0.76	0.00	0.00	0.73	0.78	0.70	0.00	0.73
	H	0.00	0.00	0.00	0.00	0.76	0.68	0.72	0.00	0.00	0.66	0.00	0.00
	I	0.00	0.00	0.00	0.00	0.00	0.00	0.80	0.00	0.00	0.00	0.75	0.73
	J	0.00	0.00	0.00	0.00	0.00	0.65	0.74	0.70	0.00	0.00	0.00	0.00
	K	0.00	0.00	0.00	0.70	0.00	0.00	0.00	0.00	0.73	0.00	0.00	0.64
	L	0.00	0.00	0.00	0.00	0.00	0.00	0.80	0.00	0.85	0.00	0.78	0.00

**Figure 1.** Fuzzy Cognitive Map of Company E Outlaying Island Duty-Free Shop



shared prosperity, profit opportunities for both parties. Hence, from the classification of the factors that both shop owners and vendors emphasize on, the four major aspects of “shared value,” “consistent objectives,” “relationship benefits,” and “communication” can be arrived. It can be seen from this that there is a high degree of similarity between the influencing factors that are directly associated with both parties. The most direct expectations of Company E’s outlaying island duty-free

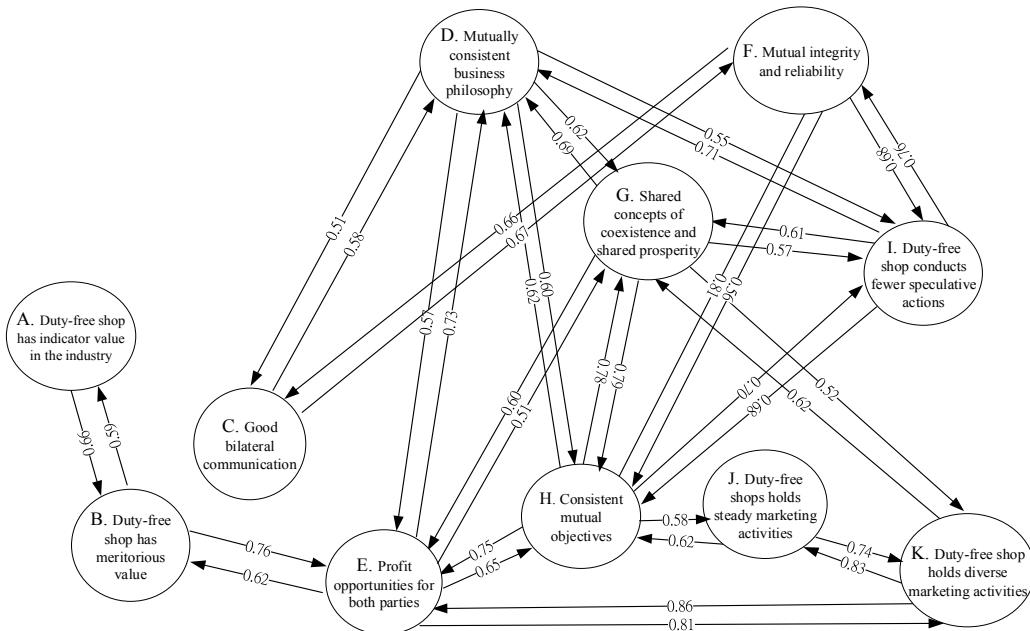
shop from the vendor are its integrity, reliability, and reputation, while the vendor looks for the outlaying island duty-free shop’s future development potential.

Second, interest orientation and profit opportunities of strategic channel partnership alliances as well as the abilities of both parties to respond to dynamic market conditions, including future development potential, regional indicators,

**Table 6.** Partnership Variable Mutual Influence Weight Matrix of Stationed Vendors

		Influenced Factors										
		A	B	C	D	E	F	G	H	I	J	K
Influencing Factors	A	0.00	0.66	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	B	0.59	0.00	0.00	0.00	0.76	0.00	0.00	0.00	0.00	0.00	0.00
	C	0.00	0.00	0.00	0.58	0.00	0.67	0.00	0.00	0.00	0.00	0.00
	D	0.00	0.00	0.51	0.00	0.57	0.00	0.62	0.60	0.55	0.00	0.00
	E	0.00	0.62	0.00	0.73	0.00	0.00	0.55	0.65	0.00	0.00	0.81
	F	0.00	0.00	0.66	0.00	0.00	0.00	0.00	0.56	0.68	0.00	0.00
	G	0.00	0.00	0.00	0.69	0.60	0.00	0.00	0.79	0.57	0.00	0.52
	H	0.00	0.00	0.00	0.62	0.75	0.81	0.78	0.00	0.70	0.58	0.00
	I	0.00	0.00	0.00	0.71	0.00	0.76	0.61	0.68	0.00	0.00	0.00
	J	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.62	0.00	0.00	0.74
	K	0.00	0.00	0.00	0.00	0.86	0.00	0.62	0.00	0.00	0.83	0.00

**Figure 2.** Fuzzy Cognitive Map of Stationed Vendors



marketing abilities, brand multiplicity, and the enhancement of individual customer appeal are vital factors that Company E must continue to enhance to meet the demands of the dynamic market environment. From the fuzzy cognitive map, it can be seen that these kinds of associative factors are invariably located on the outer layers, or non-core associations, showing that both parties' responsiveness to market reactions are rather weak. In addition, the fuzzy cognitive maps of Company E's outlaying island duty-free shops and stationed vendors have not exhibited the factor of "shared information." This signifies that the strategic partnership

alliance established by both parties lacks the concept of knowledge and information sharing. It also shows that their relationship orientations do not seem to be potent.

#### **Managerial Implications**

In accordance with the results of this study, the following management implications are proposed:

1. Strengthen the business model of both parties' managers to achieve shared values and consistent objectives

As outlaying island duty-free shops gather diverse stationed vendors, and if managers of island duty-free shops want to build shared values with vendors, core concepts should be established as the basis for partnership development. Owners of island duty-free shops should consider ways in which to convey the concept to cooperating stationed vendors, which include: (1) outlaying island duty-free shops must shape the overall business climate and set a clear business philosophy, company vision, and strong positioning as core values; (2) the shops must strengthen the staff's understanding of core concepts and train company staff with respect to their contact with vendor staff to help vendors embrace common beliefs and values; (3) outlaying island duty-free shops can note from many marketing activities whether the marketing strategy is consistent with Company E's goals and check whether the common values are instilled in the minds of the vendors.

## 2. Strengthen bilateral governance mechanisms and improve the benefits of the channel strategic partnership alliance

This study suggests that by beginning with a relationship governance mechanism (i.e., the enhancement of brand reputation and corporate image, these island duty-free shops can strengthen their brand reputations). For example, the possession of suitable software equipment, timely preparation of good line planning, selection of target markets with future development potential, establishment of fundamentally sound systems and rules, and so on, make partners more willing to continue working together while inducing more and better brand vendors to participate. To the majority of vendors, the greatest advantages in working with outlaying island duty-free shops of high development potential is the expansion of business maps with the expansion of partnerships.

## 3. Enhancing the quality of channel strategic partnership alliances by close communication

It is suggested that both parties actively establish an information platform to enhance bilateral information sharing. In addition to signing contracts, targeting, or channeling activities, both parties should continue to maintain close contact as good communication is conducive to understanding each other's business models. Outlaying island duty-free shop owners should continue to communicate with stationed vendors so that they can discuss business strategy at any time in response to real-time market changes and develop appropriate channel strategies to respond to the dynamic competitive environment.

## 4. Establish personnel training mechanism and rigorously develop rules to govern channel strategic partnership alliances

As strategic thinking is akin to peeling an onion layer by layer to dissect its contents, this study suggests that the owners of outlaying island duty-free shops should establish a proper management personnel training mechanism for the channel strategic partnership alliances and develop a set of management rules for such partnerships. When managers develop relationship management rules for their alliances, the results of this research can be applied in many of the relationship influencing factors. The management rules for various alliances can be developed on the basis of the core factors of direct associations.

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# The Role of Business Networks for Innovation

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**Keywords:** business network, innovation, social ties, economic ties

**Description:** This paper categorizes characteristics of business networks based on their role to create various types of innovations, and based on the various types' consequences for the business network.

## EXTENDED ABSTRACT

### Research Question

A business network consists of directly and indirectly connected companies, where social and economic ties help to understand these connections. Innovations, that is, new or modified ideas aimed at enhancing customer value (O'Sullivan and Dooley, 2009) could be seen to relate to business networks in two ways: they may result from interaction between business partners, or they would need to fit into, or through changes to interaction patterns among various business partners, be fitted into new or current business networks. In the literature on innovation, the incremental, radical, or disruptive characteristics of the innovations are frequently described as degrees of newness (Tidd and Bessant, 2009).

This paper categorizes characteristics of business networks based on their role to create various types of innovations, and based on the various types' consequences for the business network. The characteristics of the business network is analyzed through the social and economic ties among companies in dimensions of strength and length of the business relationships between parties (Granovetter, 1973).

### Method and Data

The empirical part of this paper is based on six case-study examples from interviews performed by the author. Data was collected through open-ended questions (length of interviews: approximately 1.5 hours) with representatives of the focal firms presenting the new idea, and network party representatives from their networks. In addition to interviews, newspaper items and annual reports were included as data sources. These functioned as providers of real-time information and enabled triangulation of data sources (Denzin and Lincoln, 2000; Huber and Power, 1985; Patton, 1990).

In the analysis of data, the individual innovation functioned as the unit of analysis, and the business network was delimited to those parties engaged in the innovation process and that saw consequences of the innovation. The business network was analyzed by means of the influence of social and economic ties, and their strength and longevity, respectively. This was then linked to the newness of innovations, ranging from incremental to disruptive innovations.

### Summary of Findings

The findings suggest links between the type of innovation, and the role of the network and network consequences according to the following:

- Incremental innovations are created in current business networks with strong social ties. Consequences are even further strengthening of the social ties.
- Radical innovations are driven by a focal firm, while the network includes weak economic and social ties. Consequences are weakened or dissolved social and economic ties as changes are requested among business partners.
- Disruptive innovations require the introduction of new parties to the network. These emerge from other sectors than the one the firm or its customers belong to. Consequences include weakened social ties among present relationships and/or inabilities to create new business ties.

The paper indicates how the current business network only played an active part for incremental ideas, while radical and even more so disruptive innovations were much more driven by the focal firm. As for the network consequences, incremental innovations may have strengthened the social

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ties to current business partners. Radical and disruptive innovations meant weakened social ties and even dissolved economic ties, due to change requirements on these parties. In the case of disruptive innovations, the new parties introduced in the creation process provided increased dependence for the focal firm. This in turn strengthened economic ties to these parties, while the social ties remained weak.

### **Key Contributions**

The paper contributes to previous research through discussing the role of business networks for various types of innovation. Furthermore, the paper contributes to previous research through indicating the various types of innovations' consequences for the business network. Most previous

research on business networks and innovation only concerns itself with how various parties participate in idea generation and co-development of innovations, while the consequences for the business network is not described extensively.

When comparing this paper's findings with previous research on business networks and innovation, there is a difference in how previous research has suggested that strong social ties (while economic ties being weak), would foster radical innovations (Story, Hart, and O'Malley, 2009; Story et al., 2008). This current paper rather suggests that for radical innovations, business connections were non-existent or weak in both the social and economic dimension.

*References are available on request.*

# Part J

## Market Research Methods and Innovative Research Approaches

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# A Novel Approach to B2B Market Segmentation for New Product Sales

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*Murali Mantrala, University of Missouri*

**Keyword:** *market segmentation, B2B, new product sales, derived demand, customer's customer*

## EXTENDED ABSTRACT

### Research Question

How to develop a B2B market segmentation model that considers the immediate and downstream customers simultaneously, so that the sales force can better target customers for new product sales?

### Method and Data

We develop a multi-dimensional latent class regression model for B2B market segmentation. The proposed model is tested first in Monte Carlo simulation studies, and then with survey data collected from advertisers in a US city. These advertisers are customers of a media firm that publishes one of the largest newspapers in the US.

### Summary of Findings

The novel multi-dimensional latent class segmentation model was validated using simulation study first, then with field survey data. Both validation studies show the superiority of the proposed model in terms of recovering latent seg-

mentation structure and producing fine-tuned segments homogeneous on multiple dimensions. Management in the collaborating company selected several model-derived segments as their targeting focus for new product sales.

### Key Contributions

This paper provides a conceptual contribution to the B2B market segmentation literature by accounting for derived demand from customers' customers, often B2B2C consumers. Methodologically, this work advances the state of the art of latent class finite mixture models in the market segmentation literature by extending the latent class regression models. Managerially, the proposed models are used to segment a real B2B market in Midwestern US. Empirical results show that segments more meaningful and actionable segments for B2B marketers. This also adds to the sparse number of actual B2B market segmentation applications reported in the literature to date.

*References are available on request.*

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# What Does PLS Do to Composite Reliability?

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*Ilana Shanks, Florida State University*

**Keywords:** composite reliability, CB-SEM, PLS-SEM, Monte Carlo simulation

## EXTENDED ABSTRACT

### Research Question

Although the differences and similarities between covariance-based structural equation modeling (CB-SEM) and partial least square based SEM (PLS-SEM) have been explored in the literature including the tendency of PLS-SEM to inflate the loadings and associated measures that rely on them such as composite reliability, the extent to which PLS-SEM inflates such measures has remained unexplored. While the unknown relative performance in terms of the parameter accuracy estimated by PLS is of continued concern, one of the fundamental questions to be answered is how reliable are the loadings of PLS-SEM. This study aims to fill the gap by investigating the impact of the use of PLS-SEM on composite reliability compared to that of CB-SEM.

### Method and Data

In this study, we created various SEM data analysis environments that may result in different composite reliability scores. In particular, we assessed the four essential SEM design factors, including the number of indicators per construct (3 vs. 6 indicators), factor loading levels (.5, .7, and .9), variability of factor loadings (equal, low unequal, high unequal), and samples sizes (100, 200, 500, 1000). This created a total of 216 unique data sets ( $2 \times 3 \times 3 \times 4 \times 3$  repeat measures) via a Monte Carlo simulation. Both SPSS AMOS

20.0 and SmartPLS 3.0 were used to estimate parameters. To compute the relative performance differences between CB-SEM and PLS-SEM, this study used absolute relative error (ARE) score, comparing the pre-determined composite reliability scores with those estimated by CB-SEM and PLS-SEM.

### Summary of Findings

The results reveal that the ARE score for CB-SEM (14.6%) is lower than that of that of PLS-SEM (19.3%) ( $F = 19.043$ ,  $df = 1$ ,  $p < .001$ ). The number of indicators and the variability of factor loadings result in statistically significant performance differences between them, but sample size does not. In terms of the effect of the number of indicators on the relative performance differences, the ARE score for CB-SEM is 4.8% lower than that of PLS-SEM. When considering the variability of factor loadings, the ARE score for CB-SEM is also 4.8% lower than that of PLS-SEM. More specifically, in CB-SEM the effect of equal factor loading (ARE = 14.9% vs. 18.4%), low unequal (ARE = 14.2% vs. 19.0%), and high unequal (ARE = 14.5% vs. 19.0%) on the ARE are relatively low compared to those of PLS-SEM. Finally, the results from the comparison between empirically estimated composite reliability values and those of simulations suggest that the composite reliability scores using PLS-SEM (Avg. CR = .77) are slightly higher than those of CB-

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SEM (Avg. CR = .75). However, this difference is not statistically significant.

### **Key Contributions**

The contributions of this research are two-fold; first, given that composite reliability is a crucial indicator of measurement model quality, along with the convergent and discriminant validities, this study offers insights on the impact of the use of PLS-SEM on estimating composite reliability using

simulation data. Second, by estimating composite reliability with different levels of factor loadings, number of indicators, and sample sizes, we offer a more comprehensive understanding of the impact of PLS-SEM on composite reliability. The results are expected to help researchers in strategically selecting their analytical tool between CB-SEM and PLS-SEM.

*References are available on request.*

# Lifestyle Versus Financial Constraints of Pet Ownership: Implications for Discretionary Spending Online

*Patrali Chatterjee, Montclair State University*

*Manveer Mann, Montclair State University*

**Keywords:** *discretionary spending, online search, system of equations, substitution, transformative effect*

**Description:** *Differences in discretionary spending (in-home and out-of-home entertainment, hobbies, home, travel) and time spent online for pet owners and non-owners is examined using online activity and purchase data to identify if pet ownership has a transformative effect on household lifestyles and spending behavior.*

## EXTENDED ABSTRACT

### Research Question

Research suggests that companion animal or pet ownership is a transformative experience with multiple benefits and constraints which impact pet-owner marketplace behaviors (Mosteller 2008, Chen and Peng 2012). This research contributes to the literature by examining the effect of pet ownership on discretionary non-pet-related spending on products and services like entertainment, hobbies, home, and travel after accounting for economic factors and household composition and identifies effects due to pet-ownership as a lifestyle versus economic constraint. In contrast to prior research based on self-reported qualitative or survey data which may be subject to recollection errors and demand bias, this research uses clickstream data on actual online search behavior and purchase transactions for a panel of customers that includes pet-owners and non-owners.

### Method and Data

We assume household budget is exogenous to (or not impacted by) pet ownership (i.e., we consider those consumers for whom pet ownership cannot create additional income). The associated opportunity costs (including time and money spent taking care of pets) and lifestyle constraints (restricted out-of-home vacation opportunities and housing options), mean that pet owners deem that the balance of benefits and costs is positive for them. We use this net benefit formulation to examine if pet ownership has a transformative effect on retail spending across discretionary

retail categories, after accounting for the effects of household income and composition that are traditionally used to predict household spending. We use the comScore 2015 aggregate data set of online website visit and transaction activity to examine differences in purchase spending across product categories of interest. We limit our examination to the discretionary categories of entertainment, travel and hobbies since these product categories are primarily made online. Since all spending is drawn from the same household budget, we expect entertainment, hobby, home, and travel spending to be contemporaneously correlated. Separate but correlated equations for hobby, home, travel, and entertainment spending were estimated as a system of equations framework with correlated error terms.

### Summary of Findings

Estimation results show that pet owners spend significantly less on travel and entertainment than non-pet owners as we hypothesized, however pet spending does not have significant effect on travel and surprisingly, positive impact on entertainment spending, which implies the constraint is primarily lifestyle not financial. Contrary to our hypotheses, pet ownership did not significantly impact houseware spending, age cohort of head of household or stage of family life cycle has a stronger effect – with older consumers spending less than younger consumers. This implies that lower spend on out-of-home discretionary categories does not lead to significant increase on in-home spend.

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## **Key Contributions**

This research contributes to the small literature on pet-ownership and household spending in a number of ways. One contribution is that the current study examines discretionary spending for pet-owning and non-owning households, whereas other studies have only focused on pet-owning households. Another contribution of this study is that it uses a nationally representative data set that has actual pet-related and other household expenditures for a large panel of cus-

tomers over an entire year and that allows for considering the effect of pet ownership on a wider variety of financial outcomes with recollection errors or demand bias prevalent in previous research. Importantly, this research identifies and isolates the impact of pet ownership as a lifestyle constraint versus pet-related spending as a financial constraint on spend substitution across household discretionary spend categories.

*References are available on request.*

# Scale Wars: An Exploration of “Interval-Valued Scale” Attributes in Marketing Research

*Anastasios Pagiaslis, University of Nottingham*

*Christos Themistocleous, University of Nottingham*

*Andrew Smith, University of Nottingham*

*Christian Wagner, University of Nottingham; Michigan Technological University*

**Keywords:** *Interval-Valued Scale, scale attributes*

**Description:** *An exploratory comparison between scale attributes and consumer preferences for the Interval-Valued Scale versus the Semantic Differential scale.*

## EXTENDED ABSTRACT

### Research Question

Crisp single-point capturing scales such as Semantic Differential, Likert and Stapel are commonly used in marketing research. Even though crisp single-point capturing scales offer valuable information regarding the respondents' perceptions on a specific topic, more recently-developed scales allow responses to be recorded by specifying an interval from the provided scale. Wagner et al., (2015) introduce interval-valued scales in surveys not only providing respondents with the ability of recording their answer accurately but also allowing the representation of uncertainty that may be included in respondents' answers. Miller et al., (2014) note that interval-valued survey data, modelled through the Interval Agreement Approach (IAA), offer richer information compared to traditional single-point capturing scales.

The aim of this paper is to explore Interval-Valued Scales (IVS) in a marketing research context and provide comparative results of an initial study between IVS and Semantic Differential Scales (SDS). This initial comparative exploration of IVS vs SDS is based on scale attributes as advocated by Preston and Colman (2000) namely: (i) Ease of use, (ii) Speed of use, (iii) Ability to precisely record desired answers, (iv) Adequate expression of exact thoughts and feelings, (v) Certainty/Uncertainty with personal answers and (vi) Overall satisfaction with each scale.

### Method and Data

The study is based on a convenience sample of 122 UK adults encompassing a variety of ages and familiarity with surveys, as well as educational background and ethnic origin. Data collection was completed through personal survey interviews using a quasi-experimental, between-subjects, questionnaire-based design. A questionnaire was formulated which focused on eighteen questions which were designed to measure the sensitivity of respondents in capturing private information. Two versions of the questionnaire were constructed for this set of eighteen questions, one utilizing IVS and one SDS. The rest of the questionnaire was identical in both versions and measured: familiarity with surveys and survey scales, respondent perceptions of scale attributes and demographics. Respondent perceptions of scale attributes were measured using the same question structure approach as Preston and Colman (2000).

In order to compare IVS and SDS scale attributes, the study contrasts two equal samples ( $N = 61$  per sample) utilizing a series of t-tests. Demographic consistency and respondent survey familiarity between samples was tested and found to hold.

### Summary of Findings

Results show that there is consistency across gender, ethnicity, and familiarity with surveys between the samples

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allowing for comparison of respondent perceptions of scale attributes. Independent sample t-tests show that overall perceptions of satisfaction, ease of use, certainty, precision and expression with IVS equals that of SDS. Interestingly, ‘speed of use’ results marginally in favor of IVS. This result may be explained either due to SDS respondents preferring single-point scales with fewer response categories (i.e. respondents preferring an SDS with 7, 5 or 3 response categories as opposed to 10 in the present case) (Preston and Colman, 2000) or due to curiosity using a new scale leading to excitement and positive subjective perceptions thus over-rating IVS (Kashdan et al., 2004). All t-tests included the relevant effect size and power calculations for all comparisons to strengthen the reporting of the results especially because of the moderate sample size of this exploratory study (DiCiccio and Efron, 1996).

## **Key Contributions**

The main contribution of the present paper is the exploration of IVS for capturing respondent data in a marketing context. The direct comparison of scale attributes between two fundamentally different scales sets the ground for exploring the complementarity, respectively interchangeability of these scales in marketing research. This potential provides researchers with new pathways to measuring responses lead-

ing to a wider range of analytical capabilities compared to the ones traditionally offered. Through the modeling of uncertainty, that IVS captures, researchers can extend the range of findings and draw more consistent conclusions regarding behaviors, preferences and perceptions around a particular topic.

As enduring questions regarding optimized length and structure of rating scales are still most prominent, the present paper adds to the discussion of scale development and optimal rating scales that may lessen ambiguity for survey respondents and users of research (Rossiter, 2002).

The paper also contributes to the discussion of using intervals for measuring estimates of imperfectly known quantities (Teigen and Jorgensen, 2005); however, previous studies attempting to employ intervals to estimate the magnitude of knowledge of a particular quantity, employed intervals attached to a fixed level of (un)certainty (Soll and Klayman, 2004). IVS makes away with pre-assigning a fixed level of (un)certainty and directly estimates uncertainty through the utilization of an interval (in this case arising from a respondent-drawn ellipse).

*References are available on request.*

# The Fornell-Larcker Criterion for Discriminant Validity: A Critique

**George R. Franke, University of Alabama**

**Keywords:** discriminant validity, measurement, average variance extracted, confirmatory factor analysis

**Description:** This paper describes interpretations and limitations of the Fornell-Larcker (1981) criterion for assessing discriminant validity, and shows how it can be applied as a statistical test rather than a directional heuristic.

## EXTENDED ABSTRACT

### Research Question

A fundamental principle in measure development and validation is that measures of different concepts should be distinguishable from each other; that is, good measures show discriminant validity. This paper examines one widely-used criterion for discriminant validity: That for each of two constructs, the squared multiple correlation between items and constructs, or average variance extracted (AVE), is greater than the squared correlation between constructs, or shared variance (Fornell and Larcker 1981 [FL]). Research questions addressed in this study are how to interpret the criterion in terms of item loadings and observed correlations rather than the more abstract conceptualization of AVE versus construct correlations, how to implement significance tests of the criterion, and whether superior alternatives to the criterion should be developed and used.

### Method and Data

Artificial data are used to illustrate the performance of the Fornell-Larcker criterion relative to several other criteria as the number of indicators per construct increases. Data from Bove et al. (2009), as critiqued by Farrell (2010), provide a substantive example. LISREL and Mplus syntax is used to show how the Fornell-Larcker criterion can be tested for statistical significance.

### Summary of Findings

The Fornell-Larcker criterion is not only not “the most stringent test” of discriminant validity as sometimes

asserted, it is not a reliable indicator of problematic relationships between measures. Farrell’s (2010) critique of Bove et al. (2009) correctly applies the Fornell-Larcker criterion, which leads to inaccurate conclusions about discriminant validity between the measures. The Fornell-Larcker criterion can be tested for statistical significance to put it on the same empirical footing as other tests of discriminant validity, but a better avenue for effective discriminant validation is to test entire nomological networks rather than pairs of constructs in isolation.

### Key Contributions

A conceptual contribution is to show how the Fornell-Larcker criterion is based on the observed correlations between indicators (that are attenuated for measurement error) rather than taking measure reliability into account. One methodological contribution is to show how the Fornell-Larcker criterion can be tested for statistical significance using standard software. Another methodological contribution is to suggest that pairwise tests of discriminant validity (such as the Fornell-Larcker criterion and the Anderson-Gerbing test for whether shared variance between constructs is less than unity) should be replaced by tests that take broader nomological networks into account. Such tests can be easily implemented, as illustrated with the Bove et al. data.

*References are available on request.*

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# Product Fatigue and the Decision Making Process Using EEG

*Jae Young Hwang, University of Texas Rio Grande Valley*

*Michael S. Minor, University of Texas Rio Grande Valley*

**Keywords:** product fatigue, Hamlet syndrome, decision making process, EEG, resource allocation theory

**Description:** We provide insights for the application of neuroscience in analyzing the decision-making process.

## EXTENDED ABSTRACT

### Research Question

We analyzed the effect of product fatigue on the decision-making process using EEG. In particular, we were interested in understanding the phenomenon of the Hamlet syndrome in purchasing behavior, which should help marketers know how many product choices is optimal when choosing among multiple offerings. We conducted the studies associated with the Hamlet syndrome with EEG, considering: (1) What is the brain response to product fatigue? (2) How does the magnitude of fatigue change as the decision-making process becomes more complicated?

### Methodology and Data

We employed EEG to investigate neural activity in the decision-making process. We used EEG to estimate the magnitude of product fatigue. We collected EEG data using Emotiv Epoc+ in an isolated room. We employed 8 electrode positions (AF3, AF4, F3, F4, F7, F8, T7, T8) located within the frontal and central area. We randomly divided the subjects into 3 groups to compare the frequency of absolute theta and alpha power. Theta and alpha power were recorded up to 128 times every second using a sampling rate of 128 Hz, and we measured the total frequencies per subject to decrease deviation between the subjects. We calculated frequency through Fast Fourier Transform (FFT), which converts a signal from its original domain to a representation in the frequency domain and vice versa. We report the result of

an experimental design concerning whether product fatigue can affect decision-making when a customer considered purchasing a product.

### Summary of Findings

Our finding substantiates a significant difference between the groups depending on the number of products. We find that customers feel task difficulty as the decision making process becomes more complicated, but the average number of low frequency EEG waves do not continue to increase due to task difficulty from having more choices. We also find ideas about how to use the findings for efficient target marketing in the decision-making process of customers.

### Key Contributions

We demonstrate that the magnitude of task difficulty changes as decision-making process become more complicated. We find that a customer feels product fatigue until a specific stage, but their task difficulty does not increase continuously as the number of products increases. That is, our findings of a bell-shaped relationship between the product number and decision difficulty suggest that there may exist a breakpoint, perhaps at around 5 product choices, where a consumer avoids decision making as the degree of difficulty increases.

*References are available on request.*

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# A Question to Big Data: When Do Injured Consumers Stay Satisfied?

Sash (Shashank) Vaid, University of Houston

**Keywords:** product injury, big data, parallel computing, machine learning, customer satisfaction, latent instrumental variable

**Description:** I leverage big data, parallel computing and machine learning based method to understand the impact of consumer product injuries on overall customer satisfaction.

## EXTENDED ABSTRACT

In a first, the author leverages big data to ask when does Injurious Consumption Outcome impact Overall Customer Satisfaction? I combine parallel computing and machine learning with Latent Instrumental Variables to build a predictive model to study more than 4.6 million injuries between 2003 and 2012 reported at U.S. hospital emergency departments. First, I find that on its own *Injurious Consumption Outcome's* impact on *Overall Customer Satisfaction* is non-significant, but it is the sensitivity of the consumer product injury that hurts *Overall Customer Satisfaction*. Second, there are limits to the impact of high *Consumer Sentiment* on *Overall Customer Satisfaction*—in the presence of a *Serious Injury* a positive *Consumer Sentiment* is effective in a product context. Third, economic *Growth Prospects*, appear to have a broader affect than *Consumer Sentiment*. Finally, in case of *Injurious Consumption Outcome*, *Gender* does not have much of a role to play when the outcome of interest is *Overall Customer Satisfaction*.. As a robustness check, a propensity score matched quasi-experiment is also carried out on this big data.

## Research Questions

1. When does Injurious Consumption Outcome impact Overall Customer Satisfaction?
2. Is this relationship conditional on person characteristics, consumer sentiment and market growth prospects?

## Method and Data

My research studies the impact of Injurious Consumption Outcome on Overall Customer Satisfaction leveraging big data of over 4.6 million observations by applying the well

established Latent Instrumental Variables predictive model. To the best of my knowledge, this is the first attempt that combines study of big data with Latent Instrumental Variables using parallel computing and machine learning. I also present model free evidence by running methodologically advanced causal trees.

I study over 4.6 million injuries between 2003 and 2012 across U.S. emergency departments, through a statistically valid injury surveillance and follow-back system that collects data on consumer product-related injuries occurring in the United States, capturing a nationally representative probability sample from hospital emergency departments (EDs) in the United States (Ross et al 2008). My big data is gathered from the emergency departments from a probability sample of 5000+ U.S. hospitals with emergency departments, thereby helping me draw valid, even though limited, inferences on the impact of Injurious Consumption Outcome on Overall Customer Satisfaction between 2003 and 2012.

I also build on multiple archival data sources such as American Customer Satisfaction Index (ACSI), University of Michigan Consumer Sentiment Index and U.S. Federal Reserve Bank of Philadelphia.

## Summary of Findings

In conclusion, my study, on over 4.6 million injuries researched across 2003–2012, shows that by itself Injurious Consumption Outcome does not impact Overall Customer Satisfaction, however, it is the sensitivity of the consumer product injuries that hurts overall customer satisfaction.

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## **Key Contributions**

First, to the best of my knowledge, extant literature has still not probed the impact of Injurious Consumption Outcome on Overall Customer Satisfaction. My paper explores this question.

Second, my use of Latent Instrumental Variables on big data using a parallel computing and machine learning based technology is methodologically novel in marketing literature, fulfilling requirements of both volume (over 4.6 million observations) and variety (numeric) while offering a longitudinal (2003-2012) perspective on a fundamental question that should be of prime interest to both academic researchers as well managers.

I contribute to the product harm crisis theory and managerial practice by showing the limits of the impact of high Consumer Sentiment on Overall Customer Satisfaction in the presence of a Serious Injury. However, a positive Consumer Sentiment is effective in a product context, minimizing the damage caused by sensitive consumer product injuries by enhancing the overall customer satisfaction. However, economic Growth Prospects, appear to have a broader affect than Consumer Sentiment as they attenuate not only the impact of all sensitive injuries but also that of Injurious Consumption Outcome related Sensitive Injury on customer satisfaction. In case of Injurious Consumption Outcome, Gender does not have much of a role to play.

*References are available on request.*

# What Do Entrepreneurs Believe They Need to Know in Order to Succeed? A Study Exploring Entrepreneurs' Individual Prioritization of Knowledge-Related Factors to Achieve Sustained Entrepreneurial Success

*Sebastian Grüner, EBS Universität für Wirtschaft und Recht*

**Keywords:** *human capital, resource-based view, analytic hierarchy process modeling, knowledge-based view*

**Description:** *The research investigates entrepreneur's selection and prioritization of knowledge related capabilities when aiming at sustained entrepreneurial success*

## EXTENDED ABSTRACT

### Research Question

Given that knowledge-related Factors are a resource: Which knowledge-related factors do entrepreneurs prioritize over others when aiming for sustained entrepreneurial success? And why?

Method and Data: By applying analytic hierarchy process modeling (AHP), the research simulates a practical decision making process. By doing so it aims at identifying entrepreneurs' prioritization among several knowledge-related factors. Priorities are calculated for distinctive sub-groups and compared (among each other and to experts' priorities). The data set will be comprised of an online-questioned survey of entrepreneurs and experts from Germany, executed April–June 2017. To contrast findings, experts (coaches/ consultants) will also be questioned.

### Summary of Findings

The study expects insights regarding varying choices of knowledge-related factors, considered to be crucial for market

success, depending on entrepreneurs' background (e.g. a prior market experience, venture age, heritage) and scope (e.g. imitative venture, innovative venture, exit orientation). Besides sub-group comparisons among entrepreneurs, findings are expected to stand in contrast to what experts' believe is required to be known when establishing sustained ventures.

### Key Contributions

The study deals with accumulation and choice of knowledge under a limited resource condition. Entrepreneurs are required to distinguish between knowledge related capabilities in order to ensure entrepreneurial success. The research will contribute to human and social capital theory by identifying differences in knowledge prioritization, depending on individuals' characteristics. Moreover, the research provides practical implications for mediators (e.g. government officials) who are creating supportive systems for entrepreneurs.

*References are available on request.*

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# Strategic Orientation Measures: Redirecting Research Focus to Trade-Offs

*Saku Hirvonen, University of Eastern Finland*

**Keywords:** strategic orientation, measurement scale, trade-off perspective, conceptual paper

**Description:** This conceptual paper addresses the trade-offs companies make between different strategic orientations, arguing that failing to acknowledge them in survey design makes it difficult to reveal the true level of strategic orientations in respondent companies, hence potentially resulting in biased results, misguiding conclusions, and erroneous managerial guidelines.

## EXTENDED ABSTRACT

### Research Question

This conceptual research paper discusses the trade-offs companies make between different strategic orientations. It stresses the importance of addressing the trade-off perspective in survey design and outlines ways to acknowledge this matter at the measurement level. The very question of trade-offs between strategic alternatives is not new or unique to the strategic orientation literature. However, many of the earlier commentaries are akin to general remarks and bypass the issue of whether the strategic orientation measures used in empirical research truly encapsulate how companies deal with the challenge of aligning multiple strategic orientations. The strategic orientation of a company sets boundaries to the planning, organizing, and practicing within the organization and hence influences its performance. However, putting emphasis on one strategic orientation over others comes with a cost of companies being able to invest less in others, for example due to resource limitations or the fact that different strategic orientations may pursue differing or even conflicting goals. Unless these trade-offs are acknowledged in survey design, it becomes all too easy for survey respondents, most often business owners and managers, to answer questions about strategic orientations without putting much effort to thinking what their companies are really doing.

### Summary of Findings

The business reality companies deal with is much different from how survey instruments assume the development and implementation of business strategies. While business owners and managers are well aware that companies cannot afford everything and therefore need to make trade-offs, the

strategic orientation literature has so far done little to record how companies navigate between strategic orientations and resource limitations. Instead, survey instruments often include multiple strategic orientation scales, each emphasizing such attitudes and actions that most people would regard as positive. Ignoring the trade-off perspective may therefore result in survey respondents answering not on the basis of what they actually do, but instead what they think is acceptable or how they wish to behave. The problem is particularly pronounced when researchers study multiple orientations simultaneously. In such cases, there is little that would prevent the respondents from taking a positive stand on each of them and thus offering an inaccurate picture of their companies. Indeed, examples from empirical strategic orientation studies suggest an upward bias when the respondents are asked to rate their companies in relation to multiple strategic orientations.

### Key Contributions

With an attempt to facilitate researchers in the development of a measurement framework capable of recording the trade-offs companies make between different strategic orientations, this conceptual paper identifies a number of issues critical to any such framework. The most challenging question obviously relates to the selection of proper response formats. That is, instead of using conventional measures, researchers may need to develop completely new ones. Alternatively, they may attempt to find ways to “correct” the values obtained using conventional measures. One possible way for such corrections would be to apply point allocation techniques, where the respondents are asked to distribute a

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number of points (e.g. 100 points) between different strategic alternatives, allowing the researcher to understand how important (in relative terms) these alternatives are to the respondents. These results may then be used as weighting factors. The other issues researchers need to consider include the number of strategic orientations addressed in research models: given the abundance of strategic orienta-

tions, researchers, similarly to companies, need to make trade-offs and thus decide which to address. They also need to determine how the chosen strategic orientations relate to each other and what kind of trade-offs, as well as correlative aspects, they involve.

*References are available on request.*

# Part K

## Marketing Education

### Tools to Enhance Student Learning

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# Using Reflection Papers as a Measure of Student Learning Outcomes

*Miles Condon, Texas Tech University  
Adam T. Cann, Texas Tech University*

**Keywords:** student learning outcomes, reflection papers, AACSB, accreditation, simulation

**Description:** *In addition to more traditional measures, reflection papers can also be used to measure the extent to which students achieve desired learning outcomes.*

## EXTENDED ABSTRACT

### Research Question

Student learning outcomes (SLOs) are traditionally measured by objective performance assessments, such as tests or cases. However, there is limited research on whether measures of student perceptions of learning can also be used. Therefore, the purpose of this study is to test whether using student perceptions of learning (i.e., reflection papers) can be used as a measure of SLOs.

### Method and Data

Students were first put in teams of 4–5 and participated in the Marketplace Live computerized simulation in which they acted as a company that sold bicycles. After completing the game, students were required to write reflection papers about their experience in the simulation. Specifically, they summarized their learning about marketing principles that was gained in the Marketplace Live simulation. They were told not to write a quarter-by-quarter diary of their decision-making and performance, but rather to describe their learning experience. For example, learning objective 1 was for students to explain the marketing concept and its strategic importance in business performance, and so students sought to connect the marketing concept with their experience in the simulation (i.e., they were asked to give specific examples of the importance of the marketing concept to their firm's strategy).

Reflection papers were then analyzed using content analysis, and our unit of analysis was a theme, which could be as short as a word/phrase or as long as a paragraph. Two independent

coders coded each reflection paper using NVivo software to uncover themes. We then compared the uncovered themes to the course learning objectives.

### Summary of Findings

We found considerable overlap between themes uncovered in student reflection papers and course learning objectives, where more overlap implies increased learning. That is, students reported that their learning corresponded with the desired learning outcomes. The overlap between reflection papers and learning outcomes suggests that students were able to relate their experience with the desired goals of the course. Therefore, reflection papers can be used as a measure of SLOs.

### Key Contributions

Traditionally, objective measures of learning have been used to measure SLOs. Although these are extremely valuable, additional tools should be used to provide a more complete understanding of student learning given that accreditation agencies such as the AACSB, have raised standards regarding assurances of learning that emphasize valuable learning experiences. This paper argues that student perceptions can be used to bolster that understanding and aid in accreditation. By using student perceptions of learning, teachers can assess the extent to which students can apply the learning objectives to their experiences.

*References are available on request.*

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# What Skills Are Important for a Digital and Social Media Marketing Professional? A Comparison of Employers', Professionals', Professors', and Students' Perspectives

*Sizhu Chen, Worcester Polytechnic Institute*

*Purvi Shah, Worcester Polytechnic Institute*

**Keywords:** digital marketing, social media marketing, in-depth interview, skills

**Description:** This research aims to contribute to academia and industry by identifying important skills required for marketing students to succeed in digital and social media marketing positions from a holistic perspective of employers and professionals on the demand side, and professors and students on the supply side.

## EXTENDED ABSTRACT

### Research Question

The dynamic transformation of communication and media channels in the digital era is a constant challenge for marketing academia and practitioners. Despite the importance of developing Digital Marketing (DM) and Social Media Marketing (SMM) skills in marketing students, there is a dearth of research addressing this knowledge gap. This research aims to contribute to academia and industry by identifying the DM and SMM skills required for marketing students to succeed in a digital world from a 360-degree holistic perspective of employers, DM/SMM professionals, professors, and students. Consequently, this research also investigates the gap in the understanding of these skill requirements amongst academia and industry.

### Method and Data

Qualitative and quantitative data were collected from employers, professionals, professors, and students. This exploratory study applied a mixed method approach to ensure source and methodological triangulation (Denzin 2006; O'Donoghue and Punch 2003). Data is collected using an open-ended survey, in-depth interviews, and archival data sources such as 80 DM/SMM job postings on career web-

sites (representing employers' perspective), and 10 DM/SMM textbooks and 11 course syllabi (representing academic perspective). In-depth interviews/open ended survey were conducted with 11 professionals, 12 professors, and 19 students in the United States. Content analysis and thematic analysis was applied to analyze the qualitative data using NVivo 11 PRO (qualitative data analysis software).

### Summary of Findings

The analysis of data collected so far highlights that academia and industry vary in their understanding of the important skills required for succeeding in DM/SMM roles. According to students, data analysis and writing skills are important hard skills required whereas for employers, Google Analytics, content development, and platform-specific know how is important. Professors consider statistical analysis and Microsoft Office as important hard skills. In the case of soft skills, interestingly, all of them consider communication skills, being a team player, and creativity as the top three most important skills required in DM/SMM roles.

It is also found that (1) students focus on improving their DM/SMM skills through relevant degrees and coursework,

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(2) professors focus on specific DM/SMM related certifications, coursework, and degrees that students should have, (3) professionals value student's networking ability and how they can self-learn by reading SM/DMM books, articles, or blogs, and (4) employers prefer candidates who have experience with real-world projects, knowledge of practical tools or software applications, and relevant work experience. Interesting findings are expected to emerge and provide deeper insights as more data is collected and analyzed.

### **Key Contributions**

A major contribution of this research is aligning the interests of marketing academics and DM/SMM practitioners by understanding their individual perspectives about important knowledge and skills required to succeed in a DM/SMM role. Based on these findings, marketing faculty can apply pedagogical tools that aid development of these skills in their students. These findings can further help business schools refine and enhance their marketing programs, curric-

ula, and course structures to inculcate in students' DM/SMM skills required by the industry. Students can benefit from this research because it informs them about the DM/SMM skills expected by employers, which in turn provides a career direction to students and consequently helps them prepare for their DM/SMM career. If professors and students are successful in developing these industry-specific skills, indirectly, companies benefit by having access to the talent they are seeking for DM/SMM roles. It helps reduce the demand-supply gap in the job market for these positions.

This research contributes to the limited literature examining the DM/SMM skill gap between marketing academia and practice. It also open avenues for future research. For example, future research can investigate and recommend curriculum designs and course structures related to DM/SMM, or explore appropriate pedagogical tools for these DM/SMM courses.

*References are available on request.*

# Examining the Effects of Instructor Transparency in an Active Learning Environment

**Adam T. Cann, Texas Tech University**

**Miles Condon, Texas Tech University**

**Debbie Laverie, Texas Tech University**

**Keywords:** marketing education, transparency, learning outcomes, active learning

**Description:** This study explores whether elaborating on the purpose and goals of an active learning activity will affect student learning outcomes, skill development, and confidence. References available upon request.

## EXTENDED ABSTRACT

### Research Question

Educators and students are both concerned with the communication and understanding of an educational tool's purpose and goals. Laverie (2006) highlights the importance of emphasizing the purpose of an activity during implementation so students are continually reminded of both how and why they are engaging in the assignment. Furthermore, Hunt, Eagle, and Kitchen (2004) report that a desire for transparency in how they will be assessed is extremely common among students. Past research has supported the notion that transparency has benefits for underserved students and those unfamiliar with college coursework (Winklemes 2013). According to Winklemes (2013), instructors seeking to create a high transparency learning environment should (a) discuss learning goals before each assignment, (b) continually assess student understanding during the assignment, (c) carefully explicate criteria for success and provide examples of top work, and (d) provide "research-based explanations" (p. 8) when students have issues with assignments. The purpose of the current study is to examine how an educator's transparency in explicating the goals of an active learning activity influence students' self-assessed learning outcomes.

### Method and Data

Transparency was varied between two classes of undergraduate marketing students at a large midwestern university as

the students completed an extensive simulation exercise across multiple class periods. In this study, transparency was operationalized as the extent to which the instructor elaborated on the purpose and goals of the simulation. In the high transparency condition, the instructor provided a detailed explanation outlining the purpose, design rationale, and goals of the simulation. The aim of the high transparency condition was to meet criteria outlined in the Illinois Initiative on Transparency in Teaching and Learning, which encourages the instructor to define (a) a clearly defined purpose for the activity, (b) a list of skills developed by the activity, (c) content knowledge to be gained through the activity, (d) the precise tasks to be completed, and (e) criteria that must be met for success. In the low transparency condition, students were given few details about the purpose or aims of the activity by the instructor. Students could request additional information from the instructor if they so chose.

In order to assess the effects of transparency, students in each condition self-reported assessments of learning outcomes such as the extent to which the simulation improved confidence in business decisions, confidence about entering the workforce, and the extent to which the simulation met expectations. Based on previous research on transparency, it is expected that students in the high transparency condition will improve student confidence and skill mastery, as measured through self-reports.

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## **Summary of Findings**

Data will be analyzed to determine if significant differences in self-reported learning outcomes exist between the high transparency and low transparency classrooms.

## **Key Contributions**

This study joins a growing set of research examining the role of transparency in education (Winkelmans 2013). As active learning activities such as in-class simulations become more prominent in classrooms, instructors must understand how to present these activities to students to ensure learning outcomes are met. By understanding how students perceive

high versus low transparency from their instructor, improved guidelines can be developed for implementing these complex activities.

Transparency is emerging as a key goal for instructors as they seek to continually improve student engagement and provide students with information about how and why they are partaking in the assignment. Future research should continue to examine the role of transparency with different types of active learning activities.

*References are available on request.*

# Students of a Feather “Flocked” Together: A Group Assignment Method for Reducing Free-Riding and Improving Group and Individual Learning Outcomes

*Lora Mitchell Harding, Belmont University*

**Keywords:** *free-riding, social loafing, group project, teamwork, student motivation*

**Description:** *This research examines a group assignment method, herein called the flocking method, designed to reduce free-riding by improving students' motivation and availability to contribute to the group.*

## EXTENDED ABSTRACT

### Research Question

Group-based teaching is ubiquitous, and with any type of group work, free-riding—a form of social loafing in which free-riding group members reap the rewards of non-loafing members without exerting comparable effort—is a concern. The limited research that has considered how group assignment affects free-riding generally recommends that students form their own groups (Bacon et al. 1999; Chapman et al. 2006; Mahenthiran and Rouse 2000). However, only one paper has compared self-selected to instructor-assigned groups, and no difference in perceived social loafing was found (Aggarwal and O'Brien 2008). Thus, the question remains as to whether self-selection is indeed the preferred group assignment method for reducing free-riding or if and when instructor-assignment might be preferable. This research examines a group assignment method, the *flocking method*, designed to improve students' motivation and availability to contribute to the group (Hall and Buzwell 2012). Students were flocked, or matched, by the instructor according to their schedule availability and willingness to devote time to the course, such that motivated students (i.e., those who plan to devote more time to the course) were flocked with other motivated students with similar schedules, whereas unmotivated students were flocked with other unmotivated students with similar schedules.

### Method and Data

It was hypothesized that grouping students with similar motivation levels and schedules would reduce the tempta-

tions and obstacles commonly associated with free-riding, thereby improving group and individual learning outcomes. To test these hypotheses, the two group assignment methods (flocking vs. self-selection) were compared using a between-participants, quasi-experimental design. Data was collected over a two-year period in an undergraduate marketing research course with a substantial group work component. In the first year, students formed their own groups, whereas in the subsequent year, students were assigned to groups using the flocking method, which was implemented using CATME ([www.catme.org](http://www.catme.org)), a web-based tool that facilitates group formation using responses to an online survey (Hrvnak 2013; see also Loughry, Ohland and Woehr 2014). Perceived free-riding was assessed using a confidential peer-evaluation form in which students reported the relative contributions of each group member, including themselves, using a constant-sum scale (100 points). Little variation in the number of points allocated to each member represented a low incidence of free-riding, whereas high variation represented the opposite. Finally, student learning outcomes were assessed by examining group and individual grades, which were collapsed across the various assignments in the course.

### Summary of Findings

To determine whether flocking leads to less free-riding and better learning outcomes, free-riding (represented by a coefficient of variation; Muller 1989), group grades and individual grades were examined in turn. As predicted, a one-way between-subjects ANOVA revealed that free-riding was

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reduced when student groups were flocked (vs. self-selected) ( $M = .07$  vs.  $.15$ ;  $F(1, 79) = 8.01, p = .01$ ). This effect remained significant both when gender, GPA, class standing and number of absences were included as covariates ( $F(1, 75) = 6.78, p = .01$ ) and when controlling for any possible confounding effects of group-level factors using hierarchical linear modeling (HLM). Further, students in flocked (vs. self-selected) groups performed better on both the group ( $M = 88.57$  vs.  $85.72$ ;  $F(1, 14) = 1.22, p = .29$ ;  $F(1, 10) = 3.82, p = .08$  with covariates) and individual ( $M = 83.59$  vs.  $79.12$ ;  $F(1, 85) = 7.39, p = .01$ ;  $F(1, 81) = 19.81, p < .001$  with covariates) components of their grade. Again, the results for individual grades remained robust when using HLM to control for group-level factors. Finally, bootstrapping mediation analyses (Hayes, 2013) revealed that free-riding mediated the effect of group assignment on group grades and individual grades.

## **Key Contributions**

In summary, compared to students in self-selected groups, those in flocked groups not only reported less free-riding, they also performed better on group and individual assign-

ments, indicating an actual reduction in free-riding. This latter finding is notable as the preponderance of past metrics for gauging the impact of free-riding in groups have been perceptual (Aggarwal and O'Brien, 2008; Brooks and Ammons, 2003; Liden et al., 2004; Muller, 1989; Price et al., 2006; cf. Asmus and James, 2005; Dommeyer, 2012), which is problematic as meta-analyses have found little to no correlation between actual and perceived learning measures (Sitzmann et al., 2010; see also Bacon, 2011; Clayson, 2009). Additionally, compared to the most commonly-examined methods for reducing free-riding in groups—periodic peer evaluations and corresponding individualized group project grades (Strong and Anderson, 1990; Williams et al., 1991)—the flocking method of group assignment reduces resource demands on the instructor and students, making it as efficient to implement as it is effective. In particular, once flocked groups are formed using CATME's web-based team management system, no further oversight by the instructor or periodic evaluations by students are required.

*References are available on request.*

# Desire to Learn and Value Co-Creation in Higher Education

**Gavin Jiayun Wu, Savannah State University**

**Keywords:** *desire, value co-creation, co-production, value-in-use, student participation*

**Description:** *Drawing on research related to decision making and value co-creation, I develop a conceptual model delineating the key factors and mechanisms during students' decision and participation processes.*

## EXTENDED ABSTRACT

### Research Question

Student decisions and participation in various on-campus activities is inherently necessary for higher-education success. Drawing on research related to decision making and value co-creation, I develop a conceptual model delineating the key factors and mechanisms during students' decision and participation processes.

### Summary of Findings

The proposed conceptual model delineates the relationship between decision-process factors and student intention to participate in on-campus activates as mediated by desire, and the different roles played by the different dimensions of

value co-creation during the decision and participation process and how these roles ultimately affect students' learning outcomes and satisfaction.

### Key Contributions

This research can help us better understand the specific mechanisms through which student decision and participation in on-campus activities occurs. This research also provides a theoretically based model, enabling the construction of an elaborate value co-creation-based account to engage students in their learning and on-campus activities.

*References are available on request.*

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# Effects of Students' Perception of Instructors' Exercised Justice on Grade Appeal Intention, Satisfaction Toward Instructors and Overall Effectiveness of College Instruction

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*Youngsu Lee, California State University, Chico*

*Vincent Aleccia, Eastern Washington University*

**Keywords:** *instructors' exercised justice, grade-appeal intention, satisfaction toward instructor, effectiveness of college instruction*

**Description:** *We propose instructors' justice as a philosophy of practice to college instructors, which can be a foundation for any instructional approaches, and explore relationships among instructors' justice, students' grade-appeal intention, satisfaction toward their instructors, and overall effectiveness in college instruction.*

## EXTENDED ABSTRACT

### Research Question

In this study, we investigate influential factors on students' grade-appeal intention. Specifically, we focus on instructors' exercised justice (or fairness) in classroom settings as an essential within-person variable, and how each sub-dimension of justice (i.e., distributive, procedural, interpersonal, and informational justice) affects students' grade-appeal intention. Furthermore, we investigate how students' grade appeal intention affects students' perception of satisfaction toward their instructors and their overall experience in college education.

### Method and Data

A survey method was used for this study. The respondents of the study consisted of students enrolled in the business program at a regional comprehensive university in the U.S. The data were gathered from two introductory marketing classes and two general business classes. To avoid respondents' selection bias, respondents were instructed to answer not about a specific instructor, but about instructors in general in the sample institution. We collected a total of 136 responses after discarding three unusable responses.

The measures for the study were adopted from the existing scales as much as possible. For four dimensions of justice, we used items adopted from Colquitt and Rodell's (2012) to fit the higher educational environment. For effectiveness of college instruction, we adopted perceived effectiveness measures from Chapman et al. (2010). For students' satisfaction toward their instructors, we modified scales from a variety of studies (e.g., Tata, 1999; Tomas and Galambos, 2004). Finally, since no relevant measures for grade appeal intention exist, we developed three items with an expert in higher education. Respondents' demographic and academic information such as gender, cumulative GPA, and school-year standing, and their knowledge of grade appeal processes were also recorded for control variables.

### Summary of Findings

A structural equation modeling (SEM) analysis was conducted to test the hypothesized relationships. The data fit well to the proposed model such that the root mean square error of approximation (.06), the CFI (.91) and the TLI (.89), although the chi-square goodness-of-fit index was signifi-

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cant ( $\chi^2_{390}$  d.f. = 614.34,  $p < .01$ ). Regarding relationships among variables, we found that instructors' implemented justice, specifically distributive, procedural and interpersonal justice in educational settings, reduces students' intention of grade appeal ( $\beta = -.23$ ,  $t = -2.07$ ;  $\beta = -.67$ ,  $t = -3.68$ ;  $\beta = -.29$ ,  $t = -2.26$ ) while informational justice can lead to higher students' grade appeal intention ( $\beta = .64$ ,  $t = 3.38$ ). Also, students' grade-appeal intention is found to diminish students' satisfaction towards instructors ( $\beta = -.31$ ,  $t = -3.04$ ), while students' satisfaction toward instructors is found to increase students' overall perception of the effectiveness of college instruction ( $\beta = .61$ ,  $t = 5.86$ ). The influence of students' grade appeal intention on perception about the overall effectiveness of college education was negative and marginally significant ( $\beta = -.23$ ,  $t = -1.91$ ).

## **Key Contributions**

First, from a theoretical perspective, we have expanded the research areas of the critical organizational value to higher education and confirmed its dynamics and influences in aca-

demic institutions by adopting the concept of justice. Second, we shed light on fairness/justice as a desirable quality of a good teacher in higher education and explored criticality of the notion to students as well. Especially, when college instructors assess their students' academic progress, justice should be considered as an essential element to be embedded in any course curriculum. Third, this study calls for the attention of instructors to stay fair in grading procedure—applying announced rules consistently and being free of bias, as well as giving assessments based on accurate information and with ethical standards to avoid unnecessary conflicts with students. Finally, administrators including a department chair and dean of the school will benefit from this study by preparing agreed upon and shared guidelines in assessing students' academic advancement for the instructors within the department and school. These guidelines can work as underlying principles and philosophy of practice for college educators who can still exercise academic autonomy in course management.

*References are available on request.*

# Benchmarking Undergraduate Marketing Programs: A Curriculum-Based Threshold Learning Approach

Russel P.J. Kingshott, Curtin University

Nigel de Bussy, Curtin University

**Keywords:** *benchmarking, undergraduate marketing programs, Australia*

**Description:** *This research examines the viability of benchmarking undergraduate marketing programs against nationally define threshold learning outcomes in Australian programs.*

## EXTENDED ABSTRACT

### Research Question

Marketing educators face an ongoing challenge of maintaining quality programs relevant to students, industry and stakeholders. To date, many business schools are heavily reliant upon bodies such as AACSB, EFMD, and/or discipline specific accrediting entities as indicators of program quality. Whilst accreditation can serve as a proxy quality indicator some constraints potentially limit comparisons of the relative excellence of an institutes' program. First, not all institutes have professional body accreditation which implies *prima facie* that those without it do not have quality programs. Second, accreditation is often underpinned by assurance of learning (AoL) processes with curricula improvements stemming from measuring student performance against a set of program and/or course learning outcomes. However, as providers do not necessarily have the same student learning outcomes this 'mismatch' makes meaningful comparisons of programs a difficult, if not impossible task to undertake. A key question facing marketing educators then is what actually constitutes a suitable basis upon which to benchmark programs? This research attempts to address that question in the context of undergraduate marketing programs within Australia. Australian marketing programs have five nationally defined and agreed upon threshold learning outcomes (TLOs) so the suitability of embedded assessments to benchmark these programs is examined.

### Method and Data

The assessment practices used in Australian universities and how well these align with TLOs form the basis of this

research. A two-staged approach was adopted. Stage 1 comprised a desktop review of assessment practices used in Australian undergraduate marketing programs ( $N = 41$ ). Stage 2 involved in-depth semi-structured interviews with key informant educators responsible for all aspects of curricular in a particular course. Educators of consumer behavior, strategic marketing, and marketing research were interviewed as these are common courses in Australian marketing programs. Out of 31 potential educators invited to participate, 19 agreed. Participants from Perth, Western Australia ( $n = 12$ ); Melbourne, Victoria ( $n = 4$ ); and, Sydney, New South Wales ( $n = 3$ ) were interviewed. The number of participants ( $n = 19$ ) was estimated to represent a minimum of six percent of the population of educators responsible for the marketing curricula in Australian undergraduate programs. The duration of interviews ranged from 25 to 60 minutes, and averaged at 39 minutes. Participants were asked which assessments best aligned with each of the TLOs to help address the research question. All interviews were tape recorded with the participant's permission and used to determine how TLO's and assessment type's best aligned.

### Summary of Findings

The desktop research revealed 39 of Australia's 41 universities teach an undergraduate marketing program, and all taught consumer behavior and market research, and (barring 3) strategic marketing. There were 25 different assessments types found to be used across these three courses alone, suggesting sufficient depth and breadth of assessments to constitute a viable basis for national benchmarking. During

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stage 2, key informant educators indicated 14 of the 25 potential assessments being used in the core marketing courses are capable of assessing student competence, often across multiple TLO's. Such a finding suggests assessments do not need to be identical but rather must align with a particular TLO if a benchmarking forum is to be established. Indeed, the following number of assessments ( $n$ ) were reported as capable of measuring student competence in the learning domains underpinning the TLOs: analysis ( $n = 9$ ); communication ( $n = 11$ ); judgement ( $n = 9$ ), knowledge ( $n = 9$ ); and, social responsibility ( $n = 6$ ). Overall, evidence gleaned from this study indicates that those marketing assessments currently used in undergraduate programs are capable of measuring student performance against TLO's and thus could facilitate a national benchmarking forum within an Australian context. Evidence does suggest that some alignment of assessments practices across institutes is required for effective benchmarking.

### **Key Contributions**

This exploratory research examined whether the assessment practices currently undertaken in the 39 undergraduate marketing programs taught in Australian universities would be a

viable mechanism for a national benchmarking forum. Marketing educators in Australia operate under the guise of an 'autonomy of assessment principle' which means each institute has the choice of determining how best to assess student attainment of the TLOs'. When coupled with the principle of academic freedom this suggests benchmarking against student performance would be difficult, if not impossible due to likely much divergence in assessment practices. Despite divergence of assessment practices in Australian institutes it was found that marketing educators could potentially benchmark programs against courses common to each program. Indeed, the evidence uncovered indicates that different assessment practices are equally capable of measuring student performance against different TLOs'. The key issue facing marketing educators in benchmarking programs is not related to different assessment practices but rather establishing a common set of learning outcomes from the program upon which to benchmark. Whilst there are a number of limitations to this research that promulgate future research directions, the main contribution it makes is that benchmarking against student performance is viable.

*References are available on request.*

# **Part L**

## **Marketing Strategy and Customer Relationship Management**

### **Pricing and Product Management**

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# Product Discontinuation and Firm Market Value

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**Keywords:** *product discontinuation, stock market returns, marketing capability, innovation capacity, event study analysis, buy-and-hold returns*

**Description:** *This paper examines both short and long-term stock market returns of product discontinuation decisions.*

## EXTENDED ABSTRACT

This study examines the effect of firms' product discontinuation decisions on their market value. Drawing upon signaling theory and impression management theory, we argue that certain announcement-related (discontinuation reason and announcement specificity) and firm-related factors (marketing capability and innovation capacity) function as signal cues impacting the subsequent investor reactions. Our results on a sample of 159 product discontinuation announcements indicate that investors penalize managers' decisions to discontinue their products both in the short and long-term. Positive reasons (such as new product development) for product discontinuation positively influence the short-term returns. However, negative reasons (such as product failure) receive a higher weight in the long-term. Announcement specificity (firm versus industry specific reasons) enters into investors' psyche in the long-term. Lastly, investors positively evaluate product discontinuation decisions by firms with higher marketing capabilities in the short-term, but punish the firms equipped with higher marketing capabilities and innovation capacity in the long-term

## Method and Data

Event study methodology for the short-term returns and buy-and-hold abnormal returns (BHAR) for the long-term stock returns were used. Product discontinuation announcements of U.S. companies were extracted from the Gale Business Collection database. The data sample covers a 17-year period from 1996 to 2012. The firms' stock prices were obtained from the Center for Research in Security Prices database. The data for the firm performance variables was drawn from Compustat. Patents were collected from Thomson Innovation. Lastly, number of analysts is gathered from IBES database.

## Summary of Findings

1. Product discontinuation announcements lead to negative stock returns both in the short and long-term.
2. Product discontinuation announcements linked to positive firm motivations such as new product development positively influence the short-term stock returns.
3. Product discontinuation announcements associated with negative reasons such as product or commercial failures receive a higher weight and result in negative returns in the long-term.
4. Product discontinuation announcements which state a reason related to the firm's resources or strategies (*firm spe-*

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## Research Question

1. What are the effects of product discontinuation on stock market performance?
2. What are the (announcement and firm-related) factors that may influence the relationship between product discontinuation and stock market performance?

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*cific announcements*) resulted in lower stock returns compared to the announcements which offer a reason linked to particular industry (*industry specific announcements*) in the long-term.

5. Firm's high marketing capabilities positively influence the relationship between the product discontinuation announcements and the short-term stock returns. However, in the long-term, firms' high marketing capabilities and innovation capacities negatively influence these relationships.

## **Key Contributions**

This study contributes to the literature in threefold:

1. It fills the gap in the literature by investigating both the direction and the magnitude of the change in firm market value due to product discontinuation announcements. Despite the prevalence of product discontinuations in practice, scholarly research is yet to investigate this phenomenon.

2. It examines both short and long-term stock market returns of product discontinuation decisions. In discontinuation literature, many studies examine short-term abnormal returns while very few studies investigate the long-term abnormal returns.

3. It fills another gap by examining the impact of innovation capacity on stock market performance. Most studies investigate various firm-related factors and macro-level factors.

This study is relevant to managers:

It shows product discontinuation announcements can be used as marketing tools. Specifically, to mitigate the financial loss from their product discontinuation decisions, managers can potentially stress the discontinuation reason in their announcements, and build a reputation as a skilled marketer and a serial innovator.

*References are available on request.*

# Impact of Supply Chain and New Product Process Decisions on CRM Capability and Firm Performance

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**Keywords:** CRM capability, inter-relationship among process, firm performance, synergy

**Description:** This study captures the synergy among key business processes in the context of organizations building customer capability for achieving superior firm performance.

## EXTENDED ABSTRACT

### Research Questions

Using resource-based view (RBV) theory, this study captures the inter-relationship among three business processes—customer relationship management (CRM), supply chain management (SCM), and new product development (NPD)—in the context of organizations building customer capability for achieving superior firm performance. The CRM process focuses on improving organizational insights into customer needs and expectations as a means to deliver superior products, services, and customer experiences. Because insight generation and need fulfillment come at a cost, organizations concentrate their effort on customers that have the potential to provide them higher value. The SCM processes aim to offer the right product at the right time to the right customer within the constraint of minimizing the cost of order fulfillment and maximizing the speed of order delivery and customer satisfaction. In most firms, supply chain operations have been governed more by efficiency considerations and less by the customer satisfaction goal. NPD processes focus on developing new products that are relevant to customers and have superior commercialization potential. The literature has noted that because process objectives may be conflicting in nature, strategic decisions taken to achieve goals of one process may have the unintended effect of interfering with the ability of the other processes to achieve their respective goals (Ramaswami, Srivastava and Bhargava, 2009).

The specific question that this study addresses is the following: to what extent do organizational decisions relating to the SCM and NPD processes affect a firm's capability with respect to its CRM process and subsequently its financial performance. Two relevant strategic actions relating to each process that arise from respective process objectives and market pressures are considered. These are outsourcing and network leadership in the case of the supply chain process and innovation investment and customer co-creation in the case of the new product process.

### Method and Data

A sampling frame of 200 firms was developed for four big cities in the midwestern and southern parts of the country.<sup>1</sup> Of the firms selected, 84 were public and 116 were private companies and sole proprietorships. The key informant was defined as a top manager from the marketing function—VP, Director, or Manager. Complete survey responses were obtained from 88 firms, yielding a response rate of 44%. Structure equation model is used to test our theoretical framework.

### Summary of Findings

Results show that a firm's network leadership positively contributes to its CRM capability because it enables the firm

<sup>1</sup>The starting value for the sampling frame is low because of the decision to obtain data using the personal interview method of data collection.

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to instill a common vision of customers among its supply chain network and obtain network members' buy-in to enhance the market responsiveness of the network. The results also show a strong combined effect of network leadership and outsourcing on CRM capability, suggesting that if the firm can leverage "customer ownership" in negotiating with its outsourcing vendors, it can further enhance its CRM capability. Finally, the results capture a strong positive impact of CRM capability on firm performance. These findings highlight how decisions made in a firm's supply chain process may influence its CRM capability and thereby its financial performance. This study, however, did not find a similar link between strategic decisions taken within the NPD process and the firm's CRM capability. The message is that firms could develop capabilities in these two processes independent of each other.

A secondary objective of the present study relates to the measurement of CRM capability. Using data envelopment analysis, we conceptualize CRM capability based on a relevant set of CRM inputs and customer outputs and then show that variation in firm performance can be attributed to variation in CRM capability. Although a similar input-out approach has been used in other marketing studies to measure a firm's marketing and operational capabilities (Dutta, Narasimhan and Rajiv, 1999; Hui, Neil, and Lopo, 2015), most CRM studies thus far have taken the approach of measuring components of CRM capability purely from an input perspective. In our view, measuring inputs, rather than both inputs and outputs, provides only a partial picture of the degree to which firms have been able to build their CRM capability. We strongly hold the view that a well-managed CRM process should be able to maximize customer related outcomes by controlling the input factors.

In terms of CRM outcomes, we use Payne and Frow's (2005) CRM theoretical framework as the basis and select customer satisfaction, customer retention, the scope of customer relationships, price premium and performance on customization as important outcomes of CRM processes. In

terms of CRM inputs, we include two broad categories of resources that are typically deployed by firms to achieve the above outputs of CRM resources: resources to understand customers and their behaviors and resources to educate customers. Understanding customers requires market intelligence, market responsiveness and focus on high-value customers. Market intelligence enables firms to assess customer value propositions, as well as competitor actions in meeting those values; market responsiveness enables firms to use such knowledge to respond to customers' changing needs; focus on high value customers allows firms to prioritize customers according to their value and offer higher value to the more valuable customers. Furthermore, we also include customer education as a key input of CRM capability. Efforts made to educate customers have been perceived as a valuable augmentation tool to a firm's selling process. Therefore, we operationalize CRM capability as the following efficiency frontier:

*CRM outcomes (customer satisfaction, customer retention, premium prices, scope of relationship, performance on customization) = f(market intelligence, market responsiveness, focus on high value customers, customer education).*

### **Key Contributions**

In capturing the inter-dependency among business processes, the present study extends CRM research in two important ways. First, it investigates a key gap in the literature relating to how decisions taken in other key business processes of firms affect the CRM process and in particular the building of CRM capability. It empirically shows that synergy may be present between CRM processes and other business processes. Second, it adopts an input-output approach to conceptualize and operationalize the concept of CRM capability. By taking into account both inputs and outputs of the CRM process simultaneously, the study enhances the CRM capability metric and thus increases the validity of its empirical findings from a managerial perspective.

*References are available on request.*

# The Effects of EDLP Price Promotions on Market Basket Performance

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*Shelby D. Hunt, Texas Tech University*

**Keywords:** *price promotion, retail marketing, competition intensity, market basket analysis, EDLP pricing strategy, Walmart*

**Description:** *Adapting a dynamic competition perspective this research advances understanding of the potential role of competition on the relationship between retail pure price promotions and retailer performance.*

## EXTENDED ABSTRACT

### Research Question

From a marketing strategy standpoint, what is the effect of price promotions (e.g., rollbacks) on the total market basket sales and profits of every-day-low-price (EDLP) retailers like Walmart?

That is, can EDLP retailers benefit from the marketing practice of price promotions?

What are the effects of store competition intensity and store customer demographics on the effect of price promotions on the total market basket performance?

### Method and Data

Statistical modeling of store-SKU-week level product and market basket data for 450 retail stores across price promoted products in four merchandise categories (comparing it to both same year, prior period data and also comparing it to prior year, same period data).

### Summary of Findings

Price promotions can be beneficial to companies who market and sell products to consumers. *Even every-day-low-*

*price (EDLP) retailers* benefit at the total market basket level in both *sales* and *profitability* from engaging in using price promotions.

Improvements across both the number of items in the market basket and the number of market baskets.

Store competitiveness and store customer demographics explain additional variance in the increases in sales and profits from the price promotions.

### Key Contributions

Examination of unique dataset from a leading EDLP general merchandise retailer in the United States.

Provides the first study to examine actual total market basket sales, profit, number of items, and number of baskets as it relates to price promotions.

Provides insights into competitiveness effects modeled in greater depth than possible in prior studies.

*References are available on request.*

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# Unprofitable Cross-Buying by Customers: The Impact of Cross-Buying on Firm's Sales

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**Keywords:** cross-buying, firm's performance, CRM, time series analysis

**Description:** *Customers who show a high level of cross-buying propensity tend to exhibit higher levels of loyalty than customers who concentrated on limited brands.*

## EXTENDED ABSTRACT

### Research Question

Cross-buying is defined as the customer's purchase of additional products or services from the same provider. To date, numerous studies show that cross-buying behavior of customers has a positive effect on firm's financial outcomes. However, it is conceivable that cross-buying may not always be linked to firm profitability. It is implied that cross-buying will exert a negative impact on profitability, thereby calling for further examination of cross-buying behavior. Therefore, our primary objective of this paper is to identify whether high level of cross-buying at period  $t$  has a positive impact on increasing firm's sales in the subsequent ( $t + 1$ ) period. In addition, the second goal of this research is to investigate the cases where cross-buying will not lead to an increase in sales.

### Method and Data

We use transaction data that include multiple partners. Because multiple partners in many industries are available, this allows us to study whether a customer's cross-buying level in the current period ( $t$ ) affects the customer's purchase frequency and transaction size in the subsequent period ( $t + 1$ ). The observation period for the data set extends over three years.

### Summary of Findings

Findings from this study indicate that a high level of cross-buying at period  $t$  has a positive impact on increasing customer frequency and transaction size in the subsequent ( $t + 1$ ) period. This means that cross-buying has the potential to

increase the firm's profitability. Customers who show a high level of cross-buying propensity tend to exhibit higher levels of loyalty than customers who concentrated on limited brands. Therefore, firms should find ways to induce customers with low cross-buying propensity to increase cross-buying.

In addition, cross-buying can be unprofitable due to the moderating effect of spending growth on the firm's sales. Specifically, the effect of cross-buying on transaction size weakens when spending is decreasing. This result makes an important contribution to cross-buying research. If customers showing a high level of cross-buying do not increase their budget size, they might merely switch to other brands in the loyalty program under a fixed budget.

### Key Contributions

The findings from this study imply that it is crucial to target and motivate customers who tend to use various brands for the firm's sales. In addition, by finding the conditions that do not increase sales (e.g., spending limiter condition), it makes marketing practitioners consider that cross-buying does not always bring positive results. We need to consider the negative conditions of cross-buying to segment customers into sub-similar groups. It can deepen our understanding of the relationship between cross-buying and firm's sales to marketing practitioners.

*References are available on request.*

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# The Influence of Social Networking for SMEs on Improving Social CRM

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## ABSTRACT

This study develops the model that tests two dimensions of social networking, information quality and information security, affecting customer relationship maintenance and development (CRMD) for Small and Medium size Enterprises (SMEs). Furthermore, this study investigates degrees that interrelation and weightiness of perceived commitment, perceived usefulness, and trust affect customer satisfaction and customer loyalty towards SMEs.

**Keywords:** *customer relationship management, social networking, perceived commitment, perceived usefulness, trust*

**Description:** *This study develops the model that tests two dimensions of social networking, information quality and information security, affecting customer relationship maintenance and development (CRMD) for Small and Medium size Enterprises (SMEs).*

## Introduction

Customer Relationship Management (CRM) has been developed to help marketers of most companies figuring out how to supervise their customers by ascertaining the individual's thinking (Ngai, 2005). Dutot (2013) define CRM as global process help establish a sustainable and profitable relationship between a company and its customer. Mosadegh and Behboudi (2011) defined Social CRM as a philosophy and a business strategy, the extension of traditional CRM, using technology platforms, business rules, processes and social characteristics, which enable organizations to provide mutually beneficially value and develop a trusted and transparent business environment. Social CRM emphasized customer engagement rather than customer management, which means customers have the power to develop their individual interactive relationship with the company while companies improve to be more transparent to gain customers loyalty (Greenberg, 2010). Numerous works have discussed that social media is important and meritorious for SMEs improving engagement of consumers. Moreover, a number of studies have investigated how social media could help business implementing organizational tasks such as recruitment, marketing, customer relationship management (CRM), and employee communications (Schaupp and Bélanger, 2013). Social media supports customers in having social interaction

through social platforms that enable information generation and sharing. In this study, the concept of social networking will be used as interactive communication activities between customers and SMEs, including getting knowledge, content sharing, comments, reviews, recommendations, etc. The following research questions are considered:

*Research Questions 1: Do customers perceived commitment, trust or usefulness through social networking with SMEs?*

*Research Questions 2: How does social networking advantage improve Social CRM of SMEs?*

## Literature Review

### **Features of Efficient Social Networking Properties**

Information quality should be considered to improve relationships since it is a valuable source to understand e-commerce for customers (Molla and Licker, 2001). The information quality, composed of usefulness, accuracy, sufficiency and relevance (Susser and Ariga, 2006), and information security should be emphasized seriously since they closely relate to business profit and performance (Jaiswal et al. 2010; Liu and Arnett, 2000). Usefulness of information refers to providing customers with useful information such as useful products or service descriptions. To attract cus-

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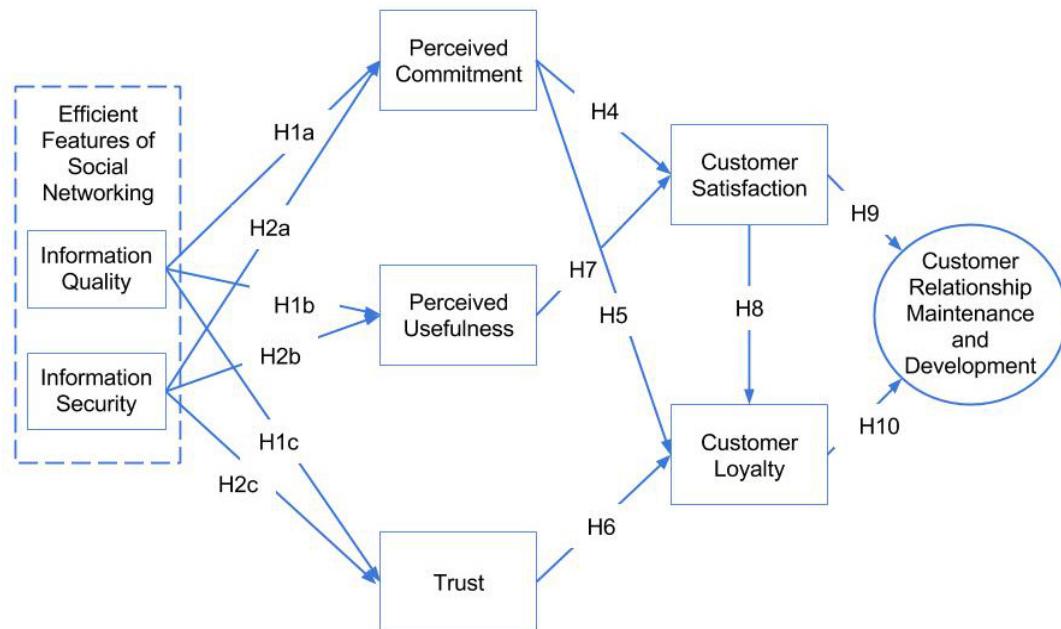
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tomers, the relevance of information is stated to provide relevant information matching customers' interests (Huang and Benyoucef, 2013). Security is a concern of e-commerce customers (Rust and Kannan, 2002), which indicates the risk of divulgence of the critical information about a customer. In this study, the features of efficient social networking are emphasized to assist customers in obtaining useful, accurate, sufficient and relevant information from the descriptions provided by firms, indicating SMEs in this study, or the comments from other customers for these firms in a secure environment.

Based on previous studies, social motivation influences an individual's decisions (Grenny, Maxfield and Shimber, 2008). What's more, the effect of network externalities, which is proved to be positively associated with customer perceived usefulness (Strader et al. 2007), shows that the usefulness of a product or service for a customer increases because of an increasing number of other users (Chun and Hahn, 2007). In the study of commitment to social community (Wang and Chen, 2012), the member perception of network externalities influences the user's commitment to a community. Corritore et al. (2003) suggest that navigational architecture and design elements have a direct effect on trust. Based on the study of online communication, Hallahan (2006) discusses that online communications bring out key outcomes help figure organizational-public relationships, including perceived commitment, trust and other public relations practitioners. For summary of hypotheses 1a to 2c, see Figure 1.

**Figure 1.** Conceptual Model



### Perceived Commitment

Commitment has been defined as showing the desire and willingness to continue and work for the continuance towards the relationship (Wilson, 1995). In some studies, commitment, along with trust, is considered as having impact of customer satisfaction (Aurier and N'Goal, 2010), and empirically tested extensively as the antecedent of customer loyalty (Keiningham et al. 2007). For summary of hypotheses 4 and 5, see Figure 1.

### Trust

Trust is important in e-communication because trust can facilitate the interaction among customers and enhance their network (Hajli, 2013). The study of testing the relationship between trust and satisfaction and loyalty is valuable because the relationship developed in social network websites and face-to-face settings is not identical (Dwyer, Hiltz and Passerini, 2007). In this study, overall trust would be tested as the predictor of customer loyalty and satisfaction. See Figure 1 for hypothesis 6.

### Perceived Usefulness

There are studies proved that the effect of Perceived Usefulness impact on attitude towards use of an information system (Venkatesh et al. 2003; Davis et al. 1989). Koufaris and Hampton-Sosa (2002) found that perceived usefulness of a website is one of the major determinants of trustworthiness. Various studies also suggested that participants accepted

trust increased perceived usefulness in the site (Hajli, 2014), thus:

*Hypothesis 7: When customers participate social networking with SMEs, the impact of perceived usefulness on customer satisfaction is positive.*

### **Satisfaction and Loyalty and Customer Relationship Maintenance and Development**

Customer satisfaction, the differences between customer expectations and actual satisfaction, enable business establish long-term relationships (Bai, Law and Wen, 2008; Kim, Ma and Kim, 2006), which measures the attitude of a product or service (Churchill and Surprenant, 1982). In this study, satisfaction is defined as customers' evaluation and effective measure of social networking with SMEs. In previous studies, satisfaction has been validated having positively related to loyalty (Hallowell, 1996; Cassel and Elklof, 2001), which be established as a hypothesis in this research to figure out the validity of this relationship in Social CRM environment of SMEs. Customer relationship maintenance and development is affected by customer satisfaction indirectly while it is affected by customer loyalty directly, which is a primary value of CRM (Qi, Qu and Zhou, 2014). In Commitment-Trust Theory (Morgan and Hunt, 1994), trust is a key indicator for maintaining a relationship. The conceptual model is shown in Figure 1.

### **Research Methodology**

In this study, items measuring eight constructs were developed from previous studies. All items were measured by a five-point Likert-scale (strongly disagree to strongly agree). Data were collected from Amazon Mechanical Turk. A total of 361 samples were collected and 261 usable responses were obtained. There were 52.1% female and 47.9% male respondents. Most of the respondents were young that 72.8% of the samples was less than age 30. 83.43% had a college degree or an advanced degree and 71.6% is employed. The largest group of ethnicities was Chinese (40.6%).

The overall validity of the measures was assessed with implementing a confirmatory factor analysis (Anderson and Gerbing, 1988). The adequate fit for the measurement model and validity testing were tested using LISREL 8.7 maximum likelihood method (Jöreskog and Sörbom, 1996). Composite Reliabilities of each variables are all greater than .71 (Churchill 1979). The standardized factor loadings and the critical ratios of variables are sufficient with values greater than .50 (Fornell and Bookstein, 1982), indicating the items explain each variable appropriately. More specifically, the chi-square test was statistically significant ( $\chi^2 = 638.8$ , df = 322,  $p < .0001$ ). Furthermore, other level of fit indexes of the

model are reasonable, where Normed Fit Index (NFI), Non-Normed Fit Index (NNFI), Comparative Fit Index (CFI) and Incremental Fit Index (IFI) are greater than .9; Goodness-of-Fit Index (GFI) and Adjusted Goodness-of-Fit Index (AGFI) are less than .9; Root Mean Square Error of Approximation (RMSEA) is less than .08; Standardized Root Mean Square Residual (SRMR) is .051 that is considered as a good fit because of small sample size. Based on the outcomes of LISREL, the validity of the measures is confirmed. All the measures are remained to verify the hypothesis with structural model testing.

### **Data Analyses**

Structural model analysis is used to test relationships among eight constructs. The goodness of fit indexes indicates that the model fit the data well (Chi-square is 638.5; Degree of freedom (df) is 336; GFI is .84 and AGFI is .81, which are acceptable goodness (Gefen, 2000); the standardized RMR is .058; RMSEA is less than .80; NFI, CFI, IFI and NNFI are all greater than .90). Although the value of standardized RMR is greater than .05, it is still acceptable that is close to the critical number. As the model fit indexes show a good result, hypotheses test could be assessed.

Thirteen hypotheses were tested with the path coefficients as shown in Table 1 with showing ten hypotheses were statistically supported.

Based on the original model, the improvement of Customer Relationship Maintenance and Development is influenced by Customer Loyalty directly, and by Customer Satisfaction indirectly. Information Quality can have an indirect effect on

**Table. T-Statistics and Standardized Path Coefficients**

Hypothesis	Path Coefficient ( $\beta$ )	T-value	Sig.
H1a IQ → PC	.55	4.07**	.000
H1b IQ → PU	.76	6.14**	.000
H1c IQ → TR	.46	4.92**	.000
H2a IS → PC	.27	2.57**	.005
H2b IS → PU	.16	1.6*	.055
H2c IS → TR	.52	5.3**	.000
H4 PC → ST	.54	4.68**	.000
H5 PC → LY	.05	.47	N.S.
H6 TR → LY	.48	5.47**	.000
H7 PU → ST	.32	3.1**	.001
H8 ST → LY	.41	3.92**	.000
H9 ST → CRMD	.11	1.29	N.S.
H10 LY → CRMD	.82	7.87**	.000

\* $p < .1$ . \*\* $p < .05$ . N.S. = Non-significant.

Customer Satisfaction through influencing PC and PU, and have effect on Customer Loyalty through influencing Trust. Therefore, IQ is an important factor when social networking happens between SEMs and their customers, which lead customers to build an overall positive vision on these SMEs. Information Security can have an effect on Customer Satisfaction through influencing PC, and have an effect on Customer Loyalty through influencing Trust. Customers concern the risk of divulgation of their personal information, so SMEs should pay attention to security control for gaining customers' trust and commitment.

## **Discussion and Conclusion**

This study was designed to test the conceptual model of social networking between SMEs and their customers to elucidate social networking having an effect on the development of CRMD for SMEs. Information quality and information security, the two proposed dimensions of social networking, are quoted to explain what customers care about during the social networking with SMEs. As mentioned, usefulness, accuracy, sufficiency and relevance, four characteristics of information quality, are important contents for customers who interact with SMEs for further instruction of their interested products and services. Security is also an important characteristic to look at. It guarantees the safety of customers' personal information. In this study, security is tested as a secondary antecedence, which needs further discussion in future studies.

For managerial implications, SMEs should enhance their interaction with high quality content, since information quality regarding as a more crucial metric. The characteristics of high quality information, relevance, accuracy, usefulness and sufficiency, should be considered by managers while communicate with customers. Relevance, accuracy and usefulness are emphasized for providing the content that customers really look for rather than the content that SMEs' marketers promote to customers. Otherwise, irrelevant and equivocal information makes customers suspect SMEs' ability and integrity. Sufficiency is mentioned that more detailed and extended information had better provide to customers because they are usually unprofessional that they need extra content to acquaint with the SME and its product or service.

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# The Communication Strategy in Rewards Program Innovation: Reward Pursuit Sustainability from A “Regulatory Fit” Perspective

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**Keywords:** rewards program, communication format, reward scheme, regulatory fit

**Description:** Drawing on the “regulatory fit” perspective, we elucidate how two major explanatory factors (i.e., communication format and reward scheme) in the rewards program (RP) context can be configured to enhance RP members’ motivation to pursue rewards.

## EXTENDED ABSTRACT

### Research Question

Rewards programs (RPs), as an important marketing tactic for developing customer relationships, have penetrated a wide range of industries (Beck, Chapman, and Palmatier 2015). A recent review of RP research identified “program communication” as a key missing link and called for new research to illuminate how different “communication frames” may influence RP members’ reward pursuit behavior (Breugelmans et al. 2015). To bridge this knowledge gap, we propose a framework of communication formats (i.e., the specific ways in which members are informed of their reward pursuit progress) and explicate how the right communication formats may enhance RP members’ motivation to pursue rewards.

Clearly, RP members’ motivation to pursue rewards is influenced by the perceived value of the rewards (Touré-Tillery and Fishbach, 2011). In this regard, this paper also addresses the following important question in RP research: How can the perceived value of RP rewards be increased? Toward this end, we propose a reward scheme with two dimensions (reward congruence and reward timing) and elucidate how

this reward scheme can be configured to enhance the perceived value of RP rewards.

### Summary of Findings

This research is high in theoretical interestingness and practical importance in the loyalty program context. First, we find that delayed (quick) rewards are more effective for motivating RP members towards reward pursuit when the rewards are congruent (incongruent) with the core products or services. Second, a road-ahead (road-traveled) communication format is more effective for motivating RP members to pursue congruent (incongruent) or delayed (quick) rewards. Third, a loss-framed (gain-framed) communication format is more effective for motivating RP members to pursue congruent (incongruent) or delayed (quick) rewards.

### Key Contributions

This paper contributes to the RP literature and the broader consumer goal pursuit behavior research in several notable ways. First, it addresses a glaring missing link that pertains to how the communication format can motivate RP members toward reward pursuit, and thus advances theoretical under-

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standing of RP design. Second, it enriches the regulatory fit theory as it relates to RP research, and in so doing, highlights the relevance of promotion- versus prevention-framed communication. Third, the explanatory factors identified in this research (e.g., communication format, reward scheme) are widely used in RPs, so the results should have far-reaching impacts on RP research and on the broader consumer goal pursuit research.

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*References are available on request.*

# Reciprocity: Appreciating Relationality in Marketing Interactions

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**Keywords:** reciprocity, transactional reciprocity, relational reciprocity, exchange, Service-Dominant logic

## EXTENDED ABSTRACT

### Research Question

Reciprocity is acknowledged as a primary relational construct by leading marketing scholars. However, despite the keen interest in reciprocity by marketing researchers and theorists, the development of reciprocity within Service Dominant (S-D) logic is limited by a mechanistic view of actors or resource integrators as fixed entities who come together to co-create value. Importantly, the actors are viewed as separate and little attention is given to the nature of self-adjusting actors who configure and reconfigure themselves in each instance of interaction with other actors. This mechanistic perspective compromises the relational understanding of reciprocity in marketing interactions. We believe the conceptualisation of reciprocity within S-D logic can be improved by drawing attention to the distinctive mutual and complementary aspects of the interaction between parties when they apply resources to benefit one another. On this basis, in this paper we develop the concept of reciprocity by distinguishing transactional reciprocity (viewed as a form of exchange) and relational reciprocity (viewed as regulated action).

### Method and Data

In this paper, we take an interdisciplinary approach and integrate literature from the disciplines of systems thinking and marketing. In particular, we draw on Vickers' Appreciative System theory from systems thinking discipline and the Relationality Framework from marketing discipline. These frameworks together provide a conceptual base for developing rich processual insights into human interaction systems as networks of relationships involving judgements that govern the

relational dynamics within the system, as opposed to the static view of humans as fixed and predictable in seeking their goals.

### Summary of Findings

Two forms of reciprocity are distinguished in this paper: transactional and relational reciprocity. In transactional reciprocity, normative expectations, both for equality in the relationship and for equivalent gratifications obstruct the fostering of trust and commitment for an on-going relationship. In contrast, relational reciprocity brings individuals together in a shared appreciation, fostering trust and commitment for investing in their relationship. Thus, transactional reciprocity commonly indicates a single episode of inter-exchange, whereas relational reciprocity supports an on-going relationship. To summarise, transactional reciprocity occurs in individual episodes of inter-exchange that end with valuation, whereas relational reciprocity occurs in an on-going relationship in which a valuation is a temporary evaluation before the "I" and/or "Other individuals" re-connect (ideally as "We") in the next episode.

### Key Contributions

Given the significance of S-D logic in transforming marketing theory and practice, we believe it is crucial that the relational phenomena such as reciprocity that characterizes high-level relationality are developed beyond the generalized concepts that limit both theoretical extension and practical application. Our development of "reciprocity" as one of these key relational phenomena is in line with Bagozzi's (1995) contention that reciprocity can be a more complex interactional experience rather than a simplistic inter-exchange of give and take

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("tit for tat") or obligation owed to another. Bagozzi (1995) stresses that felt meanings are integral to reciprocity; therefore, felt meanings are inherent in the mutual understanding upon which the parties within a relationship initiate actions and respond to the other parties. As such, in conceptualizing

the different form of reciprocity (transactional and relational), we contribute to the understanding of key relational phenomena in marketing interactions.

*References are available on request.*

# Does Entrepreneurial Orientation Matter for International Performance? A Resource Management Process Perspective

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**Keywords:** entrepreneurial orientation, international performance, knowledge creation; international venturing, NPD decision-making flexibility

## EXTENDED ABSTRACT

### Research Questions

Even though globalization and the fast growth of international trade and investment activities have led to increased attention being paid to the imperative of entrepreneurial orientation in strengthening international competitiveness, the performance implications of entrepreneurial orientation in terms of enhancing international completeness are not well understood. Therefore, this research aims to investigate the role of entrepreneurial orientation in the context of the global marketplace and further demonstrates how it affects international performance. Two main research questions are addressed in this study.

1. Does entrepreneurial orientation improve international competitiveness and performance?
2. How does entrepreneurial orientation contribute to international competitiveness and performance?

### Method and Data

The primary data for our research came from electronics companies in Taiwan. Senior managers are designated as the key informants of this study, and a total of 141 usable questionnaires were returned. Further, among these 141 firms, objective firm performance data on sales growth rates was obtained for 111 respondent firms from secondary sources. Due to the relatively small sample size and the predictive-and theoretical-based models adopted in this study, the par-

tial least squares (PLS) approach was employed to validate the measures and test the hypothesized relationships.

### Summary of Findings

The model results provide support for our proposed underlying mechanism behind the entrepreneurial orientation and international performance link. Empirical findings indicate that entrepreneurial orientation affects international venturing and NPD decision-making flexibility not only directly, but also indirectly through knowledge creation, while international venturing and NPD decision-making flexibility fully mediate the relationship between knowledge creation and international performance. On the other hand, the results suggest that international venturing possesses a stronger positive effect on international performance than NPD decision-making flexibility. In addition, this study finds that international performance significantly and positively relates to objective firm performance data on sales growth rates.

### Key Contribution

This study contributes to the extant literature in several ways. First, this research contributes to the literature addressing the role of entrepreneurial orientation in the context of the global marketplace by developing and empirically testing a theoretical framework informed by the resource management process perspective. Specifically, this study demonstrates that knowledge creation can be the critical

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determinant of international venturing and NPD decision-making flexibility, thereby offering the following sequential link: “entrepreneurial orientation (resource / resource portfolio) → knowledge creation (resource bundles) → international venturing and NPD decision-making flexibility (opportunity exploitation) → international performance (organizational performance).” Second, this research provides new insights into the relative importance of international venturing and NPD decision-making flexibility within the context of international market development. This

helps practitioners more effectively make decisions as to resource allocation and international market strategies. Third, from a managerial point of view, this research debunks the myth that the adoption of EO is a luxury only firms in high growth markets with plentiful financial capital can pursue. Finally, this study also provides some specific guidance in terms of enhancing international competitiveness and performance.

*References are available on request.*

# Marketing Activities, Semantic Inconsistencies, and Development of Dynamic Capabilities in MNCs

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**Keywords:** *organizational learning, origins of dynamic capabilities, organizational memory, pharmaceutical MNCs, semantic inconsistencies, marketing*

**Description:** *This research build on evidence from multinational pharmaceuticals to understand the role of marketing activities in the learning process and changes in organizational memory that occur through exposure to multiple contexts.*

## EXTENDED ABSTRACT

This paper focuses on finding the origins of dynamic capabilities of multinational corporations (MNCs) in their marketing activities. To this end, we deconstruct the notion of organizational declarative memory for a more fine-grained understanding of the process through which marketing activities lead to acquisition of episodes of information, semantic processing, and are eventually disseminating and storing new information within MNCs. Our current research follows three distinct, yet connected steps. First, we build on extant literature on organizational memory and develop a theoretical framework which is an expansion on existing work. Then, we use a two-stage mix-method empirical study. The first stage of our empirical study builds on semi-structured interviews with pharmaceutical executives to further refine the theory development for the fundamental processes for development of Dynamic Capabilities in MNCs and the role of marketing activities and to develop measurable hypotheses. Subsequently, we test our hypotheses through statistical analysis of quantitative data collected from multinational pharmaceuticals. Finally, we seek additional confirmation for our findings through more follow up interviews.

## Research Question

In this research, we set out to find a more clear answer to the following questions: why do some MNCs respond more effectively to sudden changes in their current environments? Why are some MNCs more capable in adapting to

different and unfamiliar rules governing competition across a multitude of international markets? How do MNCs develop the capability to recognize the need to distance themselves from seemingly restrictive processes and protocols and identify the appropriate time to improvise new strategic responses that are more context-relevant? We contend that the answer to these questions lies within the marketing activities and how MNCs approach the feedback they receive from their markets.

## Method and Data

The first part of our empirical study builds on 11 interviews with marketing and sales executives from subsidiaries of three pharmaceutical MNCs that operate within an emerging economy state and builds on semi-structured interviews with pharmaceutical executives to further refine the theory development for the fundamental processes for development of Dynamic Capabilities in MNCs and the role of marketing activities and to develop measurable hypotheses. The sample for the quantitative study consists for data from 51 corporations that operate as pharmaceuticals. The 51 corporations were randomly selected from those pharmaceuticals with a minimum of 3 subsidiaries and with market presence in at least one country besides their country of origin. Stratified sampling techniques were employed to select 3 subsidiaries from each corporation and 3 observation events for each

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subsidiary from the years 2005 to 2009. The observation events included performance assessments that fell below

expected objectives and corrective actions taken between the initial assessment and the next assessment, allowing a maximum of 6 months from the time that the performance shortcoming was reported. The data was used in a pooled sample consisting of a total of 459 observations, followed by 6 confirmatory semi-structured interviews.

### **Summary of Findings**

Through our interviews we find that pharmaceutical MNCs are able to build on the knowledge at their disposal as their organizational memory to put themselves in a position to further refine their semantic memory. Marketing divisions in pharmaceutical MNCs with greater past experience in observed inconsistencies between expected and observed outcomes tend to be more inclined to invest in learning about their new contexts and to adapt their subsequent marketing strategies. On the other hand, when less international exposure and lower experience of such inconsistencies exist, marketing divisions tend to intensify their ongoing efforts and insist on process and protocol in order to achieve their set objectives. Through access to different market environments, MNCs can develop the necessary memory to help them identify when their semantic memory has likely become invalid and can have it rebuilt from new records of episodic memory and through taking a grounded approach and inductive reasoning.

### **Key Contributions**

Our theoretical contributions are two-fold. First, we contribute to the literature of organizational memory through unpacking the notion of organizational memory and have explicated the relationship between its different dimensions. In this research, we establish the mechanisms through which marketing activities provide a platform for MNCs and their subsidiaries to learn from one another in co-creation of MNC-wide dynamic capabilities.

The findings of this paper provide a new perspective on the position of marketing activities in the mechanism for learning through internationalization and posit that MNCs can persist in maintaining relevance of their subsidiaries through a consistent effort to update their stores of episodic memory. MNCs that place greater attention on the interactions of their subsidiaries' marketing efforts and the mechanisms to scan, monitor, and internalize occurrences in their surrounding environment maintain their agility over time. Furthermore, MNCs that consistently feed marketing information into encouraging innovation can avoid falling into the trap of sacrificing relevance for the sake of perishable efficiency. Such MNCs can better identify when their cognitive barriers start becoming their limitations, distance themselves from such limiting factors in time, and build new sources of knowledge that would allow them to survive and compete.

*References are available on request.*

# Exploring Antecedents of Subsidiary Autonomy and its Impact on Accelerated Internationalization and Performance of EMNEs Subsidiaries

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*Jieun Park, Cleveland State University*

**Keywords:** *emerging markets, subsidiary autonomy, accelerated internationalization, entrepreneurial culture, dynamic capabilities*

## EXTENDED ABSTRACT

### Research Question

What firm-level factors drive emerging market multinational enterprises delegation of autonomy and accelerated internationalization of foreign subsidiaries operating in global markets? Subsequently, how does autonomy delegation impact subsidiaries' accelerated internationalization, and how do these strategic actions impact subsidiary performance?

### Key Contributions

This conceptual paper makes several contributions to the EMNE literature. First, while EMNE literature explains that these firms develop capabilities from their IFDI experiences, they are not at the same strength as those of DMNEs. Therefore, we explore the relationships between EMNEs developing internationalization capabilities toward subsidiary autonomy delegation. Second, examination is scant as to the relationship between subsidiaries entrepreneurial behavior toward their strategic actions. Additionally, there are noticeable gaps related to how subsidiaries use entrepreneurship to overcome their resource-deficiencies. Consequently, we explore the impact of subsidiary entrepreneurship toward their capability development and autonomy delegation.

Lastly, as there is a lacuna in the literature that explains how subsidiaries utilize these strategic actions to overcome their latecomer disadvantages; we study the relationships between subsidiary autonomy, accelerated internationalization and subsidiary performance.

### Summary of Findings

Conceptual studies such as this are useful for several reasons, including building general knowledge of EMNE domain, and empirically testing the underlying theory and research propositions. That said, managers of EMNEs that see autonomy with their global subunits as important to their success may wish to consider the implications of the conceptual model presented in this paper. Managers who foster entrepreneurial culture and capability development within the firm adopt practices that will significantly contribute to success in international markets. As EMNEs attempt to catch up to their DMNE counterparts, the willingness to delegate autonomy and expand quickly becomes important strategic actions.

*References are available on request.*

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# Advertising Spending and Firm Value: Moderating Role of Analyst Coverage

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**Keywords:** advertising expenditure; firm value; analyst coverage; information signaling effects

**Description:** This paper tests the moderating role of analyst coverage on the relationship between firm's advertising expenditure and firm's value, as measured by Tobin's  $q$  and Total  $q$ .

## EXTENDED ABSTRACT

### Research question

This paper explores the signaling effects of advertising. If managers have information about products and market conditions that investors do not have, investors may interpret an increase in advertising expenditure as a signal that management anticipates favorable market conditions and higher cash flows, and a decrease in advertising as a signal that management expects adverse market conditions and lower cash flows. Furthermore, the effects of advertising on firm value should be particularly strong for firms not covered by financial analysts, as information about these firms is limited. This signaling perspective suggests that the information provided by financial analysts moderates the relationship between advertising expenditure and firm value.

### Data and Method

We test our hypotheses using data from financial databases (CRSP, Compustat, and I/B/E/S) and examine the relationship between advertising and firm value within a fixed-effects panel-regression framework. This methodology allows us to examine if the variation in advertising expenditure within a firm is significantly correlated with the change in the value of the same firm over time. So our results are not driven by unobserved heterogeneity across firms.

### Summary of Findings

Our results suggest that for the sample period from 1975 to 2015, increases in advertising expenditure of a firm predict significant increases in the value of the same firm. More

importantly, this significant positive relationship between advertising and firm value only exists within the firms without financial analyst coverage, supporting the moderating role of information provided by financial analysts. Our results are robust in numerous robustness checks. For instance, using a more recent sample of 1995 to 2015 does not change our results materially; adding numerous firm-level control variables as well as the firm, the year, and the industry fixed effects does not produce qualitatively different results; employing alternative firm-value proxies (i.e., traditional Tobin's  $q$  and recently-proposed Total  $q$ ) yield similar results.

### Key Contributions

This research attempts to contribute to our knowledge about advertising impact on firm value by proposing a boundary condition for the direct impact of advertising on firm value. We find that the effects of advertising on firm value are particularly strong for firms not covered by financial analysts. Therefore, coverage by financial analysts provides a boundary condition for the effects of advertising expenditure on firm value. Another contribution is that we use both Tobin's  $q$  and the recently proposed Total  $q$  as proxies for firm value. Total  $q$  is important to consider in examining advertising impact on firm value because it accounts for intangible assets of the firm, but this has not been done in previous research.

*References are available on request.*

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# Consumers Online: Introducing the Online Reputation as a New Segmentation Criterion

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Pierre Valette-Florence, University of Grenoble Alps

**Keywords:** *online reputation, segmentation criterion, e-commerce, confirmatory factor analysis*

**Description:** *A new segmentation criterion proposition based on the consumers' attitudes toward online reputation*

## EXTENDED ABSTRACT

### Research Question

The purpose of this research is to propose a new segmentation criterion anchored in e-reputation perception. A survey was addressed to a French consumer panel ( $n = 1100$ ) concerning their perception of corporate e-reputation and three key consequences in branding management, respectively perceived value, perceived risk, and WOM. It extends in several ways the research done by Walsh et al. (2011) which was the first published research to segment the market based on corporate reputation as an attitude. Thanks to a confirmatory factor mixture PLS based model, and relying on a recently proposed customer-based online reputation scale (Youness & Valette-Florence, 2016), it is empirically shown that consumers can be divided into three distinct clusters based on their attitude toward the online reputation, namely the Emotional Reputation Lovers, the Innovative Reputation Adopters and the Rational Reputation Fans. Complementary analyses lead to a better and finer understanding of these different clusters of e-consumers based on online reputation.

In an online context, Youness and Valette-Florence (2016) defined the customer-based online reputation as the assessment done by the online buyers of a company based on their general online experience with this company.

### Method and Data

Data were collected (June 2015) using a questionnaire including the customer-based online reputation (Youness and Valette-Florence, 2016), perceived value, perceived risk and WOM scales and some demographics criteria. Perceived

value is assessed by PERVAL (Walsh et al. 2013), perceived risk by the scale proposed by Forsythe et al. (2006), WOM by a scale adapted from Goyette et al. (2010) (coefficient alpha .89).

In line with our main research objective, we decided to rely on a modified REBUS approach (e.g. Zanin, 2013) especially designed for uncovering different latent segments about the latent means values and the structural parameters while holding constant the measurement variables across segments. In our case, an optimal three segments solution did appear, with rather balanced and actionable sample sizes. Finally, we assessed the overall quality of the obtained classification by means of a linear discriminant analysis based on the latent scores of all the dimensions of the online reputation scale. Randomly splitting the sample into two parts (60% validation, 40% confirmation) allowed to successfully cross-validate the results (84% correct affectation).

In the final stage, we then labeled the three segments according to their latent profiles and the cross classification with the sociodemographic variables such as gender, age, and marital status (details available upon request).

### Summary of Findings

Overall, the segments can be labeled as follows:

Segment 1—*Emotional Reputation Lovers* (26.5%): Customers belonging to this cluster rate the “good employer” and “social responsibility” dimensions higher compared to the two

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other clusters. They are looking to maximize their perceived value and give high importance to perceived risk. A high percentage of customers belonging to this cluster are married women aged between 45–54 with a moderate income.

Segment 2—*Innovative Reputation Adopters* (48.0%): It contains the early adopters who are looking for innovations. They are risk takers and opinion leaders. This cluster is not looking to maximize its perceived value as long as it wants to try new products. Customers in this segment are between 35 to 44 years getting between 3,000 to 4,000 euros per month.

Segment 3—*Rational Reputation Fans* (25.5%): They rate all the reputation factors high except the two dimensions that reflect the affective facet of e-reputation (good employer and social responsibility). They want to maximize their perceived value without giving a high importance to perceived risk. Most of them are singles aged between 25 to 34 years old with the lowest monthly income compared to the other two segments.

## **Key Contributions**

This paper proposes a new segmentation criterion that allows researchers and practitioners to segment the market

based on the e-consumers' attitudes toward the e-reputation. It permits marketers to tailor their campaigns based on these three clusters using their databases to target them using the demographic criteria.

It presents some limitations. First, results are limited to the French market and researchers should conduct further studies in other countries. Second, we concentrated our quantitative data collection on six websites. Further studies could examine the applicability of this segmentation criterion on other websites. In addition, it would be worth investigating the proposed segmentation about corporate reputation solely and studying to what extent some differences might exist. In addition, if a firm has both online and offline operations, then the reputation of one is certainly likely to spill over to the other. Hence, studying the interplay between those two forms of reputation opens road to further investigations. In addition, it could be interesting to cross-classify the segmentation with the diverse websites chosen by the respondents. Such an analysis could shed light on the specific connections between a given site and the uncovered segments.

*References are available on request.*

# An Examination of Factors That Impact E-Marketing Capability in the Digital Age

Xia Liu, Rowan University

**Keywords:** *e-Marketing capability, IT capability, CRM, new product diffusion*

**Description:** *This paper investigates the factors that drive e-Marketing capability and the impact of e-Marketing capability.*

## EXTENDED ABSTRACT

### Research Question

This paper aims to find out how marketing can play a more strategic role in helping firms improve performance in the Digital Age. Particularly, the research question is “what are the drivers of e-Marketing capability?” and “what is the impact of e-Marketing capability?” This research studies how IT capability, marketing and IT cross functional collaboration and leadership emphasis can impact e-Marketing capability and thus improve customer relationship management and new product diffusion. In addition, the moderating effect of industry type is also investigated. Theoretical and managerial implications are discussed at the end.

### Method and Data

Online surveys were sent to company executives. One hundred and eighty executives responded. Those survey participants came from a variety of industries, including healthcare, retailing, and financial services. All the other measures were either taken directly from previous research or revised specifically for the tests in this study. First, a confirmatory factor analysis (CFA) test was conducted. Then, structural equation modelling (SEM) was applied to test the hypotheses.

### Summary of Findings

IT capabilities, cross-functional collaboration and top management emphasis all demonstrated significant effects

on e-Marketing capability. In addition, test results showed that e-Marketing capability had positive effects on customer relationship management and new product diffusion. Data results also demonstrated that industry type significantly moderate the relationships between e-marketing capability and customer performance and new product diffusion.

### Key Contributions

First, this paper conducted one of the first empirical studies on the relationship between IT capabilities and e-Marketing capability. The findings offered insights to marketing executives on how to benefit from IT capabilities in this digital age. Second, it provided a practical approach to conduct research on marketing resources and capabilities from the perspectives of the resource-based theory. The findings demonstrated that e-Marketing capability had significantly effects on customer performance and new product diffusion. Third, this research was multi-disciplinary in nature and drew insights from important fields, such as marketing, IT and strategic management.

*References are available on request.*

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# Antecedents of E-Satisfaction, E-Trust and E-Loyalty: An Understanding of E-Service Quality in Online Retailing

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**Keywords:** *e-satisfaction, e-trust, e-loyalty, e-service quality, online retailing*

**Description:** *A study to discover dimensions of e-service quality that have significant impacts on e-satisfaction, e-trust and e-loyalty.*

## EXTENDED ABSTRACT

### Research Question

The online retail sales are increasing worldwide and will continue to grow in years to come. This rapid growth reflects the compelling advantages the online platforms offer over traditional retail stores, including greater flexibility, faster transactions, better convenience and customisation. Technology has made it convenient for consumers to search and compare prices and technical features of similar products/services across several sellers from around the globe (e.g., eBay, Amazon, etc.). With the increasing online shopping, it is critical for e-tailers (e-commerce retailers) to stay ahead of the competition by creating and maintaining a competitive advantage. Therefore, this study aims to discover the dimensions of e-service quality, which have significant impacts on e-satisfaction, e-trust and e-loyalty; so that e-tailers can focus on improving the factors associated with generating and sustaining long term e-satisfaction, e-trust and e-loyalty. As such, the following research questions are addressed in this study:

- What are the determinant e-service quality dimension(s) in the online retailing?
- What are the e-service quality dimension(s) that have significant influence on e-satisfaction?
- What are the e-service quality dimension(s) that have significant influence on e-trust?
- What are the e-service quality dimension(s) that have significant influence on e-loyalty?

### Method and Data

Quantitative research was conducted in this study. Measurement items were sourced from extant literature, the identified items have been empirically tested and validated by other researchers. Modifications were made to suit the study without altering the respective item's intended meaning. Based on similarity, 76 out of 262 original items from these scales were selected and categorised into 20 dimensions. Items not suitable to the scope and the context of this study were excluded. The ultimate goal is to discover which of the dimensions have significant impacts on e-satisfaction, e-trust and e-loyalty.

As this study researched the scales that determine e-satisfaction, e-trust and e-loyalty, the sample was drawn from internet users who have shopped online. The questionnaire was in a structured and closed form, adopting 7-point Likert scales for responses. Questionnaires were sent by email to the potential respondents. Data were visually checked and responses that were incomplete or inappropriately filled were removed. As a result, there were only 264 usable responses, out of a total of 321 responses received. Statistical Package for the Social Sciences (SPSS) version 21 was used to analyse the reliability of items, validity of the constructs; and the hypothesised relationships in the proposed research model.

### Summary of Findings

All the measures used in this study were sourced from e-service quality scales published in reputable English-language

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journals as suggested by Ladhari (2010). All the items presented in this study have been empirically tested and validated by other researchers specifically in the Business to Consumer (B2C) setting. Ordinary Least Square (OLS) regression was used to test the effects of the various dimensions on e-satisfaction, e-trust and e-loyalty.

The findings of this study revealed that fulfilment, performance, and ease of use are the dimensions that have significant impacts on e-satisfaction, with an  $R^2$  value of .73. Secondly, there are six dimensions that showed significant impacts on customer's e-trust with an  $R^2$  value of .59. These dimensions are availability, entertainment, performance, security, design and efficiency. Hence, these dimensions require higher emphasis by e-tailers as they are positively correlated to trust. Furthermore, three dimensions have shown significant effect on customer's e-loyalty, with an  $R^2$  value of .68. They are availability, enjoyment and performance of the website. Therefore, more emphasis is needed by e-tailers in these dimensions to build loyalty.

### **Key Contributions**

Theoretically, this research seeks to underpin the development of the key dimensions of e-service quality, and how

these determinants influence e-satisfaction, e-trust and e-loyalty in the context of online retailing. E-tailers should then tailor their strategies to meet the expectations of their customers accordingly; specifically along the lines of these three dimensions. For the benefit of long term sustainability, a measurement of loyalty, for example, trends of repeated orders, customer visits and market share should be carried out and continuously monitored.

There are multiple dimensions of e-service quality that have potential to boost e-satisfaction, e-trust and e-loyalty. Managers may like to place more emphasis on availability, enjoyment and performance in order to achieve e-loyalty, so that the e-tailers can generate long-term benefits by investing more resources into these dimensions. The findings also suggest ways to improve the online marketing strategies to better influence online shoppers' level of satisfaction, trust and loyalty in relation to online retailing. At the same time, to address practical implications by recommending relevant and effective micro-marketing strategies for online retailers. The knowledge and input are essential for online retailers to boost long term business growth and sustainability in the industry.

*References are available on request.*

# Free-to-Paid Transition of Online Content Providers: An Empirical Analysis of U.S. Newspapers' Paywall Rollout

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**Keywords:** *free-to-paid transition, web traffic, content uniqueness, daily news index, political slant*

**Description:** *This paper examines how the paywall introduction of a newspaper affects its web traffic.*

## EXTENDED ABSTRACT

### Research Question

How the paid digital subscription policy of a free content provider (free-to-paid transition) affects its web traffic and why this is so.

### Method and Data

The data consist of 38 paywalled newspapers in the U.S., their characteristics (print circulation volume, localization index—the degree of content localization developed in this study, political slant), reader demographics (age, educational attainment, and income), and paywall timing and price, as well as their daily web traffic from January 1, 2010 to May 7, 2015. As a measure of daily web traffic, we use the number of daily unique visitors per 1 million Internet users.

We apply a hierarchical regression model. The first hierarchy of the model estimates the impact of a paywall introduction on the web traffic of the newspapers. We isolate the true paywall impact from confounding factors in web traffic such as exogenous trend and daily news importance. Then, in the second hierarchy, the model examines how the paywall impact is associated with newspaper characteristics, reader demographics, and paywall timing and price.

### Summary of Findings

A free-to-paid transition generally reduces the daily reach of newspaper websites. However, the effect size is moderated by reader demographics, newspaper characteristics, and the

paywall timing and price. Newspapers with a larger print circulation volume experience a smaller drop in web traffic after a paywall introduction than newspapers with a smaller print circulation volume do. The degree to which newspapers cover local news also matters. Highly localized newspapers (i.e., newspapers that allocate relatively more space to local news items than national and international news items) experience a smaller drop in their web traffic after paywall than less localized newspapers do. Newspapers with conservative slants experience a smaller drop in web traffic after a paywall introduction than liberal newspapers. The impact of a paywall on web traffic is smaller for newspapers with a larger (vs. smaller) proportion of young readers (age from 18 to 24) and for newspapers with a larger proportion of college graduates. The price of paywall and timing of paywall introduction are important. Newspapers with a higher subscription fee experience a larger drop in their web traffic; newspapers that adopt a paywall early (vs. late) have a larger drop in web traffic.

### Key Contributions

Academic research and industry reports on a free-to-paid transition is scant. Furthermore, existing literature delivers mixed findings on the impact. This paper provides a more thorough understanding by analyzing the 38 paywall introduction cases of U.S. newspapers.

*References are available on request.*

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# Technologically Opportunistic Firms in Markets with Direct and Indirect Network Externalities: Performance Implications for High-Tech Marketing

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**Keywords:** technological opportunism, direct network externalities, indirect network externalities, firm performance

**Description:** This study explores the moderating effect of direct and indirect network externalities on the link of technological opportunism with firm performance.

## EXTENDED ABSTRACT

### Research Questions

Technological opportunism refers to a firm-level capability of sensing and responding to new technologies (Srinivasan, Lilien, and Rangaswamy 2002). Such a capability represents one of technologically-related key resources needed to accomplish product innovation (Danneels 2002; Danneels and Kleinschmidt 2001). This study explores the moderating effect of direct and indirect network externalities on the link of technological opportunism with firm performance. The focus of the study thus falls in line with a notable stream of research interested in understanding the effects of technology capabilities on firm performance.

### Method and Data

Using a mail survey, we collected data from 92 Taiwanese firms operating in wide range of high-technology industries. The proposed hypotheses were tested using moderated regression analyses. The model includes the main effects of two control variables (firm size and competitive hostility), one predictor variable (technological opportunism), and two moderator variables (direct network externality and indirect network externality), along with two relevant predictor variable x moderator interactions.

### Summary of Findings

The results indicate that technological opportunism positively influences firm performance. This positive impact is

strengthened by indirect network externalities, but it is weakened by direct network externalities. The findings that show negative moderation for the user network and positive moderation for the complements network are consistent across two regressions on both subjective and objective firm performance measures.

### Key Contributions

This research contributes to both technological opportunism and network externality literature as we make a distinction between direct and indirect network externalities in advancing our understanding of their moderating roles in the technological opportunism-firm performance link. The findings with respect to the moderation concur with the nature of dynamic capabilities that may vary according to the dynamism of market situation (Teece, Pisano, and Shuen 1997; Eisenhardt and Martin 2000). Constant surveillance of technologies and the willingness to adopt best practices may achieve and sustain more competitive advantage in rapidly changing environments. A negative interaction of direct network externalities with technological opportunism suggests that, in the presence of direct network externalities, technologically opportunistic firms tend to await clearer signals of the installed base or the network size, and such a wait-and-see posture prevents those firms from adapting to the market environment in a timely and efficient manner. We also find indirect network externalities, which connote the importance

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of complementary products or services for the value of the product, will strengthen the positive impact of technological opportunism on firm performance. Technological opportunistic firms in a high indirect network externality context

should comparatively excel in leveraging and managing expectations of the complements networks.

*References are available on request.*

# What Always-On Connected Consumers Can Teach Retailers About Marketing Relevance and Segmentation in the Digital Era

*Donna M. Iucolano, Case Western Reserve University*

**Keywords:** *always-on connected consumer (AOCC), retail, digital commerce, shopping behavior, marketing relevance, customer segmentation*

**Description:** *This paper provides insights into the dynamic shopping behaviors of always-on connected consumers and raises concerns about retail marketer over reliance on customer segmentation using static profiles and personas; and, highlights contradictions raised around privacy, online reviews, and retail hospitality which together have implications for retail executives as they continue to shift marketing dollars away from traditional efforts and towards digital ones.*

## EXTENDED ABSTRACT

### Research Question

What explains the shopping behavior of always-on connected consumers (AOCCs) in an increasingly digital and mobile-first world?

### Method and Data

This qualitative research study employed grounded theory through a semi-structured interview methodology. Field work is done to collect data that comes from the lived experience of human subject matter and used to generate a theory. Coding is used to identify key themes and knowledge of the subject matter. Forty (40) shoppers between 18 and 65 years old were interviewed, 22 women and 18 men. A pre-qualification survey ensured diversity of gender and ages, and that each prospect was an AOCC per a Forrester Research (2012) definition: someone who owns and personally uses at least three internet-connected devices, goes online from at least three different physical locations, and goes online multiple times a day. Data were collected from May and September 2016.

Interviews began by inviting respondents to provide an overview of their personal and professional background. The

researcher then asked open-ended questions with probing follow-up questions intended to elicit their lived experience. Data analysis commenced with the first interview and continued throughout the data-collection period. The researcher remained open to emergent ideas and themes, and moved from the data to the literature to ensure a clear understanding of the concepts.

Data analysis followed the three-step recommendations of Corbin and Strauss (2015): open coding, axial coding, and selective coding. Memos were also written during the data-collection and coding process, and generating ideas that informed the analysis. The interviews generated more than 40 hours of recordings, 725+ pages of transcripts, and 200+ stories about shopping. Coding in NVivo Software version 11 yielded 35,473 references and 982 codes.

### Summary of Findings

Interviewees shared stories of how they look for and find the “right” product or service, and talked about positive and negative shopping experiences. They also shared insights into future expectations. The study’s six major findings include:

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1. AOCCs are more hyper-digital than expected, and are deeply attached to their smartphones especially.
2. AOCCs desire relevant marketing from retailers and easily/quickly punish marketing irrelevance by ignoring, filtering, deleting, disparaging, and blocking it.
3. AOCCs take on multiple shopping identities while shopping for various products and price points, dynamically bouncing from one identity to another during the same shopping session. Therefore, AOCCs should not be pigeon-holed into a static segment or persona. They are bargain hunters, solution seekers, directed shoppers, worldly explorers, enthusiastic outsourcers, services monikers, and enlightened foretellers—all at the same time.
3. AOCCs personify the privacy paradox claiming they have privacy concerns while also ignoring basic precautions. Instead, AOCCs buy into the notion of positive trade-offs between privacy risks and the rewards of sharing personal information.
4. AOCCs expect and love reading both positive and negative online reviews. However, they do not generally write reviews except for in extreme situations heavily tilted towards negative experiences.
5. Although AOCCs claim to like in-store shopping and to want in-store retail hospitality, what they really seek is a

clean store environment with the offer of something to drink, and are turned-off by in-store sales associates in general.

### **Key Contributions**

This study about AOCC shopping behavior reveals that AOCCs: (1) are deeply attached to their smartphones, (2) exhibit dynamic shopping/shopper behaviors, and (3) routinely contradict themselves about things they claim are important. While other studies have presented hyper-digital consumers as having more predictable, static or permanent “types” and “categories,” this study found that AOCCs have temporary or dynamic shopping/shopper identities as suggested by their many shifts from one behavior to another, while looking for and finding the “right” product or service. Understanding the dynamism of this growing customer base is complicated by AOCC desire for relevant marketing and by the contradictions voiced around privacy, online reviews, and retail hospitality. This new understanding should encourage retailers and marketers in other industries to rethink their marketing communication efforts and to also rethink their customer segmentation strategies which remain overly reliant on customer profiles and personas. Failure to do so puts retailers at risk of being ineffective in meeting their goals while potentially wasting money.

*References are available on request.*

# When a Policy Change Meets a Mobile App: An Empirical Study of a Coalition Loyalty Program

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**Keywords:** coalition loyalty program, policy change, mobile application adoption, app release, propensity score

## EXTENDED ABSTRACT

### Research Question

Recognizing the increasing prevalence of mobile technology and industry's need for coalition loyalty program (CLP) marketing tactics, we examine the relationship between customers' mobile app adoption and their adaptation to a CLP policy change and their accrual and reward redemption behavior. We posit that successful mobile-based tactics, in particular, can drive customers to learn about and adapt to a marketing system and thereby incorporate its rules and offerings into their daily routines. From a managerial perspective, we seek to answer the following question: how do customers' mobile app adoption and their adaptation to a policy change in a system such as a CLP affect their program loyalty? From a theoretical perspective, we want to address using empirical data: how do customers' utilization and adherence of system rules affect their continuing participation, and is it influenced by adoption of mobile technology?

### Method and Data

The dataset is made available by a CLP in a non-US, bilingual country. In January 2012, the CLP launched a new accrual structure, referred to as "Cash," which allows its members to discount \$10 off the purchase price for every ninety-five points at any partnering retailers. The existing structure and reward types, e.g., categories like merchandise and gift cards, remain the same, and it is now referred to as "Dream." Around the same time, the CLP also launched a newly designed mobile application for the iOS and Android platforms, allowing its members to be able to conveniently

interact with the CLP digitally by logging into their accounts and checking account balances, transaction histories, and reward items. With the changes in the CLP's reward and accrual policies, as well as the launch of its mobile app, we use the pre- and post-treatment timeframes and first employ propensity score models and matching procedures for to reduce covariate imbalance due to self-selection. Then, we create a balanced, monthly-level, cross-sectional panel from the original database that contains the matched members' purchase histories and demographic profiles. Finally, we define and estimate econometric models, including difference-in-difference-in-difference (DDD) linear models and Poisson models.

### Summary of Findings

Customers who adapt to Cash and/or the CLP's app increase their point accruals, and the increase is the greatest for customers who adapt to Cash while continuing to utilize the pre-existing structure. The app and the policy change also affect low-involvement customers more so than those who are already invested in the program. Furthermore, customers who utilize both the app and Cash policy not only accrue more points than before, but they also redeem more rewards, suggesting the ability to interact with the CLP anytime, anywhere allows them to understand and take advantage of the program better. Our conceptual framework theorizes the relationship between marketing system utilization and app technology. We posit that when there is a policy change, a mobile app enables knowledge transmission between a firm and its customers and facilitates them to adapt to the new

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rule, which in turn creates value for the overall marketing system. With respect to managerial relevance, we recommend that a CLP should build and promote mobile platforms that allow easy access to information, especially in the event of a policy change, to maintain long-lasting relationships with its customers.

## **Key Contributions**

Our contributions are two-fold. On a theoretical level, this paper applies the concept of marketing system to examine a rising phenomenon in industry, namely CLPs. We posit a framework that explains our empirical findings, which suggest knowledge transmission via mobile apps is positively

correlated with marketing system utilization and value derived to and from customers. Regarding managerial relevance, we recognize the potential impact on CLP practices brought forth by policy change and mobile app technology, and we make a set of recommendations for managing CLPs based on our findings. With the recent introduction of various programs such as Nectar in the United Kingdom and Plenti by American Express in the United States, CLPs are gaining traction. However, academic research on the topic is still limited (Kumar and 2016), and this paper is one of the few on the topic.

*References are available on request.*

# Money Talks; Marketing Walks? Impact of CEO Pay on Marketing Outcomes

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**Keywords:** *CEO, compensation, product harm crisis, advertising, R&D, top management team*

## EXTENDED ABSTRACT

### Research Question

Research shows that top management team (TMT from hereon) members earn as low as 40 percent of the CEO's compensation (Conyon, 2006, p. 28). To add to this, the compensation of CEO is increasing further rapidly than that of non-CEO executives (Useem, 2003). Thus, it becomes necessary to study the compensation of both CEO and TMT and its impact on marketing. CEO pay gap compares the pay of CEO to that of his team and how the difference impacts the firm. Henderson and Fredrickson (2001) studied the impact of CEO pay gap on firm's capital investment. Siegel and Hambrick (1996) found that large pay gaps impact the collaboration of the firm with others and its subsequent performance. Although scholars suggest that the effects of CEO compensation on firm performance may be indirect through the type of strategic decisions made (Finkelstein and Hambrick, 1988), limited research examines how the CEO pay gap, in particular, affect intermediate marketing outcomes. The purpose of this study is to address these critical issues by empirically examining the impact of the CEO pay gap on one important intermediate firm outcome—the marketing behavior, specifically advertising and research and development (R&D). The pay gap also has a negative impact of the firm. This study also highlights how the pay gap can impact the product harm crisis in the firm.

### Method and Data

To develop the sample for this study, the list of S&P 500 firms was used. Since product harm crisis was one of the outcomes, manufacturing industries were considered since they witness the crisis more than other industries. Their final sample consisted of 3 one-digit codes (1, 2, and 3) and 11 two-digit SIC codes. The final list for this study comprised of 242 manufacturing firms. The data for these companies

on this list was then collected for six years, starting from 2007 to 2012 using annual reports, proxy filings and 10k forms. Other databases used for the model were COMPUSTAT (for advertising intensity and R&D) and KLD (for product harm crisis). Thus overall, the total data consisted of 1147 rows.

### Summary of Findings

When the main effect of CEO pay gap on advertising was tested, CEO pay gap was found to have significantly negative impact on advertising intensity ( $\beta = -9.420, p < .05$ ). Overall model was also found to be significant ( $p < .01$ ). Thus, there was support for hypotheses H<sub>1</sub>, predicting that lower CEO pay gap increases advertising intensity. When testing the main effect of CEO pay gap on R&D, CEO pay gap was found to have significantly negative impact on R&D investment ( $\beta = -13.898, p < .05$ ). Overall model was also found to be significant ( $p < .01$ ). Thus, there was support for hypotheses H<sub>2</sub>, predicting that lower CEO pay gap increases R&D in the firm. Finally, testing for product harm crisis where the main effect was tested, CEO pay gap was found to have partially significantly positive impact on product harm crisis ( $\beta = .265, p < .1$ ). Overall model was also found to be significant ( $p < .01$ ). Thus, there was support for hypotheses H<sub>3</sub>, predicting that lower CEO pay gap decreases the product harm crisis faced by the firm.

### Key Contributions

This article extended the research on the consequences of CEO pay gap (Henderson and Fredrickson 2001) by demonstrating the impact of this gap on marketing outcomes like advertising and R&D and also on the possible product harm crisis faced by the firm. The study has also added to relative deprivation theory by confirming that rela-

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tive deprivation does exist among the executives which may lead to severe circumstances faced by the company. For practice, if the investors are planning to invest in a company, it would be wise for them to check the pay the CEO gets and compare it to the pay the remainder of team gets. In this manner, they can predict whether the company will invest in R&D to develop new products or invest in advertising to promote their products. To the employees seeking

new job opportunities, they can also study the pattern of compensation and predict that the company they want to go to, invests in advertising or not. If they are interested in working for advertising or R&D, they may not apply to companies whose pay gaps are relatively higher, since they may not invest in advertising.

*References are available on request.*

# Marketing Managers' Mental Representations of Leadership Effectiveness: A Cross-Functional Perspective

*Felix Weispfenning, University of Applied Sciences Coburg*

**Keywords:** leadership behavior, mental representations, cross-functional research, marketing capabilities

**Description:** This exploratory study is one of the first studies on a functional level that identifies cross-functional differences in leaders' perceptions on effective leadership.

## EXTENDED ABSTRACT

### Research Question

Which mental representations of leaders may contribute to the theoretical foundation of the emergence of effective leadership in the specific environment of marketing and non-marketing departments?

### Method and Data

Means-end methodology (including laddering as interview technique) is applied in this qualitative study to analyze managers' mental representations of leadership. Additionally, we used probability theory for deciding on which constructs and relationships between constructs to include in the map of managers' mental representations.

### Summary of Findings

Marketing managers face a specific environment which requires specific leadership behavior in order to adapt firm's marketing resources to external challenges. When selecting their leadership behavior, marketing managers use knowledge frameworks that reflect experience in a specific environment (= mental representation). Following a functional perspective, this study explores mental representations of effective leadership of marketing and non-marketing managers. Cross-functional comparisons show significant differences in terms of managers' perceptions on effective leadership behavior. Empirical results show that leaders from different functions select the same leadership behavior for

achieving different objectives. In addition, the results of this study show that leaders from different functions select different leadership behaviors for achieving the same objective.

### Key Contributions

This exploratory study is one of the first studies on a functional level that identifies cross-functional differences in leaders' perceptions on effective leadership. More specifically, we "looked into the mind of leaders" and identified leaders' objectives for applying specific leadership styles in the specific environment of the marketing function versus non-marketing functions. Marketing managers can use this knowledge on differences concerning effective leadership identified in this study in order to effectively achieve intended outcomes when supervising managers and employees from other functions. As a result, cross-functional interaction and hence the quality of marketing/sales decisions and actions may be improved significantly. In addition, the findings of this study will reduce costs of personnel development of managers significantly as management programs can focus on functional-specific requirements of leaders. Moreover, cognitive knowledge on effective leadership identified in this study will increase productivity and performance of both, marketing/sales managers and marketing/sales employees.

*References are available on request.*

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# Market Orientation: The Construct, Antecedents, and Consequences

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Elika Kordrostami, Humboldt State University

**Keywords:** market orientation, marketing strategy, overall firm performance

## EXTENDED ABSTRACT

### Research Question

What are the pressing inconsistencies and future research opportunities in the Market Orientation literature?

### Summary of Findings

Synthesizing the extant literature, we developed a conceptual framework that entailed 15 propositions and delineates the construct of market orientation (MO), its antecedents, its outcomes, and all the factors which play a moderating/mediating role in between. Furthermore, our extensive review of the literature revealed the following limitations of previous studies that indicate an opportunity for future research:

- *Measurement of firm performance in extant literature.* Despite the well-documented problems associated with using sales (for being a short-term measurement of performance) and market share (Buzzell and Gale 1975; Majaro 1977) these variables, along with profitability, have frequently been used as measurements of the influence of MO on firm performance. Moreover, although sales and profit generally have been used interchangeably, it's reasonable to argue that MO has a stronger effect on profit compared to sales (Kumar et al. 2011). Therefore, to draw any conclusions about the relationship between MO and firm performance, we recommend future scholars to use the long-term measurements of firm performance.

- *Lack of longitudinal studies in assessing the potential outcomes of market orientation and the shape of the relationship between MO and OFP.*
- *Lack of empirical studies regarding the effectiveness of market orientation in developing countries.*
- *Lack of empirical studies examining the potential effects of interactions among antecedents of market orientation.* The recent study of Grewal et al. (2013), provided some interesting guidelines to explain the contradicting results reported in the extant literature regarding the moderating role of environmental factors in the relationship between MO and OFP. In line with the findings of Grewal et al. (2013), we propose further investigation of the potential effect of interactions between antecedents of MO and environmental variables in explaining the observed variance in OFP.

### Key Contributions

The contributions of this paper are twofold. First, this paper assists the future scholars by discovering the inconsistencies that exist in the literature and the research opportunities that they entail. Second, this paper offers a comprehensive framework that explains the construct of MO, its antecedents, its consequences, and all the factors that play a moderating/mediating role in the model.

References are available on request.

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# When Does Market Orientation Generally Work? Moderated by Market Information Quality and Mediated by Employee's Task Performance

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**Keywords:** market orientation, firm performance, market information quality, employee's task performance

**Description:** Market orientation with quality market information generates higher task performance of employees, further leading higher firm performance.

## EXTENDED ABSTRACT

### Research Question

Market orientation(MO) as the implementation of the marketing concept has long been a major subject. However, in literature firms with MO do not necessarily come with high performance, showing mixed results. Although attempt to research the relationship between market orientation and firm performance continues until recently, following three limitations warrant further investigation. First, existing studies have overlooked the qualitative aspects of market orientation. We pay attention to market information quality (MIQ) based on the notion that how good the information is and how the information is processed should be approached separately. Second, extent of research focused on corporate level performance as the consequence of market orientation. We address outcome of MO as employee's task performance (ETP). Finally, although research on market orientation antecedents and consequences has greatly advanced, they are limited to specific situations not providing generalized results across different context. Based on the above arguments, we provide three research objectives: (1) we empirically test the interaction effect between market information quality and market orientation, (2) its impact on employee's task performance, and (3) the mediating role of task performance between market orientation and firm performance.

### Method and Data

A survey was conducted to collect the data. Managers and CEO's from a total of 218 small- and medium-sized firms participated in the survey. For most of the cases, we used face-to-face interviews to increase the response rate. A total of 211 responses were used in the analysis, removing 7 respondents not completing the entire questionnaire. To ensure diversification of responses, the survey was conducted on firms from various industries. All measures in this study are adapted from existing scales and a review of the literature. To verify our model framework with the data, we employed structural equation modeling (SEM) using AMOS software. Global fit indexes indicate the model acceptably represents the data ( $\chi^2/d.f. = 1.479$ , IFI = .941, TLI = .931, CFI = .940, RMSEA = .047).

### Summary of Findings

Our results show that the main effect of market orientation on employee's task performance is moderated by market information quality. With high quality information, the positive relationship between market orientation and employee's task performance becomes stronger. The effect of employee's task performance on the firm performance is also significant. We confirm that market orientation effect on the firm performance is partially mediated by employee's task performance.

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Results also show that CEO's entrepreneurial orientation has a significant effect on the firm performance, and market turbulence negatively affects both task performance and the firm performance.

## **Key Contributions**

In this study, we highlight how MO and MIQ interact, and how ETP links MO to firm performance. This study contributes to the literature as follows: First, we explore the role of MIQ and explain how the quality interacts with MO "culture" by its moderating role on ETP. By showing quality can be another important aspect of the MO, we expand the range of MO research into new area. Second, we show firm level MO affect individual level performance that leads to the firm

level performance. MO as an individual-level construct diffuse through social learning that eventually contributes performance. In an organization with MO, use of information with high quality happens with individuals not with the organization as a whole. This established the versatility of the study as a viable variable regardless of the type of industry or issue. Third, this study finds a fundamental framework that can be applied to general situations. Findings through the usage of various context-specific mediators and moderators could be problematic when it is used in different context. MIQ as a moderator and ETP as a mediator do not narrow the area of application.

*References are available on request.*

# Part M

## Public Policy Issues

### **Policy Dimensions of Internet, Privacy and Trust, Economic Development, and Air Travel**

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# International Heterogeneity in Internet Advertising: A Panel Data Analysis of the Effect of Data Privacy Laws

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**Keywords:** data privacy laws, online advertising, cloud-based advertising, the European Union Data Protection Directive

**Description:** This provides theoretical and empirical evidence demonstrating the role of data privacy regulations on online ad spending.

## EXTENDED ABSTRACT

### Research Question

According to eMarketer, businesses worldwide spent U.S. \$102 billion in online advertising in 2012 ([emarketer.com](http://emarketer.com), 2013). Likewise, Gartner predicted that from 2013 to 2016, U.S. \$677 billion will be spent on cloud services globally of which \$310 will be spent on cloud advertising. There is, however, large cross-country variation in the development of the online advertising market. For instance, per capita online ad spending in the economies analyzed in this paper varied from U.S. \$0.10 in India to U.S. \$160 for Norway. Scholars have shown that there is an increasing concern about data privacy. We show that strict data privacy laws may constrain the abilities of advertisers and advertising providers to effectively utilize online advertising. This paper addresses the following research question: what is the role of data privacy regulations on online ad spending? We use the EU's Data Protection Directive as an important benchmark to assess the strictness of data privacy laws.

### Method and Data

Our unit of analysis is a national economy. The dependent variables are online ad spending, ad spending across all media and non-online ad spending, all per capita. The explanatory variable is a dummy variable that measures whether an economy has strict data privacy laws (SDP). More specifically, as noted earlier, the EU's Data Protection Directive served as the criterion for the dummy explanatory variable. The Directive, which came into force in 1995

(95/46/EC) has been the major legislative instrument for the protection of consumer data in the 27 Member States. The Directive, which was not revised during the period of this study, provides a strict protection of data privacy. One of the key features of the Directive is that it makes it illegal to transfer EU citizens' personal data to jurisdictions outside the EU that do not provide an "adequate level of protection." Forty economies were analyzed for which data on dependent and independent variables were available. Data related to ad spending, GNPPC and FDIPC were obtained from *Euromonitor*. Data on civil liberty index were obtained from the Freedom House's Annual Surveys of Political Rights and Civil Liberties. Time-series cross-sectional (TSCS) and OLS models have been used to analyze the data.

### Summary of Findings

The TSCS results and OLS estimates for cross-sectional regressions for 2003 and 2011 indicated that the explanatory variable, which measured whether an economy has strict data privacy laws (SDP) has a significant effect on online ad spending.

### Key Contributions

This paper demonstrated that strict data privacy laws influence online advertising in a way that is unique to this form of advertising.

*References are available on request.*

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# Protecting Consumer Trust in the Age of the Internet of Things

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## ABSTRACT

This paper addresses the continuing challenge of human behavior in information security assurance. After nearly 40 years of examining their challenges, text-based passwords remain the primary method of computer access authentication. Symantec (2016) notes that although users may know the basics of good cyber security they continue to share their passwords. Of those that share, more than a third have shared the password to their online banking account (with the result that email addresses, phone numbers, insurance information, and user names/passwords again appear in 10 to 20 percent range as they did in 2014 (Symantec 2014); Forrester Research (2015) notes that passwords in spite of their difficulties and rumored replacements are here to stay. Of more concern Forrester (2016) notes targeted espionage, ransomware, denial of service, and privacy breaches will escalate in 2017 with customers more aware of, wary of, and frustrated with security and privacy risk, with firms gaining or losing affinity based on consumer trust. Selection, training and reinforcement of personnel to defend against escalating, dynamic security and privacy risk to satisfy consumers becomes critical.

The Internet of Things (IoT) has made passwords even more important. Exploiting the poor security of IoT devices hackers simply used brute force attacks to crack default and poor passwords of a major university and deployed malware in IoT devices as refrigerators and lights overwhelmed the system with searches for seafood (Verizon 2017). In analyzing this threat Palmer (2017) notes people who have networked appliances are vulnerable to cyber attack because the owners are unaware of the importance of changing the default password or what a strong password is.

Global connectivity has resulted in countless benefits for users but is also associated with increasing harm due to malicious attacks from individual hackers, organized crime groups and nations that wish others harm. The focus of this study is on the individual characteristics that are associated with risky computer authentication. Humans have been described as weakest link in any security system that can never be fully offset. They have a propensity to continue to reuse passwords and to create weak ones, to ignore warnings to change passwords at stated time periods, and to engage in many risky online behaviors is a major risk to both public and private organization relying on customer trust. Although information security professionals have been announcing the death of the password for more than a decade (SANS Institute 2003), that prediction has yet to come.

For this study password strength was used as the crucial dependent variable to identify individual-level predictors of propensity for responsible information security behaviors. The results of this study can be used to develop strategies that improve user information security behaviors. Password strength was used because of the continuing prevalence of password use, the need for replication in password studies, and ease of operationalization to test relationships between individual differences in propensity to employ secure computer behaviors. SlapDash/Teamsid has been ranking its list of bad passwords for six years and again of the 5 million leaked passwords evaluated for the 2016 the top two remain 123456 and password; predominantly users in North America and Western Europe. In noting data breaches of 2016, for example Democratic National Committee's John Podesta's email, which was reportedly made easier because his email password was "password." The authors believe that the wide prevalence of very poor passwords makes password strength an excellent predictor for selection and training of employees.

Marketers must be concerned with responsible information security behaviors given the impact on consumer loyalty and trust as well as the impact on the firm. The biggest data breach of 2016 was the multiple data breaches from Yahoo. In September, the firm announced more than 500 million user accounts had exposed user account information, includ-

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ing names, email addresses, telephone numbers, birthdates, hashed passwords, and encrypted or unencrypted security questions and answers (ongoing from late 2014) and in December a second, larger breach of 1 billion user accounts (ongoing from August 2013). This breach also included names, email addresses, telephone numbers, birthdates, hashed passwords and encrypted or unencrypted security questions and answers. Each is considered the largest breaches in history (Kuranda 2016).

Other user-based threats to security include accessing malicious websites, opening emails with attachments from unknown parties, and ignoring recommendations to deploy and update security solutions such as anti-spam and antivirus software as well as unauthorized system access, falsifying system penetration reports, using guessable passwords, and personal incompetence (Symantec 2016). Reid and Van Niekerk (2014) noted the technologically sophisticated also require cyber security knowledge given the proliferation of electronic devices. Forrester's (2016), 2017 predictions note that more than 500,000 internet-of-things devices will be compromised this year and that customers are more aware of, wary of, and frustrated with security and privacy risk, and that firms will increasingly gain or lose affinity based on consumer trust in the company (Forrester 2016). Belk et al. (2014) showed that user authentication practices can be improved by personalizing user authentication groups that they labeled "Verbals" and "Imagers." This paper is in that tradition and uses personnel passwords as the test variable for measuring user propensity to accept information security initiatives that are keyed to the user's behavioral profile.

Our study furthers understanding of secure authentication behavior by providing a better understanding of individual-level factors relating individual behavior by using password strength; the variable used as a proxy for positive/negative information security behaviors. Strategies to improve compliance with recommended security behaviors are also provided. Understanding user characteristics associated with information security compliance presents new insights into education and training programs that can be tailored for different groups of computer users. Decades earlier, one of the first papers on problems with security (Morris and Thompson 1979) identified the compromise between extreme security and ease of use.

## The Problem of Users and Security

Whitty et al. (2015) reported that younger computer users relied on weaker authentication methods and reported greater sharing and recording behaviors. Zhang, McDowell, and Schultz (2010) found that females used stronger passwords than males, while Predd and Parker (2009) noted that

78% of all passwords referred either to the individual user, their relatives, or their pets. The Identity Theft Resource Center (2015) found that 40% of U.S. consumers had received a notice that their personal information had been compromised, an account hacked or had a password stolen they had done little about it. Therefore, if one's single password is hacked; all other accounts using the same password are at risk. Estimates indicate 61% of computer users reuse passwords among multiple accounts, 54% use only 5 unique passwords, and 44% change their password once a year or less (CSID 2012). We suggest that such behaviors put users and organizations at risk unless changes in education and training occur.

Developing a deeper understanding of the propensity of users to accept information security initiatives is critical given the changing threat environment for e-commerce. One group requiring cyber security training and knowledge is college students (Reid and Van Niekerk 2014). Zalaznick (2013) noted that higher education is particularly vulnerable as college and university computer networks have traditionally been open and inviting. Universities want comparatively easy connectivity with their publics, but contain a high degree of intellectual property and systems that can be used for cyber-attacks. This is important for our study given the university setting of our study. Even if they are only representative of *student* users at universities, that in itself would contribute to the information security literature as they are present and future targets. Finally, a key element of safe authentication behavior is improved understanding of individual determinants of security behavior and of factors relating to why individuals do or do not accept security behaviors. An IBM/Ponemon Institute study reported that data breach costs continue to rise and now average \$4 million per incident (IBM and Ponemon Institute 2016).

## Sample and Methodology

### Sample

This study was designed to identify predictors for propensity for information security behaviors and then to present strategies to improve user information security behaviors. Subjects were 391 undergraduate students in the school of business at a large (35,000 students), public, and east-coast university located in a major metropolitan area with data collected over 2 years (see Table 1).

The University has a very strong human subject's review council and although questions were initially raised concerning the study due to the sensitivity of passwords the fact that they were unique for this study allayed those concerns and ethical questions raised concerning informing the subjects that the purpose of the study was an online employment sur-

**Table 1.** Sample Characteristics

Age	Mean 23.9	SD 5.6
Gender	Male 40.1%	Female 59.9%
GPA	Mean 3.08	SD 0.40
Race	Caucasian 52.9%	Other 47.1%
Birth Country	USA 48.9%	Other 51.1%
English First Language	Yes 61.3%	No 39.7%
If not English how long speaking	Mean 11.8 years	SD 5.5 years
Top non-English Languages	Vietnamese	Korean
SAT	Mean 1105	SD 136

vey. For several years, the university advised students of the need for strong passwords and indicated that a strong password had a minimum of eight characters and a mixture of uppercase and lowercase letters, numbers, and punctuation characters, e.g., “SAial.04?”

Participants reported to a computer laboratory, told that the purpose of the study was to assess reactions to an online employment selection survey. Subjects were asked to log onto the study website with a unique ID and password, different from any used for any other purpose. In the debriefings conducted after the experiment, students were not able to identify that the purpose of the study was strong password use.

Use of students as subjects in the sample was deemed appropriate since the study has a strong focus on password use, the university is engaged in extensive online education, the students are engaged in significant online activity for their studies, and 80% are employed 20 hours or more per week, many in the information technology field. Additionally, researchers tend to use student samples for theory testing which fits the purpose of this study. For example, Belk et al. (2014) used undergraduate psychology and social science students to study authentication tasks based on individual differences in cognitive styles.

### **Independent Variables and Study Hypotheses**

*Cognitive Ability.* The Wonderlic Personnel Test (WPT) (1959) was used to assess general mental ability (GMA). The test is a 12-minute timed test consisting of 50 items measuring numerical and verbal reasoning. Test-retest reliabilities reported in the test manual range from .82 to .94. Measures of internal consistency range from .88 to .94. The WPT is subject to some debate over its fairness; it is widely studied and used in employment testing (Hatch 2009). Given

its use in employee selection, it appeared to be a valuable inclusion for this study.

*Computer Anxiety.* Subjects completed the Computer Anxiety Scale (CAS), a computer attitude scale developed by Loyd and Gressard (1984) that assesses familiarity and comfort with computers. Marcoulides, Emrich, and Marcoulides (2008) noted that the construct of computer anxiety as measured by the CAS has remained stable and recent cross-cultural studies using samples of college students from various countries have also shown that the construct of computer anxiety as measured by the CAS has not changed. Contrary to expectations, Schuessler and Hite (2014) found no relationship to password strength by computer self-efficacy, computer anxiety, or internet anxiety. Predd and Parker (2009) asserted that risk and importance should have an impact on computer authentication behavior. Consistent with their prediction, Egelman et al. (2013) found that password meters yield stronger passwords, but primarily on important accounts with no observable difference on unimportant ones.

*Neo-Fi Personality Inventory.* The Costa and McCrae (1989) NEO-FI Personality Inventory was used to assess personality. This scale measured the five personality characteristics of conscientiousness, agreeableness, openness to experience, extraversion, and neuroticism. The NEO-FI consists of questions such as: “I am not a worrier” or “I like to be where the action is.” Responses are recorded on a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree). Whitty et al. (2015), Schuessler and Hite (2014), and Zhang et al. (2010) reported significant findings for the role of personality on computer use authentication. Whitty et al. (2015) reported that password sharing was associated with Lack of Perseverance and High Self-Monitoring while Locus of Control, Lack of Premeditation,

Urgency, Sensation Seeking, and Knowledge of Cyber Security had no effect. Schuessler and Hite (2014) found that stronger passwords were associated Conscientiousness, Agreeableness, Extroversion, Neuroticism, Openness, and Work Ethic. Zhang et al. (2010) found that stronger passwords were associated with the personality trait of Self Protective Behavior.

**Demographic Measures.** The impact of demographics on password strength is largely unmapped territory given the variability of findings. Most studies show little to no consistent effect of demographics. For example, Egelman et al. (2013) found that the only individual-level differences reported was those participants who reused passwords were likely to spend less time typing passwords. Whitty et al. (2015) reported that younger computer users relied on weaker authentication methods and reported greater sharing and recording behaviors. Schuessler and Hite (2014) reported that no demographic differences were found on password strength with the exception that college students majoring in IT had stronger passwords. Studies that focused on demographic factors and computer security are limited although one on gender Zhang et al. (2010) found that females used stronger passwords than males.

Research on computer security behavior and demographics has been mixed therefore *a priori* hypotheses regarding demographics were not considered relevant in this exploratory analysis given the limited basis for doing so. Nonetheless, standard demographic data was included in the study.

#### **Dependent Variable: Password Strength**

The strength of the password used by subjects to log into the study served as the key dependent measure to explore individual differences in propensity to employ security behaviors. The underlying premise of this study is that successful cyber-attacks against firms threaten trust in e-commerce, customer satisfaction, and the broader competitiveness of e-commerce. Password strength was used to operationalize the test to determine propensity for information security behaviors.

Password use was classified as High or Low Strength by a panel of trained judges. The inter-judge reliability for the ratings was .91. The US-CERT (2013) was the convention used for password strength: a combination of numbers, special characters, and both lowercase and capital letters, which was also being promoted by the university to our students at the time.

The panel categorized the robustness of the passwords into two groups. A score of 1 (Low) was assigned to all passwords that consisted of a noun in any language, all letters, all numbers, or any string of characters less than seven (for example, “roger1”). A score of 2 (High) was given to pass-

words that contained at least eight characters and used any two of the following: upper and lower-case letters, numbers, and punctuation characters (for example, “roger123” or “josephs!”). Inter-judge reliability scores on categorization resulted in 91% agreement. Of the 391 subjects in the experiment, 162 were categorized as having a Low-Strength password and 229 were categorized as having a High-Strength password.

## **Results**

Stepwise Discriminant Analysis was used to determine individual-level effects on initial password strength. Although the predictor variables used in the study were selected for their fit with existing employment tests more than their strong theoretical bases, nine elements are significantly related to propensity for information security behavior. The discriminant function had an eigenvalue of .27, a canonical correlation of .46, Wilks’ Lambda of .79,  $\chi^2 = 54.90$  (df = 9,  $p = .00$ ), and the model correctly classified password strength at 64.2%.

Table 2 presents the means and significance levels for each group. The NEO Five-Factor Inventory is scaled 1 = Strongly Disagree to 5 = Strongly Agree; however, negatively worded items are reverse-scaled. The Computer Comfort Scale is scaled 1 = Strongly Agree to 4 = Strongly Disagree. Table 3 presents the classification results for the original sample and the holdout group. Overall, the model correctly classified 64.2% of the sample and 69.9% of the strong passwords. The holdout sample was correctly classified at 60.1%, with 65.1% of the strong passwords correctly classified. The classification results for both the analysis and validation samples noted in Table 3 show that both samples are classified better than chance, indicating that the groups are operationally different.

A clearer picture of the group differences and the variables affecting group separation can be obtained by examining the group centroids and the discriminant function. Table 4 summarizes the user characteristics that contribute to strong passwords.

Results of this study indicates that users who are more amenable to positive information security behaviors such as password strength are conscientious, task focused, and tidy. They appreciate aesthetics, are socially distant and math proficient. They view computers centrally to their work and reported higher computer use. Alternatively, the user characteristics associated with weaker passwords include lower diligence, less task focused and less organized. They have a lower appreciation of aesthetics, are more socially integrated, less math proficient, and report lower computer centrality and lower computer use.

**Table 2.** Scale Items, Group Means, and Stepwise F Statistic

Scale Item	Weak	Strong	Study Mean	Exact F
	Password	Password		df
	Mean	Mean		sig
Conscientiousness item 9 (Sometimes I'm not as dependable or reliable as I should be) 1 = Agree	2.56	3.15	2.88	F = 13.117 df = 1 <i>p</i> = .000
Openness to experience item 1 (I don't like to waste my time daydreaming) 1 = Disagree	2.88	3.10	3.00	F = 9.552 df = 2 <i>p</i> = .000
Computer comfort item 40 (Working with computers will not be important to me in my life's work) 1 = Disagree	3.79	3.08	3.39	F = 8.601 df = 3 <i>p</i> = .000
Computer comfort item 4 (I will use computers many ways in my life) 1 = Disagree	2.56	2.75	2.66	F = 7.854 df = 4 <i>p</i> = .000
Conscientiousness item 1 (I keep my belongings clean and neat) 1 = Disagree	3.94	3.68	3.80	F = 7.417 df = 5 <i>p</i> = .000
Math score on Scholastic Aptitude Test (SAT)	595.14	609.96	603.38	F = 7.204 df = 6 <i>p</i> = .000
Openness to experience item 5 (Poetry has little or no effect on me) 1 = Disagree	3.12	2.85	2.97	F = 7.035 df = 7 <i>p</i> = .000
Computer comfort item 20 (I expect to have little use for computers in my daily life) 1 = Agree	3.82	4.04	3.94	F = 6.910 df = 8 <i>p</i> = .000

The finding that users with weaker passwords believe that working with computers will not be as important in their life's work, that they will use computers in fewer ways in their lives and show a general lack of organization fits with many users of technology. Control of various technology components appears to be a challenge for weak password creators. The association of weaker passwords with greater

sociability is indicative of people who may be more focused on workplace interactions than focusing on workplace duties. The underlying source of the finding that users with stronger passwords have higher levels of aesthetic appreciation is challenging to explain. Aesthetic appreciation may be yet another indicator of strong password user appreciation of the value of clear thinking, organization, and task focus.

**Table 3.** Classification Results<sup>b, c</sup>

		Predicted Group				
		Password Lo		Membership		Total
		Hi	1.00	2.00		
Original	Count	1.00	91.0	71.0	162.0	
	Count	2.00	69.0	160.0	229.0	
	%	1.00	56.2	43.8	100.0	
	%	2.00	30.1	69.9	100.0	
Cross-Validated <sup>a</sup>	Count	1.00	86.0	76.0	162.0	
	Count	2.00	80.0	149.0	229.0	
	%	1.00	53.1	46.9	100.0	
	%	2.00	34.9	65.1	100.0	

<sup>a</sup>Cross validation is done only for those cases in the analysis. In cross validation, each case is classified by the functions derived from all cases other than that case.

<sup>b</sup>64.2% of original grouped cases correctly classified.

<sup>c</sup>60.1% of cross-validated grouped cases correctly classified.

**Table 4.** Correlates of Attitude, Lifestyle, and Achievement Effects on Password Strength

Drivers of Password Strength	Trait of People Using Strong Passwords
Conscientiousness	Dependable
Openness to experience	Task focused
Computer comfort item 40	Computers are important in work
Computer comfort item 4	Use computers many ways
Conscientiousness item 1	Keep belongings clean and organized
SAT Score	Higher Math score on Scholastic Aptitude Test
Openness to experience item 5	Aesthetic appreciation
Computer comfort item 20	Heavy use of computers in daily life
Agreeableness item 7	Socially distant

The lack of effect of demographic variables, generalized mental ability, and academic achievement on password strength should be a reminder to trainers that personal states

of being do not appear to play a significant role in password strength, the measure of propensity for information security behavior.

## **Analysis and Discussion**

These results indicate that compliance with information security initiatives presents challenges for almost all institutions with some of their constituencies are resistant to change. Much of the literature reviewed for this study points to this perspective, and includes users with different risk perceptions, security threats, organization types and communication approaches.

Similarly, the results of this study indicate that organizations face user groups with differing behavioral profiles for cyber security compliance, requiring differing strategies to address the various behaviors and beliefs of employees. Strategy development can benefit from five issues that can be used in identifying users for managing acceptance of education and training to improve information security.

1. Computer users who see themselves as reliable or dependable (NEO-FI conscientiousness item) create stronger passwords. Training programs that address conscientious behaviors will be rewarded with greater computer security. However, since strong password users are less conscientious about their surroundings, training programs should also address threats to different platforms such as mobile devices.
2. Second and third NEO-FI items that affected password strength are Openness to Experience and Agreeableness. Strong password users are more likely to be open to some experiences, but tend to be pragmatic and do not like to daydream. Strong password users are less likely to think of themselves as likeable. Conversely, weak password users see themselves as more likeable and perhaps less vulnerable to security breaches.
3. Comfort with computers also provided interesting insights into password strength. Strong password users see computers as more important in their lives and expect to have more use of them although they are less likely to believe computers will be used in many ways.
4. Strong password users have higher SAT math scores, which may be a surrogate indicator of awareness and appreciation of the role of technology in society. Computer users with low SAT math scores may see securing technology as less connected to their view of the world and should be marked as special populations for training purposes. This is particularly important as technological convergence and ease of use place significant IT power into the hands of those who have little appreciation of risks.
5. Noticeably absent from the results were any demographic or academic achievement measures that were associated with password strength. The lack of demographic, gener-

alized mental ability, and academic achievement indicators of password strength should be a reminder to trainers that individual states of being play no role in password strength, our measure of propensity for greater information security behavior.

## **Conclusions and Implications**

Emerging technologies, legislation, and criminal activities present new risks, potential liabilities, and issues. Given the skills of cyber criminals, the adaptability of criminal networks, the limited skills of some consumer and users, and the need for organizations to satisfy and protect attacks will continue to be successful. They are a threat to customer satisfaction, loss of competitive advantage, intellectual capital and may result in a loss of customers and sales revenue with user and customer education one way of reducing the threat.

The results of this research demonstrate that personality factors such as conscientiousness, openness to experience, agreeableness, and attitudinal factors such as centrality of computers to one's work and computer usage levels are better predictors of password strength than academic achievement and demographics. The one finding that is an exception is respondents' SAT math scores, which had a slight positive impact on password strength. By identifying those with or without a propensity to accept information security education and training, more efficiently tailored communication initiatives for internal and external users can be developed. We suggest that users with a propensity to accept information security education and training be provided a basic introduction to security terminology and concepts, basics of computers and networking, and threats to personal and institutional information. With this knowledge, they can serve as mentors for those with a lower propensity. The findings of this study provide additional insight into improved security behaviors and offer new approaches for targeting research on consumer information security and communication methods that better fit the needs of user segments.

Implementation of these findings to develop information security education and training programs can be seen to fall across several considerations. The first mindset for developers to embrace is to discard stereotypical images of the weak/strong password user. Our findings demonstrate that no demographic differences such as gender, age, mental ability, and academic achievement play a role in propensity for greater information security behavior. The findings also present opportunities for targeting and messaging.

One of the key findings of the study is that the salience of computing technology in peoples' lives plays an important role in propensity for greater information security behavior. Perceptions of such technology as more distant to the centrality of their daily lives represent a barrier to propensity for

greater information security behavior. Messaging and program development that raises the involvement level is seen as a central component in raising propensity for greater information security behavior. Features that can easily be tied to elevating personal involvement include our finding of personal reliability and distraction. For example, focusing on messaging that includes propensity for greater information security behavior as a reflection of responsibilities users have to their reputations, their families and the security of their organizations would presumably elevate propensity for greater information security behavior. In a time pressured, multitasking world, distraction is a key concern for most users of information technology. Insights into the role of distraction in daily lives provided by the considerable literature of multitasking and distraction should assist developers of programs for greater information security behavior. Last, individuals with lower propensity for information security behaviors have higher self-reported neat surroundings and higher social acceptance. Until more research is developed to address the underlying links that explain these relationships, the findings can be woven into programs and messaging for improved information security behaviors. For example, the neatness and organization of one's surroundings can be thought of as both a time management issue and a compensatory behavior matter. Reminders of time budgeting tradeoffs between the *appearance* that technology users are in control of hacking threats (neat surroundings) and the *reality* that they are less vulnerable to loss (strong passwords) are predicted to be helpful to growing greater information security behaviors. Similarly, more research needs to be developed to address the underlying links that explain why users with greater reported likeability pose a barrier to greater information security behaviors. Examining the literature on gregariousness, social integration and person perception may be helpful here. In the meanwhile using this finding as a risk factor for targeting vulnerable segments of the audience may be a help in identifying at risk user segments.

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# Scale Efficiency Analysis of Small-Scale Level Area in a Poor Minority Region of China: From the Spatial Analysis Perspective

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**Keywords:** *regional economic disparities, scale efficiency, DEA, ESDA*

**Description:** *This paper concentrates on China's poverty reduction and regional economic inequality challenge. We employed both ESDA (exploratory spatial data analysis) and DEA (data envelopment analysis) methods to measure the efficiency performance and identified several economic regional disparity patterns.*

## EXTENDED ABSTRACT

### Research Questions

Regional economic disparities have received an increasing amount of attention by government policy makers and economics scholars in the last few decades, especially in developing countries such as China, India, and Brazil. Most studies in the extant Chinese economics and marketing literature focused on large-scale levels such as regional economic disparities between China's inland and coastal provinces, capital investment inequality among the coastal region, the central region and the western region, and government expenditure disparities with provincial data. However, few studies concerned the regional economic disparities from a perspective of efficiency performance with small-scale level of regions with a focus on certain areas of adjacent counties or towns. Identifying the patterns of regional economic disparities in small-scale level will shed more practical insights for governmental or non-governmental agencies.

### Method and Data

This study employed both ESDA (exploratory spatial data analysis) and DEA (data envelopment analysis) methods to measure the efficiency performance of different economic regional disparity patterns of 32 counties in Sichuan, adjacent

to Tibet in China during the period of 2000–2007. Specifically, we used gross domestic product at the county level per capita for ESDA analysis. With regard to DEA (data envelopment analysis), we used six variables including Number of Employment, Average-wage, Fixed-Investment, Agriculture-Output, Industry-Output, and Consumption. The data source comes from the Sichuan Statistical Yearbook, the Regional Economic China Statistical Yearbook, and the Chinese County Social Economic Statistical Yearbook.

### Summary of Findings

In general, our empirical findings show that the overall efficiency performance of the selected counties is in accordance with the clustering subset they reside. However, every clustering group has a non-balanced efficiency performance pattern. That is, not all of the counties in the high level economic performance group correspond to high efficiency performance, and not all the counties in the low level economic performance group correspond to low efficiency performance. We found that some counties in low level economic performance groups outperform the counties in high level economic performance groups on efficiency performance. The policy implications of our empirical findings are

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direct and strong. Economic performance indicators such as GDP do not necessarily reflect a selected county's level of efficiency.

### **Key Contributions**

Compared to many existing studies focusing on large-scale level regions, the current study focuses on small-scale levels which could have more specific and practical implications to the local governmental or non-governmental agencies. We incorporate the ESDA (exploratory spatial data analysis) and

DEA (data envelopment analysis) technique to measure the degree of relative efficiency performance for each subset of the spatial area. Specifically, we first employed the ESDA method to identify the patterns of different clustering groups; second, DEA methods were employed to calculate each county's scale efficiency performance; and last, results from both ESDA and DEA were integrated to enable us to discuss the consistencies and disparities.

*References are available on request.*

# An Analysis of Domestic Passenger Market Travel Demand for a Major American Airport

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## **ABSTRACT**

This study examined the econometric dynamics of a major American hub. Our analysis indicates that there is a long-run relationship between revenue passenger miles, income, and price. Moreover, it takes at least a decade to come to the initial long-run equilibrium due to a shock to the national income.

**Keywords:** *airport, demand forecasting, price elasticity of demand, supply elasticity of demand*

**Description:** *This paper studied the econometric aspects of a major American airport hub using Johansen co-integration and Stock-Watson estimates of demand coefficients.*

## **Introduction**

This study examines the domestic air travel market demand for a major American airport. Market demand forecasts are very important for airport marketers; the operating managers of airports need to know the demand with its very detail, as by time of the day of each week day (Safabakhsh, Basumallick, and Rajaraman, 2006). Yet, there are no recent studies in academic marketing or transportation literature that models supply and demand relationships in the U.S. This is particularly worrisome given how aviation transport demand in the U.S. has greater price elasticity and is more sensitive to short-term economic waves compared to countries with rapidly developing aviation industries like China (Chai et al., 2014).

## **Literature Review**

Especially for industries characterized by perishable inventory, fixed capacity, low variable costs and high fixed costs, and reservation-based demand, forecasts are used to enhance planning decisions (Pekgun, Uyar and Garner, 2014). Performance efficiency and cost management depend to a great extent on forecasting (Klinokmai et. al, 2014). In forecasting models “the demand for business travel is usually modeled as a linear function of traditional macroeconomic variables such as GDP and trade. Smaller airlines with fewer resources

to justify more complex econometric models often rely on simpler univariate models. A well-known example is the ARIMA model of Box and Jenkins (1976). A more recent example of the use of univariate models to forecast demand for air travel is Grubb and Mason’s (2002) long lead-time forecasts of UK air passengers using Holt-Winters methods with damped trend” (Njegovan, 2005. p.422)

Even though there are variations in the structure of different models employed to forecast air transport demand, the existing literature focus on two main factors: (1) Geo-Economic Factors that are defined by the economic activity (such as *GDP*) and geographical or location features of the area and (2) Service dependent factors that includes the micro economical theoretical model hints—demand is a variable that directly depends on price, specifically, *the ticket price*—the charge for airline service provided (Srinidhi, 2010; Srinidhi and Manraj, 2013).

Based on commonly used parameters of demand forecasting literature, we built an econometric model composed of revenue passenger miles for independent output variable and GDP and ticket price for dependent variables for Atlanta Hartsfield-Jackson airport. We focused on this hub because it has special significance in global air transport.

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Atlanta Hartsfield-Jackson (AHJA) airport is the largest airport in the world. In January 2017, AHJA served 7,771,431 passengers in a single month (Operating Statistics, 2017). Also, the home of the Delta Airlines. In general, a hub increases the number of non-stop and one stop flights in a region while reducing multi-stop flights (Srinidhi, 2010). Therefore, AHJA deserves special attention for demand modeling and for the U.S. economy.

We studied the Atlanta Hartsfield-Jackson Airport (AHJA) domestic market air demand to answer the following questions: (1) What is the price elasticity of demand for AHJA Domestic Market? (2) What is the income elasticity of demand for AHJA Domestic Market? (3) How quickly (speed of adjustment) does the demand respond to any shocks in the income function for AHJA Domestic Market? (4) How quickly (speed of adjustment) does the demand respond to any shocks in the airfare for AHJA Domestic Market?

### **The Model**

We can represent the demand for air transport as follows

$$Z_i = f(P_i, \dots, P_k, X_i, \dots, X_k) \quad (1)$$

Where  $Z_i$  is the demand for that particular mode of transport (in our case air travel),  $P_i, \dots, P_k$  are prices of transport services (own price as well as price of substitutes and complements to the particular transport mode of interest)  $X_i, \dots, X_k$  and are other determinants of air travel demand such as income. We expect a positive and a negative elasticity for income (assuming a normal good) and own price respectively.

$$\frac{dZ_i}{dP_i} < 0 \quad ; \quad \frac{dZ_i}{dX_i} > 0$$

Since the log form of our equation (1) provides the elasticity coefficients, we specific our demand model as follows:

$$\ln(Z_t) = \alpha_t + \beta_t \ln(P_t) + \gamma_t \ln(RGDP_t) + \delta_t(T) + u_t \quad (2)$$

Where  $Z_t$  is the real revenue passenger miles for all domestic U.S. carriers at AHJA. Moreover,  $P_t$  is the real average air fare in and  $RGDP_t$  is U.S. real GDP. The trend term  $T$  control for an increase over time in the propensity to travel.  $u_t$  is the stochastic error term.

### **Data**

To estimate the demand equation, we used the data posted at the Bureau of Transportation Statistics- For airfare data we used “National Level Domestic Average Air Fare Series for ticket price. We also used Bureau of Transportation Statistics- Total Domestic Revenue Passenger miles for Atlanta

Hartsfield Jackson Airport, inflation adjust air fare data series from Bureau of Transportation statistics. For GDP, we used the data released by Atlanta Fed.

### **Methodology**

Obtaining reliable estimates of airline demand model is made difficult by the limitations of some of the techniques such as Ordinarily Least Square (OLS) and possible endogeneity problem. In order to prevent estimating a spurious regression, the time series properties of the variables of study are determined before the estimation procedure is chosen. Augmented Dickey-Fuller (ADF) unit root tests is performed on each series to determine their order of integration. Results from unit root tests would determine the procedure to be employed to estimate the price and income elasticities. For instance, if all series are integrated of order 0, then ordinary least squares procedure (OLS) may be used; in contrast, if series are unit root non-stationary, then OLS would render a spurious regression. Therefore, the possible alternatives are using the Johanson maximum likelihood procedure (Johanson, 1991) which takes the regressor to be endogenous, and the Stock-Watson dynamic OLS (DOLS) procedure (Stock and Watson, 1993) which improves on OLS by coping with small sample and dynamic sources of bias.

The Stock-Watson methods corrects for endogeneity by the inclusion of leads and lags of first difference of the regressor. Even if DOLS procedure our primary methods of analysis, we use the Johansen cointegration test (VAR-based) to determine the cointegration relations and the impulse response function. An impulse response function traces the

**Table 1.** Data Table—Summary of Descriptive Statistics of Variables

	<b>FARE</b>	<b>GDP</b>	<b>RPM</b>
Mean	389.75	14890.37	7253751.00
Median	387.47	14881.30	7277776.00
Maximum	439.50	16525.00	8477576.00
Minimum	329.26	13031.20	5656146.00
Std. Dev.	26.43	863.13	582683.50
Skewness	0.03	0.02	-0.27
Kurtosis	2.65	2.61	2.73
Jarque-Bera	0.28	0.34	0.80
Probability	0.87	0.84	0.67
Observations	53.00	53.00	53.00

effect of a one-time shock to one of the innovation on the current and future values of the endogenous variable.

### **Dynamic OLS**

A simple approach to constructing an asymptotic efficient estimator that eliminates the feedback in the cointegration system has been suggested by Stock and Watson (1993). The method involves augmenting the cointegrating regression with lags and leads of independent variables. Lags and leads terms included in DOLS regression have the purpose of making its stochastic error term independent of all past innovation in stochastic regressors.

Stock-Watson DOLS model is specified as follows:

$$Y_t = \beta_0 + \beta'X + \sum_{j=-q}^p d'_j \Delta X_{t-j} + u_t$$

$Y_t$ : dependent variable;  $X$  : matrix of independent variables;  $\beta$ : cointegrating vector;  $p$  and  $q$  : lag length

Suppose that  $Y_t$  has been found to be I(1) and at least some of the RHS variables are I(1), then DOLS would be appropriate to estimate elasticity coefficients our model specified in equation 2.

### **Unit Root**

Prior to the statistical specification of the model it is necessary to test whether the relevant variable are stationary and to determine the orders of integration of the variables. To test for unit roots in the levels and first differences of the variables, a standard Augmented Dickey Fuller (ADF) test, is performed. The augmented Dickey-Fuller (ADF) test is a standard test for the existence of a unit root and is estimated in the form,

$$y_t = \alpha_1 + \alpha_2 Time + \beta y_{t-1} + \sum_{i=1}^{m-1} \gamma_i \Delta y_{t-i} + \varepsilon_t \quad (3)$$

Where  $\beta = \sum_{i=1}^m \rho_{i-1}$  and  $\gamma_i = -\sum_{k=i+1}^m \rho_k$  and

$$\gamma_i = - \sum_{k=i+1}^m \rho_k$$

The null hypothesis is that a unit root exists,  $\beta = 0$ , and the alternative is that the series is stationary,  $\beta < 0$ .

The lagged dependent variables represent higher order autoregressive processes of  $y$ , with the lag order selected in order to eliminate serial correlation (based on Lagrange mul-

tiplier tests). If lags of the dependent variable are not included, equation (3) reduces to the Dickey-Fuller (DF) test equation. A time trend is also included in equation (3) to test for the presence of a deterministic trend. We then specified the Stock-Watson DOLS model.

### **Cointegration**

The purpose of cointegration test is to determine whether a group of non-stationary series is cointegrated or not. We use the Johansen procedures to test for the existence of cointegration among variables specified in equation (2.1) and (2.2). The Johansen procedure is a general dynamic systems technique, where the variables are parameterized in terms of lagged first differences and the lagged level of the systems variables. Consider a VAR of order  $p$

$$y_t = A_1 y_{t-1} + \cdots + A_p y_{t-p} + \varepsilon_t \quad (4)$$

Where  $Y_t$  is k-vector of non-stationary I (1) variables. Following Johansen (1991) equation (4) can be rewritten as:

$$\Delta y_t = \Pi y_{t-1} + \sum_{i=1}^{p-1} \Gamma_i \Delta y_{t-i} + \varepsilon_t \quad (5)$$

where  $\Pi = \sum_{i=1}^p A_i - I$ , and  $\Gamma_i = -\sum_{j=i+1}^p A_j$

If the coefficient matrix  $\Pi$  has reduced rank  $r < k$ , then there exist  $k \times r$  matrices  $\alpha$  and  $\beta$  each with rank  $r$  such that  $\Pi = \alpha\beta'$  and  $\beta'y_t$  is I (0).  $r$  is the number of cointegration relations and each column of  $\beta$  is a cointegrating vector. The elements of  $\alpha$  are known as the adjustment parameters.

## **Results and Discussion**

### **Simple Correlation**

Before conducting a formal analysis, we plot the real revenue passenger miles data against airfare. As figure 1 indicates the two variables are negatively correlated. However, there is a positive correlation between real GDP (proxy for income) and airfare (price) (see Figures 1 and 2).

### **Unit Root Test Results**

Results from unit root tests show that all the series under study are unit root non-stationary. In particular, all specifications of ADF cannot reject the null hypothesis of a unit root process—at a .10 significance level—for all variables in level. When the series in first difference are tested, the null hypothesis of a unit root process is rejected—at least at a .10 significance level—according to all specifications of ADF. Therefore, ADF unit root tests conclusively show that all variables of study are I (1).

Fig 1 Correlation between Air Travel Fare and RPM

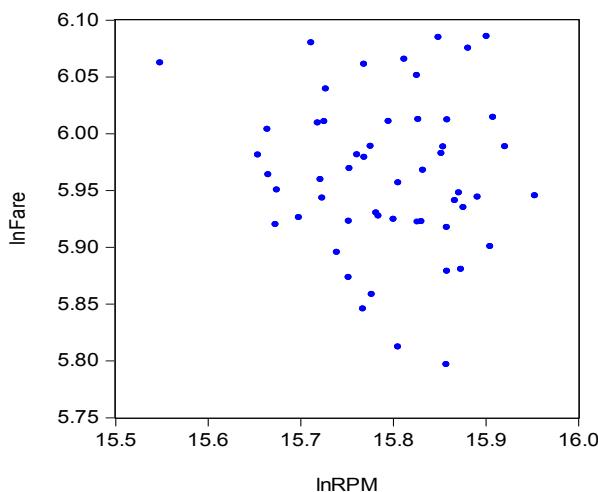
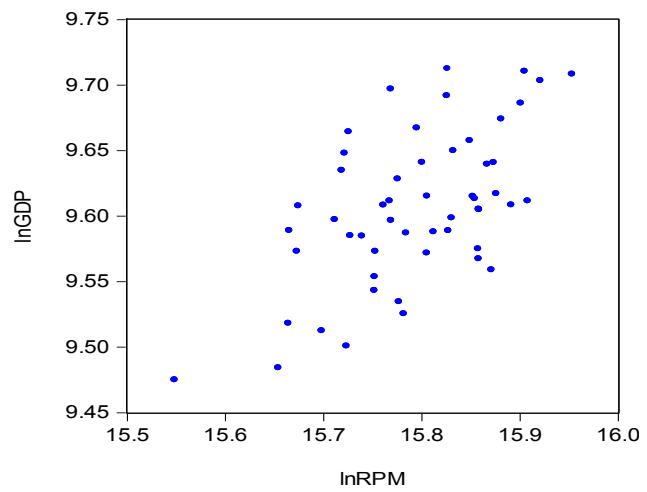


Fig 2 Correlation between Air Travel Fare and RPM



### Cointegration Test Results

Two types of test statistics are analyzed; the trace statistics and the maximum eigenvalue statistics. Both test statistics indicated the presence of at least one cointegration equation at 0.05 level. The normalized cointegrating coefficients have also the expected signs. They indicated the long-run price and income elasticities as estimated in our Stock-Watson DOLS model.

### Impulse Response Function

Using a Choleski decomposition on a VAR model with we calculate the following impulse response functions for the revenue passenger mile (see the figure below). A two standard deviation shock to the real GDP increases the revenue passenger miles, the effect becomes statistically significant two and half year after the shock, and it reaches its peak in four years. It takes a decade to come down close to its initial value. However, any innovation to airfare does not seem to have a significant impact on revenue passenger mile.

### Stock-Watson (DOLS) Results

The DOLS estimates for the airline demand equation appear in Table 2. As we expected, the airfare has a negative and a significant impact on revenue passenger miles. Since the absolute value of the coefficient is less than 1, it indicates that the price elasticity of demand for air travel is inelastic. In other words, air travelers are less responsive to a price change. For instance, a 10% increase in airfare, reduces the revenue passenger mile by only 4.2%. Moreover, there is a significant positive relationship between income and revenue passenger miles. The income coefficient is greater than one and, hence, indicates an elastic income elasticity of

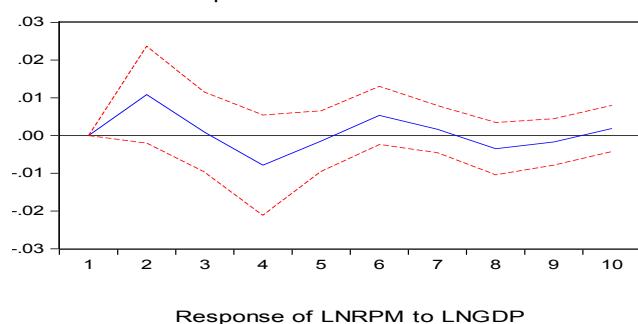
demand. A 10% increase in real income brings about a 22.8 % increase in revenue passenger miles assuming air travel is a normal good. The estimation results show that the estimated coefficient for the time trend variable is negative and statistically significant. Holding all else constant, the estimated decline in revenue passengers miles is 1% per year,

### Conclusion

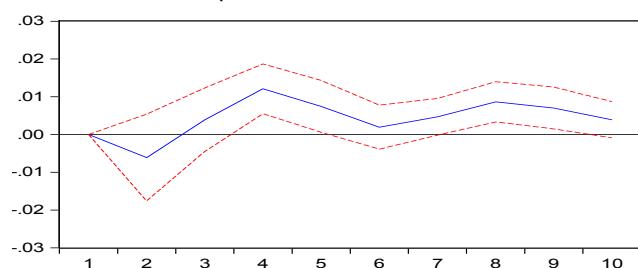
We employed the Johansen cointegration and Stock-Watson (DOLS) approaches to estimates the demand coefficients for

Response to Cholesky One S.D. Innovations  $\pm 2$  S.

Response of LNRPM to LNFARE



Response of LNRPM to LNGDP



AHJA. Both methodologies help us to avoid some major issues associated with variables that are not nonstationary. The income elasticity of demand for air transport is found to be elastic (income elasticity of 2.24) implying that an increase in the national income is likely to increase in demand for air transport. We also found out that air travelers are less responsive to airfare (price elasticity value of -0.42). Our cointegration analysis indicates that there is a long-run relationship between revenue passenger miles, income, and price. Moreover, our impulse response function indicates that it takes at least a decade to come to the initial long-run equilibrium due to a shock to the national income.

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# Representations of God and Sustainability Behaviors

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**Keywords:** *sustainable consumption, religion, God concepts*

## EXTENDED ABSTRACT

This study proposes that religious and spiritual beliefs—regarded by researchers as representations of God—play an influential role in individuals' cognitive processing of sustainability behaviors. This research investigated the role of three representations of God: (1) God as an authoritarian personified-being, (2) God as a benevolent personified-

being, and (3) God as a mystical cosmic force. Results suggest that attitude toward nature mediates the relationship between these representations of God and three sustainability behaviors. Implications for public policy are discussed.

*References are available on request.*

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# Seeing Is Not Believing: Millennials' Healthful Menu Evaluation

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*Cindy Rippe, Tarleton State University*

*Robert Allen King, West Texas A&M University*

**Keywords:** *images, menu, calories, food, public policy, healthy*

## EXTENDED ABSTRACT

### Research Question

Millennials are technologically and visually-oriented, preferring pictures over words (Connaway et al., 2008; Crowling, 2015). Millennial preference for pictures is relevant to menu evaluation, especially given the lack of research about the role that pictures play in menus. While pictures are recommended to be selectively placed in menus (McCall and Lynn, 2008), there is a void in the literature regarding how pictures and verbal information impact menu evaluation (Hou et al., 2017), especially given mandatory calorie labeling requirements (King and Shu, 2016). Existing research has examined symbols placed next to food items such as hearts, thumbs up, and traffic lights on influencing healthy food selections (McCall and Lynn, 2008), but to date no studies have considered the role of the image of the healthful item, like the image of a salad, in influencing purchase intention. Thus, there is a gap in the literature in understanding Millennials' menu evaluation of the healthful fast food menu items they eat on a regular basis. Given that restaurant menus influence behavioral intentions (Fakih et al., 2016), the goal of this paper is to examine Millennials' perceptions of different menu options to see how purchase intention changes based upon the item description with presentation of: (1) healthful image, (2) listing of calories with no image, and (3) healthful image with calories.

### Method and Data

One hundred and fifty-seven individuals from an online consumer panel (46% males; 54% females; 18–25 years old) were randomly assigned to one of the four conditions. This study adopted a 2 (presence vs. absence of image)  $\times$  2 (presence vs. absence of calories) between-subjects design. The

description of the salad was always present for realism to reflect an actual menu which usually includes food descriptions (McCall and Lynn, 2008). The questionnaire began with an examination of the condition followed by purchase intention and demographic questions. The purchase intention scale was similar to that used in other studies (Elder and Krishna, 2012).

### Summary of Findings

A multiple regression (since the outcome was a continuous variable) revealed the main effects of images on the purchase intentions of the Millennial subjects. Participants rated higher purchase intentions when viewing only the description without images and calories ( $M_{\text{none}} = 5.52$ ) and lowest purchase intentions when viewing both calories and images ( $M_{\text{both}} = 4.65$ ). Purchase intentions were averaged when only calories were present ( $M_{\text{calories}} = 5.41$ ) and when only images were present ( $M_{\text{images}} = 4.91$ ). The presence of images was significantly found to negatively influence purchase intention ( $M_{\text{no-image}} = 5.45$ ,  $M_{\text{image}} = 4.80$ ),  $F(1,154) = 10.15$ ,  $p < .005$ ). Thus, H1 was not supported and images negatively impacted healthful purchase intention. H2 predicted that calories would positively impact purchase intentions for women, but not for men. After running the regression, the presence of calories was insignificant, irrespective of gender. Thus, H2 was partially supported with calories not affecting men as predicted, but also not women. H3 predicted that image of salad and calories would positively affect purchase intention. H3 was not supported with the interaction effects showing significantly negative impact on purchase intentions ( $F(1,154) = 2.07$ ,  $p < .05$ ).

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## **Key Contributions**

Menu labeling is part of an expanding trend to use public policy to improve healthful choices (Bleich et al., 2015). While calorie labeling is often a government requirement (Yepes, 2014), this study's findings suggest that different consumer segments may define healthy in different ways and therefore regulations should be informed by consumer preferences for evaluating healthful options. Even though Millennials have childhood tendencies going into adulthood that lead to being overweight (Ogden et al., 2014), calories are not important to them and not effective as a regulation strategy for motivating a change in their behavior. This brings into question the calorie requirement on menus and highlights the need for regulations that match up with target market perceptions. This research con-

tributes to the growing body of literature that addresses calorie labeling on menus and consumer evaluation of menu items. While there are trends toward more healthful options on menus, inconsistent results are reported on the effects of calorie labeling on menus (Fernandes et al., 2016; Swartz et al., 2011) with a void in how images influence healthful food selection (Hou et al., 2017). Theoretically, this research contributes to calls for empirical work to explain consumer food choices (Filimonau and Krivcova, 2017; Rising and Bol, 2016). Scholars call for targeted demographic research to understand menu evaluation (Filimonau and Krivcova, 2017). This research contributes to this call by focusing on Millennials.

*References are available on request.*

# Can Serving Size and Calorie Information Backfire?

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**Keywords:** *calorie labels, serving size labels, consumption, disconfirmation*

**Description:** *This research examines how serving size and calorie information on snack products can increase consumption creating a backfire effect.*

## EXTENDED ABSTRACT

### Research Question

Although serving sizes were originally designed to closely match what consumers would eat in a consumption occasion, consumption patterns and portion sizes have significantly changed over the years (Young and Nestle 2002). Given these changes, the FDA is updating some serving sizes to more accurately represent what a consumer would be likely to eat in a sitting in order to help them with “healthy dietary practices,” and will be making the serving size, and particularly the calorie information per serving more prominently displayed on the nutrition facts panel (FDA 2016). Given the potential problems with current serving sizes and the proposed changes to serving size labels by the FDA, this research examines how serving size and calorie information influences consumption. This research looks to find out if providing typical serving size and calorie information influences consumption or consumption intentions compared to when there is no calorie information presented. We also investigate how varying the serving sizes and calorie levels listed on snack products can change consumption intentions.

### Method and Data

Across four experiments we find that calorie information, particularly information that is below expectations, can lead to increased consumption, due to a positive disconfirmation effect. In studies 1 and 2, we establish a difference in intended consumption (Study 1) and actual consumption (Study 2) in response to realistic serving size and calorie information. Study 3 explicitly tests the disconfirmation effects from the calorie information on intended consump-

tion. Finally, given that serving sizes and calorie levels are inextricably linked, the final study (Study 4) teases apart the influence of calorie and serving sizes by manipulating both calorie and serving size levels.

### Summary of Findings

The primary finding is that the typical serving size and calorie information results in a consumption backfire effect for unhealthy snacks, such that giving consumers the serving size and calorie information caused them to eat more or increased consumption intentions. Consumption is impacted through different mechanisms depending upon the types of information that are a part of the serving size label (e.g., calorie information influences consumption through a disconfirmation effect and serving size information influences consumption through an anchoring-and-adjustment effect). The impact of the information differs depending on food healthfulness perceptions such that the serving size had a stronger impact on the perceptually healthy food, while the calorie information played a key role for the perceptually unhealthy snack foods.

### Key Contributions

This research results in key contributions for nutrition labeling literature, theory, marketing practitioners, and public policy. This research adds insight to the disconfirmation literature by demonstrating that the disconfirmation effect does not impact consumption decisions the same way across product types and consumer reactions differ based on whether calorie information is negatively or positively dis-

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confirmed. In addition, we extend theory by establishing that the anchoring-and-adjustment heuristic depends on if one is adjusting consumption upward or downward. Key contributions of interest for managers and public policy experts include insights into how consumer consumption or consumption intentions differs depending on the serving size and calorie information presented. Our studies indicated that

prominent serving size and calorie information for unhealthy product may actually increase consumption, thus creating a backfire effect. Given our findings, food manufacturers and policy makers have to be careful in how they decide to present serving size and calorie information.

*References are available on request.*

# The Impact of Anxiety on the Uptake of Branded Over Generic Medicines

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**Keywords:** generic brands, anxiety, pharmaceuticals, placebo

**Description:** This study uses an online experiment to examine the role of a consumer's affective state and framing effects on the purchase of a branded versus a generic pharmaceutical product.

## EXTENDED ABSTRACT

### Research Question

What is the impact of anxiety on the uptake of branded over generic medicines? How is this effect further influenced by the term used for the “generic” alternative, and a GPs recommendation?

### Method and Data

The issues in this study were examined in an online experiment, with independent manipulations of consumer anxiety levels, and the framing of generic alternatives by the pharmacist. Individual's state anxiety was manipulated to reflect either high or low levels through a disease diagnosis scenario (Psoriasis). Respondents were then presented with a choice between branded or generic prescription pharmaceuticals as a treatment method for the assigned disease scenario. Before choosing, they were informed that the generic alternative was either endorsed or not endorsed by the GP through a brand being prescribed or not prescribed. The sample comprised 426 men and women within Australia who completed an online survey in exchange for a financial incentive.

### Summary of Findings

Logistic regression was performed with the dependent variable a consumer's choice of branded medicine. The

results indicate that those consumers experiencing higher levels of anxiety and where the doctor prescribed the branded medicine are more likely to choose branded medicines over cheaper, generic alternatives. The effect of framing the generic alternative as either “generic” or “cheaper” was not significant. A number of individual level characteristics were also introduced into the model, but had no significant impact on the effect of the experimental variables. This included the impact of age, education and familiarity with the GP.

### Key Contributions

This research contributes to our understanding of the behavior of consumers in differing states of anxiety when deciding between prescription pharmaceuticals. First, it showed that consumer's high in anxiety are more risk averse when making purchase decisions, where existing literature defines perceived risk as including the financial, social, performance, and physical dimensions associated with generic medicines. Secondly, the research contributes to our understanding of the influence that prescribing physicians have on consumer decision making when electing to prescribe branded medicines on prescriptions.

*References are available on request.*

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# Part N

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# Faking It vs. Feeling It: Examining the Flow Experience in Emotional Labor

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*Melanie P. Lorenz, University of Toledo*

*Jase R. Ramsey, Saint Louis University*

**Keywords:** *flow, emotional labor, frontline employees, COR theory, JD-R model*

**Description:** *This paper examines the flow experience in the context of emotional labor, and identifies several important outcomes for emotional laborers for which flow is hypothesized to have a mediating effect.*

## EXTENDED ABSTRACT

### Research Question

How do emotional regulation strategies differentially lead to the optimal experience—or flow—for employees, and how do these strategies indirectly affect several important outcomes in the emotional labor context through the flow experience?

### Summary of Findings

We plan to use a mixed method sequential explanatory approach to test our hypotheses and explain our findings. The key constructs in our model all have scales that have been established in prior research. As of now, we have started the data collection process for the main quantitative phase of our study. Following the analysis of the empirical data, we will conduct qualitative interviews with frontline employees to help explain and deepen our understanding of the findings of our quantitative study.

### Key Contributions

Our study contributes to the emotional labor literature in two unique ways. First, drawing on COR theory, we argue that

the dimensions of emotional labor—surface and deep acting—have diverse effects on the flow experience. Second, drawing on the JD-R model, we propose that these emotional labor strategies indirectly affect several important outcomes in the context of frontline employees, such as adaptive selling, job role stress, salesperson-owned customer loyalty, customer relationship performance, and creativity, through the flow state. Thus, we reveal an underlying mechanism that allows frontline employees engaging in deep acting to realize important organizational outcomes. Understanding this mechanism should allow managers and frontline employees to tailor job characteristics in order to maximize the positive and minimize the negative outcomes. It should also lead to future research on the contingency factors that can enhance this underlying mechanism.

*References are available on request.*

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# Dark-Side of Customer Satisfaction Ratings: Managing Frontline Service Employees

*Hae-Kyung Shin, Imperial College Business School*

**Keywords:** *customer satisfaction rating, service encounter behaviors, frontline service employee, role conflicts, agency theory*

**Description:** *This paper develops a model describing how the reliance on customer satisfaction might give a rise to the calculative mind-sets of FLEs between the organizational and customer interests at the service encounter behaviors, and its implication on the well-beings of FLEs.*

## EXTENDED ABSTRACT

### Research Question

What would be the long-term effects of managing Frontline service employees (FLEs) when they are rewarded and punished by customer satisfaction outcomes?

### Method and Data

This paper is a theoretical paper.

### Summary of Findings

It is a theoretical paper about the dark-sides of customer satisfaction and asks about the possibility that customer satisfaction policies and practices may harm the service organizations in the long-run. This theoretical paper focuses on the phenomena of rewarding and punishing frontline service employees (FLEs) by customer satisfaction outcomes such as customer satisfaction ratings. This paper argues that FLEs' experiences of dilemmas between the organization and customer, at the core, self-protection during service

encounters, may have undesirable long-term consequences on the well-being of FLEs, i.e., reduced self-esteem, increased emotional exhaustion and learned helplessness.

### Key Contributions

1. This shed light to the hind-sight in the employee satisfaction, customer satisfaction and business profits linkage.
2. It progresses discussion about role conflict at service encounters above and beyond the issue of maladaptive individual's responses and inevitable nature of service work.
3. It provides a tool for managers to diagnose whether the customer outcome aligned with rewards and punishments in operation are functional or dysfunctional in the organizations.

*References are available on request.*

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# Managing Salesforce Effectiveness During Product-Harm Crises

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**Keywords:** *salesforce management, influence tactics, product-harm crises, front-line employee issues*

**Description:** *This research examines the effectiveness of closed and open influence tactics during product-harm crises.*

## EXTENDED ABSTRACT

### Research Question

How can salespeople sell more effectively during product-harm crises?

### Method and Data

A scenario-based experiment was conducted and responses were gathered from 328 consumers, who had purchased an automobile in the last 2 years. The participants are 38.6% male and 61.4% female, with an average age of 42.53 years. The experiment had a  $2 \times 3$  design, and participants were randomly assigned to one of six sales scenarios. In 3 of those scenarios, a product-harm crisis had occurred.

Additionally, a survey was distributed to the sales forces of 16 U.S.-based, automotive dealerships, and secondary salesperson performance data was collected from these dealer-

ships. These data are combined with secondary data measures of product-harm crises for the years 2010 to 2015. These data are analyzed with hierarchical generalized linear modeling.

### Summary of Findings

I find that, during a product-harm crisis, there is a positive, significant difference in tactics, in which closed tactics increase trust and persuasiveness more than open tactics.

### Key Contributions

Our main contribution is an understanding of which salesperson influence tactics are more effective during product-harm crises.

*References are available on request.*

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# Consumers' Relational Behavior: An Integrated Model of Psychological Contract, Trust, and Commitment

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**Keywords:** *psychological contract, customers' relational behavior, trust, commitment*

## EXTENDED ABSTRACT

### Research Questions

Although most key drivers of relationship outcomes in consumer markets are now identified and understood, past studies that have examined these constructs capture only the outcome of the exchange; they do not capture the exchange process between two relational parties. Past scholars have explored the role of psychological contract violation in the relationships between service providers and consumers (Pavlou and Gefen, 2005), its influence on trust and commitment (Kingshott and Pecotich, 2007), and the relationship between psychological contract fulfillment and affective commitment (Lövblad and Bantekas, 2010), but these studies are limited to examining two types of psychological contract derived from Rousseau's (1990) classification of psychological contracts while the mediating role of a communal psychological contract (CPC) has been largely unexplored. This research aims to advance the understanding of consumers' relational behavior with service providers by exploring various types of psychological contracts and incorporating them in the model as the antecedents of satisfaction, trust, and commitment to address two key questions: (1) how two types of psychological contracts (i.e. transactional and relational) influence the formation of a communal psychological contract? and (2) the extent to which psychological contracts affect consumers' satisfaction, trust, and commitment to a service provider?

### Method and Data

A quantitative approach is used in this study. Given that situations with high degree of customer contact and cus-

tomization constitute the best context for relationship formation between customer and service provider (Brown, 1990), we carried out this study in the beauty salon and hairdressing context. The specific respondents for this research constituted a purposive sample of women aged from 20 to 65 who had been using the services of beauty salons for the past two months. A total of 500 questionnaires (questionnaire on-the-spot, online survey link, and postage-paid questionnaires) were distributed to the respondents outside beauty salons and hairdressing services providing shops in Auckland City, New Zealand. Using shop-intercept method, potential respondents were screened for their age (at least 20 years old). 305 women living in Auckland completed the survey. Hypotheses were tested using Hayes (2013) regression based path-analytic procedure.

### Summary of Findings

Results of the data analyses showed that in consumer-service provider relationships, consumers hold three different types of psychological contract with the service provider. The results showed that a transactional psychological contract is governed by simultaneous reciprocation where the expectation of consumers of a provided service is very well specified. As opposed to a transactional contract, a relational contract is long-term oriented and governed by the norm of reciprocity. A transactional psychological contract was found to have a negative effect on the formation of a communal psychological contract which in turn affected satisfaction, trust and commitment to the service provider. A rela-

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tional psychological contract was found to have a positive impact on the formation of a communal psychological contract and the three core relational outcomes. Finally, a communal psychological contract was found to mediate the relationships between both types of psychological contract (i.e., transactional and relational) and consumers' satisfaction, trust and commitment.

### **Key Contributions**

The contribution of this study lies in extending previous work carried out by demonstrating the mediating effects of a communal psychological contract on the relationships between transactional psychological contract, and relational psychological contract, and customer satisfaction, trust, and commitment to a service provider. In contrary to Rousseau (1995) where psychological contracts exist in two major categories: transactional and relational; our study revealed a new dimension in the study of psychological contracts as

none of the researchers in service marketing settings have found the link between transactional psychological contract, and relational psychological contract, and communal psychological contract. Our findings also extend studies on personal relationship, specifically, the possibilities to have both communal and exchange relationship with the same individual by Mills and Clark (1994). Furthermore, each type of psychological contract influences consumers' core relational outcomes (customer satisfaction, trust and commitment) in a different but certain way. More importantly, this study contributed to a better understanding of the process of how relationship marketing variables influence relational behavior (Bhattacharya and Bolton, 2000, Palmatier et al., 2006) as well as how consumers characterize the status or strength of the exchange process in their minds (Czepiel, 1990).

*References are available on request.*

# Systems-Savvy Selling: A Quantitative Study to Uncover Predictors of B2B Sales Performance

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**Gary K. Hunter, Clemson University**

**Keywords:** *design attitude, sales performance, systems thinkin,; systems-savvy selling, internal knowledge brokering*

**Description:** *This research seeks to enrich our understanding of the linkages between internal creative cognitive activities, knowledge brokering and sales performance.*

## EXTENDED ABSTRACT

### Research Question

What knowledge-based factors and creative behaviors influence the B2B salesperson's ability to promote internal knowledge brokering and thereby sales performance?

### Method and Data

We use a sample of 387 B2B salespeople across diverse markets and industries. The study employed validated measures and was modified to detail and elicit the B2B salesperson perspective specifically. All constructs were reflective and utilized (in some instances adapted) a 5-point Likert-type scale with responses ranging from "1= strongly disagree" to "5 = strongly agree." The survey instrument consisted of 83 items: 72 were adapted from existing validated scales; 9 were demographics.

SPSS software, version 24 was used to perform an EFA using Principal Axis Factoring with Promax rotation (Hair et. al.,2010). Subsequently, a CFA using AMOS 24 software was conducted to validate the psychometric properties of the seven-factor model that emerged from EFA. Sufficient Composite Reliability (CR) was achieved on each of the factors (i.e., greater than 0.80) and convergent and discriminant validities were shown by examining Average Variance Extracted (AVE) compared to Maximum Shared Variance

(MSV) and Average Shared Variance (ASV) (Jöreskog and Sörbom, 1989).

Common method bias tests were conducted by adding both the common latent factor (CLF) and social desirability marker to the CFA results (Richardson, Simmering and Sturman, 2009). Evidence of method bias existed in the CFA and therefore data was imputed and CLF adjusted factors were utilized in the final structural model as they are likely to result in more unbiased estimations. Hypothesized relationships were then tested using structural equation modelling in AMOS.

### Summary of Findings

The results of the structural model indicate that sales performance explained 41% of the variance ( $R^2 = 0.41$ ) and internal knowledge brokering 36% ( $R^2 = 0.36$ ). Furthermore, seven out of the nine hypotheses tested were supported. The model demonstrates a positive and significant path between internal knowledge brokering and sale performance ( $\beta = .29$ ;  $p < .001$ ), which supports H1. A positive and significant relationship is observed between systems thinking ( $\beta = .17$ ;  $p < .001$ ) and sales performance as well as between systems thinking and internal knowledge brokering ( $\beta = .39$ ;  $p < .001$ ) (H2 and H3 are supported). Ambiguity tolerance was

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found not to have a significant impact on internal knowledge brokering ( $\beta = .00$ ; NS) (H4 unsupported). Additionally, there is significant positive relationships between empathy and sales performance ( $\beta = .29$ ;  $p < .001$ ) and empathy and internal knowledge brokering ( $\beta = .15$ ;  $p < .001$ ) (Supporting H5 and H6). The predicted relationship between altruism and sales performance (H7) was not supported ( $\beta = -.46$ ;  $p < .001$ ) as the finding was counterintuitive and a significant negative relationship existed. Finally, both long-term customer orientation and sales performance ( $\beta = .25$ ;  $p < .001$ ) and long-term customer orientation and internal knowledge brokering ( $\beta = .16$ ;  $p < .002$ ) are significant as predicted (H8 and H9 supported).

### **Key Contributions**

This paper empirically confirms the relationships between systems thinking and design thinking as likely being part of the same nomological network in the context of sales. We inform the Design Thinking, Systems Thinking, and Sales community that when salespeople apply systems-savvy selling (think and behave like designers (with a little “d”) enhanced by systems thinking), there is a shift in perspective from individual parts of the role to more holistic thinking

where mental models shed their mechanistic and linear framing to allow, for the emergence of process thinking or what Capra and Luisi (2014) describe as perceiving the world as an “interconnected web of relationships.”

In practical terms, systems-savvy selling provides clarification from which an individual can make broader informed decisions within the desired problem space. The continuous-interpretive act allows the salesperson to see things more holistically: elements, interconnections, and purpose. Seeing and behaving as designers (little “d”) motivates salespeople to tackle a multi-year, multiphase project based on a new way of seeing how the system can fit together. While approaching problems in this way makes them a much larger problem regarding scope, scale, and expense, it becomes something that can create real value for both the seller and buyer as it helps resolve tough systemic problems leading to improved knowledge and thereby improved value (co)creation. We argue these frameworks equip salespeople with the cognitive tools to avoid the one-size-fits-all pitfall and to focus on the specific need(s) of the heterogeneous customer base.

*References are available on request.*

# How Trait Emotional Intelligence Moderates the Relationship of B2B Salespersons' Skills and Performance: Interaction and Higher Order Effects of Sales Experience and Formal Education

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**Keywords:** sales performance, emotional intelligence, B2B sales, sales presentation skills, personal selling

## EXTENDED ABSTRACT

This research examines moderating effects of trait emotional intelligence (EI) on the relationship of sales/technical skills and sales performance in a B2B context. The authors conducted a field study among sales people of an international B2B company to investigate the interaction of sales presentation and/or technical skills and EI on sales performance data. Three different data sources were used in this study. The findings yield effects of trait EI on the strength of the relationship between sales presentation skills/technical skills and sales performance as well as higher order moderating effects of sales experience and formal education on this relationship.

## Research Question

Personal selling largely contributes to success in industries which require a substantial amount of explanatory support to customers. In order to perform efficiently and effectively, sales representatives need various skills as well as abilities and personality traits to successfully perform in these industries (Churchill et al. 1979). With respect to skills in B2B settings, sales representatives are required to present and explain technical products, solve customer problems, and sell complex products and services to create revenue in accomplishing their targets. Sales presentation skills (SPS) and technical skills (TS) are needed to meet these require-

ments (Churchill et al. 1997; Johlke 2006). With respect to abilities and traits, emotional intelligence, and social competencies are important in settings where personal selling and regular customer-salesperson interactions are dominating the exchange process (Lawler und Thye 1999; Lawler 2001). This paper explores the interaction of some of those determining variables in their effect on quantitative B2B sales performance. Interaction effects of trait emotional intelligence (TEI) (Petrides 2010), SPS and TS, job experience and education in explaining sales performance are analyzed. The main research questions include: How does trait emotional intelligence interact with SPS and TS in predicting sales performance? How do job experience and formal education moderate these interactions?

## Method and Data

The study was conducted among sales representatives of large B2B company selling technical products. Three different data sources were used in order to avoid common method variance issues. To assess TEI, sales people were asked to complete a paper-and-pencil questionnaire. Sales people's SPS and TS were measured through the assessment of the supervisors, in paper-and-pencil also. As a third source of data, performance records were provided by the company. *Trait EI* was measured using the TEIQue instru-

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ment (Petrides und Furnham 2009; Petrides 2010). *SPS* and *TS* were measured by scales developed by Rentz et al. (2002) and Johlke (2006). For *quantitative performance*, the company's data warehouse provided a ratio of planned and actual contribution margins per sales person based on past performance. *Sales experience* was assessed through self-report completed by sales representatives. *Education* was also provided by the sales representatives.

## **Summary of Findings**

Regression analysis was performed to study the relationships. The effect of TEI as an interaction variable was significant for the SPS-sales performance relationship only ( $\beta = .459$ ;  $t = 3.408$ ;  $p = .001$ ), not for TS. Higher-order moderating effects of *sales experience* on the interaction of TEI and SPS / TS explaining sales performance revealed that for highly experienced sales people significant (positive) effects were found for SPS ( $\beta = 0.714$ ;  $t = 3.565$ ;  $p = .001$ ). Higher-order interaction effects of formal education on the interaction of TEI and SPS/TS explaining sales performance were significant only for the primary education group ( $\beta = .401$ ;  $t = 2.493$ ;  $p = .016$ ) only.

Summarizing the findings, *firstly* the effect of SPS on performance increases with higher levels of the salesperson's TEI. TEI might influence the way in which a salesperson convinces the customer. Low levels of TEI might lead to misinterpretation, or the sales person might exert too much (or too little) pressure on the client, because he/she is not able to read the client's emotional state and preparedness for closing a deal. Or, the SPS exerted by the salesperson might not sound authentic to the buyer, who might become mistrustful or hesitant. *Secondly*, the moderating effect of TEI

on the SPS-performance relationship becomes larger with higher sales experience. Sales people with high levels of experience are better able to transform their SPS into performance, and if they have higher levels of TEI, the effect is even larger. *Thirdly*, the higher-order effect of formal education was confirmed for the primary education group. We argue that with a lower level of formal education the effect TEI becomes very important and perhaps compensates the lack of higher education, which is also politically interesting, supporting initiatives to motivate more young people to select this dual system of education.

## **Key Contributions**

This study aimed at contributing to the body of research on TEI and sales performance by applying an established instrument for measuring TEI and using objective performance data as dependent variable. For scientific progress in the field of marketing and sales management, the findings provide a better understanding of the direct and moderating influence of trait EI on objective sales performance. TEI is a moderator of the skills-performance relationship. Less formally educated sales people gain more from their trait EI than those with higher education, as such, for this group competencies related to TEI are more important. TEI also seems to be able to compensate for formal educational qualifications. For managers in the field of sales, marketing or HR, the study helps to better grasp the EI construct and its relevance for sales representatives. Considering the TEI of sales representatives, measuring it, and perhaps, set actions to increase the awareness for and the competences in EI, would be a good advice for recruiting and staff development.

*References are available on request.*

# **Eat What You Kill, Reap What You Sow: An Exploration of Hunting and Farming Sales Qualities**

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**John Nolan, University of Nevada Reno**

**Keywords:** *hunter, farmer, grit, MANOVA*

**Description:** *This manuscript examines the effects of the possible combinations of hunting and farming orientation levels in salespeople on relevant constructs such as grit, customer orientation, market orientation, and accomplishment.*

## **EXTENDED ABSTRACT**

### **Research Question**

It has long been acknowledged in sales and marketing research that salespeople often perform a diverse set of functions for their employers. Recently, a division of specialties has received increased attention in the literature called hunters and farmers wherein farmers cultivate existing customer relationships and hunters strike out to find new customers for the organization. Given the highly varied functions and roles that are demanded of salespeople in many organizations, a “complete” salesperson should be adept at both hunting and farming skills. It would be useful for organizations to understand some of the trade-offs in seeking either one orientation or the other. In addition, comprehension of the “complete” salesperson (one high in both hunting and farming orientations) would be useful. The purpose of this study is to examine the differences between “complete” salespeople that are high in both hunting and farming orientation and those that are low in either farming orientation, hunting orientation, or both. By looking at these differences, the current research seeks to understand the benefits of the various combinations of these orientations as well as the kinds of companies that attract and keep these salespeople.

### **Method and Data**

Samples from Qualtrics online panels ( $N = 310$ ) are used in the current research. Five latent constructs were measured: hunting orientation, farming orientation, grit, customer ori-

entation, and market orientation. These five constructs indicated reliability, and the convergent validity of the research instrument met generally accepted benchmarks. In addition, a single, self-reported measure of average quota achieved was used to measure salesperson performance. Using the two constructs of sales orientations, we created four categories: (1) HLFL (Low in Hunting orientation and Low in Farming orientation), (2) HHFL (High in Hunting orientation and Low in Farming orientation), (3) HLFH (Low in Hunting orientation and High in Farming orientation), and (4) HHFH (High in Hunting orientation and High in Farming orientation). We performed MANOVA with follow-up univariate ANOVA and paired comparisons on three constructs (i.e., grit, customer orientation, and market orientation) and one manifest measure (i.e., performance).

### **Summary of Findings**

The results indicate that four categories of sales orientations do not have the same attitudes and behaviors. First, we found that salespeople who are in the HLFL category have significantly lower grit than salespeople who are in the HHFH category. Grit is an important quality for salespeople regardless of the sales orientation. Second, there was a significant difference on the level of customer orientation based on salespeople’s farming orientation. Salespeople who are in HLFL and HHFL categories have lower customer orientation than salespeople who are in HLFH and HHFH cate-

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gories. This result shows that the farming orientation of salespeople can be determined by the level of customer orientation. Third, salespeople with low farming orientation rate their organization's market orientation lower than salespeople who are in the HHFH category. If organizations do not value high levels of customer satisfaction, then salespeople who play farming roles in their organizations would likely be discouraged. Finally, salespeople high in hunting orientation are found to have greater sales performance than salespeople that are low in hunting orientation. Salespeople who are highly hunting-oriented are likely to pursue financial rewards, and this extrinsic motivation can play an important role to develop their careers.

### **Key Contributions**

Our results indicate that hunting and farming orientation cannot solely demonstrate salespeople's attitudes and behaviors. However, we did find that sales ambidexterity that refers to a salesperson's ability to hunt for a new buyer and

also maintain relationships with existing buyers matters with respect to many of the investigated qualities. Since previous research indicates that gritty sales representatives were more likely to remain at their jobs long-term, it would not be surprising to witness the "complete" salesperson who remains (or survives) in the sales field and is promoted to become a sales manager. This result shows that there is potentially a survivorship bias in the relationship between tenure of individual salespeople and their hunting and farming orientations. In addition, the results appear to indicate that salespeople high in farming orientation are internally motivated to value customer satisfaction and/or are externally influenced by organizational directions and policies to value customer satisfaction. In contrast, the level of performance was distinctively different based on hunting orientation. We assert that this difference is potentially based on the incentive structures of these salespeople.

*References are available on request.*

# The Beneficial Effect of Salesperson's Resilience in a Mediated Role Ambiguity-Sales Performance Relationship and the Conditional Effect of Proactivity

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**Keywords:** resilience, role ambiguity, sales performance, proactivity

**Description:** *The beneficial effect of resilience on the negative impact of role ambiguity on sales performance by considering a mediated role ambiguity-sales performance relationship as well as a seller's proactivity as a condition of the resilience effect.*

## EXTENDED ABSTRACT

### Research Question

Occupational burdens such as inconclusive expectations, insufficient information or unclear goals are inherent in the sales job and oftentimes cause ambiguity-based role stress. Across existing sales studies, this kind of role stress is one of the most important drivers of sales performance and exhibits significant negative effects. Nevertheless, sales research focuses on the investigation of the consequences of role ambiguity but neglects to identify personal resources that enable salespersons to deal effectively with role ambiguity. While findings of stress research demonstrate that especially psychological resources determine a person's perception of and reaction to stress, little is known about these resources in the sales context.

Therefore, we introduce the resilience concept and investigate its buffering effect in the role ambiguity-sales performance relationship. For a deeper insight into this effect of resilience, we propose that the negative effect of role ambiguity on sales performance is mediated by a seller's personal accomplishment and work engagement. In doing so, we consider effect mechanisms of the role ambiguity-sales performance relationship and, thus, uncover processes through which resilience contributes to sales performance. In addition, we consider interaction effects between resilience and

a seller's proactivity to achieve a profound understanding of the compensatory effect of resilience.

### Method and Data

Two online surveys were conducted to investigate the buffering effect of resilience. 142 salespeople participated in study 1 and 175 salesmen attended study 2. The respondents of both cross-sector samples were randomly selected from an address database or from professional networks. In study 1 we examined the effect of resilience in the proposed mediated role ambiguity-sales performance process, while the evaluation of its robustness and the analysis of the interaction effect of resilience and proactivity were the objective of study 2. In both studies, we applied the same scales and used existing measures which were slightly adapted if necessary.

For the investigation of the mediator model and the underlying mechanism of the role ambiguity-sales performance relationship we used the partial least squares approach (SmartPLS 2.0) to structural equations modeling and the bootstrap-based mediation analysis. The compensatory effect of resilience and the impact of proactivity on this beneficial effect were examined with the bootstrap approach to moderated mediation analysis.

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## **Summary of Findings**

Results reveal that role ambiguity has no direct effect on sales performance. However, the negative effect of role ambiguity on sales performance is fully mediated by personal accomplishment, work engagement and the function of both mediators in serial, with personal accomplishment affecting work engagement.

Moreover, results confirm the beneficial effect of resilience for sales performance in the presence of role ambiguity. At this, resilience buffers the negative indirect effect of role ambiguity on sales performance through personal accomplishment and, in parts, through work engagement. In addition, there is some evidence that a seller's proactivity might be a boundary condition of the buffering effect of resilience. In this regard, the beneficial effect of resilience in the mediated role ambiguity-sales performance relationship is non-significant when proactivity is considered as moderator. Additionally, proactivity impairs the compensatory effect of resilience on the negative effect of role ambiguity on personal accomplishment.

## **Key Contribution**

The reported findings of two studies complement existing research on the role ambiguity-sales performance relation-

ship that mostly neglected to explore psychological resources that buffer the negative effects of role ambiguity. With resilience, we introduce a psychological resource that buffers the negative effects of role ambiguity on sales performance and enables sellers to deal effectively with ambiguity-based role stress. In doing so, resilience constitutes interpersonal differences within the same selling situation and is an important addition in order to better understand the process from situational characteristics to sales performance.

In this vein, we illustrate effect mechanisms of the role ambiguity-sales performance relationship through which resilience contributes to sales performance. Moreover, we found some evidence for a potential boundary condition (proactivity) of resilience.

In addition, we reveal a process model of the role ambiguity-sales performance relationship that incorporates a seller's personal accomplishment and work engagement. In contrast to existing research that widely assumed a direct relationship, we offer a deeper understanding of the interplay between ambiguity and sales performance.

*References are available on request.*

# Improving Performance of Sales Reps at the Product Category Level

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**Keyword:** sales rep, sales management, personal selling, sales efficiency, sales resources

**Description:** This research investigates how manufacturers gain from identifying the sales growth potential of sales reps accounting for multiple categories and time periods.

## EXTENDED ABSTRACT

### Research Question

The objective of this paper is to investigate the drivers of rep total sales and sales efficiency. We propose a model to assess sales performance that allows identifying (a) top performers based on the sales frontier of key inputs of management and promotion, and (b) the profile of reps who employ sales and financial resources to increase efficiency across the overall consumer portfolio and key categories. We develop a set of four hypotheses drawing from the literature of sales management and relationship marketing. The hypotheses were tested with a unique data set of 4,173 sales reps of a leading brand of cosmetics and health care products. From the salesforce and HR database, we gathered 12-month sales data in each of 11 product categories for 16 different territories. The models were estimated in a panel fashion employing SFA (Kumbhakar and Lovell 2000) and cross section fashion with OLS regression. The procedure is necessary to first estimate the sales efficiency for each sales rep and second to identify the profile of high efficient reps.

### Method and Data

To test the hypotheses, we use a unique data set of 4,173 sales reps selling a leading retail brand of cosmetic and health care products (e.g. perfume, make-up, and hair and skin care). From the salesforce and HR database, we gathered 12-month (15 cycles) sales-performance data in each of 11 product categories for 16 different team assigned to different territories. We followed a three-step approach to test the hypotheses of the sales performance drivers. In the first stage, we estimated the sales frontier based of the management and promotion instrument. Following the fundamentals of SFA regression, consider a sales rep  $i$  selling products

in  $j$  categories over  $t$  months. In category  $j$ , rep  $i$  and month  $t$ , there exists an upper bound  $y_{ijt}$ , or sales frontier, that is shaped by the top-performing reps in category  $j$ , and can be defined as a function of external factors (e.g., management). In the second stage, we employed the residuals from the regression equations to calculate individual efficiency scores for every sales rep in every category. In the third stage, we estimated the impact of rep profile in the use of sales and financial resources on the individual sales efficiency for every product category.

### Summary of Findings

We find that all three dimensions of management focus impact positively total sales, as hypothesized (H1). Sales managers who invest time on the business of reps (H1b) and motivating not so active ones—no sales in 3 cycles—(H1c) foster total sales of his/her reps. Sales managers who invest time prospecting affect negatively total sales of reps in his/her territory as predicted (H1c). We also find support to H2 in all two dimensions of promotional effort. Overall discount of products in the categories and bonus in products in the category affect positively total sales. We then used every rep sales efficiency as the dependent variable for each category in a series of models. In Model 3, we accounted for all categories and found that all dimensions of sales resources affect positively rep efficiency, supporting H3a-d. The bonus based on overall sales volume is the largest effect on efficiency (0.078), which suggests that efficient reps are driven by such sales volume resource. Results show that financial resources such as payment in installments and 20-day term of payment affect positively rep efficiency as expected (H4a–H4b). However, we did not find support to the effect of credit limit on the efficiency (H4c).

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## **Key Contributions**

Our study contributes to the literature by accounting for, in a single model, firms' drivers effect on individual rep performance (H1–H2), and rep resource management effect on sales efficiency (H3–H4). Previous studies have devoted attention to several of those sales performance drivers but ignored an integrated frontier model (e.g. Mullins et al., 2014). In addition, this study offers firms with an accurate and equitable way of evaluating sales reps in line with the recent call for more research in the field (Kumar, Sunder, and Leone 2014). By identifying sales-

people with the largest gaps between the actual and the estimated frontier, management narrows the list down to a more manageable number of sales reps, thereby better prioritizing its interventions such as training or incentive efforts. Sales management can then focus on for instance the most inefficient salespeople in each category in order to better understand why these salespeople have lagged behind and how growth may be attained by emulating the more efficient peer sales rep.

*References are available on request.*

# Does the Duality of a B2B Inside Sales Agent Job Responsibilities Effect Sales Performance Outcome?

*Richard Conde, University of North Texas*

## ABSTRACT

There is a radical shift in the way business are conducting sales. More companies are migrating their sales functions from outside sale representatives to inside sales call centers (Gessner and Scott, 2009). Moreover, according to [insidesales.com](http://www.insidesales.com), inside sales are growing 300 percent faster than outside sales, with 42,400 non-retail inside sales jobs created per year. Inside sales leadership mimics call center leadership in the need to create a highly motivational culture (Wegge et al., 2005). Self-Determination theory is a human motivation theory that indicates satisfaction levels regarding three basic psychological needs: autonomy, competence, and relatedness as predictors of an individuals' motivation and performance, influenced by their social networks (Deci and Ryan, 2000).

## Introduction

In addition to having a motivational culture, inside sales operations sales controls systems are essential elements for ensuring that an organization can accomplish its desired organizational objectives (Challagalla and Shervani, 1996). Outside sales research indicates the purpose of managerial control is to influence and shape employee attitudes to achieve the organization's goals (Anderson and Oliver 1987). Churchill, Ford, and Walker (1979) identify control as a critical component of the responsibilities of sales force management. Piercy, Cravens, and Lane (2001); Miao, Evans, and Zou (2007) indicate a high correlation between intrinsic motivation and behavioral control sales performance measures. However, there are no existing studies expanding salesforce control research through the Self-Determination lens in a B2B inside sales arena. Specifically, the influence of a SDT as an antecedent to sales controls.

Inside sales call centers are known to have significant oversight (Ball and Marguilis, 2011), employee burnout (Rod and Ashill, 2013), high production requirements (Benner and Mane, 2011), and high stress levels (Kjellberg et al. 2010). Even though both inside and outside sales have similar sales activities (presentations, proposals, etc.), inside sales agents have more stringent operational activities. These operational conditions conflict with SDT research that states SDT is dependent on an individual's ability to feel

competent/effective, autonomous/authentic, and related/connected to others (Deci and Ryan, 1985). Moreover, operational activities can moderate sales controls like Mallin and Pulling's (2009) finding that sales activity negatively moderates intrinsic motivation and performance.

Therefore, this study advances the comprehension of sales control components in an inside sales operation in a few important ways. First, SDT serves as the antecedent to sales control in an inside sales environment. Previous research analyzing the effect of SDT on sales controls has examined the influence of SDT in broad terms of intrinsic and extrinsic motivation (Miao, Evans and Zou 2007), or only SDT's individual components: autonomy (Eisenberger, Rhoades, and Cameron, 1999); competency (Walker et al. 1987); and relatedness (Hohemberg and Homburg, 2016). Second, sales control systems are introduced in a B2B inside sales environment. Third and perhaps most significant, introduce the moderating effect of operational activity as an activity outcome most prominent in inside sales.

## B2B Inside Sales Operation

Inside sales functions for B2C and B2B differ dramatically, thus requiring different approaches and methodology. At a high level, there are key distinctions between B2C and B2B (Cohn, June 2015). The relationship timeframe is much longer and takes considerably longer to cultivate in a B2B

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environment versus B2C. There is a greater demand for an inside sales B2B agent to develop relationships, grow partnerships, and create/present sales proposals. Similarly, B2B transactions involve more decision-makers, which requires considerable time and commitment. The B2B prospect pool is substantially smaller compared to B2C. However, Zoltners, Sinha, and Lorimer (July 2013) report B2B inside sales are growing at a robust pace. Finally, inside B2B sales agents require more product knowledge, which often calls for strong product knowledge. For example: "SAP has refocused its large and growing inside sales team toward working with channel partners" (Zoltners, Sinha, and Lorimer, July 2013).

In the last decade, companies have dramatically increased their B2B inside sales operations (Sales Outcomes, March 2015). Most important, no study has addressed the dichotomy that an inside sales operation requires, where performance should be optimal for both overall sales and operational adherence. The processes and systems used to lead an inside sales operation require wearing two hats, both equally focused on generating revenue, and at the same time, managing personnel and lead management systems.

## **Background Literature and Conceptual Framework**

The conceptual framework, depicted in Appendix A is developed through literature review and exploratory study, and is an extension of work by Challagalla and Shervani (1996), Miao, Evans, and Zou (2007) and Miao and Evans (2013). The literature review identifies and categorizes the drivers of sales performance control and subsequently pinpoints the sales performance components that fit under outcome performance and behavioral performance (Zalloco, Bolman, ad Mallin 2009).

## **Intrinsic and Extrinsic Motivation—Self-Determination Theory**

Initially, most of the literature on salesperson motivation looks at the design and administration of various compensation and incentive programs (Walker, Churchill, and Ford 1977). The ability to obtain external rewards is within the extrinsic motivation purview. These sales motivation findings were expanded by Anderson and Oliver (1987), Weitz et al. (1986), and Ingram et al. (1989) to include a more global intrinsic and extrinsic motivational view. Intrinsically motivated salespeople find their job inherently rewarding and enjoyable (Amabile et al., 1994). Cravens et al. (1993) found that behavior control (activity and capacity controls) is more associated with intrinsic motivation, while outcome control is closely related to extrinsic motivation.

In an outside sales environment, Miao and Evans (2014), Weitz, Sujan, and Sujan (1986), Miao, Evans, and Zou (2007)

advanced sales control research beyond intrinsic and extrinsic motivation to consider self-determination theory. Moreover, Gillespie, Noble, and Kim (2016) as well as Hohenberg, S., and Homburg, C. (2016) determine the correlation between self-determination theory and positive sales performance. Self-Determination Theory (SDT) represents a broad framework for the study of human motivation and personality.

One limitation of salesperson motivation research in the sales control literature is the lack of studies in an inside sales environment. As mentioned earlier, even though inside sales grow at alarming rates, and more companies are choosing this sales mechanism, research in this area is rather limited. The literature covering inside sales is focused on comparing inside sales functions to outside sales (Rapp et al., 2012), moving outside sales functions inside (Seley and Holloway, 2008), inside sales lead generation (Monica, 2013), and inside sales efficiency (Gessner and Scott Jr., 2009). Given the operational demands of an inside sales operation, inside sales research is fertile ground for expanding the influence of self-determination theory to sales controls in a B2B inside sales environment.

## **Sales Control Systems**

To assist salespeople in focusing on sales-related organizations goals and objectives, sales organizations use some form of sales control systems. Zalloco, Bolman, and Mallin (2009) indicate at its core; Eisenhardt (1985 and 1989) agency theory covers sales control systems emphasizing the alignment of objectives and goals between firms and agents. From a sales perspective, agency theory covers the challenge of how a sales manager can measure, observe, and appraise the sales agent's production to guarantee that the sales agent meets the organization's goals.

Anderson and Oliver (1987) and Jaworski (1988) extended the conversation by focusing on sales controls. Sales controls are critical since they provide a means for shaping and measuring salespeople's selling behaviors (Jaworski 1988). Moreover, Anderson and Oliver (1987) further dissected sales controls into two distinct categories: outcome and behavioral. Early research noted the importance of sales controls for providing the firm a way of monitoring sales performance, aligning the firm, establishing the sales agent's expectations, and providing salespeople with guidance on customer interactions (Sridhar 2010). Also, sales control mechanism includes a lens of transactional cost economics (Williamson 2010) as stated by Cravens et al. (1993).

Challagalla and Shervani (1996) expanded the behavioral component of sales controls into two broader categories: activity and capability control. Activity control refers to the stipulation of the activities a salesperson is required to complete. Capability control highlights the development and uti-

lization of sales skills. Rather, capability control sets individualized goals for the level of talents and capacities a salesperson must possess (Miao and Evans, 2012). Sales leaders must monitor both these behavior controls to ensure professional as well as emotional sales agent success. Oddly, research on outcome base controls is inconsistent. Jaworski et al. (1993) found improvement in performance, while Oliver and Anderson (1994) found a decrease in performance, and Lusch and Jaworski (1991) found no direct impact on performance. Therefore, the extent in which outcome control, activity control, and capacity control are influenced by self-determination theory (intrinsic and extrinsic motivation) is unknown, especially in a B2B inside sales operation.

### **Operational Adherence**

Sales literature is mostly focused on the relationship between sales and operational planning. Since most sales research has centered around outside sales, where following operational standards is not an integral part of the job description, there has not been a need to understand the relationship between sales performance and operational adherence. From a call center perspective, operational adherence has been examined with: employee satisfaction (Zapf et al., 2001); reduction of costs (Gessner and Scott, 2009); employee turnover (Wegge et al., 2005); and production maximization (Holman et al., 2009). There is a lack of research to understand the relationship between the needs of an inside sales agent, to meet call center operational requirements, and sales performance. Cause and effect, as well as the duality of the inside salesperson role, has not been explored.

Unlike outside sales agents, inside sales agent is required to follow sales activities as well as adhere to a myriad of operational activities. Therefore, the need to balance both sides of an inside sales job generates conflict for an inside sales agent, which in turn, has a moderating effect on salesperson performance.

### **Salesperson Outcome**

Miao and Evans (2014) combine sales performance and job satisfaction into the construct of salesperson outcome. In an outside sales environment, sales performance includes inside sales agent behavior to achieve results (Churchill et al., 1993) and being both behavioral and outcome based (Anderson and Oliver, 1987). Behavioral sales performance relates to skills needed to fulfill job duties (Piercy, Cravens, and Morgan, 1998) while outcome performance is directly attributed to the agent's ability to close leads, create new customers, and cross-sell multiple products. Moreover, Miao and Evans (2014) introduce job satisfaction (job engagement) as the salesperson's ability: "the force, energy and activity in which work is accomplished."

In similar fashion, Rutherford, Marhall, and Pack (2013), Rapp et al., (2012), and Gessner and Scott (2009) interpret inside sales performance from an outcome perspective, while Brown and Saunders (1980) evaluate job satisfaction for inside sales agents. Prior research appears to be consistent with the inclusion of sales performance and job satisfaction as part of a salesperson outcome, regardless of whether the environment is outside or inside sales.

### **Propositions**

To understand the effect of sales control systems on sales performance, this article draws on self-determination theory as the antecedent to an inside sales operation. The inferred attribution and expectancy is that a salesperson's performance is influenced by intrinsic and extrinsic motivation (Deci and Ryan, 1985). SDT principles serve as a "filter," which if implemented, expand sales performance. Essentially, if a B2B inside sales operations has a sales culture that embodies autonomy, competence, and relatedness, it positively affects activity and capability control. However, since outcome control results are rewarded by extrinsic measures, SDT overall influence over outcome control will be limited. Due to the overarching reach and influence of intrinsic motivation in an inside sales environment, overall sales controls will have a positive effect on sales performance. Regardless of which sales control is utilized, sales performance will be improved. The moderating effect of an agent's operational adherence will impact an inside sales agent's sales performance.

### **SDT Factors and Activity Control**

Activity control creates specific expectations regarding the activities salespeople are to perform (Ramaswami, 1996). Karasek (1979) suggests that the salesperson's need for job autonomy is perhaps the most relevant component of sales agent motivation. Mueller and Lovell (2013) cite the correlation of activities with job relatedness. Essentially, the sale agent's activity should align with what the sales agent views as important. Moreover, Eisenberger, Rhoades, and Cameron (1999) posit the need for a sales agent to complete required activities competently. Therefore, SDT principles seem to have a positive effect on activity sales controls. As a sales agent is completing an activity, improved performance comes from the agent that has more autonomy, relatedness, and competence as he/she completes the required activity.

P<sub>1</sub>: Higher levels of Self-Determination factors positively impact an inside sales agent's sales activity control measures

### **SDT Factors and Capability Control**

Capability control is intended to produce and reward salespeople's selling skills and has been suggested to impact

intrinsic motivation, primarily by promoting an enjoyable task environment (Challagalla and Shervani, 1996). According to SDT (Ryan and Deci, 2000), a work environment that encourages employees to seek out novelty and learn and apply new skills, since capability control enhances salespeople's perceived competence (Challagalla and Shervani, 1996). Also, this culture builds a closer bond between managers and salespeople (Anderson and Oliver, 1987), creating a greater degree of relatedness. SDT would suggest that an agent's ability to own their training and have greater control over how to gain information (autonomy), would enhance salespeople's wellbeing and job-related enjoyment (Ryan and Deci, 2000). The greater the level of SDT factors, the greater measure of sales capability sales controls.

P<sub>2</sub>: Higher levels of Self-Determination factors positively impact an inside sales agent's sales capabilities control measures.

### **SDT Factors and Outcome Control**

Salesperson work motivation has been identified in both intrinsic and extrinsic motivation. Outcome control uses incentives to reward salespeople in direct proportion to their sales outcomes (e.g., sales volume) (Anderson and Oliver, 1987). This type of control philosophy holds salespeople responsible for sales results, but managerial involvement in directing the selling process is minimal, which shifts performance risk to salespeople (Miao, Evans, and Ziou, 2007). Walker, Churchill, and Ford (1977) state outcome controls are more closely related to extrinsic motivation factors. Similarly, Deci and Ryan (1985) indicate perceived autonomy can be reduced by performance objective requirements (outcome control). Deci and Ryan (1987) add: "rewards tend to be experienced as controlling, which of course make sense, as rewards typically used to induce or pressure people to act in ways different from what they would do freely" (p. 1026). This statement also extends into other SDT components of competence and relatedness. Since the endgame is the sales outcome, an inside sales agent will have a void regardless of their ability to increase competency and relatedness because the focus is strictly on the numbers. There seems to be a lack of correlation between SDT factors and sales outcome sales measures.

P<sub>3</sub>: Higher levels of Self-Determination factors negatively impact on inside sales agent's sales capabilities control measures.

### **Sales Control Measures**

Given than most sales organization employ a combination of behavior and outcome-based control systems (Cravens et al., 2004), it is important to determine how the combination of sales controls measures sales performance. Miao and Evans

(2014) posit a hybrid control strategy that takes into consideration both forms of sales controls (outcome and behavioral). Most findings seem to favor behavioral base control due to its stronger positive association with salesperson psychological and behavioral outcomes (Baldauf et al., 2005). Psychological needs provide nutrients for intrinsic motivation and internalization (Gagne and Deci, 2004). According to Challagalla and Shervani (1996), two of the three sales control items are behavioral based: ability and capability. In their meta-analysis of intrinsic and extrinsic motivation, Cerasoli, Nicklin, and Ford (2014) indicate that depending on circumstances, one motivational factor could overshadow the other. This study posits that since most sales control measures are behavioral, the overall sales control system will have a positive effect on sales performance.

P<sub>4</sub>: Higher levels of all sales control systems will positively influence inside sales agent's performance outcome

### **Operational Adherence**

Aksin, Armony, and Mehrotra (2007) describe the flexibility design problems for operational management at an inside calls center. Aksin, Karaismen, and Ormeci (2007) indicate the flexibility design problem inheritably found in call centers. According to Houlihan (2004), "this tension unmasks a series of conflicts: between costs and quality, between flexibility and standardization and between constraining and enabling job design" (p. 341). Quality, flexibility, and the autonomy of facilitating job design fall under the purview of SDT. Inside call center employees feel tension between control and commitment, in part through performance measurement systems (Bain et al., 2002). Furthermore, Aksin, Armony, and Mehrotra (2007) show that quantitative and qualitative targets may present more conflicts for inside sales agents. There is empirical evidence that high involvement (greater relatedness and competence) leads to higher sales and quality (Batt, 2002). Therefore, the degree of an inside sales agent adherence to operational standards (number of calls answered, compliance, etc.) will affect sales performance outcomes.

P<sub>5</sub>: A higher level of operational adherence will negatively moderate the effect on inside sales agent's performance outcome.

### **Further Research**

In addition to the five propositions regarding the inter relation of sales controls, SDT and operational adherence in an inside sales environment discussed in this article, several additional areas for further research merit attention. Specifically, four such areas are identified: B2C and B2B operational differences, full autonomy operational models, sales outcomes based on cultural differences and integrated regulation of extrinsic motivation factors. These areas are dis-

cussed in further detail as well as direction for future research is covered in the following subsections.

### **B2C and B2B Operational Differences**

B2C and B2B inside sales centers instinctively have different operating models. B2C inside sales operations are based mostly on inbound calls, compared to a B2B inside sales center which depends on outbound calls to reach their target market. Molino et al (2016) found inbound call centers has greater degree of emotional dissonance Yet, no body of known research has compared sales performance outcomes between the two operating models in an inside sales environment. It would seem the model with the best sales performance outcome would be imitated regardless of customer type (B2C or B2B). Furthermore, B2B inside sales centers operate during normal business hours, compared to 7 day 24hr model many B2C inside sales centers have. The oversight to manage the hours of availability are different for each center (Holman et al. 2009) could limit an agent's perceived autonomy greater in a B2C operation. Therefore, B2C and B2B operational differences need further research to help determine the positives and opportunities for each.

### **Full Autonomy Operating Models**

ABF Freight delivery inside sales operation provides great flexibility to their inside sales agents. At ABF, inside sales agents have the autonomy to control the who they call, when they call and when to stop. This ownership of their schedule provides a great amount of autonomy which is generally not seen in many inside sales call centers (Kjellberg et al. 2010). Since 2010, inside sales at ABF have grown from \$6 million to over \$100 million. Inside sales agents are held to a sales goal while given the freedom to achieve their sales performance goal. Understanding full autonomy inside sales operating model extend the application of SDT into the realm of inside sales. Furthermore, research in this area would further validate the moderating influence of operational adherence and could possibly expand the operational adherence construct.

### **Sales Outcomes Based on Cultural Differences**

The need for bilingual sales agents is quickly growing in the U.S. Per Pew Research (2015), 30% of the 57 million Hispanics in the U.S. prefer to speak in Spanish. This has created the need for companies to expand their bilingual hiring

initiatives (Duchene 2009). How do the Hispanic constructs of simpatia, familial and personalismo (Holloway, Waldrip and Ickes, 2009) influence an inside sales agent? Moreover, keeping these Hispanic constructs in mind, are there any differences how Hispanic sales agents view operational regulations? Prior sales research has been limited in researching the cultural differences of Hispanic sales agents (inside or outside) housed in the U.S. Simply put, the Hispanic cultural moderator deserves further analysis in inside sales research.

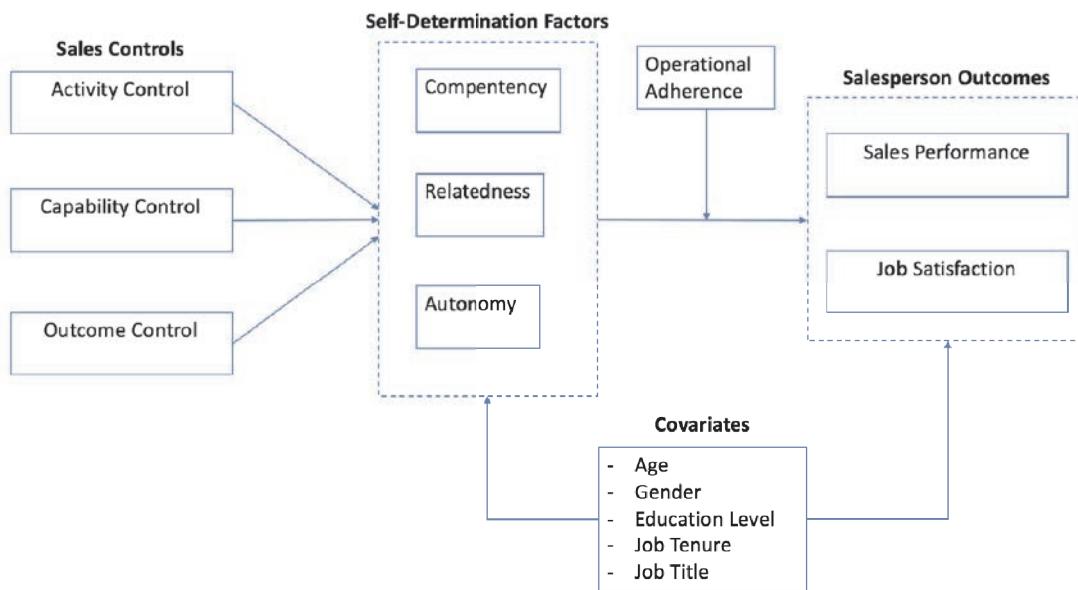
### **Integrated Regulation of Extrinsic Motivation Factors**

There has been strong debate regarding the overall influence of intrinsic and extrinsic motivational factors. Examining SDT theory in a sales setting, Eisenberger, Rhoades, and Cameron (1999) found a strong correlation with extrinsic motivators and sales performance. Gagne and Deci (2005) indicate extrinsic motivation becomes "intrinsic" when the extrinsic motivation is coherent within the individual's goals, values and regulations. To date, there is limited research further analyzing the four segments of extrinsic motivation as discussed by Gagne and Deci (2005) in a sales environment.

### **Conclusion**

This research offers several important implications for managers of inside sales operations on how to better understand the key motivating drivers of sales performance. Specifically, the conceptual framework introduces the moderating factor of operational adherence. In doing so, this research helps dispel some of the common misconceptions that an inside sales organization is like an outside sales team or that an inside sales organization is an extension of a call center. The need to monitor operational adherence is not an essential part of an outside sales agent, yet, day in and day out, inside sales agents must adhere to several phone requirements.

The complexities of managing an inside sales team are far reaching as it requires the ability for a leader to create a harmonic sales culture, while at the same time develop an operational monitoring system that is unobtrusive. Self-Determination theory provides a great basis for manager to understand key motivator factors and most importantly the best way to balance behavioral and outcome sales controls through the lens of SDT to deliver better overall sales performance.



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# Why Kuwait Will Listen to Costa Rica but Not Vice Versa: The Role of “Organizational Homophily” in Tacit Knowledge Sharing Between National Sales Companies

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**Keywords:** *international marketing, national sales organizations, tacit knowledge sharing, global automotive industry*

**Description:** *The paper explores how knowledge is exchanged within a global automotive sales organization and identifies particular market/organizational characteristics that influence this activity.*

## EXTENDED ABSTRACT

### Research Question

The purpose of the research was to understand how and between whom tacit knowledge was being shared between the national sales companies within a global automotive organization and to identify how this process could be enhanced for the benefit of the organizations involved.

A qualitative approach was chosen as there was not a common language or set of concepts that could be tested and quantified and secondly because of this it was felt necessary to seek clarification of both understanding and meaning of the responses. The aim was to gain an in depth understanding of the respondents' opinion of Knowledge Sharing (KS) and its importance. Addressing three research questions:

- What is the relationship between informal (tacit) and formal (explicit) knowledge sharing between national sales companies?
- Between whom was tacit KS taking place?
- To what extent did the concept of “homophily” impact on this KS activity?

### Method and Data

Semi-structured interviews were conducted by Skype/Telephone with senior managers in a range of national markets with the content being recorded and then transcribed.

The markets examined were selected using a variational and relational sampling approach (Strauss and Corbin 1998) to ensure that there was a global representation and a clear mix of large, medium and small markets.

The markets selected were Algeria, Canada, Columbia, Costa Rica, Italy, New Zealand, Dubai, Kuwait, South Korea, Netherlands, Chile, Belgium, USA, Turkey, Saudi Arabia and Russia.

### Summary and Findings

Almost all markets reported the importance of “informal” networks as a starting point for knowledge sharing at the local, regional and national levels. The “informal” or tacit knowledge described by respondents had a number of characteristics:

- The ability to access individuals outside the formal hierarchy

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- The ability to discuss areas of knowledge to clarify context, culture, and other details that were not contained within the structure
- The ability to identify problems / issues that may not have been identified within the explicit knowledge sharing documentation.

Most of the previous academic studies identified that homophily was based on interpersonal connections based on cultural and demographic similarities. From the responses, it became apparent that there was a further dimension that appeared to be more important than personal homophily and that was based on not only from where the respondent came but some very specific market characteristics.

One of the major issues identified by nearly all respondents was the ability to find “relevant” knowledge. Depending on your own market determined what you thought was relevant. In exploring these three factors emerged that respondents measured themselves and information providers against. These were:

- Size of distribution network
- Maturity of market
- Resources

## **Key Contribution**

The implications for international sales and marketing organizations are important. Often businesses will organize forums based on regions or globally with the expectation that by mixing people informally tacit KS will take place. The research undertaken demonstrates that this simplistic approach does not maximize the opportunity for this to happen. To facilitate better information sharing it would be beneficial to facilitate interaction between organizations that have the similar market characteristics as identified in this study. It is not unusual for companies to organize regional conferences based on the assumption that geographical proximity is beneficial to KS. It can be argued that it is better to bring markets together based on the three criteria identified despite the fact that they make come from widespread geographical areas. At global conferences, often presentations are made by large successful markets while the evidence from this study would suggest that only people from markets with similar characteristics will engage with what is being said.

The research proposes the new concept of “organizational homophily” as an issue that needs to be addressed when organizing international marketing events.

*References are available on request.*

# Sales Force-Innovation Coupling: An Empirical Investigation of Sales Force Timing and Outbound Open Innovation

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**Keywords:** *outbound open innovation, sales force management, sales force timing in new product development*

**Description:** *This empirical investigation provides evidence for both the effects of the timing of sales force inclusion in the new product development process and the effects of outbound open innovation, or outsourcing the sales function, on innovation success.*

## EXTENDED ABSTRACT

### Research Question

Successful innovation stimulates competitive advantage, increased demand and profit growth for companies, ultimately impacting firm longevity and improved shareholder value. Thus, executives and researchers continue to seek factors that lead to innovation success. Presently, a gap remains in our understanding of when to include the sales force within the innovation process and how to include the sales force, i.e. whether or not to outsource selling activities. Specifically, is it best to include the sales force at the time of launch (after the product has been tested, refined and ready for market) for “just in time” savings or would earlier inclusion in the process be beneficial? Likewise, does outsourcing the sales force have a positive or negative effect on innovation success?

### Method and Data

We gathered data on 229 new product innovations from firms in the biochemical industry. Using partial least squares structural equation modeling, we conducted a multi-group analysis between firms that never outsourced the sales function and those that frequently outsourced the sales function. In addition to traditional marketing mix and R&D mix variables, we assessed timing of the sales force involvement in the overall process as well as sales force fit.

### Summary of Findings

Findings indicate that including the sales force early in the new product development process has a significantly posi-

tive relationship with new product development success and profitability of the innovation. In addition, outsourcing the sales force explained variance in new product development success. Our analyses suggest that firms that often outsourced the sales function had better new product development success overall. However, outsourcing the sales force moderated the relationship between unique products and new product success such that the relationship is stronger for those firms that do *not* outsource. On the other hand, outsourcing the sales force moderated the relationship between superior products and new product success such that the relationship is weaker for those firms that do *not* outsource. Thus, the decision to outsource the sales force must be made within the context of marketing strategy—whether the innovation is a truly new, unique product or a superior version of a previous product, for example a second-but-better strategy.

### Key Contributions

We make the following contributions to the marketing literature on innovation. First, we offer evidence supporting the early inclusion of the sales force in the new product development process. While executives may think the expenditure unnecessary until commercialization, coupling the sales force into the innovation process early on has a significant, positive impact on its success. Two key benefits of early sales force involvement in new product development include an amplified “voice of the customer” being fed into intelligence operations of the new product development team as

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well as the acceleration of pre-launch training of the sales force, which advances early adoption, segment penetration, and achievement of a shorter time to break even. The second contribution we provide is empirical evidence on the relationship between outsourcing the sales force function (out-

bound open innovation) and new product development success. We emphasize this finding is specifically connected to strategic considerations regarding the innovation itself.

*References are available on request.*

# Organizational Cross-Selling Determinants: Aligning Organizational Structures and Steering Instruments for Successful Cross-Selling

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**Keywords:** cross-selling, sales force management, organizational structures, steering instruments

**Description:** This study draws on the structural perspective of organization theory to examine how firms can orchestrate organizational determinants for superior cross-selling success.

## EXTENDED ABSTRACT

### Research Question

Cross-selling represents a major success factor for firms (Johnson and Friend 2015; Kamakura 2008). However, evidence indicates that firms struggle with conducting cross-selling successfully (Baldwin 2008; Rosen 2004). Previous research has therefore begun examining cross-selling determinants to provide initial insights. However, existing research is subject to at least three limitations. First, prior studies have examined antecedents to cross-selling success at either the individual or team level (Jasmand, Blazevic, and De Ruyter 2012; Patterson, Yu, and Kimpakorn 2014; Schmitz 2013; Schmitz, Lee, and Lilien 2014). Thus, important antecedents at the organizational level (Burns and Stalker 1961) have been neglected. Second, previous research has focused on financial incentives, when examining salesperson steering regarding cross-selling (Schmitz, Lee, and Lilien 2014). Thus, it is unclear how nonfinancial steering instruments affect cross-selling success. Third, the majority of previous cross-selling research has focused on business-to-consumer (B2C) settings (Jasmand, Blazevic, and De Ruyter 2012; Kumar, George, and Pancras 2008; Reinartz, Thomas, and Basculou 2008). Thus, knowledge is scarce on how firms can conduct successful cross-selling in business-to-business (B2B) settings. Based on these limitations, we investigate the following research question: How can B2B firms orchestrate

organizational determinants and steering instruments for superior cross-selling success?

### Method and Data

We conducted a large-scale survey with sales managers across various B2B industries. Specifically, we invited 3125 sales managers to participate in our survey. To increase key informant reliability, we surveyed two sales managers from every business unit (Homburg et al. 2012). To further reduce common method variance, we conducted the survey in two waves (Rindfleisch et al. 2008). In the first questionnaire, we collected information about the exogenous variables, the second questionnaire focused on the endogenous variable cross-selling success. Realizing a response rate of 18%, we received 549 usable questionnaires from sales managers, 444 of whom also participated in the second survey wave. These respondents represent a total of 212 business units. To test our hypotheses, we conducted ordinary least squares (OLS) regressions using STATA 14.

### Summary of Findings

Findings reveal that organizational cross-selling structures and steering instruments must be closely aligned to maximize cross-selling success. For example, financial steering instruments enhance the positive impact of organic structures on cross-selling success but weaken the positive

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influence of mechanistic structures on cross-selling success. By contrast, nonfinancial steering instruments enhance the impact of mechanistic structures but reduce the influence of organic structures. Moreover, a cross-selling supportive organizational culture has an impact only on cross-selling success when being employed with steering instruments. Overall, the findings reveal that aligning organizational cross-selling structures and steering instruments may increase firms' cross-selling success by up to 178%.

### **Key Contributions**

This study makes three major contributions. First, this study investigates how organizational factors determine cross-sell-

ing success. Thus, this study is the first to systematically examine organizational antecedents to cross-selling. Second, this study investigates the interactions of both nonfinancial (i.e., cross-selling training and systematic job rotation) and financial (i.e., cross-selling incentives) steering instruments with organizational structures. Third, we investigate organizational cross-selling antecedents through a cross-industrial multiphase and multisource survey. Specifically, we conduct a large-scale survey with 212 sales managers from B2B industries at two points in time. To validate the obtained information, we collect data from a second manager from the same business unit.

*References are available on request.*

# Gendered Wording in Sales Job Advertisements: Potential Impacts on Recruitment

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*Dawn Deeter, Kansas State University*

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**Keywords:** recruiting sales personnel, gendered-biased sales advertisements

**Description:** Sales job advertisements were reviewed by 679 upper-class university students and their ratings confirmed that the majority of ads contained masculine-biased wordings and differences between responses based on gender and student major (sales/marketing/business/non-business).

## EXTENDED ABSTRACT

### Research Question

H1: Sales job ads will contain more masculine- than feminine-biased wording.

H2a: Among female college students, sales job ads having higher masculine word counts will be viewed less favorably than ads with equal or higher feminine word counts.

H2b: Among male college students, sales job ads having higher masculine word counts will be viewed as equal to ads with equal or higher feminine word counts.

### Method and Data

Study 1: Content Analysis of 116 job ads for entry-level sales personnel collected from three university sales programs and Monster.com, CareerBuilder.com, and LinkedIn.com. Nine ads identified as most representative of the entire group. Study 2: ANOVA and ANCOVA analysis of survey results (between-subjects design). Respondents randomly assigned to one job ad from the group of nine ads. Data collected from 679 university students representing three university sales programs. Participating students responded to 16 questions about their assigned advertisements.

### Summary of Findings

Fifty-three percent of entry-level sales job ads were identified as masculine-biased, as compared to 29.91% feminine-biased and 15.38% neutral. Regardless of gender and ad type, sales students demonstrated a more positive attitude toward the ad and rated perceived organizational attractiveness and job pursuit intention more highly than did students in other undergraduate business and non-business majors. Male marketing majors/other business majors had a more positive attitude toward the ad and rated perceived organizational attractiveness and job pursuit intention more highly, under strongly masculine-biased conditions than did female marketing majors/other business majors. No gender differences were found for other ad types. For masculine-biased ads, female business students had a more positive response than did male business students with respect to attitude toward the ad and job pursuit intention. This finding was unexpected.

### Key Contributions

Results demonstrate sales educators need to be aware of gender discriminatory language in ads targeting students; educators can help female candidates recognize they may be de-selecting themselves based on ad content rather than

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actual job content. Further, findings suggest companies need to be aware of potential gender bias in their job ads targeting college students and take steps to address this bias. Organizations should work toward gender-neutral job ad

wording as a way to maximize the potential applicant pool of male and female candidates.

*References are available on request.*

# Sales Principles: The Case of Rules and Standards

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**Keywords:** principles, rules, standards, sales

**Description:** This paper examines the implications of articulating a sales principle as more rule-like or standard-like.

## EXTENDED ABSTRACT

Leading companies such as Google, Apple, Amgen, Cisco, and Intel are increasingly relying on simplifying rules, heuristics, and principles to provide guidance to managers in increasingly complex competitive environments (e.g., Bingham and Eisenhardt 2011; Challagalla, Murtha, and Jaworski 2014). For instance, recent research suggests that simple salesforce rules such as “Target the audit group within customer organizations to get sales” (Bingham and Eisenhardt, 2011, p. 1447) can be very beneficial to firms because they provide useful heuristics that are easily remembered, shared, and understood by organizational members (e.g., Bingham and Eisenhardt, 2011). Although this emerging research has had a significant theoretical (Bingham and Eisenhardt, 2011; Davis, Eisenhardt, and Bingham, 2009) and practical (e.g., Eisenhardt and Sull, 2001) impact on field of sales and marketing, surprisingly little is known about the *articulation* of simple sales rules.

The literature suggests that the *way* a simple rule is articulated can have significant implications for firms and adherents. For instance, compare the aforementioned rule to the following sales rule, “Target large enterprises” (Bingham and Eisenhardt, 2011, p. 1445). Research suggests that the first rule is likely to have greater development costs but lower enforcement costs than the second rule; the first rule is also likely to elicit greater decision-making opportunism, but less decision-making bias than the second rule (Kaplow, 1992; Korobkin, 2000; Sullivan, 1992; Sunstein, 1995). To our knowledge, such important differences, tradeoffs, and implications are yet to be surfaced and explored in the sales literature.

The present research makes two key contributions. First, it brings to forefront that the *way* a principle is articulated can have a significant impact on adherents (e.g., salespeople) and adjudicators (e.g., supervisors)—a perspective that, until now, has been neglected in the sales literature. Second, it draws on a multi-disciplinary stream of research to provide a theoretical framework and propositional inventory that outlines the important implications and tradeoffs associated with articulating a principle as more rule-like or standard-like. These contributions complement and extend the recent research on marketing doctrine (Challagalla, Murtha, and Jaworski 2014) and important work on simple rules (e.g., Davis, Eisenhardt, and Bingham 2009) by focusing on micro-level strategic issues embedded within them.

## Research Question

What are the decision-making and cost implications of articulating a sales principle as more rule-like or standard-like?

## Summary of Findings

1. We propose that sales principles that are more rule-like than standard-like engender less bias by adherents and adjudicators, and more procedural fairness by adjudicators.
2. We suggest that sales principles that are more rule-like than standard-like are *more* costly to develop and update, but *less* costly to use and enforce.
3. We argue that sales principles that are more rule-like than standard-like are more costly to develop, use, enforce, and update in highly dynamic environments.

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## **Key Contributions**

1. We bring to forefront that the way a principle is articulated can have a significant impact on adherents (e.g., salespeople) and adjudicators (e.g., supervisors)—a perspective that, until now, has been neglected in the sales literature.
2. We draw on a multi-disciplinary stream of research to provide a theoretical framework and propositional inven-

tory that outlines the important implications and tradeoffs associated with articulating a principle as more rule-like or standard-like.

*References are available on request.*

# The Role of Sales Managers in Supporting Innovativeness

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**Keywords:** sales innovativeness, sales leadership, sales organization innovativeness, sales manager perception

**Description:** This study extends the understanding of sales innovativeness by approaching the phenomenon through an analysis of sales managers' accounts.

## EXTENDED ABSTRACT

### Research Question

Innovativeness is one of the most important tools in a manager's repertoire and a critical source of competitive advantage in a changing and competitive business environment (Hurley and Hult 1998; Crossan and Apaydin 2010), yet relatively few studies focus on assessing sales innovativeness per se (Matsuo 2009). The need for research into sales innovativeness related to leadership has been recognized, because the leadership processes contributing to innovativeness remain under-explained (Salaman and Storey 2002). The literature provides diverse arguments regarding sales innovativeness. Neither is it clear whether innovativeness has specific dimensions in a sales context, or how sales leadership influences innovativeness. We investigate the role of a sales manager in supporting innovativeness in sales teams. We define innovativeness as an organization's proclivity, receptivity, and inclination to adopt unfamiliar ways and ideas (Kim et al. 2011).

The study builds on arguments that the way in which managers perceive and understand innovation is a crucial factor in executing it, and that the views of key managers are crucial when influencing the culture of an organization (Salaman and Storey 2002). Furthermore, the role of leadership at all levels of an organization is paramount to enhancing innovativeness (Hult et al. 2004; Auh and Manguc 2005).

### Method and Data

Using inductive case research as well as content and phenomenographic analysis, perspectives from the innovation,

organization, and sales literatures are assimilated to avail the understanding of innovativeness in sales organizations. A qualitative and inductive approach was chosen for describing, interpreting and understanding the empirically complex phenomenon of sales innovativeness (Denzin and Lincoln 2005, 3-4; Eriksson and Kovalainen 2008, 51). The primary data was collected through inductive in-depth interviews with eight sales managers from eight companies located in Finland. The analysis utilized two analyses, namely inductive content analysis (Krippendorff 1989; Yin 2013) and a phenomenographic approach (Marton 1988, p.176).

### Summary of Findings

The findings principally indicate that innovativeness was regarded as a necessary element in sales units, and the development of innovativeness is highly dependent on the supporting role of sales managers. The found themes comprised: organizational learning and development, knowledge management, culture, and customer orientation. An innovative atmosphere was seen to require a learning orientation and at the same time it was considered to enable continuous learning. According to the findings, sales teams have the most specific customer knowledge. This knowledge should be used to build a bank of knowledge and subsequently utilized to guide innovative offerings to the customers. Organizational culture, in turn, was seen to determine the working methods and ability to work innovatively. The findings also suggest that having a customer orientation is an intrinsic dimension in sales innovativeness.

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## **Key Contributions**

This study extends the understanding of sales innovativeness and contributes to the existing research by focusing on accounts from sales managers, which is a rarely applied view in innovation research. Our findings indicate that transformational leadership is likely to result in sales innovativeness. The leadership exercised by the sales manager is imperative in facilitating organizational learning (Hult et al. 2004), knowledge management (Madhavaram and McDonald 2010), and an organizational culture (Deshpandé et al. 1993) that fosters sales innovativeness. However, in order for such sales innovativeness to occur, the sales manager should ensure that these

three leadership dimensions are carried out in a customer oriented manner (Saxe et al. 1982). By including customer orientation and sales innovativeness in the same framework, we aim to reveal the filtering role of customer orientation on leadership practices and sales innovativeness. This finding strengthens the positive relation between customer orientation and innovativeness found by earlier scholars (Deshpandé et al. 1993; Hurley and Hult 1998; Kim et al. 2011), and challenges the finding that customer orientation and innovativeness may have conflicting goals (Matsuo 2006).

*References are available on request.*

# Aligning Digital Channel Strategies to the Business Buyer's Sourcing Journey

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*Heidi Kock, Haaga-Helia University of Applied Sciences*

**Keywords:** *b-to-b sales, digital channels, buyer-seller interaction, Kraljic Matrix*

**Description:** *Based on qualitative data collected in Belgium and Finland, this paper discusses how companies' digital channel strategies should be adapted to the needs of business-to-business buyers.*

## EXTENDED ABSTRACT

### Research Question

In the selling domain, one of the most overlooked areas of study is the effect of changes happening at the buyer side that impact the sales function. Fueled by new waves of digitization business customers are increasingly empowered by information. It is critical for selling firms to convey the strengths of their offer through different channels to be considered for the shortlist, given the salesperson is no longer asked basic product information and is omitted from a possible value-enhancing sales conversation until the buyer requests it.

At the same time, there is a growing strategic focus on procurement and buyers are more and more making judgments about the future efficiencies and effectiveness of their supplying selling companies.

Remarkably few sales researchers have addressed the empowerment of procurement. Nor is attention being paid to the buyers' focus on strengthening their competitiveness in terms of sourcing journey efficiency.

In this paper we contribute to the buyer-seller literature by asking "How does the perceived supply risk influence the efficiency needs in the b-to-b buyer's sourcing journey and consequently the desired sales communication approach? Subsequently, we make suggestions for selling organizations on how their digital channels should be presented to the buying firm.

### Method and Data

The qualitative research consisted of 20 in-depth interviews with b-to-b buyers in Belgium and 31 in Finland. The interviewees consisted of both decision makers and influencers. Their sourcing needs were related to financial transaction services, wireless connection, cargo solutions, office furniture and interior design, security services, IT solutions or operator services.

The interviews were conducted in a semi-structured format either face to face, via Skype, or phone. The interview questions were related to the buyer's perceptions on the use of digital channels in the information search and shortlisting process prior to meeting the seller. The interviews, which lasted 53 minutes on average, were transcribed verbatim.

The first round of analysis included a qualitative content analysis based on a coding chart that merged the identified themes into 19 main themes. The coding categories finally resulted in three main coding categories: "importance of accessible information," "importance of comprehensive information," and "openness to have a sales conversation offline." In the second phase of analysis the Kraljic Purchasing Portfolio matrix was used to distinguish whether the perceived supply risk affects the efficiency needs. The two-by-two matrix categorizes the profit and supply risk impact of the purchased good or service on the buying company.

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## **Summary of Findings**

From the data analysis emerged four paths leading to four different sales channel approaches. First, buyers who buy *non-critical products/services* want to have the full set of information that they need to make a purchasing decision. Given the low supply risk for the buying organization, buyers want to decrease their buying time and, thus, prefer to have an online buying process. When the buying company categorizes the selling company's offer as a non-critical product or service, selling organizations should try to trigger an automated, online sales process.

Second, *for leverage products*, the buyer wants to improve the efficiency of the recurring buying cycle. However, for new purchases, the buyers follow a structured shortlisting process, to then favor face-to-face interactions with a selling team. Thus, we suggest selling organizations to design the digital channels so that all shortlisting qualifications are easy accessible online, but at the same time, to create "action buttons" to take the conversation offline.

*Bottleneck and strategic products* imply a high supply risk for the buying company. The interviewed buyers state that

trust is an essential qualifier. Therefore, we suggest that the conversation should be taken offline as soon as possible.

## **Key Contributions**

This review of b-to-b buyers' attitudes towards different digital channel approaches, structured by selling companies, is contributing to the pressing question in the sales domain regarding how to take control of the sales cycle and respond to the voices of sales practitioners who are challenged by decreasing levels of sales effectiveness and plummeting sales cycle efficiency. The suggested approaches in this paper are centered on the buyer's needs in terms of availability and accessibility of information to make a buying decision and thus the openness to participate in an offline conversation with a salesperson. We hope this paper will open up the discussion on how the digital channel strategy should be adapted to the needs of b-to-b buyers.

*References are available on request.*

# Understanding Social Selling Using a Social Capital Theory

**Prabakar Kothandaraman, William Paterson University**

**Bahar Ashnai, William Paterson University**

**Rajiv Kashyap, William Paterson University**

**Keywords:** social selling, social capital, structural dimension, relational dimension, cognitive dimension

**Description:** This paper theoretically outlines the role for social media in salesperson relational sales management and sales performance, taking a social capital perspective.

## EXTENDED ABSTRACT

### Research Question

Buyers' immense interest in social media has made it essential for sales organizations to understand and evaluate the potential impacts of utilizing social selling, i.e. social media in the selling process. The unprecedented growth in use of social media has impacted every aspect of business. Sales and marketing operations have been most affected due to the high level of customer involvement. There is a widespread adoption of social media by customers. However, companies have been cautious in embracing social media. The effect of social media on business, marketing and sales needs greater understanding. Furthermore, there is no clear understanding of the role played by social media in salesperson relational sales management and sales outcomes. Our study uses the social capital lens, that encompasses both social network connections and the potential returns such connections offer to individuals and firms, to investigate how the usage of social media has an impact on relational sales management and consequently on sales performance.

### Summary of Findings

We developed a nomological model of the impact of social media usage by sales people on relational sales management and sales performance using a social capital perspective. The review of the existing literature and adaptation of existing concepts to study social media concept, suggests that sales people can use social media to enhance structural, relational and cognitive dimensions of social capital. The *structural dimension* describes whether an actor is connected or not

connected to another actor in a network. The *relational dimension* outlines the expectations and obligations members have towards one another based on personal and emotional attachment. The *cognitive dimension* is the capital that the network members can access through the resources provided by shared representations, interpretations, and systems of meaning among parties. Each of these dimensions can then impact on practices of relational sales management (consisting of *opportunity creation, relational management performance and understanding customers*) and consequently on sales performance (consisting of *customer acquisition, customer retention and outcome-based sales performance*). As the next step of this study, we will use existing scales in the literature to collect data using an online questionnaire and test the model using Structural Equation Modeling.

### Key Contributions

This article theoretically outlines the role for social media in salesperson relational sales management and sales performance. Specifically, taking a social capital perspective, the article develops a framework proposing the positive influence of social media use on salesperson relational management and performance. It proposes different dimensions of social capital (i.e. structural dimension, relational dimension and cognitive dimension) impact on various relational sales management exercises (i.e. opportunity creation, relational management performance and understanding customers) and consequently on ultimate sales outcomes (i.e. customer acquisition, customer retention and outcome-based sales

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performance). This helps managers to understand the impact of different usage formats of social media on different dimensions of the social capital. It furthermore examines how dimensions of social capital impacts on relational sales

management practices. Finally, it tests the effect of relational sales management on sales performance.

*References are available on request.*

# Social Media Enabled Social Capital: The Role of Salesperson Time Management and Organization Innovation Climate

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*Ashish Kalra, University of Texas at Arlington*

**Keywords:** *social media, social capital, time management, innovation climate*

## EXTENDED ABSTRACT

### Research Question

We aim to answer a key research question as to whether and how salesperson's social media use has positive effects for salespeople, in terms of creation of social capital?

### Method and Data

Survey responses were collected from salespeople working across a wide range of business to business companies and industries. We utilized or adapted existing measures of the constructs in our conceptual model. We analyzed our hypotheses using seemingly unrelated regression in STATA.

### Summary of Findings

The results indicate that social media usage by salespeople is positively related to social capital creation and appropri-

tion. Moreover, both salespeople's time management skills and perceived innovation climate of the organization strengthens the positive direct effect of social media use on salespeople's social capital creation.

### Key Contributions

This study offers novel practice-based effects by extending the previous research call for bringing social into sales. The role of salesperson's social media use in creating salesperson's social capital deepens our understanding of the positive effects of social media use in a sales context.

*References are available on request.*

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# Justifying Unethical Sales Behavior: The Impact of Salesperson Role Variables and Moderating Effects of the Selling Environment

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*Laura Munoz, University of Dallas*

**Keywords:** *role perceptions, salespeople, neutralizations, ethics, self-efficacy, relationship orientation*

**Description:** *The purpose of this study is to explore the relationship between salesperson role perceptions and use of neutralization given the selling environment (B2C vs. B2B).*

## EXTENDED ABSTRACT

Justifying unethical selling practices is alarmingly prevalent among today's sales force. At the heart of this problem are salespeople that do not follow procedures, err in ethical judgment, and attempt to justify unethical behavior with (what they feel are valid) excuses (Serviere-Munoz and Mallin 2013). The sales performance literature attributes selling behavior, in part, to how salespeople view their role (Churchill, Ford, and Walker 1985). In the face of confusing and conflicting roles, salespeople form negative role perceptions, are more likely to exhibit poor ethical judgement and engage in unethical practices that negatively impact their sales organization (Luo and Kumar 2013).

Interpreting whether a particular sales behavior is ethical or not is often a matter of perspective and to mentally compensate, salespeople often turn to attributions to justify their acts. Attributions such as "no one was harmed by my actions" or "I did this to pay the bills/ feed my family" are all too common conversations between a salesperson and sales manager. These phrases exemplify what researchers have deemed neutralization techniques (Sykes and Matza 1957) and serve as means for salespeople to attribute the cause of their unethical behaviors to either internal or external forces.

### Research Question

Given this, the purpose of our study is to explore the relationship between salesperson role perceptions and use of

neutralizations to justify unethical behavior given the selling environment (B2C vs. B2B). We use an attribution theory approach (Teas and McElroy 1986) to explain that neutralizations serve as a form of attribution that salespeople use to justify their unethical behavior. Our research further contributes to the sales literature since exploring neutralizations in B2C and B2B contexts has yet to be studied in the professional sales domain and has implications for practicing sales managers.

### Method and Data

A cross-industry sample of salespeople was collected using an online survey. Verification checks were used to ensure that the subjects met the criteria of selling in a B2B or B2C non-retail setting. Previously validated scales were employed for all of the study variables which consisted of: *neutralization type, role conflict, role ambiguity, role task-efficacy, and role relationship orientation*. Our moderating variable, *customer type* was measured by asking whether their primary customer was a consumer or business. Due to importance of controlling for organizational and personal variables, we captured and built into our analysis: *percent of salesperson compensation from salary, years of salesperson selling experience, and gender*.

SmartPLS (Ringle, Wende, and Will 2005) was used to estimate a (partial least squares) structural model (Anderson

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and Gerbing 1988; Joreskog and Sorbom 1984). Using the method of partial least squares was advantageous due to the relaxed requirement for modeling latent constructs across a larger and normally distributed sample (Hair, Hult, Ringle, and Sarstedt 2014).

## **Summary of Findings**

The analysis supported the notion that *role ambiguity* and *role task self-efficacy* have a positive impact on salesperson's use of neutralizations. The study also found that *role relationship orientation* and the use of neutralizations have a negative relationship. Regarding moderating relationships, the type of customer selling environment does not moderate the relationship between salesperson *role conflict* and *role ambiguity* and use of *neutralizations*. However, we found that the type of customer selling environment did moderate the relationships between *task self-efficacy*, *role relationship orientation*, and the use of *neutralizations*.

## **Key Contributions**

Not fully understanding the role and what salespeople are accountable for is likely to lead to neutralizations to justify

unethical behavior. Furthermore, more self-confident salespeople may feel that they are immune from doing anyone harm or victimizing a customer. When a long-term customer relationship orientation is present, salespeople are more likely to "own up" to their unethical behavior rather than to make attribution or excuses.

The type of customer selling environment was a significant moderator in some of these relationships. For example, in a B2C selling environment, the use of neutralizations seems to be less prevalent among self-efficacious salespeople due to the relative straightforward and transactional nature of the selling task (i.e., standardized product and fixed pricing). In a B2B selling environment, more confident salespeople tend to use neutralizations—maybe because the complexities of a customized solution where there are more opportunity for salespeople to err in ethical judgement. Likewise (in B2B), relationship orientated salespeople seem to have more to gain by having trust bestowed upon them and as a trusted advisor, they may feel a stronger sense of responsibility and personal ownership of outcomes.

*References are available on request.*

# Biting the Hand That Rewards You: Discovering the Reward-Theft Parity Effect

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*William T. Self, University of Central Oklahoma*

**Keywords:** *frontline employees, theft, rewards, survey, field experiment*

## EXTENDED ABSTRACT

Rewards are positive reinforcement mechanisms used to shape and drive desirable employee behaviors. However, rewards may also have unintended consequences, such as building expectations for the receipt of extra rewards and breaking down an employee's barriers to specific forms of theft. As an investigation of the dark side of the reward-behavior association, this article explores what is herein referred to as the reward-theft parity effect (RTPE). We hypothesize that the receipt of specific types of rewards induces greater amounts of corresponding types of employee theft. In Study 1, survey results demonstrate the RTPE for multiple types of parallel reward-theft pairings. Results also show these associations are attenuated by perceptions of justice. In Study 2, results from a field experiment further support the RTPE by revealing greater theft magnitude under a reward-theft parity condition than under a reward-theft disparity condition. Further, the RTPE is exacerbated when the reward-behavior task is perceived to be unjust. Collectively, these findings provide new theoretical insights and extend organizational rewards and employee theft research, while also giving managers a more complete understanding of the dark side of certain behavioral reinforcement mechanisms.

## Research Question

We propose the provision of a certain type of reward earned may cognitively trigger the employee to legitimize (i.e., license) the receipt of that benefit in the future, regardless of their deservingness (i.e., entitlement). FLEs thus are more likely to believe they should obtain this benefit, be it through legitimate or illegitimate means. Such reward-theft pairings operate in parallel, with specific forms of reward licensing specific forms of theft.

*Hypothesis 1: Rewards are positively related to theft. Specifically, reward types are positively related to corresponding theft types such that (a) greater product rewards will be associated with greater product theft, (b) greater financial rewards will be associated with greater financial theft, and (c) greater time rewards will be associated with greater time theft.*

We also hypothesize that the RTPE interacts with an FLE's perception of justice. Specifically, perceptions of injustice will further direct the employee's motives in a manner that amplifies this relationship.

*Hypothesis 2: The relationship between rewards and theft is moderated by procedural justice. Specifically, the associations between (a) product rewards and product theft, (b) financial rewards and financial theft, and (c) time rewards and time theft are attenuated when FLEs perceive higher levels of procedural justice.*

## Method and Data

In Study 1, we conducted a survey of 634 student participants assessing the reward given and corresponding theft enacted (product, financial, time). The structural model was assessed in EQS 6.3.

In Study 2, we used a two-by-two between-subjects design. Two private booths were constructed in a shopping mall and researchers recruited 285 participants. Participants were randomly assigned into a reward-theft parity condition (parity/disparity) and a justice condition (just/unjust). The participant was asked ten general trivia questions. In all conditions, a clear bowl with 100 one-dollar gift cards to an

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online retailer (theft opportunity) was placed on the table. To test the RTPE, in the parity condition participants received a gift card for each correct response to establish the reward-theft opportunity linkage. In the disparity condition, participants received a \$1 bill for each correct response, providing no linkage. In the just treatment condition, participants were provided a reward for each question they answered correctly. In the unjust condition, participants were told some correct responses were incorrect. In all conditions, following the trivia task, the participant was left alone with the bowl of gift cards under the premise of filling out a survey evaluating the fairness of the task.

### **Summary of Findings**

The results of Study 1 support the RTPE for product rewards-theft ( $\beta = 0.07, p < .05$ ) and time rewards-theft ( $\beta = 0.11, p < .05$ ), but not for financial rewards-theft ( $\beta = 0.02, p > .05$ ). Additionally, the reward-theft associations for products and time were attenuated when the respondent perceived higher levels of procedural justice ( $\beta = -0.07, p < .05$ ;  $\beta = -0.07, p < .05$ ); however, no attenuation was present for financial rewards-theft ( $\beta = 0.02, p > .05$ ).

The results of Study 2 indicate the manipulation worked. Participants in the unjust condition ( $M = 4.41$ ) perceived greater injustice compared to those in the just condition ( $M = 3.75$ );  $F(1, 277) = 15.69, p < .05$  and significant prediction of theft magnitude with  $F(5, 279) = 3.67, p < .05$ . Both the parity/disparity ( $F = 5.39, p < .05$ ) and just/unjust ( $F = 8.64, p < .05$ ) main effects were significant. Theft in the parity condition averaged \$1.11, compared to \$0.41 in the disparity

condition. Further, we found a significant interaction between the manipulations ( $F = 2.73, p < .05$ ), with injustice resulting in nearly three times greater theft in the parity condition (\$1.82) versus the disparity condition (\$0.62).

### **Key Contributions**

We investigate the RTPE in order to understand if organizational rewards contribute to corresponding forms of FLE theft, as well as if contextual conditions impact reward-theft relationships. Collectively, our findings provide new theoretical insights and extend organizational rewards and FLE theft research, while also giving managers a more complete understanding of the dark side of certain behavioral reinforcement mechanisms. Specifically, this study is able to complement these overlapping gaps by studying reward-theft associations; therein contributing to the systems approach employed by organizational theorists (e.g., Niehoff and Paul 2000) by showing the effects of rewards on employee theft. Additionally, our study focuses on the correspondence between types of rewards and types of theft (i.e., parity effect). Across two studies, our findings show the RTPE exists: (a) survey results show product reward-theft and time rewards-theft pairings (Study 1), and (b) experimental results show the magnitude of theft was greater in the parity condition compared to the disparity condition (Study 2). These findings collectively support the existence and causal evidence of the RTPE. Such findings represent a major paradigm shift for organizational frontline researchers to consider when investigating reward systems and/or FLE theft.

*References are available on request.*

# The Mediating Role of Consumer Perceptions of Sales Pressure on the Impact of Salesperson Credibility

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Ronald A. Clark, Missouri State University  
Susan Brudvig, Indiana University East*

**Keywords:** sales pressure, consumer, salesperson, credibility, mediation

**Description:** This research concludes that aggressive sales pressure fully mediates the effect of salesperson credibility on consumer regret with the buying experience.

## EXTENDED ABSTRACT

### Research Question

High pressure tactics have historically been applied by transaction-oriented salespeople in an effort to close a sale (Baron and Staten 1995). Hartman (2005) concluded that “pressure is consistently an effective strategy for producing managerially undesirable consequences (p. 74).” In short, we must then seek to improve our understanding of this much under-researched area of consumer perceptions of sales pressure. It is imperative to establish what variables are antecedents to perceived sales pressure, in addition to what outcomes, desirable or undesirable can be linked to the existence of such pressure. The purpose of this study, then, is to further our understanding of consumer perceptions of sales pressure. In this case, our specific research question is whether a consumer’s perception of sales pressure mediates the relationship between perceived salesperson credibility and consumer regret and alienation. In so doing, this research increases our understanding of the importance of both credibility and perceptions of sales pressure to outcomes of interest in sales organizations. Sales managers can then train their teams accordingly, in terms of requisite credibility of salespeople and their desired amount of pressure, if any, applied to the persuasion episode.

### Method and Data

The sample is 292 adult consumers who required the help of a salesperson and purchased the product during a recent buying situation. Respondents are predominantly White (90%)

and female (55%), with a median age of 40 years. Most respondents completed at least some college (89%) and reported an annual household income over \$60,000 (67%).

We adopted reflective multi-item measures for the latent variables, using established scales in the marketing literature that were modified slightly to fit our research purpose. To assess the measurement properties of our scales, we conducted a confirmatory factor analysis (CFA) using maximum likelihood structural equation modeling (SEM). The results indicate a good overall fit of the model ( $\chi^2$  (140) = 250.0,  $p < .001$ ;  $\chi^2/df = 1.8$ ; SRMR = .051; RMSEA = .052; TLI = .961; CFI = .968), given the sample size and the number of variables (Hu and Bentler 1999). The measures demonstrated good psychometric properties (Fornell and Larcker 1981).

### Summary of Findings

The overall fit of the structural model was assessed and paths were estimated via maximum likelihood SEM. The resulting structural model reflects good overall fit meeting acceptable thresholds. All six hypotheses were in the hypothesized direction but only three were supported. Salesperson credibility is negatively related to perceptions of aggressive sales pressure ( $\gamma = -.67$ ,  $p < .001$ ) and negatively related to perceptions of directive sales pressure ( $\gamma = -.67$ ,  $p < .001$ ). Therefore, both H<sub>1a</sub> and H<sub>1b</sub> are supported. In support of H<sub>2a</sub>, consumers’ perception of aggressive sales

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pressure is positively related to regret with the buying experience ( $\beta = .82$ ,  $p < .001$ ). Consumers' perception of directive sales pressure is negatively related to regret but nonsignificant ( $\beta = -.25$ ,  $ns$ ), so we must reject H<sub>2b</sub>. Neither consumers' perception of aggressive sales pressure nor consumers' perception of directive sales pressure is a predictor of alienation (respectively,  $\beta = .25$ ,  $ns$ ;  $\beta = -.08$ ,  $ns$ ), so we must reject H<sub>3a</sub> and H<sub>3b</sub>. Finally, using conditions outlined by Maxham and Netemeyer (2002), aggressive sales pressure was found to fully mediate the effect of salesperson credibility on consumers' regret with the buying experience.

### **Key Contributions**

This research builds on the work of Zboja et al. (2016) on consumer perceptions of sales pressure, better clarifying the role of aggressive POSP in a new context; that is, mediating the relationship between salesperson perceived credibility and consumer regret. In addition, this study also confirms the existence of two related, yet distinct, factors of perceived

sales pressure (aggressive and directive), each with different relationships with both desirable and (in this instance) undesirable outcomes for salespeople and firms.

These findings have implications for sales management. First, the impact of customer perceived credibility on perceptions of sales pressure was negative and quite strong. This finding underscores the importance of salesperson credibility in the eyes of the customer. This finding highlights the need to assess and actively promote the importance of credibility among sales teams. Likewise, the finding that perceptions of directive sales pressure was insignificantly (but negatively) related to both consumer regret and alienation implies that some pressure, coupled with an element of direction, in the sales process is not always a bad thing. Finding a delicate balance in approach, while likely no simple task, could serve to improve outcomes for all.

*References are available on request.*

# Investigating the Mediating Role of Workplace Jealousy in Perceived Injustice-Outcome Relationships: Can Self-Efficacy Help?

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**Keywords:** *work-place jealousy, front line employees, organisational injustice, job performance, work place deviance, turnover intention, self-efficacy*

**Description:** *The study is the first empirical investigation of the antecedents and consequences of workplace jealousy in a frontline employee workplace setting.*

## EXTENDED ABSTRACT

### Research Questions

Based on Affective Events Theory (AET), the study investigates the role of workplace jealousy in the context of frontline employees. The following research questions are proposed:

- Does organisational injustice perceptions influence workplace jealousy of frontline employees (FLEs)?
- What is the impact of workplace jealousy on key FLE work outcomes such as turnover intentions, work place deviance and job performance?
- Can FLE self-efficacy reduce the deleterious impact of workplace jealousy on FLE work outcomes?

### Method and Data

The data was collected through a survey conducted among frontline employees and their managers in a large commercial bank in Pakistan. A total of 388 employees and 52 managers participated in the survey. All constructs were measured through established scales. FLE job performance was evaluated by the managers of the FLEs while the rest of the constructs were measured from the FLEs directly. The conceptual model was empirically validated through the partial least squares methodology.

### Summary of Findings

Our study findings demonstrate that jealousy is an emotional outcome of perceived injustice at workplace. Jealousy is also found to have deleterious effects on key FLE work outcomes. Thus, consistent with AET, our findings suggest that jealousy could be a key mediating mechanism in the injustice—work outcome relationships. The findings also highlight the key moderating role of self-efficacy in regulating the deleterious effects of jealousy on FLE work outcomes.

### Key Contributions

Our study extends prior limited work on FLE emotions and may be beneficial for both academics and practitioners in understanding a common negative emotion experienced by FLEs—workplace jealousy. In particular, our study demonstrates that injustice perceptions play a critical role in triggering the negative emotion of jealousy, which in turn, has deleterious effects on key FLE work outcomes. Thus, our study significantly contributes to the services literature by examining how frontline jealousy could be detrimental for the success of a service organization.

*References are available on request.*

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# Part 0

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# Role of Service Quality Tier and Customer Autonomy on Coproduction

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**Keywords:** *coproduction, quality tier, brand quality, autonomy, customer satisfaction*

**Description:** *This research examines quality superiority will facilitate leveraging coproduction as a beneficial resource for the service provider.*

## EXTENDED ABSTRACT

### Research Question

Products in the market place often are classified into different quality tiers. Extant research has found several business advantages accruing from quality superiority. Customer coproduction is a burgeoning theme in service research. Integrating the two research streams of quality tiers and coproduction, this research examines how quality superiority will facilitate leveraging coproduction as a beneficial resource for the service provider. Furthermore, the research examines the role of customer autonomy in influencing the aforementioned relationships.

### Methodology

We develop a conceptual model using social perception and attribution theories and propose a series of research hypotheses. We test the hypotheses using a qualitative study and three experiments.

### Summary of Findings

Our findings are (1) coproduction has a negative effect on service outcomes; (2) this negative effect is mediated by customer's inferred firm motive for engaging in coproduction; (3) quality tier attenuates the negative effect of coproduction on inferred motive; that is, the negative effect of coproduction diminishes for high-quality brands, suggesting high-quality services get a favorable advantage when employing customer labor; (4) offering customers a choice regarding whether to coproduce prior to actual coproduction not only mitigates the negative effect of coproduction on inferred

motive, but also reduces the moderating impact of quality tier, demonstrating customer autonomy as an important path for low-quality brands to overcome the limitation of their brand positioning and still benefit from coproduction.

### Key Contributions

Our research makes important theoretical and managerial contributions. More specifically, (1) we find a negative effect of coproduction on customer satisfaction and service quality when customers contribute labor to coproduce the service, identifying the downside of coproduction; (2) we show customer's inferred firm motive as an important missing link in forming customer's responses to coproduction and develop a scale for measurement; (3) we further explore factors that would influence such inference process and examine two moderators –brand quality (an external factor) and customer autonomy (an internal factor); (4) by integrating the research streams on quality tier and coproduction, for the first time, we demonstrate that quality tier stimulates more positive inference towards firm motive even when outsourcing labor to customers, a great news for high-tier brands to leverage their brand positioning in capitalizing customer labor; and (5) building on social identity theory, we find an alternative way for low-tier brands to utilize coproduction: offering customer autonomy overcomes the external influence of quality tier and changes the dynamics of customer inference, offering valuable managerial insights to marketers.

*References are available on request.*

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# The Moderating Role of Service Category Perception in Service Co-Creation

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**Keywords:** *customer-to-customer, C2C, co-creation, customer satisfaction*

**Description:** *This article examines the effects of customer to customer interactions in motivating consumers to engage in service co-creation efforts aimed at helping other customers.*

## EXTENDED ABSTRACT

### Research Question

Although social media has elevated the role of customer to customer (C2C) interactions, its importance during the service consumption process is often neglected. C2C interactions often occur in a context involving social and emotional support, leading to benefits of improved role clarity, perceptions of value and citizenship behaviors among consumers. Despite their best efforts to provide excellent service, many firms operate in industries with low consumer trust and they must find ways to overcome the skepticism of their customers. Industries such as healthcare and financial services, especially after the 2008 financial crisis, leap to mind. Transactions with certain professional services such as legal and financial advisory services are often clouded in suspicion regarding their ultimate benevolence toward the customer. This study proposes that C2C interactions increases customer involvement in supportive actions toward other customers (termed customer support co-creation) and customer satisfaction with the service firm. Customer satisfaction with the service firm is expected to positively affect customer support co-creation. It is also proposed that consumer skepticism toward the service category moderates the three aforementioned relationships.

### Method and Data

Data were collected by means of a survey of users of health-care services in India. The survey focused on the co-creation of diabetes preventative care involving diabetic patients

working along with their healthcare providers to further educate diabetic members of the community on how to do proper self-care. A field research firm was contracted to select a random sample of type 2 diabetics who visited four diabetic clinics with which the firm has arrangements. The survey yielded 374 useful responses. All responses were collected by means of personal interviews at a mutually agreed location. We controlled for the effects of demographic variables, namely gender, age, education and income. The health status of respondents was also controlled for since the ability and willingness to undertake voluntary activity is contingent on participants' ability to function.

### Summary of Findings

Confirmatory factor analysis was carried out using IBM SPSS AMOS 24. The average variance extracted (AVE), indicating the percentage of variance attributed to the construct versus random error, range from 69% for category skepticism to 76% for customer satisfaction. Having established the efficacy of the data, the hypotheses were tested using two-step regression, first evaluating the main effects and then the interaction effects. C2C interaction quality significantly increases willingness to engage in customer helping co-creation and customer satisfaction with the service. Customer satisfaction did not increase consumer willingness to do customer helping co-creation. Turning to the moderating hypothesis, two of the three moderating hypotheses are supported. The results show that category skepticism

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reduces the positive effect of C2C interaction quality on customer satisfaction with the firm but does not moderate the effect of C2C interaction quality on co-creation. Category skepticism also moderates the effect of customer satisfaction on customer helping co-creation.

### **Key Contributions**

The moderating role of category skepticism demonstrated by this study is an important contribution to the C2C and related customer co-creation literatures. This study finds evidence that instead of facilitating value integration, C2C interactions may work against the service firm. In situations of doubt, C2C interactions may reinforce negative perceptions confirming suspicions that undermines the willingness to attribute satisfactory performance to a focal service firm.

In industries that are fraught with skepticism, the value integration process may become reversed, fueling doubts about the intentionality and commitment of the service firm. Regarding managerial implication, when service firms focus only on improving the reputation and performance of their businesses, while distancing themselves from industry initiatives that improve ethics, customer bill of rights, and accountability, they may find their progress similar to climbing a “down escalator.” Firms such as Uber Inc. have been criticized for being reluctant to strengthen driver screening following incidents of driver crimes and recklessness. These events reinforce the broader negative narrative consumers have of the industry.

*References are available on request.*

# Value Creation with Interactive Self-Service Information Technologies (SSIT) In-Store

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**Keywords:** *self-service technology, user experience (UX), perceived value, digital retail, shopping*

**Description:** *The paper analyses the impact of both costs and benefits derived from interactivity with information kiosks and integrated tablets on perceived UX global value, and the impact of perceived UX global value on the intent to reuse SSITs.*

## EXTENDED ABSTRACT

### Research Question

With the digital transformation, retail strategies have become increasingly service-oriented, and the focus on proposals to create value become the core of the retail sector. As digital consumer decision aids, SSITs (self-service information technologies) are a growing part of this retail evolution, where consumer information search becomes an interactive and connected experience. The purpose of this paper is to provide new insights into what may lead to greater user experience value of SSITs in-store, and the reuse of the SSITs.

First, we examine the effects of the costs (perceived lack of control over information search, perceived risk with private data usage) and the benefits (perceived autonomy in information search, relational benefit, and enjoyment during user experience) on the perceived user experience global value (UXGV) with SSITs. Second, we analyze how subjective product expertise moderates the relationship between perceived lack of control over information search, perceived autonomy, and the relational benefit on perceived UXGV of SSITs. Third, we measure the impact of perceived UXGV on the intention to reuse the SSITs. Finally, this study investigates the differences between age groups, and between two digital self-information technologies, notably information kiosks and integrated tablets.

### Method and Data

The study was conducted using two digital self-information technologies (information kiosks and integrated tablets) set up in three complex product categories that require in-depth information and explanation (DIY retail, sports retail, alcohol retailing in grocery hypermarkets). In collaboration with 6 retailers (Leclerc, Carrefour, Auchan, Castorama, Leroy Merlin, Decathlon), a total of 523 shoppers were interviewed *in situ* just after their information search experience with the SSIT. This sample structure is representative of the shoppers in the product categories studied specifically in the gender (female: 44.4% and male: 55.6%) and age (20–35: 29.4%, 36–50: 42.2%, 51+: 28.4%) variables. We designed the survey questionnaire using scales adapted from the marketing literature.

All the constructs meet the criteria concerning construct reliability (Dillon-Goldstein's  $\varrho$  is around 0.85) and unidimensionality, as well as convergent (Average Variances Extracted are greater than 0.7) and discriminant validity (AVE values are superior to squared correlations between the constructs). To test our research hypotheses, we used the Partial Least Squares (PLS) approach with XLSTAT 2016 software.

We used the multi-group comparison method to test the differences in the focal variables across the three age

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groups and across the digital self-service information technologies.

## Summary of Findings

The theoretical model explains 50% of the variance of the UXGV, demonstrating satisfactory predictability. Furthermore, the UXGV explains substantial amount of variance (41%) in the intention to reuse the SSITs.

The perceived lack of control over information search has a negative effect on UXGV, whereas perceived autonomy and enjoyment has a positive impact. Moreover, perceived risk with private data usage, and the relational benefit do not play a significant role on the UXGV. It is worth noting that subjective product expertise does not have a moderating effect. However, the findings indicate the following differences between age groups and SSIT interfaces:

Age groups differences:

- The perceived risk with private data usage has a negative significant impact on UXGV only for 51+;
- The subjective product expertise moderates the relationship between:
  - relational benefit and perceived UXGV only for the 51+,
  - autonomy and perceived UXGV only for 20–35.

SSIT differences:

- The relational benefit has a significant impact on the UXGV only for kiosks
- The impact of the enjoyment on the UXGV is significant higher for tablets

- The subjective product expertise moderates the relationship between:
  - relational benefit and perceived UXGV only for tablets
  - perceived autonomy and perceived UXGV only for kiosks

## Key Contributions

This study has significant implications for practitioners and scholars, revealing perceived user experience global value to be an important predictor for the intention to reuse SSITs. These technologies appear as relevant solutions to the new shopping trip patterns. The results suggest that autonomy and enjoyment benefits are the main drivers to create value during information search, for both information kiosks and integrated tablets. It is interesting to note that a main SSIT objective for retailers, namely enabling shoppers' independence from sales clerks, is also assessed as a major source of value. Integrated tablets appear more relevant for developing entertaining experiences. A shopper paradox between the autonomy and relationship benefits is highlighted for information Kiosks. The shoppers adapt their purchasing process in a multi-channel context, regarding the quality and availability of information sources.

However, interactions with the apparatus can make for higher costs due to the lack of perceived control of information search tasks and the perceived risk with private data usage (for the 51+ age group). Managers should pay more attention to browsing activity, consider the variety of information search strategies, and integrate the shopper in design development.

*References are available on request.*

# Customer Participation in Online Service Contexts: An Empirical Investigation in the Online Travel Booking Industry

*Peiyu Pai, National Chengchi University*

*Bo-Hsien Tsai, National Chengchi University*

**Keywords:** *customer participation, service-dominant logic, informativeness, enjoyment, sense of partnership*

**Description:** *This research combines studies in consumer psychology and online user behavior to investigate the critical antecedents and a possible moderator of the customer participation process on an online travel booking platform.*

## EXTENDED ABSTRACT

### Research Question

Studies of customer participation have largely focused on its positive outcomes for businesses, and investigated offline buyer-supplier relationships that emphasize direct, interpersonal interactions between individual customers and the company. However, customer participation in virtual environments may involve different stimuli and responses. We consider online travel booking a rich area to evaluate service co-creation topics because of the depth and variety of the service experience. Specifically, service providers offer options bundled with respective services supporting substantial customization to match customers' demands, and such offerings usually involve modularized product parts (e.g., a travel package of hotels and flights), services to help customers make choices (e.g., travel agent consultation), and information about customer preferences (e.g., sight-seeing vs. shopping activities). Such collaboration requires customers to provide data about their preferences and either independently or jointly configure the customized output, an action termed "configuration offering" (Moeller et al., 2013). Given this, the overall the research questions are: (1) how important is the role of customer participation in online travel booking contexts? (2) what kinds of environmental and social factors will enhance customer motivation to participate in co-creating service at the customer level? and (3) will the customers' proactive disposition strengthen the links mentioned above?

### Method and Data

Before the empirical survey, 12 existing customers and four travel agents were invited for in-depth (face-to-face) interviews to verify the proposed constructs and to determine whether other potential factors might influence customer participation in online service settings. To empirically test the research framework, we collected data from customers of several Taiwan-based online travel booking sites. The multiple measurement items used for each construct are mainly adapted from validated scales obtained from the literature, but with minor adjustments to fit the scenario in the study. This study offered a reward of NTD100 voucher (USD 3.5) for each valid response. A total of 3,000 emails were sent to potential respondents; 566 responses were returned, and after excluding the invalid responses, 379 usable responses remained. Finally, we test the measurement model and structural model with SEM using LISREL 8.80, via a two-step approach.

### Summary of Findings

First, based on our results, *enjoyment* plays the most important role in triggering customer participation. Previous studies (Chan and Li, 2010; Füller et al., 2007) have considered hedonic factors as important "push factors" that motivate individuals to increase their relationship investments in online settings. This study extends previous work (Tsai and Pai, 2014) by demonstrating that pleasurable experiences

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will significantly influence an individual's online interactive participation. Second, *sense of partnership with companies* also significantly influences customer participation decisions. In the qualitative interviews, respondents indicated that this sense of partnership includes a company's fairness, kept promises, and appropriate responses to their requests. Third, this study shows that *site informativeness* reflects the perceived favorability of that company's central, distinctive, and enduring characteristics and leads to higher levels of customer participation behavior. Finally, the results show that *proactive disposition* enhances the links between all the antecedents and customer participation behavior. This perspective is consistent with social identity theory (Tajfel and Turner, 1986) and research on consumer-company identification (Bhattacharya and Sen, 2003). This moderating analysis has theoretical importance because it may specify a boundary condition for the prediction of customer participation based on its antecedents.

### **Key Contributions**

This research combines studies in consumer psychology and online user behavior to explain the customer participation process on an online service platform. Specifically, it

extends online consumer and online community behavior research by examining how different levels of antecedents may affect customer participation behaviors in online travel booking settings. In sum, it provides avenues to further probe the critical antecedents and the moderator in shaping customer participation behavior in the online service co-creation process. For practice, it offers new insights into the customer participation process and provides a basis for managers to offer appropriate services to support consumers' value creation. Companies are suggested to foster informative surroundings and a fun and supportive climate of participation, because when customers receive favorable treatment from companies, they may not only sense a partnership but also an obligation to reciprocate by participating and expressing concern for the company. Finally, as the current findings could be the basis of further longitudinal studies to examine whether the tendency for correlations over longer time periods is to increase (or decline) in magnitude, it is emphasized that this study is an ongoing research that helps enrich our understanding of the complicated customer participation process in online service settings.

*References are available on request.*

# What the Sponsor of Sports Team Should Know About Fans, Celebrity Owner and Team-Sponsor Fit: The Mediating Impact of Team Attitude on Sponsorship Outcomes

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**Keywords:** *celebrity owner-personality, team-brand fit, fan-personality, brand purchase intention, sponsorship, emerging market*

**Description:** *This paper develops and empirically tests a comprehensive research model that examines the relationship between fan (consumer)-personality, celebrity owner-personality, sports team-sponsor brand fit, team attitude, and sponsor brand purchase intention.*

## EXTENDED ABSTRACT

### Research Questions

- Does the perceived personality dimensions of fan and celebrity owner determine fan's attitude toward their favorite sports team?
- Does team-sponsor fit influence fan's attitude for the team?
- How does the perceived personality dimension of fan, celebrity owner of a team, and team-sponsor fit have an influence on brand purchase intention (BPI)?

### Method and Data

Data was collected from the fans of a top-tier football league in India. Population of interest were fans watching a competitive team game while being physically present in the stadium. Questionnaires were distributed in the stands and filled following the intercept method before the commencement of match and during interval. Of the 640 questionnaires distributed, 626 were returned denoting the response rate of 97.8%. Among the 626 returned questionnaires, six were rejected because some items were left

blank. Thus, the final usable response rate was 96.8% (620 usable responses). The average age of the respondents was 25 years.

A two-stage structural equation model (SEM) was adopted for the data analysis. Varimax rotation with alpha factoring extraction was used to assess the reliability and validity of the constructs used through confirmatory factor analyses (CFA). The second stage of SEM, the structural model, was tested to examine the hypothesized relationships between the latent constructs. The structural model was assessed for acceptability with appropriate fit indices. The mediation relationships were tested where the significance of indirect effect was tested by bootstrapping bias-corrected confidence interval procedure.

### Summary of Findings

Out of six hypotheses proposed, five were accepted except one. Positive relationship between fan-personality and team attitude was not supported as proposed in hypothesis-

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1. Thus, fan-personality was not found to be a significant antecedent of fan's attitude for the team. Results supported hypothesis-2 proposing that celebrity owner-personality has a significant positive effect on team attitude. Team-sponsor brand fit was found to have positive and significant influence on team attitude thus supporting hypothesis-3. Results supported hypothesis-4 specifying significant positive impact of team attitude on sponsor BPI. The hypothesised model also contemplated on two mediating relationships. Fan's attitude towards team was conceptualised to mediate the relationship between: (a) celebrity owner-personality and BPI, and (b) team-sponsor fit and sponsor BPI. Results reported a significant direct effect of celebrity owner-personality on BPI and a significant indirect effect with  $\beta = 1.338$  ( $p = 0.001$ ) was reported too. Thus, it was evident that team attitude partially mediated the relationship between celebrity owner-personality and BPI. Further, the statistical significance of indirect effect of team-sponsor brand fit on sponsor BPI was significant ( $\beta = 0.339$ ;  $p = 0.001$ ) with a significant direct effect. Thus, a partial mediation was established illustrating that team attitude partially mediated the relationship between team-sponsor brand fit and BPI.

## Key Contributions

This paper advances the current literature in the following three areas. First, it empirically establishes the mediation effect of team attitude on the relationship between team-sponsor fit and brand purchase intention as well as celebrity owner-personality and brand purchase intention. Second, it develops an understanding about the ways in which the personality dimensions of celebrity owner influences fan's attitude toward the team, which should be valuable to the event marketers and potential sponsors in realizing the benefits they can accrue from the celebrity owners who are paired with the teams. Third, it presents clear evidence of fan's team attitude influencing sponsor brand purchase intention, a finding likely to guide brand managers given the magnitude of expenses involved in sponsorship business. Theoretical insights have been gleaned from existing literature to explain outcomes of this study. The results of the study could be useful to both, brand managers and event marketers. The findings presented in this study could help managers carefully plan the direction of marketing campaign appropriately depicting this association.

*References are available on request.*

# Alignment Matters: Testing the Effect of Brand Alignment on Consumption Behavior by Manipulating Sponsorship Messages

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**Keywords:** sponsorship, brand alignment, consumer behavior, field experiment

**Description:** This paper proposed a new concept in sponsorship, brand alignment, and examined its role in driving consumers' purchase behavior.

## EXTENDED ABSTRACT

### Research Question

Although researchers have found that external cues including design factors (e.g., themes, colors, comfort, layout, materials) of promotional material significantly influence consumers' behavior (Oh, Fiorito, Cho, and Hofacker, 2008), few studies have examined the outcome of integrating both visual and linguistic elements of a sponsored event in the sponsorship message. The purpose of the current study is to investigate the effectiveness of sponsorship messages that leverage the shared associations of the involved brands. We embed this research in schema theory and propose the concept of sponsorship brand alignment, which describes the integration of the event image (e.g., logo, color, theme, information) into the sponsorship message. We assert that aligning the sponsor's image with the image of the event, including both visual and linguistic elements, will strengthen the shared brand associative network between the two entities. Brand alignment represents an enhancement of the sponsor-sponsee relationship in presenting the sponsorship message. Therefore, brand alignment is a persuasive communication method to elicit favorable responses from consumers. The current study examined real sponsorship messages at an event to test the role of brand alignment in driving purchase behavior and answered the following research question:

Will aligned sponsorship messages lead to significantly higher consumption of sponsored products compared to non-aligned sponsorship messages?

### Method and Data

Two field experiments examined the influence of aligned sponsorship messages (vs. neutral sponsorship messages) on the sales of the sponsoring product at the event. The event Bath on Ice was used as the research context in this study and its sponsors are used in this study to enhance ecological validity (Rodrigue and Biswas, 2004). The event has a licensed bar serving a range of beers and spirits where sponsorship messages of the sponsoring companies are displayed. Starting from 2015/16, the event accepted a sponsorship from two beer brands, Pilsner Urquell and Bath Ale. Bath Ale is well known in the Bath area and Pilsner Urquell has limited exposure in the region. To test the hypothesis, we conducted two experiments in two consecutive years with manipulation on different brands. We collect sales data from the event organizer. The weekly sales ratio of Pilsner Urquell to Bath Ale was used as the dependent variable. In experiment 1, we manipulated the poster of Bath Ale in two conditions, the neutral version, and the aligned version. Experiment 2 replicated and extended Experiment 1 in the following year at the same event. However, we used Pilsner Urquell as our testing sponsor to minimize the effect driven by the high level of semantic similarity between the event *Bath on Ice* and the sponsor *Bath Ale*.

### Summary of Findings

The current study shows that an aligned message led to significant higher consumption than a neutral message. In

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experiment 1, an ANOVA using 6 weeks of sales data showed a significant effect of sponsorship brand alignment on the sales ratio of Pilsner Urquell to Bath Ale ( $F_{2,3} = 240.929, p < 0.001$ ). A Bonferroni post hoc test revealed that aligned posters lead to significantly higher sales compared to the neutral poster and the control condition. In experiment 2, an ANOVA using 6 weeks of sales data including the control condition showed that there was a significant effect of alignment on consumer's purchase behavior ( $F_{2,3} = 65.287, p = 0.003$ ). The result confirmed that aligned sponsoring advertisement with Bath on Ice's logo significantly leveraged the sales of Pilsner Urquell. A Bonferroni post hoc test revealed that aligned posters lead to significantly higher sales compared to the neutral poster and the control condition. To conclude, the aligned sponsorship poster with the Bath on Ice's logo was driving the increase of sponsoring brands' sales.

### **Key Contributions**

The main contribution of the present study is an examination of the role of brand alignment on sponsorship effectiveness using real brands and their consumption data. Findings sup-

port the notion that by simply aligning the brand's graphic and linguistic elements, such as name and logo, with the event, extra sales will be generated. This extends existing knowledge that consumers' favorability toward a sponsor is leveraged by the brand activation through using contrived messages to elaborate the shared brand associations between the sponsee and the sponsor (Cornwell et al., 2005). Consequently, the current research shows an effective mechanism to trigger high-perceived sponsor-sponsee relatedness by integrating the name and logo of the sponsee in the sponsorship message. Findings confirm that alignment effects exist when there is the strong semantic connection between the sponsor and sponsees (i.e. Bath Ale and Bath on Ice) and when there is a weak semantic connection (i.e., Pilsner Urquell and Bath on Ice). In both instances, brand alignment drove actual consumption behavior. These findings have practical implications for managers and marketers. The significant increase of the sales data indicates the brand alignment can communicate the sponsors' brand image to consumers in a more cost-effective way.

*References are available on request.*

# Marketing to Fans All over the World: How Fan's Identification and Social Context Jointly Shape Brand Sponsorship Effectiveness

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*Conor M. Henderson, University of Oregon*

*Joshua T. Beck, University of Oregon*

**Keywords:** sponsorship, isolation, strength of identification, brand performance

**Description:** This research investigates the role of fan isolation—separation between a fan and team community—as a motivator of fan's desire to affiliate, which enhances memory and liking for team-linked brands among strong but not weak fans.

## EXTENDED ABSTRACT

### Research Question

What is the role of fan isolation—separation between a fan and team community—in shaping sponsorship effectiveness? Does isolation increase desire to affiliate? And how does a desire to affiliate manifest across fans of varying identity strength. The prediction is that strong fans seek to bolster team-based affiliation (a “doubling down” effect), which enhances memory and liking for sponsors, but weak fans, alternatively, actively avoid the team (a “desertion effect”), which reduces memory and liking for sponsors.

### Method and Data

These questions are investigated across four studies of real-life sports fans across three countries ( $N = 1,119$ ). Study 1 examines the prediction that isolation yields differential effects on sponsorship recall as a function of fan identification strength using field data from British Premier League fans. Study 2a employs experimental methods to confirm the causal role of isolation in producing the focal effects. Study 2b seeks to replicate the effects obtained in study 2a and test whether multiple exposures might improve recall for all fans (i.e., a boundary condition). Finally, study 3 tests whether the pattern of effects obtained for memory generalize to sponsor attitude among NFL fans. Moreover, Study 3 tests

whether desire to affiliate mediates the isolation  $\times$  strength of identification interaction effect on brand performance.

### Summary of Findings

As predicted, isolation among British Premier League fans (living in a neighborhood with few other fans) significantly increased recall of current brand sponsors among strong fans and decreased it among weak fans. Study 2a and 2b manipulated fan perceptions of isolation and replicated the findings from Study 1 among French fans viewing a magazine that included a car advertisement with or without sponsorship of their favorite team. Study 3 again replicated the isolation  $\times$  strength of identification interaction and found desire to affiliate mediated the interaction's effect on brand sponsor attitude.

### Key Contributions

This research is highly relevant for brand managers given that Globalization, technology, and mobility have expanded the reach of sports teams, giving brand sponsors the opportunity to engage and build relationships in real time with fans that live or happen to be outside of a team's home market. The present framework shows how team identification

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determines whether isolated fans provide the best or worst return on sponsorship.

increases a desire to belong, and strong fans seek to bolster team-based belongingness, which enhances memory and liking for sponsors. Alternatively, when weak fans are disconnected from other fans, their memory and liking for the team

sponsor falls. Two studies of real-life sports fans across two countries ( $N = 599$ ) support these predictions. For brand managers, the present framework suggests that targeting distant strong fans (e.g., through targeted Facebook ads based on location and interest) will provide the best return on sponsorship.

*References are available on request.*

# Cooperative Strategies in Major Sports Event Sponsorship from a Rights-Holders Perspective

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*Stephen A. Greyser, Harvard Business School*

**Keywords:** *industrial marketing, sport, sponsorship, capabilities, cooperative strategy*

## EXTENDED ABSTRACT

### Research Question

Organizations in the field of sports are becoming increasingly dependent on sponsors for their value creation and growth. Studies suggest that sports organizations (rights-holders) often fail to exploit the full potential of such sponsorship partnerships. The aim of the study reported here is to explore key dimensions of value creation in sponsorship relationships from the perspective of a sports organization.

### Method and Data

The study was constructed on the basis of interviews with an international sports organization and its major sports event. Interviews were also conducted with two of its sponsors, and five independent experts.

### Summary and Findings

We explore different types of sponsorship relationships based on their direct and indirect value creation function for

the sports organization and propose key capabilities that are required for the sports organization to successfully integrate, coordinate and combine resources with its major sponsors.

### Key Contributions

Key capabilities that are explored in this context are: collaborative, absorptive, adaptive and learning capabilities. The ability of sport organizations to share and absorb knowledge from their partners and to integrate this knowledge into their planning and management processes was critical. The study shows how knowledge-sharing routines supported resource integration between sponsorship partners. There are few research studies on sponsorship management from the perspective of sports entities.

*References are available on request.*

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# The Impact of Composite Quality on Patient Well-Being: A General Systems Theory Perspective

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**Keywords:** *General Systems Theory, patient experience, well-being, service design, healthcare service delivery*

## EXTENDED ABSTRACT

### Research Question

How does a hospital's composite quality (i.e., how well it succeeds in integrating conformance quality, experiential quality, and environmental quality) affect patient well-being (i.e., readmission rate and patient experience)?

### Method and Data

Secondary data were gathered from multiple sources for three years from January 2012 to December 2014 for U.S. hospitals included in the Centers for Medicare and Medicaid Services (CMS) database as of December 2014 ( $n = 2,781$ ). Five sources of secondary data were utilized to investigate this study's research question include: CMS Process of Care measures (conformance quality), CMS HCAHPS surveys completed by patients (experiential quality), CMS Hospital Acquired Condition/Infection (environmental quality), CMS Readmission Reduction Program (readmission rate), and RateMDs (patient experience). OLS regression was used to test the conceptual model.

### Summary of Findings

Synergies exist among conformance, experiential, and environmental quality as shown by composite quality's negative impact on readmissions and positive impact on patient experience. These results indicate that the impact on patient well-being of any one form of quality—i.e., conformance,

experiential, or environmental—is contingent on levels of the others. In other words, composite quality has a greater impact on patient well-being than does any single type of quality in isolation. These findings suggest that the whole is greater than the sum of its parts.

### Key Contributions

Prior research treats conformance, experiential, and environmental quality as orthogonal concepts.

In contrast, this research conceptualizes hospital quality as the combination of the aforementioned quality dimensions. This study stresses the importance of including all three quality measures, as well as their interactions (i.e., composite quality), when studying patient well-being. In addition, the empirical results provide validation for the utilization of General Systems Theory as it pertains to how firms can apply systems thinking as a way to positively impact healthcare delivery. Lastly, this study answers researchers' calls for more empirical research that reveals quality's multi-dimensional nature (Golder et al., 2012) in an industry-specific context (Roth and Menor, 2003), while doing so using large, pre-existing data sets (Baron and Russell-Bennet, 2016).

*References are available on request.*

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# Analyzing Restorative Potential of Green Servicescapes

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*Keyoor Purani, Indian Institute of Management Kozhikode*

**Keywords:** green servicescapes, attention restoration, mood restoration, hedonic-utilitarian services, experience-credence services

**Description:** This study explores the relationship between green elements present in servicescapes and restorative (affective and cognitive) effects among the consumers and further it also tests the moderating effects of service contexts in the relationship.

## EXTENDED ABSTRACT

### Research Question

This research applies the attention restoration theory (ART) from environmental psychology in servicescapes domain to explore this link between the chosen three green elements (the presence of greenery, natural lighting and wooden finishes) and their role in restorative effects on the consumers. It attempts to answer questions such as If servicescapes having green elements (hence forth “green servicescapes”) facilitate stress reduction, and can have restorative effects on the consumers being served? Which type of restorative effects would it trigger more? How would the restorative impact vary depending upon the type of service delivered—such as hedonic or utilitarian and credence or experience?

### Method and Data

This study applied a laboratory-like experimental design with one-shot treatment. 24 colour photographs, 6 from each of four a priori servicescape types: hospital, upscale restaurants, spa and bank were used as the stimuli. In each servicescape type, 3 were green environments and 3 were non-green environments. The treatments (2 randomly chosen images from the selected pool of 24—1 green and 1 non-green) as well as the questionnaire were made on an online form. The links to these forms were randomly sent to respondents, where by each respondent evaluated 2 servicescapes, (1 green and 1 non-green). A total of 400 invites

were sent, out of which 283 participants responded to the study, making a total of 566 usable responses.

### Key Contributions

This research contributes by confirming restorative effects of natural elements in servicescapes on consumers leading to consumer preference for the servicescape. Further, the findings also establish that both attention and mood restorative effects of natural elements is experienced more in experience and hedonic type of services, compared to credence and utilitarian type of services.

### Summary of Findings

Building upon theories from environmental psychology, findings of this study contributes by establishing restorative potential of green serviscape. The findings not only establish that the green elements lead to restorative effects which in turn have influence of preference but it also establishes that in different type of service contexts (utilitarian—hedonic and experience—credence) it may lead to different level of restorative effects. By bringing together understanding from environmental psychology, green, sustainable practices and marketing, the study may trigger new researches that support sustainable approaches for services marketing.

*References are available on request.*

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# Experiences in Succession: An Analysis of Longitudinal Consumer Upgrading with Hedonic Experiences

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*Martha Troncoza*

*Lonnie Ostrom, Arizona State University*

**Keywords:** *service, relationship marketing, nonprofit marketing, hedonic value, social presence extended consumption, experiences, longitudinal*

**Description:** *The purpose of this study is to investigate how consumers' preferences for hedonic experiences change over time as the result of learning, inter-purchase time, social presence, and satisfaction.*

## EXTENDED ABSTRACT

### Research Question

How do consumers upgrade hedonic experiences over time and what are the characteristics of previous purchases that influence that behavior?

### Method and Data

We analyze our data using Generalized Estimated Equations (GEE) to estimate parameters for both of our datasets. We assume an exchangeable correlation matrix which is most appropriate for the inherent unequal spacing of purchase timing and unbalanced number of purchases consumers make. We also specified a Gaussian family distribution and an identity link (Diggle, Liang, and Zeger 1994).

Our longitudinal data is from the purchase history of two separate experiential firms. In our first dataset, we analyze 556,759 observations of repeat zoo membership purchases. In our second dataset, we analyze 67,591 observations of repeat river cruise purchases.

### Summary of Findings

1. We find that consumers learn from making within experience changes and as they make these changes they upgrade

to a greater degree with their subsequent purchase. This finding suggests that managers can encourage consumers to upgrade experiential offerings by making within experience changes for consumers across purchases.

2. We find that inter-purchase timing has a positive impact on the degree to which consumers upgrade. This finding suggests that incentive programs for enticing repurchases, which generally accelerate purchase decisions, may also have a negative impact on the degree to which consumers upgrade.
3. We find that within experience changes and inter-purchase timing interact such that inter-purchase timing attenuates the positive impact of within experience changes on the degree of upgrade consumers choose.
4. We find that social presence moderates (magnifies) the relationship between within experience changes and the degree of upgrade consumers choose. In other words, managers should find ways to entice consumers to make their experiences even more social.
5. Finally, we show that satisfaction attenuates the positive impact of within experience changes on the degree of

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upgrade. This suggests that it is an indicator of satiation and managers should redirect consumers to a different from of offering.

### **Key Contributions**

1. This is the first study to investigate longitudinal experiential purchases, and specifically how consumers upgrade experiential purchases over time.
2. We also contribute to the marketing literature by combining mental accounting and relationship marketing variables (the frameworks used by other upgrading stud-

ies) in addition to the learning literature and social influence literature to create a more nuanced view of experiential purchases.

3. Our research is also the first to show how learning, inter-purchase time, social influence, and satisfaction play a role in consumers' upgrade decisions.
4. Further, we show how practitioners can use the data in their current CRM systems to better target and incentivize upgrading with their current customer base.

*References are available on request.*

# Daily Fantasy Football, Self-Reported Problem Behavior, and the Sustainability of an Industry Under Legal Scrutiny

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Stephen L. Shapiro, Old Dominion University

Joris Drayer, Temple University

Gregory P. Greenhalgh, Virginia Commonwealth University

**Keywords:** problem gambling, public policy, fantasy sports, motivation, ethics

**Description:** The current study examined problem gambling severity in conjunction with daily fantasy football participant motives, perceptions, and consumption behavior.

## EXTENDED ABSTRACT

### Research Question

Daily fantasy sports (DFS) providers have capitalized on the growing demand for traditional, season-long fantasy sport (TFS) competition by providing a new, highly accessible, and user-friendly game where money changes hands instantly. These same attributes (accessibility, instant payout, simple interface) currently power a flourishing Internet gambling industry (e.g., online poker and blackjack) that is highly regulated to protect consumers from problem gambling (PG). Thus, a question arises. Is DFS participation a harmless extension of TFS or does it represent an additional vehicle for PG? Previous research is mixed on how participants view the activity despite messages from the industry that the game is clearly not gambling. Further research is needed on the unique attitudes and behaviors of DFS participants. As a result, the following research questions were devised to guide the study:

RQ1: To what extent do DFS participants exhibit PG behavior associated with the activity?

RQ2: To what extent do DFS participants segmented by PG behavior differ in motives and perceptions of the activity?

RQ3: To what extent do DFS participants segmented by PG behavior differ in consumption?

RQ4: What explanatory motives, perceptions, and behaviors impact PG behavior severity?

### Method and Data

A total of 546 DFS participants completed the online questionnaire hosted by Qualtrics. With more than 3 million participants in their participant pool, Qualtrics panel recruitment involves a participant invitation protocol that reduces self-selection. This provides a cross-section of participants that decreases biases and increases representativeness (Hagtvedt, 2011). The questionnaire comprised of 73 valid and reliable items including demographics, motives, perceptions of the activity, participatory behavior, and PG severity via Ferris and Wynne's (2001) Problem Gambling Severity Index (PGSI).

The sample was segmented based on the PGSI scores of *Non-problem*, *Low*, *Moderate*, and *High-Risk* to answer RQ1. The segmentation was done based on the criteria set forth by Ferris and Wynne (2001). The data were then analyzed using two MANOVAs to ascertain whether statistically significant differences could be identified between the PG segments based on (RQ2) the motivational dimensions and perceptions of DFS participation and (RQ3) participatory behavior associated with the activity. Two post hoc procedures were then conducted to identify which of the segments significantly differed.

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Lastly to answer RQ4, a hierarchical linear multiple regression was conducted to determine which motivational factors, perceptions of the activity, and/or participatory behaviors impact PG severity while controlling for participant income and education.

## **Summary of Findings**

In interpreting the PGSI results for RQ1, 144 participants were classified as non-problem gamblers, 194 were low risk, 133 were moderate risk, and 75 were classified as high risk. The MANOVA model to answer RQ2 was statistically significant. The motives of *Social Interaction*, *Competition*, and *Financial* were found to be different between segments as were the preference to play DFS or TFS and perceived competitiveness.

The MANOVA on participatory behavior (RQ3) was also statistically significant. The number of lineups entered per week was the primary source for segment separation and differences were found between the groups for each behavior where involvement rates increased as risk of PG increased except for viewership behavior where differences were not determined.

The step one model of the hierarchical regression (controls) was not statistically significant, yet the step two model was ( $R^2 = 49.3\%$ ). The following variables were found to be statistically significant positive predictors of PG severity: per-

ceived competitiveness, the *Financial* motive, the self-reported amount of money won per week, and the self-reported number of lineups submitted per week. The *Entertainment/Escape* motive was the only statistically significant negative predictor and the rest did not statistically impact PG severity.

## **Contribution**

Innovation associated with technology tends to impact consumers more rapidly than the judicial system is able to regulate an industry for consumer protection purposes. Consumer research plays a significant role in understanding how a new service should be regulated and how the industry must alter marketing strategies to avoid further legal conflict. The following study explored the PG behavior associated with a service (DFS) that claims vociferously not be a form of gambling. Thirty-six percent of the sample, however, indicated a moderate to high-risk propensity for PG behaviors directly related to DFS participation. Other factors such as perceived competitiveness and chasing behavior suggest that more needs to be done from a regulation perspective. However, social interaction remains an important motive for participation, and thus, the game appears to be a prosocial activity. In all, this study represents one of the first studies to explore gambling behavior of DFS participants and provides industry officials and policymakers empirical evidence of the impact of this form of service innovation.

*References are available on request.*

# Barriers to Continuous Adoption of Service Innovations: Investigating Effects of Passive and Active Innovation Resistance over Time

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**Keywords:** *passive innovation resistance, active innovation resistance, adoption behavior, service innovation*

## EXTENDED ABSTRACT

### Research Question

Many practitioners consider innovation to be the universal remedy for many, if not all of the problems that companies are facing these days. However, most innovations fail to reach market success right from the beginning. Furthermore, even innovations that got adopted by a significant number of consumers in the first place, might still fail in the long run if some consumers decide to reject them after initial usage. Especially for service innovations, such discontinuous active adoption represents a severe problem as the revenues are generated constantly by a continuous usage of the respective service. Yet, even for product innovations, a continuous usage might often lead to higher revenues especially when additional products are available for cross selling. Hence, new knowledge about factors that inhibit the adoption and continuous usage of innovations throughout the innovation decision process seems of utmost importance to gain insights into why consumers either reject innovation from the beginning or after initial usage. Based on this knowledge, companies could develop measures to foster continuous usage of product and service innovations over time. With respect to potential reasons for innovation rejection, recent studies on consumers' new product adoption

behavior demonstrate the importance of passive and active innovation resistance as significant inhibitors for new product adoption and main cause for high innovation failure rates. Still, to the best knowledge of the authors, no study has yet examined the influence of both constructs on new product adoption behavior over time across the different stages of the adoption process. Hence, knowledge on how passive and active innovation resistance together determine the course of new product adoption processes is still lacking at all.

### Method and Data

In order to address the above-mentioned research gaps, we instructed a market research institute to gather longitudinal data with a panel of four waves along the adoption process ( $t_0$  = before adoption,  $t_1$  = 2 weeks after adoption,  $t_2$  = 4 weeks after adoption and  $t_3$  = 8 weeks after adoption). Finally, 352 participants were recruited for our study and asked to install one of four possible service innovations (smartphone applications) on their phones and to give us feedback on their usage experience with the respective service. For the operationalization of our constructs, we only used or adapted established measurement inventories with indicators on a 7-point

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rating scale. More specifically, we operationalized active innovation resistance as a third-order construct of type 2, consisting of functional and psychological barriers as second-order dimensions. Passive innovation resistance was also operationalized as third-order construct of type 2 with consumers' inclination to resist changes and status quo satisfaction as second-order dimensions. In order to measure our dependent variables, the intention to adopt (ITA) and the subsequent usage of the service (USE) we employed established measurement inventories. Additionally, four control variables (age, income, gender and education) that are commonly used in innovation resistance research were included in the study to provide a stronger test for the hypotheses.

### **Summary of Findings**

Overall, the preliminary results show that passive innovation resistance represents a major inhibitor in early stages of the adoption process, exhibiting a negative and significant effect on the intention to adopt a new product ( $\beta = -0.378, p < 0.01$ ). However, the effect gets weaker after 2 weeks ( $\beta = -0.173, p < 0.05$ ) and even turns insignificant in the second wave ( $\beta = 0.004, \text{n.s.}$ ). This finding is in line with prior conceptual research, suggesting a strong influence of passive innovation resistance in the early stages of the new product adoption process that diminishes over time. Surprisingly, however, our results show that the effect of passive innovation resistance again turns positive and significant after 8 weeks ( $\beta = 0.115, p < 0.10$ ). Regarding the effects of active innovation resistance, our results support the conceptual assumptions of prior research. Specifically, we find a negative and significant effect of active innovation resistance in the early stages ( $\beta = -0.311, p < 0.01$ ) that becomes stronger over time ( $t + 1: \beta = -0.438, p < 0.01; t + 2: \beta = -0.435, p < 0.01$ ). Interestingly, our results show that at a later stage in the adoption process (after 8 weeks), the effect of active innovation resistance declines in its strength ( $t + 3: \beta = -0.362, p < 0.01$ ).

### **Key Contributions**

As one of the first longitudinal studies empirically investigating the influence of passive and active innovation resistance throughout the innovation adoption process, our results show the importance of passive and active innovation resistance in determining consumers' adoption decisions as well as corresponding usage intensities over time. While passive innovation resistance exhibits stronger effects in early stages of the adoption process that even diminish over time, the effects of active innovation resistance become stronger in the process. Furthermore, our results also confirmed that the effect of passive innovation resistance turns from negative to positive over time. This unintuitive finding is of utmost importance both from a theoretical as well as practical perspective. With respect to the former, this finding contradicts previous theoretical propositions that suggest a declination of a strong negative effect in early stages to a weak negative effect in later stages of the new product adoption process. Instead our findings suggest, that over time passive innovation resistors become accustomed to the new product in usage, which after a certain amount of time may then act as new reference point. Due to the high levels of resistance to change and status quo satisfaction of passive resistors, these consumers then hold on to their new reference point, reject alternative products and confine their usage to the new product/service in place. With respect to managerial implications, this finding even further substantiates the important role of passive innovation resistance for companies. While previous studies suggest that overcoming passive innovation resistance is the first and most important step to get consumers to adopt new products, our findings extend this view by suggesting that passive innovation resistors that once got convinced to initially adopt a new product might even turn into loyal consumers over time.

*References are available on request.*

# Why Service Employees Engage in Innovation Processes: A Dual Process Model

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**Keywords:** service innovation engagement, service innovation performance, self-efficacy, social identification, customer participation

**Descriptions:** This study extends and deepens service innovation research by investigating (a) the antecedents of service innovation performance (b), the mediating mechanism of employees' service innovation engagement, and (c) the moderating effects of customer orientation and feeling trusted, on the relationship between service innovation engagement and service innovation performance.

## EXTENDED ABSTRACT

### Research Question

1. How can service innovation engagement increase an employee's service innovation performance?
2. What psychological and social mechanisms can trigger an employee's engagement in service innovation?
3. What facilitators can enhance the relationship between an employee's service innovation engagement and service innovation performance?

### Method and Data

1. Research data was collected from a major Taiwanese information-technology (IT) service company which serves more than 12,000 business clients in Taiwan and China (B2B contexts). The company encourages its IT service employees to use careful deliberation and dedicate their best efforts while providing customers with tailored service.
2. To minimize common method bias, we collected data from two sources: Self-reported questionnaire from IT service employees (stage 1 and 2) and innovation appraisal data from their supervisors (stage 3). Employees who were full-time and had at least six months of industry tenure were invited to join the survey. Only the respon-

dents who completed valid questionnaire in the first-wave survey were invited to the second-wave survey (i.e. one month later). In both stages, the completed questionnaires were placed in sealed envelopes and dropped into a non-transparent box to ensure data confidentiality. In the third stage, the customer service department provided us with data on the innovation appraisals of the employees who had completed two-wave survey ( $n = 313$ ), as evaluated by their department supervisors.

3. In order to obtain a high response rate, respondents who completed both questionnaires were given two gifts valued at NTD 300 (approximately USD 10).

### Summary of Findings

1. Based on the conceptual model and hypotheses which were examined with the three-stage, multi-source data using structural equation modeling, we find that *self-efficacy* and *social identification* are the key facilitators that channel the effects of customer participation, team-member exchange, and member similarity onto employees' service innovation engagement.
2. *Team-member exchange* significantly influence service innovation engagement through the dual mediators of self-efficacy and social identification. By offering support

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and encouragement, team-members can alleviate the fear and anxiety that may arise from the uncertainty of service creativity endeavors.

3. *Customer participation* significantly influences employees' engagement in innovation through self-efficacy mediating process, and *member similarity* also has significant impact on employees' innovation engagement via social identification mediating process.
4. *Customer orientation* and *feeling trusted* strengthen the association between service innovation engagement and independent service innovation ratings. This result implies that an intrinsically-motivated employee exhibits differential service innovation behavior depending on other-focused processes, and triggers one's perceived pride and meaningfulness to perform job well when he or she is willing to make efforts in innovation process.

## **Key Contributions**

1. Building on prior research on service innovation, the current study examines whether and how personal and social factors influence frontline employees' service innovation

engagement and performance. These results provide some support for a process model of service innovation behavior that combines the variables of distal and proximal determinants into one model.

2. This study takes a closer look at employees' service innovation performance by proposing and testing a model that outlines three dimensions of the antecedents of service innovation engagement, and then investigating their relative importance.
3. The present study helps reconcile previously inconsistent findings by showing that the levels of customer orientation and feeling trusted influence the transformation of service innovation engagement into service innovation performance.
4. Collectively, our findings extend and deepen service innovation literature by modeling intricacies embedded within the service employees' innovation decision processes. From an empirical standpoint, our study improves on previous correlational evidence by providing a more rigorous causal examination of the moderating mechanisms.

*References are available on request.*

# **Brand-Oriented Extra-Role Behaviors: Employees' Brand Citizenship Behaviors (BCB) and Employees' Negative Word-of-Mouth (NWOM)**

*Shihhao Liu, Saint Louis University  
Sangbong Lee, Saint Louis University*

**Keywords:** *affective event theory, brand citizenship behavior, employee NWOM, brand knowledge*

## **EXTENDED ABSTRACT**

### **Research Question**

Employees' discretionary brand-oriented behaviors play a crucial role in brand building and, eventually, corporate success. Therefore, firms should make efforts to promote employees' positive brand-oriented behaviors (i.e. BCB) and prevent employee's negative brand-oriented behaviors (i.e. NWOM). Across marketing and service marketing discipline, academic research has been made to examine the mechanism by which employees' perception of the workplace is transformed into brand-oriented behaviors both in-role and extra-role. However, these studies (1) overly focus on positive brand-oriented behaviors but ignore negative ones, (2) center around employees' cognitive responses but neglect their affective ones, and (3) thus leave the relative strength of cognitive and affective process unclear. As an effort to close the identified gaps, we aim to (1) examine whether workplace events trigger two types of employees' discretionary brand-oriented behaviors through the cognitive or affective process, and, thereby (2) enhance the understanding of such behaviors and, ultimately, (3) suggest managerial implication. Especially, for the managerial implication, we propose employees' brand knowledge as a factor to enhance BCB and mitigate employees' NWOM. Ultimately, our research effort aims to serve as an answer to the academic call for the study on the service, which has been regarded as a substantive domain (Palmatier 2016).

### **Method and Data**

In achieving the research objective, we first relied on affect-based theories as a theoretical lens and utilized multiple

research designs. Specifically, we based the study 1 on affect theories, which recently attract academic attention given that affect characterizes individuals' experience, orient their focus, and thereby, guide their attitudinal and behavioral responses (Fineman 1993). With the use of web-based experiment design, we tested the mediating role of affect. However, the experiment-based study 1 failed to find the mediating role of positive affect on BCB, leaving the mediator for procedural justice-BCB relationship unclear. Also, as another limitation, the experiment tested the influence of antecedents on intentions, not behaviors. With an aim to overcome the limitation of the experiment, we conducted a follow-up field study, employing a theory that considers both cognitive and affect factors. In the survey-based study 2, we employed affective events theory (AET; Weiss and Cropanzano 1996) as a research foundation because it divides work behaviors into affect-driven behaviors, which are caused by affect, and judgment-driven behaviors, which are caused by attitude, and thus, enables us to investigate both cognitive and affective process simultaneously. Also, relying on the AET, we (1) considered both the affective process and the cognitive process, (2) compared the relative strength of each process, and (3) tested the moderating effect of employees' brand knowledge.

### **Summary of Findings**

We conducted web-based experiment to test whether the effect of the predictor (i.e. procedural justice) on both BCB and employees' NWOM is mediated by positive and negative affect, adopting affective theories as a theoretical lens.

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As study 1 revealed the insufficiency of the affective lens in the exploration of the focal mechanism, we conducted the additional field study (study 2) using AET as a theoretical framework, which enables researchers to investigate the affective path and the cognitive at the same time. Also, we tested the effect of employees' brand knowledge as a potential firm policy to enhance BCB and dampen employees' NWOM. The results revealed the distinctive mediating processes for BCB and NWOM which are also contingent upon employee brand knowledge. In sum, we incorporated both employees' discretionary brand-building behavior, which was previously studied (e.g. Baker, Rapp, Meyer, and Mullins 2014; Morhart, Herzog, and Tomeczak 2009) and employees' discretionary brand-destroying behavior, which was rarely studied (e.g. Harris 2013) into a single framework we proposed. With such a framework, we could provide a clear theoretical understanding of the mechanism in which employees' brand-related behaviors are constructed.

## **Key Contributions**

With the incorporation of negative and positive employees' brand-related behaviors into the research framework, we could find the asymmetric mediation role of affect for each behavior. Our studies demonstrate not all employees' positive discretionary behaviors are elicited by positive affect. That is, employees' positive brand-related behaviors may be driven not by positive affect but by other factor (e.g. cognition).

Second, we discovered the difference in the strength of effect that cognition and affect have on employees' discretionary brand-related behaviors. The results indicated that BCB is cognition-driven behavior while NWOM is a mixture of affect-driven and cognition-driven behavior. We revealed that the nature of employee NWOM is in contrast to the finding that argues customers' NWOM is mainly driven by negative emotions (Bougie et al., 2003; Gelbrich 2010). Synthetically, the first two theoretical contributions add to the understanding of the different mechanism for BCB and, especially, employees' NWOM, which has been rarely studied (e.g. Harris, 2013).

Lastly, we found that employees' brand knowledge enhances BCB and attenuates employees' NWOM with its moderating effect on the relationship between employees' attitude and employees' discretionary brand-oriented behaviors. This finding corroborates that employees' brand knowledge increases BCB by providing employees with skill sets and knowledge to satisfy customers (King and Grace 2010). We further evidenced that brand knowledge can dampen employees' NWOM by making employees aware of the graveness of NWOM.

*References are available on request.*

# Service Failures Reported Through eWOM: The Consequences of Service Providers' Responses

Hongfei Liu, Coventry University

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**Keywords:** *eWOM, service failure severity, service recovery, justice*

**Description:** *This study examines the necessity of service providers responding to negative online reviews and the most cost-effective service recovery strategies.*

## EXTENDED ABSTRACT

### Research Question

Our overall research question is: Should service providers respond to negative online reviews reporting their service failure and what are the consequences? Within this inquiry, we identify three objectives. First, to examine the necessity of taking restorative steps to recover customers who report service failures through negative online reviews. Second, to investigate the causal effects of distributive justice and procedural justice on recovery output in order to demonstrate the most cost-effective service recovery strategies, subject to the severity of the service failure, in the context of eWOM. Third, to explore the implication of recovery satisfaction for consumers' evaluation of the service provider and perception of future eWOM engagement.

### Method and Data

We employ a scenario-based online experiment—a  $2 \times 2 \times 2$  between-subject design, with service failure severity (low vs. high), perceived distributive justice (low vs. high) and perceived procedural justice (low vs. high) manipulations. A “no response” condition is also provided to capture a range of alternative responses along the spectrum of reported service failure severity. Respondents were randomly assigned one of two vignettes describing different levels of service failure in a hotel consumption experience. Thereafter, respondents were asked to imagine they have reported the experienced service failure on a review site and received responses that represent distinct justice delivery (or no response). An online panel of 224 people participated in a

pre-test for realism and manipulation checks. With a realistic scenario setting confirmed and the successful manipulation of conditions, another 360 online participants were randomly assigned to 10 different conditions followed by an online questionnaire.

### Summary of Findings

In light of justice theory, mental accounting theory, prospect theory and propositions of restorative justice in criminology, the data analysis reveals some interesting findings: (1) responding to consumers' negative online reviews leads to more favorable attitudes towards the service provider (but only when the severity of service failure is low) and higher eWOM continuance intention compared with no response; (2) when the severity of a service failure is low, distributive justice has a stronger impact on recovery satisfaction than procedural justice, while procedural justice arouses higher recovery satisfaction under severe service failure; and (3) recovery satisfaction positively affects consumers' formation of a more favorable attitude towards the service provider and eWOM continuance intention.

### Key Contribution

This study takes a pioneering perspective on customer recovery (relative to service failure reported through eWOM) by exploring the cause-effect relationships between perceived justice and recovery satisfaction in the context of eWOM. Justice delivery is heavily dependent on the service failure severity, based on the assertion of

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restorative justice in criminology. On a practical level, service providers are encouraged to gauge the severity of service failure based on eWOM from the customer's perspective before taking any recovery steps. Once service providers decide to commence service recovery, they should selectively deliver either distributive justice or procedural justice based on the reported service failure severity in order to

ensure the cost-effectiveness of the recovery effort. In addition, eWOM media owners (e.g., review sites) should encourage businesses to respond to consumers' online reviews, thereby enhancing the interactivity of the sites and users' engagement.

*References are available on request.*

# The Evolving Service-Dominant Logic and Its Diffusion to Consumer Psychology

Rui Du, University of Hawai'i

**Keywords:** service-dominant logic, consumer psychology, consumer behavior, service ecosystems

**Description:** the current research diffuses Service-dominant Logic to consumer psychology research and offers a novel theoretical approach for consumer psychologists.

## EXTENDED ABSTRACT

### Research Question

How to diffuse Service-dominant logic to consumer psychology for the purpose of expanding theoretical contributions of the logic and informing the understanding of consumer psychology?

### Summary of Findings

First, we delineated the current theoretical frameworks of S-D logic as well as its future directions. Second, we depicted a historical account of the consumer psychology literature in the past century and organized them into three eras. Through charting the literature, we suggest that consumer psychological research started from an isolated analysis of customers and advertisers and developed to a systemic analysis of sys-

tems created by generic actors. Further analysis provided converging evidence of the diffusion of Service-dominant logic to consumer psychological research. This paper also provides a novel theoretical perspective for consumer psychologists to adopt.

### Key Contributions

Our contribution is twofold. First, our analysis further develops theoretical contributions of Service-dominant logic into micro-level aggregation (e.g. consumer behavior). Second, the understanding of consumer psychology has been informed through adopting a novel lens of Service-dominant logic.

*References are available on request.*

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# Socio-Cultural, Psychological and Functional Factors' Influence on Individual's Participation with Shared Services

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**Keywords:** *sharing, shared consumption, shared services, sharing platform*

**Description:** *This paper presents a proposed conceptual framework to further understand how socio-cultural, psychological and functional factors' may influence individual's participation with shared services.*

## EXTENDED ABSTRACT

### Research Question

The concept of shared consumption is expected to be the next megatrend. Recent report projected that the sharing economy is expected to grow from \$15 billion to \$335 billion by 2025 (Kindergan 2015). Looking back 30 years ago, it is evident how contemporary consumption has evolved over time. The evolution from *brick-and-mortar* to *click-and-mortar* and to *click-only* (Dot.com) retail stores. This is without a doubt that this evolution has to do with information and communication technology (ICT) fueling the shift in consumer behavior in terms of individuals' consumption motivations and retail channel choices (Schramm-Klein et al. 2007). As an alternative of the traditional consumption mode of buying and owning goods, consumers' have shifted from buying and owning goods to access-based consumption (Bardhi and Eckhardt 2012; Belk 2010; Belk 2014a; Belk 2007; Botsman and Rogers 2010; Gansky 2010; Price and Belk 2016; Rudmin 2016). Therefore, we posit that in order to enhance consumer's acceptance of shared consumption, a thorough and detailed understanding on what motivates them to use shared services is much needed.

### Summary of Findings

From the review of extant literature on shared consumption, we found that repetitive studies have been done on motiva-

tions of shared consumption pertaining to *technological factors* (Belk 2007; Belk 2014b; Botsman and Rogers 2010; John 2013; Krush et al. 2015; Möhlmann 2015; Tussyadiah 2015), *financial/economic factors* (Bardhi and Eckhardt 2012; Barnes and Mattsson 2016; Belk 2010; Belk 2007; Belk 2014b; Botsman and Rogers 2010; Gansky 2010; Habibi et al. 2016; Hamari et al. 2015; Lamberton 2016; Lamberton and Rose 2012; Moeller and Wittkowski 2010; Möhlmann 2015; Tussyadiah 2015), *environmental factors* (Bardhi and Eckhardt 2012; Barnes and Mattsson 2016; Botsman and Rogers 2010; Gansky 2010; Hirschl et al. 2003; Leismann et al. 2013; Möhlmann 2015; Philip et al. 2015; Seegerbarth et al. 2016; Tussyadiah 2015) and *legal factors* (Barnes and Mattsson 2016; Tussyadiah 2015).

While we found limited work done on *psychological factors* (Akbar et al. 2016; Belk 2010; Belk 2007; Habibi et al. 2016; Luo 2002; Ybarra and Wiersema 1999), *social and cultural factors* (Albinsson and Perera 2012; Barnes and Mattsson 2016; Botsman and Rogers 2010; Hamari et al. 2015; Moeller and Wittkowski 2010; Möhlmann 2015; Tussyadiah 2015). There is an urgent need to further investigate these neglected socio-cultural, psychological and functional factors because these factors have the potential to provide useful insights for the various stake-

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holders interested in this contemporary consumption phenomenon.

## **Key Contributions**

Building on the work of Ajzen and Fishbein (1980); Bagozzi and Warshaw (1990); Bagozzi (1992); Bagozzi and Kimmel (1995); Perugini and Corner (2000); Perugini and Bagozzi (2001); Bagozzi and Dholakia (2002); Bagozzi et al. (2003) and Perugini and Bagozzi (2004) we suggest a framework to further explain individual's observable response of using shared services. Attitude towards using shared services is based on individual's beliefs of the outcomes of using shared services and individual's evaluations of these outcomes (Ajzen and Fishbein 1980). Hence, we posit that when an individual's attitude is positive towards using shared services, the greater the likelihood of using shared services. Whereas, when an individual's attitude is negative towards using shared services, the lesser the likelihood of using shared services.

In addition, we propose socio-cultural, psychological and functional factors to moderate the relation between attitude towards shared services and the desire to use shared services. Individual's buying decision and product choice is often based on social validation and conforming with behaviours and practices of others in order to be more likeable and desirable (Cialdini and Trost 1998; Fehr and Fischbacher 2004). Consequently, we suggest an empirical validation to be conducted via a survey method. Appropriate scales and items can be drawn based on multiple validation by various scholars in marketing and consumer behavior field. We posit that the empirical evidence found will be able to shed light on understanding how socio-cultural, psychological and functional factors' influences individual's participation with shared services.

*References are available on request.*

# Location Decision of Distribution Stations in Cross-Border E-Business: A Chinese Case Study Based on Fuzzy Cluster Analysis in Complex Network

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**Keyword:** *cross-border e-business, location decision of distribution stations, fuzzy cluster analysis, complex network, 0-1 programming*

## EXTENDED ABSTRACT

### Research Question

The cross-border E-business in Chinese market has been greatly developed, and the distribution system of cross-border E-business at urban areas has been greatly important to the delivery of convenience to E-business customers. E-business can be developed by satisfying the further specified and professional demands of customers, and the integration of services for enterprises, customers and supply chain management can be important. It is important to further analyze the distribution system at cross-border E-business, and to further discuss about the integration of distribution stations, aiming at more efficient services to cross-border E-business.

### Method and Data

This research analyzed the distribution stations serving for E-business operations at Beijing for a solution of location decisions for distribution stations. For an efficient inter-connections between local distribution system and arrival merchants shipped to Beijing by air or land, this research analyzed the local conditions of distribution stations, by concerning the urban environment as well as the transporta-

tion facilities. This research classifies the distribution stations into different groups by fuzzy cluster analysis, based on the urban environment as well as transportation facilities. The 0-1 programming can be helpful in further identifying solutions to decisions of distribution networks. The 0-1 LP programming is applied in finding the solution for location decision of distribution stations.

### Key Contribution

The development of cross-border E-business market in China encourages the companies to further enhance its distribution system network, which is required for a further improvement of the efficiency in operation work. The application of technology is important for companies to improve their core competitiveness in further involvement of the cross-border E-business market. This research offers support to find solutions in location decision of distribution stations serving for cross-border E-business at urban area. This research is helpful to managers and decision makers in managerial work of the distribution work at cross-border E-business area.

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## **Summary of Findings**

This research classified the distribution stations into three different groups based on fuzzy cluster analysis. The 0-1 programming is applied to identify the solutions to location of distribution stations in different cases, targeting at a minimum number of distribution stations that fulfills the operation conditions in logistics of cross-border E-business at Beijing. The heuristic solution to location decisions of distribution stations for cross-border E-business finds higher weighted solutions to distribution stations developed at areas where the last mile distribution services are in a high demand.

## **Acknowledgment**

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*References are available on request.*

# Part P

## Sustainability and Corporate Social Responsibility

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# Practice What You Preach, but Is It Wise to Preach What You Practice? A Consistency-Based Approach to the Corporate Social Responsibility (CSR) Communication Dilemma

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**Keywords:** corporate social responsibility (CSR), greenwashing, hypocrisy, inconsistency, sincerity

**Description:** This study proposes and experimentally tests a conceptual model examining the impact of four consistency-based corporate social responsibility (CSR) positions on consumer perceptions and behavioral intentions.

## EXTENDED ABSTRACT

### Research Question

The current research conceptualized four distinct CSR positions which reflect varying combinations of consistency or inconsistency of a corporation's external corporate social responsibility (CSR) communication (e.g., corporate marketing, press releases) and actual internal CSR actions. *Uniform CSR* is when a corporation's CSR-related external communication accurately reflects its internal actions. Conversely, *apathetic CSR* occurs when a corporation is internally not involved in a CSR domain as well as externally not claiming that it is. Within the uniform and apathetic positions, a firm's internal versus external CSR or non-CSR actions are consistent. On the other hand, corporations in *discreet* and *washing* positions are displaying inconsistency between their external CSR claims and internal CSR actions. *Discreet CSR* occurs when a corporation's internal CSR actions are not publically promoted through consumer-directed communication efforts. Conversely, *CSR-washing* occurs when a corporation misleadingly claims to engage in CSR although it does not actually participate in the marketed behavior. This research investigates the effect that the four proposed CSR positions have on consumers' perceptions of

the firm with respect to its corporate sincerity, corporate hypocrisy, and purchase intentions and also tests the mediating role of the aforementioned consumer perceptions in the effect of the CSR positions on purchase intentions.

### Method and Data

This study employed a 3 (*CSR domain*: environmental; labor; lesbian, gay, bisexual, and transgender (LGBT) inclusion)  $\times$  4 (*consistency-based CSR position*: uniform, apathetic, discreet, washing) between-subjects experimental design. Three CSR domains were used for the purpose of stimulus sampling. The consistency-based CSR positions were manipulated using hypothetical scenarios that featured information about a fictitious company's external and internal actions/inactions related to the randomly assigned CSR domain. A pretest of the experimental scenarios was conducted using a student sample ( $n = 222$ ). For the main experiment, data were collected via an online survey that was distributed from Qualtrics Online Sample to its consumer panel members ( $n = 609$ ). The conceptual model was tested using SPSS and AMOS employing various multivariate statistics including factor analysis, MANOVA, and SEM.

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## **Summary of Findings**

Results revealed that consumers perceived lower corporate sincerity in the washing position as compared to the other three positions, and the apathetic position produced lower corporate sincerity perceptions as compared to the uniform and discreet positions. However, there was no significant difference in consumers' perceived corporate sincerity between the uniform and discreet positions. Consumers perceived stronger corporate hypocrisy in the washing position as compared to the other three conditions. Further, the results also revealed that consumers perceived stronger corporate hypocrisy in the apathetic position than in the uniform or discreet positions, while the discreet position produced stronger perceptions of hypocrisy than the uniform position. Consumers' purchase intentions were lower in the washing position as compared to the apathetic, discreet, or uniform positions. Moreover, the apathetic position produced lower purchase intentions as compared to the uniform and discreet positions, while no significant difference was found in consumers' purchase intentions between the uniform and discreet positions. Although perceived corporate sincerity positively influenced purchase intentions and perceived corporate hypocrisy negatively influenced purchase intentions, only perceived corporate sincerity served as a partial mediator for the effect of the CSR position on purchase intentions.

## **Key Contributions**

This is the first study to systematically manipulate the dimensions of internal and external CSR consistency to empirically examine these four distinct forms of CSR positioning. As such, this is also the first study to extend the concept of greenwashing (Font et al., 2016) to an empirical examination of its consumer implications. Interestingly, these results seem to suggest that discreet positioning may be nearly as effective as uniform positioning. Thus, companies may be too heavily investing their resources in CSR advertising when a subtle approach to CSR communication may be equally effective. Results also suggest that remaining apathetic, but also consistent with one's word, appears to be viewed more favorably than deceptive acts such as washing. These findings have important implications to inform consumer advocacy and public policy efforts. The use of CSR-washing is not only unethical, it threatens to further damage the social movement towards more responsible and sustainable consumption (Chen and Chang, 2013). Although the revelation that discreet positioning may be nearly as effective as uniform positioning has interesting implications for corporate strategy, should practices such as greenwashing become more pervasive, there may be negative repercussions in terms inspiring more socially-responsible behavior among companies and consumers alike (Stifelman, 2008).

*References are available on request.*

# How Sustainable Are You? Sustainability Consumers' Reactions to Corporate Social Irresponsibility

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**Keywords:** sustainability consumers, CSR, experiment

**Description:** *The paper investigates consumers' reactions to Dell's irresponsible disposal of e-waste.*

## EXTENDED ABSTRACT

### Research Question

How do consumers react to firm's social irresponsibility behaviors in terms of purchase intention and product evaluation of the firm's products? Are there any differences in their purchase intention reactions between groups of sustainability consumers? How knowledge of environmental problems influence sustainability consumers' product evaluation and purchase intention? The experimental studies utilize a recent and real event as the contextual setting to increase external validity of the research.

### Method and Data

A total of 211 participants, who were recruited at general stores, library, workplace, and food stores, completed the experiment. Both experiment and control group were asked to fill out their beliefs about current environmental problems. Then, they were asked questions specific to their attitudes and behaviors as whether they are environmentalists (ENV), simplifiers (SIM), recyclers (REC), or communalists (COM). Next, only the experiment group was assigned to read a short version of the article. Afterwards, all respondents were asked to evaluate Dell products in terms of product value, social acceptance, and environmental friendly design as well as their intention to purchase Dell products in the future. Furthermore, all respondents were asked to indicate their familiarity with Dell products to discern any bias between the experiment and the control group.

### Summary of Findings

When consumers are cognizant of corporation's irresponsibility, they display negative attitudes toward the firm in terms

of product evaluation and intention to purchase. Overall, the findings of this study are threefold. First, respondents showed unfavorable product evaluation (i.e. product value, product social acceptance, and environmental friendly design) and intention to purchase Dell products after being informed of Dell's electronic waste practice. These findings are consistent with the study of (Sweetin et al. 2013) and demonstrate the negative reactions of consumers' attitude towards company's social irresponsibility behaviors. Second, the more ardent consumers, who scaled such values of ENV > 2.44; SIM > 2.74; REC > 2.65; and COM > 2.71, consistently showed negative intention to purchase Dell products when being informed of Dell's electronic waste practice, compared with the less ardent groups of consumers. Third, REC is the only consumer group being affected by their beliefs of the magnitude of the environmental problems. The three-way interaction showed the difference in the strength of the negative intention to purchase Dell's products. The results supported previous studies of recyclers' identity and values reflected in their recycling behaviors. Since REC group represents "strong core" electronics recyclers, they reacted strongly to Dell's recycling issue attacking their identity and values (Whitmarsh and O'Neill 2010).

### Key Contributions

The study affirms the negative impacts of corporate social irresponsibility and delineates how sustainability consumers react differently to corporate social irresponsibility.

*References are available on request.*

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# Better Than Nothing? The Unexpected Impact of CSR Information Clarity on Consumers' Perceived Sincerity in CSR Activities

*Minkyu Kim, UNIST*

*Molan Kim, UNIST*

**Keywords:** corporate social responsibility, cause marketing, information clarity, perceived sincerity

**Description:** This research examines whether CSR activities always bring positive outcomes to companies.

## EXTENDED ABSTRACT

### Research Question

There is a great number of studies about CSR activities in terms of positive influences on companies who are employing a CSR strategy. However, in reality, CSR activities do not always generate positive outcomes. Since CSR activities are becoming more critical in terms of corporate image and financial benefits, marketers are eager to know when and under what circumstances, these unexpected results occur. This research aims to explain the unexpected effects of CSR activities from the consumer's point of view by taking into account consumers' perceived sincerity when vague CSR information is presented.

### Method and Data

The degree of disclosure on CSR information was manipulated by changing the way donation details were expressed in an advertisement. Two surveys were conducted using the Google survey and online research service. Prior to the main surveys, a pretest for choosing an unbiased product was conducted. In survey 1, a total of 150 participants were randomly allocated in the three different CSR information conditions. In survey 2, a total of 430 participants were randomly allocated in the four different CSR information conditions. The randomly selected respondents were exposed to four different conditions of CSR advertisement. Then they were asked to answer to evaluate the advertisement. Those responses were automatically stored in the

Google database and online research service's database. The collected data was analyzed using Excel and SPSS.

### Summary of Findings

The results of surveys 1 and 2 indicate that the degree of CSR information's disclosure significantly influences consumers' brand attitude, purchase intention, recommendation intention, and perceived sincerity. The results also show that consumers' perceived brand attitude, purchase intention, and perceived sincerity are highest in the more detailed CSR information condition, and lowest in the less detailed CSR information condition. Interestingly, consumers tend to have more favorable brand attitudes, purchase intentions, and higher perceived sincerity in the controlled condition without any CSR information than in the less detailed CSR information condition. Furthermore, there is a mediation effect of perceived sincerity in the relationship between the degree of CSR information disclosure and consumers' perceived brand attitudes, purchase intentions, and recommendation intentions.

### Key Contributions

By showing that consumers are less favorable towards the CSR activities with unclear information compared to the advertising message without CSR information, this research paper has critical theoretical and managerial implications in the research field of CSR. Marketers also should be cautious about consumer perception on CSR information clarity

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when implementing the CSR activities. Marketers tend to simply assume that using CSR activities as a marketing strategy would automatically bring positive outcomes. However, our research findings show marketing activities with an

unclear CSR message would result in the worse outcomes in comparison with those activities without any CSR message.

*References are available on request.*

# Factors Influencing the Unethical Behavior of Business People

*Kevin Lehnert, Grand Valley State University*

*Suzanne Benet, Grand Valley State University*

*Duncan Vos, Grand Valley State University*

**Keywords:** *ethical framing, pro-social view, long-term vs. short-term*

**Description:** *This paper looks at how framing a business scenario in terms of short-term, long-term or ethical focus affects decision making, in light of the individuals pro-social views.*

## EXTENDED ABSTRACT

### Research Question

What is the role of a short-term vs. long-term business frame on unethical behavior? Do pro-social viewpoints mediate the framing relationship?

### Method and Data

Experimental scenario/survey utilizing PROCESS mediation analysis.

### Summary of Findings

Our findings indicate that a long-term focus may imply more ethical behavior than a short-term focus. Internal pro-social

viewpoints mediate the relationship between focus, whereas externally focused pro-social viewpoints do not.

### Key Contributions

This paper looks at how manager long-term vs. short-term goals influence ethical behavior. It highlights how pro-social viewpoints may mediate this and provides insight as to how firms are able to facilitate ethical behavior by adjusting their employees' goal focus and pro-social ideologies.

*References are available on request.*

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# Good from Bad: The Effect of CSR Claims on Brand Benefits and Consumer Attitudes Toward Vice Brands

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**Keywords:** corporate social responsibility, sustainability, brand equity, brand attitude

**Description:** This work examines the effect of corporate social responsibility claims on consumer attitudes towards vice brands.

## EXTENDED ABSTRACT

### Research Question

Corporate social responsibility (CSR), or discretionary business practices and contributions of corporate resources intended to improve societal well-being, is increasingly being incorporated into brands' marketing strategy. Researchers argue that consumer evaluations of a brand can be enhanced by including CSR claims with more traditional product attributes. Since CSR claims offer new positive information, we posit that CSR claims would be particularly effective at enhancing consumer evaluations of relative vice brands, or brands that offer immediate gratification with negative payoffs in the long run. The current work investigates the effect of CSR claims on consumer attitudes towards vice brands through brand benefits. We also explore the potential moderating effects of CSR claim type (central versus peripheral). We draw from the customer-based brand equity framework to identify brand benefits and the centrality literature to distinguish between central and peripheral CSR claims. The proposed research thus explores the following questions: Do CSR claims influence consumer attitudes towards a vice brands through brand benefits? If so, does this effect differ for different types of CSR claims? Do social performance-related brand benefits exert a separate and distinct effect on vice brand attitude?

### Method and Data

The analyses are based on a sample size of 775 online U.S. respondents. We examined five brands across three sub-categories (carbonated soft drinks, bottled fruit juice, and bottled

water) from a leading non-alcoholic beverage company. The respondents were randomly assigned to evaluate one of the five brands. They were asked to rate their general attitudes towards the brand and their perceptions of the brand's performance-related, imagery-related, and social performance-related brand benefits before and after being exposed to promotional social media messages. In the treatment condition, participants were shown promotional social media messages describing one of four different CSR claims (i.e., water conservation and access, women's economic empowerment, healthy living and wellbeing, and environmentally friendly packaging and recycling). In the control condition, participants were shown promotional social media messages focused on product claims (great taste, wide flavor variety, etc.). We tested the relationships of interest in our conceptual model using structural equation modeling and included frequency of consumption and CSR orientation as covariates.

### Summary of Findings

First, we find evidence of the mediating role of brand benefits in the CSR claim-vice brand attitude relationship. Second, we find that central and peripheral CSR claims exert differential effects on brand benefits, which in turn differentially effect consumer attitudes toward vice brands. Specifically, central CSR claims, which may be perceived as having a closer association with a brand's products, have a stronger effect on imagery-related and social performance-related benefits. Central claims, we argue, elicit a positive spillover to the brand's imagery-related and social performance-

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related benefits as a result of the halo effect. In contrast, peripheral claims have a stronger positive effect on performance-related benefits than central claims. Consumers' compensatory reasoning is circumvented, as peripheral claims are perceived by consumers as less integral to a product, ultimately resulting in the halo effect. Finally, the results provide empirical evidence of the importance of social performance-related benefits to consumer brand attitude.

### **Key Contributions**

We provide insight into how CSR claims can be particularly beneficial for vice brands. CSR claims introduce consumers to new information about vice brands, which can offset the guilt typically associated with these brands. Specifically, we identify brand benefits as the key variables through which

CSR influences vice brand attitude. Furthermore, we provide empirical evidence for the role of social performance-related benefits in consumers' vice brand attitude formation. These findings align with research on stakeholder theory and institutional theory that suggest that a company's actions appeal to the consumer as an economic being as well as a member of other groups (e.g., family, community and society). Finally, we show that the effects of CSR claims on brand benefits differ depending on whether the CSR claim is central or peripheral. In sum, understanding how CSR claims differentially influence brand benefits and ultimately brand attitude will allow managers to bundle CSR claims with their vice brands in a more strategic manner.

*References are available on request.*

# Humanizing Conservation: How Anthropomorphism Overcomes Cynicism

*Kelly Naletelich, University of North Texas*

*Seth Ketron, University of North Texas*

**Keywords:** anthropomorphism, consumer cynicism, sustainability, perceived motive

**Description:** *The present work examines the influence of anthropomorphic cues on conservation signs, finding that signs with anthropomorphic cues bolster consumer conservation.*

## EXTENDED ABSTRACT

### Research Question

The societal push for environmental sustainability is ever-increasing, leading consumers and companies alike to engage in more sustainable practices. One common means of encouraging consumers to conserve is the use of conservation signs in service environments (such as restrooms and hotel rooms). However, cynical consumers may view these signs as arising from impure motives on the part of the company, leading to decreased conservation efforts. Thus, this work addresses the following questions: how do anthropomorphic cues help to increase consumer conservation efforts by countering the negative influence of consumer cynicism on these efforts, and what is the underlying process associated?

### Method and Data

This paper explores the above research question through two studies. The first study utilizes a single-cell procedure in which all participants read a conservation sign and responded to scale items for consumer cynicism, perceived motive of the service provider for posting such a sign, and conservation intent. The second study, a 2-level between-subjects design, introduces an anthropomorphic cue and utilizes moderated mediation to examine how this cue severs the effect of cynicism on perceived motive.

### Summary of Findings

Study 1 reveals that consumer cynicism leads to greater perceptions that a company has impure motives when requesting conservation efforts from its customers, which subsequently lowers consumer intent to conserve as prompted. As

such, consumers with higher levels of cynicism are less likely to conserve as requested, which could lead to greater waste. This finding underscores the need for companies to seek ways in which to overcome cynicism so that consumers will conserve towels, water, tissues, and other routinely-used service items more often.

Study 2 provides verification of the mediation supported in study 1 and also confirms the prediction that anthropomorphism reduces the impact of consumer cynicism on perceived motivational purity. Namely, when a conservation sign is anthropomorphic, consumer cynicism does not significantly influence perceived motive. Meanwhile, when a conservation sign is not anthropomorphic, the mediation chain is significant. As such, anthropomorphized signs can lead to higher consumer conservation levels by breaking the chain of cynicism on conservation behavior.

### Key Contributions

Given the high level of waste of water and other resources, finding means of controlling waste is vital. Coupled with the ever-increasing push for operational profitability among firms, the need for greater conservation efforts provides an excellent underscoring of the need to understand reasons why consumers may not conserve common resources in service environments and how these reasons can be addressed in communications. This study moves toward addressing this issue and reveals that consumer cynicism leads to greater perceptions that a company has impure motives when requesting conservation efforts from its customers, which subsequently lowers consumer intent to con-

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serve as prompted. As such, consumers with higher levels of cynicism are less likely to conserve as requested, which could lead to greater waste. This finding underscores the need for companies to seek ways in which to overcome cynicism so that consumers will conserve towels, water, tissues, and other routinely-used service items more often. Further,

including anthropomorphic cues in conservation signs can squelch the influence of cynicism on conservation behaviors by severing the mediating influence of perceived motivational purity.

*References are available on request.*

# Applying the Theory of Cognitive Biases to Increase Charitable Donations: CSR Implications for the Fashion Industry

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*Verena Stacheneder, WU Vienna University of Economics and Business*

**Keywords:** cognitive bias, behavioral economics, corporate social responsibility, cross-sector alliance, online retail

**Description:** This paper investigates how the sequence of purchase and donation requests in the customer journey influences the willingness to donate to a charitable cause and the potential revenues for the seller.

## EXTENDED ABSTRACT

### Research Question

One specific manifestation of CSR is the solicitation of donations in collaboration with an NGO. Especially in an online environment, companies can easily control if they present donation options to consumers either before or after the actual purchase moment of their products. The aim of this paper is to investigate how the sequence of purchase and donation requests in the customer journey influences the willingness to donate to a charitable cause and the potential revenues for the seller. As theoretical frame, we use two related concepts of moral self-regulation, namely moral licensing and moral cleansing.

Moral licensing refers to the subconscious phenomenon that individuals, who initially engage in moral behavior, are later more likely to behave in an immoral way. Moral cleansing refers to the opposite case. Individuals, who initially demonstrate negative behavior, are subsequently more likely to perform a positive deed. While we do not consider luxury products as morally questionable, consumers often experience guilt or feel bad after purchasing luxury items. We assume that consumers spend a higher sum on a luxury product after donating to an NGO (moral licensing) and vice versa donate a higher sum to charity after purchasing a self-indulgent product (moral cleansing).

### Method and Data

In order to test our hypotheses, we conducted a quantitative survey with two experimental conditions and two distinct

control groups. We asked participants ( $N = 297$ ) to indicate the maximum amount of money in Euros they were willing to donate to Save the Children and the maximum amount of money they were willing to pay for a pair of new Ray Ban sunglasses. The two experimental conditions differed with regard to the sequence in which we presented the two tasks. In condition A, participants were first presented with the donation task; in condition B, participants were first presented with the purchase task. Hence, in condition A, moral licensing should occur and in condition B, moral cleansing should occur. Additionally, participants in the two control groups received either the purchase or the donation task.

### Summary of Findings

Our results indicate that the moral cleansing effect is present in our experiment. On average, participants who first indicate their willingness to pay for Ray Ban sunglasses (luxury product) are subsequently more prone to donating money to Save the Children (NGO) compared to participants who do not perform a similar prior task. In contrast, we could not observe a moral licensing effect at large. To address this surprising result, we conducted a median-split based on individuals' indicated willingness to donate. We considered this approach, since we assume that participants, who donate little or refuse to donate at all, might not experience a moral boost and hence do not gain a moral license. When comparing the mean willingness to pay for the luxury item from those, who donated little or nothing to those who donated relatively more, a moral licensing effect can be demonstrated. The mean will-

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ingness to pay for a luxury product of participants who donated little to charity is significantly lower than the mean willingness to pay of participants who donated more.

### **Key Contributions**

In our study, we demonstrate the effects of moral cleansing in the context of NGO-company collaboration. We have now established the general law that consumers, who first purchase a luxury item, are willing to donate substantially more to charity subsequently. In general, our results indicate that both parties in a cross-sector alliance profit the most, if donation options are made available after purchase decisions. In this sequence, the potential revenue for NGOs is highest. In terms of total actual revenue, the sequence of

both decisions does not make a difference for companies. However, in terms of potential sales, donation after purchase is highly recommended, since purchase after donation bears the risk of customers refusing to donate, which in turn decreases their willingness to spend money on the companies' products, probably due to guilt-reducing mechanisms. We demonstrate, for the first time, how insights from behavioral economics can be practically applied in the area of CSR in the fashion industry. Future research is strongly recommended to expand the identified patterns to other industries and to elaborate further on the applicability of well-established cognitive biases in realistic settings.

*References are available on request.*

# Corporate Social Responsibility Public Perception Quotient (CSRPPQ)

*Christopher Groening, Kent State University*

*John Peloza, University of Kentucky*

**Keywords:** corporate social responsibility, corporate social irresponsibility

**Description:** *The goal of our research is to fill an important gap in knowledge—detailed understanding of consumers' perception of individual companies' Corporate Social Responsibility (CSR) and Corporate Social Irresponsibility (CSiR) activities.*

## EXTENDED ABSTRACT

Currently databases measure firm CSR activities (e.g., KLD, ASSET4); however, there were no corresponding databases of consumer *perceptions* of these activities until the creation of CSRPPQ. This distinction is significant because consumer *perception* frequently has a greater effect on consumer behavior than does the *reality* of firm actions.

To determine the role that public perception of a firm's CSR and CSiR might have, we created a Corporate Social Responsibility Public Perception Quotient database akin to the American Customer Satisfaction Index ([www.theacsi.org](http://www.theacsi.org)). CSRPPQ collects perceptions of CSR from individual consumers on 51 business-to-consumer firms in the S&P 500.

## Research Question

The goal of our research is to fill an important gap in knowledge—detailed understanding of consumers' *perception* of individual companies' Corporate Social Responsibility (CSR) and Corporate Social Irresponsibility (CSiR) activities.

Consumer perceptions long have been linked with consumer behavior, especially in terms of their purchasing and product choices. Thus, it is very important for companies to understand consumer perception of their CSR and CSiR activities.

We hope to answer such questions as:

- How does the public perceive a company's corporate social responsibility (CSR) and corporate social *irresponsibility* (CSiR)?

- What are the predictors of CSR and CSiR perception?
- Are the predictors of CSR and CSiR perception the same?
- What relationship does perception of CSR and CSiR have with customer satisfaction, company financial outcomes, and actual company CSR and CSiR activities?

## Method and Data

Each participant is randomly assigned one of 51 large B2C U.S.-based companies. The participant is asked if (s)he is familiar with company X. However, the participant does not need to have knowledge or familiarity with company X's CSR or CSiR, because that is what the survey intends to measure.

The survey consists of four categories:

1. Questions about the overall CSR and CSiR of the company.
2. For each CSR/CSiR area the participant rates the company's CSR or CSiR. The participant also can indicate "no opinion" regarding a specific CSR or CSiR area.
3. The survey participant is asked to identify at least one firm action that informed his/her CSR/CSiR area specific perception. Each area has 3–7 specific types of firm actions and two generic ("no particular reason, I just have a feeling" and "other").
3. Questions regarding purchase history, customer satisfaction, repurchase intent, and whether the survey participant would accept a job at company X.

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## **Demographic Questions**

The CSRPPQ survey collects approximately 1,000 responses (~20 per company) during the second week of each month. Data collection began in August, 2016.

## **Summary of Findings**

Overall, we find that Overall CSR/CSiR Perception (0-10 scale) is 5.80 (low = 3.50, high = 7.08, SD = .76).

The next set of findings addresses the “no opinion” and “no particular reason, I just have a feeling” responses. For each CSR/CSiR area, an average of 72% of participants had an opinion. 34% said their opinion was only based on gut feeling, while 17% said gut feeling played a role.

A main effects model predicting Overall Combined CSR/CSiR containing only the variables Overall CSR and Overall CSiR has an adjusted R<sup>2</sup> of 61.8. Addition of customer satisfaction to this model increases adjusted R<sup>2</sup> to 63.7. Finally, addition of the six CSR and CSiR areas increased adjusted R<sup>2</sup> to 70.6.

The next set of models looked at Overall CSR and Overall CSiR. Customer satisfaction and Overall CSiR explained 20.3% of the variance in Overall CSR. Addition of the six CSR and CSiR areas increased adjusted R<sup>2</sup> to 65.3. Customer satisfaction and Overall CSR explained only 4.1% of the variance in Overall CSiR. Addition of the six CSR and CSiR areas increased adjusted R<sup>2</sup> to 17.5.

More detailed analysis will be presented at Summer AMA, 2017.

## **Key Contributions**

The overall goal of our submission to Summer AMA is to be able to introduce and describe our longitudinal collection of corporate social responsibility data and preliminary findings. We hope that our data collection becomes a valuable resource to the research and business communities, and the general public.

*References are available on request.*

# Worth It or Not? Effects of Price Premium on Purchase Intent of Products with Environmental Benefits

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*Yali Fan, Tsinghua University*

*Feng He, University of Science & Technology Beijing*

**Keywords:** *green product, environmental sustainability, perceived price fairness, price premium*

## EXTENDED ABSTRACT

### Research Question

Generally speaking, since firms throw more efforts into new green products comparing with the previous one. Only being able to sell the new green one at a premium price would never allow firms to break even. Moreover, prior research shows environmental protection behavior usually provides social benefits but produces personal costs (Montada and Kals 1995). One question that naturally arises is: when being exposed to the price premium of green products, how would consumers react in making a choice in these situations?

Since the cost of green products increases, how to persuade consumers to accept the premium price of green products is central to the development of the green industry. This paper demonstrates that consumers infer the price premium as a signal of quality guarantee rather than green enhancements, and perceived higher quality is not necessary to increase purchase intent, in turn, perceived price fairness plays an import role in consumers' purchase intent to green products. These results are explained by consumers' equity theory about price fairness. The present study also identifies a moderator of types of concern. The authors put forward some suggestion to increase consumer acceptance of green products at a premium price.

### Method and Data

Our theory was tested through three lab experiments. Study 1 lend supports for the three central hypotheses regarding quality inference (hypothesis 1), purchase intention (hypo-

esis 2), and one moderation (hypothesis 3). Additionally, this study also addressed one alternative explanation for the effect, which is related to the possibility that the price premium signaled the green enhancements. (We discuss this alternative in further detail along with the study.)

Study 2 tries to explore the mechanism to increase the willingness to pay the product with green enhancements and price premium. This study finds consumers' perceived price fairness is key indicator to influence to pay the green products.

### Summary of Findings

The present studies provide one of the first research into the effect of price premium on consumer perception. These results are informative because they identify that (1) consumer infer the price premium as a signal of quality assurance not green enhancements, (2) even though consumers infer higher quality of green product with premium, they don't show high purchase intent; (3) presenting social cues like government subsidies could increase purchase intent; (4) perceived price fairness is a key mediator on purchase intent by social cues; (5) other-concern is important moderator on purchase intent by social cues, these results are also informative as they not only shed light on how consumers respond to price premium of green products but also suggest a number of ways that firms payed more attention in producing green products may best communicate those efforts.

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## **Key Contributions**

This research makes several important contributions. One theoretical contribution of this work is that it sheds light on consumer's response to green products with price premium. A second significant theoretical contribution of this work is that it sheds light on concerns (self-concern and other-concern) as an important moderator of consumer's perceived price fairness. A third significant theoretical contribution of this work is that it identifies conditions under which green products will either increase or decrease consumer purchase intent. From an applied perspective, perceived quality is significant important, however, compared with traditional

products, improving consumers' perceived price fairness is also very necessary. Moreover, the results also indicate that other-concern is a mediator, it suggests that firms need to emphasize the other-concern when communicate with consumers, such as care for others. (The research for this project was supported by the National Natural Science Foundation of China (Grant No. 71472104), Tsinghua University Initiative Scientific Research Program (20151080390), and Major Project of Ministry of Education of P.R.C. (16JJD630006).

*References are available on request.*

# Why Others Don't Want the Products We Love: The Impact of Emotional Attachment on Consumer Rental Decisions

*Antje Graul, University of Leeds*

*Aaron R. Brough, Utah State University*

**Keywords:** collaborative consumption, product attachment, C2C transactions, rental decisions

**Description:** Three experiments show the first documentation of the consequence of an owner's product attachment on other consumers in consumer to consumer rental decisions.

## EXTENDED ABSTRACT

### Research Question

The consumer-to-consumer (C2C) rental market is a multi-billion-dollar industry that comprises a large portion of the sharing economy (Sacks 2011). Among the many product categories shared in this market are homes, cars, clothing, and other products to which owners may feel a special connection. However, little is known about how an owners' attachment to their products may influence such access-based transactions. Prior research has examined how emotional attachment to a product influences the decisions of *owners* in a secondary market place, such as the minimum price they are willing to accept to sell the product. We focus instead on *users* and examine how awareness of an owner's emotional attachment to a product influences users' rental decisions. In contrast to the possibility that such awareness would either have no impact on users or would increase access intentions, we argue that it instead tends to decrease users' access intentions. Our prediction is based on the notion that users prefer to avoid the responsibility of caring for a possession that is special to the owner.

### Method and Data

We test our predictions across three experiments. Study 1 aims to examine, across diverse product categories, how a user's likelihood to access a possession is impacted when providers offer a story communicating their emotional attachment to the possession. Study 2 aims to provide evi-

dence of the underlying mechanism by showing that the strength of the owner's attachment communicated within the story moderates the impact of the story on user preferences. Study 3 aims to test the role of risk sensitivity in producing this effect by showing that an above-market access fee can attenuate the impact of a product story on user preferences.

### Summary of Findings

Our research examines how the emotional attachment of product owners can influence other consumers in C2C access-based consumption, in which product owners provide other consumers with short-term access to their possessions. Three experiments show that product descriptions which convey an owner's emotional attachment to a product tend to lower access intentions among users. This effect is mediated by sensitivity to the risk of damaging or losing the product, and is attenuated when users provide up-front compensation to the owner through an above-market product access fee.

### Key Contributions

Whereas prior work on product attachment has examined its effect on the decisions of product owners, we examine its effect on the decisions of others involved in a transaction, such as potential short-term renters. By extending the focus from owners to renters, we provide a more comprehensive view of the consequences of product attachment. From a

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theoretical perspective, we provide the first documentation of the consequence of an owner's product attachment on other consumers. We provide robust evidence across a variety of product categories that potential users who become aware of an owner's product attachment exhibit decreased access intentions, that this effect is driven by increased risk sensitivity rather than alternative explana-

tions, and that the effect is moderated by the strength of the owner's attachment. Finally, we identify a theory-driven boundary condition for the effect (higher access fees) with clear practical implications for decision-makers in a C2C rental market.

*References are available on request.*

# When Certifying Sustainability Can Backfire: Assessing Side Effects of Sustainability Labels on Non-Certified Products of the Same Brand

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*Sören Köcher, TU Dortmund University*

*Hartmut H. Holzmüller, TU Dortmund University*

**Keywords:** sustainability, organic label, product certification, consumer perception, mixed methods

**Description:** We investigate unintended side effects of sustainability labels on other uncertified products offered by the same brand and demonstrate how consumers' perceptions of those bystander products can be affected in different ways and actually suffer from such a certification strategy.

## EXTENDED ABSTRACT

### Research Question

Our research aims to investigate less straightforward effects of sustainability labels on uncertified products of the same brand to establish a broader understanding of product certifications' overall effects from a brand portfolio perspective. Therefore, our research questions are as follows:

- How does certifying only selected products of a brand's assortment (i.e., a "partial certification strategy") with a sustainability label affect consumers' perceptions of uncertified products offered by the same brand?
- What psychological processes underlie changes in consumers' perception (mediation effects)?
- What factors determine the identified underlying processes (moderation effects)?

### Method and Data

We applied a mixed methods approach to answer our research questions. First, 14 qualitative interviews were conducted to explore consumers' reactions as well as underlying psychological processes of changes in their perceptions of bystander products. Second, a series of online experiments tested the identified basic effects and examined potential moderators that were derived from the interviews as well as

related research fields (i.e., perceived behavioral control, brand reputation, and pricing differences).

Study 1 used a single-factor design with a threefold multi categorical independent variable (no certification vs. partial certification with organic label vs. partial certification with consumer test label). A total of 128 students completed the study. Study 2 had a  $2 \times 2$  design (certification: no vs. partial; brand reputation: low vs. high); participants were 135 students. Study 3 used a threefold multi categorical design (no certification vs. partial certification with same price of target product vs. partial certification with higher price of target product). As students are assumed to be highly price sensitive, we used a sample of 132 consumers with varying demographics, employment, and monthly spending on foods.

Data was analyzed by conducting parallel mediation analyses as well as moderated mediation analysis using the PROCESS SPSS macro.

### Summary of Findings

We demonstrate how a partial certification strategy affects consumers' perceptions of unlabeled bystander products in a threefold manner: Changes in the reference framework used to assess bystander products impair perceptions of the uncer-

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tified product's attributes as it appears inferior compared to the certified product. At the same time, enhanced perceptions of the target product spill over to the bystander because of their shared affiliation. Finally, consumers perceive a brand's meaning as inconsistent if it certifies only selected products, which raises skepticism on the brand's overall intentions.

Regarding determinants of these basic effects, we find that the degree of a brand's perceived controllability over certifying its products affects perceived inconsistency. For certifications with low controllability (e.g., consumer test labels), this negative effect diminishes, while it is present for sustainability labels as the brand's control is perceived to be high. Further, we find that the certified product only benefits in case of brands with low reputation. However, regarding the effect on brand meaning clarity and its mediating effect on bystander perceptions, partial certification has a negative effect regardless of the brand's reputation. Higher price differences additionally attenuate perceptions of bystander products as they increase perceived differences between certified and uncertified products.

## **Key Contributions**

Our findings contribute to extant research on sustainability labeling by establishing a broader perspective on the effects of organic certifications on consumer perceptions. Looking

beyond straightforward positive effects on certified products, we enhance the understanding of side effects on other, unlabeled products offered by the same brand, demonstrating how these can actually be negative. We reveal psychological processes that underlie changes in how consumers perceive uncertified bystander products and identify moderators that determine these found basic effects.

In doing so, this research provides important theoretical contributions and practical implications concerning far-reaching effects of sustainability labels. The named insights should be of particular relevance for marketing managers, especially due to the increasing use of sustainability marks as a marketing tactic (e.g., prominently communicated in TV spots, on product packages) and the entailed high costs of employing such certifications. Our findings reveal that, from a brand's overall perspective, their impact is not as straightforward as might be assumed. Rather, far-reaching implications for the whole portfolio have to be considered when assessing the benefits of employing a respective certification strategy.

Overall, our findings demonstrate that the functioning of product certifications is a worthwhile field for future research, offering important implications for practitioners.

*References are available on request.*

# Corporate Social Responsibility, Customer Satisfaction and Loyalty in Ghana's Telecommunications Sector

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**Keywords:** corporate social responsibility, customer satisfaction, customer loyalty, telecommunications sector, Ghana

**Description:** This study seeks to determine the impact of Corporate Social Responsibility (CSR) on customer satisfaction and loyalty in Ghana's telecommunications sector.

## EXTENDED ABSTRACT

### Research Questions

1. Does CSR generate customer satisfaction and loyalty?
2. Which CSR activities translate into higher customer satisfaction and loyalty for Mobile Telecommunications operators in Ghana?

### Method and Data

A structured questionnaire was used to collect data on the five dimensions of CSR—education, environment, health, social and ethical business, and their effects on customer satisfaction and loyalty. All dimensions of CSR were modelled as reflective constructs and measured on multi-scale items. The respondents were drawn from subscribers of MTN and Vodafone in the Accra Metropolis. Overall 243 usable responses were collected and used in the analysis. Quantitative data analysis using structural equation modelling was used to determine relationships and causal effects of constructs in a model.

### Summary of Findings

*Does CSR activity generate customer satisfaction and customer loyalty?*

First, the results show that overall, the most significant dimensions of CSR are: (i) Ethical CSR ( $\beta = .404$ ,  $p$  value = .0000,  $p \leq .01$ ); and (ii) Health CSR ( $\beta = .319$ ,  $p$  value = .0129,  $p \leq .05$ ). Collectively, CSR activities generate

significant customer satisfaction ( $\beta = .786$ ,  $p$  value = .0000,  $p \leq .01$ ) and loyalty ( $\beta = .741$ ,  $p$  value = .0000,  $p \leq .01$ ).

For MTN, the paper notes that Environment CSR ( $\beta = .300$ ,  $p$  value = .0266,  $p \leq .05$ ) and Ethical CSR ( $\beta = .697$ ,  $p$  value = .0000,  $p \leq .05$ ) were the only significant CSR dimensions. The collective CSR activity at MTN leads significantly to customer satisfaction ( $\beta = .866$ ,  $p$  value = .0000,  $p \leq .01$ ) and customer loyalty ( $\beta = .777$ ,  $p$  value = .0000,  $p \leq .01$ ). Results further reveal that the CSR activity of MTN explains 75.9% of the customer satisfaction and 60.3% of customer loyalty.

In the case of Vodafone, the significant CSR dimensions identified were Ethical CSR ( $\beta = .477$ ,  $p$  value = .0000,  $p \leq .01$ ) and Health CSR ( $\beta = .268$ ,  $p$  value = .0075,  $p \leq .05$ ). Collectively, CSR activity at Vodafone accounts for 75.2% of customer satisfaction with strong and significant path coefficient ( $\beta = .867$ ,  $p$  value = .0000,  $p \leq .01$ ), and also a significant predictor of customer loyalty ( $\beta = .835$ ,  $p$  value = .0000,  $p \leq .05$ ).

*Which CSR activities translate into customer satisfaction and loyalty?*

Ethical CSR ( $\beta = .444$ ,  $p$  value = .0000,  $p \leq .01$ ) is found to significantly predict customer loyalty; whereas Health CSR ( $\beta = .341$ ,  $p$  value = .0035,  $p \leq .01$ ) significantly predicts

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customer satisfaction. Although non-significant, Social CSR ( $\beta = .305$ ,  $p$  value = .0707, n.s) and Environment CSR ( $\beta = .198$ ,  $p$  value = .1414, n.s) also relate moderately to customer satisfaction and loyalty respectively.

### **Key Contributions**

A strong case is made in this study that CSR practices have a positive effect on customer satisfaction and also lead to higher customer loyalty. The study also concludes that both MTN and Vodafone have considerably incorporated CSR in their business activities. The implications of the above are that CSR is an effective tool to win the hearts of customers, particularly, in the telecommunications industry. It provides a way to increase customer satisfaction and enhance customer loyalty. It is therefore a sound argument

that CSR is a component of an effective business strategy which is aimed at meeting customer needs by serving the community.

This study offers some critical areas that attention can be given to in an organization's overall business strategy. Managers in the telecommunications industry would have to take these observations into account in their decision-making processes. The areas include CSR activities that relate to professional standards, education, health, and environmental activities. MTN could concentrate on CSR in environment and ethical CSR while Vodafone strengthens its efforts in the areas of CSR in health and education.

*References are available on request.*

# Green Marketing Consumer-Level Theory Review: A Compendium of Applied Theories and Further Research Directions

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*Joseph Sarkis, Worcester Polytechnic Institute*

**Keywords:** *green marketing, literature review, consumer theory, environment, behavior*

**Description:** *This paper examines more than 20 consumer-level theories from various disciplines, including marketing, psychology, economics, etc. The current state of application for each theory is summarized and future areas of research are suggested.*

## EXTENDED ABSTRACT

### Research Question

A confluence of factors (e.g., decades of academic research, rising consumer environmental concerns, increasing governmental regulation, and greater availability of green products) has elevated the level of awareness of green products to new heights. In addition, marketing green products requires different approaches than marketing non-green products (e.g., to counteract consumer prioritization of self-interest and focus on the short-term vs. long-term). Thus, while reviews of firm-level theories exist, there is need to take stock of individual level consumer behavior theories in green marketing. We begin by defining the term green marketing. Next, we conduct a large-scale review of the pertinent theories. We uncover more than 20 consumer-level theories, which we group into six categories. Research questions include what individual consumer level theories have been used in the context of green marketing? How have individual consumer level theories been applied to help understand, explain, and predict green consumer behavior? What other individual consumer level theories could be applied to green marketing? What are the future areas/directions of research within green marketing?

### Summary of Findings

Academic researchers have taken many different theoretical approaches to understanding green consumer behavior.

There is significant evidence that few consumers will pay more for green products and that environmental behaviors in one context do not necessarily transfer to other contexts. The identified theories can help explain various aspects and stages of individuals' green consumer behavior. Complements from various theoretical perspectives can strengthen the systemic understanding of the complex green consumerism and fill in gaps from individual theories.

### Key Contributions

While reviews of firm-level theories exist, this paper is the first to take stock of consumer behavior theories in green marketing. This paper examines more than 20 consumer-level theories from various disciplines, including marketing, psychology, economics, etc. The current state of application for each theory is summarized and future areas of research are suggested. The paper shortlisted the most promising individual-level theories that could be used to advance understanding of consumer behavior in green marketing. The proposed framework represents the theoretical relationships of an individual's formation of green purchase behavior.

*References available on request.*

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# Grateful Compliance or Proud Defiance? Distinct Effects of Pride and Gratitude on the Effectiveness of Anti-Drinking Message

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**Keywords:** pride, gratitude, positive emotions, anti-drinking message, psychological reactance **Description:** This research examines the differential influence of pride and gratitude on willingness to comply with anti-drinking message.

## EXTENDED ABSTRACT

### Research Question

How pride and gratitude differentially influence the effectiveness of anti-drinking message? Method and Data

Study 1A employs a one-factor, two-level (dispositional emotion: pride, gratitude) within-subjects design. Eighty students (30% male,  $M_{age} = 24.69$ ,  $SD = 2.43$ ) from a large public university are recruited for this study in exchange of course credit.

Study 1B employs a one-factor, two-level (emotion: pride, gratitude) between-subjects design. Sixty-two students (45% male,  $M_{age} = 19.81$ ,  $SD = 1.41$ ) from a large public university participate in exchange of financial compensation.

Study 2 employs a one-factor, four-level (emotion: authentic pride, hubristic pride, gratitude, neutral) between-subjects design. One hundred and sixty-nine participants (36% male,  $M_{age} = 31.48$ ,  $SD = 8.59$ ) are recruited from the national online panel in exchange of small monetary compensation.

Study 3 employs a 3 (emotion: pride, gratitude, neutral)  $\times$  2 (message assertiveness: assertive, less assertive) between-subjects design. Two hundred and two students (45% male,  $M_{age} = 21.95$ ,  $SD = 3.20$ ) from a large public university are

recruited to participate in this study in exchange for financial compensation.

Study 4 employs a 4 (emotion: pride, gratitude, fear, neutral)  $\times$  2 (perceived freedom: high, low) between-subjects design. Three hundred and thirty-seven participants (46% male,  $M_{age} = 32.88$ ,  $SD = 11.17$ ) are recruited from a national online panel in exchange of a small monetary compensation.

### Summary of Findings

Study 1A provides initial evidence on these predictions by demonstrating that dispositional gratitude (but not dispositional pride) predicts an increased willingness to comply with anti-drinking message. Study 1B provides a more stringent, internally valid test by directly manipulating emotion states. The results demonstrate that gratitude is more effective than pride and neutral states to promote responsible drinking behavior. Study 2 extends the findings of Study 1 by establishing the process mechanism of the emotion effects using different types of pride. The results show that the emotion effects occur due to the differences in self-responsibility that will lead to psychological reactance. Study 3 aims to test the boundary condition of our predictions using different levels of message assertiveness. We find that while gratitude is more effective than pride to promote responsible drinking behavior in the assertive message condition, the emotion effects are attenuated in the less assertive message condition. Study 4 further tests the boundary condition and shows that

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gratitude is more effective than pride to increase the willingness to comply with anti-drinking message in the high (vs. low) perceived freedom condition.

### **Key Contributions**

First, the current research examines how pride and gratitude can differentially influence the effectiveness of anti-drinking message. The results show that not all positive emotions are similarly effective to promote compliant behavior. In this case, gratitude is more effective than pride to promote responsible drinking behavior. Second, we identify the underlying mechanism of pride and gratitude effects on the

willingness to drink moderately. Specifically, this research demonstrates that gratitude (vs. pride) can reduce psychological reactance and thereby, increasing the effectiveness of anti-drinking message. Finally, the findings of the current research also provide important managerial implications for various stakeholders such as marketers and policy makers in their social marketing and corporate social responsibility campaigns. That is, we provide concrete empirical evidence that positive emotion appeals can be helpful to promote responsible drinking behavior.

*References are available on request.*

# Dual Pathways to Consumer Solutions: Mood, Creativity, and Sustainable Consumption

**Richard J. Vann, Penn State Behrend**

**José Antonio Rosa, Iowa State University**

**Keywords:** consumer creativity, sustainable consumption, affect, cognitive persistence, cognitive flexibility

**Description:** This paper uses the Dual Pathway to Creativity Model (DPCM) to derive seven researchable propositions in the domain of consumer creative solutions to sustainable consumption challenges.

## EXTENDED ABSTRACT

### Research Question

Creativity research “enhances the quality of solutions to life’s problems” (Milgram 1990, p. 215). Noteworthy advances have been made in understanding how consumption constraints affect consumer creativity (e.g., Moreau and Dahl 2005), consumer motivation (Dahl and Moreau 2007), and on the interplay between construal flexibility and creative mindsets (Yang et al. 2011). Research has also explored linkages between affect and creativity (e.g., Isen et al. 1985). Because of ongoing discoveries, creativity remains a fruitful research area. A similar case can be made for sustainable consumption. Challenges include barriers to sustainable marketing (e.g., Gifford 2011) and complex consumer behavior (e.g., Stern 2011). Sustainable solutions will likely arise as marketers and consumers engage in divergent thinking about consumption, repurposing, and reuse—the essence of creativity (Guilford 1959).

Linking these research areas is the relationship between negative affect and creativity. A robust body of research supports links between positive mood and creativity (Cohen, Pham, and Andrade 2008). Such research is not directly helpful to sustainable consumption, however, because affect responses to sustainability challenges and appeals are mostly negative (e.g., Böhm 2003). If sustainability challenges require innovative thinking, it is important to ascertain how negative affect might impact creative efforts, and perhaps

determine how the negativity endemic to sustainability conversations can be redirected towards innovative solutions.

De Dreu, Baas, and Nijstad (2008) provide useful insights. Their dual pathway creativity model (DPCM) goes beyond an affect valence-creativity link to uncover dual cognitive pathways (flexibility and persistence) to creativity. The DPCM argues that creativity is driven by mood state valence (+/-) and activation (intensity), and that individuals generate more creative outcomes under either active-positive (happy) or active-negative (fear) states than under deactive-positive (relaxed) or deactive-negative (depressed) states. DPCM also argues that affect activation leads to creative outcome quality, while affect valence governs which cognitive pathway is engaged. The model posits that an active-positive state enhances cognitive flexibility, while an active-negative state leads to cognitive persistence.

DPCM has implications for sustainable consumption challenges. Affect-focused sustainability research finds a mix of negative responses (e.g., anxiety, worry, anger) to climate change and environmental degradation (e.g., Böhm 2003). It suggests that the cognitive persistence pathway to creativity, cued by active-negative moods (e.g. fear), may be involved in consumers’ sustainability-oriented creativity. Through cognitive persistence, consumers may identify deviant consumption alternatives, such as novel repurpose and reuse approaches. On the other hand, if a deactive-negative mood is elicited (e.g. depression) consumer persistence towards creative solutions

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may wane. DPCM-inspired research may prove useful to efforts that encourage consumer sustainability. Seven propositions are presented to guide future research.

### **The Dual Pathways to Creativity Model**

De Dreu et al.'s (2008) dual pathway to creativity model (DPCM) separates the cognitive flexibility pathway expounded by most consumer creativity research from a second pathway that relies on cognitive persistence. Positive mood increases cognitive flexibility, which leads to analogical thinking. Cognitive persistence, on the other hand, leads to improved creative performance through focused and effortful processing within categories.

While most emotional responses to climate change and environmental degradation are negative, Böhm (2003) and Doherty and Clayton (2011) provide evidence that both positive and negative emotional responses are possible when individuals face environmental concerns. The following propositions, based on the DPCM framework, pertain to situations where consumers are asked to generate constructive ideas for resolving sustainability challenges, such as how to reuse or repurpose common household objects. When faced with environmental degradation messaging, it is proposed that con-

sumers charged with being creative in sustainable consumption pursuits should exhibit: higher levels of creativity for active moods (fear or happiness) than deactivating moods (depression or relaxation), [P1]; similar levels of creativity for active mood states across valence, [P2]; greater cognitive persistence (flexibility) when experiencing negative (positive) active moods, [P3 and P4]; lower creativity levels for active moods when facing working memory demanding tasks, [P5]; and lower (similar) levels of creative for negative (positive) moods when facing time constraints, [P6 and P7].

### **Contributions**

These propositions offer a starting point for future work on sustainable consumption and consumer creativity. Integrating mood-creativity links, affective responses to environmental crisis, and the DPCM framework lays the foundation for consumer creativity research focused on understanding and encouraging consumer-generated solutions to social challenges. While the current work emphasizes environmental sustainability, these ideas may be extendable to other research areas, such as bottom-of the pyramid creativity and patient-generated health solutions.

*References are available on request.*

# Existentialism, Consumption, and Sustainability: Backpackers Fleeing and Finding Themselves

Brendan Canavan, University of Huddersfield

## ABSTRACT

This paper attempts to position existentialist philosophy in relation to sustainable consumption. An extensive philosophical tradition that can address profound and difficult problems of man and his world (Comic and Beograd, 1989), existentialism may help to enrich academic and practitioner understanding of sustainable consumption and interpret the widely reported gap between consumer intentions and actions regards sustainable consumption (Gleim *et al.*, 2013). Uptake of sustainable tourism which seeks to ameliorate negative and maximise positive impacts of the industry on hosts (Tao and Wall, 2009) has been similarly weak (Buckley, 2012).

**Keywords:** existentialism, sustainable consumption, tourism, netnography

**Description:** *This article seeks to understand sustainable tourism consumption through the lens of existentialism. Netnography of backpackers on an extended vacation reveals both existential anxiety and authenticity motivate and shape travel. This in turn has implications for the relative sustainability of otherwise tourism consumed.*

## Introduction

Existentialism and sustainable consumption is reviewed in this paper through the lens of tourism. Existentialism has recently been brought into the tourism studies literature reflecting strong overlaps between existentialism and tourism concepts generally (Steiner and Reisinger, 2006), with research considering the role of tourism as a catalyst for existential authenticity (Wang, 1999; Rickly-Boyd, 2013; Brown, 2013). Tourism thus provides an established context in which to conduct research. There remain gaps in debate however, particularly in representations of the existential avoidance roles tourism consumption may fulfil and existentialism has thus far not been explicitly linked to sustainable consumption.

## Literature Review

### Existentialism

Although an eclectic school of thought, common threads regards the freedom of the individual and responsibility for one's own actions (Agarwal and Cruise Malloy, 2000) underpin existentialism, which may be summarised as a

philosophical tradition concerned with what it means to be human, what it means to be happy, and what it means to be oneself (Reisinger and Steiner, 2006). Briefly speaking, existentialism may be categorised into three interlinking elements: anxiety, avoidance and authenticity. Firstly, existentialist thinking relates to the anxiety, discomfort and pain of the human consciousness (Heidegger, 1962; Sartre, 1969). The human being is thrown into a world of meaninglessness, unconditional freedom, inevitable death, and universal alienation (Tillich, 1952). These aspects make up the existential predicament inherent to all humans; the chaotic nature of life and certainty of death, and having to face up to the responsibility implied by total freedom (Sartre, 1948; Agarwal and Cruise Malloy, 2000). An inevitable response to the predicament is anxiety. Rather than confront the painful realities of existence, existentialist thinking suggests that many people much of the time choose to distract themselves from becoming immersed and lost within the routine, quotidian, group, and inauthentic (Heidegger, 1962; Sartre, 1948; 1969). Typically, distractions involve cultural-adherence strategies which focus on immersing the self within cultural

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existence by identifying with and favouring social in-groups and acting in accordance with social norms (Fritzsche and Hafner, 2012). Alternately self-esteem strategies are seeking escape via immersion within the self as of unique significance amongst peers and in the world (Greenberg *et al.*, 1997). Thirdly existentialist discussion relates to notions of self-actualisation being reached through living authentically. If the intrinsic existence of alienation is linked to anxiety and flight from this to avoidance, then authenticity relates to confronting and overcoming (Heidegger, 1962). Authenticity may be interpreted as an ideal state of fulfilment in which people can be true to themselves (Wang, 1999) as opposed to becoming lost in public roles and spheres (Berger, 1973), day-to-day behaviour or activities or thinking about the self (Reisinger and Steiner, 2006).

### ***Existentialism and Consumption***

Consumption of goods and services can play a role in the flight from existential anxiety into avoidance pathways. Self-esteem building for example may come from consumption as practice and belongings which can be used by individuals as a means of claiming and asserting an identity (Elliot, 1997). Tourism, as a highly conspicuous form of consumption, offers many opportunities for self-esteem building (see Chen and Chen, 2011). Tourism is moreover an activity where the emphasis on self is well established throughout (Sin, 2009) and may enable inward-looking esteem-building pathways focussed on indulging and celebrating the self (Greenberg *et al.*, 1997). Consumption can likewise offer a sense of social and cultural immersion. Basically, we employ consumption symbolically not only to create and sustain the self but also to locate us in society (Wattanasuwan, 2005). This is true also of tourism where the routine, familiar and mundane are strongly present and togetherness with significant others is prominent (Obrador, 2012). Tourism additionally offers opportunities to become part of particular travel communities, such as those of backpackers who frequently share close bonds, codes and cultural practises (Cohen, 2011).

Nevertheless, Steiner and Reisinger (2006) propose that existential authenticity is a state of being that can be produced or pursued through tourism. Existential authenticity may be linked to the learning, liberating and reflexive potential that tourism holds. These three aspects can play a role in the search for individual and collective identity, meaning, fulfilment and freedom (Wang, 1999; Brown, 2013). The potentially challenging learning characteristics of tourism promote independence and self-sufficiency which in turn becomes conducive to existential authenticity (Ricky-Boyd, 2013). Liberation links with the contrast to everyday roles tourism provides, which

enables people to keep a distance from or transcend daily lives (Wang, 1999). As McIntyre (2007) observes, away from the ennui and stresses of the home setting the tourist can be the self they more wanted to be. Tourism may also stimulate reflexivity. Brown (2013) argues that the unique and central function of tourism is in offering a reflective space that is conducive to self-insight and to the examination of priorities. Thus, tourism may be viewed as a platform for richer experiential encounters with oneself as well as richer bonding encounters with others (Shepherd, 2015).

### ***Existentialism and Sustainability***

These existential motivations may be associated with particular consumption behaviours that could be considered as more or less sustainable. To illustrate, existentialist philosophy highlights that avoidance routines, though valuable as a coping mechanism, are inauthentic, conformist, stifling, and lead to a loss of the real self, self-potential and actualisation (Sartre, 1943; Heidegger, 1962; Berger, 1973). This may in turn associate with consumer behaviours which orientate towards the irresponsible. Social immersion is a means for the individual to cast-off responsibility for own actions (Sartre, 1957). Miller *et al.*, (2010) describe how tourist's sense of environmental responsibility or guilt is dispelled on holiday by the fact that the location is full of other people who have made the same decisions. Furthermore, selfish consumer behaviours may link with pursuit of existential avoidance that can prioritise the self and certain cultural in-groups (Fritzsche and Hafner, 2012). MacCannell (2002) suggests that tourists can be described as egomaniacs and sees tourism in certain forms as supplying the energy for narcissism, economic conservatism, egoism, and absolute group unity or fascism.

By contrast, pursuit of existential authenticity appears to be more compatible with sustainable tourism principles. Although not all tourists or all of the time are looking for existential authenticity (Steiner and Reisinger, 2006), search for meaning, connection and self-actualisation is important to many (Wang, 1999). Certain tourists appear to crave the enhancement rather than avoidance of self, and many go away to confront the very problems that other tourists are only too happy to leave behind (Smith and Kelly, 2006). Backpacker tourists for example look for authentic experiences and want to meet local people to share their experiences and cultures, and to encounter unspoilt natural landscapes and sites (Cohen, 2011). The implied willingness to seek out closer interactions with natural and cultural landscapes links with descriptions of sustainable consumption as something which requires involvement, commitment and added investment (i.e. Tao and Wall, 2009).

## Methodology

Exploratory research involved a netnographic analysis of twelve tourists pursuing a prolonged holiday together between Jan-June 2016. This research sample was opportunistic, snowballing from chance observation of acquaintances' online behaviour. Participants are all prolific users of various social media and all used to describe in detail a long-term vacation undertaken together, hence offering a research opportunity. Although backyard sampling is a risk of such an approach, pragmatic considerations were felt to outweigh in what is an exploratory study building understanding rather than seeking generalization. Netnography adapts the open-ended practice of ethnography to the contingencies of the online environment (Kozinets, 2006) and is a pragmatic and efficient tactic to obtaining and working with online data (Wu and Pearce 2014). Netnography analysed a combination of social media platforms used by participants to document travel experiences. Used in this study was the lurker format, whereby researchers do not reveal their research activity to online participants, nor participate in online exchanges; something which ensures that participants remain unaware of the researcher's activities and interact in the relatively uninhibited manner characteristic of online communities (Mkono and Markwell, 2014). As with Doster (2013) the sample was small, but rich and dynamically evolving, with the amount of photographic (1500 photos), textual (1200 comments) and video data (24 minutes) reviewed, comparable to other studies. Data collected was broadly classed using visual methods (see Stepchenkova and Zhan, 2013). This visual method was performed through interlinked stages of collecting data, content analysis, and semiotic interpretive analysis. An inductive process using a social constructivist approach to interpret data and build conclusions was used (see Eisenhardt and Graebner, 2007). Themes were allowed to emerge from research organically and these were then related back to the extant literature (Thornberg, 2012).

## Findings and Discussion

Research illustrated the long-form (3-6 months) travel experience undertaken by participants. This involved several stages spread across South Asian countries with various periods of collective and individual travel. Research coalesced around themes of existential avoidance and authenticity illustrating how both of these informed travel by participants.

References are made to tourism providing and being used for existential avoidance. Netnography reveals that tourism is described by group members as enabling the evasion of adulthood; something typified as dreary, constrained and difficult. Travel is referred to as a way to stay young, keep having fun, avoid responsibilities and not become boring. "*This one exploded glitter all over her face, threw on her huge*

*sequin silver skirt to sit and drink rum on our balcony. K you understand how boring adult-life is, may we never grow up and live in Wonderland together forever #idontknowhowtoadult.*" Posts position this as a carefree, fun adventure and draw contrasts with mundane home environments, responsibilities and routines. "*No commitments whatsoever. Just complete liberation. I'll never be this free as I am right now. Completely in my element and loving this life with my mind, body and soul.*"

In terms of existential avoidance strategies employed on holiday, high levels of tourist routine could be identified. Posts reveal a largely standardised pattern of tourism, with similar sites, accommodation, transportation and hospitality used throughout the trip. This suggests group members becoming immersed in the familiar and mundane (Grene, 1952). Likewise, social immersion within the group of friends and in wider traveller communities is demonstrated by the many posts that depict and describe group relationships, such as a review of a period spent in Vietnam: "*The BEST two days. Scored a private boat and cruised around the Vietnamese islands with some of my best friends. So many belly-laughs, so many failed somersaults, the world's biggest jellyfish, the most majestic game of beer pong ever played, a near Wilson castaway, rum and no water. Vietnam, I love you.*"

Posts also emphasise pursuit of existential authenticity through travel. References are made to travel contributing to self-actualisation, personal growth, bond building and sense of one's place in the world; indications of tourism catalysing existential authenticity (Wang, 1999). Emphasis is placed on learning, liberation and reflection stimulated by travel. Difficult and challenging situations, such as uncomfortable transport arrangements are repeatedly highlighted and described in terms of overcoming obstacles and experiences obtained on the road (as per Ricky-Boyd, 2013). Self-assessments are of growing as individuals and bonding as a group (Shepherd, 2015). "*I can't believe we shared this experience together. We overcame all those obstacles and became better people as a result. We know each other better than I thought possible and if we can do this can do anything together.*" Liberation is described in posts in terms of getting away from norms, responsibilities and expectations, generating a sense of freedom from restrictive obligations (Steiner and Reisinger, 2006). "*It's funny how the days of the week used to dominate my life and be my routine. Having this unforeseen opportunity to see the world has meant I have completely lost touch with time.*" Reflexivity is also in evidence encapsulating the role of tourism in fostering self-examination and growth (Brown, 2013). Being introduced to new cultural and natural landscapes is referenced as a spiritual, expansive process that provokes gratitude for and appreciation of the world and one's position and relation-

ships therein. “*Seeing the world has shown me the importance of living for the moment. So good to be reminded!*”

Lastly research began to establish some links between existential tourism states and sustainability of tourism consumed. Posts describing pursuit of existential authenticity relate to tourism activities which demonstrate participation in deeper experiences, implying opportunities for deeper exchanges, changes and creativity (see Canavan, 2016). Posts highlight mutual social, craft and cultural exchanges between group members and local people that may exemplify. Such deeper exchanges may be linked to various criteria for measuring sustainable tourism such as positive host-guest relationships, local control of industry, and commitment to sustainable principles (Almeyda *et al.*, 2008; Tao and Wall, 2009). Emphasis on nature and culture during these periods did include specifically sustainable tourism activities such as visits to conservation projects. “*Paddling along the Mekong River in a wooden boat and spotting Mekong dolphins. It was just so incredibly peaceful, the only sound was them breaching the water to take a breath. It is estimated there to be only 80-90 left in the wild: we were so lucky to have seen at least several.*” Hence initial suggestion is that existentially authentic tourism behaviours more closely overlap with notions of sustainable tourism.

Conversely findings inferred that irresponsible and selfish tourism consumption was more likely when existential avoidance was prioritised. Posts illustrate hedonistic periods involving drinking and self-indulgent behaviour. A corresponding emphasis was on closed backpacker communities cut off from the wider host world (as per Moaz, 2007). Such prioritisation of the self and distance of travellers from hosts are criticised within the literature as linking to unsustainable tourist impacts including environmental neglect, prioritisation of the one over the many, and insensitivity towards hosts (MacCannell, 2002). Inferences from netnography are that selfish individual and group prioritisation characterises some posts and periods of travel.

## Conclusion

This paper has attempted to position existentialist philosophy within sustainable consumption debate. It introduces an exploratory netnographic study of backpacker tourists to begin to elaborate on the proposed themes of consumers motivated by existential avoidance and authenticity, with resulting consumption behaviours that may be less or more sustainable respectively. Research illustrates the importance of both existential avoidance and authenticity to tourism consumers. Thus, tourism can be framed existentially as a means of escape through self-esteem and cultural-adherence pathways it enables. Also, something more than that relating to the learning, liberation and reflection opportunities catalysed, and which may lead to self and collective discovery,

actualisation and transcendence (see Comic and Beograd, 1989; Wang, 1999; Steiner and Reisinger, 2006). Secondly discussion and research begins to make links between existentialism and sustainability. It appears that tourism which relates to existential authenticity may be more likely to produce consumption behaviours which prioritise deeper experiences and exchanges compatible with the emphasis placed in sustainable tourism definitions upon deeper tourist involvement contributing to awareness of and commitment to sustainability (i.e. Tao and Wall, 2009). As a small scale exploratory study only, future research could investigate and build upon the proposals made.

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