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Editor

Tennessee Tech University

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LETTER FROM THE EDITOR

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Our editorial policy is to foster a supportive, mentoring effort on the part of the referees which will result in encouraging and supporting writers. We welcome different viewpoints because in differences we find learning; in differences we develop understanding; in differences we gain knowledge and in differences we develop the discipline into a more comprehensive, less esoteric, and dynamic metier.

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ARE CONSUMERS FOLLOWING RETAILERS TO SOCIAL NETWORKS?

Michelle B. Kunz, Morehead State University
Brittany A. Hackworth, Morehead State University

ABSTRACT

This paper examines the use of social media marketing (SMM) by top retailers during the fall of 2009. Eighteen top-rated retailers and five social media networks were identified for this study. Data were collected weekly from September through the first week of January 2010 to determine the level of participation by the retailers on each of the social media networks. The number of “subscribers” to each retailer’s social media platform(s) were tracked for the eighteen weeks reviewed. Significant changes were found across retailers, and across the different social media networks.

INTRODUCTION

The current economy poses many challenges for marketers and retailers. A Yankelovich Partners study (2005) found almost sixty percent of US customers find marketing to be irrelevant for them personally, and seventy percent are interested in products and services that would help block marketing attempts. Somewhat ironically, the same study also found that customers respond more favorably to marketing when they have control. Consumers are happier being a part of community, rather than the target of a marketing campaign (Cocheo, 2009). Consumers are more likely to buy something that is recommended to them, rather than when it is “marketed” to them; this is even more likely when the recommendation comes from someone that they trust.

Nielsen (2009) reported that global online video has grown 339% since 2003 and time spent viewing has increased almost 2000%. In addition to the growth in the use of video, the number of online social media users has grown 87% since 2003, and the time spent on these sites has increased 883%. In the last year alone, (2008) time spent on social networking sites increased 73%. A large percentage (85%) of social media networking users want companies to interact with them using social media applications (Nail, 2009). A 2006 comScore Media Metrix report (Trusov, Bucklin, & Pauwels, 2009) indicated every second, online users in the US had visited at least one of the top fifteen social networking sites, and that approximately fifty social networking sites each had more than one million registered users. In 2007 Oser and Adepiju reported that 37 percent of the US adult internet population and 70 percent of teens used online social networking at least once per month. Predictions show that the total US social networking audience will grow to 105 million in 2011. According to Nielsen Online (2009) research, use of

social networks and blogs is now the fourth most popular online category. Alex Burmaster, of Nielsen Online, stated “social networking is not just growing rapidly, it’s evolving in terms of a broader audience, and compelling in functionality.” One-third of Internet users report comments by consumers provided on the social media sites have been influential when they make a purchase decision, (Deatsch, 2009a), but just 11% considered advertising to be as effective. During the past year, almost half of Americans had consulted social media while shopping, and more than one-third, (37%), had done so in the past three months.

Based upon the usage rate and statistics, there is no question that retailers are quickly incorporating the use of social networking sites into their marketing communication strategy. The use of these sites became even more advantageous as many retailers implemented the benefits of the sites’ applications during the holiday season in an effort to generate revenue during this struggling economy. Many have recognized that social networking is about linking people with common interests. Companies such as American Eagle, Gap, Ice.com, Victoria’s Secret, Macy’s and Nike have experimented and/or incorporated the use of social networking, (Reda, 2008). The challenge for companies is learning how to use social networks to the greatest benefit. Many retailers used such social networking sites as Facebook.com, discussed later, to utilize an application that the network labels “events”. Retailers such as JCPenney and Macy’s, created events to encourage customers to visit their online as well as brick-and-mortar sites in order to take advantage of special promotions and sales during a specified period of time.

Results of research conducted by a team of Fellows of the Society for New Communication Research (Barnes, Cass, Getgood, Gillin, & Goosieaux, 2008) found evidence to support the significance of social networking to current promotional mix decisions. Consumers 25-55 years old, college-educated, and earning \$100,000 or more are among the most savvy and sought after consumers. The same group is using social media to research companies when making purchase decisions. While the economy has changed the way consumers shop, and how they spend, what has not changed is that consumers trust the opinions of friends and family, as well as people they do not know, usually more than anything the retailer has to say about the company or their products. Galeotti and Goyal (2009) purport that companies who use social media networking see higher sales and greater profits. Furthermore, Harridge-March and Quinton (2009) suggest that not only does social media networking allow for communications between consumers, but also allow retailers to develop a relationship with their customers, and therefore reduce churn. According to Mark Brohan (2009), while the economic downturn showed that online retailers were not immune to slumping sales, online sales grew by only a single digit rate last year. However, consumers remain loyal to online shopping, and as such, social media marketing provides an opportunity for retailers to develop a communication mix that is less costly, and reach consumers via a channel they want. The challenge for retailers is to identify how this digital word of mouth influences, as well as who the influencers are.

SOCIAL MEDIA AND RETAIL MARKETING COMMUNICATION

Internet Retailer's 2009 Top 500 Guide (*Getting Social*, 2009) devoted an introduction to this year's report on the prevalence of online retailers' participation and use of social media networks. Approximately three-fourths of the Top 500 retailers had a presence on at least one social network by early April 2009. Facebook was the most popular, 57% participating; 41% having posted a video or commercial on YouTube; 29% were on MySpace, while 20% were linked to followers in Twitter. Finally, 10% were on the social shopping site, Kaboodle.

Facebook

Owyang (2008) reported that more than 120 million active users made Facebook the fourth most-trafficked website in the world. It is visited by 3 in 10 people monthly ("Two-thirds of the global online population visit social networks and blogs," 2009) and has more than 75 million members in more than 80 countries (Leader-Chivée, Hamilton, & Cowan, 2008). Facebook reports that there are more than 28 million pieces of content (web links, news stories, blog posts, notes, photos, etc) shared each month. With this level of activity, it is no surprise that a recent study of social media ("Social Media Study Shows 59 Percent of Retailers Now Using Facebook ", 2009) found that up to 59% (59 of leading 100) of retailers are now using Facebook through the use of fan pages. These retailers have recognized the need to focus on what customers are looking for on a site, what the company wants to communicate, and the role the fan page can play in communicating their message. The actual number of retailers on Facebook doubled in only five months (Wagner, 2009). The 2009 *Internet Retailer's* Top 500 Guide shows that 56.8% of all retailers, or 284 companies, had a presence on the social networking site Facebook.com, including 70 of the top 100 ("More than half of 2009 Top 500 e-retailers have a presence on Facebook," 2009).

Kaboodle

Kaboodle was launched in 2005 when Manish Chandra and his wife grew frustrated trying to buy home improvement products (2009). Because they believed shopping is a social process, the social shopping site Kaboodle was developed, where consumers can find, recommend and share products, sources for products, and other relative shopping experiences. As of fall 2009, Kaboodle has over 14 million monthly visitors, and 900,000 registered users, who had added 10 million products to the site. In mid-year 2006, Kaboodle simplified the process of adding products to the website by creating an "Add to Kaboodle Wish List" button for retailers to add to their respective web sites. Kaboodle launched a holiday portal in 2008, Holiday Kit 'n Kaboodle (O'Grady, 2008). During the 2008 holiday season, Kaboodle boasted more than 260,000 vendors, and was considered one of the top 25 Networking media companies.

MySpace

MySpace is a regular destination of approximately 55% of teens (Maughan, 2007) and links 100 million users in more than 20 countries (Leader-Chivée, et al., 2008). As more young people choose online communication and social media, they want to share via text messaging, e-mail, and now social networks like MySpace, the things that are important to them and their friends. According to Jeff Berman, (Newman, 2008) president of sales and marketing for MySpace, TJ Maxx and Target have reached consumers effectively, based on an expressed interest in fashion or a specific genre of music. These applications provided increases of up to 300% when compared to standard demographic targeting. Another example of company response to effectiveness of social media is Wet Seal's addition of a community when it noticed 15% of its traffic was coming directly from MySpace (Deatsch, 2009a).

While MySpace has been the largest social networking site with regard to ad spending, things have changed drastically in the past few months (Williamson, 2009). From October 2008 to March 2009, traffic fell 8%, to 70.1 million people, while Facebook's unique visitor numbers grew 33%. Current indicators suggest Facebook is poised to replace MySpace, however, demographic differences may be substantial enough on MySpace for more targeted strategies to remain effective for some retailers. By December 2009 ("MySpace Tumbles from the Top," 2010), Facebook had garnered 47% of the social media market share, while MySpace fell to just 18%.

Twitter

Twitter attracted 14 million unique visitors in March, 2009, compared to only 1.1 million a year earlier (Deatsch, 2009b). This social medium has exploded so quickly that online retailers have just begun to consider how this medium could be used effectively to communicate with millions of potential customers. The key to making Twitter effective for a retailer is to get users to sign up and "follow" the retailer. Retailers must learn how to entice these followers by creating a 140-character statement that will be displayed on the retailer's Twitter page. In order to make Twitter a more successful tool for retailers, the website has introduced a guide to doing business online (<http://business.twitter.com/twitter101/>). Thus, updates on popular products, special sales or discount offers might turn low volume Twitter traffic into a high-value communication channel. For example, Delight.com reports a conversion rate 15% higher than average, and order size that is 20% above average. This site had 100,000 unique monthly visitors generating about \$1 million in sales during 2008. Twitter Tweepers comprise about 8% of the US online population (Bernoff, 2010), while another 4 percent are considered to be lurkers. More importantly, a significant proportion (95%) of Tweepers are members of other social networks such as Facebook. BestBuy has established the Twelpforce for customer and technical support, not to generate sales, and it is has been very effective to date.

Dell began using Twitter in March of 2007, and now has more than 11,000 followers. While most social network participation is about brand-building, Dell has effectively used Twitter to generate sales and revenue (Williamson, 2009). By using Twitter-only promotions, Dell reports more than \$1 million in sales over the past two years from the network (Wagner, 2009). While the original intent was not to generate immediate sales, this social network has proven to be a financial boost, as well as providing Dell the opportunity to be part of consumer conversations. Dell's strategy has been to be upfront about the purpose of the Twitter account. It is important to get consumers' interest before hitting them with marketing messages. Thus, it is important to follow what is being said about the company. On Twitter, they can offer consumers advice and generate good will, along with generating publicity.

YouTube

Reda (2008) found YouTube participants to be engaged, capable of influencing purchases of others, and seeking online opportunities that offer rich entertaining experiences. Users of the social networking sites actually control and determine what is the most popular. Jones (Jones, 2009) found YouTube to have about 258 million users logging in weekly. According to the YouTube site, the average user base is broad in age range, 18-55, evenly divided between males and females, and spanning all geographies. With such a large and diverse user base, YouTube offers something for everyone (YouTube, 2009). *Internet Retailer* reports 41% of top e-retailers have placed a video on YouTube or are mentioned in a video posted by users ("More than half of 2009 Top 500 e-retailers have a presence on Facebook," 2009). Sonia (Sonia, 2007) reported online video through social media sites such as YouTube as the most used social networking tool (65%).

PURPOSE OF RESEARCH

It seems that we are becoming a nation of social media users (Patel, 2010), with 80% of online users reporting they had visited a social site, and 59% calling themselves active social network users. The search for information about new products, sales and discounts are the primary reasons people follow brands, retailers, consumer packaged goods and technology. Almost half (46%) of social media users had recommended or talked about a product or brand on Facebook, and a similar number (44%) had done so on Twitter (Palmer, 2009). A third of social media users thought social networks were a good place to seek company and product information. More than one fourth (27%) indicated they were receptive to invitations to events, special offers or promotions received through social media sites. Given the state of the economy during late 2009, the researchers were particularly interested in investigating just how successful retailers might be employing social media marketing (SMM) in their marketing communication

strategy, during the all-important holiday season. Based upon the previous review of literature and social media discussion, the following research questions were developed:

- 1 What top retailers used social media during the Holiday 2009 season?
- 2 Which of the prominent social media networks did top retailers employ during the Holiday 2009 season?
- 3 Which top retailers employed multiple social media networks in their Holiday 2009 marketing activities?
- 4 Did multi-channel retailers use multiple social media networks?
- 5 Did the social media network employed by top retailers differ based upon the merchandise category sold by the retailer?
- 6 Did top retailers increase activities or events on the social media networks as the Holiday 2009 season progresses?

RESEARCH METHODOLOGY

Four sources of top-rated retailers were used to identify the companies to review: *Retailer's Top 500 Guide*, *Stores' Top 100*, *Hot 100* and *Favorite 50* lists. The retailers that appeared on each of these four lists included: Amazon Inc., Apple Inc., Barnes & Noble.com, Best Buy Co., CVS Corporation, Dell Inc., Gap Inc. Direct, Home Depot Inc., JCPenney Company, Staples Inc., Target Corporation, and Wal-Mart.com. These 18 retailers were reviewed for participation on each of the five social media networks. Five social media networks were identified as the most prominent in the current retailing literature: Facebook, Kaboodle, MySpace, Twitter, and YouTube. Means to measure the degree of participation or consumer involvement with a retailer on each of the social media networks varied across the different social media:

- Facebook included the number fans, discussions, notes, and events
- Kaboodle measures included fans, comments, products, and promotions
- MySpace included friends and comments
- Twitter included followers and tweets
- YouTube measures included views and subscribers

Counts for each of the above measures were taken weekly from the first week of September, 2009 through the first week of January 2010, for each of the 18 retailers on the respective social networks where they had presence.

RESULTS

All of the 18 retailers had a presence of Facebook. Only two, JCPenney and Macy's participated on Kaboodle. Three retailers had a presence on MySpace, Dell, Kohl's, and Lowe's. Best Buy, Dell, Home Depot, JCPenney, QVC, Sears, Target, and Wal-Mart posted on Twitter. Finally 10 of the 18 retailers had a presence on YouTube. These were: Barnes & Noble, Home Depot, JCPenney, Lowe's, Macy's, Neiman Marcus, QVC, Sears, Target, and Wal-Mart. (Table 1)

- Retailers present on only one social media network: Facebook – Amazon, Apple, CVS, Gap, and Staples.
- Kaboodle: Macy's and JCPenney
- MySpace: Dell, Kohl's, and Lowe's
- Twitter: Best Buy, Dell, Home Depot, JCPenney, Lowe's, Macy's, Neiman Marcus, QVC, Sears, Target, and Wal-Mart
- YouTube: Barnes & Noble, Home Depot, JCPenney, Lowe's, Macy's, Neiman Marcus, QVC, Sears, Target, and Wal-Mart

Distribution across multiple social networks for individual retailers:

- Dell: Facebook, MySpace, and Twitter
- Home Depot, QVC and Wal-Mart: Facebook, Twitter, and YouTube
- Macy's: Facebook, Kaboodle, and YouTube
- JCPenney: Facebook, Kaboodle, Twitter, and YouTube

Retailer	Facebook	Kaboodle	MySpace	Twitter	YouTube
Amazon	X				
Apple	X				
Barnes & Noble	X				X
Best Buy	X			X	
CVS	X				
Dell	X		X	X	
Gap	X				
Home Depot	X			X	X
JC Penney	X	X		X	X
Kohls	X		X		

Retailer	Facebook	Kaboodle	MySpace	Twitter	YouTube
Lowes	X		X		X
Macys	X	X			X
Neiman Marcus	X				X
QVC	X			X	X
Sears	X			X	X
Staples	X				
Target	X				X
Wal-Mart	X				X

Kaboodle

Only two of the eighteen retailers researched were active users of Kaboodle: JCPenney and Macy's. The researchers expected to see an increase in usage during the period tracked for the selected retailers who utilized Kaboodle. The number of fans for each retailer ranged from 10,000 for JC Penney the first week, and almost 15,000 for Macy's, to 17,000 the last week for JC Penney, and 21,400 for Macy's at the conclusion of the review period. A positive percentage change was found in the number of fans for each retailer during the time surveyed. JCPenney increased the number of Kaboodle fans throughout the course of the research by 71.5%, while Macy's noted an increase of 44.7%. There was only one event, week 16, the week of Christmas, by JC Penney. The number of products actually declined for JC Penney and remained fairly constant for Macy's during the entire 18 week review period. Only the future will tell if this social shopping network truly takes hold with US retailers and shoppers alike. Table 2 shows the level of activity for the two retailers on Kaboodle during the review period. Overall, the lack of retailers present on Kaboodle precluded further examination of this social network.

Week	JC Penney				Macy's			
	Fans	Comm	Prod	Promo	Fans	Comm	Prod	Promo
1	10,012				14,836			
2	10,218				15,077			
3	10,508				15,302			
4	10,348				15,489			

Week	JC Penney				Macy's			
	Fans	Comm	Prod	Promo	Fans	Comm	Prod	Promo
5	10,645	80	18,816	0	15,661	26	20,869	0
6	10,775	79	19,144	0	15,831	27	21,057	0
7	11,012	79	19,369	0	16,145	27	21,304	0
8	11,230	79	19,540	0	16,433	28	21,493	0
9	11,398	79	19,727	0	16,655	28	21,622	0
10	11,789	79	19,949	0	17,013	28	21,901	0
11	12,587	80	18,542	0	17,958	28	19,586	0
12	13,522	82	17,372	0	18,081	27	18,451	0
13	14,938	83	15,308	0	19,094	32	19,214	0
14	15,231	83	15,988	0	20,199	32	19,010	0
15	15,768	83	15,329	0	20,329	31	19,374	0
16	16,115	83	15,518	1	20,576	34	19,654	0
17	16,779	83	15,679	0	20,893	34	19,781	0
18	17,169	83	15,728	0	21,461	35	20,189	0

MySpace

The downward spiral of MySpace's popularity was evidenced in data collected from MySpace activities. The researchers tracked such MySpace elements as friends and friend comments. Only three of the eighteen retailers had a presence on MySpace. As evidenced in Table 4, Dell had garnered more than 10,000 fans on MySpace, while Lowe's had approximate 1,200 fans, and Kohl's slightly less than 150 fans. Other than Dell, these numbers would be of no significance in generating significant sales impact. All the retailers saw a decrease in friends and friend comments throughout the course of the study. Dell noted a 0.01% decrease in their amount of MySpace friends and a 3.8% decrease in the number of friend comments. Kohl's Department Stores suffered the same decrease in MySpace friends, by losing 4.1%. Lowe's saw a 5.6% decrease in MySpace friends and a 3.0% decrease in comments. These results support the current literature indicating that MySpace is falling out of favor with social networkers, and other social media are taking hold in the market share. While there were only three of the

selected retailers with a presence on MySpace, it is also evident these retailers were not attempting to build activity on this social network. Table 3 provides individual data trends for these three retailers on MySpace.

Week	Dell		Kohls		Lowes	
	Friends	Comm	Friends	Comm	Friends	Comm
1	10,778		147	127	1,278	1,008
2	10,834	425	147	127	1,277	1,008
3	10,818	423	145	127	1,267	1,006
4	10,813	423	146	127	1,269	1,006
5	10,805	423	144	127	1,260	1,007
6	10,793	423	143	127	1,258	1,008
7	10,778	423	142	127	1,256	999
8	10,761	417	143	127	1,248	999
9	10,752	414	143	127	1,244	994
10	10,751	413	143	127	1,242	994
11	10,747	413	143	127	1,240	994
12	10,737	412	142	127	1,239	992
13	10,730	412	142	127	1,234	990
14	10,725	412	142	127	1,234	987
15	10,703	412	142	127	1,233	985
16	10,697	411	141	127	1,233	983
17	10,689	410	141	127	1,219	980
18	10,681	409	146	126	1,207	978

Twitter

Among the 18 retailers, seven had a presence on Twitter. Followers and tweets were recorded weekly. From week-to-week, most of the retailers saw an increase in both their followers and tweets as the 2009 holiday season neared. Significant differences in the number of followers and tweets are evidenced across the retailers in Table 4. By far, Dell stands out from the group with over 1 million followers. However, the number of tweets for Dell was rather low, 6-800 during the entire review period. This when compared to Home Depot, which in week 3 garnered 13,000+ followers, and tweets jumped to almost 2,500, Dell's level of actual activity

remained basically steady. Best Buy and QVC showed increases in both followers and tweets as the holiday season progressed. Best Buy showed 103.2% increase (from September to January) in followers and a 68.9% increase in tweets. Best Buy employed Twitter to promote current sales and upcoming new product releases to drive consumers to their online and brick-and-mortar sites. One stand-out statistic is the 209% increase in tweets for QVC. JC Penney posted a 149% increase in Twitter followers, and a 27% increase in tweets. WalMart also showed a significant increase, 259% in followers but tweets actually declined by 81%. More modest gains were demonstrated by Sears with a 92% increase in followers and 58% increase in the number of tweets.

Week	Best Buy		Dell		Home Depot		JC Penney		QVC		Sears		WalMart	
	Foll	Tweets	Foll	Foll	Tweets	Foll	Tweets	Foll	Tweets	Foll	Tweets	Tweets	Foll	Tweets
1	8,773	477	1,156,585	1,364	902	4,815	697	2,170	215	2,323	2,822	680	2,657	3
2	9,344	493	1,194,679	1,423	920	4,887	862	2,170	215	2,345	2,940	685	2,774	3
3	9,754	502	1,256,743	1,724	947	5,018	891	2,259	221	2,361	2,941	699	13,405	2,494
4	10,175	537	1,266,190	1,560	935	5,124	976	2,340	238	2,431	2,941	715	13,405	2,494
5	10,596	548	1,294,412	1,808	955	2,391	241	2,391	241	2,560	3,010	735	13,662	2,551
6	11,030	564	1,315,715	1,900	964	5,444	1,073	2,459	244	4,082	374	752	13,928	2,606
7	11,548	574	1,341,237	1,993	979	5,600	1,119	2,529	247	4,097	375	761	14,417	2,676
8	11,944	587	1,367,066	2,097	997	5,785	1,186	2,593	250	4,183	375	779	14,401	2,718
9	12,349	600	1,383,306	2,199	1,010	5,896	1,238	2,646	250	4,284	395	784	14,656	2,745
10	12,871	626	1,401,620	2,295	1,027	6,015	1,320	2,768	256	4,491	404	789	14,951	2,793
11	13,118	637	1,415,874	2,358	1,039	6,132	1,389	2,910	269	5,601	436	791	15,208	2,814
12	13,628	643	1,429,123	2,442	1,051	6,245	1,449	3,122	280	6,783	458	794	15,417	2,885
13	14,104	681	1,455,988	2,652	1,091	6,619	1,636	3,398	309	7,322	471	798	15,653	2,952
14	14,897	724	1,489,113	2,764	1,102	6,808	1,860	3,510	319	7,570	487	801	15,944	3,023
15	15,349	749	1,519,001	2,909	1,117	6,991	1,902	3,766	322	7,839	492	804	16,145	3,077
16	16,002	768	1,522,958	3,013	1,125	7,116	1,978	3,897	327	8,120	503	808	16,877	3,105
17	16,859	783	1,531,768	3,215	1,137	7,229	2,037	4,014	334	8,208	516	812	17,102	3,124
18	17,828	806	1,540,894	3,401	1,149	7,301	2,152	4,177	339	8,333	525	815	17,437	3,146

YouTube

The researchers tracked each retailer's views and subscriptions on their respective YouTube page. Of the 18 retailers observed during the time span of September to January, ten utilized YouTube in some manner. As presented in Table 5, the most substantial increase was JCPenney as their views increased by 293% and subscribers rose by 44.%. JCPenney took

advantage of YouTube by posting videos to promote special promotions such as their partnership with Rascal Flatts and their American Living Unstoppable tour (American Living is a JCPenney clothing brand line). The video reported on the surprise visit of the popular country band to a New Jersey store location. Other videos included promotions of new products, as well as style experts explaining what is new and what is popular now. Macy's posted a 147% increase in YouTube views, and an amazing 1225% increase in subscribers. This substantial increase might be attributed to videos posted on Macy's YouTube promoting their Believe campaign. Such videos included a 31 second clip that summarized the goals of Macy's popular Believe campaign with a little girl making the trip from her home to her local Macy's store to deposit her letter with the help of Queen Latifah. The retailer also created and posted a caption under the video that further explained Macy's support of the Make-a-Wish Foundation®. Macy's committed to donating \$1 for every letter that was deposited in Macy's Santa Mail, up to \$1 million. This video alone received 5,918 views on Macy's YouTube site. It should be noted however, the overall numbers for Macy's were quite small, when compared to other retailers, as Macy's had less than 5,000 views and just slightly more than 100 subscribers the final week of review. The actual numbers of views for Home Depot, Lowe's and Sears were relatively impressive—ranging from more than 200,000 to slightly less than half a million. WalMart posted an impressive 17+ million views during the period, and about 1,500 subscribers, both numbers remaining fairly constant through the eighteen weeks. Tables 6A and 6B provide the raw data numbers for each of the retailers on YouTube discussed, while Table 2 presents the percentage changes for each retailer on YouTube.

Week	Barnes & Noble		Home Depot		JC Penney		Lowe's		Macys		Neiman Marcus		QVC		Sears		Target		WalMart	
	Views	Subs	Views	Subs	Views	Subs	Views	Subs	Views	Subs	Views	Subs	Views	Subs	Views	Subs	Views	Subs	Views	Subs
1	9,417	187	261,017	2,479	22,470	558	419,873	1,947	1,628	8	6,274	83	94,316	445	346,532	752	67,917	258	17,180,210	1,406
2	10,168	192	263,209	2,527	22,751	562	424,517	2,049	1,890	15	6,294	83	95,671	454	349,174	804	70,538	298	17,181,538	1,414
3	10,204	203	267,305	2,609	23,708	581	429,650	2,171	2,013	21	6,301	83	97,124	465	350,871	817	73,431	347	17,182,264	1,421
4	10,257	205	265,784	2,563	22,989	568	426,756	2,108	2,282	28	6,334	83	98,698	475	351,531	836	76,335	415	17,184,368	1,433
5	10,444	206	269,169	2,650	24,300	600	432,246	2,232	2,359	34	6,359	83	352,653	849	352,653	849	79,568	463	17,185,898	1,449
6	10,626	209	270,985	2,700	24,876	612	434,755	2,285	2,442	44	6,361	85	101,778	501	353,703	856	81,061	485	17,187,083	1,459
7	10,956	215	243,711	2,769	25,861	631	438,756	2,348	2,568	47	6,443	85	104,143	514	354,975	867	82,529	500	17,188,445	1,474
8	11,280	222	276,569	2,827	26,627	648	442,655	2,393	2,628	54	6,493	86	106,496	526	355,958	881	83,841	523	17,190,421	1,497
9	11,497	227	278,591	2,864	31,421	659	445,756	2,429	2,709	55	6,518	86	108,176	539	356,897	893	84,666	537	17,191,491	1,507
10	11,807	236	281,281	2,903	51,312	682	449,609	2,481	2,819	57	6,545	88	109,679	547	358,357	909	85,744	556	17,192,982	1,527
11	11,963	241	283,742	2,957	52,984	687	451,287	2,102	2,865	59	6,560	88	111,076	552	359,997	922	87,009	578	17,194,561	1,546
12	12,062	249	286,913	2,975	54,175	693	455,559	2,537	2,978	65	6,579	88	112,942	557	361,104	939	88,012	595	17,196,002	1,570
13	12,362	257	292,115	3,054	58,765	718	460,562	2,602	3,316	71	6,591	88	115,945	565	364,627	955	91,320	621	17,197,013	1,587

Week	Barnes & Noble		Home Depot		JC Penney		Lowe's		Macys		Neiman Marcus		QVC		Sears		Target		WalMart	
	Views	Subs	Views	Subs	Views	Subs	Views	Subs	Views	Subs	Views	Subs	Views	Subs	Views	Subs	Views	Subs	Views	Subs
14	12,725	262	297,439	3,136	63,446	734	465,903	2,673	3,667	79	6,606	88	118,987	586	368,232	968	93,891	669	17,198,026	1,606
15	12,986	268	301,751	3,227	68,147	756	471,737	2,757	3,819	85	6,625	88	122,895	609	375,033	989	95,609	698	17,199,058	1,629
16	13,198	271	306,273	3,322	73,150	779	477,741	2,781	3,902	89	6,647	89	127,110	615	380,038	996	96,512	727	17,200,016	1,633
17	13,302	280	310,678	3,340	79,249	787	479,917	2,802	3,989	97	6,679	90	132,458	623	384,139	1010	97,893	756	17,201,372	1,638
18	13,435	287	315,780	3,351	88,264	806	482,869	2,839	4,017	106	6,721	92	137,087	630	386,990	1025	99,300	778	17,202,626	1,645

Facebook

The results of the research showed a positive percentage change for each tracked month in the number of Facebook fans for all retailers (Table 6). The four retailers with the greatest increase on Facebook were: Neiman Marcus, 628% increase, Sears, 532% increase, Wal-Mart with a fan increase of 556.8%, and CVS with a 495% change from September to December. Three other retailers also showed relatively large percentage changes during the review period: Macy's with a 320% increase, Staples a 170% increase, Barnes and Noble with a 127% increase, Home Depot an increase of almost 118%, and Dell with an increase of 112%.

Retailer	FaceBook Fans	Kaboodle Fans	MS Friends	Twitter Followers	Twitter Tweets	YouTube Views	YouTube Subs
Amazon	26.70%						
Apple	4.30%						
Barnes & Noble	127.30%					42.70%	53.50%
BestBuy	36.50%			103.20%	68.90%		
CVS	495.10%						
Dell	112.00%		-0.50%	33.20%	19.90%		
Gap	27.00%						
Home Depot	117.70%			27.60%	23.30%	21.00%	35.20%
JC Penney	41.50%	71.00%		149%	27.40%	292.80%	44.40%
Kohl's	28.40%		0.00%				
Lowe's	30.00%		-5.60%			15.00%	45.80%
Macy's	320.70%	44.70%				146.70%	1225.00%
NeimanMarcus	628.00%					7.10%	10.80%
QVC	304.80%			51.60%	208.80%	45.30%	41.60%
Sears	531.80%			92.50%	57.70%	11.70%	36.30%
Staples	169.50%						
Target	38.10%					46.20%	201.60%
WalMart	556.80%			258.70%	-81.40%	0.13%	17.00%

Amazon, Apple, CVS, Gap and Staples employed only Facebook during the review period. Amazon, Apple and Staples had no events, and minimal discussions or notes. The Gap however, did engage consumers with events. CVS and Staples showed large increases in fans, almost 500% for CVS and 170% for Staples, even though they posted no special events (Table 7). CVS and friends took advantage of the discussions application of the CVS Facebook fan page. Such discussions included topics that concerned consumers. For example, one customer discussed her trouble with being overcharged for an online order before Christmas. She reported that the retailer had charged her debit card for the amount purchased four times. When she called a customer service hotline, she was informed that this had happened to nearly 2,000 other customers as well. These discussions allow consumers the opportunity to “vent” or be heard, and it allows the retailer to listen to customer concerns and to make changes where necessary. All this leads to better customer satisfaction and a better company-consumer relationship. Staples’ Facebook page includes many unique tabs that can be accessed by Staples’ fans. These tabs include an application called “I Shred U!”, where fans can upload pictures and virtually shred them. Other tabs include a “News” tab that informs all fans of their newest products and offers links to videos that shows the consumer how these products work. Fans can also download their own “Easy Button®” (a trademark of Staples) that will appear on their computer’s desktop. The “Extras” tab of the Staples Facebook page educates fans about Staples programs, including EcoEasy (Staples effort to be environmentally friendly by offering consumers a variety of eco-preferable products and services – www.staples.com/ecoeasy) and Staples Foundation for Learning® (a program that provides job skills and educational opportunities for everyone, especially disadvantaged youth – www.StaplesFoundation.org). These exclusive tabs give Staples an advantage on Facebook and provide fans much more than the typical retailer. This appears to be an effective means of segmenting and targeting Facebook applications to be more relevant for consumers. Furthermore, those merchants with greater than 100% increase in Facebook included: Barnes & Noble, Dell, Home Depot, Macy’s, Neiman Marcus, QVC, Sears and WalMart. However, there is no correlation between the number of events posted by the retailers, to the percentage increase in the fan base. Barnes and Noble, Dell and Home Depot all had slightly more than a 100% increase in fans. Macy’s and QVC increased their fan base more than 300%, and Neiman Marcus, Sears, and WalMart increased by more than 500%. It appears apparel and multi-line retailers reaped the benefits of increased fan base on Facebook.

Neiman Marcus also utilized their Facebook status by updating it on a regular basis to inform customers of upcoming sales. On December 17, 2009, Neiman Marcus’s status read,

“ONLINE ONLY through December 20. Save 25% off your online purchase of four+ items from our Little Gems boutique. Click for details and start saving now! <http://www.neimanmarcus.com/fb/littlegems>.”

This status did a great job of directing customers to go to the online site. Sears also used the status on their Facebook page to communicate with their customers. Sears was very effective getting customers to become involved on their Facebook page by posting a question as their status and letting their customers to respond. This will eventually help to create a strong relationship between Sears and its customers, the prime object of social media networking for retailers. On December 22, 2009 Sears' status read,

“You told us some of your favorite baked treats for Christmas, we decided to offer you an easier way to make them! Today only, until midnight, we’re offering exclusively to our Facebook fans, a Hamilton Beach stand mixer for the low price of \$145.79. Check it out in the Exclusives tab.”

This offer to Facebook fans only demonstrated how Sears valued their fans on Facebook. This entices more and more consumers to join the retailer's fan page. The use of Facebook status for these three retailers, is believed by the research to be the reason for the large increases that were noticed in the population of fans on these retailers' respective fan pages. In order to have a successful Facebook page, retailers should take some advice from these retailers and use their Facebook status to communicate with their customers and create a strong relationship.

Wal-Mart's success can also be attributed to their use of Facebook status. Wal-Mart updates their status frequently to let fans know what is going on, and invite them to take advantage of upcoming promotions. On December 23, 2009, Wal-Mart's status read,

“Look what fell out of Santa's sleigh – more holiday savings! Whether you're looking for the perfect last-minute gift or the makings of a delicious holiday meal, we've got you covered.”

Even though Wal-Mart is a huge corporation, it has learned how to relate to consumers, as this status is extremely inviting and does a great job of encouraging shoppers to use Wal-Mart for their holiday needs. Customers have the ability to respond to this status by commenting. Their December 23rd status generated 115 comments from Wal-Mart's Facebook fans. Such comments included:

“Wal-Mart's prices are dropping all the time..” and “...I wish they brought back layaway..”

Again these statements indicate that Wal-Mart was doing a good job of reaching customers by updating their status. Clearly, Facebook is the most popular social media platform for both retailers reviewed in this study, and their respective consumer fans.

ANSWERS TO RESEARCH QUESTIONS

The purpose of this paper was to answer six questions posed by the researchers. Now let us examine the answers to each of the research questions posed in this paper.

Question 1: What top retailers used social media during the Holiday 2009 season? The answer to this question is that all of the eighteen retailers identified participated in at least one social media network.

Question 2: Which of the prominent social media networks did top retailers employ during the Holiday 2009 season? Primarily Facebook, Twitter and YouTube. There was extremely limited use of MySpace (3 retailers) and Kaboodle (2 retailers).

Question 3: Which top retailers employed multiple social media networks in their Holiday 2009 marketing activities? Barnes & Noble, BestBuy, Dell, Home Depot, JC Penney, Kohl's, Lowe's, Macy's, Neiman Marcus, QVC, Sears, Target and WalMart all employed more than one social network. In other words, only five of the retailers Amazon, Apple, CVS, Gap, and Staples used a single social network: Facebook.

Question 4: Did multi-channel retailers use multiple social media networks? The answer to this question is yes. Furthermore, Amazon, the one online-only retailer was one of those using only Facebook.

Question 5: Did the social media network employed by top retailers differ based upon the merchandise category sold by the retailer? The answer is yes, but that is a qualified yes, in some cases. Only department stores: JC Penney and Macy's participated on Kaboodle. It also appears that department stores, discount stores, and home improvement retailers were more likely to have a presence on YouTube.

Question 6: Did top retailers increase activities or events on the social media networks as the Holiday 2009 season progresses? The answer is again a qualified yes, for some of the retailers. Barnes & Noble, Best Buy, Gap, Home Depot, JC Penney, Kohl's, and Macy's showed an increase in the number of events they posted/held on Facebook. Other social media data collected did not show an increase in the number of promotional activities by the individual retailers, rather the increases were in the number of consumers who signed in as fans, followers, subscribers, or viewers on the individual retailers' respective social networks. Results across the different social media networks is presented in Table 7.

	Amazon		Apple		Gap	Staples	
Week	FBFans	%Change	FBFans	%Change	FBFans	FBFans	%Change
1	15,558		1,377,557		395,678	28,528	
2	15677		1,381,648		428,057	28,963	
3	15734		1,385,675		434,179	28,858	
4	15856	1.90%	1,388,285	0.80%	462,361	28,883	1.20%
5	15959		1,390,836		468,882	43,943	
6	16091		1,395,348		471,761	56,145	
7	16290		1,397,490		473,051	57,191	
8	16569	3.80%	1,399,974	0.60%	474,655	57,165	30.10%
9	16824		1,402,716		476,173	57,141	
10	17026		1,404,678		477,741	57,914	
11	17321		1,406,794		479,182	58,241	
12	17545	4.30%	1,408,563	0.40%	482,992	59,159	3.50%
13	18337		1,411,418		486,380	63,636	
14	18858		1,414,440		490,029	65,317	
15	19003		1,417,491		498,002	68,440	
16	19276		1,420,680		500,124	71,827	
17	19513	6.40%	1,425,067	1.00%	501,072	74,925	17.70%
18	19707	26.70%	1,436,369	4.30%	502,641	76,886	169.50%

SUMMARY AND FUTURE RESEARCH SUGGESTIONS

To summarize these results and findings, it appears evident that as the Holiday 2009 season progressed, consumers increased their participation on social media, and for some retailers this appears to have helped boost their seasonal sales. However, these top retailers seemed to focus their attention on Facebook, with some activities on YouTube. Facebook has been embraced by retailers and consumers alike. Greater affinity, or familiarity with this social network may be why both groups show higher levels of activity on Facebook. The less familiar Kaboodle has yet to take hold with retailers and consumers alike. Viral video of any kind lends itself to the YouTube platform, so for any visually enhanced promotion, this network may be effective, but not necessarily for everyone. The fact that Twitter limits the tweet communication to 140 characters may not be the best medium for retail promotions, but given the recent growth

in Twitter's popularity, that is yet to be determined. Twitter appears to have reached a plateau, as recent reports (Quenqua, 2010) indicate that while new users are signing up to Twitter, they are not active. More than three-fourths (80%) have sent less than 10 tweets after they sign up to the social network, and 40% have never sent a tweet.

This paper provides the statistics that were collected by the researchers over a 3-month time span that investigated how and what social media was employed by top retailers through the financially important holiday season. The researchers believe that the results of this study could be applied to future promotional programs, and to refine effective market segmentation and target marketing tactics. Clearly, more in-depth data must be collected to determine what consumers think about and communicate regarding retailers, special promotions and offers, as well as customer service performance. Future research should analyze the content of consumer posts and comments, as well as responsiveness to specific posts and promotions by retailers. Use of new online analytic tools should also be employed to provide more detailed statistics regarding specific social media networks and individual retailer's promotional content. Several new measures have recently been added to the arsenal of online metrics. One of those is the Facebook Fashion Index ("New Index Ranks Facebook Fans' Fashion Choices," 2010) by Stylophane. This index shows the daily percentage increase or decrease in the number of fans for a particular brand. This company also posts the Fashion Popularity Index, tracking the most searched brands online ("Fashion Popularity Index," 2010).

CONCLUSION

Successful retailers will continue to employ social media marketing, and consumers are expected to be responsive. Online retail sales were up during Holiday 2009, at the expense of brick-and-mortar sales (Coremetrics, 2010). Much of the increase is attributed to early pre-promotions for Black Friday and Cyber Monday specials. Terry Lundgren, CEO of Macy's supports the importance of the online channel for multi-channel retailers, since every \$1 consumers spend online, they spend \$5.77 in store. Thus, it is important for multi-channel retailers to use the Internet to attract new customers and strengthen their relationship with consumers to get them into the store. Social media marketing is a significant tool in the relationship-building arsenal. Social media continued to grow during 2009, as reported by ComScore (Radwanick, 2010), with four of five Internet users visiting a social networking site during December of 2009. Social networking now accounts for 11% of all time spent online in the United States.

While social media was about developing engagement and buzz, many retailers did not generate that many sales from SMM in 2009 (McDaniel, 2010). It is predicted that marketers will move away from just garnering followers, fans, and tweeters, to generating sales via online social media marketing strategies and tactics. There is a fine line or balance in order to successfully entice online consumers, without making they feel they are being "sold to" on the

social network. To do this successfully, new metrics will need to be used to determine the appropriate segmentation strategies to deliver relevant promotions to consumers. One advantage of SMM promotions is that they do not cost a great deal of money for paid placements; rather it is simple and quick to post a promotion on Facebook, Twitter, YouTube, etc. The key is to then monitor not just the “buzz” of pass-along messages, but to analyze the content of the discussion: what consumers liked, disliked, etc. McDaniel suggests that consumer might be enthusiastic about the price of a specific promotion, but then complain the shipping and handling costs were too high. This type of information provides a simply opportunity for the retailer to capture consumer sentiment and adjust promotions.

Twitter may have been overrated (Wasserman, 2010) as evidenced by the plateau of tweets for most brands and companies on the site. Rather, interest by followers and tweets seems to be focused on celebrities, rather than brands and companies. Twitter may be effective for mining what conversations and tweets are saying about the brand, but it is not terribly effective for marketing messages. While Dell and BestBuy have used Twitter effectively to improve customer service and offer especially hard-hitting deals and promotions, it appears that Twitter may be more effective for up-and-coming brands/companies, rather than well-established corporations.

Effective cross-channel promotions, such as those using email, Facebook and Twitter are not easy. It is important to coordinate cross-channel promotions (Henrich, 2010). Email and post on the Facebook Wall, as well as posts on Twitter was not possible simultaneously. Furthermore each medium requires different metric and analytic tools. An even more complicating factor: different platforms often require different software to post to individual social media networks. Retailers will need to plan across promotions as well as channels to effectively implement social media marketing programs that garner consumer engagement and generate sales in the coming year. Effective timing and coordination across multiple social network platforms and other online and interactive media will be a challenge in the coming year.

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YOUNG CONSUMERS IN THE NEW MARKETING ECOSYSTEM: AN ANALYSIS OF THEIR USAGE OF INTERACTIVE TECHNOLOGIES

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ABSTRACT

Executives from some of the largest companies are calling the interactive technologies (IT) young people are using “the new marketing ecosystem.” Very little is known about the perceptions tweens, teens, and young adults have of their usage of these IT. In addition, marketers whose segmentation strategies are for products specifically targeting young consumers need to understand just how these young consumers are using the various technologies to share information. The most sophisticated apparel retailers know that to sell products to young consumers means they must be connected to them electronically at all times. In order to better understand young consumers’ IT usage, tweens, teens, and young adults completed 428 useable surveys pertaining to their perceptions of their own usage of IT for social and academic networking purposes. Four factors labeled 1) Immediacy, 2) Entertainment, 3) Social Interaction, and 4) Self-Expression explained 63 percent of the variance in perceptions of usage. One-way analysis of variance tests revealed several significant differences. Recommendations are made to marketers to help them strengthen their segmentation strategies for products targeting tween, teen, and young adult demographics.

INTRODUCTION

Recently, corporate executives have begun to realize Facebook, MySpace, instant messaging, cellular telephones, chat rooms and other forms of electronic media have emerged as a new “marketing ecosystem” that is fundamentally transforming how corporations sell to young consumers (Chester & Montgomery, 2008). According to Wilson and Field (2007) “connectivity is a constant of the Gen Y lifestyle, reflected in the skyrocketing popularity of online social-networking sites; furthermore, “Savvy retailers, including American Apparel, Victoria’s Secret and Reebok, are using these sites to market to consumers, but also to gain feedback and insight from an audience that is hard to reach through conventional methods.” Edelson (2008) confirms this by saying “Victoria’s Secret created the Pink brand to appeal to younger customers while

protecting the sexy image of its core brand.” It is no secret tweens, teens, and young adults are a major demographic for Victoria’s Secret brands. Because typical consumption habits of young people can be described as characterized by “hedonism, visibility, and open-mindedness” these retailers attempt to match their messages with these characteristics, which has been successful for retailers like Victoria’s Secret (Featherstone, 1991). The most competitive apparel retailers understand that selling handbags and accessories to young customers requires they be always electronically connected to them.

Interactive technologies (IT) allow content to be shared and modified in real-time, and as such, facilitate advanced communication and customization (Fiore, Kim, & Lee, 2005). Young consumers are using a multiplicity of IT, apparently in evermore evolving forms, yet, much different than older people. Zaphiris and Sarwar (2006) compared a newsgroup of teens to a newsgroup of seniors and found teens were more highly connected, had more messages sent and received, and had a higher reciprocity. In contrast, the senior newsgroup had a handful of dominant people who managed to make others in the newsgroup dependent on them for communication.

Logging onto a social networking site like Facebook or sending instant messages to friends via cell phone or mobile computer are quite commonplace to the millennial generation. Blais et al. (2008) found young people who used instant messaging were associated positively with qualities of most aspects of romantic relationship and best friendship. To the contrary, young people who frequently visited chat rooms were negatively related to best friendship quality.

Young consumers use IT to exchange ideas, share information, and build romantic relationships and friendships (Blais, Craig, Pepler, & Connolly, 2008). These young consumers often profile the intimate details of their lives through some form of IT (Williams & Merten, 2008). Some are engaging in high risk-taking behaviors online and/or electronically, including having cybersex (Delmonico & Griffin, 2008). Much to the chagrin of their parents, some of these tweens, teens, and young adults are using various IT to engage in salacious conversations which can affect their purchasing behaviors—and Victoria’s Secret is already benefitting based on these young consumers’ values. Social structure and preferences, which include knowing how young people relate to IT products they use, are imperative to market researchers trying to sell products to them. It would be helpful to marketers to compare factors associated with young consumers’ perceptions of their usage of the various IT associated with social and academic networks they maintain.

LITERATURE REVIEW AND HYPOTHESES TESTING

Arthur, Sherman, Appel, and Moore (2006) reported five key findings that contribute to the understanding of why young consumers adopt interactive technologies. These five findings are: 1) the opportunity to express their identities, 2) social interaction, 3) immediacy and constant

entertainment, 4) discovery, and 5) the ability to create and record. These five values underscore young consumers' psychological motives for adopting IT and they are keys to marketers successfully integrating specific brands of products into the existing social and academic networks young consumers are maintaining via IT. As indicated by duGay (1996), Gabriel and Lang (1995), and Giddens (1991), consumption for teens can be viewed as a means of self-expression, formation of individual identity, and creativity. The overlapping characteristics of IT usage and consumption of other goods could be used to successfully navigate this new marketing ecosystem by creating messages that truly address these characteristics. "By understanding the values that drive young consumers' relationship with the IT they use, marketers can create more compelling strategies for their brands within these interactive spaces" (Arthur et al., 2006).

Chester and Montgomery (2008) argue "The new 'marketing ecosystem' encompasses cell phones, mobile music devices, instant messaging, videogames and virtual, three-dimensional worlds. New marketing practices in these diverse media environments are fundamentally transforming how corporations—notably including food and beverage companies—sell to young people." Young consumers desire immediacy, constant entertainment, discovery, and the ability to create and record, as these values and activities help to develop and enhance their burgeoning identities. The widespread availability of IT—which allow for the attainment of these desires—makes them ubiquitous in the landscape of high school and college students.

Electronic social networking is something we all do every day. Every time we e-mail a friend about a good movie, share our pictures with a neighbor over the cell phone or mobile computer, or catch up on the latest gossip via a text message, we are reaching out to people we know in an effort to share ideas, experiences, and information. The entrepreneurial genius behind social networking websites such as Facebook and MySpace is their ability to capture these exchanges digitally; a person of average intelligence can post pretty much anything online into a searchable social matrix of electronically linked web pages. Basic search engines and web browsers help users find things, but everything searchable through these is public information. Electronic social networks, on the other hand, go one step further by allowing access to the personal lives of the people in one's electronic social network circle (Hamilton, 2007; Williams & Merten, 2008).

Therefore, "electronic social networking" might be defined as the utilization of electronic systems that help millennials stay in the loop: Facebook, MySpace, text messaging, instant messaging, e-mail, and YouTube are examples. As new electronic communication devices are invented, sharing information on electronic social networks is becoming increasingly easy. Apple's release of the 3G iPhone is a prime example of how innovative high-tech communication devices are being utilized for electronic social networking purposes. The iPhone includes several common smart phone applications such as text messaging, calendar, camera, weather, clock, calculator, and notes. In addition to these applications, the new iPhone includes software to choose restaurants, find driving directions, follow sports scores, upload digital

photos, and connect with online social networking websites such as Facebook and MySpace (Moynihan, 2008).

Facebook and MySpace were chosen as case examples in this study due to their exceptional popularity among high school and college young consumers and their exponential growth in users. The Facebook Press Room reports that it has more than 300 million active users. According to comScore (a global Internet information provider), Facebook is now the most-trafficked social media website in the world. Furthermore, comScore rates Facebook as the fourth most-trafficked website in the world. Facebook continues to maintain 85 percent market share of four-year universities in the United States (Facebook.com).

In addition to being the most-trafficked social media website in the world, Facebook is also the number one photo-sharing application on the internet. With more than 24 million photos uploaded daily, comScore reports that Facebook's photo application draws more than twice as much traffic as the next three sites combined. Statistical data regarding MySpace usage was not available on their press page and attempts to contact them received no response.

The use of Facebook and MySpace by high school and college aged young consumers aligns well with the five key findings of the Arthur et al. (2006) study. As the Gen Y and millennial generation moves through a stage of identity formation and development, they desire opportunities that provide them with the ability to express themselves through a medium that allows others to discover who they are and what they are about.

Young consumers value social interaction (Arthur et al., 2006). Interactive technologies allow young consumers to be connected with their friends 24 hours a day, 7 days a week. Existing devices are continually being improved and new devices are being developed that make this "always connected" phenomenon a true reality. Interactive technologies allow young consumers to be a part of each other's everyday decisions and to never miss a noteworthy moment in each other's lives. Furthermore, the use of these devices has created an environment where young consumers are more brave and deliberate when expressing themselves.

Young consumers value immediacy and intimacy (Delmonico & Griffin, 2008). As the millennial generation grows up in the accelerated environment of today's society, entertainment on-demand is craved. Since technology has driven this current fast-paced society it is no surprise that young consumers utilize IT to fulfill their desires for immediate and constant entertainment. These devices provide young consumers with access to entertainment anywhere at any time.

Young consumers value discovery. The internet is one of the most unique and fascinating things to discover. The millennial generation is the first to grow up with the internet and using its instantaneous, interactive, and increasingly mobile interface is very appealing. Young consumers spend as much time per week browsing non-work related websites as watching television. This suggests that the internet is just as much a part of their daily lives as any other medium. The main difference is that the internet is not scheduled, it's discovered. The research further suggested that young consumers enjoy the investigation process and discovering information for themselves.

Moreover, young consumers value the ability to create and record. It is no secret that people have always valued memorable photos or home videos. Now, through interactive technologies, young consumers are able to develop photo albums and videos themselves in a relatively easy manner. The use of IT enables young consumers to produce fast, high quality reproductions of their lives and what is important to them. Using Facebook and other online electronic social networking websites allows young consumers to personalize their space on the internet, thus fulfilling their need to be creative and develop a record of who they are. This record is then available for others to discover what type of persons they are and what is going on in their lives (Arthur et al., 2006). Achieving this study's purpose could lead to an important contribution to IT marketing related literature. Given the frenetic pace young consumers are using IT to share information means it is reasonable to assume much of that information sharing is related to the products they are buying too.

Purpose of This Study

The rate of growth in the availability of interactive technologies (personal, intimate, and handheld) marketed to young consumers makes them essential. Nevertheless, what is good for consumers is not always good for competing firms. Knowing how young consumers are integrating these IT into their social and academic networks can provide marketers additional insights into how to develop marketing mixes for segmentation strategies targeting youth markets for their brands. Hayes (2007) revealed the following facts about tweens and teens in relation to social networking:

A January 2007 survey by the Pew Charitable Trust found 55% of all online American youths ages 12-17 have created profiles at social networking sites, such as MySpace and Facebook, with 48% visiting social networking sites at least once a day. As with other teen activities, social networking filters down to younger kids. A recent survey by Grunwald Associates found 71 % of tweens and teens between the ages of 9 and 17 visit social networking sites weekly.

MySpace and Facebook are two main vehicles young consumers use to manage high-valued relationships in their social networks; moreover, they are places young consumers go to seek advice, share intimate details of their lives, and maintain friendships, all of which might be correlated with young consumers' perceptions of their usage of these IT in their social networks. Therefore, this study's purpose is to understand which among many IT young consumers are actually using are associated with their perceptions of usage of IT for social and academic networking purposes; therefore, testing four null hypotheses would be sufficient to serve the research purpose. The formal hypotheses were written as follows as they are supported by the aforementioned literature:

Hypothesis 1: There is no difference among the means of young consumers' demographic characteristics (age, high school students compared to college students, and citizenship status) and the perceived amount of usage of IT by young consumers.

Hypothesis 2: There is no difference between the means of high school students and college students regarding the volume of cell phone/smart phone calls they make and receive each day.

Hypothesis 3: There is no difference between the means of high school students and college students regarding the volume of text messages they send and receive each day.

Hypothesis 4: There is no difference between the means of high school students and college students regarding the volume of instant messages they send and receive each day.

METHODOLOGY

Survey, Sample and Descriptive Statistics

The descriptive statistics were compiled. Furthermore, the four null hypotheses were tested using traditional multivariate statistics. The statistical analyses presented in this study were based on the 428 useable surveys. Frequencies and percentages for demographic variables reported by survey respondents are presented in Tables 1a, 1b, 1c, and 1d.

Table 1a: High School and College Responses by Frequency and Percent		
<i>Student School Level</i>	<i>Frequency</i>	<i>%</i>
High School Students	208	48.6
College Students	220	51.4
Total	428	100.0

Table 1b: Citizenship Responses by Frequency and Percent		
<i>Citizenship</i>	<i>Frequency</i>	<i>%</i>
United States Citizen	343	83.1
Non-US Citizen	70	16.9
Total	413	100.0

Table 1c: Age Ranges by Frequency and Percent		
<i>Age</i>	<i>Frequency</i>	<i>%</i>
<14 years old	8	1.9
14-16 years old	116	27.9
17-19 years old	134	32.2
20-22 years old	98	23.6
23-25 years old	43	10.3
26-28 years old	8	1.9
>28 years old	9	2.2
Total	416	100

Table 1d: Grade Level Responses by Frequency and Percent		
<i>Grade Level</i>	<i>Frequency</i>	<i>%</i>
High School Freshmen	57	13.7
High School Sophomores	35	8.4
High School Juniors	50	12.0
High School Seniors	59	14.2
College Level Freshmen	44	10.6
College Level Sophomores	33	8.0
College Level Juniors	64	15.4
College Level Seniors	49	11.8
Graduate Students	22	5.3
Non-Traditional	2	0.5
Total	415	100

After receiving institutional permission to conduct this study, social science methodology and traditional multivariate statistics were used to reject or not reject four statistical null hypotheses. The survey, in which young consumers were asked to rate various levels of usage on ten different interactive technologies used for social networking (ITSN) and report demographic information, was conducted at a Midwestern university from a population of 872 students with business majors; there were 220 selected. The survey was also conducted at a high school located in the Midwest from a population of 250 students; there were 208 selected. The classroom sample selected from a population of 1,122 resulted in 428 surveys completed, with 100% useable.

RESULTS

In Table 2, notice the parallel (in bold) between high school students and college students as they reported “yes” to the IT they access to seek advice, share intimate details of their lives and maintain friendships. High school students, vis-à-vis college students, age, grade level, and citizenship were compared (using ANOVA tests and stepwise multiple-regression analyses) against their perceptions of usage they associated with ITSN to determine if significant differences existed. These ITSN were measured using a Likert-type scale (4 = Use Regularly, 3 = Use Sometimes, 2 = Never Use, and 1 = Never Heard Of) to assess young consumers’ perceptions of the amount of usage with ten ITSN.

Table 2: Students’ Yes Responses for Maintaining “Electronic Social Network,” “Electronic Academic Network,” and “Face-To-Face Social Network” with Others in Their Networks						
<i>Social Network Maintenance (N=428)</i>		<i>Yes Responses</i>	<i>College Frequency</i>	<i>%</i>	<i>High School Frequency</i>	<i>%</i>
High School Classmates	Social	318	172	54.1	146	45.9
Academic		102	38	37.3	64	62.7
Face-To-Face		245	112	45.7	133	54.3
Current Classmates	Social	260	128	50.8	132	49.2
Academic		207	142	68.6	65	31.4
Face-To-Face		298	158	53.0	140	47.0
Faculty and Staff	Social	64	36	56.3	28	43.8
Academic		268	178	66.4	90	33.6
Face-To-Face		206	114	55.3	92	44.7
Co-Workers	Social	135	87	64.4	48	35.6
Academic		80	34	42.5	46	57.5
Face-To-Face		260	165	63.5	95	36.5
Employers	Social	95	52	54.7	43	45.3
Academic		56	24	42.9	32	57.1
Face-To-Face		239	145	60.7	94	39.3
Relatives	Social	266	147	55.3	119	44.7
Academic		37	15	40.5	22	59.5
Face-To-Face		301	170	56.5	131	43.5
Old Friends	Social	321	178	55.5	143	44.5
Academic		54	27	50.0	27	50.0
Face-To-Face		260	138	53.1	122	46.9
New Friends	Social	304	169	55.6	135	44.4
Academic		84	56	66.7	28	33.3
Face-To-Face		315	175	55.6	140	44.4

Note: the largest frequency of responses for each category young consumers checked yes is shown in bold.

Reliability Test and Factor Analysis

The overall scale reliability for ten items used to test hypothesis 1, using Cronbach's (1984) alpha is 0.60. It did not exceed the Nunnally (1978) criteria of 0.70 for an acceptable alpha. Lance, Butts, and Michels (2006) argue "Thus, our second point is that 0.80, and not 0.70 as has been attributed, appears to be Nunnally's recommended reliability standard for the majority of purposes cited in the organizational literature." Lance et al. (2006) admits Nunnally's 0.80 criteria was meant for basic research situations or late-stage applied research situations, and not for early stage preliminary research—such as this study where a lower criteria is acceptable. Even more so, Devellis (1991) says an alpha "between 0.60 and 0.70" is fair. Furthermore, reliability for this study did not improve if any item were deleted; therefore, the entire ten item scale was left intact for data analysis. Moving forward with a low alpha was a judgment call. A factor analysis was conducted after testing and accepting the instrument's alpha reliability.

Many construe Likert-type data to be ordinal data because it is difficult (if not impossible) to determine the equality of gradation (4 = use regularly to 1 = never heard of) in perception or attitude measures; however, Likert-type data are often used in factor analysis and in multiple-regression analysis. Kachigan (1991) believes at a minimum Likert data is "quasi-interval" scale data. Psychologists tend to use Likert-type measures as if they were interval level data, and this is a common practice in psychological research. Furthermore, researchers often need to reduce the number of variables they analyze.

A factor analysis is often used for data reduction purposes. Factor analysis is perfectly suited for data reduction purposes because the derived factors explain most of the variance; for example, researchers might be able to reduce 60 continuous response items on an attitude survey to perhaps four or five factors that explain 80 percent of the total variance. This common practice is reinforced by Ferrando (1999) who compared Likert scaling using continuous, censored, and graded response models and found no significantly different effects on criterion-related validity, including a multiple linear factor analysis model; in addition, more complex models in that study did not improve predictive validity of the models. Therefore, the data collected for this study were analyzed with methodology consistent in the literature to address the aforementioned null hypotheses.

Four hundred twenty-eight young consumers' responses to the ten items were subjected to an un-rotated principal component analysis, with a scree plot suggesting four factors be derived (in SPSS 15.0). Four factors were suggested by the scree plot. Those four factors explain 63.02% of variance after Rotation Sums of Squared Loadings (Factor 1 = 18.13%, Factor 2 = 17.69%, Factor 3 = 14.38%, and Factor 4 = 12.82%, respectively). Principal Component Analysis was used with Varimax Rotation to extract the four factors as shown in Table 3. The four factors were produced with 7 iterations.

Table 3: Principal Component Factor Analysis of ITSN Usage*

Features	Component Loadings (ITSN Usage)			
	Factor 1: Immediacy	Factor 2: Entertainment	Factor 3: Social Interaction	Factor 4: Self-Expression
Cell phone/Smart phone	.870	.047	.051	.039
Text messaging	.819	-.040	.131	.113
Voice over IP	-.060	.783	-.099	.151
Second Life	.011	.726	-.050	.049
Podcasts	.098	.578	.363	-.250
YouTube	-.131	.174	.717	-.108
Instant Messaging	.308	-.147	.614	.148
Facebook/MySpace	.336	-.156	.598	.387
E-mail	.279	-.004	.003	.795
Blogs	-.262	.462	.157	.604

*Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization; a Rotation converged in 7 iterations.

A variable was said to load on a factor if it had a component loading of 0.50 or higher on that factor and less than 0.50 on any other factors (Devellis, 1991; Hatcher, 1994). The derived factors were indicative of their usage; thus, each of the derived factors represents the amount of usage of interactive technologies according to the user's perceptions. Factors 1, 2, 3, and 4 were subsequently labeled (consistent with Arthur et al., 2006) according to young consumers' perceived use of ITSN: 1) Immediacy, 2) Entertainment, 3) Social Interaction, and 4) Self-Expression. To ascertain if there were any significant differences in young consumers' perceptions among the demographic variables (grade level, citizenship, high school vis-à-vis college student, and age) data were further analyzed using traditional multivariate statistical methods to test the four null hypotheses.

This study used One-Way ANOVA tests to check for differences among the means of demographic variables (college vis-à-vis high school, US citizen vis-à-vis non-citizen, and age) regarding the amount of IT usage perceived by young consumers. In addition, this study investigated if interactive technologies young consumers reported using for social networking purposes to make and receive calls on their cell phone, send and receive text messages and send and receive instant messages were significantly different when young consumers' demographic characteristics were compared.

Hypothesis 1 was rejected for the *age* variable: there is a significant difference among the means of young consumers reporting their ages (age groups were <14, 14-16, 17-19, 20-22, 23-25, 26-28, and >28) regarding all four derived factors (F1: Immediacy, F2: Entertainment, F3: Social Interaction and F4: Self-Expression, respectively). ANOVA results are shown in Table 4. The significant differences on all four factors were $p = .000$, $p = .040$, $p = .000$, and $p = .000$ respectively. For the age group categories there were 8 (<14), 95 (14-16), 116 (17-19), 81 (20-

22), 34 (23-25), 7 (26-28) and 8 (>28) respondents. A Tukey's multiple comparison procedure revealed several significant differences between pairs of age groups on all four factors. On the Immediacy factor, the 20-22 and 23-25 age groups differed significantly from the <14 age group with factor means of -0.41, -0.20, and 0.94 respectively. On the Entertainment factor, the 17-19 and 20-22 age groups differed significantly from the 23-25 age group with factor means of 0.12, 0.13, and -0.51 respectively. On the Social Interaction factor, the 20-22, 23-25, 26-28 and >28 age groups differed from the 17-19 age group with factor means of 0.25, 0.49, 1.04, 0.81, and -0.34 respectively. The 17-19, 20-22, and 23-25 age groups differed significantly from the 14-16 age group with factor means of -0.09, -0.19, -0.55, and 0.51 respectively. Results are presented in Table 4.

<i>Age Demographic on Four Factors</i>		<i>Sum of Squares</i>	<i>df</i>	<i>Mean Square</i>	<i>F</i>	<i>Sig.</i>
Immediacy:	Between Groups	31.346	6			
	Within Groups	313.709	342	5.224	5.696	.000***
	Total	345.056	348	.917		
Entertainment:	Between Groups	13.065	6			
	Within Groups	334.610	342	2.177	2.226	.040*
	Total	347.675	348	.978		
Social Interaction:	Between Groups	42.407	6			
	Within Groups	302.334	342	7.068	7.995	.000***
	Total	344.741	348	.884		
Self Expression:	Between Groups	41.745	6			
	Within Groups	306.481	342	6.958	7.764	.000***
	Total	348.226	348	.896		

* Denotes p<.05 and ***denotes p<.001

Hypothesis 1 was rejected for the *citizenship variable*: there is a significant difference between the means of US citizens and non-citizens regarding the derived factors (F1: Immediacy, F2: Entertainment, F3: Social Interaction and F4: Self-Expression, respectively). ANOVA results are shown in Table 5. With a p= .000, the 57 non-citizens were significantly different with a factor mean of 0.76 as compared to the 289 US citizens' factor mean of -0.17 on the Immediacy factor. With a p= .000, the 57 non-citizens were significantly different with a factor mean of -0.63 as compared to the 289 US citizens' factor mean of 0.13 on the Entertainment factor. With a p= .008, the 57 non-citizens were significantly different with a factor mean of 0.31 as compared to the 289 US citizens' factor mean of -0.07 on the Social Interaction factor. Finally, with a p= .000, the 57 non-citizens were significantly different with a factor mean of -0.53 as compared to the 289 US citizens' factor mean of 0.12 on the Self-Expression factor. It is obvious the amount of perceived usage differs between US Citizens and

non-citizens significantly. Negative means imply the groups perceive the amount of usage for ITSN inversely. US Citizens will perceive their usage of ITSN for immediacy and social interaction as being far less than those of non-citizens. For Entertainment and Self-Expression the opposite is true. Americans perceive their usage of ITSN for these purposes to be far more significant. Results are presented in Table 5.

<i>Citizenship Demographic on Four Factors</i>		<i>Sum of Squares</i>	<i>df</i>	<i>Mean Square</i>	<i>F</i>	<i>Sig.</i>
Immediacy:	Between Groups	40.463	1	40.463 .869	46.565	.000***
	Within Groups	298.922	344			
	Total	339.385	345			
Entertainment:	Between Groups	28.046	1	28.046 .923	30.392	.000***
	Within Groups	317.447	344			
	Total	345.494	345			
Social Interaction:	Between Groups	6.878	1	6.878 .970	7.090	.008**
	Within Groups	333.754	344			
	Total	340.632	345			
Self Expression:	Between Groups	20.005	1	20.005 .938	21.328	.000***
	Within Groups	322.665	344			
	Total	342.670	345			

denotes $p < .01$; and *denotes $p < .001$

Hypothesis 1 was rejected for the *school* variable: there is a significant difference between the means of high school young consumers and college young consumers regarding the derived factors (F1: Immediacy, F3: Social Interaction and F4: Self-Expression, respectively). ANOVA results are shown in Table 6. There was no significant difference for factor 2: Entertainment. With a $p = .000$, the 175 high school young consumers were significantly different with a factor mean of 0.36 as compared to the 183 college young consumers with a factor mean of -0.35 on the Immediacy factor. With a $p = .000$, the 175 high school young consumers were significantly different with a factor mean of -0.19 as compared to the 183 college young consumers' factor mean of 0.19 on the Social Interaction factor. Finally, with a $p = .000$, the 175 high school young consumers were significantly different with a factor mean of 0.26 as compared to the 183 college young consumers' factor mean of -0.25 on the Self-Expression factor. It is obvious the amount of perceived usage differs between high school and college young consumers significantly. Negative means imply the groups perceive the amount of usage for ITSN inversely. College students will perceive their usage of ITSN for immediacy and self-expression as being far less than those of high school young consumers. For social interaction the opposite is true. High school students perceive their usage of ITSN for this purpose to be far more significant. Results are presented I Table 6.

Table 6: One-Way ANOVA Tests for School on Four Derived Factors

<i>High School vs. College Demographics on Four Factors</i>		<i>Sum of Squares</i>	<i>df</i>	<i>Mean Square</i>	<i>F</i>	<i>Sig.</i>
Immediacy:	Between Groups	44.902	1	44.902	51.218	.000***
Within Groups		312.098	356	.877		
Total		357.000	357			
Entertainment:	Between Groups	1.496	1	1.496	1.498	.222
Within Groups		355.504	356	.999		
Total		357.000	357			
Social Interaction:	Between Groups	13.290	1	13.290	13.765	.000***
Within Groups		343.710	356	.965		
Total		357.000	357			
Self Expression:	Between Groups	22.826	1	22.826	24.317	.000***
Within Groups		334.174	356	.939		
Total		357.000	357			

***denotes $p < .001$. School variable represents high school vis-à-vis college young consumers

Hypothesis 1 was rejected for the *grade level* variable: there is a significant difference among the means of young consumers reporting grade level (high-school freshmen to graduate students in college, including non-traditional students) on all four of the derived factors (F1: Immediacy, F2: Entertainment, F3: Social Interaction and F4: Self-Expression, respectively). The significant differences on all four factors were $p = .000$, $p = .000$, $p = .000$, and $p = .000$ respectively. For the 349 respondents reporting their grade level there were 50 high school freshmen, 27 sophomores, 42 juniors, and 51 seniors; among college students there were 39 freshmen, 25 sophomores, 56 juniors, 40 seniors, 17 graduate students, and 2 non-traditional respondents. A Tukey's multiple comparison procedure revealed several significant differences between pairs of students at different grade levels on all four factors. On the Immediacy factor, college freshmen, sophomores, juniors and seniors differed significantly from high-school freshmen with factor means of -0.45, -0.39, -0.47, -0.25, and 0.61 respectively with $p = .000$ on all four comparisons. On the Entertainment factor, high-school freshmen, college freshmen, sophomores, and juniors differed significantly from high-school sophomores with factor means of -0.01, 0.13, 0.23, -0.00, and -1.17 respectively with $p = .001$, .048, .000, .000, and .001 respectively. On the Social Interaction factor, college sophomores, juniors, seniors, and graduate students differed significantly from high-school juniors with factor means of 0.31, 0.19, 0.36, 0.68, and -0.53 respectively with $p = .039$, .022, .003, and .001 respectively. On the self-expression factor, high school freshmen, sophomores, juniors, and seniors differed significantly from college graduate students with factor means of 0.52, 0.07, 0.34, 0.08, and -0.94 respectively with $p = .000$, .022, .000, and .006 respectively. ANOVA results are shown in Table 7.

<i>Grade Level Demographics on Four Factors</i>		<i>Sum of Squares</i>	<i>df</i>	<i>Mean Square</i>	<i>F</i>	<i>Sig.</i>
Immediacy:	Between Groups	54.415	9	6.046	7.076	.000***
Within Groups		289.638	339	.854		
Total		344.053	348			
Entertainment:	Between Groups	48.993	9	5.444	6.162	.000***
Within Groups		299.501	339	.883		
Total		348.494	348			
Social Interaction:	Between Groups	45.300	9	5.033	5.755	.000***
Within Groups		296.497	339	.875		
Total		341.798	348			
Self Expression:	Between Groups	38.934	9	4.326	4.736	.000***
Within Groups		309.683	339	.914		
Total		348.617	348			

***denotes $p < .001$.

Hypotheses 2, 3, and 4 were tested using One-Way ANOVA, and significant differences between means for college and high school young consumers and volume of cell phone calls made and received, their volume of text messages sent and received, and their volume of instant messages sent and received were revealed; therefore, we rejected null hypotheses 2, 3, and 4. Results of the ANOVA tests for all six items comparing high school responses to college student responses are shown in Table 8.

<i>Volume of Sent & Received Messages</i>		<i>Sum of Squares</i>	<i>df</i>	<i>Mean Square</i>	<i>F</i>	<i>Sig.</i>
Cell Calls Made	Between Groups	30.548	1	30.548	14.851	.000***
Within Groups		853.625	415	2.057		
Total		884.173	416			
Cell Calls Received	Between Groups	14.961	1	14.961	7.158	.008**
Within Groups		867.418	415	2.090		
Total		882.379	416			
Text Messages Sent	Between Groups	28.638	1	28.638	5.696	.017*
Within Groups		2077.039	413	5.029		
Total		2105.677	414			

<i>Volume of Sent & Received Messages</i>		<i>Sum of Squares</i>	<i>df</i>	<i>Mean Square</i>	<i>F</i>	<i>Sig.</i>
Text Messages Received	Between Groups	46.029	1	46.029	8.846	.003**
	Within Groups	2143.906	412	5.204		
	Total	2189.935	413			
Inst. Messages Sent	Between Groups	161.461	1	161.461	28.924	.000***
	Within Groups	2277.536	408	5.582		
	Total	2438.998	409			
Inst. Messages Received	Between Groups	179.423	1	179.423	31.988	.000***
	Within Groups	2294.086	409	5.609		
	Total	2473.509	410			

* Denotes p<.05; **denotes p< .01; and ***denotes p<.001.

Questions were designed to measure the volume of IT messages young consumers send and received each day. The Cronbach's (1984) alpha for these six items was 0.83, which exceeds the Nunnally (1978) criteria of 0.70 or the Lance et al. (2006) criteria of 0.80 for an acceptable alpha. Devellis (1991) says an alpha "between 0.80 and 0.90" is very good. In order to test hypotheses 2, 3, and 4, the survey young consumers completed contained six additional items on a Likert-type scale. For example, young consumers were asked:

* "About how many cell phone/smart phone calls do you MAKE each day
__<5, __5-10, __11-15, __16-20, __21-25, __26-30, __>30?"

* "About how many cell phone/smart phone calls do you RECEIVE each day
__<5, __5-10, __11-15, __16-20, __21-25, __26-30, __>30?"

* "About how many text messages do you SEND each day
__<5, __5-10, __11-15, __16-20, __21-25, __26-30, __>30?"

* "About how many text messages do you RECEIVE each day
__<5, __5-10, __11-15, __16-20, __21-25, __26-30, __>30?"

* "About how many instant messages do you SEND each day
__<5, __5-10, __11-15, __16-20, __21-25, __26-30, __>30?"

* "About how many instant messages do you RECEIVE each day
__<5, __5-10, __11-15, __16-20, __21-25, __26-30, __>30?"

Hypothesis 2 was rejected: there is a significant difference between the means of high school young consumers and college young consumers regarding the volume of *cell phone/smart phone* calls they make and receive each day. With a $p = .000$, the 201 high school young consumers responding to this item had a mean of 2.0 as compared to the 216 college young consumers' mean of 2.54 on cell phone/smart phone calls they make each day. College young consumers make significantly more cell phone calls than high school young consumers. With a $p = .008$, the 201 high school young consumers responding to this item had a mean of 2.1 as compared to the 216 college young consumers' mean of 2.45 on cell phone/smart phone calls they received each day. College young consumers received significantly more cell phone calls than high school young consumers. This makes sense considering the fact that many high school young consumers cannot sign contracts legally, and many rely on the generosity of their parents for cell phones.

Hypothesis 3 was rejected: there is a significant difference between the means of high school young consumers and college young consumers regarding the volume of *text messages* they send and receive each day. With a $p = .017$, the 199 high school young consumers responding to this item had a mean of 2.61 as compared to the 216 college young consumers' mean of 3.14 on text messages they send each day. College young consumers send significantly more text messages than high school young consumers. With a $p = .003$, the 198 high school young consumers responding to this item had a mean of 2.60 as compared to the 216 college young consumers' mean of 3.27 on text messages they received each day. College young consumers receive significantly more text messages than high school young consumers.

Hypothesis 4 was rejected: there is a significant difference between the means of high school young consumers and college young consumers regarding the volume of *instant messages* they send and receive each day. With a $p = .000$, the 196 high school young consumers responding to this item had a mean of 3.66 as compared to the 214 college young consumers' mean of 2.40 on instant messages they send each day. High school young consumers send significantly more instant messages than college young consumers. With a $p = .000$, the 197 high school young consumers responding to this item had a mean of 3.77 as compared to the 214 college young consumers' mean of 2.44 on instant messages they received each day. High school young consumers receive significantly more instant messages than college young consumers.

DISCUSSION

The new marketing ecosystem encompasses cell phones, mobile music devices, instant messaging, videogames and virtual, three-dimensional worlds (Chester & Montgomery, 2008). Young consumers desire immediacy, constant entertainment, discovery, and the ability to create and record, as these values and activities help to develop and enhance their burgeoning identities.

The widespread availability of interactive technologies which allow for the attainment of these desires makes them ubiquitous in the landscape of high school and college students.

It might also be useful to consider that a teen's relationship with mobile technology is closely related to overall consumption habits (Wilska, 2003). With regard to things like self-expression, creativity, and identity formation, marketers can create messages based on that relationship and transfer that concept to other products. Other characteristics of teen consumption might include thriftiness and caution, which run parallel with more instrumental use of the mobile technology.

The authors used immediacy, entertainment, social interaction, and self-expression as factors that gauged young consumers' perceptions of their usage of ITSN and compared the means of various demographic variables. These value points could be addressed through the bundling of features available on cell phones, smart phones, and other ITSN. In accordance with the preferences of the students surveyed, it is recommended that these customer segments be targeted through attention to these factors as they are indicated in Table 9. The findings are useful to marketers of products to young consumers.

1	Younger cell phone users (14-16) place a higher value on immediacy and constant entertainment than do older students (17-22).
2	These younger students (14-16) also tend to place a higher value on self-expression than do older students (17-22).
3	Cell phone users of college age (17-22) tend to place higher value on the social interaction provided by electronic social networking.
4	Both high school and college users tend to place equal value on entertainment, but U.S. citizens tend to perceive their use as higher than that of non-citizens.
5	U.S. citizens tend to see their use of cell phones for social interaction and self-expression as being less than that of non-citizens.
6	Bundling of features such as smart phone technologies and text messaging, as well as blogging and e-mail, could be used to attract younger students (14-16).
7	College age students would be more attracted to a bundle that might include mobile access to Facebook, MySpace or instant messaging.
8	Features like VOIP, Second Life and Podcasting would be attractive to either high school or college students, more so for citizens than non-citizens.

CONCLUSION AND RECOMMENDATIONS FOR MARKETERS

These elements might also be used when creating a strategy to compete successfully in the market for cell phones. Firms already create strategies targeted at each specific group by locating on or near college campuses and promoting and sponsoring events associated with college life like sporting events and cultural activities. Bundling services that meet the needs of

the specific demographics within this larger segment might prove successful if those bundled services also provided satisfaction of the factors (immediacy, entertainment, social interaction, and self-expression).

This might be more difficult at the high school level, but as publicly-funded schools see declining budgets, the prospect of partnerships between IT makers and school systems is not far-fetched. Currently, advertising is aimed at families that would share in the same service plan with either similar or unique devices. These campaigns seek to attract parents by again indicating value as an important part of the purchase process.

Tweens, teens, and young adults profile themselves online by detailing candidly the intimate issues of their lives through these publicly available information highways, on a wide range of social issues pertinent to them that contribute to the understanding of adolescent and young adult development and well-being (Williams & Merten, 2008). This knowledge is useful to marketers only if they can pair this knowledge with the products they are trying to sell to targeted young consumers (tweens, teens, young adults, Gen Ys, etc.). These young consumers are talking about the details of their lives they deeply care about through 'marketing ecosystem' media-rich environments.

As an industry moves through the maturity stage in the industry life cycle new products often emerge, creating new life cycle curves. This is certainly the case in the mobile telephone industry, as shown in the case of third generation products that use increased broadband capabilities. The third generation phones employ this greater broadband capacity in the form of voice, video, internet, email, messaging, and music downloading (*Market leadership in the 3G market*, 2007). Because these third generation phones are in the growth stage of the life cycle, one strategy for increased sales performance might be to pursue greater market penetration by developing product variations to satisfy the needs of a variety of users in different market segments.

Consequently, a market segmentation strategy that seeks to capitalize on the differences in how high school and college students use their IT might be quite valuable if a firm takes the right approach. One example would be through examination of the differences in usage between high school and college students. The younger students' tendency to use instant messaging more often than the college students might be explained simply as a matter of location. If high school students spend more time at their school (approximately 35 hours per week) and then are at home more during the evening hours and weekends, they might be using a laptop or personal computer. For the college student that may be in the classroom for only 15 hours per week and then moving between work, home, and other activities, the more easily accessible cell phone would be a logical choice.

In describing the impact of competitive forces on a firm's strategy, Porter (1979) indicates that a "focus on the selling efforts in the fastest-growing segments of the industry can reduce the impact of industry rivalry." As the number of IT users increases, this focus becomes even more important. As indicated previously, the number of users on the social networking site

Facebook has steadily increased and is also gaining membership in populations beyond the college and high school foundation upon which it was built.

However, when considering the age of the high school students, it is important to investigate how devices are obtained. Users under 18 years of age are legally unable to sign service contracts with cell phone providers or internet service companies, so their parents or guardians might also be targeted. Ho and Lee (2008) confirm the importance of value creation for a successful strategy in the face of competition. When marketing to the parents or guardians of these younger consumers, the firm might be well-served to reinforce the value component by bundling features that would more specifically address the needs of these younger students, namely instant messaging. It would also be wise to consider bundling features that are attractive to these different user groups in order to gain some competitive advantage in a competitive market for IT. Table 9 includes some suggestions of these bundles and to whom they might be targeted.

Another consideration is the non-citizen market and how those points apply to their need for social interaction and immediacy, which are perceived to be higher when compared to students who are citizens. Marketers could use the findings from this study to develop strategic marketing mixes targeted to young consumers based on their perceptions of usage, at either the college or high school level.

Limitations of this Study

Although high school students and college students could be construed as two populations with independent means, for our study's purposes we coded the groups as one categorical variable with eight levels, from freshman in high school to college senior. We relied on the Tukey's post hoc comparison to determine significant differences between independent (grade level) and dependent (factor1, factor 2 and so on) was found. The post hoc test revealed significant interactions between levels of the categorical dependent variable freshman high school student all the way to college level senior, thus, allowing us to test the null hypotheses without violating the assumptions for ANOVA. We acknowledge some researchers might view high school students and college students as two populations and not one.

Despite any study's research design all studies have limitations. The independent variables (demographic characteristics) cannot be construed as having a causal effect on the dependent variables (perceptions of the amount of interactive technologies used for social networking purposes), meaning independent variables have no causative influence on perceptions young consumers reported regarding the amount of IT they used. Populations are assumed normally distributed. Only two schools were selected for the study, thus, generalizing results to any aspired population is cautioned against.

There are dozens of IT available on a number of brands and only ten of these products were analyzed in this study; therefore, a set of ten different products might generate different

results if this study was replicated in the future. Despite this study's limitations, the usage of IT for social and academic purposes among young consumer groups has been explosive, warranting empirical investigation. And, thus, a review of the related literature confirmed much of what appears to be common sense about young consumers' usage of IT for social and academic purposes.

Future Research Avenues

Future research avenues might include an investigation of both consumption habits and electronic social networking habits directly related to more specific segments of young consumers. A longitudinal study of these habits from the high school through the college years could also provide insight into changes in consumption. Researchers could develop comparisons between other consumption habits of these groups and social networking habits. Further examining the use of ITSN among a wider variety of populations could also provide a more meaningful analysis of these habits.

One way to develop a more comprehensive understanding of the ITSN phenomenon as it relates to marketing strategy is to look at different approaches taken by marketers. By evaluating the success of different strategies for selling to ITSN users, it might be possible to connect consumption habits to strategies. A more thorough investigation of which strategies should be aimed at these segments could be useful, and it might be supplemented by a study of specific usage patterns and preferences of these segments. This might give marketers the ability to develop a more focused approach to developing messages for this audience.

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DIVERGENT MEANING OF CONVERGENT MOBILE PHONE FROM GENERIC MOBILE PHONE

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ABSTRACT

Mobile phones have become necessities of our life and nowadays convergent mobile phones are spreading rapidly. However, the meaning of convergent mobile phones for consumers and the difference between generic mobile phones and convergent mobile phones were not investigated enough. Therefore, this article explores the evolving meaning of mobile phones for consumers. Verbatim texts of eight phenomenological interviews concerning consumers' perceptions and experiences of mobile phones are analyzed.

This research shows that common themes for both generic mobile phones and convergent mobile phones and different themes for convergent mobile phones. Connection and self expression themes are found for both phones while entertainment theme is more highlighted in convergent mobile phones than in generic mobile phones. Our research has also indicated that the adoption of or satisfaction with convergent mobile phones depends on consumer's expectation and innovation resistance.

INTRODUCTION

In 2009, more than 95% people use mobile phones in Korea. Generic mobile phones became one of the necessities in modern society, replacing cord phones. However, with the arrival of the digital convergence era, there has been a change in the mobile phone market. To increase sales and profit in the matured mobile phone market, handset makers and mobile communication providers competitively introduced convergent mobile phones and services. They tried not only to make the 'pie' bigger but also to take the pie. Therefore, to survive and win the competition, it was required to understand how consumers use the newly introduced convergent mobile phones and services and what are the meaning of the phones and services for consumers.

Since the digital convergence era arrived, fusing industries, technologies, and contents (Hanson, 2000), various forms of convergence products are overflowing the market. Convergence products are single products that have the features of two or more separate products (Covell, 2000), for example mobile phones that act as game consoles, cameras, and mp3 players, or the internet TV which is the convergence of TV and internet.

The background of convergence expansion can be explained through consumer needs and technology. On the consumer side, consumer needs have varied and changed rapidly and it has become hard for companies to meet the needs, therefore innovation was required. This innovation can be divided into 'innovation as invention', which is creating something that didn't exist, and 'innovation as recombination', which is recombining existing products (Hargadon, 2003). However, since 'innovation as recombination' is less expensive and less risky than 'innovation as invention', convergence based on the 'innovation as recombination' has become popular. On the technological side, the increase of broadband services and microminiaturization became the base for the introduction and expansion of convergence.

The generic mobile phones have developed into convergent mobile phones, loading entertainment, commerce, information features in addition to its communication features. Communication features include voice, SMS (Short Message Service) and MMS (Multimedia Message Service), and entertainment features include games, DMB (Digital Multimedia Broadcasting), a digital camera, a camcorder, and an mp3 player. The supported commerce functions are stock trading, transportation card, credit card, and mobile banking, and information functions are scheduling, wireless internet, navigation, etc. Companies are introducing various convergent mobile phones to increase their profit by fulfilling consumers' many needs (Wind & Mohajan, 2002). However, consumers feel a feature fatigue from the excessive functions (Rust, Thompson & Hamilton, 2006) and look for simple generic mobile phones, or are not satisfied by the functions of convergent mobile phones and instead use specialized gadgets. The reason consumers do not show the reactions that companies expect, is because companies do not fully understand the meaning that consumers have of convergent mobile phones, or because convergent mobile phones do not fully apply these meanings.

To solve these problems, this article explores the meaning of generic mobile phones and the meaning of convergent mobile phones by analyzing consumers' experiences of generic mobile phones and convergent mobile phones. Also, this article suggests implications about how to make convergent mobile phones to meet consumer needs. For these purposes we chose a phenomenological approach, which is an approach that figures out the fundamental meaning of a phenomenon by analyzing the structural side of consumers' experiences and thoughts (Creswell, 1998) and used an in-depth interview through a FGI (Focus Group Interview).

CONCEPTUAL BACKGROUND

Connection, Relationship, Personal Space

As a social being, people need a healthy relationship, sharing bonds with their important others (e.g., family, romantic partners, and friends). To perceive a sense of belonging through relationships, people need frequent and stable personal interactions with their important others (Baumeister & Leary, 1995) and thus people contact each other frequently and stably via face-to-

face communication or communication media (e.g., mail, telephone, mobile phone, etc.). In this regard, the social role of conventional telephones was important as much as its practical (or task-oriented) role. That is, people used telephones not only to obtain practical goals (e.g., to obtain information, order product, and make a reservation etc.) but also to make and maintain relationships with important others (e.g., to chat, keep contacts, and achieve a sense of security etc.) (Wei & Lo, 2005).

In addition to the value as a communication medium, there are other values of generic mobile phones which cannot be fulfilled by conventional telephone. These are mobility and immediate access which enabled users to fulfill their social and practical goals without temporal and spatial limitation (Leung & Wei, 2000). Therefore, people could build and maintain deep relationships with generic mobile phones (Lyytinen & Yoo, 2002). Especially, for teenagers, generic mobile phones enabled them to define their personal space. While young people could not use fixed telephones freely which was usually located in living room, they could use mobile phones outside of parental supervision, maintain their social networks, and create their space (Oksman & Turtiainen, 2004).

The Self

Possession is regarded an “extended self” which shows one’s identity, and people construct self-concept and establish identity through consumption (Belk, 1988). That is, through possession and consumption, people fulfill psychological needs (e.g., construction of self concept, establishment and expression of identity, differentiation) and identify social relationships with important others (e.g., family, friends, brand community). Also, people have two competing social motivation: differentiation and assimilation (Baumeister, 1982; Snyder & Fromkin, 1977). Sometimes, people diverge from social norms not to be perceived as a “follower of the masses” but as an “independent and unique people from the majority” while at other times, people follow social norms to get others’ approval and avoid rejection and criticism (Snyder, 1992).

Therefore, motivation of differentiation leads people to choose unique products which could differentiate themselves from others. The degree of which people differentiate themselves from others’ choices depends on product type and consumer characteristics. People select unique product when they choose among identity-relevant (vs. identity-irrelevant) product or visible (vs. invisible) product (Bearden & Etzel, 1982; Berger & Heath, 2007) because people use those product types to express their identity. Conversely, motivation of assimilation leads people to choose the same products which help them to assimilate themselves with others. That is, people follow the choice of aspiration or reference group members to avoid the disapproval and to be accepted by the members of the group. For young people, mobile mobiles are important possessions to express their identity and infer others’ identity and sometimes are considered as a fashion accessory and an organic part of their life (Oksman & Turtiainen, 2004).

METHODOLOGY

The phenomenological study, which started from the philosophical views of Edmund Husserl (1859~1938), was introduced to the sociological field by Alfred Shutz (1899~1959) and others. Phenomenological studies not only help us to see the world from the participants' view point, but also help us to understand their 'sense-making framework,' which they develop through a long period of time (Creswell, 1998). The response to an event or experience changes according to this 'sense-making framework.' Also, phenomenological studies assume that the reality is different for every individual, and only by understanding their world, thoughts and views we can understand their behavior.

Based on the phenomenological study, we conducted FGIs to become accustomed to users' terminology and perspectives and to prepare a protocol for in-depth interviews. And then we conducted in-depth interviews, transcribed the interviews, and analyzed the transcriptions.

Data Collection

We define mobile phones as mobile phone hardware (mobile handset), software (interface and applications), and mobile network services, because they are too intermingled to disentangle the device, applications and services when studying how mobile phones create value and meaning for users. And we divided mobile phones into generic mobile phones (i.e., 1st generation mobile phones which is mainly used for mobile communication such as voice communication and text messaging) and convergent mobile phones (i.e., 2.5th or 3rd generation mobile phones which is used as a personal media including not only voice communication and text messaging but also scheduling, camera, game, DMB, MP3 player, internet, video communication, etc.).

FGI. We conducted a pilot research through four focus group sessions comprised of 17 young people who have used generic mobile phones and convergent mobile phones. We used purposive sampling to recruit participants who are accustomed to and interested in convergent mobile phones because they are suited to illuminate the convergent mobile phones related phenomenon. The first group consists of four male undergraduate students, the second group consists of five female undergraduate and graduate students, the third group consists of four female office workers, and the last group consists of four early adopters (3 men and 1 woman). Each session was held in a quiet and relaxed setting (e.g., meeting room in a restaurant) and all participants in the study were assured of anonymity. We conducted unstructured group interview and instigated interaction among participants to reveal shared reactions, issues, experiences, and opinions on the topic of the study. After the group interview, each participant was debriefed about the study and compensated 30,000 won for students and 50,000 won for office workers (10,000 won is about \$10). Each focus group session lasted about ninety minutes and were recorded and transcribed.

Through the data analysis, we became accustomed to users' terminology and perspectives on the meanings of generic mobile phones and convergent mobile phones and prepared a protocol for the in-depth interview.

In-depth interview. We used purposive sampling to recruit participants and interviewed eight participants. Participants were male and female middle school, high school, undergraduate and graduate students and a female office worker, ranging in age from 14 to 26. Table 1 provides a list of the participants' pseudonyms and a brief description of their backgrounds. The in-depth interview followed the recommendation of the phenomenological psychology (Thompson, Locander & Pollio, 1989; Thompson & Haytko, 1997). Prior to each interview, participants were informed of the purpose of the study and assured of their anonymity and each participants showed their verbal consent about the interview. Each interview was conducted in a quiet café or lounge in a campus with only the participant and researcher present. Four interviewers (two male and two female) who were experienced in this interview technique conducted the interviews separately. Each of the interview dyads had a same-gender pairing to facilitate personal discussions about positive and negative experiences. After the interview, each participant was compensated 30,000 won for students and 50,000 won for office workers (10,000 won is about \$10). Each interview lasted about one hour and was audio taped for transcription into verbatim.

Table 1. List of Participants

Name	Gender	Age	Job
Anna	woman	24	Graduate student, 1 st grade
Betty	woman	24	Undergraduate student, senior
Cindy	woman	14	Middle school student, 1 st grade
David	man	25	Undergraduate student, senior
Edward	man	24	Undergraduate student, senior
Francis	man	19	High school student, 3 rd grade
Gill	woman	26	Office worker, 3 rd year
Hans	man	17	High school student, 1 st grade

The interviews began by asking background information about the participants (e.g., age, job, major, experience of technological product or service). Following these questions, the interviewer shifted to the first topic (i.e., generic mobile phone) using the question, "When you think about generic mobile phone, what comes to your mind?" Then the interviewers encouraged participants to describe actual experiences or episodes related to their generic mobile phones and probed for detailed description about participants' experiences on the basis of the participant's own words. After the first topic, the interviewer shifted to the second topic (i.e., convergent mobile phone) using similar questions and principles with first interview.

Data Treatment

Recorded interviews were transcribed and these transcriptions were analyzed based on the recommendation of Creswell (1998) and Moustakas (1994). We conducted separate analyses for generic mobile phones and convergent mobile phones and compared both analyses in the final step. We read the transcriptions carefully and extracted all significant statements and deleted duplicate statements. The remaining statements were used to formulate phenomenological and psychological meanings, which were organized into clusters of themes. We checked validity by comparing the theme of clusters with transcriptions. That is, it was examined whether the themes represent transcriptions and if not, it was reexamined and modified. Finally, obtained analysis results for generic mobile phones and convergent mobile phones are compared.

FINDINGS

There are three themes for generic mobile phones (i.e. connection, self expression, essential part of self) and four themes for convergent mobile phones (i.e. connection, self expression, entertainment, and (dis)satisfaction) and each theme has from one to three meanings. Appendix A and B provide significant statements, meanings, and themes for generic mobile phones and convergent mobile phones.

Generic Mobile Phone

Connection. The essential meaning of generic mobile phones to consumers is connecting with others. Compared to a corded telephone, generic mobile phones allow people to have a ubiquitous connection without temporal or spatial limitation. People could get their practical or emotional goal of communication via generic mobile phones (Wei & Lo, 2005). For example, generic mobile phone enabled participant to connect to her parents when she moved away from home, to get a feeling of belongingness with her family and to sooth her loneliness via the communication. Especially, when she didn't have generic mobile phone, she had to wait in line in the dormitory lounge to make and receive phone calls, but with generic mobile phones she could communicate with her parents whenever she wanted to. The generic mobile phones allowed participants to connect to others whenever they needed communication and made them to be "always on" status leading to a cohesion within friend groups.

I first used mobile phones when I started living in a dormitory in high school, (because it's inconvenient to wait in line to use the phones in the dorm lounge,) and I could call home whenever I wanted. (Anna)

At first I used my mobile phones to call people whenever I wanted to. (Anna)

It's almost the only method of connection, right? Receiving calls, making calls...I'm always on-line. People can find me when they need to, and I can call them whenever I need to. Basic function for me is that it's a tool for communication is the most essential feature for me. (Edward)

With the bright side of connection via generic mobile phones, there is a dark side—fear and anxiety for isolation from disconnection and stress from enslavement. While the anytime and anywhere connectivity provided sense of belonging, people are compelled to call or send text messages for the fear of isolation. That is, as romantic partners who are not confident in their relationship insistently try to reconfirm love from their partner, people cannot bear disconnection and became anxious of a short time disconnection.

Well, since I can't communicate with the other guys...I feel isolated. I feel a little left out. That sort of thing. (The demerits are) I keep sending meaningless text messages which require a lot of my attention daily. (David)

I first suspended my mobile phone services in July. I asked them to suspend the sending function and it was really uncomfortable. I couldn't call my friends. I wanted to hang out with them, but I didn't want to call them first, and they didn't call me, and it got lonely. So I got back the texting service, and I used it like that. Just texting a lot. (Francis)

Also, generic mobile phones provide consumers with not only empowerment (i.e., freedom of connection) but also enslavement from others (e.g., company, parents, friend and romantic partners). It has become difficult for users to disconnect from unwanted people or at an unwanted time (Jarvenpaa & Lang, 2005; Mick & Fournier, 1998). Generic mobile phones involve a tightened control and enslavement beyond spatiotemporal. For example, *Gill* described that she felt imprisonment when she got phone calls after work and *Francis* complained that he was compelled to send text message to unwanted friends.

Since I can be contacted everywhere and any time (it's comfortable but) it's bad that I get imprisoned. Especially when I keep receiving work-related phone calls after I get off work. (Gill)

(On experiences with ignoring text messages) They ask me why I ignored their messages, and what can I say? I just say that I didn't see it. There are times that I can't return everyone's calls, but I can't ignore all of them either. (Francis)

Self Expression: Differentiation vs. Assimilation. People show their identities by acquiring and displaying their possessions and people produce “desired self” through the style and image of their possessions (Thompson & Hirschman, 1995). Not only did participants purchase generic mobile phones which could express their tastes and identity, they also inferred others’ tastes and identity based on others’ phones (Berger & Heath, 2007). To express their characteristics and differentiate from others, participants decorated their own wallpaper and used unique ring tones and accessories. And they felt superiority to others when they used the newest handsets and functions. Some people weighed on the design of handsets to show off their phones.

Well, just looking at mobile phones wallpapers. People show their own personality. The phrases that show on their phones. People write things that they want to express. (Anna)

People hang a lot of things on their mobile phones, because it’s a way of showing your personality. The mobile phones itself shows your identity. What kind of phones you use. Some use big ones and some use small ones. That person uses a big phone. Some people use pretty ones, and some are more focused on the features. (Cindy)

It makes me feel a little different from everyone else. Some people just use ring tones, but mine shows a music video with the ring tone. It’s different. It feels like I’m driving an imported (luxury) car. (Francis)

People pursue new models. Subminiature mp3 players are the new thing, and when you buy a new mobile phone, everyone takes another look at it and that feels great. The design is really important to have that impact. The pretty phones are the ones that your eyes turn to. (Edward)

People chase the choice of their reference group to feel belongingness to or acceptance by the group (Argo, White & Dahl, 2006) and purchase brands and products to fit with the image of their reference group (Escalas & Bettman, 2005). Participants started to use generic mobile phones because of the need for validation from and similarity to their friends. For example, Edward started to use generic mobile phones because his friends used it and David purchased a handset not to be left behind.

(The reason I subscribed to mobile communication is because) Sending out your mobile phones number instead of your pager number was considered as more trendy at the time. (Edward)

It's more of a tool to show that I'm not falling behind, rather than to show myself off. (David)

Essential Part of Self. Participants compared generic mobile phones to their bodies (heads), food, underwear, etc. When they first purchased a phone it was 'marvelous' but now it has become an item of 'everyday life' and is no longer an item that pulls their interest. Since they have to make contact with others it is an essential that they can't live without. It is like food because they need it whether they like it or not, it is like underwear (an item that is always on their body), and it is a part of their body that they would rather have 'inserted into their heads.'

It was marvelous at first. Since it's something I always have, I take it for granted rather than think of it as something really nice...It's just a part of everyday life.

I always need it because I have to contact other people. I don't think I could live without it. (Anna)

What do we feel about food? Right. It's just a part of life. Since it's a basic tool of living, it's become an essential that doesn't require likes or dislikes. (Edward)

It's a part of my body. This is part of me. I'm just carrying it around because the technology to put it into my head like telepathic communication doesn't exist yet. It's simply my head. (David)

Existence does not give us happiness, but the inexistence of something that we have grown accustomed to bring unbearable pain. Therefore if people leave our generic mobile phones at home or the office, or if it does not operate correctly due to a dead battery or technical problems, they receive damage. People feel fear and anxiety of losing their phones, and there is always the concern of being invaded of our privacy if the information on our generic mobile phones is made public.

It's very precious to me. I've found the owners of many lost phones. I know through experience that I can find out things about the owner just by opening the phone, age, occupation, whether they are single...There's just too much information. (Edward)

I slept with my mobile phones like this. But my mom saw it. A text. But there was something on the text that she shouldn't have seen. (Related to your girl friend?)

Yeah. My mother wasn't happy about it. And I was mad at my mom for looking. It's not just my mom. I don't always have my phones in my pocket so sometimes my friends see stuff. (Francis)

Since I do a lot of texting and I access my mobile phones a lot, and it's annoying if I set a password. All the time...My phone doesn't have a password. (Francis)

Convergent Mobile Phone

Connection. Even though various functions and services are embedded in convergent mobile phones, the essential value of phones has not changed. The essential value as a communication medium is equal for users regardless of whether or not they use various functions and services. Participants thought that convergent functions such as radio and MP3 player are just additional functions. They mainly use convergent mobile phones to communicate and only use their phones to listen to music in extraordinary cases.

I don't think I use my mobile phones for reasons other than communication. (Betty)

The main purpose of mobile phones is phone calls, and things like radio or mp3 player are just additional features. I think it's better to listen to music with an mp3 player. I just use my phone for calls, and use it to listen to music if I don't have my mp3 player or other exceptional occasions. (Gill)

Self Expression: Differentiation vs. Assimilation. Convergent mobile phones have diverse functions and services through which users express their identity. That is, people can express their identity by choosing handsets with certain functions (e.g., DMB, MP3 Player, etc.) and using certain services (e.g., mobile internet, games etc.). For example, some participants define and show their tastes by choosing handsets embedding DMB and by using mobile internet. Some participants post UCCs on websites (i.e., pictures and videos taken on their phones and/or edited using a PC) to show off their distinctiveness or tastes and to be recognized by others.

I just use it as a phone and for texting, but people who like that stuff could use it to show their tastes. DMB function is a must. I have to have a phone with mp3 player functions. These are some things that people could want from their phones. They may want to express themselves... Sort of like an identity? (David)

In UCCs (made by convergent mobile phone), I think the first thing is the need to show yourself off. I think it's for self-satisfaction. To feel recognized... (Betty)

Some participants are interested in convergent functions used by others and want to conform to others' adoption of convergent mobile phones. Other participants who are not accustomed to various gadgets are stressed by rapid technological change and are compelled to conform to others' adoption.

I can't match the speed of technology. So if I want to feel its benefits, I have to evolve...DMB and mobile game, I didn't feel the use of those things at first, but I get curious about them if I see other people using those functions. (Betty)

A lot of phones have DMB and mp3 players. (And others use such phones). That's why I'm interested in them. (Hans)

I'm not very good with machines so I'm not that interested in new services or devices, but if someone uses a new thing and tells me it's good, I think I would get interested. If someone tells me something is good I would like to try it out, too. (Gill)

Entertainment. While generic mobile phones are used mainly for communication, convergent mobile phones are frequently used for other purposes-entertainment, scheduling, etc. Even though people had fun by making phone calls or sending text messages with their generic mobile phones (Wei & Lo, 2005), the entertainment value of generic mobile phones was not comparable to that of convergent mobile phones. Because convergent mobile phones enable various entertaining activities which are impossible with generic mobile phones, the entertainment value is highlighted. There are two kinds of entertaining activities-entertaining together versus alone.

First, participants share pleasure with friends when they are taking pictures or recording videos together and when they are watching the files together or sending multimedia messages with the files attached to one another. This pleasure is overlapped with the intrinsic value of mobile phones-relationship with others.

It was fun to text friends when I was bored. (Anna)

When I make a video and send it through a MMS, it makes me happy to share something that's too good to see alone, and my friend enjoys it too. (Cindy)

I think it's good to joke around by taking pictures of funny poses. It makes us laugh and gives us something to joke about. We all look at it and if we like it we send it around using an MMS. (Hans)

After functions like a camera and mp3 were added, it let people find joy. Not just through communication but something to play with other people. (Anna)

People use their phones not only to share fun with others but also to seek pleasure by themselves. Convergent mobile phones were used to listen to music, watch DMB, and play games. Especially, the handsets are a useful gadget to kill time when they are waiting or riding on the bus or subway. Simple mobile games converged in phones are preferred for their portability and quick loading time.

Mobile phone games like Baking Tycoon are fun. Simple but fun games like Tetris. It's only fun if it's simple. It's fun. The complicated ones just show poor graphic and are slow. Simple ones are better. (Francis)

(I play games) On the subway or bus. At least 2~3 hours a day... I only like 2007 Baseball. I only play that one. The benefits are that I can play it all the time. And it's easy to learn because it's simple. (Hans)

Satisfaction vs. Dissatisfaction (or Innovation Resistance). Some participants were satisfied with convergent mobile phones while others were not. These different responses among participants could be explained based on the expectancy disconfirmation model (Hoffman & Bateson, 1997) and innovation resistance theory (Ram & Sheth, 1989). According to the expectancy disconfirmation model, people evaluate services by comparing expectations with perceived performance. If perceived performance matches or exceeds expectations, people are satisfied and otherwise they are dissatisfied.

Participants who did not have high expectations for the convergent mobile phones tended to be satisfied with the phones and services. For example, they did not expect high resolution for the camera embedded in handsets, or high quality sound but they expect portability and responsiveness which are strength of the convergent mobile phone. That is, the reason people accept convergent mobile phone, despite the fact that they lack the quality of specialized gadgets, is because it meets the situational demand-portability and responsiveness. Participants need something to fulfill the need to 'do something during the short time on the bus or subway,' something to document a fun scene that they come across. In these situations, they are not looking for high quality, but for mobility and speed (e.g., It's fine, if it's quick and fun). Therefore, people 'kill time' with convergent mobile phone games instead of using heavy and slow PMPs. And the mobility and speed are the reasons why they take pictures and make videos and share them using their convergent mobile phones instead of their digital cameras.

It's not just me, most people don't have big expectations of the additional features on mobile phone. I don't expect mobile phone cameras to take good pictures like a digital camera. It's the same for mp3 players. (Edward)

I don't use it for the high quality. It's just to kill time on the subway, so I don't need high quality. It just needs to be quick and fun. (David)

(When I carry only my mobile phone) It's more convenient to listen to songs with my mobile phone. If I have my mobile phones I can do almost anything. (Francis)

Having a convergence product is simpler since you don't need to carry other devices. When my mobile phones didn't have an mp3 player function, I had to carry an mp3 player but sometimes I left it at home. The main point of convergence is not having to carry separate devices, and it's convenient. (Gill)

If something happens during mobile phone game, I can just turn it off, but if I try to turn off a PSP (SONY's PlayStation Portable) because I have to get off, it starts loading and I can't even save properly and stuff. It's annoying. It's takes a lot of time. Even if I'm on the subway for 1 hour, if you take away the time to transfer and stuff, it's just 30 minutes, but if it takes 10 minutes to load a game, who would play? And a bigger reason...it's heavy. (David)

(On the merits of mobile phone cameras) The first would be the on-the-scene element. The amateurishness of UCCs is a big part of their appeal, right? The childishness, lameness, and disorganized style... They have to show the aliveness of the scene. So being able to carry a device around is a merit. (Edward)

According to Ram and Sheth (1989), consumers resist to adopt innovations for several reasons and this response is called innovation resistance. Innovation resistance is classified into psychological barrier and functional barrier, which consists of value barrier, usage barrier, and risk barrier. Value barrier occurs when perceived performance and price does not reach expectations. Usage barrier occurs when consumers need to change their existing practice and lifestyle. And risk barrier occurs when innovation adoption is expected to accompany physical, economical, or social risks.

Participants do not use convergent functions because the performance, speed, handset price, and service fee do not meet their expectations (i.e. value barrier). Because some participants expect a performance level of convergent mobile phones to be equal with that of specialized gadgets (e.g., MP3 Player, PDA, digital camera), they were disappointed at the poor performance and preferred specialized gadgets. And other participants were disappointed at the

slow speed of mobile internet. Some participants were angry about the expensive service fee of mobile internet and about the fact that their handsets became expensive due to the embedment of unwanted functions. Given the fact that tastes of people are different, they requested customized handsets and services for themselves.

Writing text with mobile phones is limited, so it's not ideal for documenting. For documenting purposes, I considered a PDA...Mobile phones and other devices have to function as a whole product and perform all the functions just like specialized gadgets (Betty)

The videos are too short and the quality is not that good. (Cindy)

(via mobile internet) I tried out the movie reservation service, but it's slow. And access to mobile banking is too slow. (Betty)

The fee is so expensive. I don't even know how much I'm using when I download a ring tone. And when I download music, one mistake makes the fees go way up, and it takes a long time too. (Betty)

These functions are added, and even though I don't want them the device gets more expensive. That's the biggest problem. I have to pay a lot of money for functions that I don't want. (Edward)

I don't like it when functions that I don't use are added. Everyone wants different things, so they should personalize the devices. Having a few functions that I need is better than having a whole lot of junk, both in the respect of capacity and function. (Gill)

Participants are confronted with usage barrier when they have to install software, learn how to use the handset, and charge battery more frequently compared to generic mobile phone. Especially, because UI (User Interface) is not user friendly and the software and hardware are not interchangeable, they experience inconvenience in getting accustomed to UI, installing software, and bringing accessories (e.g., earphone, battery charger). Some heavy users of convergent mobile phones became careful about the battery and experienced inconvenience in charging the battery frequently.

Installing is complicated and learning all those new functions is annoying. It's just really a pain to connect my phones to a computer with a USB cable and installing stuff. (Betty)

Some contents don't run on all devices. They need to standardize. The programs for mp3 players and mobile phones mp3 players are different. Even the earphones look different so you need to buy a connection piece, but carrying that piece around is inconvenient, even buying it is a bother. (Betty)

I tried searching on the Mobile internet, and followed all the instructions after accessing the site, but I couldn't find what I was looking for. I still don't use it. (Gill)

It (generic mobile phone) went 2~3 days after charging. Now it (convergent mobile phone) only lasts a day. It makes me worried. I charge it every day to play games, so the battery is a bit of a problem. (David)

Participants experience anxiety for loss, security, privacy, and a dead battery (i.e. risk barrier). Anxiety levels for convergent mobile phones are great compared to generic mobile phones because participants are immersed in various functions and services of convergent mobile phones. For example, the loss of convergent mobile phones including credit card information results in economic damage and the unintended release of private photo or video files in convergent mobile phones results in psychological and social damage.

A credit card function in mobile phones, it would mean a greater risk to lose it. (Anna)

This device... All the functions are concentrated in this phone so it's all you need. But if this thing breaks down or if the battery dies, the world will end for you. It's not just uncomfortable; it becomes impossible to have a life. (Hans)

There's a picture of me that I really don't want other people seeing. I got really drunk with a few friends, and it was really ugly. One of them has a picture of me that day, and he threatened to post it on Cyworld (Korean social network service). (David)

DISCUSSION

Just as generic mobile phones became one of the necessities in modern society, convergent mobile phones are expected to become a necessity before long. To understand how consumers use convergent mobile phones and services and what the meanings of the convergent mobile phones and services are for consumers, a phenomenological approach was used. After analyzing the meanings of generic mobile phones, we analyzed the meanings of convergent

mobile phones. Our research shows that there were three themes for generic mobile phones and four themes for convergent mobile phones. Some themes (e.g., connection, self expression) are found both for generic mobile phones and convergent mobile phones while other themes (e.g., entertainment) are more highlighted in convergent mobile phones than in generic mobile phones. Our research has also indicated that the adoption of or satisfaction with convergent mobile phones depends on consumer's expectation (Hoffman & Bateson, 1997) and innovation resistance (Ram & Sheth, 1989).

Common Meanings of Generic Mobile Phones and Convergent Mobile Phones

Connection. The essential theme of both phones is connecting with others. As a social being, people need a healthy relationship (Baumeister & Leary, 1995) and generic mobile phones and convergent mobile phones enable people to maintain a stable relationship with important others. Compared to corded telephones, mobile phones allow people to communicate without temporal or spatial limitation (Leung & Wei, 2000). Even though convergent mobile phones provide various functions and services, the essential meaning of convergent mobile phones is connecting with others. However, the bright side of this ubiquitous connection accompanies a dark side, which is the paradox of technology (Mick and Fournier, 1998). That is, people who become accustomed to ubiquitous connection start to fear for or become anxious about disconnection. Also, it has become difficult for users to disconnect from unwanted people, leading 'enslavement' (Jarvenpaa & Lang, 2005; Mick & Fournier, 1998).

Self expression. People establish identity through consumption and show their identity through their possessions (Belk, 1988). Based on two competing social motivations—differentiation and assimilation (Baumeister, 1982; Snyder & Fromkin, 1977), people sometimes choose unique products which enable them to differentiate from others, while at other times people choose the same products with others which enable them to assimilate themselves with reference group members. In our study, people use handsets and services as a media to express their identity. Some people purchase the newest handsets, decorate their handsets, and use new functions and services to express their distinctiveness. Some people purchase mobile phones to be validated from their friends and consider purchasing convergent mobile phones not to be left behind. Various functions and services of convergent mobile phones provide more ways to express users' identity than generic mobile phones do. For example, people can express their identity by choosing handsets with certain functions (e.g., DMB, MP3 Player, etc.) and using certain services (e.g., mobile internet, games etc.).

Different Meaning of Convergent Mobile Phones

People have a fun by making phone calls or sending text messages with their generic mobile phones (Wei & Lo, 2005). However, entertainment is a more important meaning for

convergent mobile phone users compared to generic mobile phone users, because convergent mobile phones provide various entertaining activities which are not accessible with generic mobile phones. Convergent mobile phones provide two kinds of entertainment: entertainment sought by oneself versus entertainment sought with others. That is, people use convergent mobile phones not only to seek pleasure by themselves but also to share pleasure with others. People used convergent mobile phones to fill their free time by listening to music, watching DMB, and playing games. Also, people use convergent mobile phones to share pleasure with others by taking pictures together and sharing the pictures (e.g., watching them together or sending MMS attaching the files to each other). This pleasure overlaps with strengthening connections and enabling relationships.

Expectation and Innovation Resistance for Convergent Mobile Phones

There were critical differences between satisfied people and unsatisfied people. One was the expectation (Hoffman & Bateson, 1997) and the other was innovation resistance (Ram & Sheth, 1989). People with low expectation levels for convergent mobile phones tended to be more satisfied with convergent mobile phones because people evaluate services by comparing expectations with perceived performance (Hoffman & Bateson, 1997). For example, people who do not expect high resolution for the camera embedded in handsets but expect portability and responsiveness are satisfied with convergent mobile phones. Convergent mobile phones cannot compete with specialized gadgets on functions (e.g., high resolution of picture and game graphics, audio quality of MP3 player), but convergent mobile phones can defeat specialized gadgets on portability and quick responsiveness.

People resist adoption of innovation for some barriers (Ram & Sheth, 1989). In the case of convergent mobile phones, the functional barrier (i.e., value barrier, usage barrier, and risk barrier) is prominent. As discussed in the expectation level, some people do not use the convergent functions or convergent mobile phones because performance levels of convergent mobile phones do not meet their expectations and the service fee of mobile internet and the price of handsets are more expensive than their expectation (i.e., value barrier). Some people resist convergent mobile phones when they have to install software and learn how to use the handset (i.e., usage barrier). This usage barrier is higher compared to generic mobile phones because various functions and services of the convergent mobile phones require consumers to put more effort to learn and to use it. Other people resist convergent mobile phones because of anxiety for loss, security, privacy, and a dead battery (i.e., risk barrier). Anxiety levels for convergent mobile phones are great compared to generic mobile phones because participants are immersed in various functions and services of convergent mobile phones and there are lots of information in convergent mobile phones (e.g., the loss of convergent mobile phones including credit card results in economic damage and the leaking of private photo results in psychological and social damage).

Managerial Implications

This research provides some managerial implications. Managers need to understand not only the meaning of convergent mobile phones but also the differences between the meaning of generic mobile phones and convergent mobile phones. It is required to highlight the additional meanings (e.g., entertainment) of convergent mobile phones, while maintaining the essential meanings (e.g., connection) of convergent mobile phones. Also, it is required to find solutions to overcome innovation resistance. Considering the fact that though consumers' preferences for convergence are diverse, there are some consensus (e.g., display size, degree of portability) (Kim, Lee & Koh 2005), optimal customization can be a solution for value barrier. And simplification and interchangeability can be a solution for usage barrier. Specifically, simplification could relieve feature fatigue (i.e., the more features of product, the less satisfaction) (Rust et al., 2006) and help to overcome the usage barrier. Also, managers need to position the convergent mobile phones based on portability and responsiveness and furthermore, evaluate the appropriateness of various functions based on portability and responsiveness dimensions and select appropriate functions for convergent mobile phones. That is, if a certain function gets high scores on those dimensions, the function has a good fit with a convergent mobile phone. Of course, the appropriateness of the function was not solely measured with this score but with additional measures (i.e., complementary aspect). Finally, when companies embed some functionality in mobile phones, they need to consider goal congruence between the added function and the mobile phones and the nature of the mobile phones (utilitarian vs. hedonic) (Gill, 2008). If consumers perceive mobile phones as utilitarian product (e.g., communication media for practical goals), companies need to add an incongruent and hedonic function (e.g., scheduling) versus congruent and hedonic function. Conversely, if consumers perceive mobile phones as hedonic products (e.g., communication media for fun), companies need to add a congruent and hedonic function (e.g., video communication).

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Appendix A. Phenomenological Analysis for Generic Mobile Phone		
Significant Statements	Meanings	Theme
I could call home whenever I wanted. I used my mobile phones to call people whenever I wanted to. I'm always on-line. People can find me when they need to, and I can call them whenever I need to.	Connection media whenever and wherever	Connection
Since I can't communicate with the other guys...I feel isolated. I feel a little left out...So, I keep sending meaningless text messages which require a lot of my attention daily. They didn't call me, and it got lonely.	Fear and isolation for disconnection	
It's bad that I get imprisoned. Especially when I keep receiving work-related phone calls after I get off work. They ask me why I ignored their messages.	Enslavement from others	
People hang a lot of things on their mobile phones, because it's a way of showing your personality. People show their own personality (through mobile phones wallpapers). It makes me feel a little different from everyone else.	Expression of one's identity and differentiation from others	Self Expression
(The reason I subscribed to mobile communication is) to show that I'm not falling behind. Sending out mobile phones was considered as more trendy at the time.	Keeping up others and validation from others	
I don't think I could live without it. It's a basic tool of life, it's become an essential that doesn't require likes or dislikes.	Essential Part of Self	Essential Part
It's very precious to me. I've found the owners of many lost phones. I was mad at my mom for looking (a text in my mobile phone).	Anxiety for Loss and Privacy	

Appendix B. Phenomenological Analysis for Convergent Mobile Phone		
Significant Statements	Meanings	Theme
I don't think I use my mobile phones for reasons other than communication The main purpose of mobile phones is phone calls	Connection media	Connection
(By using handset embedding some functions such as DMB) to show one's taste. UCCs (made by convergent mobile phone), I think the first thing is the need to show yourself off.	Expression of one's identity and tastes	Self Expression
I get curious about them if I see other people using those functions. A lot of phones have DMB and mp3 players. (And others use these phones). That's why I'm interested in them. If someone uses a new thing and tells me it's good, I think I would get interested	Assimilation (Keeping up others)	
Mobile phones games are fun. The benefits (of mobile phones game) are that I can play it all the time.	Entertainment alone	Entertainment
Joke around by taking pictures of funny poses. We all look at it and send it around using an MMS. When I make a video and send it through a MMS, it makes me happy and my friend enjoys it too. After functions like a camera was added, it let people find joy. Not just through communication but something to play with other people.	Entertainment together	
I don't need high quality. It just needs to be quick and fun. Having a convergence product is simpler since you don't need to carry other devices. Being able to carry a device around is a merit.	Satisfaction due to expectation not for quality but for mobility and speed	(Dis)Satisfaction
The videos are too short and the quality is not that good. Installing is complicated and learning all those new functions is annoying. It would mean a greater risk to lose it (convergent mobile phones embedding credit card function).	Dissatisfaction or Innovation resistance due to barriers	

CASE STUDIES OF CYBERCRIME AND THEIR IMPACT ON MARKETING ACTIVITY AND SHAREHOLDER VALUE

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ABSTRACT

Cybercrime, also called e-crime, costs publicly traded companies billions of dollars annually in stolen assets and lost business. Cybercrime can totally disrupt a company's marketing activities. Further, when a company falls prey to cyber criminals, this may cause customers to worry about the security of their business transactions with the company. As a result, a company can lose future business if it is perceived to be vulnerable to cybercrime. Such vulnerability can lead to a decrease in the market value of the company, due to legitimate concerns of financial analysts, investors, and creditors. This study examines 10 case studies of publicly traded companies affected by cybercrime, and its impact on marketing activity and shareholder value. The study also describes some of the major types of cybercrime. Results indicate that costs of cybercrime go beyond stolen assets, lost business, and company reputation; cybercrime has a significant negative effect on shareholder value.

INTRODUCTION

E-commerce is a fundamental part of marketing activity. Most e-commerce takes place on the websites of publicly traded companies. The term 'cyberspace' refers to the electronic medium of computer networks, principally the Web, in which online communication takes place. A challenge facing e-business or cyber-business is that it is vulnerable to e-crime, also called cybercrime. Cybercrime can totally disrupt a company's marketing activities. Cybercrime costs publicly traded companies billions of dollars annually in stolen assets, lost business, and damaged reputations. Cybercrime costs the US economy over \$100 billion per year (Kratchman et al. 2008, Mello 2007). Cash can be stolen, literally with the push of a button. If a company website goes down, customers will take their business elsewhere.

In addition to the direct losses associated with cybercrime, a company that falls prey to cyber criminals may lose the confidence of customers who worry about the security of their business transactions. As a result, a company can lose future business if it is perceived to be vulnerable to cybercrime. Such vulnerability may even lead to a decrease in the market value of the company, due to legitimate concerns of financial analysts, investors, and creditors. This study

examines types of cybercrime and how they affect marketing activity. In addition, the study reviews 10 case studies of publicly traded companies affected by cybercrime, and its impact on shareholder value.

The research questions addressed by this study include: (1) What are some ways that cybercrime affects marketing activity? and (2) Do cybercrime news stories negatively affect shareholder value? Results suggest that there are a number of types of cybercrime that have detrimental effects on marketing activity. Furthermore, the costs of cybercrime go beyond stolen assets, lost business, and company reputation, but also include a negative impact on the company's stock price.

E-Business and E-Risk

Corporate managers must consider e-risks, that is, potential problems associated with e-business. Precautions must be taken against e-fraud, malicious hackers, computer viruses, and other cybercrimes. To some extent, electronic business (e-business) began with the early computers in the 1950s. However, not until development of the World Wide Web in the 1990s did e-business really take off. E-business is exchanging goods or services using an electronic infrastructure.

Only a short time ago, using the Internet as a primary way to do business was considered too risky. Today, e-business is simply business; it's the way business is done in the twenty-first century. The Internet is widely used for both business-to-business (B2B) transactions and business-to-consumer (B2C) transactions. The B2B market is from five to seven times larger than B2C. The B2B market is predicted to exceed \$5 trillion in the early 21st century. The B2C market is growing as fast but is characterized by a much smaller average transaction size (Kratchman et al. 2008).

In a span of about 50 years, computers transformed the way people work, play, and communicate. The first electronic computer was built in 1946. The computer network that would evolve into the Internet was established in 1969. By the mid-1990's, millions of people were using their personal computers to "surf the web." A brief history of the Web and e-commerce is shown in Exhibit 1.

Exhibit 1: Information Technology: Historical Timeline Pertaining to the Web and E-Commerce	
1946	The first electronic computer, ENIAC, is constructed at the University of Pennsylvania.
1958	To counter Soviet technological advances, the U.S. forms the Advanced Research Projects Agency (ARPA), with the Department of Defense, to develop U.S. prominence in science and technology applicable to the military.
1969	ARPANET, the forerunner of the Internet, established with four nodes: UCLA, Stanford, UC-Santa Barbara, and University of Utah.

Exhibit 1: Information Technology: Historical Timeline Pertaining to the Web and E-Commerce	
1970	First applications of electronic data interchange (EDI).
1984	Science fiction author William Gibson coins the term "cyberspace" in his novel, <i>Neuromancer</i> . Internet host computers exceed 1,000.
1988	Internet worm disables 6,000 of 60,000 Internet hosts. The worm was created by a Cornell University graduate student; infected computers were connected through ARPAnet and other E-mail networks in the Internet loop. Some of the US's top science and research centers were affected.
1991	Tim Berners-Lee, working at CERN in Geneva, develops a hypertext system to provide efficient information access. He posts the first computer code of the World Wide Web in a relatively innocuous newsgroup, "alt.hypertext." Later, people refer to the Internet itself as the Web.
1995	<i>The Bottom Line is Betrayal</i> authored by K.T. Smith, D.L. Crumbley, and L.M. Smith: the first business educational novel focused on international trade, global marketing, and emerging technologies.
1997	Inception of business-to-business (B2B) e-commerce. US Postal Service issues electronic postal stamps.
2009	Internet host computers (i.e., computers with a registered IP address) exceed 200 million. Users in over 150 countries are connected.

E-risk is the potential for financial and technological problems resulting from doing business on the Web (e-business). Changes in economic, industrial, and regulatory conditions mean new challenges. Troublemakers in cyberspace seek systems to infiltrate and misuse. Just for the fun of it, there are some people who try to hack into a business firm's computer system. Once access to the system is achieved, intruders can potentially cause major problems by deleting or changing data. Poorly developed accounting systems threaten a company's survivability and profitability of e-business operations.

Risks related to e-business on the Web include the following (Smith et al. 2003):

- The changing e-business environment alters risks, so old solutions may no longer work.
- International business activity expands the scale and scope of risks.
- Computing power, connectivity, and speed can spread viruses, facilitate system compromise, and compound errors in seconds potentially affecting interconnected parties.
- Hackers never stop devising new techniques; thus, new tools mean new vulnerabilities.
- Digitization creates unique problems for digital information and transactions.

LITERATURE REVIEW

There have been many research studies on the topic of e-commerce marketing and some specifically related to cybercrime. A selection of representative studies will be briefly reviewed here. Smith (2009) identified the annual growth rate of e-commerce to be as high as 28%, while individual countries may have much higher growth rates. In India, for example, which has a younger market, the e-commerce growth rate has been projected as high as 51%. Kotabe et al. (2008) evaluate the role of e-commerce, performance, and outsourcing. Gregory et al. (2007) study the impact of e-commerce on marketing strategy.

E-commerce websites are vulnerable to various risks, including cybercrime. These risks can be minimized by establishing effective controls. In addition, Web assurance services can be used to provide various levels of assurances that controls are in place (Runyan et al. 2008). Cybercrime is distinct from other threats facing business today, as described by Speer (October 2000), and contains unique characteristics. Zomori (2001) examines potential and real risks of e-business, caused by cyber-crime and money laundering. He emphasizes that trust is fundamental to doing e-business. Loss of trust and the ability to conduct e-business would not only represent a financial loss of e-business companies, but in society at large.

Oates (2001) stresses the importance of preventing, detecting, investigating, and prosecuting cybercrimes with the goal of reducing their impact on business and the public's confidence. In order to stop cybercrime, the private, public, and international sectors must openly share information on the methods they are successfully using to detect and prevent these crimes.

Kshetri (2005) draws upon literatures of psychology, economics, international relations and warfare to examine the behavior of cyber criminals. He finds that countries across the world differ in terms of regulative, normative and cognitive legitimacy regarding different types of Web attacks. The cyber criminal's selection criteria for the target network include symbolic significance and criticalness, degree of digitization of values and weakness in defense mechanisms.

Riem (2001) found that the greatest threat to computer security comes from employees, consultants and contractors working within the company, rather than from outside hackers attempting to obtain access. Yapp (2001) agrees that the greatest threat to security is still from the inside, which is where nearly 70% of all frauds, misuses and abuses originate. Inadequate password policies and controls are the root of the most problems.

The corporate reputation or image of a company benefits from good news and suffers from bad news; the results often include a corresponding increase or decrease in the company's stock price. Prior studies have examined stock market consequences of news regarding ethical behavior (Blazovich and Smith 2008), firm reputation and corporate governance characteristics (Fukami et al. 1997), workplace quality (Ballou et al. 2003), and firm environmental reputation (Clarkson et al. 2004).

With regard to e-commerce, prior studies have used event studies to evaluate the impact of e-commerce initiatives (Subramani and Walden 2001, Chen and Siems 2001) and to identify special characteristics of e-commerce firms to evaluate firm valuation or stock returns (Hand 2000; Trueman et al. 2000; Rajgopal et al. 2002). This study adds to the research literature regarding stock market performance and e-commerce, by investigating the effect of cybercrime on a company's stock price and e-commerce marketing activity.

Types and Costs of Cybercrime

Cybercrimes are the modern-day counterparts of age-old crime. Before the electronic age, con artists went door-to-door and used verbal communication to gain the confidence of their victims. The modern con artist uses the Internet and online communications to commit crimes. Exhibit 2 lists some of the common types of cybercrime.

Exhibit 2: Common Types of Cybercrime	
Cybercrime	Description
Computer virus	A computer virus is a computer program that piggybacks or attaches itself to application programs or other executable system software; the virus subsequently activates, sometimes causing severe damage to computer systems or files.
Phishing	Phishing occurs when the perpetrator sends fictitious emails to individuals with links to fraudulent websites that appear official and thereby cause the victim to release personal information to the perpetrator.
Botnet	A Botnet infection occurs when a hacker transmits instructions to other computers for the purpose of controlling them, and then using them for various purposes such as spam distribution or phishing.
Spoofing	Spoofing is use of email to trick an individual into providing personal information that is later used for unauthorized purposes.
E- theft	E- theft occurs when a perpetrator hacks into a financial institution e.g. a bank and diverts funds to accounts accessible to the criminal. To prevent e-theft, most major banks severely limit what clients can do online.
Netspionage	Netspionage occurs when perpetrators hack into online systems or individual PCs to obtain confidential information for the purpose of selling it to other parties (criminals).
Online credit card fraud	Online credit card fraud is illegal online acquisition of a credit card number and use of it for unauthorized purposes such as fraudulent purchases.
Online denial of service	Online denial of service is use of email barrages, computer viruses, or other techniques to damage or shut down online computer systems, resulting in loss of business.

Exhibit 2 – Continued Common Types of Cybercrime	
Cybercrime	Description
Software piracy	Software piracy is the theft of intellectual assets associated with computer programs.
Spam	Spam refers to unsolicited email; spam is illegal if it violates the Can-Spam Act of 2003, such as by not giving recipients an opt-out method.
E-fraud	E-fraud is the use of online techniques by a perpetrator to commit fraud. Popular forms of e-fraud include spoofing, phishing, and online credit card fraud.
Cyber terrorism	Cyber terrorism occurs when terrorists cause virtual destruction in online computer systems.

The problems caused by the various cybercrimes vary over time. For example, computer viruses are not regarded as serious a threat as they once were. Infections by computer viruses are decreasing, most likely as a result of better anti-viral software and anti-viral procedures. In addition, the decrease in computer virus infections may be partly due to new laws against computer viruses and criminal prosecution of perpetrators of computer viruses. Federal, state, and local agencies share information and team up for operations. For example, the Secret Service and Federal Bureau of Investigation created a joint cybercrime task force in Los Angeles (Grow and Bush 2005).

The direct costs of cybercrime for a sample of firms are shown in Exhibit 3. In just four years, for this sample, the cost of cybercrimes escalated from about 100 million to over \$250 million. Theft of proprietary information topped the list, going from about \$20 million to over \$60 million. Financial fraud was second on the list, almost doubling in four years. Also incurring a substantial increase was “Insider abuse of Net access.” Sabotage became a major problem in the final year.

Exhibit 3: Costs of Cybercrime				
Total Annual Losses by Sample Respondents				
Year	1997	1998	1999	2000
Theft of proprietary info.	\$20,048,000	\$33,545,000	\$42,496,000	\$66,708,000
Financial fraud	\$24,892,000	\$11,239,000	\$39,706,000	\$55,996,000
Virus	\$12,498,150	\$7,874,000	\$5,274,000	\$29,171,700
Insider abuse of Net access	\$1,006,750	\$3,720,000	\$7,576,000	\$27,984,740
Sabotage of data/networks	\$4,285,850	\$2,142,000	\$4,421,000	\$27,148,000
Unauthorized inside access	\$3,991,605	\$50,565,000	\$3,567,000	\$22,554,500
Laptop theft	\$6,132,200	\$5,250,000	\$13,038,000	\$10,404,300
Denial of Service	n/a	\$2,787,000	\$3,255,000	\$8,247,500
Outside system penetration	\$2,911,700	\$1,637,000	\$2,885,000	\$7,104,000
Active wiretapping	n/a	\$245,000	\$20,000	\$5,000,000

Exhibit 3: Costs of Cybercrime				
Total Annual Losses by Sample Respondents				
Year	1997	1998	1999	2000
Telecom fraud	\$22,660,300	\$17,256,000	\$773,000	\$4,028,000
Telecom eavesdropping	\$1,181,000	\$562,000	\$765,000	\$991,200
Spoofing	\$512,000	n/a	n/a	n/a
Total Annual Losses	\$100,119,555	\$136,822,000	\$123,779,000	\$265,586,240
Source: Luehlfiging et al. 2003				

Case Studies of Cybercrime

The following cases were obtained by conducting a search of news stories regarding e-crime, cybercrime, and computer fraud on the ProQuest online database of current periodicals and newspapers. The ProQuest Research Library provides online access to a wide range of academic subjects. The ProQuest database includes over 4,070 titles, nearly 2,800 in full text, from 1971 forward (ProQuest 2010). These cases examined in this study were used because they were listed at the top of the search, involved publicly traded companies, and included full news stories.

In February 2000, Amazon.com, Ebay.com, and Yahoo.com were among many Internet sites affected by a group of cyber-terrorists who hacked into the company websites and made alterations to program coding. The problem was so severe that the companies were forced to shut down in order to repair the damage and stop the unauthorized activity. As a result of the site closing, program changes were made to help prevent future break-ins (Kranhold 2000).

The Western Union branch of First Data Corp came under attack by a private hacker. In September 2000, the perpetrator hacked into the company site and stole credit-card information for 15,700 customers. Apparently, the theft was made possible during a routine maintenance process when an employee left the files unprotected and vulnerable to attack. First Data Corp immediately notified authorities and both the FBI and CIA became involved with the investigation (Colden 2000).

In October 2004, the perpetrator gained access to the ChoicePoint Inc.'s database and thereby managed to pilfer 145,000 credit card files before leaving the system. The perpetrator did not have to crack the system with hacking procedures; however, he simply lied about his identity over the phone and on a few forms. As a result, the data was simply handed over to him. As a normal course of business, companies like ChoicePoint Inc. distribute this type of information for a price to individuals for legitimate business purposes. In this case, the perpetrator made up false information about himself and was given access to the files. As a result of the incident, the company has taken steps to prevent this problem from recurring (Perez and Brooks 2005).

The Federal Trade Commission in November 2004 conducted a survey in which its operatives posed as distraught customers of numerous banks in order to gauge the banks' ability to respond to and prevent e-theft. Citizen's Financial Group and Hibernia Corporation were ranked among the bottom five banks in terms of preventing and fixing e-theft (Saranow 2004).

A half million customers at Wachovia Inc. had confidential information illegally acquired by a professional criminal in May 2005. The criminal did not use a sophisticated hacking technique but employed traditional bribery to enlist eight former employees of Wachovia Corp. and Bank of America Corp. These former employees acquired and then sold the information to the criminal for \$10 a name. The criminal buyer subsequently sold the information to collection agencies and law firms. The New Jersey police investigated the crime (Yuan 2005).

In June 2005, a hacker accessed credit card files in the CardSystems Inc.'s database. The company processes credit card transactions for small to mid-sized businesses. The hacker compromised the security of over 40 million cards issued by MasterCard, Visa USA Inc., American Express Co., and Discover. Because of the security breach, several banks were negatively affected. J.P. Morgan Chase was forced to investigate the security of its clients in June 2005. The company did not close any accounts immediately but began looking through the millions of potentially affected accounts (Sidel and Pacelle 2005).

Washington Mutual Inc., like J.P. Morgan Chase, was affected by the security failure at CardSystems Inc. In Washington Mutual Inc.'s case, the company was forced to close down over 1,400 debit-card accounts (Sidel and Pacelle 2005).

Exhibit 4 provides the following information about the cases previously described: company name, ticker symbol, type of crime, perpetrator, and damage sustained.

Exhibit 4: Cybercrime News Stories				
Company	Ticker Symbol	Type of Crime	Perpetrator	Damage
Amazon.com Inc	AMZN	cyber-terrorism	hacker	Closed down the website
ChoicePoint Inc	CPS	netspionage	third party	145,000 individuals had confidential information stolen
Citizens Financial Group	CNFL	e-theft	potential hacker	Rated in the lowest 5 banks by the FTC in preventing e-theft
EBay Inc	EBAY	cyber-terrorism	hacker	Closed down the website
First Data Corp	FDC	netspionage, online credit card fraud	hacker	15,700 customers had confidential information stolen
Hibernia Corp	HIB	e-theft	potential hacker	Rated in the lowest 5 banks by the FTC in preventing e-theft
JP Morgan Chase	JPM	e-theft, netspionage, online credit card fraud	hacker	Investigating numerous possible breaches

Company	Ticker Symbol	Type of Crime	Perpetrator	Damage
Wachovia Corp	WB	netspionage	Former employees	500,000 customers lost confidential information
Washington Mutual Inc	WM	e-theft, netspionage, online credit card fraud	hacker	Forced to close 1,400 debit-card accounts
Yahoo!	YHOO	cyber-terrorism	hacker	Closed down the website

Impact of Cybercrime on Company Stock Market Performance

In many cybercrime news stories, the perpetrator is a hacker. In other stories, the perpetrator has relatively little computer expertise. Types of crime included cyber-terrorism, e-theft, netspionage, online credit card fraud, and phishing. Affected companies include dot-com giants Yahoo, Amazon, and eBay, and banks such as JP Morgan Chase and Washington Mutual. Damages vary from the closure of websites to stolen confidential information.

Exhibit 5 shows the effect of the cybercrime news story on the company's stock price. Shown in the exhibit are the company name, date of the news story pertaining to the cybercrime, the stock price on the date of the news story, the percent change in the company stock price for one and three days before the story, and the percent change for one and three days after the story. The short time period (three days before and after) was used, as is common in events studies, because wider time periods tend to be influenced by confounding events other than the one under investigation.

Exhibit 5: Effect of Cybercrime News on Stock Price

Company	Date	Percent Change in Company Stock Price				
		Day				
		-3	-1	0	+1	+3
Amazon.com Inc	02/10/00	(1.56)	5.33	0.00	(2.30)	(7.22)
ChoicePoint Inc	05/03/05	0.69	0.64	0.00	(1.36)	(1.00)
Citizens Financial Group	11/17/04	0.00	0.00	0.00	0.00	0.00
eBay Inc	02/10/00	4.42	1.00	0.00	(5.54)	(8.55)
First Data Corp	09/12/00	2.51	1.34	0.00	(3.94)	(2.91)
Hibernia Corp	11/17/04	0.72	(0.31)	0.00	(0.52)	(1.13)
JP Morgan Chase Co	06/21/05	0.11	0.03	0.00	0.61	(1.30)
Wachovia Corp	06/01/05	1.11	(1.17)	0.00	(0.19)	(1.36)
Washington Mutual Inc	06/21/05	(1.12)	(0.58)	0.00	(2.43)	(1.80)
Yahoo!	02/10/00	(3.01)	(1.33)	0.00	(6.37)	(9.18)
Avg % Change Stock Price		0.39	0.49	0.00	(2.20)	(3.45)
Avg % Change S&P 500 (match days)		0.21	(0.21)	0.00	(0.44)	(0.82)
Significance (prob.)		0.40	0.14	n.a.	0.01	0.02

To determine if the cybercrime news story had a significant impact on the company's stock price, a matched pair t-test was used. The change in the company stock price was compared to the percent change in the Standard & Poor's 500 stock market index. For -1 day and -3 days, there was no significant difference between the change in company stock price and the S&P 500 index. However, after the story, the change was significant for both +1 day (prob>.01) and +3 days (prob>.02). Thus, for this sample, the cybercrime results in a significant impact on the average company's stock price in the short term.

The Internet companies, Amazon, Ebay, and Yahoo, were affected most by the cybercrime news stories. Their stock prices dropped from 2 to 6 percent on +1 day and 7 to 9 percent on +3. The research question addressed by this study was: Do cybercrime news stories negatively affect shareholder value? The answer appears that cybercrime and resulting news stories do affect shareholder value, at least in the short term, via significant decreases in stock price. Since this is an event study, based on cybercrime news stories, it does not investigate the longer-term impact. Such analysis would be problematic given other factors, beyond the event of the cybercrime, which would affect stock market performance.

Stopping Cybercrime

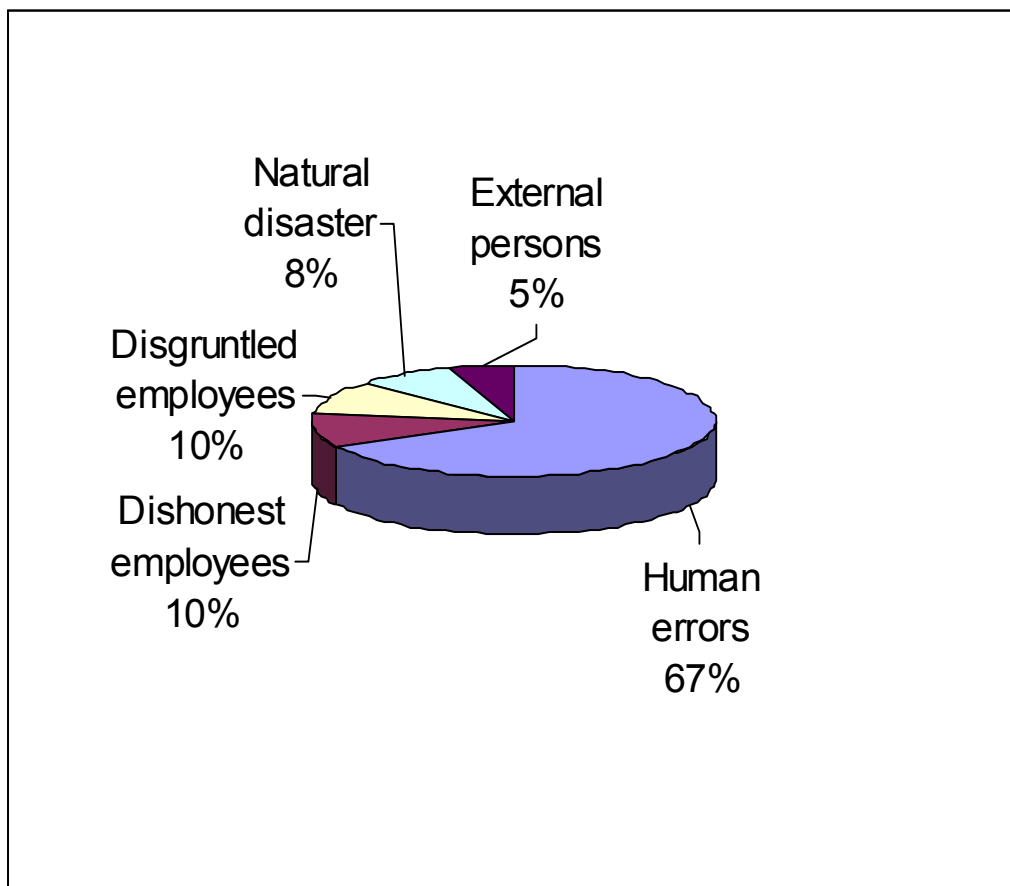
Cybercrime is detrimental to marketing operations and to a company's stock market performance; consequently, business firms and their stakeholders clearly benefit from stopping cybercrime. Preventive measures can be employed to help prevent cybercrime. However, no matter how many preventive measures are used, unless properly and continuously "fine tuned," a single intrusion detection technique may tend to under-report cybercrimes or over-report such as excessive false alarms. Companies generally find it necessary to employ multiple intrusion detection techniques to efficiently and effectively detect electronic crimes. Intrusion detection techniques include tripwires, configuration-checking tools, and anomaly detection systems. Since prevention techniques are fallible, business firms should also establish procedures for investigation of and recovery from cybercrimes after they occur.

Qualified professionals can help resolve cybercrimes. Business firms often lack qualified computer security personnel; thus, hiring outside professionals, e.g. forensic accountants, may be necessary. For a company with computer security personnel, outside professionals may still be needed if the electronic crime resulted from negligence on the part of the company's computer security personnel. Law enforcement agencies can help with cybercrime investigations; although, many law enforcement agencies lack the technical expertise to investigate electronic crimes. Most can obtain warrants and seize computer equipment, but may be unable to find the evidence needed to resolve the cybercrime.

Additional Threats to Computer Security

Based on movies and television shows, many people think that the greatest threat to computer security is intentional sabotage or unauthorized access to data or equipment. While sabotage and unauthorized access are serious problems, they are not the main threat to computer security. There are five basic threats to computer security: (1) natural disasters, (2) dishonest employees, (3) disgruntled employees, (4) persons external to the organization, and (5) unintentional errors and omissions. The extent that each of these threats is actually realized is shown in Exhibit 6.

Exhibit 6: Threats to Computer Security



Source: Smith et al. 2003.

As shown in the exhibit, human errors cause the great majority of the problems concerning computer security. Unintentional errors and omissions are particularly prevalent in systems of sloppy design, implementation, and operation. However, if the systems development process is done properly, errors and omissions will be minimized. An effective internal control structure is an integral part of any reliable information system.

The key to computer security and the success of any control structure is in the people of the organization. Research has shown that systems development is most effective when the users are involved, and most likely to fail when they are not. The following steps by management are integral to effective computer security (Kratchman et al. 2008):

- Design controls and security techniques to ensure that all access to and use of the information system can be traced back to the user.
- Restrict access by users to the parts of the system directly related to their jobs.
- Conduct periodic security training.
- Assign an individual or committee to administer system security in an independent manner.
- Clearly communicate and consistently enforce security policies and procedures.

Marketing information systems should be well defended against internal and external threats, including interruptions to information processing, whether resulting from natural disasters or manmade sabotage. According to the AICPA's 2009 Top Technology Initiatives, information security management is the top-rated key factor in doing business. In fact, in most recent years, information security management has been identified as the technology initiative likely to have the greatest effect in the upcoming year (AICPA 2009). While not in the top ten, another important technology initiative identified in the study was customer relationship management, which includes sales force automation, sales history, and campaign marketing, applications.

CONCLUSIONS

This study identifies types and costs of cybercrimes, how they interrupt marketing and business activity, and specific cases in which publicly traded companies are affected by cybercrime. In addition, the study analyzes the impact of the cybercrime news stories on shareholder value. Results suggest that costs of cybercrime go beyond stolen assets, lost business, and company reputation, but also include a negative impact on the company's stock price. Consequently, publicly traded companies must do all that they can to avoid becoming a victim of cybercrime and its negative impact on marketing activity and shareholder value.

To defend against cybercrime, intrusion detection techniques should be established. Techniques include tripwires, configuration-checking tools, and anomaly detection systems.

Since prevention techniques are fallible, business firms should also establish procedures for investigation of and recovery from cybercrimes after they occur.

Future research could extend the current study by analyzing a larger sample of publicly traded companies that have been the victim of cybercrime. By employing a larger sample, future research might investigate the specific impact of different types of cybercrime on firms according to industry type and/or specific categories of marketing activity (e.g. customer order processing, supply chain, etc.). In addition, a longitudinal study might investigate whether different time periods affect the impact of the cybercrime. Perhaps as time goes by, investors may be less alarmed by news stories about cybercrime if such crimes become more commonplace.

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CHINESE CONSUMERS' STORE IMAGE FORMATION AND ITS IMPACT ON PATRONAGE BEHAVIOR

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ABSTRACT

The researchers explored Chinese consumers' store image perceptions from their free responses and compared the responses with those revealed from structured questions. The qualitative data identified six broad components, some of which contained idiosyncrasies that are unique to Chinese consumers. The quantitative analyses revealed that Chinese consumers' shopping tendencies correlate highly with merchandise and store congeniality. Their average expenditure during each shopping trip is affected by merchandise, service, advertisements, store congeniality and consumers' income. The study can help international retailers better understand the store image attributes that are unique to Chinese consumers and develop an effective retailing mix.

INTRODUCTION

The Chinese economy has sustained continuous growth, and so has its consumer market. Containing twenty-five percent of the world's population, who most importantly, have money to spend, this market attracts much attention from international retailers. According to National Bureau of Statistics of China, total retail sales of consumer goods reached 15455.4 billion yuan in 2010 (approximately 2.3 trillion in US dollars), an annual growth rate of 14.8 percent after deducting inflation factors. China tripled its total retail sales since 2005 (National Bureau of Statistics of China, 2011). In the meantime consumer income has also risen. Per capita disposable income of urban households grew by 7.8 percent in 2010 (National Bureau of Statistics of China, 2011). With the rise of the middle class, Chinese consumers also become more sophisticated. Convenience and store layout have replaced price to become the primary motives for shopping (Powers, 2005). On the other hand, various restrictions on foreign investment in the retail sector such as geographical limits and maximum number of outlets were removed. A new measure of foreign investment in the commerce sector has taken effect which allows foreign retailers to establish solely owned foreign retail stores and allows international retailers to enter the secondary and tertiary market (Ness, 2005). As a result, competition has intensified both among foreign retailers (e.g. between Walmart and Carrefour) and between foreign and domestic retailers. Retailers, foreign and domestic alike, must study Chinese consumers carefully to be able to respond to their changing lifestyles and needs with the goal of succeeding in that market (Powers, 2005).

This paper examines the perception of store image among Chinese consumers. Store image is one of the key constructs in retail literature. Martineau (1958) called it store personality, which has two components, functional qualities and “an aura of psychological attributes”. Previous research has focused on (1) exploring the dimensions or components of store image (Berry, 1969; Darden and Babin, 1994; Kunkel and Berry, 1968; Linqvist, 1974/75; Marks, 1976; Zimmer and Golden, 1988), and (2) establishing a conceptual framework or paradigm for the antecedents and consequences of store image (Finn and Louviere, 1996;; Reich, Ferguson, and Weinberger, 1977). However, Hirschman et al. (1978) warn that store image dimensions revealed in one market might not hold true for a second market. This statement was to some degree confirmed when Burt and Carralero-Encinas (2000) found a gap in perception of the store image of an international retailer, Marks and Spencer, between the Spanish and the UK market. In this study, the researchers are interested in the following questions:

What store attributes are important to forming a store image among Chinese consumers?

How are these attributes derived from Chinese consumers different from the established structure of store image?

What information source do the Chinese use to form store image?

What impact does the perception of store image have on Chinese consumers’ shopping tendencies and their actual shopping behavior?

This study will be helpful to retail managers who want to succeed in the Chinese market.

LITERATURE REVIEW

Components or Dimensions of Store Image

Two theories exist regarding the conceptualization of store image, the attribute-based view and the holistic view. The attribute-based view considers store image to be composed of underlying dimensions or components. Researchers have identified the major dimensions or components of store image. Berry (1969) identified 12 image components with qualitative data to an open-ended question. Some dimensions related to the merchandise such as price, quality, assortment, and fashion. Over time other researchers added other dimensions related to convenience, and store reputation to Martineau’s list. Based on a thorough review of previous research, Lindquist (1974/75) summarized nine aspects of store image: merchandise, service, clientele, physical facilities, convenience, promotion, store atmosphere, institutional factors, and

post-transaction satisfaction. All of these attributes represent the functional qualities or cognitive components of store image.

The holistic view emphasizes that store image is defined not as a composite of dimensions, but instead as the total impression a store makes on its customers' minds (Ditcher, 1985). To be consistent with this gestalt view of store image, some have argued that the traditional attribute-based method centered on a piecemeal-style of information processing should be replaced by a category-based processing method (Keaveney and Hunt, 1992). An extensive content analysis of store image conducted by Zimmer and Golden (1988) supports both views of conceptualization. They employed a content analysis of open-ended image data and the results show that consumers not only express the perception of a store's image in terms of specific attributes, but they also describe it in general terms such as global impression, store type labels, which confirmed the gestalt view of store image.

The Effects of Perception of Store Image on Consumers' Patronage Behavior

Previous studies measured the consequences or retail outcomes of store image both in the form of future behavior and in the form of actual behavior. Future behavior was measured in terms of shopping intentions (Baker, Levy, and Grewal, 1992; Dawson, Bloch, and Ridgway, 1990; Swinyard, 1993) and intended spending behavior (Dawson, Bloch, and Ridgway, 1990; Donovan and Rossiter, 1982). Actual behavior was measured in the form of extra time spent in the store, unplanned spending (Donovan, Rossiter, Marcoolyn, and Nesdale, 1994), money spent in the store, number of items bought in the store, amount of time spent in the store (Sherman, Mathur, and Smith, 1997).

Previous studies established the relationship between store image and retail outcomes. Reich and colleagues (1977) found that customers treat various store image attributes differently across store types in terms of their associations with the overall favorability of the image and behavioral intention. In their study concerning the relationship between shopping center image and patronage behavior, Finn and Louviere (1996) demonstrated that the perceived shopping center image, especially such components as good service, wide selection, and lower prices, accounted for a significant proportion of the variance in center patronage which is measured by share of choice and the aggregate level of consideration. Moreover, a favorable store image will induce customer store loyalty, whereas an unfavorable store image will result in adverse consequences such as customer avoidance (Donovan and Rossiter, 1982).

Previous studies also examined specific attributes of store image that affect retail outcome. For example, researchers found that store characteristics such as good service, merchandise selection, and low prices are the most important determinants of customer preference (Finn and Louviere, 1996). Price image has proven to determine a food retailer's performance, measured as the percentage of available income spent by each household (Hildebrandt, 1988).

In summary, a plethora of research conducted in mostly western developed countries over half a century has established the measure of store image and its role in predicting shopping behaviors. It is interesting to researchers to examine its cross-cultural validity, especially in a culture such as China that is drastically different in both socio-cultural system and economic development.

Shopping Behavior of Chinese Consumers

Global retailers have recognized the importance of understanding consumer perception of store image in China. For instance, when IKEA first opened in Shanghai, they were perceived to be expensive by its shoppers. After discovering their core customers are 20 to 35 years old, better educated, earn a higher income, and travel more often than the average Chinese consumer, they had to reposition the company to be a mid-range furniture store (Miller, 2004). But to international retailers interested in entering the Chinese market, such anecdotal experiences do not provide a road map to customer understanding. What is currently lacking is systematic research on Chinese consumer's shopping behavior particularly in regard to Chinese consumers' perception of store image and its impact on patronage behavior. The authors present a review of existing studies on Chinese consumers' shopping behaviors in the following section.

Some previous studies have strived to understand the shopping orientations of Chinese consumers. For example, Siu et al. (2001) examined the cross-cultural validity of Consumer Style Inventory (CSI) among Chinese consumers using confirmatory factor analysis. Their findings revealed four decision-making styles: Perfectionistic, Brand Conscious, Novelty-Fashion Conscious, and Recreational. Interestingly enough, adapting the consumer style inventory (CSI) to working Chinese females, Tai (2005) was also able to identify four distinct, but different, shopping styles of Chinese women. They were "Active Fashion Chaser", "Rational Shopper", "Value Buyer" and "Opinion Seeker." Tai defined Active Fashion Chasers as women who were more fashionable and chased after fashion styles with little concern for their own personal styles. Rational shoppers were characterized as being brand-conscious and more concerned with quality than price. Value Buyers placed more emphasis on price and value rather than brand name or fashionability. Finally, Opinion Seekers generally were not interested in shopping and relied heavily on mass media for product information.

When examining the motives of Chinese mall shoppers, researchers found that compared to Americans, Chinese shoppers tend to visit the mall for utilitarian purposes (i.e. making purchases) (Li et al., 2004). Similarly, Tsang et al. (2003) compared mall shopping behaviors between two Chinese cities, Xi'an and Hong Kong. They found that compared to Hong Kong shoppers, Xi'an shoppers visited malls with greater utilitarian motives such as making a specific purchase.

Some studies tapped into the store attributes that may influence a Chinese consumer's decisions on where to shop. Beijing's supermarket shoppers look for, a convenient location, a

variety of goods, merchandise quality, and reasonable prices (Mai and Zhao, 2004). Most Chinese shoppers in the study suggested that a mall's atmosphere was the top reason they chose which mall to visit whereas Americans considered location most important (Li et al., 2004). Few research examined Chinese consumers' perception of store image. Wong and Yu (2001) investigated store image of joint venture shopping centers in China's first-tier versus second-tier cities. They found shoppers in Shanghai (a first-tier city) placed greater emphasis on the shopping center's location, merchandise quality, general price level, and variety of services. Other aspects that are more important to shoppers in Shanghai when forming store image include uniqueness and trendiness, sales promotion, food courts, special events. On the other hand, shoppers in Wuxi (a second-tier city) were more concerned with service quality and the physical aspects of the shopping center such as parking facilities and store ambience. The authors ascribed the different salient image attributes between the two sets of shoppers to their lifestyles, the different levels of economic development and competitive retail environments in the two cities. But this study fell short of examining the relationships between Chinese consumers' store image and their patronage behavior. Wu and Tian (2009) found positive effect of these store image attributes on retailer equity which include convenience, perceived price, physical facilities, and employee service. Another study examined the relationships between Chinese consumers' image congruence and their shopping behavior (He and Mukherjee, 2007). It was found that Chinese consumers' store loyalty are driven by actual self-congruity and social self-congruity.

Finally, several studies also focused on the actual shopping behaviors. They found that Chinese shoppers visited retail outlets more frequently, but spent less time during each visit, whether the retail outlet was a shopping mall (Tsang et al., 2003) or a supermarket (Mai and Zhao, 2004). Mai and Zhao (2004) inferred that lack of transportation resulted in high shopping frequency and low expenditure per trip. Li et al. (2004) echoed this finding. They discovered that although Chinese consumers visited malls more frequently, they spent less time on shopping trips and were less likely to make purchases than their American counterparts. Thus they warned that the retailing strategies that are successful in developed countries might not work in a developing country such as China.

In summary, the authors concluded that there is insufficient theoretic development in the area of the Chinese consumer's perception of store image, especially in areas that explore store image from the Chinese consumers' perspective. More specifically, existing studies often applied the store image model that was well established in the western countries (i.e. mainly in the US), which may obscure the real differences between how Chinese and Western consumers perceive store image (Wong and Yu, 2001). Furthermore, no knowledge exists that addresses the information sources that Chinese use to form store image. Finally, existing studies primarily focused on identifying the store attributes that affect Chinese consumers' store choice, but did little to examine the relationships between store image and patronage behaviors. This study used a scale composed of items that were previously applied in a cross-cultural setting. The

researchers investigated the effects of store image on Chinese consumers' patronage behaviors, both their intentions and their actual purchase behaviors. Most importantly, the authors explored the idiosyncrasies of Chinese perceptions of store image with free response data through open-ended questions.

METHODOLOGY

Questionnaire Design

The questionnaire started with an open-ended question and followed up with structured questions to avoid the conditioning effect. For example the open-ended question asked about the general image Chinese consumers had of department stores. This question was worded as "Please describe your image of department stores in general?"

The measurement scales used in this study are presented below:

Information Sources to form store image. Due to the lack of existing studies on the information sources that Chinese consumers use for evaluating retailers in particular, current research developed a 6-item scale asking respondents to indicate the degree to which they rely on each of these six channels to form their images about a department store in general. The six channels are: newspaper reports, TV reports, newspaper advertisements, TV commercials, word-of-mouth, and past shopping experiences. The inclusion of these six sources was derived from previous studies on how Chinese consumers employed a variety of information sources when making their consumption decisions (Chen, He, Zhao, and Griffith, 2008; McNeal and Ji, 1999).

Perception of Store Image. A 26-item department store image scale was adapted from existing studies on store image (Burt & Carralero-Encinas, 2000; Finn & Louviere, 1996; Hu & Jasper, 2007; Marks, 1976). The researchers only included those items that they could validate in a cross-cultural setting. The authors expected that a comparison between the qualitative and the quantitative data would reveal more insights about Chinese consumers' perception of store image.

Shopping Intention and Actual Purchasing Behavior. The six-item scale of shopping intention employed in this study was derived from various retail studies (Swinyard, 1993; Dawson, Bloch, & Ridgway, 1990; Baker, Levy, & Grewal, 1992). One question was developed to assess their actual patronage frequency and average expenditure on each shopping trip to their favorite department store.

Demographics. This category includes information such as gender, age, marital status, employment status, education level, and monthly salary.

The researchers developed the original questionnaire in English. Then they used a back translation technique with a decentering process to develop a Chinese version of the questionnaire (Brislin, 1970).

Sample and Data Collection

The survey was conducted in a major metropolitan city on the southeast coast of China. With a population of nearly 8 million including the city center and the surrounding vicinity, and a relatively well developed economy particularly in commerce and tourism, the city enjoys one of the highest living standards in mainland China.

The authors hired a group of college students from a large public university. They all attended an on-the-job training workshop about the basics of personal interview technique and survey methodology. The students used a method similar to the mall-intercept interview to collect data. They approached consumers in parks, department stores, and other public areas to ask for their help with the surveys.

The interviewers collected a total of 300 surveys 290 of which were deemed usable and included in the subsequent data analysis. Table 1 displays the sample characteristics in terms of the respondents' sex, marital status, age, education, and monthly salary. Cross tabulation analysis was conducted for data collected at different intercepting locations. With non-significant chi-square statistics, we found no confounding effects for different interviewing situations for this study.

Characteristic	Percentage of Sample ^a (n=290)
Sex	
Male	58.4
Female	41.6
Marital Status	
Married	54.8
Unmarried	45.2
Age	
25 or younger	34.3
26-35	31.4
36-45	18.3
46-55	6.6
56 or older	9.4
Education	
Junior high school diploma	5.4
Senior high school diploma	27.6
Technical and vocational school certificates	20
Some college (2-3 years)	18.9
Bachelor's	25.9
Master's	1.6
Doctoral	0.5

Table 1: Selected Characteristics of the Sample

Characteristic	Percentage of Sample ^a (n=290)
Monthly Salary	
Less than 300 yuan ^b	3.4
301—500 yuan	7.9
501—800 yuan	28.2
801—1000 yuan	14.7
1001—1500 yuan	16.9
1501—2000 yuan	16.4
2001—2500 yuan	4.0
2501—3000 yuan	1.1
Above 3000 yuan	7.3

^a Percentage may not add up to 100 because of rounding.
^b The exchange rate at the time of this study was 8.28 RMB per USD

DATA ANALYSIS RESULTS

Qualitative Data Analysis

Open coding

The primary purpose was to identify the major store image components from the consumers' free responses. Therefore, the authors utilized an open coding method to extract the major themes or categories of store image. Open coding is "a process of breaking down, examining, comparing, conceptualizing, and categorizing data" (Strauss and Corbin, 1990: 61).

Two Ph.D. students, who have studied in the U.S. for 3 to 4 years, and whose native language is Chinese were trained to code the data. They both have training in retailing and consumer behavior, which was expected to add more reliability to the data analysis process. To reduce errors in translation, the students coded the questionnaires in Chinese, and only translated the results into English. Both students independently coded all the usable questionnaires. After lengthy discussion, some disagreements were resolved and some still existed. The final list of store image components has six categories: service, price, store environment, merchandise, management, and global evaluation (see Table 2). According to Strauss and Corbin (1990), a category must be developed with its properties. Therefore, related properties were also specified for each category with a code to facilitate the sorting task in the second stage (See Table 2).

Table 2: List of Major Categories or Components of Store Image Derived From Free Response Data and Sample Quotes	
Components of Store Image	Sample Quotes
Service (SE)	
SE1 Overall comments	"The store provides good service."
SE2 Comparison with other types of stores	"This store provides better service than other store."
SE3 Assistance of shopping	"The personal shopper assisted me to look for the things I want."
SE4 Knowledge of salespeople	"The salesperson knows little about the TV I want to know."
SE5 Courtesy of salespeople	"The clerk didn't even greet me."
SE6 Post-sale service	"This store allows me to exchange if the blouse does not fit, which is good."
Merchandise (ME)	
ME1 Overall comments about quality	"The merchandise quality is low."
ME2 Fashionability	"The store carries the latest fashion items, which really appealing to me."
ME3 Assortment	"I don't shop that store often because there is not much stuff that I can choose from."
ME4 Display	"The store used excellent visual display for its merchandise."
ME5 Warranty	"I trust the store because they offer warranty for all the goods they sell."
Price (PR)	
PR1 Overall comments about the price level	"I don't shop there often because their prices are bit too high for me."
PR2 Possibility of negotiation	"I like the fact they allow price negotiations, which can save quite a bit."
PR3 Price/value relationship	"The store offers great value."
PR4 Price marking/labeling	"All the goods they sell are clearly marked unlike some other stores."
PR5 Comparison with other types of stores	"They charge lower prices than other stores."
Store Environment (EN)	
EN1 Overall comments	"I would say the overall store environment appeals to me."

Table 2: List of Major Categories or Components of Store Image Derived From Free Response Data and Sample Quotes		
Components of Store Image		Sample Quotes
EN2	Comparison with other types of stores	“The store environment is not as comfortable as other store across the street.”
EN3	Comparison with before	“They are getting better with the remodel.”
EN4	Atmosphere	“I like the atmosphere there, very comfy.”
EN5	Size	“The store is large.”
EN6	Window display	“I like to look at their window display, which is very attractive.”
EN7	congestion	“I don’t like it when it is crowded on weekends.”
EN8	Availability of air-conditioning	“I like to shop there because it is air-conditioned in summer.”
EN9	Ease of navigating the store	“The store is so difficult to get around with all the shelves and carts in the way.”
Management (MA)		
MA1	Counter leasing	“I don’t like the management lease their counters out because they don’t sell good quality products.”
MA2	Overall comments	“The store is managed well.”
MA3	Promotion	“I like the promotions they run every week.”
Global Evaluation (GE)		
GE1	Overall comments	“The store is my favorite place to shop.”
GE2	Comparison with before	“The store is much improved since their recent remodel.”
GE3	Comparison with other types of stores	“They are a better place to shop than other stores.”
GE4	Reputation	“I have been shopping here my whole life because it is reputable and I trust it.”
GE5	Target market	“Nowadays they only sell stuff that are appealing to young people.”

Sorting

The second stage of qualitative data analysis focused on sorting the responses into the categories to examine which component(s) were weighted more heavily when store image was formed. Three additional Chinese students who have lived in the U.S. for over 2 years and had no knowledge about the study, helped with the sorting. They were given time to read through the category list and become familiar with the categories. Then, they read each questionnaire

and broke down the responses into meaningful blocks and assigned an appropriate code to each. They recorded all the codes for each questionnaire. It took about 12-14 hours for the students to accomplish this task.

One way to measure the reliability of the categories is to calculate the inter-rater reliability. Higher inter-rater reliability implies more agreement among raters of the codable blocks, which further suggests higher quality or validity of the previously developed category list (Miles and Huberman, 1994). The inter-rater reliabilities were computed both before and after the discussion. Table 3 displays the results. Inter-rater reliability improved in every category after the discussion and all categories achieved a reliability above 90%, which is the conventionally agreed-upon cutoff for inter-rater reliability (Miles and Huberman, 1994). Therefore, it was reasonable to conclude that the categories or major store image components developed in the previous stage were valid and effective in distinguishing different meanings.

Stage	Inter-rater Reliabilities ^a		
	Rater 1 and 2	Rater 1 and 3	Rater 2 and 3
Before discussion	90.1	84.3	90.6
After discussion	96.8	92.5	95.7
Total codable blocks ^b	473	477	469

^a Inter-rater reliability= number of disagreement of codes /total number of codable blocks between the two raters.
^b Some of the raters left several questionnaires uncoded. Therefore, there are different total number of codable blocks between different pair of raters.

As seen in Table 2, three store attributes are used by Chinese consumers to make comparisons among competing retailers and they are “service”, “price” and “store environment.” More specifically, with regard to “service”, Chinese consumers are particularly concerned with salespeople’s product knowledge and courtesy with which they treated their customers. As for “price”, Chinese consumers are accustomed to price haggling, which is a practice uncommon in the U.S. This means that American retailers operating in China may need to allow price negotiation in their stores to attract customers. Chinese consumers are also sensitive to the store environment indicated by the various comments we collected from our respondents. In fact, Chinese consumers mentioned these environmental elements such as atmosphere, size, window display, congestion, availability of air-conditioning, and ease of navigating in the store.

Quantitative Data Analysis Results

Information sources to Form Store Image

Given that no previous studies have examined the information sources Chinese consumers use to form store image, exploratory factor analysis using the principal component method extracted two factors. The data indicates that store image is primarily formed through mass media such as news reports and advertisements in the newspaper and on TV. The other way that Chinese consumers form their store image is through word-of-mouth and personal shopping experiences. Table 4 displays the results of the factor analysis. These 2 factors explain over 72 percent of the variance.

Factors	Eigenvalue	% Explained	Cronbach Alpha	Rotated Factor Loadings
Mass Media	2.88	48.03	.86	
Newspaper reports				.76
TV reports				.81
Newspaper advertisement				.79
TV commercials				.79
Personal Source	1.45	24.15	.60	
Word-of-mouth				.51
Past shopping experiences				.78

Components of Store Image

As stated earlier, the researchers adapted the 26-item store image scale to reflect the modern Chinese retail context and used the exploratory factor analysis with principal component method to identify the underlying factors or dimensions that the variables share in common (Hair, Anderson, Tatham, and Black, 1995). The authors removed items with factor loadings below 0.50 or items shown to correlate highly with more than one factor (cross-loading items). The exploratory factor analyses revealed a five-factor model of a total of 18 items, which explained the 62.5% of cumulative variances. Reliability tests were then conducted and one item was removed during the process. Finally, the 16 items remaining were submitted to confirmatory factor analysis using LISREL 8. After improving the model based on modification indices, the resulting fit indices indicated an overall good fit ($\chi^2=108.85$, $p=0.06$; GFI=0.93,

AGFI=0.90; CFI=0.98; NNFI=0.98; RMSEA=0.035; Standardized RMR=0.052). Consequently, the final store image measure for Chinese consumers included 16 items (see table 5).

Table 5: Confirmatory Factor Analysis of Chinese Consumers' Image of Department Stores		
(Model Fit: $\chi^2=108.85$, $p=0.06$; GFI=0.93, AGFI=0.90; CFI=0.98; NNFI=0.98; RMSEA=0.035; Standardized RMR=0.052).		
Dimensions	CSL^a	CR^b
Merchandise management:		
λ_1 : The department store is convenient in locating merchandise.	.73	.79
λ_2 : The department store is uncluttered, neatly arranged.	.65	
λ_3 : The merchandise is clearly marked for size or price.	.64	
λ_4 : The department store sells high quality merchandise.	.63	
λ_5 : The department store has wide variety of merchandise to choose from.	.59	
Store Atmosphere:		
λ_6 : The department store is progressive.	.82	.76
λ_7 : The department store is modern.	.79	
λ_8 : The department store has an attractive interior display.	.65	
λ_9 : The department store is exciting.	.65	
Salespeople quality:		
λ_{10} : The salespeople are friendly and courteous.	.86	.81
λ_{11} : Salespeople know the merchandise well and are helpful.	.73	
Congeniality:		
λ_{12} : It is a place in which people like me to shop.	.76	.63
λ_{13} : It is not crowded.	.63	
λ_{14} : I can do most of my shopping in this store.	.60	
Advertisement effectiveness:		
λ_{15} : Their ads make me want to buy.	.86	.66
λ_{16} : The department store has believable ads.	.83	
^a CSL: completely standardized loading.		
^b CR: composite reliability.		

Considering the salience of the items, the five factors can be labeled: merchandise management, store atmosphere, salespeople quality, congeniality, and advertisement effectiveness. The item means of the factors were used in the further multiple regression analysis.

Multiple Regression Analysis

In this study, the researchers examined the effects of store image on both shopping intention and actual shopping behaviors, that is, shopping frequency and average expenditure on each shopping trip. Shopping frequency is operationalized with one question asking how often a consumer patronizes the department store, ranging from never (1) to frequently (5). Average expenditure is measured by another question “Averagely speaking, how much do you spend each time you shop in a department store?”

Correlation analysis indicates that shopping intention is significantly correlated to shopping frequency (Pearson correlation = .482, $p=.000$). No other significant correlations exist. Consequently, multivariate analysis was conducted using both shopping intention and shopping frequency as dependent variables. A separate univariate analysis was conducted using expenditure as a dependent variable. The independent variables include five dimensions of store image and several demographic variables such as gender, age, and monthly salary. Table 6 displays the results of data analyses.

Variable	Dependent Variables		
	Shopping Intentions	Patronage Frequency	Expenditure
Intercept	0.794(0.854)	9.507(18.333) ***	-279.377 (-1.108)
Merchandise management	19.655 (21.141) ***	0.217 (0.419)	97.532 (2.305) **
Store Atmosphere	1.093 (1.175)	0.075 (-0.144)	27.431 (0.089)
Salespeople quality	0.015 (0.016)	0.189 (0.364)	9.546 (2.252)**
Congeniality	10.992 (11.823) ***	3.676 (7.089) ***	111.374 (-3.375) ***
Advertisement effectiveness	2.687 (2.890) *	0.402 (0.776)	65.482 (-2.939) ***
Gender	1.126 (1.212)	2.900 (5.593) **	.945 (0.641)
Age	0.736 (0.792)	0.631 (1.216)	1.607 (-0.642)
Monthly Salary	3.083 (3.317) *	0.587 (1.131)	12.156 (6.752) ***
R ²	0.348	0.200	.337
Adjusted R ²	0.310	0.154	.304
F statistic	9.295 ***	4.369 ***	10.105 ***
Estimated coefficients' t-statistics are in the parentheses. * $p<.10$, ** $p<.05$, *** $p<.01$			

The analysis showed significant effects of merchandise management ($F(2,156) = 12.192$, $p = 0.000$), congeniality ($F(2,156) = 6.498$, $p = 0.002$), and gender ($F(2,156) = 2.781$, $p = 0.065$), and wage ($F(2,156) = 4.150$, $p = 0.018$) on shopping intention and shopping frequency. Specifically, respondents displayed greater shopping intention when they perceived the store offered higher merchandise quality ($F(1,157)=21.141$, $p=.000$) or when they felt more comfortable in the store ($F(1,157)=11.823$, $p=.001$). Higher income is only weakly correlated to shopping intention ($F(1,157)=3.317$, $p=.070$). As far as shopping frequency is concerned, women shop more than men ($F(1,157)=5.593$, $p=.019$). They also visit stores more when they feel they are their kind of store ($F(1,157)=7.098$, $p=.009$).

When examining the effects of store image on the average amount spent on each shopping trip, the researchers found that respondents spent more when high quality merchandise ($t=2.035$, $p=.022$) or service was offered ($t=2.252$, $p=.026$). Surprisingly, the data shows that customers spent less when they felt the store environment was amiable ($t=-3.375$, $p=.001$) or the store advertised specials ($t=-2.939$, $p=.004$). Finally, income has a positive impact on customers' spending power ($t=6.752$, $p=.000$).

DISCUSSION AND IMPLICATION

As previously stated, the free response data allowed the authors to explore the consumers' store image from their own perspective which provided insights that might not be identified through structured questions. It also facilitated an interesting comparison between the major components of Chinese consumers' store image and those of American consumers. The researchers also examined the effects of store image on Chinese consumers' shopping intention and their patronage behaviors.

How do Chinese Consumers Form Store Image?

Analyses of the consumers' free responses provided insights into how Chinese consumers formed their store images. For example, some responses are very general such as "good" or "bad", while other respondents make comparisons such as "better than before" or "much older-fashioned than specialty store", etc. The global and comparison subcategories are equivalent to the "global" categories in Zimmer and Golden (1988), suggesting that there are no cross-national differences in the way people form a store image. Both American and Chinese consumers think of store image in both attribute-specific and more global or general ways.

The qualitative data identified six broad categories or components, all of which match counterparts in prior research except for the category of store management style. Specifically, customers complained that counter leasing or consignment arrangement in some department stores has led to less control of merchandise quality, thus jeopardizing the store image. A consignment arrangement is a unique practice in department stores in China. It allows a

manufacturer or a wholesaler to supply the merchandise to be sold, whereas a department store displays the goods at designated counters or booths within the store and provides employees. The department store receives a commission on each sale.

The properties or subcategories reveal some further idiosyncrasies that are unique to Chinese consumers. For example, several respondents mentioned the possibility of price negotiation in department stores, which some regional department stores actually allowed to lure price-conscious consumers. The data also indicated that Chinese consumers were more aware of the store environment as they discussed nine store environment attributes such as deco, atmosphere, size, cleanliness, congestion, and so forth. This awareness may be attributed to the increasing sophistication of Chinese consumers. The finding is consistent with some earlier research. For instance, Powers (2005) cited research conducted by AC Nielsen which stated that one of the primary shopping motives is the spaciousness and layout of the retail outlet. Li et al. (2004) also reported that the majority of Chinese shoppers in their study suggested that atmosphere was the main reason they chose a mall. This finding also explains to some extent the recent renovation trend in the nation's retail landscape.

Finally, both congruencies and incongruencies are found when comparing the major components of store image revealed by the qualitative data and factor analysis. Specifically, both qualitative and quantitative studies suggested the importance of service, store environment, and merchandise on the overall evaluation of store image. But, the dimension of price, which was identified by free response data, did not appear as significant in factor analysis. And the two dimensions identified by confirmatory factor analysis, congeniality and advertisement, did not emerge from the qualitative data. This discrepancy suggested that further research may be needed to develop a more comprehensive list of image attributes based on free response data providing a more accurate knowledge of how Chinese consumers form store image.

The effects of Store Image on Chinese Consumers' Shopping Behaviors

This study highlighted one underlying dimension that appeared to be unique to Chinese perception of store image-Congeniality. More importantly, store congeniality is significantly related to all dependent variables that were investigated in this study, shopping intentions, patronage frequency and expenditure. Previous research refers to congeniality as part of the store atmosphere's effects such as "a customer's feeling of warmth, acceptance, or ease." (Lindquist, 1974/75, pp. 32) To this study's Chinese consumers store congeniality seems to refer to the store's social aspects such as who shops there, the perceived social image the store portrays, and the social distance between the store and themselves. Prior research has established that Chinese consumers are more sensitive to a store's social cues. Their overall impression of a store and their shopping behaviors are more significantly affected by these cues embedded in the store's environment than their western counterparts (Hu and Jasper, 2007). This study supports the above findings by more specifically linking the store's social congeniality to a

greater intention to shop and increased shopping frequency. However, contrary to the authors' expectations, social congeniality is negatively correlated to expenditures. A plausible explanation is that the more Chinese consumers feel the store is agreeable, the more frequently they will visit the store. But, because they typically have a set budget for purchases, more frequent store visits lead to lower expenditures during each visit. This explanation is supported by previous studies that found for Chinese consumers, economics still determines their purchasing decisions (Li et al, 2004). It also coincides with several studies that found Chinese consumers typically make small and frequent shopping trips (Mai and Zhao, 2004).

Social congeniality attracts consumers and increases the number of store visits, but it does not help increase expenditures. So what factors may lead to increased consumer spending? This study confirms that Chinese consumers will spend more if merchants offer them a wide variety of high quality merchandise, or if the merchandise is adequately displayed. They will also spend more if they perceive that the service personnel are friendly and knowledgeable when the store advertises specials.

Practical Implications for Retailing in China

The authors were able to draw the following practical suggestions for retailers who want to succeed in China.

Merchants need to develop a store environment that is congenial to its target market. For some time foreign investors and businesses, lured by the enormous consumer market and increasing purchasing power in China, built high-end shopping centers or stores in major Chinese cities. Since only a small segment of Chinese consumers can afford luxurious ambiance, expensive goods, and superior services. Average Chinese consumers felt alienated by these luxurious stores partly because the social image the store environment portrayed was not congruent with the consumers' perceived social image (Wong and Yu, 2003). As a result, Chinese consumers would be reluctant to shop in these retail venues as predicted in this study, which led to the failure of many foreign retailers. Therefore, foreign retailers operating in China need to design their offerings or retail mix to be socially agreeable to consumers rather than alienating their target market.

Merchants need to understand shopping behaviors that are unique to Chinese consumers. This study suggests that Chinese customers visit their favorite stores often but do not spend much. They are also accustomed to price haggling. Our findings are consistent with some prior studies. For example, Yan (1994) observed that Chinese consumers like to browse and comparison shop until they find the best deal. A survey conducted by Leo J. Shapiro & Associates, a marketing research company, also revealed that "Bargaining for lower prices is second nature to Chinese." (Anonymous, 2003) Therefore, sales promotions will prove effective in encouraging patronage and purchases from price conscious Chinese consumers.

Merchants need to understand the nature of retail competitions in China. This study suggests that Chinese consumers compare stores mainly on merchandise, service and price. These three attributes of store image are also the aspects that retailers must compete on to win over customers. The qualitative results of this study could further help retailers by identifying those specific aspects that Chinese consumers use when comparing among retailers. For example, for service, Chinese consumers are concerned with shopping assistance, product knowledge and courtesy of salespeople, and post-sale services such as delivery and return/exchange.

CONCLUSION AND DIRECTIONS FOR FUTURE RESEARCH

Today, Chinese retail market is growing exponentially both in terms of retail sales and the number of outlets. As consumers have enormous options for product and retailers are offering comparable products in their stores, the image that a retailer conveys may become a key factor differentiate it from its competitors. As shown in this study, Chinese consumers perceived store image as a multi-faceted concept. In order to maintain a favorable store image to keep their current customers and attract new customers, retailers need to understand which image components are most salient to their Chinese customers. Especially for international retailers, our study indicated that different components contribute to Chinese consumers' perception of store image, compared to consumers in Western countries. Given the relatively lower level of economic development compared to that in developed countries, Chinese consumers by and large demonstrate a utilitarian orientation in shopping. Therefore, retailers need to convince shoppers by offering quality merchandise and service at a reasonable price level. Retailers may also need to communicate with Chinese consumers with effective advertisements to demonstrate the values they represent in their stores to increase store visits and encourage more spending.

The qualitative results based on the free responses of Chinese consumers in this study identified some store image components that do not completely overlap with those derived from our quantitative data results. Further research is needed to develop image attributes based on free response data to providing a more accurate knowledge of how Chinese consumers form store image and compare that to those store image construct developed in more developed economies. Second, although China represents enormous marketing opportunities for foreign businesses, the economic development varies dramatically between coastal areas and inland, between urban and rural areas, and between first tier metropolitan cities and second tier cities. As more foreign retailers begin entering the second tier cities for less competition and bigger consumer market, it may be necessary to examine the differences in the salience of store image attributes to these different consumers.

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CONSUMER UTILIZATION OF AN ADVERTISING STIMULUS: THE EFFECT OF THE *Peel 'N Taste*® MARKETING SYSTEM ON CUSTOMER ATTITUDES, PRODUCT FEELINGS AND LIKELIHOOD OF PURCHASE

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ABSTRACT

Product sampling is often used by marketers to induce product trial, with the hopes this will lead to purchase and product adoption. Sampling of tangible products, though, is an expensive and time-consuming endeavor. Scratch-and-Sniff ads were first used in the 1990s as a surrogate means of product sampling, followed by Peel-and-Taste ads in 2007.

This study utilized a sample of female consumers (the targeted recipients of the ads) to allow them to interact with advertising samples using Peel 'n Taste® Marketing System, and measuring various resulting attitudes. Results showed that ratings of flavor pleasantness and the Peel-and-Taste method itself were positive significant predictors of Feelings Toward the Product (FTP), and that FTP and the participant's resulting mood state were positive significant predictors of Likelihood To Purchase (LTP) the product. But an analysis of those who actually tried the Peel-and-Taste samples versus those who opted to not sample them revealed significant differences in both FTP and LTP, as well as evaluative measures of the product, brand and advertising method. It was concluded that, just as with tangible product sampling, if consumers did not use the flavor strip, then product sales are less likely to occur.

INTRODUCTION

Scratch-and-sniff advertisements appeared in large number in the 1990s, relying on printing technology that made it possible for consumers to interact with a product and a salient attribute in an inexpensive (for the marketer) and non-threatening (for the consumer) manner. In so doing, marketers utilizing this method were effectively seeking to create a surrogate means of product trial. The literature supports the conclusion that a favorable evaluation of scent can result in a transfer to the evaluation of a particular product. Recently, *Peel 'n Taste*® Marketing System advertisements appeared in the media and in mailboxes, utilizing dissolvable flavor strips that purport to allow consumers to sample a product without ever physically interacting with it. The

purpose of this study is to evaluate the effectiveness of these flavor strips in influencing consumer feelings toward the product as well as likelihood to purchase the product.

THEORETICAL BACKGROUND

Product trial has been shown to influence the formation of belief and attitudes toward that product. Furthermore, direct experience with the product has been shown to be a much more reliable and powerful predictor of buyer behavior than mere exposure to product advertising alone (Smith & Swinyard 1982; Fazio & Zanna 1978; Smith 1993). Interaction with the physical product, thus, is of greater value than advertising alone; seeing and using are believing. Exposure to advertising alone yields belief strength, intentions to buy, confidence, and attitudes that are not as strong as those recorded when participants are allowed to actually try the product.

But what if the advertisement is the product trial? Research has shown that a pleasant scent in an advertisement and a participant's resulting mood state can positively influence attitudes toward the product (Ellen and Bone 1998) and can affect judgments of unrelated focal objects (Isen and Shalke 1982; Petty et al. 1993). While executional cues such as scent (olfactory), pictures (visual), and sound (aural) have been studied and shown to affect physical and emotional states, there is need to study whether taste, particularly in a surrogate form, can likewise influence consumer feelings toward products, and ultimately their likelihood of buying the product.

The majority of studies examining product trial have focused on simple easily consumed and functional products such as coffee, soft drinks, and snack foods (Olson and Dover 1979; Smith and Swinyard 1988; Smith 1993). Kempf (1999) and Kempf and Smith (1998) add the notion of trial diagnosticity, which is the perceived usefulness of the trial for forming one's evaluations of the product. This diagnosticity is a function of whether the product's salient attributes can be ascertained during the product trial. That product taste can be ascertained from a surrogate method is the assumption made by advertisers using the *Peel 'n Taste*® Marketing System flavor strip. Furthermore, it is assumed by these advertisers that this surrogate will serve sufficiently as a product trial, and influence consumer feelings toward the product and cause them to purchase the product in its natural form.

Prior studies involving scent show that experiencing a pleasant or unpleasant scent can be transferred to associated objects (Ehrlichman and Halpern 1988). Bone and Jantrania (1992) explored the relationship between scent cues and product quality. Thus, if a consumer encounters a pleasing scent, the related object is likely to also be perceived as pleasing and/or of high quality. This may also be true for consumers experiencing a pleasant taste.

Scents are often linked to specific objects, events, and persons in a consumer's memory. Great variability can occur, though, between consumers, with one scent evoking a positive memory for one person, and a negative memory for another (Engen 1972). The same may be true for taste. Thus, it is possible that a scent or taste stimulus could influence consumer attitudes, but

as Kirk-Smith (1994) argues, the associations that consumers make to the stimulus could be very dependent on the context of prior exposure, as well as the circumstances of that exposure.

The contribution of this study is to examine the *Peel 'n Taste*® Marketing System phenomenon as a consumer-controlled method of taste and thus product trial, and to determine the resulting effects on consumer feelings toward the product and their likelihood to purchase it. By utilizing measures designed to assess pleasantness of a taste sample, along with measures that report consumer attitudes toward various aspects of the advertisement, brand, and the flavor strip method in particular, we calculated a predictive model of consumer Feelings Toward the Product. Then, by calculating the consumer's mood following their experience with the flavor strip advertisement, we calculated a predictive model of consumer Likelihood to Purchase.

METHODOLOGY AND MEASURES

A volunteer sample of adult female university students, faculty, and staff was recruited at a medium-sized regional state university. There were 151 usable responses collected over a two-week period. Authentic advertising samples including a two-page magazine ad for a grape juice drink, a card stock blow-in newspaper insert for an apple juice beverage, and a direct mail piece for a flavored vodka drink were provided by the corporate developer of the advertising medium. Thus, each participant was provided with three examples of *Peel 'n Taste*® Marketing System advertisements.

In all three cases the products were national brands with widespread distribution. The advertising pieces each contained a dissolvable flavor strip sealed in a foil pouch. It is intended for consumers to peel open the pouch and place the strip on their tongue. An artificially-rendered flavor transference then occurs. This artificial flavor is assumed to be a surrogate for actual product trial.

In all three products studied, the target market for the ad was women, as verified by the maker of the *Peel 'n Taste*® Marketing System. Thus, women were used exclusively in this study. That women possess overall superior sensory capabilities as compared to men is supported in the literature (Laird 1932; Myers-Levy 1989). Ellen and Bone (1998) similarly relied solely upon female participants in their study of scratch-and-sniff advertisements, supported by the findings of Cain (1982) and Doty, et al. (1985). The use of women only is thus consistent with the literature and prior work.

The study was conducted one-on-one with a participant and researcher in a conference room. Participants were not able to see what other participants were doing during the study; they were thus not affected by extraneous influences. Participants were held in a separate waiting area apart from those exiting the study in order to control for accidental feedback loops. In all cases, participants were recruited under the premise of evaluating a new method of advertising. They were not informed that only females were included in the study.

Participants were provided a portfolio with each of the three advertising samples. They were randomly assigned and told to focus on one of the three ads (for the purpose of answering follow-up questions). They were, however, told they were free to examine all three ads and to interact with them as they desired. Participants were provided up to five minutes to examine and interact with the ads. A researcher noted whether the participant actually opened and used the flavor strip of the product on which they were told to focus. They were then provided access to a computer to complete an online survey. All advertising materials were removed at this time.

The online portion of the study required participants to recall the specific product on which they were asked to focus, its flavor (if they had used the flavor strip), the type of advertising medium (e.g., magazine, newspaper insert, etc.), and the primary product claim made in the advertisement.

If the participant did use the flavor strip, they were asked to rate the pleasantness of the taste, using the sum of three 9-point semantic differential scales developed by Ellen and Bone (1998), agreeable/disagreeable, pleasant/unpleasant, and good/bad. Scores on this *flavor* variable could range from 3 to 27, with low sums being most positive and high scores being most negative.

Participants who did not use the flavor strip skipped this portion of the online survey, and thus did not have a reported value for this variable. Of the 151 participants, 124 sampled the flavor strip while 27 did not.

Various attitudes were then measured, including their attitude toward the advertisement, the brand, and the flavor strip method. These were measured with separate batteries of summed scores on semantic differential scales. *A(ad)* was measured with six 7-point items that covered the totality of the advertising piece on which they were told to focus: interesting/not interesting, good/bad, likable/not likable, not irritating/irritating, pleasant/unpleasant, and enjoyable/not enjoyable. Scores could range from 6 to 42, with low scores being most positive and high scores being most negative (Madden, et al. 1988, Ellen and Bone 1998).

A(brand) was measured by asking participants to evaluate the brand on which they were asked to focus, using four 7-point items (Ajzen and Fishbein 1980, Ellen and Bone 1998), including good/bad, wise/foolish, favorable/unfavorable, and beneficial/harmful). Scores could range from 4 to 28, along the same anchors used above.

A(peel) was measured by asking participants to consider the *Peel 'n Taste*® Marketing System method itself, using the identical set of semantic differential items used to measure *A(brand)*. Given the newness of the flavor strip method, it was deemed important to include a separate measure for its impact on consumers. Scores once again could vary between 4 and 28.

A fifth variable, *mood*, was gathered via six 9-point semantic differential scales (Mehrabian and Russell 1974). Participants were asked to report their mood state after having experienced the advertisement. Mood thus captures the participant's general frame of mind following exposure to the advertisement. The presence of odors has been associated with mood states (Ehrlichman and Bastone 1992; Parasuraman 1984; Torri et al. 1988), and has been

shown to affect judgments of stimuli (Isen and Shalcker 1982; Petty et al. 1993). It is thus plausible that a favorable flavor could likewise affect judgments of a marketing stimulus.

Participants were then asked to rate on 5-point Likert scales the impact the *Peel 'n Taste*® Marketing System flavor strip had on their overall feelings about this product, and then the effect the test strip had on their likelihood to purchase the product. These two dependent variables serve as indicators of the effect of the peel-and-taste method, and can serve as predictors of ultimate purchase. Furthermore, favorable results would indicate that marketers may be able to sidestep the time and expense of promoting consumer product trial by instead using advertisements employing flavor strip methods.

HYPOTHESES AND RESULTS

Based on the literature cited above, and the fact that in all cases the present study participants had advertising materials with which to interact in addition to the attached *Peel 'n Taste*® Marketing System flavor strip, it was hypothesized there would be no significant differences observed between users and non-users among the six variables recorded. Specifically,

- H1: There will be no significant difference in the mean scores of A(adv) between those who did and did not use the flavor strip.*
- H2: There will be no significant difference in the mean scores of A(brand) between those who did and did not use the flavor strip.*
- H3: There will be no significant difference in the mean scores of A(method) between those who did and did not use the flavor strip.*
- H4: There will be no significant difference in the mean scores of Mood between those who did and did not use the flavor strip.*
- H5: There will be no significant difference in the mean scores of FTP between those who did and did not use the flavor strip.*
- H6: There will be no significant difference in the mean scores of LTP between those who did and did not use the flavor strip.*

Composite scores for the entire sample were calculated by summing the individual scores in the various subscales, resulting in these variables:

flavor: mean = 9.95 on a scale of 3 to 27, indicating the overall attitude toward flavor (*)

A(adv): overall mean = 13.49 on a scale of 6 to 42, indicating the overall attitude toward the advertisement (e.g., type of ad, message, claims, etc.)

A(brand): overall mean = 9.08 on a scale of 4 to 28, indicating the overall attitude toward the brand

A(method): overall mean = 10.64 on a scale of 4 to 28, indicating the overall attitude toward the *Peel 'n Taste*® Marketing System

Mood: overall mean = 14.73 on a scale of 6 to 54, indicating the participant's overall mood after exposure to the ad

(*) Only those who actually used the flavor strip completed the flavor scale.

In all cases, the scales reflect Most Positive scores being lowest, and Most Negative scores being highest. The first four variables were Independent Variables in Model 1 below, while the mood variable was included in Model 2.

The overall mean score of FTP was 2.45 on a scale of 1 (Strongly Favorable) to 5 (Strongly Unfavorable). The overall mean score of LTP was 2.93 on a scale of 1 (Strongly Favorable) to 5 (Strongly Unfavorable). Thus, in the aggregate, feelings toward the product were more favorable (modestly so) than the aggregate likelihood of purchase (indecisive).

Table 1 reports summary data for both groups (mean scores for the six variables, standard deviations), while Table 2 reports results from t-tests for independent means for these same variables. In all but one case (mood), significant differences were reported. Thus, H1-H3 and H5-H6 were rejected, while H4 is retained.

These findings indicate that usage of the strip resulted in more favorable attitudes toward the advertisement in general, the brand, and the *Peel 'n Taste*® Marketing System method in particular, along with more favorable Feelings Toward the Product and Likelihood To Purchase. That mood showed no difference indicates this variable is unaffected by the *Peel 'n Taste*® Marketing System method.

DISCUSSION AND CONCLUSIONS

The introduction of the flavor strip method signals a new direction for product advertising in general, and product trial in particular. The collective results of this study indicate that Feelings Toward the Product are only modestly favorable, and that Likelihood to Purchase is indecisive at best. But in dissecting the data to compare those who did and did not use the flavor strip, significant differences were uncovered. In fact, those who used the strip reported very favorable FTP scores and favorable LTP scores.

As with tangible product samples, the goal is to convert would-be customers after they have actually sampled the product. But if these consumers will not sample the product, or place the flavor strip in their mouth, then the marketing effort is far from successful. The data indicate clearly that failure to use the flavor strip resulted in far lower evaluations of every aspect of the brand, the product itself, and the advertising. Tasting is believing; thus, the marketer must overcome resistance to the flavor strip in order to increase the likelihood of purchase as well as feelings toward the product.

Informal discussion with non-using participants revealed fears of putting anything into their mouth that came from packaging with which they were not familiar. For example, the three ads all used mass communication media; in the post-911 era, there are lingering fears of safety. Marketers must determine how to overcome these fears.

Another problem frequently reported was a general confusion over how to use the flavor strip. Some respondents could not figure out how to open the foil pouch; others thought the whole package was to be put in their mouth. Marketers who use the *Peel 'n Taste*® Marketing System method will thus have to take extra steps to ensure that consumers know how to interact with the medium itself, or risk wasting some of their advertising dollars.

While there is abundant research in the field of scents and their effect on consumer attitudes toward advertisements and brands, there is a paucity of research in the emerging medium of flavor strips. The results of this study may not be generalizable across all consumable products or product types. Furthermore, given the study's focus on female consumers, it is possible that male consumers may respond differently across the board.

Another concern is that an out-of-context taste may not substitute for the real thing. In other words, is a flavor strip a viable surrogate for product trial? Furthermore, can a flavor strip sufficiently convey the product's true flavor? Finally, in the process of eating, there are four dimensions: sight, smell, texture, and taste. The *Peel 'n Taste*® Marketing System is trying to sidestep the first three steps, and use a surrogate for the latter. While scratch-and-sniff advertisements address only one sensory aspect, flavor strips are more multidimensional in scope. Although over 80% of participants did use the flavor strip, the generally favorable data recorded might be limited by this consideration.

While the collective findings suggest that the *Peel 'n Taste*® Marketing System may not produce favorable results for advertisers, its use as a surrogate method of product trial must be studied under more diverse scenarios and product categories. If 15-20% of consumers will not even use the strip because of fears or confusion, then communications must be improved. As for the remainder who did use the flavor strips, marketers need to be cognizant of the fact that taste alone on a dissolvable strip is not a perfect substitute for actual product sampling.

The success of the *Peel 'n Taste*® Marketing System, thus, hinges in large part on whether consumers actually use the flavor strip. The data are convincing that usage results in more favorable evaluations on all counts, and that the flavor strips are a viable alternative to traditional product sampling. But with a sizeable portion of the sample not using the strips, the real battle may be in gaining acceptance of the advertising medium itself.

Variable	Group	N	Mean	Std. Dev.
FTP	1	123(*)	2.2358	1.09456
	2	27	3.4074	1.15223
LTP	1	124	2.7500	1.32901
	2	27	3.7778	1.15470
A(ad)	1	124	12.9113	6.44427
	2	27	16.1481	8.82176
A(brand)	1	124	8.5323	4.55041
	2	27	11.5926	6.17227
A(peel)	1	124	9.2339	5.41018
	2	27	17.1111	7.56171
Mood	1	124	14.8306	6.33191
	2	27	14.2963	6.21917

(*) one missing data point caused this discrepancy

Variable	t-stat	df	Sig.
FTP	-4.989	148	0.000
LTP	-3.722	149	0.000
A(ad)	-2.203	149	0.029
A(brand)	-2.958	149	0.004
A(peel)	-6.348	149	0.000
Mood	0.399	149	0.691

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SUCCESSFUL CAUSE-RELATED MARKETING PARTNERING AS A MEANS TO ALIGNING CORPORATE AND PHILANTHROPIC GOALS: AN EMPIRICAL STUDY

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ABSTRACT

Corporate social responsibility has received considerable attention within both the academic and business communities. Cause-Related Marketing (CRM) has evolved as an area of social responsibility that allows firms to link their philanthropic activities with the strategic marketing goals of the firm. Specifically, CRM occurs when a firm makes an offer to contribute a portion of the proceeds of a consumer purchase of the firm's products or services to a charitable cause.

Academic research into CRM has covered a broad landscape. Studies include: potential benefits to the brand; consumer behavior surrounding CRM offers; brand/cause alliances, and; potential benefits to the cause. Additionally, numerous theories have been used to explain various CRM activities. However, each theory that has been presented has been aimed towards explaining specific phenomena, and an all-encompassing theory to explain the antecedents and consequences of successful CRM partnerships has been elusive.

The purpose of this study is to use associative learning theory as a framework for understanding the antecedents and consequences of successful CRM partnerships for both brand and firm. Associative learning theory develops principles such as, belongingness and reputation that set the foundation for incorporating partnership compatibility and long-term brand/cause relationships as antecedents that should link the relationship to benefits for both brand and firm. These benefits, increased word-of-mouth, improved image for the firm, consumer attitudes towards the brand, and greater purchase likelihood, thus form the desired consequences completing the framework.

The significance of this research is that it introduces one theory to explain what attributes of a CRM partnership lead to the best outcomes. Additionally, this study introduces word-of-mouth promotion as a desired outcome of CRM.

This study was conducted by asking respondents to read one of 4 scenarios (2x2 factorial design) and then answer a series of questions. Data was collected by an online firm to ensure

greater generalizability, and was subjected to AMOS 6 for analysis. Hypotheses were then tested using the Kruskal-Wallis non-parametric test.

The results indicate that the overall model of antecedents and consequences of CRM relationships has excellent fit, and both antecedents, relationship compatibility and longevity of relationship, are indicators of the strength of the brand/cause relationship. Additionally, increased positive Word-of-mouth and improved brand image are fully supported as consequences of a strong brand/cause relationship. Finally, improved firm image and increased purchase likelihood are partially supported as consequences.

INTRODUCTION

As companies look towards a more strategic approach of incorporating philanthropic activities, firms are examining various avenues to align these activities with brand and corporate goals (Varadarajan and Menon, 1988; Fellman, 1999). Cause-Related Marketing (CRM) has emerged as a framework to strategically align both business and charitable goals. CRM refers to corporate social responsibility activities, including offers to contribute a portion of the price of a product or service to a charitable organization. The key feature of CRM is that the charitable contribution is contingent upon the consumer engaging in a revenue producing transaction with the firm (Varadarajan and Menon, 1988). While, several components of CRM have been analyzed, (see Lafferty, Goldsmith and Hult, 2004; Lafferty and Goldsmith, 2003) few CRM studies (i.e. Pracejus and Olsen, 2002; Lafferty and Goldsmith, 2003) have been all-encompassing, and included both antecedents of successful partnerships and outcomes of CRM for the firm and brand.

The purpose of this study is multi-faceted. First, this study advances the literature on the factors necessary for successful CRM partnerships from the for-profit firm's perspective. Second, associative learning theory will be applied to build the framework of the antecedents and consequences of successful CRM partnerships. Third, word-of-mouth promotion will be included as a new consequence of a successful CRM partnership as posited in a paper by Thomas, Fraedrich, and Mullen (Forthcoming).

CRM PARTNERSHIPS

While the vast majority of CRM research has focused on corporate involvement and consumer behavior, a few studies have investigated the effects of the "quality of the CRM partnership" (e.g. Till and Nowak, 2000; Pracejus and Olsen, 2002; Kalligeros, 2005; Lafferty, Goldsmith and Hult, 2004; Lafferty and Goldsmith, 2003). Studies suggest that firms with high levels of compatibility between the core business and social activities are viewed more favorably than firms who have lower levels of compatibility with the social activities (Brown and Dacin, 1997; Sen and Bhattacharya, 2001).

Building on the work of Strahilevitz and Meyers (1998), which hints at the possibility that compatibility between firm and charitable cause may impact the success of CRM activities, Pracejus and Olsen (2002) directly investigated this phenomena. The authors found that compatibility does impact CRM success. Additionally, they extend other research into elements of compatibility, such as those between brand extensions and core brands (Aaker and Keller, 1990, 1993), and composite brand alliances (Park, Jun and Shocker, 1996). When core brand and extension compatibility is strong, the extensions have been found to enhance evaluation of the core brand (Aaker, and Keller, 1990, 1993).

Similarly, studies of composite branding alliances found that greater compatibility leads to greater success (Park, Jun, and Shocker, 1996). These studies and others (e.g. Kamins, and Gupta, 1994) suggest that consumer attitudes towards brands are increased when compatibility is high. Pracejus, and Olsen (2002) note that CRM is similar to brand alliances because CRM links a brand to another object, the charitable cause. Therefore, CRM partnerships with strong compatibility should have improved performance, such as, increased consumer attitudes toward the brand and firm, and thus a higher likelihood of purchase by the consumer.

Using choice-based conjoint analysis, Pracejus, and Olsen (2002) examined the compatibility between firm/brand and charitable cause, how this relationship impacts CRM success, and the magnitude of the effects. Results indicated that CRM impacts consumer choice, and that firm/brand and charitable cause compatibility increases this effect. Specifically, in the first study, Pracejus and Olsen (2002), found that CRM campaigns with a high degree of compatibility between brand and charity have nearly five times more impact on choice, in terms of price trade-off than do campaigns with a low degree of compatibility. The second study revealed a larger effect with high-compatibility campaigns having ten times the impact on choice as low-compatibility campaigns.

In addition to compatibility, commitment by the firm to the cause (usually in the form of a long-term relationship) has also been mentioned in the CRM literature as a means to more successful CRM relationships. Drumwright (1996) found that the longer a CRM campaign ran, the higher the perceived commitment of the firm, and the more successful the campaign. Additionally, she found that greater time commitment led to greater perceived balance between other-interested and self-interested motives.

Using associative learning principles, Till and Nowak (2000) developed a framework to assist corporations in building strong relationships with a charitable cause and to facilitate the marketing success of CRM activities. Till and Nowak (2000) summarized their findings with thirteen managerial implications that should lead to more effective CRM relationships.

Lafferty and Goldsmith (2003) note that it is generally assumed that CRM benefits both the brand and the cause; however most research focuses on the benefits accrued by the for-profit firm and brand. The authors investigated the benefits to the brand, and potential benefits to the charitable cause. Results suggested that CRM efforts benefit unfamiliar causes, but has less impact on familiar causes. Further, the brand accrues positive attitudes regardless of the

familiarity of the cause. These findings suggest that it may be more important for managers of unfamiliar charities to incorporate CRM into their marketing arsenal more than those of familiar causes. Finally, brand managers can benefit from alliances with either familiar or unfamiliar causes.

In addition to how to best form CRM partnerships, previous studies have theorized that CRM relationships can produce multiple benefits for the brand and firm. Varadarajan and Menon (1988) postulated that a broad range of objectives can be achieved, including enhancing brand and corporate image, and increasing sales. Numerous other articles have reinforced this initial view. Brand benefits from CRM have received considerable attention (Shimp, 1991; Berger, Cunningham and Kozinets, 1999; Brown and Dacin, 1997; Sen and Battacharya, 2001). Likewise, firm benefits from CRM have also been analyzed (Ross, Patterson and Stutts, 1992; Berger et al. 1999). Finally, CRM impact on purchase intentions has been studied (Smith and Alcorn, 1991; Creyer and Ross, 1996; Barone, Mayazaki and Taylor, 2000).

Finally, while the literature reveals numerous theoretical and empirical studies supporting CRM as a means of improving firm and brand image, and increasing purchase intentions, to these author's knowledge few if any have combined all three benefits in an empirical study. Additionally, no previous article, to the authors' knowledge, has investigated how a stronger CRM relationship can produce better results than a weaker relationship.

UNDERLYING THEORY

A core principle of associative learning theory is that long-term memory consists of processing units (nodes) that are connected by associative links (Martindale, 1991). Nodes are an expression of the complete set of knowledge, and information on a subject, and thus represent the complete set of knowledge and information individuals have about companies, brands, and causes (Till and Nowak, 2000). Associative links are how individuals learn about relationships among ideas, events, and objects (e.g. nodes) in the environment (Murdock, 1985). CRM partnerships build an associative link between brand and cause, and consumers make inferences about the brand/cause based on this link (Till and Nowak, 2000).

Associative learning principles can guide firms in a quest to build the most effective link between the brand and cause. Classical conditioning is one such principle that has been studied from multiple perspectives to understand how a stimulus can benefit from being associated with another (McSweeney and Bierley, 1984; Shimp, 1991). Empirical studies have described the importance of conditioning consumers for effective transfer of positive attitudes to a brand (e.g. Stuart, Shimp and Engle, 1987; Shimp, Stuart and Engle, 1991) and in changing consumer beliefs about a brand (e.g. Kim, Allen and Kardes, 1996; Kim, Lim and Bhargava, 1998). Conditioning effects are particularly important because these effects have been found to persist over time (Grossman and Till, 1998).

Research has separated conditioning effects into two parts: affect transfer and inferential belief formation. In affect transfer, a stimulus (brand) can be positively affected by associating the stimulus with another positive stimulus (cause) in the environment. Early marketing research on conditioning effects focused on affect transfer. This work was interested solely in examining if pairing a brand with a pleasant image resulted in positive attitudes toward the brand (e.g. Gorn, 1982; Stuart et al. 1987; Shimp et al. 1991).

While affect transfer is interested in attitude shifts, inferential belief formation focuses on an individual's brand knowledge (beliefs) shift as a result of association with another stimulus. For example, a subject's belief that a pizza delivery service was fast were increased when the firm was associated with a race car (Till and Nowak, 2000). The CRM implication in this example is that careful consideration of cause partners may extend the associative link beyond simple affect transfer, and transform consumer beliefs about the brand (Till and Nowak, 2000). Unlike affect transfer, inferential belief formation illustrates that associative links can be improved beyond simply associating a brand with any cause.

While firms strive to increase both affect transfer and inferential belief formation, two concepts hinder this process. The first, overshadowing, refers to the multitude of competing elements in the marketing environment, and the impact on associative links. While managers may intend to link the brand to a cause, consumers may instead link the cause with some competing element (Martindale, 1991).

The second hindering concept, blocking, refers to the vast amount of nodes in a consumer's mind, which are linked to other nodes. For example, a brand is linked to its firm, jingle, trademark, advertising messages. Consumers may have trouble linking a brand to another node (the cause) if s/he already links the brand to other nodes.

Repetition and belongingness are principles of the associative learning theory that may help to overcome the problems with overshadowing and blocking. Both repetition and belongingness posit that proactively managing a CRM relationship can lead to stronger associative links. While links between stimuli may be developed after just one pairing (Stuart et al., 1987), repeated pairings reinforce the link by providing a signal to an individual that when one stimuli is present the linked stimuli is expected to be present (Rescorla, 1988). CRM relationships should therefore be more effective when the partnership message is repeated over time. "Sporadic or one-time tie-ins are likely to be less effective than brand/cause partnerships that are nurtured over the long run" (Till and Nowak, 2000, p. 476).

Belongingness refers to the increased likelihood of an associative link being formed when the paired stimuli are perceived to be similar (McSweeney and Bierley, 1984). Since the environment consists of many competing stimuli, those that are more alike have better chances of being associated together (Einhorn and Hogarth, 1986).

In summary, several theories have been applied to illustrate various niche elements of CRM, and a few give additional clarifications on broad-spectrum CRM issues. However, associative learning theory provides insight into the elements leading to a more effective

partnership for the brand. Till and Nowak (2000) outlined the benefits for CRM partnerships by applying these principles. However, they did not tie the CRM partnerships to specific outcomes for the brand and firm, nor empirically test these assumptions.

WORD-OF-MOUTH

Word-of-Mouth (WOM), (or viral or buzz marketing) promotion has received considerable attention in the marketing literature (Duhan, Johnson, Wilcox and Harrell, 1997; Dye, 2000; Rosen 2000; Higgins, 2002; Pruden and Vavra, 2004; Mohr and Chiagouris, 2005). Described as the oldest form of media, WOM is the promotion of a firm's products or services outside the controllable marketing mix (Pruden and Vavra, 2004). As early as 1971, marketing research pointed out that WOM was nine times more effective than traditional advertising at changing unfavorable or neutral attitudes into positive ones (Day, 1971). Pruden and Vavra (2004) found that consumers view 90% of advertising to not be credible, but 90% of WOM was credible.

With the growing criticism of the advertising industry, increased difficulty in targeting markets due to fragmented audiences, and technological threats to television advertising, such as Tivo and the internet, marketing managers are looking for new ways to create a "buzz" for their firms' brands (Kaikati and Kaikati, 2004). Therefore, marketing academics and executives have been extremely interested in trying to increase positive WOM. However, when corporations have attempted to manipulate WOM directly they have sometimes been met with an unwanted backlash effect (Pruden and Vavra, 2004).

This has led to numerous studies (e.g. Silverman, 2001; Rosen, 2002; Thomas, Jr., 2004; Pruden and Vavra, 2004; and Mohr and Chiagouris, 2005) investigating how organizations can increase WOM using "stealth" techniques that do not result in an unwanted backlash. Thomas (2004) suggests that firms have numerous tools, such as testimonials, observable usage, endorsements, hosted chat rooms, and referral programs that may lead to increased WOM. Pruden and Vavra (2004) suggest that firms implement WOM monitoring programs so that firms can take advantage of advocates and pacify complainants. Mohr and Chiagouris (2005) continue the monitoring idea by advocating that the internet presents new ways in which this process can be enhanced. Verlegh, Verkerk, Tuk and Smidts (2004) also studied WOM effects, finding that when ulterior motives of the firm/brand were diminished WOM was unaffected.

Finally, WOM has some unique aspects when compared to other forms of promotion. First, WOM is the source of information most relied upon by consumers, (Pruden and Vavra, 2004). Thus, WOM more easily spreads ideas than other marketing messages. Second, WOM communications are generally represented in a story (Delgadillo, and Escalas, 2004). Third, a satisfied customer usually tells 3-5 people about their positive experience. This leads to a multiplier effect, in which the idea spreads exponentially (Pruden, and Vavra, 2004).

HYPOTHESES DEVELOPMENT

The marketing literature devotes much space to the subject of “compatibility”. The compatibility between core brands and subsequent extensions have been found to enhance consumer perceptions of the extension when the core brand was well liked (Aaker and Keller, 1990, 1993). Composite branding alliances were also found to be beneficial when the brands in the alliance had greater attribute compatibility (Park et al., 1996). Also, product/spokesperson compatibility was found to impact product attitudes (Kamins and Gupta, 1994). Finally, Morgan and Hunt (1994) discovered that shared values among partners were an important determinant of relationship trust and commitment.

The CRM literature builds on this research by positing that firms that align their marketing goals with charitable organizations that match well with the firm’s goals will be more successful (Till and Nowak, 2000; Lafferty and Goldsmith, 2003). Associative learning theory provides a foundation for this prediction. Particularly, the belongingness principle which states that since most environments have many competing stimuli, those that are most similar to one another have the best chance of forming an associative link. Belongingness of the two stimuli also helps overcome the problems of overshadowing and blocking by forging a stronger link between the two nodes. When applied to CRM, associative learning theory predicts that a brand/cause partnership that is a natural fit should stand a better chance of forming an associative link in the minds of consumers (i.e. be perceived as belonging together). This in turn should lead to greater chances of affect transfer and inferential belief formation. Therefore:

H1 A CRM brand/cause relationship in which the brand and the cause are logically linked will be perceived by consumers to be more compatible than those that are not logically linked.

Associative learning theory provides theoretical support for the prediction that greater time commitment (longevity of relationship) will lead to a stronger CRM partnership. The theory states that repetition of paired objects will strengthen the associative link between the time commitment and partnership. The repetition of the pairing acts as a signal to individuals that when one stimulus is present they should expect the other. CRM partnerships that are consistently managed over the long-term should be more effective than one-time or short-term relationships. Therefore:

H2 A CRM brand/cause relationship with a greater time commitment (longevity/commitment) will be perceived by consumers to have higher brand/firm commitment to the cause.

These two antecedents form the framework for studying successful CRM relationships for both the brand and firm. With the antecedents in place, successful consequences from the CRM literature can be linked to the partnership using underlying principles from theory. In order to accomplish this, a latent (unobserved) variable is introduced into the model.

Associative learning theory illustrates how both compatibility and longevity (commitment) work synergistically to produce a better associative link between brand and cause in the consumer's mind. This synergistic link is represented in the model by introducing a non-measured latent variable, the CRM Relationship Strength. This study is interested in the combined effect (interaction) of the compatibility and longevity on CRM outcomes. The latent variable represents these two dimensions. It becomes the linking mechanism between the antecedents and consequences of a successful CRM partnership.

The literature has stated that any association between brand and cause should create positive affect among consumers (Bagozzi and Moore, 1994; Brown and Dacin, 1997; Sen and Bhattacharya, 2001). However, associative learning theory points out that an association is not guaranteed, but a relationship that has good compatibility between brand and cause, and lasts over a long time should increase the association developed in the mind of the consumer. Once the associative link is made, affect transfer and inferential belief formation should occur. Once these occur, the theory states that positive attributes of the cause should transfer to the brand and firm. Therefore:

H3 Stronger CRM relationships will have higher positive consumer attitudes toward firm image.

H4 Stronger CRM relationships will have higher positive consumer attitudes toward the brand.

The literature has also demonstrated that CRM partnerships can lead to increased purchase intentions for the brand (Berger et al., 1999), and these effects are robust to experience (Yechian, Barron, Erev and Erez, 2002). Associative learning theory hints at this connection via inferential belief formation. Once the consumer transforms their cognitive structures for the brand in a positive way product choice should be improved. However, as stated previously, the associative link must be made before this effect can take place. Therefore:

H5 Stronger CRM relationships will have higher consumer purchase intentions for the brand.

Finally, associative learning theory helps explain the last hypothesis. WOM is the transfer of information on a brand or a company among individuals not using traditional media. WOM has less skepticism associated with it than traditional media, and customers generally tell 3-5

people about a positive experience. This makes WOM communication easily replicated throughout society. Once inferential belief formation occurs consumers not only have positive attitude transfer from the cause to the brand, but also have improved cognitive structures. Stronger positive product knowledge should improve positive WOM. Thus, when a brand successfully combines with a cause (with both compatibility and for a long-term relationship) to strengthen the relationship it follows that positive WOM should be increased for the brand. Therefore:

H6 Stronger CRM relationships will have higher positive Word of Mouth.

METHODOLOGY

The data for this study was collected via a questionnaire consisting of a scenario describing a CRM relationship followed by a series of questions to test each of the hypotheses. All four scenarios were pre-tested to ensure each scenario appropriately represents each category. Manipulation checks were conducted for “compatibility” and “longevity.” To prevent bias based on prior knowledge of a brand, fictional brands were chosen for pre-testing (examples include ABC toys, and ABC children’s clothing).

Following the pre-test, the data was collected via a questionnaire (available upon request) consisting of a scenario describing a CRM relationship followed by a series of questions to test each of the hypotheses. Data was collected from consumers throughout the United States. An online data collection firm was employed to help collect the data. The online collection firm also provided demographic data on the respondents.

There were 1241 surveys were completed, with 772 usable surveys. A comparison between completed surveys and Greenfield’s database indicated no significant differences between the two with regards to gender, income, education, and race. Therefore, no response bias was indicated.

The distribution consisted of more females (63%) than males (37%). The youngest subjects (18 to 24) accounted for 15.1%, while the 25 to 34 age group was the largest, accounting for 29.1% of all respondents. Overall, the dispersion by age was very good with 21%, 20.2%, and 14.4% representing the 35 to 44, 45 to 54, and 55 to 65 age groups, respectively. The majority of subjects were white (77.6%), however, the remaining 22.4% were fairly well spread out among blacks (6.7%), Asians (6.2%), and Hispanics (4%).

The majority of subjects had at least some college (68.5%), while 39.5% had graduated from college with at least a bachelor’s degree. The results show a good dispersion by income with the \$50,000 to \$75,000 category being the largest accounting for 22.8%. An analysis of zip codes from respondents reveals over 500 different zip codes from through-out the United States. No more than seven respondents came from any one zip code illustrating a broad geographic distribution. Finally, the results confirm that the chosen charity, as expected, is not well known.

Only 16.8% of respondents acknowledged having heard of Give Kids the World (charity used) prior to the study.

The research design for the scenarios was a 2 (compatibility: high/low) X 2 (longevity: high/low) factorial design. Each group had 197 members. Each respondent saw only one scenario, Group A saw the high compatibility/high longevity scenario, Group B saw the high compatibility/low longevity scenario, Group C saw the low compatibility/high longevity scenario, and Group D saw the low compatibility/low longevity scenario. The scenarios followed the format used by Lafferty and Goldsmith (2003).

ANALYSIS AND RESULTS

A two-step process was used for analysis. First, the measurement model was estimated via confirmatory factor analysis in AMOS 6. Second, the model was purified by eliminating variables that did not fit well in the initial model. Third, the structural model parameters were tested for significance, and finally, the structural model was analyzed by statistically testing each hypothesis. Additionally, tests for reliability, unidimensionality, and validity of the measured variables were conducted.

The Maximum Likelihood (ML) method was used for estimation. The result shows that the multivariate kurtosis was 300.56 which exceeds the cutoff point of 3 (Bentler, 1990). Therefore, multivariate normality is a problem. Given this result, the ML method will give distorted conclusions about the model. In this situation it is recommended that Robust ML estimation be used to provide more accurate results (Bentler, 1990; Hammond and Lienert, 1995; Bentler and Yuan, 1999).

Results indicated acceptable fit on all but one fit index. The NFI of .955, IFI of .962, and CFI of .962 are all above the cutoff point of .91 indicating reasonable compatibility. However, the RMSEA of .083 is slightly above the cutoff point of .08 (acceptable fit is considered being below .08). The initial chi-square value was significant at the .05 level with a value of 806.3. Overall, the initial model shows acceptable fit. Additionally, no offending estimates were discovered as no negative, or error variances exceeding one were discovered.

The initial model was then purified by analyzing the modification indices provided by the AMOS 6 software. The indices showed that by correlating the error variances of the latent variables compatibility and longevity a significant improvement in chi-square could be achieved. The result was a chi-square of 492.78. Additional improvements could be achieved by correlating two of the longevity indicator error terms (e5 and e7), and two of the firm image indicator error terms (e11 and e13). These changes resulted in a chi-square of 424.5. Improvements in all of the fit indices also resulted from these correlations. It is important to note that all of these correlations of error terms made theoretical sense and were therefore implemented. Additional improvements to the model were suggested by the modification indices but were not implemented because of a lack of theoretical support.

Finally, one indicator variable, reverse dislike, did not show an acceptable factor loading on its latent construct and was therefore eliminated from the analysis. This resulted in a final purified model with a chi-square of 344.3. Fit indices showed considerable improvement over the initial model. Final results as compared to the initial model are shown in Table 1. The final fit indices of NFI (.981), IFI (.987), CFI (.987), and RMSEA (.053) all indicate excellent fit of the model to the data (please see Figure 1 for a graphical representation of the final model).

Model	NFI	IFI	CFI	RMSEA
Proposed/Base Model	0.955	0.962	0.962	0.083
Final Revised Model	0.981	0.987	0.987	0.053

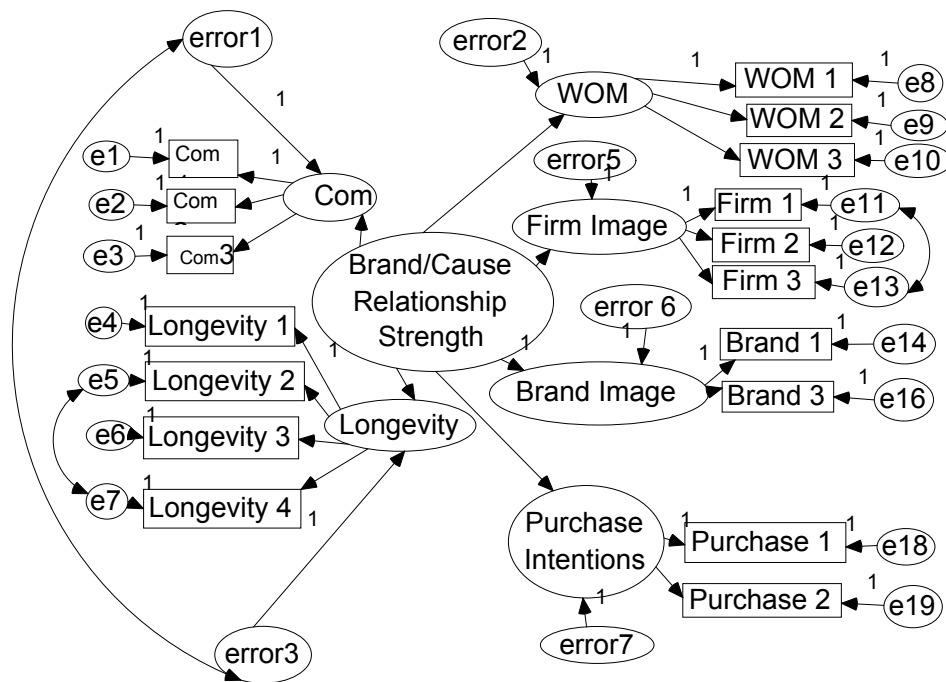


Figure 1: Final Model

An analysis of the factor loadings of the measured variables on their respective latent constructs was used to demonstrate unidimensionality. Table 2 shows the factor loadings and t-test values for each of the measured variables on their respective latent constructs. All of the loadings are well above .05, with the lowest loading being .792. Therefore, unidimensionality is

confirmed. Additionally, Table 2 shows the results for internal consistency reliability. All values are well above .8 indicating strong internal consistency reliability. The results indicate convergent validity as all are well above the .5 cutoff. Finally, the results in Table 3 show that discriminant validity is confirmed.

Construct	Indicator	Factor Loadings (Standardized)	Internal Consistency Reliability	Average Variance Extracted
Compatibility	Comp 1	0.90	0.91	0.79
	Comp 2	0.96		
	Comp 3	0.79		
Longevity	Longevity 1	0.90	0.94	0.78
	Longevity 2	0.91		
	Longevity 3	0.85		
	Longevity 4	0.87		
Firm Image	Firm 1	0.97	0.97	0.92
	Firm 2	0.97		
	Firm 3	0.96		
Brand Image	Brand 1	0.88	0.91	0.93
	Brand 2	0.95		
Purchase Intentions	Purchase 1	0.96	0.97	0.84
	Purchase 2	0.97		
WOM	WOM 1	0.94	0.97	0.93
	WOM 2	0.96		
	WOM 3	0.97		

Construct	Fit	Longevity	WOM	Firm Image	Brand Image	Purchase Intentions
Fit	0.79	0.58	0.18	0.19	0.16	0.17
Longevity	0.34	0.78	0.2	0.21	0.18	0.19
WOM	0.03	0.04	0.92	0.58	0.48	0.56
Firm Image	0.04	0.05	0.34	0.93	0.52	0.56
Brand Image	0.02	0.03	0.23	0.27	0.84	0.46
Purchase Intentions	0.03	0.03	0.32	0.31	0.21	0.93

Diagonal items represent the average variance extracted for each construct. Items above the diagonal are the correlations between constructs, and the items below are the shared variance among constructs.

Table 4 shows the results of the structural model analysis. All six paths are positive indicating proper directionality. Additionally all were statistically significant at the .05 level.

Table 4: Parameter Estimates for Structural Model			
Parameter	Path Coefficient	Critical Ratio	P
Link --> Fit	0.447	12.463	***
Link --> Longevity	0.491	13.803	***
Link --> WOM	0.938	33.911	***
Link --> Firm Image	0.965	41.367	***
Link --> Brand Image	0.969	33.911	***
Link --> Purchase Intentions	0.919	36.022	***
***p<.001 Note: Link is short for Brand/Cause Relationship Strength			

The final step prior to hypothesis testing is to check for possible model re-specifications. An analysis of the residuals clearly pointed out that no offending estimates existed, therefore, no model re-specification was recommended.

In order to test the hypotheses it is necessary to analyze the performance of each treatment group. Since the data violate the assumption of normality it was decided to use a test of significance that was not subject to the assumption. Therefore, the non-parametric Kruskal-Wallis test was conducted to ensure statistically significant differences between the four groups.

To test H1, each compatibility indicator mean is analyzed for magnitude, and then the Kruskal-Wallis test is conducted. The results indicate that treatment groups (Version) 1 and 2 have higher magnitude means than Versions 3 and 4. This is expected since Versions 1 and 2 are the “high compatibility” groups. Additionally, the Kruskal-Wallis test is significant for all three indicator variables, which confirms a statistically significant difference between the four treatment groups at the .05 level. Therefore, H1 is supported.

A similar process was followed to test H2. Versions 1 and Version 3 were the high commitment groups, so it is expected that their means will have the highest magnitude. Version 1 has the highest mean, however Version 2 is once again higher than Version 3. Upon further analysis the gap is much closer between Version 2 and three than was found in the compatibility category. Perhaps this indicates that while commitment is important, compatibility is even more desired. The correlated error variances between the compatibility and longevity constructs also alludes to these two being correlated. Finally, all four indicators are statistically significant at the .05 level. Therefore, H2 is supported.

H3, as with all the remaining hypotheses, is a consequence of a strong brand/cause link. Therefore, it is expected that Version 1 will have the highest mean, and Version 4 will have the

lowest. Version 2 and 3 should be somewhere in the middle; however, if Version 2 is consistently higher on all indicators that alludes to compatibility being more important than longevity in the brand/cause link. Likewise, if Version 3 is higher then possibly longevity is more important in the brand/cause link.

The indicators for this hypothesis have means that are consistently higher for Version 1, however, Version 4 is consistently higher than Version 3. Additionally, only one of the three indicators is significant at the .05 level. Therefore, H3 is only partially supported.

Similarly for H4, Version 1 is has the highest mean for both indicators and Version 4 has the lowest for both. Additionally, both indicators are significant at the .05 level. Therefore, H4 is supported.

The results for the tests of H5 are similar to those for H3. Version 1 has the highest mean for both indicators; however, Version 3 has the lowest mean for both indicators. Finally, only one of the indicators is significant at the .05 level (however, the other indicator would be significant at the .054 level). Therefore, H5 is only partially supported.

Finally, for H6, Version 1 is has the highest mean for all three indicators and Version 4 has the lowest for all three. Additionally, all indicators are significant at the .05 level. Therefore, H6 is supported. Table 5 summarizes the results for all six hypotheses.

Table 5: Results of Hypothesis Testing	
Hypothesis	Results
H1: A CRM brand/cause relationship in which the brand and the cause are logically linked will be perceived by consumers to be a better fit between the two.	Supported
H2: A CRM brand/cause relationship that has a long history will be perceived by consumers to be more committed to by the brand/firm.	Supported
H3: Stronger CRM relationships will have more positive consumer attitudes toward firm image.	Partially Supported
H4: Stronger CRM relationships will have more positive consumer attitudes toward the brand.	Supported
H5: Stronger CRM relationships will have higher consumer purchase intentions for the brand.	Partially Supported
H6: Stronger CRM relationships will have more positive WOM.	Supported

DISCUSSION OF RESULTS

Overall, the excellent model fit of the model indicates that the model fits the data, and that the representation of antecedents and consequences of proper CRM partnering is empirically sound. The results indicate that perceived compatibility between the brand and charity has a significant impact on desired outcomes of CRM. All of the indicators for the latent variable, compatibility, were statistically significant, and the path parameter for brand/cause link to compatibility for the structural model was significant. The significance of the indicators reveals

that significant differences exist between the four treatment groups, and the magnitude of the means for the groups indicates appropriate ranking. The significance of the path parameter indicates support of the structural model. Additionally, the two treatment groups that had high compatibility had the highest means for every indicator included in the model. This suggests that subjects not only perceived compatibility as important to link the brand to the cause, but that it resulted in better attitudes toward the brand, firm, purchase intentions, and WOM promotion.

The length of time a brand is involved with a charity was used as a measure of commitment by the brand to the charity. Results show that all of the indicators of longevity were statistically significant, and that the path parameter, longevity to brand/cause link, was also significant. However, it is evident from analysis of means for the two high longevity treatments (1 and 3), that longevity has more of a moderating role on overall attitudes towards the firm, brand, purchase intentions and WOM.

Longevity definitely impacts attitudes positively, as treatment one (high compatibility/high longevity) consistently had higher means than treatment two (high compatibility/low longevity). If compatibility was the only driving factor, one would expect treatment one and two to be approximately equal. However, treatment four (low compatibility/low longevity) had higher means than treatment three (low compatibility/high longevity) for all of the indicators for firm image and purchase intentions. This may indicate that longevity does not play much of a role in influencing behavior for these two consequences, but rather has more of an impact on brand image and WOM. However, even these two variables showed very close means for treatments three and four. Therefore, longevity has an impact on consequences, but probably only as a moderating variable in the presence of good compatibility between the brand and the charity.

The four consequences of successful brand/cause partnerships, firm image, brand image, purchase intentions, and WOM, compose H 3 through H6. The results for H1, firm image were mixed. The path parameter, firm image to brand/cause link, was significant, supporting the structural model. However, only one of the three indicators for firm image was significant at the .05 level. Also, while treatment one (high compatibility/high longevity) had the highest magnitude means for all three indicators, and treatment two (high compatibility/low longevity) was second highest, treatment four (low compatibility/low longevity) was higher than treatment 3 (low compatibility/high longevity) on all three indicators. This alludes to the fact that any differences between the treatment groups for firm image are based on compatibility not longevity.

The path parameter, brand image to brand/cause link, was significant supporting the structural model, and both indicators were significant indicating significant differences between the treatment groups. Additionally, the magnitudes of the means for the groups were in the hypothesized order. However, the fact that the two high compatibility groups were substantially higher than the two low compatibility groups along with the fact that both high compatibility groups had similar means, and both low compatibility groups had similar means indicates that

compatibility, rather than longevity is driving this result. However, the order of the treatment group mean magnitudes also indicates that longevity has some impact.

The path parameter, purchase intentions to brand/cause link, was significant which supports the structural model. However, only one of the two indicators was significant at the .05 level (the other indicator would be significant at the .054 level) lending only partial support for significant differences between the treatment groups. The high compatibility groups had much higher magnitude means than did the low compatibility groups, and the high compatibility/high longevity group had higher magnitude means than the high compatibility/low longevity group, which would lend support to compatibility and longevity as both driving any significant results. However, once again, the low compatibility/low longevity group had slightly higher magnitude means than the low compatibility/high longevity group, which tends to imply that while longevity has an impact, compatibility is driving the significant differences between groups.

The path parameter, WOM to brand/cause link, was significant supporting the structural model. Also, all three of the indicators of WOM were significant. The mean magnitudes of the treatment groups were all in the predicted order for the first two indicators, however, for the third indicator, the low compatibility/low longevity treatment was slightly higher than the low compatibility/ high longevity treatment. This may indicate a slight preference to compatibility over longevity as the driving antecedent; however, the means of the two groups are too close to make that judgment.

LIMITATIONS AND SUGGESTIONS FOR FUTURE RESEARCH

This study has several limitations that offer opportunities for future research. First, this study developed a model of antecedents and consequences of successful CRM which combined past research and added an additional consequence, WOM. Additional investigations of possible other antecedents and consequences that could be added to the model should be investigated. Second, while this study used a large generalizable sample, it is not without its limitations. Future research with a more balanced sample based on gender that investigated gender effects on the model would be appropriate. Also, investigations into racial, income, and education effects would provide useful insights.

Third, this study was only conducted using U.S. residents. Replications of this study in other countries would increase the generalizability and validity of these findings. Fourth, it was beyond the scope of this study to analyze multiple types of brands or charities. Future research should investigate if these findings can be replicated with different brands and charities. Also, replication with non-fictional brands would enrich these findings. Finally, the WOM research propositions should be formally studied in a time-series study to uncover the long-term impact of this variable.

CONCLUSIONS

The knowledge that compatibility is a leading concern for successful CRM partnerships, and that the longer the relationship the more the partnership is enhanced should provide guidance for future research and current practitioners. Also, consequences have been tested together in a way that can guide researchers' and practitioners' expectations of what can be achieved via CRM. Specifically, that increased WOM and brand image should be expected, and that firm image and increased purchases are also possible.

The theoretically based model incorporates WOM, and verifies that this outcome can be achieved through proper alignment of brand and charity. Firms should devote more time to partnering with charities that have similar goals or who have beneficiaries that are similar to the firm's customer base. Additionally, long-term relationships are beneficial in driving consumer perceptions of firm commitment to the cause. Attention to these details can result in great rewards for the brand and firm, while supporting a worthwhile cause that benefits society.

Partnering with a charity can be very beneficial for a brand and firm. The question has always been how does a brand best accomplish this task? Will any charity do? Past research has provided valuable insights into these questions. The results of this study extend past studies and combine causes and effects into an empirically tested model with high generalizability that future researchers can build on and practitioners can use.

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IS A DESIGNER ONLY AS GOOD AS A STAR WHO WEARS HER CLOTHES? EXAMINING THE ROLES OF CELEBRITIES AS OPINION LEADERS FOR THE DIFFUSION OF FASHION IN THE US TEEN MARKET

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ABSTRACT

The early adopter category has a tremendous impact on the successful adoption of a fashion by the masses. More specifically, the opinion leaders in this category are key members of society that are crucial in disseminating information on the latest fashion trends to the rest of the population. Opinion leadership is defined as “the degree to which an individual is able to influence other individual’s attitudes or overt behavior informally in a desired way with relative frequency” (Rogers, 1995). If designers can determine who these opinion leaders are, and target them effectively, then the introduction of a particular fashion has a much higher probability of becoming adopted. We propose that for the fashion industry, specifically for the teen market, celebrities are key opinion leaders in influencing them to adopt a new style. The objective of this paper therefore is to explore the roles of celebrities in the diffusion of fashion amongst teenagers in the United States by examining them as opinion leaders who influence teens to try and ultimately adopt new fashion styles.

Our research shows that the effect of seeing a celebrity wearing a particular style in a commercial or some other paid form of advertisement was much less effective for teens than seeing them on an award show or pictured casually in a magazine, which they felt displayed a more real and legitimate image. Apparently, credibility was a big issue for the teens and they felt that being paid to wear something was not reflective of personal tastes or likes by the celebrities and therefore would not be influential in getting them to adopt a new fashion.

INTRODUCTION

“A good model can advance fashion by 10 years.” – Yves Saint Laurent, 1984

Fashion is an area where interpersonal communications have been found to be highly important in the diffusion of information. Additionally, the frequent introduction of new clothing styles each season makes the fashion market a desirable study for diffusion research focusing upon innovativeness (Baumgarten, 1975).

According to Rogers (1995,) an innovation is any idea, practice or object perceived as new. Fashion is characterized by constant innovations, whether real or perceived that often include small changes from the previous season or year. Because fashions are constantly changing, but the fashion changes are not extreme innovations, they can be classified as dynamically continuous innovations (Rogers, 1995). Understanding the diffusion process for fashion therefore is crucial to marketers in the industry since fashion is so dynamic in nature.

The study of how new (whether real or perceived) fashions gets diffused has been given lots of attention to in the literature (e.g. Baumgarten (1975), Darden (1972), Darley (1993), Fernie (1997), Hirschman (1978), Kaigler (1978), King (1980), Mitchell (2001), Moore (2000), Reynolds (1973), Sproles and Burns (1994), Summers (1970), Tigert (1980) etc.) The results have typically shown that the fashion diffusion process is similar to that of any category, with fashion innovators being the first to try a new style (comprising approximately 2.5% of the population,) followed by early adopters (comprising approximately 12.5% of the population) who pick up some of the new styles from innovators. If fashion opinion leaders are among this category, then the new look has a greater chance of becoming an established fashion, and of increasing the next category, the early majority, (referred to as mass market consumers by Sproles and Burns (1994)) to make this new style into a full-fledged fashion trend. This category of adopters, together with the next category of late fashion followers comprises about 68% of the total adopters. Finally, in the last category are the laggards, or fashion isolates who are fairly uninterested in fashion and who comprise the remaining 16% of the population (Sproles and Burns (1994), Hirschman and Adcock, (1978)).

As alluded to above, the early adopter category has a tremendous impact on the successful adoption of a fashion by the masses. More specifically, the opinion leaders in this category are key members of society that are crucial in disseminating information on the latest fashion trends to the rest of the population. Opinion leadership is defined as “the degree to which an individual is able to influence other individual’s attitudes or overt behavior informally in a desired way with relative frequency” (Rogers, 1995). If designers can determine who these opinion leaders are, and target them effectively, then the introduction of a particular fashion has a much higher probability of becoming adopted. We propose that for the fashion industry, specifically for the teen market, celebrities are key opinion leaders in influencing them to adopt a new style. The objective of this paper therefore is to explore the roles of celebrities in the diffusion of fashion amongst teenagers in the United States by examining them as opinion leaders who influence teens to try and ultimately adopt new fashion styles.

What is Fashion?

According to Oscar Wilde, “*Fashion is a form of ugliness so intolerable that we have to alter it every 6 months.*” Fashion is not merely the objects that designers produce, but rather it is a social process that continually modifies the meanings of styles (Sproles and Burns, 1994).

More specifically, “fashion is a way of behaving that is temporarily adopted by a discernable proportion of members of a social group as socially appropriate for certain times and situations” (Sproles and Burns, 1994).

The term fashion can be broken down into several subcategories: fad, classic, high fashion and mass fashion. (Sproles and Burns, 1994). A fad is defined as a fashion that is short lived. It is typically characterized by the quick acceptance of a relatively small group of people and is then followed by a rapid decline. In contrast, a classic is a style that endures for many years in that it continues to be accepted by a large segment of buyers. The term high fashion or “haute couture” refers to styles or designs that are produced by prestigious fashion designers and generally sold in small quantities at high prices to upscale consumers. Finally, mass fashion is fashions that have achieved considerable popularity and are mass-produced and sold in large volume in all price ranges and kinds of stores.

What we are interested in is how we can get consumers to adopt a new fashion so that it can be classified into the “mass fashion” category. Designers may propose and present new ideas, but without a substantial number of consumers adopting their styles, a concept referred to as reaching the minimum threshold (Roger, 1995) the successful diffusion of fashion will not occur.

This is where opinion leaders come in. Opinion leaders are crucial for the social legitimation of new innovations and fashion ideas (Rogers, 1995). If a new look is adopted by fashion opinion leaders, then it has an increased chance of becoming a fashion adopted by the rest of the population, and the teen market is no exception.

Teenagers as Target Market

Tremendous buying power makes teenagers a significant segment of the consumer market, and marketing experts almost unanimously agree that teens are an impressionable group that has money to burn, in that they typically have no rent, no heavy bills and no one else to buy things for except themselves (Retail Merchandiser, 2003). Other research has shown that brand loyalty is formed early among teenage shoppers and that teens act as trendsetters (Darley , 1993).

Irma Zandl, president of the Zandl Group, a research-marketing group, says teens respond to products that are innovative, trendy and that offer a clear-cut benefit or image. Additionally, teens like “newness” and therefore like to try new products, brands and fashions (Mogelonsky, 1998). In a letter to his son, Lord Chesterfield (1750) eloquently stated that “*If you are not in fashion, you are nobody.*” This is particularly true for teenagers who feel an extra pressure to be dressed well so as to be accepted by their peers. The key question then is who this segment turns to for fashion advice, expertise and information. The answer that we offer is celebrities. We propose that celebrities are influential opinion leaders for this segment, and that through them, marketers of fashion can reach the teen market and target them effectively.

THE IMPORTANCE OF OPINION LEADERS

In fashion, industry is a more powerful change agent than the consumer (Mitchell, 2001). However, though fashion is determined before it reaches the consumers' level, industry cannot dictate what fashion innovations will be accepted. Rather, it is the consumers, specifically opinion leaders, who are instrumental in the process of fashion acceptance (Sproles and Burns, 1994).

A basic assumption in diffusion theory is that some individuals, referred to as opinion leaders, are influential in persuading others to adopt products within a given social structure. The diffusion of information and how it influences lies at the heart of opinion leadership. Many attempts have been made to identify the characteristics of opinion leaders, and the findings will be presented in the next few paragraphs.

According to Cosmas (1980), opinion leaders are individuals who are knowledgeable about various topics and whose advice is taken seriously by others. They also tend to be very socially active and highly interconnected within the community (Darley and Johnson, 1993). Moreover, effective opinion leaders tend to be slightly higher than the people they influence in terms of status and educational attainment, but not so high as to be in a different social class (Rogers, 1995). This way, the leaders are still a part of their audience's reference group.

Opinion leadership is not a trait, but rather a role taken by some individuals under certain circumstances (Mitchell, 2001) and therefore everyday opinion leaders are difficult to locate. Two different techniques are typically used to identify common opinion leaders: the self-designation method and sociometry (Summers, 1970).

The self-designation method is the most commonly used technique in opinion leader identification. This method entails asking consumers whether they consider themselves to be opinion leaders. The problems with this method are obvious and therefore the results are not necessarily accurate. For example, in their study of male fashion opinion leaders, Darden (1972) found that some people who are truly influential may downplay their influence or may deny they even have this quality, while others overrate themselves. The second method, sociometry, involves tracing the communication patterns among group members. Those who tend to be sources of information can be identified by interviewing people and asking them who they seek out when they need information. In addition, sociometric methods can be used to track referral paths. This method is the more precise method but is also more difficult to conduct.

Opinion leaders are also seen as having special kinds of power: expert, knowledge, social and referent. (Rogers 1995) First, these leaders are perceived to possess "expert power" because they are technically competent and are convincing. Second, product opinion leaders have knowledge power because they generally have prescreened, evaluated, and synthesized product information in an unbiased way. They are attributed social power due to their standing in the community. Finally, they have referent power since they usually tend to be homophilous, or

similar in terms of education, social status, and beliefs with their opinion-seeking counterparts (Rogers, 1995)

The reason opinion leaders are so important for a marketer is because they can directly affect the diffusion of innovation by spurring new product interest as well as trial. Therefore, if a company wants to spread the word about a new product, they need to do whatever it takes to get the product in the hands of opinion leaders who bring legitimacy to the product by having perceived special knowledge about it. As mentioned above, it is often difficult to determine who the opinion leaders are for a particular segment, and even more difficult to figure out how to target them effectively. However, for the fashion industry, we believe that we can diminish this problem by naming celebrities as opinion leaders, in that that through them interpersonal communication about the latest fashions are facilitated.

Celebrities as fashion opinion leaders

Fashion opinion leaders represent a significant target market with high sales potential for the fashion marketer and furthermore, beyond their individual purchase capacity, they represent important change agents in disseminating fashion information to others during the fashion season. The goal of the marketer in reaching these opinion leaders is to stimulate positive word of mouth communication via them to the masses. In other words, the communication message should be tailored so that it's communicable in interpersonal channels, and can therefore lead to the diffusion of the particular fashion.

Previous research has shown that fashion opinion leaders compared to opinion followers tend to be more involved with the product class, tend to be more innovative in their purchases and are more knowledgeable about as well as more interested in fashion (Darley and Johnson, 1993). Additionally, they are involved in interpersonal communications about dress, involved in social activities and have high fashion interest (Darden 1972, Summers 1970). Baumgarten (1975) says that the general profile of opinion leaders are those who are cosmopolite, well integrated into peer social groups, socially active, younger and more gregarious. He adds that with fashion opinion leadership, research results have been consistent with those of the general profile. Finally, it has also has been shown in general that people who are innovative tend to have higher opinion leadership in the product category. (Darley and Johnson, 1993).

Based on the above statements, it seems reasonable to suggest that celebrities would fall under the category of fashion opinion leaders as they tend to be more innovative, are trendsetters, interested and knowledgeable about fashion and viewed as experts in this category. One might call them innovative communicators (Hirschman, 1978) in that an innovative communicator is characterized by early adoption which has some degree of innovativeness and by opinion leadership which has a measure of communicativeness (Hirschman, 1978) and celebrities tend to rank high on both innovativeness and opinion leadership.

The one aspect of opinion leadership mentioned in the previous section that celebrities do not fulfill is that of being peers to the general population, or more specifically of teens. Nevertheless, they may still serve as reference groups and thus as opinion leaders to this segment. This can be explained in part because reference groups have shifted to upper-income groups (Schor 2000), such as celebrities, and further, those who we wish to emulate are people higher up on the social ladder, with celebrities again serving as an illustration of this idea. Specifically, it is believed that preferences are determined socially in relation to the positions of individuals in the social hierarchy and individuals emulate the consumption patterns of other individuals situated at higher points in the hierarchy (Trigg 2001).

This is particularly true with products that are easily observable by others, or what Thorstein Veblen (1899) termed the “conspicuous consumption” of goods. Veblen's comment that “probably at no other point is the sense of shabbiness so keenly felt as it is if we fall short of the standard set by social usage in this matter of dress” (Veblen 1899, 103) is as apt today as it was then. Fashion and dress continue to be one of the main forms of conspicuous consumption, and therefore celebrities have tremendous potential power in helping to diffuse a particular fashion and getting others, namely teens to adopt it.

What Do Teens Think?

In the previous sections of the paper, we discussed what we meant by fashion, why teens are an important segment to target, the important role of opinion leaders in the diffusion process, and why we believe that celebrities may serve as the ultimate opinion leaders for the teen fashion industry. We wanted gain more insight into our proposed phenomenon of celebrities as fashion opinion leaders for this segment and therefore conducted a personal survey with 50 teenage students (30 female, 20 male), age 14-17, who lived in the NY area to get their opinions and thoughts on this matter. The survey consisted mostly of open ended questions asking them their thoughts on fashion, which celebrities they liked and other related questions. We then did a content analysis on the data and found that various themes emerged from the qualitative data with regards to teenagers feelings about celebrities as opinion leaders in the fashion market.

We present our findings in the following section, which is organized according to the major characteristics that fashion opinion leaders have been found to possess, namely high involvement with the product class, more innovative in their purchases, high fashion knowledge and interest, involvement in social activities, involvement in interpersonal communications, integrated into peer social groups and on a whole, younger in age.

Involvement with the product class (i.e. fashion)

There was unanimous support for celebrities fulfilling this criterion of opinion leadership. This is important because in order to have credibility in a particular product class, it is important

that the leader be personally involved with it. Everyone agreed that celebrities as a whole were more involved with fashion than the typical consumer. Partly because “how they look and dress is very important to their image, so they have to be involved” a 16 year old female offered. They also “never know when they’re gonna be photographed, so they have to make sure to look good” she continued. Additionally, according to a 15 year old female, “celebrities always know the latest fashions and often attend the latest fashion shows to keep up with the latest styles, so they are more involved with fashion.”

Innovative in their purchases

Again, no one contested that celebrities tend to be more innovative in their fashion purchases than the average consumer. First of all, “they have so much money that they can afford to buy the latest fashions,” an eloquent 15 year old male stated. Additionally, “celebrities are always on the brink of the latest styles. If a new fashion is in, you can be sure that celebrities will be strutting it around” a 14 year old chimed in. There was general agreement that celebrities tended to be on “the cutting edge” with their purchases. A 16 year old female offered that “celebrities want to stand out from each other and from the rest of us... and because they’re celebrities, they don’t have to worry that others will think they’re crazy for trying something new.” A different 16 year old female added that “They like to start trends and by being innovative they can do this.”

Fashion knowledge and fashion interest

Similar to the responses above, there was general agreement amongst the students that celebrities are highly knowledgeable about and interested in the latest fashion trends and styles. However the students differed on what the celebrities did with this knowledge. For example, one 14 year old female stated that, “take Christina Aguilera for example. I’m sure she is aware of what’s in and what’s out, so why does she dress like a total skank?” Similar comments were made about Brittany Spears. Yet despite these comments, it was generally agreed that celebrities had more knowledge available to them via “their stylists, designers and other celebrity friends,” as a female 15 year old put it. Finally, it was felt that because celebrities tend to be in the spotlight, “it is like a job requirement for them to be knowledgeable about the latest fashion trends because they do not want to commit fashion faux pas.”

Involved in social activities

The reason that this is an important aspect of opinion leadership, specifically for the fashion industry, is because the key to the successful diffusion of a particular fashion is that it be seen. In other words, the opinion leaders must make their dress socially visible so that others are

aware that this new fashion is “in.” Typically, this would be done at local parties or functions, however for celebrities this is clearly not the case, as they do not typically mingle with the average teenager. However, because of their many public appearances, hence their exposure to teens, this does not seem to be a problem. The primary mediums the students mentioned that they typically use to view what celebrities were wearing were award shows, “I love watching the Oscars and Golden Globes to see what all the celebs are wearing” TV interviews “TRL, Access Hollywood and E! are my favorites” and various other celebrity functions that are typically televised or photographed such as weddings, movie premieres and concerts.

An interesting finding that the teens pointed out was that seeing an advertisement featuring a celebrity in a new fashion or style did not have the same effect on them as seeing a celebrity in a non-paid form of media. For example, a 16 year old male stated, “If they’re getting paid for it, how do I know that they really like what they’re wearing?” A 15 year old female similarly said that “I’ll never call my friends after seeing an ad on TV or in a magazine and say ‘did you see what they’re wearing in that?’ Because it’s not real... But, if it’s an unposed for picture, I’m more likely to consider it a fashion I would try too.”

Involvement in interpersonal communications

Typically, the opinion leader learns about an innovation through mass advertising and then passes along the message via word of mouth to his/her friends. The goal of this type of communication is to get people talking and thinking about the innovation. While celebrities may be involved in interpersonal communications with each other, they are clearly not directly involved in communications with the general teenage segment. Nonetheless, celebrities fulfil this criteria by being visible and getting people to see them, and more importantly, getting them to talk about what they are wearing. One might argue that this is an even more effective measure of interpersonal communication because “seeing is believing.” Apparently, the teens felt the same way. For example, an enthusiastic 16 year old female stated “After watching an award show, I’ll spend the next few weeks talking with my friends about what all the celebrities were wearing, and then we’ll go shopping and try to find similar things for ourselves.” Other students responded with similar statements.

Integrated into peer social groups

It was not our intention to argue that celebrities were peers of teenagers per se but rather that teenagers wanted to be like celebrities and dress like them despite the difference on the social ladder. We were particularly interested in which celebrities teens most closely identified with. The results were particularly interesting for this question in that there was general support for our first argument, but with very specific opinions on which celebrities the teens wanted to emulate and which they didn’t.

The overwhelming majority of them named various celebrity singers as stars that they most closely identified with and looked to for fashion advice and styles. For the females, names like Jennifer Lopez (J Lo), Madonna, Ashanti, Lil Kim, Alicia Keys, Eve, Avril Levine, Jessica Simpson, and Mandy Moore ranked high. For the males, Snoop Dog, P. Diddy, Fabulous, Lincoln Park, Metallica, Eminem, Puffy, Nelly and Jay Z were commonly cited.

When asked specifically about what made them want to dress like these celebrities, various answers were offered. One 15 year old female stated that “They have their own unique fashion. They don’t look to others for trends but set their own.” Another 15 year old female said “They’re fashionable and cool and wear things I like to wear.” A 16 year old female similarly believed that “They’re just very cool and dress really well.” A 14 year old female liked that “Ashanti can look very classy and gangsta at the same time.... Lil Kim is very outgoing and doesn’t care what anyone says.” The most common adjectives cited amongst the females were “cool, real, stylish and trendy.”

The males had somewhat similar responses. A 15 year old male particularly liked P Diddy because “he’s cool, dresses well and is popular.” Another said “I like their style and their clothing.” Overall, the males particularly liked the “baggy jeans, spikes, grungy clothes, rebel” look that these celebrity singers seem to have going.

Tend to be younger

Interestingly, the ages of the celebrities that seemed to serve as reference groups for the teens ranged from late teens (e.g. Mandy Moore) to early 40’s (e.g. Madonna), with the overwhelming majority of them being in their early 20’s and 30’s. In addition to the singers mentioned above, some of the other celebrities looked to for their fashion taste and advice were Sarah Michelle Gellar, Melissa Joan Hart, Jennifer Love Hewitt, Nicole Kidman and Jennifer Anniston, all women who are significantly older than the teens sampled. Even more interesting was that none of them cited younger teenagers closer to their own age as fashion experts. When this was pointed out to them, with the Olsen twins used as an example, the typical response was “while they (Olsen twins) are cute, they’re too teeny boppery, we’re way passed that stage...my little sister likes them, not me!” as a 15 year old female put it.

There also appeared to be a division amongst the female students with regards to whose style they most wanted to emulate: those of the actresses mentioned here versus the singers mentioned previously, with the overwhelming majority belonging to the latter group. For the group who favoured the actresses, reasons such as “they dress more classy and fine” were given, whereas with the singers adjectives such as “casual, stylish and cool” were more commonly cited.

IMPLICATIONS AND LIMITATIONS

Our research has several implications for fashion designers in the diffusion of their continuously dynamic innovations. First, rather than spend enormous amounts of time and money on figuring out who the local opinion leaders are for a particular segment and determining how to best reach them, which as mentioned previously is a complicated expensive process, designers can spend more time on influencing celebrities, (as based on our research there seemed to be overwhelming support that teenagers view celebrities as fashion opinion leaders,) to wear the new styles in public places such as award shows, interviews, on their daily excursions and other places typically seen by teens. This will have the same desired effect of word of mouth communications facilitated by traditional opinion leaders, because as demonstrated above, people that see them dressed in a particular fashion are likely to talk about it with their friends. And even more importantly, they are likely to try a new style if they see a celebrity wearing it.

Second, it appears that not all celebrities serve as opinion leaders for the teen market. For example, much younger celebrities (e.g. the Olsen twins) were not mentioned and neither were models. However, there was a lot of interest in celebrity singers, who were considered to be cool, stylish and real. It therefore appears that if designers can get these aforementioned celebrities to wear the new styles, this will likely result in a successful diffusion of it for the teen segment. And depending on the style, (i.e. funky vs. classy) different types of celebrities (i.e. singers vs. actresses) could be used to be most effective.

Finally, one of the more interesting findings that our research yielded was that the effect of seeing a celebrity wearing a particular style in a commercial or some other paid form of advertisement was much less effective for teens than seeing them on an award show or pictured casually in a magazine, which they felt displayed a more real and legitimate image. Apparently, credibility was a big issue for the teens and they felt that being paid to wear something was not reflective of personal tastes or likes by the celebrities and therefore would not be influential in getting them to adopt a new fashion.

As far as limitations, clearly this research is more exploratory in nature than conclusive and therefore lacks external validity. We also only focused on the teen market and therefore cannot generalize the results to the rest of the population. Further, the teens we selected were all from New York, and may have been more interested in fashion than teens around the country, due to the fact that New York is one of the major fashion houses in the world. Yet, despite these limitations, we believe that our findings provide a good foundation for future research looking at the roles of celebrities as opinion leaders for teens as well as other segments. More interviews can be conducted to gain further insights, and then ideas can be tested more formally via surveys and questionnaires.

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MEETING THE CHALLENGE OF MARKETING INTANGIBLES

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ABSTRACT

A major characteristic that distinguishes services from goods is intangibility. Intangibility means that a service is not physical and cannot be perceived by the senses (Pride and Ferrell, 2010). The intangibility of services makes them more difficult than goods for consumers to evaluate (Kerin, Hartley, Rudelius, 2010). This paper focuses on the challenges of marketing services due to their intangibility.

INTRODUCTION

In most developed countries, services account for nearly 70 percent of gross domestic product (Pride and Ferrell, 2010). The overwhelming majority of marketing literature discusses the marketing of goods. The principles of marketing texts might have an entire chapter on the marketing of services. It is usually less coverage than one chapter devoted to this important topic.

This paper focuses on the selection of an attorney because it is one of the most important decisions for many consumers and businesses. This research examines the complexity of the decision making process through a review of literature and attempts to analyze the importance of various factors considered in selecting an attorney. These concepts could also be used in selecting a lawn care service, dog walker, roofer, and a multitude of other service providers.

The large number of attorneys from which consumers and businesses may choose will often make the decision more difficult. Categorizing the legal issues one has and selecting the attorney based on the firm's expertise is a daunting and complex goal in the selection process. The process of finding an attorney is similar to finding an accountant, banker, or doctor, which would make the findings in this paper applicable to many other service providers. One is looking for expertise and someone with whom one feels comfortable (Rosenberg, 2003).

Many studies have been done on how businesses select attorneys. Many business owners find attorneys through referrals, other company owners, accountants, or bankers (Rosenberg, 2003).

The majority of research focuses on how businesses select an attorney. This paper focuses on how consumers select an attorney.

METHODOLOGY

The author administered surveys by means of campus e-mail to the faculty and staff of a mid-sized state university in the Midwest to determine what factors were important in the selection of an attorney. All levels of employees at the university were asked to respond to the survey. There were 1522 surveys sent out and 451 were completed, resulting in a 29 percent response rate. This was intended as a pilot study. A future paper will include a more representative sample of the general population.

Respondents were presented with a list of factors that they might have considered in the selection of an attorney. They were instructed to check-off the factors they considered. The list of factors included television commercials, reputation of the attorney, reputation of the law firm, convenient location, attorney is a friend, attorney is a relative, yellow page advertisement, fee structure, referral from another attorney, referral from a bar association, referral from a friend or relative, and the Internet. Further, the respondents were asked to indicate their level of importance to different aspects of selecting an attorney on a scale of 1 to 5 (1 indicates no importance and 5 indicates the highest level of importance). The survey (see Appendix A) measures the importance of reputation of the attorney, reputation of the law firm, location of the law firm, and fees.

SURVEY RESULTS AND DISCUSSION

The survey results indicated that 38.5% of the respondents considered referral from a friend or relative in the selection of an attorney. Reputation of the attorney came in second place with 33.8%. Reputation of the law firm came in third place with a figure of 23.4%. The attorney is a friend came in fourth place with a score of 14.3%. Convenient location and referral from another attorney tied with 10.4%. Yellow page advertisements were next with 6.9%. Fee structure and attorney is a relative were next with scores of 4.8% and 3.5%. Referral from a bar association and television commercials were tied at 1.3%. The Internet came in last place with less than 1% of the respondents indicating that they used it in the selection process of an attorney.

The survey results demonstrate the tremendous importance of word-of-mouth communication because the respondents considered the referral from a friend or relative more than any other factor in the selection of an attorney. Reputation of the attorney came in second place, which is often based on word-of-mouth.

Research does support the importance of word-of-mouth communication. Word-of-mouth is more important than advertising because the source is seen as more reliable and capable of providing the potential buyer the impetus to take action (Day, 1971). When differences between brands are ambiguous and objective criteria to assess products are lacking, consumers often draw from the experience of others as a form of vicarious trial. This is particularly true in

the case of services such as seeking legal advice, which would be hard to evaluate (Hanna and Wozniak, 2009).

Referral from friend or relative	38.50%
Reputation of the attorney	33.80%
Reputation of the law firm	23.40%
Attorney is a friend	14.30%
Convenient location	10.40%
Referral from another attorney	10.40%
Yellow page advertisement	6.90%
Low fees	4.80%
Attorney is a relative	3.30%
Referral from a bar association	1.30%
Television commercial	1.30%
Internet	0.90%

Because of the intangible nature of services, customers rely heavily at times on price as an indicator of quality (Pride and Ferrell, 2010). A client who is measuring the quality of the lawyer based on the fees could be hesitant to use the attorney who charges the lowest fees.

A law firm could consider using a tangible symbol in their promotion. For example, Prudential uses the Rock of Gibraltar as part of their promotion. When the author of this paper was boating past the Rock of Gibraltar one of the passengers asked if it was named after the Prudential Insurance Company. This is an example of a symbol that can stimulate conversation. Later in the paper it will be discussed how marketers can stimulate word-of-mouth. The point is that any service firm could develop their own tangible symbol to be used in their promotion.

The author expected yellow page advertising to be a more important factor in the selection of an attorney. Yellow pages accounts for 5.7% of total advertising expenditures. In 2004, \$13,896 million dollars was spent on yellow page advertising. (www.naa.org/info/facts04). Lorne McLeon has been a practicing attorney for over twenty years. He believes that yellow page advertising is responsible for 75% of his new business with the remainder being generated by lawyer referrals and from his website (Bowden, 2004). On the other hand conversations with a few local attorneys indicated that they were not surprised by the lack of importance placed on yellow page advertising. They stated that word-of-mouth is the most important factor in attracting clients.

Based on the results of the survey, it is suggested that attorneys concentrate their promotional efforts on developing strategies that stimulate favorable word-of-mouth communication among their target market.

Networking would be very important for attorneys because referral from a friend or relative is the most important factor in selecting an attorney. Networking can be difficult to implement because it can require one to go out of their comfort zone. One suggestion is to attend events where at least 50 people will be in attendance. Spend time with people you do not

know to make new acquaintances. It is best to connect with a few interesting people than with everyone at the event. Another suggestion is to listen more than talk. After listening to someone, a decision can be made on whether they are worth pursuing. Another idea is to use current contacts to get new ones. Ask the satisfied clients if they know of anyone who could benefit from your services. A possible marketing strategy for attorneys could include sending handwritten messages or cards to clients. Many people like the personal touch (Farber, 2002)

Attorneys should consider diversity as a way to differentiate their firm. A study indicated that favorable outcomes resulting from diversity include an improved corporate culture, recruitment, client relations, and higher employee retention. An additional benefit is profitability (Daniels, 2004). An increasing number of domestic and overseas clients expect minorities to be on the team working on their legal issues. Holland and Knight, an international law firm, has more minority law partners than any other firm in the country, according to a recent study by the Minority Law Journal (Marketing Roundup, 2002). A diverse legal staff would be a way for a law firm to differentiate their offering from those of competitors.

FUTURE RESEARCH

A future paper will focus on a comparative analysis on how senior citizens select a law firm compared to younger target markets.

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Appendix A
ATTORNEY SURVEY

If you have you used an attorney within the past five years, please answer all of the following questions about the attorney you have used most recently.

How did you select the attorney? (Check all that apply)

- television commercial
- reputation of the attorney
- reputation of the law firm
- convenient location
- attorney is a friend
- attorney is a relative
- yellow page advertisement
- he/she charges less than other attorneys (lower fee structure)
- referral from another attorney
- referral from a bar association
- referral from a friend or relative
- Internet

Please indicate how important the following variables were to you when you selected the attorney. A rating of 1 indicates that it is very unimportant and a rating of 5 indicates that it is very important.

Reputation of attorney	1	2	3	4	5
Reputation of law firm	1	2	3	4	5
Location of law firm	1	2	3	4	5
Fee charged by the attorney	1	2	3	4	5

Please indicate your level of agreement on a scale of 1 to 5 with the following statements. A rating of 1 indicates that you strongly disagree and a rating of 5 indicates that you strongly agree.

Television advertising tarnishes the image of the law firm.	1	2	3	4	5		
It is important for a law firm to have a web site.			1	2	3	4	5
I was very satisfied with the attorney I most recently used.			1	2	3	4	5

What is your gender?

What is your age?

ACTIVE ADULT COMMUNITIES: A DEVELOPMENT OF HYPOTHESES REGARDING CONSUMER ATTITUDES AND PREFERENCES

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ABSTRACT

This paper presents a preliminary study which is utilized to develop a series of hypotheses regarding the attitudes and preferences of mature adult consumers pertaining to age-qualified active adult communities. The exploratory study was conducted among 400 heads of household, 52 years of age or older; residing in the potential draw area for a concept Active Adult Community. The areas of hypotheses development include: 1) Target buyer characteristics and information sources, 2) Community design preferences/amenities, 3) Location preferences, 4) Specific product features desired, and 5) Impact of economic conditions on respondents' purchase intentions. These hypotheses are presented for future empirical testing.

INTRODUCTION

As the population ages, “the single most important demographic trend in the United States is the changing age structure of the population...The post-World War II baby boom produced 78 million baby boomers, born between 1946 and 1964” (Kotler & Armstrong, 2010, p.70). In a study conducted by the MetLife Mature Market Institute and the National Association of Home Builders, it is projected that the population of Americans 55+ will increase to 26% of the U.S. population by 2014 from 23% of the population in 2007 (MetLife, 2009, p.4). In terms of housing, the demographic trend of an aging society should drive demand for active adult housing in the context of age-qualified communities.

Many expect “the active adult retirement community (AARC) business to account for between 20 and 30 percent of all housing by the year 2020” (Becker, 2001, p.299). Active adult communities are an “antidote to negative stereotypes of older age as a period of decline in physical and social competencies” (McHugh & Larson-Keagy, 2005, p.252).

However, “marketers must be careful to guard against stereotypes when using age and lifecycle segmentation” (Kotler & Armstrong, 2010, p.194). “The simple fact that the baby boomers are aging does not guarantee that they will behave in the same way as previous generations...Research also suggests that the market for retirement housing and long-term care is

heterogeneous” (Gibler, Lumpkin & Moschis, 1997, p.119), not all aging adults will seek the same type of living arrangements. “People over age 50 are not a homogeneous demographic group and...their wants and needs differ” (Cecilian, 2001, p.119). Even boomers current views on how and where they would like to spend their retirement are not necessarily a reliable indication, “as their attitudes are likely to change as they reach retirement age” (Logan, 2001, p.38).

In this paper we seek to develop a number of hypotheses regarding age-qualified active adult communities based on a preliminary study. The areas of inquiry include: 1) Target buyer characteristics and information sources, 2) Community design preferences/amenities, 3) Location preferences, 4) Specific product features desired, and 5) Impact of economic conditions on respondents’ purchase intentions.

BACKGROUND

ACTIVE ADULT COMMUNITIES

Adult age-restricted communities have been around in the United States dating back to the 1920’s, when various non-profit organizations acquired property in Florida to establish sponsored supportive living environments for retiring members (Hunt et al., 1984, p.1). According to a study by the MetLife Mature Market Institute (2009, p.4) the share of Americans 55+, living in age qualified active adult communities is on the rise; those “living in adult age-restricted communities grew from 2% of all U.S. households in 2001 to 3% in 2007.”

It has been proposed that housing options for the mature market can be viewed “on a continuum starting with independent living choices to assisted living to nursing facilities that provide 24 hour care” (Timmermann, 2006, p.23). More formally, based on case studies of 18 retirement communities, Hunt et al. (1984) developed a multi-dimensional typology of retirement communities. Five basic types were identified: 1) New Towns, 2) Retirement Villages, 3) Retirement Subdivisions, 4) Retirement Residences, and 5) Continuing Care Retirement Centers (Hunt et al., 1984, p.249-261). The typology is based on four major attributes: 1) Scale of the community, 2) The characteristics of the population, 3) The kinds and amounts of services offered, and 4) The sponsorship or auspices under which the community was built (Hunt et al., 1984, p.10).

“Retirement communities (i.e. active adult communities) will continue to evolve with a less single-minded focus on recreation. Retirees have made major shifts from the early days of the initial Del Webb facilities of the late 1950’s and early 1960’s. However, the industry viewpoint, confirmed by research (Logan, 2001) indicates that “active adult buyers purchase lifestyle, not housing” (Cecilian, 2001, p.124). “Lifestyle amenities...will make the purchase decision for the buyer” (Cecilian, 2001, p.135). Reviewing case studies of Arizona retirement communities, McHugh (2007, p.296) notes that such communities promote themselves as

offering: “active leisure”, which is seen as “healthy for mind and body”, and which “serves as an antidote to aging and negative stereotypes of older age.”

TARGET BUYER

“Knowing what is important to the consumer is critical because it enables the developer to make adjustments to community programming, design, amenities, and other items” (Logan, 2001, p.50). A study conducted by the MetLife Mature Market Institute (2009, p.30) found the top five reasons why age-qualified active adult households 55+ chose to move. These were: 1) family/personal reasons, 2) financial/employment related, 3) change in marital status, 4) want a better quality house, 5) want less expensive housing.

“Active adult buyers remain in the buying cycle longer than traditional buyers” (Cecilian, 2001, p.122). From a consumer behavior viewpoint, “older adult buyers are sophisticated, savvy, and experienced. This is not their first home purchase, and mature adults have the time and the inclination to shop carefully” (Cecilian, 2001, p.134).

“Different age cohorts within the active adult market are likely to have different needs and preferences...The active adult market is generally considered to encompass those aged 55 to 74; outlooks and needs vary among those aged 55 to 59, 60-64, 65-69, and 70 to 74” (Logan, 2001, p.41). Considering the timeline for build out, the preferences of prospective buyers 50-54 need to be taken into account as well (Logan, 2001, p.41). “Many of these buyers will not retire as their parents did but will continue working from their new home in an active adult retirement community” (Becker, 2001, p.292). It has been found that active adult communities “are increasingly attracting households *under 60* who are still working.” The share of households under 60 in age-qualified active adult communities “almost doubled from 2001 to 2007” and in 2007 exceeded 20% of residents (MetLife Mature Market Institute, 2009, p.38).

Terms used in connection with the Active Adult housing market include “Primary Market Area (PMA) which is the geographic area from which the majority of buyers will be drawn.” “Secondary Market Area” (SMA) is defined as the secondary market areas from which additional buyers may emanate; “Competitive Market Area” (CMA) is defined as the area within which similar real estate developments may compete for available consumer demand on a more or less equal basis” (Logan, 2001, p.47).

The study by the Mature Market Institute (2009, p.59) found the top five reasons why households 55+ selected a particular age-qualified active adult community when looking for a new home. These were: 1) Like the design of the community, 2) close to friends/relatives, 3) close to leisure activities, 4) like the particular housing unit 5) close to public services.

Gibler, Moschis & Lee, (1998) conducted a national survey of consumers over 55. Among respondents planning to live in a retirement community, it was found that the top three preferences identified as important were “access to medical services, public transportation, and shopping. In addition, they expect the retirement community to offer them greater social

contacts and activities, while reducing their household chores and providing personal care services.”

In research of the decision making process in selecting retirement housing, Livette (2006) determined that a limited problem solving decision process was used rather than an extended problem solving process as would be expected based on the importance of such a decision. These findings were ascribed to a possible difficulty, especially for older consumers, of information processing, particularly when a satisfactory, but not necessarily optimal, choice was at hand. Gibler, Lumpkin & Moschis (1997) note that previous research has indicated that the factors that influence consumer selection of housing can be classified as three types of variables. These are: “a) predisposing, motivating, or triggering factors; b) enabling factors: and c) inhibiting factors” (Gibler, Lumpkin & Moschis, 1997, p.119). An example of a predisposing variable might include positive attitudes toward active adult housing and interest in that type of housing. An enabling factor might be the level of access to financial resources, and an inhibiting factor might be a negative perception of an adult community as limiting and too homogeneous (Gibler, Lumpkin & Moschis, 1997).

Livette (2007) conducted a study of buying roles in the selection of retirement housing in the United Kingdom. The study found that more than seventy-five percent of “respondents answering the question about influence, reported the advice of children and other relatives to have been important/very important. Almost all of those identifying children as an influencer considered their opinions to have been important/very important” (Livette, 2007, p.246).

LOCATION

Research by the Del Webb company has “indicated that more than 80 percent of people prefer to retire close to home, near family, friends, and other longtime personal and professional ties” (Suchman, 2001, p.242). Gibler, Moschis & Lee, (1998) found 47% of respondents identifying distance from friends and relatives as important.

In terms of proximity to relatives, an analysis of data from the National Survey of Families and Households (Bumpass & Sweet, 1987); Rogerson, Weng & Lin (1993) found that of adults “with both parents alive and living together, almost one-fourth live within five miles; and more than one-half live within thirty miles...The median distance was found to be twenty-five miles.” In a survey conducted by Harris Interactive Polling, for the Del Webb Corporation (Klebba, 2005) it was found that “47% of all respondents (ages 41-69) who will move, say staying within three hours of family would be an important consideration about where to relocate for retirement.” “There’s a secret weapon in our business and it’s called grandkids...staying close to family and friends, and maintaining links to their community are important things to them,” according to Dave Schreiner, vice president of active adult business development at Pulte Homes, the owner of the Del Webb brand (Klebba, 2005).

PRODUCT DESIGN

As active adult communities continue to evolve, “the basic housing stock has become much larger, utilizes the most contemporary equipment, and provides various creature comforts. Plans are open with rooms flowing into one another. Views outside connect with the inside, and clerestories and skylights introduce light into dark/private areas of the plan” (Regnier, 2003, p.114-115). “In terms of product, research indicates that most prefer detached housing” (Logan, 2001, p.41). According to a study by the MetLife Mature Market Institute of households 55+ who chose a particular house in an age-qualified active adult community (2009, p.59); the top five reasons for buying a particular new house in such a community were: 1) like room layout/design, 2) like the size of the house, 3) financial reasons, 4) like the view, 5) like the kitchen.

ECONOMICS

One inhibiting factor in relocating to an active adult community is the sale of the current residence. This is a demographic as well as an economic problem. From a demographic standpoint, Haas and Serow (2002, p.160) note “The smaller cohorts behind the baby boom will ultimately lower the growth rate of demand for housing. Hence the baby boom may find a rather flat real estate market. Even though only a small fraction will ponder retirement relocation, those who do may experience difficulty in selling their home.” Since, “the purchase is purely discretionary, buyers have no sense of urgency” (Cecilian, 2001, p.134) and the purchase can be easily postponed.

To respond to the economic downturn and concerns of potential purchasers, active adult community developers such as Del Webb and Eriskson Retirement Communities are offering various forms of economic assistance to help potential purchasers. These include: financial credits to help incoming residents hire professional “home stagers” to assist in selling their current residences, covering the first several mortgage payments on the new residence, allowing purchasers to rent their new residence with credit being applied to the purchase price (Der Hovanesian, 2008, p.16). Cambridge Home's adult community has offered a \$40,000 discount on the purchases of a new home and has made contracts contingent on the sale of the previous residence (Adler, 2010). Some consumers rationalize and try to reframe the situation, one stated that “Your house isn’t worth what it was before, but neither is the new one...it’s a wash” (Adler, 2010).

Interestingly, “research indicates increased demand for age-restricted communities comes at the very same time builders are postponing new development plans because of the economic downturn” (Morse, 2009). According to Dave Schreiner of Pulte Homes/Del Webb, potential buyers may need to “recognize they may have to save more money or start thinking about a

semi-work, semi-retirement arrangement...a large number of Del Webb residents are starting new businesses, getting retrained, and staying connected to the workforce” (Klebba, 2005).

METHODOLOGY

The population for this preliminary study consisted of residents of identified suburban communities of a major Midwestern metropolitan area whose demographic profile defines them as prime target prospects for an active adult community. These were:

Households where at least one member was at least 52 years of age or older and would be willing to spend at least \$150,000 if they were to buy a home. This group included both men and women.

The “Primary Market Area” (PMA) (Logan, 2001, p.47) was defined as all the municipalities within an arc whose outer edge is 25 miles distant toward the north, north east, east, south east and south from a prospective site located in a town within a metropolitan area located 50 miles west of a major Midwestern city.

There are 61 communities (towns and villages) included in the PMA draw area. These towns and villages have a total population according to the 2000 Census, of approximately 1.26 million. Twenty-two percent of that population (277,579) is in the 52+ age segment of interest. The typical household including an individual at least 52 years of age is composed of roughly 2.1 people. Hence, there are about 132,180 target households in the PMA. The actual sample for this study consisted of 400 individuals drawn randomly from the population described and distributed roughly proportionately across the 61 towns identified as high potential. A sample of 400 respondents was selected because it was of sufficient size to reliably and accurately measure consumer attitudes and perceptions ($n = 400$, maximum error in results reported at the 95% level of confidence = ± 5 percentage points).

All data were collected by means of random computer assisted telephone interviews (CATI) conducted with the assistance of a Midwestern marketing research firm. Once individuals were successfully screened into the study, the survey instrument was administered. It required about 17 minutes to complete. All interviewing was completed over a one month period.

The goal was to answer the following types of preliminary research questions related to developing a series of hypotheses regarding active adult communities: 1) Target buyer characteristics and information sources, 2) Community design preferences/amenities, 3) Location preferences, 4) Specific product features desired, and 5) Impact of economic conditions on respondents’ purchase intentions.

The study presented respondents with a concept statement regarding a suburban age-qualified active adult community which would be identified as a “Retirement Village” according to the Hunt taxonomy (Hunt et al., 1984, p.249-261). The presented site was an outlying suburb about 50 miles west of a major Midwestern city.

The housing product itself was presented as a detached single-family home. Respondents were presented with the following concept statement:

We would like your reactions to a new, age restricted community for active adults over 55 years of age. The proposed community will include 3 series of single family homes, ranging from \$200k up to \$380k. Amenities will include a clubhouse/grand lodge, social clubs & activities, a swimming pool, tennis courts, walking trails, and also a distinctive, gated community entrance. (The site was identified as located in a town 50 miles west of a major Midwestern city/metropolitan area).

All data collected in this study were coded, tabulated and cross-tabulated. An initial tabulation of the data indicated that some of the cells had little or no data captured and were therefore eliminated. As appropriate, tests of statistical significance were employed at the 95% confidence level to highlight statistical differences across sample cells. The sample of 400 target respondents resulted in a maximum error in results reported at the 95% level of confidence equal to +/- 5 percentage points.

FINDINGS AND HYPOTHESES DEVELOPMENT

Sample characteristics are provided in terms of gender, age, employment status and current home ownership (see Table 1). The sample was made up of respondents 52+ years of age, 43% male and 57% female, with 94% currently owning their own home.

N=400		Total Sample %
Gender	Male	43
	Female	57
Age	52 but less than 55 years	30
	55 but less than 65 years	42
	65 but less than 75 years	23
	75 years or older	5
Employment	Employed	53
	Retired	45
	Refused	2
Ownership	Own Home	94
	Rent	6

The 400 respondents, screened into the study, who currently reside in the Primary Market Area, included 140 individuals who indicated that they had plans to purchase a new residence (see Table 2). Of those 140 respondents, 11% had plans to purchase “next year”, 29% intended to buy in the “next one to two years”, and an additional 17% indicated a buying intention in “two to three years”.

Intentions	Total Sample % (N=400)	Plan to Purchase % (n=140)
Next year, if affordable	4%	11%
Next 1 to 2 years	10%	29%
Next 2 to 3 years	6%	17%
Next 3 to 4 years	6%	17%
Next 5 years or more	9%	26%
Have no plans to purchase	65%	
Question: Which of the following statements <i>BEST</i> describes your current situation? Would you say you plan to purchase a new home:		

Respondents were then asked to indicate their purchase probability defined as “seriously consider such an age-restricted community as a place to purchase a next home” (see Table 3). Specifically, 15% of respondents indicated they would consider the concept community (likely/extremely likely).

Probability (N=400)	Total Sample %
Extrm Likely	3
Likely	12
Likely + Extrm Likely (total)	<u>15</u>
Undecided	18
Unlikely	30
Extremely Unlikely	37
Unlikely + Extrm Unlikely (total)	<u>67</u>
Question: Given what you have just been told about the concept community, how likely would you be to seriously consider it as a place to purchase your next home?	

Sales of residences in a given active adult community are predicated on awareness and knowledge of that property being established through effective use of media which motivates consumers to visit. Prospects for active adult communities employ a variety of sources to inform and educate themselves as to what is available and where the developments are located (see Table 4).

The findings indicate that internet resources and newspapers were the key means used by target buyers to learn about active adult communities in the metropolitan study area (Table 4). Internet realtors, such as iNest.com, appear to be the most frequently visited websites. Word-of-mouth was also found to be a significant source of information. From a promotions perspective, it is important to recognize that negative experiences need to be avoided or mitigated since older consumers have been found to communicate negative word-of-mouth to a greater extent than younger ones (Aron et al., 2008).

Sources (N=400)	Total Sample %
Internet realtors	46
Realtor websites	7
Builders websites	3
<u>Internet Sources (net)</u>	<u>53</u>
Newspapers	41
Word-of-mouth	19
Realtors	12
Direct Mail	7
TV Commercials	4
Radio Commercials	2
Roadside billboards	1
Other responses	3
<u>Other Sources (net)</u>	<u>45</u>
*Totals add to more than 100% due to multiple mentions.	

Based on these findings, it is hypothesized that:

- H1a The internet is a significant key information source for mature consumers when seeking purchasing information on active adult communities.*
- H1b Newspapers are a significant key information source for mature consumers when seeking purchasing information on active adult communities.*
- H1c Word-of-mouth is a significant key information source for mature consumers when seeking purchasing information on active adult communities.*

N=400	Total Sample %
Visited (net)	<u>52</u>
Last Month	18
2 or 3 months ago	18
4 to 6 months ago	11
7 months ago or more	5
No/Don't Recall	<u>48</u>

Overall, about one-half of the participants in this study indicated they had visited an active adult community (see Table 5). Almost one-half of these had done so in the last six months while about one in five have done so as recently as last month. A direct relationship was found between planning to purchase a home in the near future (next three years) 57% and visiting an active adult community, 52% (Tables 2 & 5)

It is therefore hypothesized that:

- H2 There is a direct positive relationship between mature consumers planning to purchase a new home in the next three years and making an onsite visit to an active adult community.*

Community amenities offered are obviously important considerations in the purchase of any new home, including one in an active adult community. Older individuals in the market for a home in an active adult community have criteria that make them unique among home buyers. The respondents were asked to rate 10 potential amenity factors in terms of their importance in the purchase of a home at an active adult community.

Table 6: IMPORTANCE OF AMENITY FACTORS IN PURCHASE AT AN ACTIVE ADULT COMMUNITY MEAN RATINGS	
Factors (N=400)	Total Sample %
Living in a home that is low or no maintenance	3.87
Grassy park areas and attractive landscaping	3.70
Walking and biking paths, within the community	3.64
Diversity of home types	3.53
Age, income and characteristics of the surrounding area	3.30
People like me live there	3.27
Clubhouse with recreation rooms for parties and hobbies, fitness center and a pool	3.26
Gated community entrance	3.04
A distinctive community entrance	2.90
Planned activities and events for residents	2.88
Question: Please rate the importance of each of the following factors in your potential decision to purchase a home in this Active Adult Community. Scale of 5 = "Extremely Important," 4 = "Important," 3 = "Undecided," 2 = "Unimportant," and 1 = "Extremely Unimportant" to do this.	

The findings indicate that low maintenance, park areas and attractive landscaping, walking and bicycle paths, and a diversity of home types were among the top community aspects desired (Table 6). These characteristics are supportive of the findings of Gibler, Moschis & Lee (1998). The findings also provide support for the contention that "buyers purchase lifestyle, not housing" (Cecilian, 2001, p.124) and that design of the community is of critical importance (Mature Market Institute, 2009, p.59). It is therefore hypothesized that:

- H3a Low maintenance is a significant key amenity factor in the purchase decision at an active adult community.*
- H3b Park areas with attractive landscaping are a significant key amenity factor in the purchase decision at an active of adult community.*
- H3c A diversity of home types is a significant key amenity factor in the purchase decision at an active adult community.*

Findings indicate that the top two location characteristics include proximity to shopping and entertainment, and proximity to children and grandchildren (see Table 7). The findings also reveal the importance of proximity to public transportation.

Factors (N=400)	Total Sample %
Close to shopping and entertainment	3.77
Close to my children and grandchildren	3.67
Convenient to public transportation	3.54
Close proximity to major highways	3.43
Close to where I am living now	3.06
Question: Please rate the importance of each of the following factors in your potential decision to purchase a home in this Active Adult Community. Scale: 5 = <i>Extremely Important</i> ; = <i>Extremely Unimportant</i> .	

These findings are in accord with previous research regarding the importance of proximity to relatives (Klebba, 2005; Suchman, 2001; Gibler, Moschis & Lee, 1998; Rogerson, Weng & Lin 1993). Based on these location factor findings, it is hypothesized that:

- H4a Proximity to shopping and entertainment is a significant key location factor in the purchase decision at an active adult community.*
- H4b Proximity to children and grandchildren is a significant key location factor in the purchase decision at an active adult community.*
- H4c Proximity to public transportation is a significant key location factor in the purchase decision at an active adult community.*

The respondents were asked to rate 11 potential home design features in terms of their importance in purchase of a home. More so than any other feature participants in the study most frequently prefer new residences with a patio or deck (see Table 8).

Importance of Features (N=400)	Total Sample %
Patio/Deck	3.90
Luxury master bathroom separate shower and bath tub	3.56
Porch	3.50
Oversized closets (reducing room size)	3.42
Brick on front of home	3.35
Office/den	3.31
Sun Room	3.20
Eating/breakfast bar	3.17
Nine foot ceilings on first level	3.12
Vaulted, volume ceiling in great room/Family room	2.95
Vaulted, volume ceiling master bedroom	2.65
5 = Extremely Important, 4 = Important, 3 = Undecided, 2 = Unimportant, and 1= Extremely Unimportant	

Regarding home design features it can be hypothesized that:

- H5 A patio or a deck is a significant key home design feature considered in the purchase decision of a particular residence at an active adult community.*

It is surmised that many consumers will be impeded from this type of purchase by the present deteriorated real estate market which will significantly impact their ability to sell their existing homes. Buyers have a definite concern about selling their current residence before purchasing. Three of four respondents indicated they were not likely to consider buying a home in an active adult community until they sold their existing home (see Table 9).

Table 9: Likely To Buy At Age-Restricted Community Not Having Sold Current Home	
N=400	Total Sample %
Yes	23
No	77
Question: Assuming you were in the market for a new house, and you have not as yet sold your present home, would you still buy a home at an Active Adult Community?	

When asked what the impact on their purchase intentions of potentially receiving less for their present home, because of the real estate downturn, the answers were surprising. Almost, 60% said a 5% decrement would have little or no impact while almost half felt this way about a 10% decline (Table 10). However, in the Midwestern state where the concept community is located, estimated median home values declined by 27.19% from \$247,599 (January 2007) to \$180,285 (January 2010) according to Fidelity National’s automated valuation model (cyberhomes.com, 2010). A direct straight-line extrapolation of the data indicated that at the level of a 30% price decline, the negative impact on purchase intentions rose to 89%.

Table 10: Effect On Purchase Of Selling Current Home For Less Than Expected Price		
Impact of Price Declines on Purchase Decision (N=400)	Total Sample %	
Selling Current Home at 5% Less:	High Probability of impact	22%
	Somewhat	22%
	A Little	14%
	Not at All	42%
Selling Current Home at 10% Less	High Probability of Impact	35%
	Somewhat	18%
	A Little	12%
	Not at All	35%
High Probability of impact of Selling Current Home at 20% Less		71%
High Probability of impact of Selling Current Home at 30% Less		89%
High Probability of impact of Selling Current Home at 35% Less		98%
Question: Assume that you wanted to buy a new home in the proposed community, but were forced to sell your current home for X% less than the price you expected to receive because of a downturn in the real estate market, how much would this effect your decision to buy at the Age-qualified Active Adult Community? * extended using direct straight-line extrapolation to forecast cases of greater magnitude price deterioration.		

Based on the study findings and discussion it can be hypothesized that:

- H6 For those mature consumers who currently own a home, sale of their current home is a significant financial factor considered in the decision to purchase at an active adult community.
- H7a As the expected selling price of their current residence declines there is a direct straight line decline in the purchase intention of mature consumers to purchase at an active adult community.
- H7b As the expected selling price of their current residence increases there is a direct straight line increase in the purchase intention of mature consumers to purchase at an active adult community.

CONCLUSION

This preliminary study, based on a sample of 400 target market mature consumers, sought to extend research on housing options for older Americans. In this paper we sought to develop and present a number of hypotheses regarding age-qualified active adult communities based on an exploratory study. The areas of inquiry included: 1) Target buyer characteristics and information sources, 2) Community design preferences/amenities, 3) Location preferences, 4) Specific product features desired, and 5) Impact of economic conditions on respondents' purchase intentions. These hypotheses are presented to serve as a basis for future empirical study and testing.

There is a need to continue the research and move on in the future to an empirical hypothesis testing research study, which can yield generalizable results. In terms of future research, post-purchase data may be collected from residents of active adult communities within a reasonable interval after purchase. Data should be collected from a geographically disbursed range of different types of active adult communities offering various levels of amenities and housing choices. Finally, future research might also seek to measure behavior and preferences of consumers in a field test situation by researching consumers' selections of housing options over time, perhaps through the use of a longitudinal study tracking individual consumers.

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