

Volume 19, Number 1

Print ISSN: 1095-6298

Online ISSN: 1528-2678

ACADEMY OF MARKETING STUDIES JOURNAL

Editor

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INDEPENDENT VERSUS INCENTIVIZED WORD-OF-MOUTH: EFFECTS ON LISTENERS

William C. Martin, Eastern Washington University

ABSTRACT

Many firms have begun rewarding their customers for engaging in positive WOM. While prior research has shown that this practice can encourage WOM and be profitable, its impact on listeners has not been investigated. In this paper, an experiment is used to evaluate the effect that a firm's WOM incentive program has on listeners. Results indicate that when a listener is aware that a firm is rewarding its customers for engaging in WOM, they view such individuals as having lower source trustworthiness and source altruism. Explicit disclosure of the incentive improves trustworthiness as compared to not disclosing the incentive, but has no effect on altruism. Further, source altruism is shown to be an important antecedent to WOM usage, the extent to which listeners incorporate the WOM in their purchase decision. Implications of this research for marketing researchers and practitioners are reviewed, as are limitations and directions for future research.

INTRODUCTION

Word-of-mouth (WOM) has been widely acknowledged to have a major impact on consumers' purchase decisions (e.g., Arndt, 1967; Czepiel, 1974; Katz and Lazarsfeld, 1955; Liu, 2006; Trusov, Bucklin and Pauwels, 2009). In recent years, many firms have begun to actively encourage the spread of WOM by providing incentives for customers who successfully refer others to the firm. Such incentives typically include free goods or services, discounts on future purchases, cash, or gifts (Ryu and Feick, 2007). Not only can these programs increase the likelihood that a customer will engage in positive WOM (Ryu and Feick, 2007), but customers acquired via these means can provide greater than average revenue (Villanueva, Yoo, and Hanssens 2008) and are more effectively retained over time (Schmitt, Skiera, and Van Den Bulte, 2011). As such, some researchers recommend that firms seek to encourage WOM by rewarding this behavior (Godes and Mayzlin, 2004; Liu, 2006).

However, other research calls into question the value of referral programs. Some have expressed doubts as to whether WOM incentivized by firms is as valuable to the firm as independent WOM (Trusov et al., 2009). A vital aspect of the influence of word-of-mouth is that the individual providing the WOM (speaker) is viewed as credible by the individual receiving the WOM (listener) (Dichter, 1966; Martin and Lueg, 2013; Sweeney, Soutar, and Mazzarol, 2008). If this credibility is compromised, then the listener is much less likely to act on the WOM provided. Speakers who are provided a reward for engaging in WOM may be viewed by listeners as providing the WOM for self-centered purposes and not viewed as being credible, hindering any positive impact the WOM may have on the listener's views of the recommended

product. Given the increasingly widespread usage of referral programs by firms and the recommendation of several researchers that firms do so, it is imperative that the impact of these programs on listeners of WOM be examined in order to investigate the viability of this practice.

Relatively little empirical research has investigated what leads listeners of WOM to attend to that WOM and use it in their purchase decisions (e.g., Jun, Cha, and Aggarwal, 2011; Martin and Lueg, 2013; Sweeney et al., 2008). In examining the impact of WOM on listeners' views of the speaker and the recommended product, the concept of WOM usage (WOMU), the extent to which listeners incorporate WOM in their purchase decision process (Martin and Lueg, 2013), is utilized here. Extending this line of research regarding listeners of WOM, this study also examines the relative impact of the perceived altruism of the WOM source and the moderating impact of incentivized WOM on the relationships between source trustworthiness and altruism with WOMU. The objectives of this research are to investigate the impact of WOM speaker incentives on listeners' views of the speaker and their use of the WOM. The remainder of this manuscript is laid out as follows. First, related literature is reviewed, and hypotheses are put forth. Then, details regarding the methods used to test the hypotheses are reported. Last, a discussion of the results and the implications of this research for researchers and practitioners are provided, as well as limitations and areas of needed future research.

LITERATURE REVIEW AND HYPOTHESES

WOM is an informal and dynamic form of interpersonal communication between two or more noncommercial parties concerning products (Arndt, 1967; Kozinets, de Valck, Wojnicki, and Wilner, 2010). Many factors have been identified which increase consumers' engagement in WOM, including positive emotions (White, 2010), perceived fairness (Blodgett, Granbois, and Walters, 1993), commitment, perceived value, quality, trust, satisfaction, and loyalty (de Matos and Rossi, 2008), and products which are original (Moldovan, Goldenberg, Chattopadhyay, 2011), interesting, and publicly visible (Berger and Schwartz, 2011).

A central feature of research investigating the impact of WOM is that listeners are very concerned with the trustworthiness of the source (Dichter, 1966), which is defined as the extent to which a speaker's assertions are viewed as being true and accurate (Pornpitakpan, 2004). Both Dichter (1966) and Sweeney et al. (2008) find that listeners are quite concerned with whether a WOM speaker can be trusted. In their examination of several antecedents of WOMU, Martin and Lueg (2013) find that trustworthiness has the greatest impact on listeners.

Source altruism is defined here as the extent to which a speaker is believed to be acting primarily in the interest of the listener. Whereas source trustworthiness refers to whether the information provided by a speaker is considered to be correct, source altruism refers to whether the motives of a speaker are mainly driven by a desire to help the listener. Information provided by a speaker may be perceived as being accurate, though the speaker's perceived motivation for offering the information may be self serving. The theoretical basis for the impact of source altruism on WOMU comes from attribution theory, which states that individuals make ascriptions of causality for the purposes of explaining their own and others' behavior (Kelley, 1973). Listeners who perceive the cause for a speaker providing WOM to be due to the self

interest of the speaker are not as likely to attend to that WOM. Thus, WOM of speakers who are viewed by listeners to have more altruistic motives will have a greater impact on their WOMU.

H1 Source altruism is positively related to WOMU.

When a firm provides its customers with incentives for engaging in WOM, listeners of that WOM may well doubt the authenticity of the information provided if they are aware of the incentives. Speakers may be considered biased with regard to the information they are providing. Listeners may also attribute the motive for the WOM to be due to the incentive rather than the good of the listener. Listeners are more responsive to WOM when they believe that the speaker is simply relaying his or her opinion or experiences rather than attempting to persuade the listener (Arndt, 1967). Thus,

H2 When a firm incentivizes WOM, source trustworthiness will be lower than when the firm does not.

H3 When a firm incentivizes WOM, source altruism will be lower than when the firm does not.

Conversely, if a WOM speaker informs the listener that he or she is receiving an incentive, the listener may feel that the speaker is being upfront and honest rather than potentially attempting to be deceptive. According to attribution theory, the listener is likely to view the source as being more trustworthy and altruistic if the speaker's incentive from the firm is disclosed rather than when it is not and the listener is aware of the incentive.

H4 Disclosure of a firm incentivizing WOM by a WOM source results in greater source trustworthiness than nondisclosure when the listener is aware of the incentive.

H5 Disclosure of firm sponsorship by a WOM speaker results in greater source altruism than nondisclosure when the listener is aware of the incentive.

METHODS

A two (good/service) by three (independent WOM/sponsored and disclosed WOM/sponsored and undisclosed WOM) experimental design was utilized to test the hypotheses. Participants in the study were provided a hypothetical scenario as a stimulus. In these scenarios, participants were told to assume that a friend of theirs had recommended a product to them which they had recently tried and really liked. A local music store was used in the good scenarios, and a lawn care service was used in the service scenarios. While no hypotheses were made concerning differences concerning a differential effect between goods and services, this manipulation was included in the experiment in order to examine the possibility for exploratory purposes and to extend the generalizability of the results. For the sponsored and disclosed WOM scenarios, the friend informed participants that if they purchased the recommended product, the friend would receive a \$50 purchase credit with the recommended firm. For the sponsored and undisclosed WOM scenarios, participants were told that the recommended firm offers \$50 purchase credits to those who successfully encourage others to

purchase their products, but that their friend did not specifically inform them of this when providing the positive WOM. In the independent WOM scenarios, which were used as a control condition, no such information was provided.

Participants

In this study, data were collected using the student referral method (Babin, Hardesty, and Suter, 2003). Students in two marketing courses were offered extra credit for participating in the survey and were allowed to recruit up to four other individuals, two of whom were required to be aged 40 or older, to participate in the survey. This resulted in the collection of 277 responses. Approximately 10% of the participants were randomly contacted in order to verify the authenticity of the responses. Eight responses had greater than 10% missing data and were removed from the dataset, resulting in a final sample size of 269. Mean respondent age is 33.8 years, and 55% of the participants are female. Self-reported household income by categories is as follows: 40% in the less than \$20,000 category, 10% in the \$20,000 to \$39,999 category, 9% in the \$40,000 to \$59,999 category, 8% in the \$60,000 to \$79,999 category, 7% in the \$80,000 to \$99,999 category, 21% in the \$100,000 and over category, and 5% did not respond with regard to income.

Measures

Source trustworthiness was measured using a four-item, seven-point semantic differential response scale (Pornpitakpan, 2004). Source experience was measured using a version of an existing measure (Braunsberger and Munch, 1998) and consists of a three-item Likert-type scale anchored by “Strongly Disagree” (1) and “Strongly Agree” (7). Attitude toward the product was measured with a four-item, seven-point semantic differential response scale (Iyer, 1988), and purchase intentions were measured with a four-item Likert-type scale anchored by “Strongly Disagree” (1) and “Strongly Agree” (7) (Putrevu and Lord, 1994). WOMU was measured using an existing six-item Likert-type scale (Martin and Lueg, 2011) anchored by “Strongly Disagree” (1) and “Strongly Agree” (7). Source altruism was measured using four original items with Likert-type response scales anchored by “Strongly Disagree” (1) and “Strongly Agree” (7) (e.g., “This person is acting in my best interests,” “This person is doing what he/she feels is best for me.”).

Manipulation Checks

The good/service manipulation was examined via participants’ responses to the question “Would you categorize this type of product as primarily being a good or a service,” which was anchored by “Good” (1) and “Service” (7). This indicated that the lawn care service was viewed as being more of a service than the music store ($M_{\text{lawn care service}} = 4.63$; $M_{\text{music store}} = 2.36$; $F(1, 264) = 140.45$; $p < .001$). The sponsorship/disclosure WOM manipulation also appeared to be successful. Significant variance as expected was observed in participants’ responses to two

questions concerning whether the friend would receive an incentive for recommending the product (χ^2 (df = 2) = 76.05; $p < .001$) and whether the friend disclosed receiving any such incentive product (χ^2 (df = 2) = 114.17; $p < .001$).

RESULTS

In order to confirm the hypothesized factor structure, an exploratory factor analysis was conducted using principal axis factoring, and the resulting factors were rotated using Promax rotation as the factors were assumed to be correlated. Six factors had an eigenvalue greater than one, as expected. All of the items loaded strongly on their respective components ($>.60$) with no significant cross-loadings ($<.30$). This was followed by a confirmatory factor analysis using maximum likelihood estimation of the covariance matrix. The standardized construct correlation matrix is shown in Table 1. Fit of the measurement model is good ($\chi^2 = 566.48$, df = 284, $p < .001$; $\chi^2/df = 1.99$; RMSEA = .061; CFI = .96; NNFI = .95), and all items load significantly on their respective constructs. Average variance extracted is above .50 for all constructs, and each construct's average variance extracted is greater than its squared correlation estimate with the other constructs. Coefficient alpha is greater than .80 for each measure. Thus, the measures demonstrate unidimensionality, convergent validity, and discriminant validity (Hair et al., 2006; Fornell and Larcker, 1981).

| | Source Experience | Source Trustworthiness | Source Altruism | WOMU | Attitude Toward Product | Purchase Intentions |
|---------------------------|--------------------|------------------------|---------------------|---------------------|-------------------------|---------------------|
| Source Experience | .64 | | | | | |
| Source Trustworthiness | .43 <i>7.49</i> | .62 | | | | |
| Source Altruism | .36 <i>6.23</i> | .67 <i>17.17</i> | .80 | | | |
| WOMU | .39 <i>6.83</i> | .66 <i>16.26</i> | .71 <i>21.60</i> | .76 | | |
| Attitude Toward Product | .38 <i>6.47</i> | .62 <i>14.43</i> | .61 <i>14.51</i> | .69 <i>19.27</i> | .75 | |
| Purchase Intentions | .33 <i>5.66</i> | .44 <i>8.10</i> | .50 <i>10.42</i> | .67 <i>18.27</i> | .58 <i>13.13</i> | .78 |
| <i>Mean</i> | 4.69 | 4.76 | 4.40 | 4.79 | 4.83 | 4.14 |
| <i>Standard Deviation</i> | 1.04 | 1.01 | 1.45 | 1.21 | 1.10 | 1.31 |
| <i>Coefficient Alpha</i> | .872 | .866 | .939 | .950 | .920 | .930 |

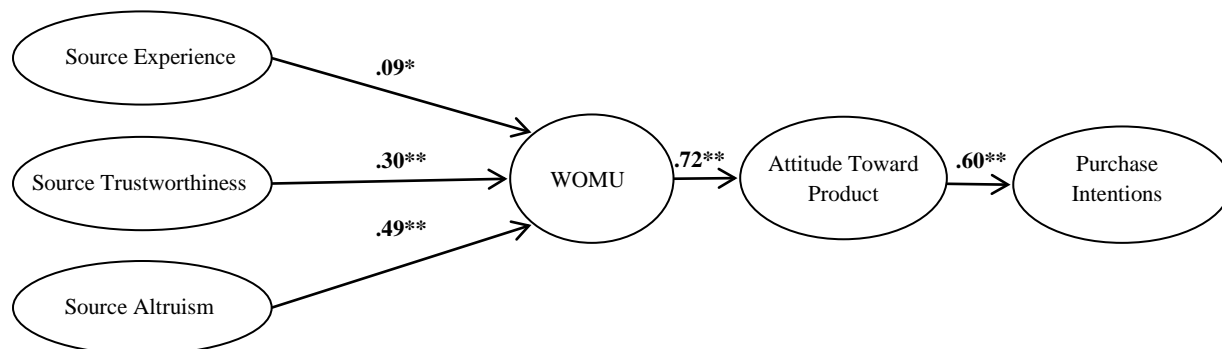
Diagonal values represent the average variance extracted of each construct. Values below the diagonal are standardized construct correlations with t-values italicized on the line below.

Descriptive statistics are shown in Table 2. To test H1, the model shown in Figure 1 was tested as a latent variable structural model using maximum likelihood estimation of the

covariance matrix. This model fit the data well ($\chi^2 = 634.88$, $df = 291$, $p < .001$; $\chi^2/df = 2.18$; RMSEA = .066; CFI = .95; NNFI = .94). Squared multiple correlations for WOMU, attitude toward the product, and purchase intentions are .59, .52, and .36, respectively. Not only is source altruism significantly and positively related to WOMU ($\beta = .49$, $p < .001$), providing support for H1, but of the three investigated antecedents of WOMU, source altruism is the strongest.

| Independent Variables | Means (Standard Deviations) | | | | | |
|-----------------------|-----------------------------|------------------------|-----------------|-------------|-------------------------|---------------------|
| | Source Experience | Source Trustworthiness | Source Altruism | WOM Usage | Attitude Toward Product | Purchase Intentions |
| <i>Disclosure</i> | | | | | | |
| Independent | 4.79 (1.04) | 5.10 (1.05) | 5.25 (1.11) | 5.24 (.99) | 5.22 (1.01) | 4.43 (1.29) |
| Disclosed | 4.70 (1.09) | 4.82 (.88) | 3.98 (1.36) | 4.72 (1.24) | 4.74 (1.08) | 4.02 (1.33) |
| Undisclosed | 4.54 (.94) | 4.28 (.99) | 4.13 (1.56) | 4.37 (1.21) | 4.56 (1.16) | 4.00 (1.29) |
| | | | | | | |
| <i>Incentivized</i> | | | | | | |
| No | 4.73 (1.00) | 4.96 (1.08) | 4.89 (1.41) | 4.93 (1.23) | 4.98 (1.11) | 4.28 (1.24) |
| Yes | 4.67 (1.07) | 4.68 (.94) | 4.12 (1.41) | 4.73 (1.19) | 4.76 (1.10) | 4.11 (1.32) |
| | | | | | | |
| <i>Product Type</i> | | | | | | |
| Good | 4.70 (1.07) | 4.62 (1.06) | 4.08 (1.56) | 4.55 (1.32) | 4.63 (1.28) | 4.05 (1.38) |
| Service | 4.68 (1.01) | 4.92 (.93) | 4.70 (1.27) | 5.02 (1.04) | 5.03 (.87) | 4.23 (1.26) |

**Figure 1
Structural Model with Standardized Path Estimates**



* p-value < .05
 ** p-value < .01

To test H2 and H4, the independent WOM, the sponsored and undisclosed WOM, and the sponsored and disclosed WOM cells were compared with regard to source trustworthiness. This indicated that significant variance exists between these groups ($F(2, 268) = 14.03, p < .001$; $M_{\text{independent}} = 5.09, M_{\text{sponsored and disclosed}} = 4.82, M_{\text{sponsored and undisclosed}} = 4.26$). Contrasts were then used to evaluate the hypothesized differences. This indicated that all three conditions were significantly different with regard to source trustworthiness ($p < .001$), with the exception of the independent WOM compared to the sponsored and disclosed WOM, for which the difference was moderately significant ($p = .052$). When the speaker did not disclose the WOM incentive, source trustworthiness was lower than when the incentive was disclosed to the listener. Thus, the data support H2 and H4.

To test H3 and H5, the independent WOM, the sponsored and undisclosed WOM, and the sponsored and disclosed WOM cells were compared with regard to source altruism. This revealed that significant variance exists between these groups ($F(2, 268) = 24.62, p < .001$; $M_{\text{independent}} = 5.26, M_{\text{sponsored and disclosed}} = 3.98, M_{\text{sponsored and undisclosed}} = 4.10$). Contrasts were again used to evaluate the hypothesized differences. The independent WOM was significantly greater than both the sponsored and disclosed WOM and the sponsored and undisclosed with regard to source altruism ($p < .001$), but there was no significant difference ($p = .542$) between the sponsored and disclosed WOM and the sponsored and undisclosed WOM. Thus, the data support H3 but not H5.

For exploratory purposes, as noted above, the effects of the good as compared to the service on source trustworthiness and source altruism were compared. The service resulted in significantly greater ($F(1, 268) = 4.72, p = .031$) source trustworthiness ($M_{\text{independent}} = 5.20, M_{\text{sponsored and undisclosed}} = 4.45, M_{\text{sponsored and disclosed}} = 4.92$) than the good ($M_{\text{independent}} = 4.94, M_{\text{sponsored and undisclosed}} = 4.12, M_{\text{sponsored and disclosed}} = 4.71$). However, there was no significant interaction between the good/service and the independent, sponsored and undisclosed, and sponsored and disclosed scenarios ($F(2, 268) = .08, p = .920$). Similarly, the service resulted in significantly greater ($F(1, 268) = 12.62, p < .001$) source altruism ($M_{\text{independent}} = 5.39, M_{\text{sponsored and undisclosed}} = 4.59, M_{\text{sponsored and disclosed}} = 4.28$) than the good ($M_{\text{independent}} = 5.10, M_{\text{sponsored and undisclosed}} = 3.74, M_{\text{sponsored and disclosed}} = 3.64$). Again, however, there was no significant interaction between the good/service and the independent, sponsored and undisclosed, and sponsored and disclosed scenarios ($F(2, 268) = .86, p = .423$).

DISCUSSION

Few would dispute the strong effect that WOM has on consumers. Likely in response to this, many firms in recent years have begun to reward their customers for engaging in positive WOM. While prior research indicates that such referral programs can successfully stimulate positive WOM, resulting in some financial and retention benefits, the impact of these referral programs on listeners has not been empirically investigated previously. In this research, the impact of firms' incentivizing or sponsoring WOM on listeners of WOM is examined. Results indicate that when listeners are aware that a firm is providing rewards to its customer for engaging in positive WOM, they view the WOM speaker as being less trustworthy and more

motivated by self interest, which, in turn, leads to listeners of such WOM being less likely to incorporate that WOM in their purchase decision. If the speaker discloses to the listener that he or she will receive an incentive for a successful referral, the trustworthiness of the source is better than if no such disclosure is provided but is still somewhat inferior to that of traditional, independent WOM. WOM sponsorship also has a negative impact on the altruism of the speaker as perceived by the listener, an effect which is not lessened by the speaker's disclosure of the incentive for providing the WOM. While no hypotheses were made concerning differences between goods and services in this context, such differences were investigated for exploratory purposes. These results were found to be consistent across both a good and a service.

These findings have substantial implications for firms who provide rewards to customers who engage in positive WOM regarding their firm. While the provision of such incentives does improve the likelihood that customers will engage in positive WOM (Ryu and Feick, 2007), this WOM is not as likely to be utilized by listeners if they are aware of the incentive provided to the speaker. While encouraging WOM speakers to disclose that they are receiving an inducement reduces the negative impact of this practice on the source's perceived trustworthiness, it has no impact on the source's altruism, which has an even stronger influence on listeners' use of the positive WOM in their purchase decision. Not only do the results of this research indicate that known rewards for customers engaged in positive WOM reduce the value of their WOM from the listener's perspective, but they also suggest that a more widespread and problematic issue may arise from this practice. By incentivizing WOM, firms might be reducing the value of all positive WOM involving their organization, even if speakers engaged in WOM are not aware of or actually participating in the incentive program. As made clear in one of the scenarios investigated in this research, if listeners are aware that a firm is offering rewards for positive WOM, they are less likely to attend to WOM involving that firm even if the speaker says nothing about receiving a reward. While it may appear to be profitable for firms to reward their customers for engaging in positive WOM (Schmitt et al., 2011), the indirect negative effects this may have on much of the positive WOM involving the firm may well counteract the direct profit yielded by the practice. Such negative effects might be partially mitigated if firms are discrete in their promotion of referral reward programs. For instance, a firm might only promote such programs among its current customers, though this would potentially create ethical issues. Another approach to lessen the negative effects might be to offer a reward not only to the WOM speaker, but also to the listener. If both parties are receiving a reward of approximately equal value, then listeners might view the situation as more equitable (Adams, 1965) and be more apt to view the speaker favorably.

This research also makes significant contributions to the marketing literature. First, this research extends previous work concerning the usage of WOM by listeners by identifying a new antecedent, source altruism. Though source altruism and source trustworthiness are similar constructs, altruism is more situation specific, while trustworthiness is likely to be a more enduring characteristic. With regard to the experimental scenarios employed here, source altruism had the strongest relationship with WOM usage of the three antecedent variables investigated. As suggested by previous research (Arndt, 1967; Kelley, 1973), listeners of WOM are very concerned with the perceived motives of the WOM speaker. If they believe that the

WOM is being provided for the speaker's benefit, rather than that of the listener, they place significantly less value on that WOM. Second, this research provides additional evidence of the highly dynamic nature of WOM (Kozinets et al., 2010), as well as further validation of the importance of WOM usage (Martin and Lueg, 2013). Third, this study is the first to empirically compare factors of WOM usage across varying service contexts. This investigation reveals that while the trustworthiness and altruism of the WOM speaker was higher for the service examined than for the good, WOM usage appears to otherwise operate very similarly in both situations.

LIMITATIONS AND FUTURE RESEARCH

Though experiments using scenarios such as those used in this research have good internal validity and are widely utilized in the marketing literature, they may lack sufficient external validity. Future research should examine whether the results of this study hold in more realistic situations, such as field experiments or studies utilizing the critical incident technique. Also, only a single good and a single service were examined in this study. Additional research should explore whether the results of this study vary across multiple firms with varying levels of services, particularly since a greater service component appears to lead to higher levels of source trustworthiness and source altruism from the listener's perspective.

An area where future research is needed regards how listeners of WOM respond to sponsored WOM speakers when listeners receive a similar benefit to that provided to the speaker. It seems highly plausible that listeners would view such a situation as being fairer than those studied in this research, and that they would respond more favorably to such WOM.

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REEXAMINATION OF BRAND ALLIANCE EVALUATION MODEL: THE EFFECTS OF THE OVERALL FIT BETWEEN PARTNER BRANDS ON CONSUMER BRAND ALLIANCE EVALUATION

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ABSTRACT

Brand alliance, in which two (or more) brands from different firms are presented simultaneously to consumers, is being used increasingly by marketers. Drawing upon brand alliance and sponsorship literature, this study examines two important issues with respect to brand alliance: 1) how do the fit between partner brands influence consumer brand alliance evaluations, 2) and the conditions in which an enhancement or dilution effect of brand alliance on the participating brands is most likely to occur. We address these issues by conceptualizing the fit between partner brands as a two-dimensional construct: expectancy of the partner brand and relevancy of the partner brand. The results suggest that the fit between partner brands in terms of expectancy and relevancy has a positive effect in relation to consumers' perception of the brand alliance. Moreover, the findings also show that an enhancement effect from the brand alliance to the host brand occurs in a high expectancy and relevancy condition and a dilution effect occurs in a low expectancy and relevancy condition.

INTRODUCTION

Brand alliance, in which two (or more) brands from different firms are presented simultaneously to consumers, is becoming increasingly popular among marketers. There are a variety of reasons driving the increasing use of brand alliance ranging from the desire to enter into a new market by introducing the co-branded products to the attempt to enhance their positions in the current market (Keller and Lehmann 2006; Park et al. 1996; Rao and Reukert 1994; Simonin and Ruth 1998; Voss and Tansuhaj 1999). Moreover, there are a number of ways that a brand alliance can have a positive feedback to each of the participating brands. According to Keller (1993), forming a brand alliance may enhance the partner brand image by strengthening an existing partner brand association or adding a new brand association to the partner. A brand alliance can also help expand market coverage of the partner brands by bringing new customers to the partner brands. Despite its potential benefits, forming a brand alliance may involve risks that need to be addressed. The potential risks associated with brand alliance strategy include the failure of co-branded product, dilution of partner brand image, cannibalization of partner brand sales, and so on. When negative feedback effects happen, consumers may switch to the brand alliance product or switch to the other partner brand product, in effect cannibalizing the original brand.

Most of the research in this area attempt to examine two major issues: the relationship between partner brands and its impact on consumer brand alliance evaluation and the feedback effects of a brand alliance on partner brands (e.g., Desai and Keller 2002; Keller and Lehmann

2006; Levin 2002; Levin and Levin 2000; Park, Jun, and Shocker 1996; Rao, Qu, and Ruekert 1999; Rao and Ruekert 1994; Simonin and Ruth 1998; Voss and Gammoh 2004; Washburn, Till, and Priluck 2000). For example, Park, Jun, and Shocker (1996) investigate composite brand alliance, in which two existing brand names are combined to create a composite brand name for a new product. Some examples of composite brand alliances include Healthy Choice cereal by Kellogg's, Special K frozen waffles by Eggo, and Slim-Fast chocolate cake mix by Godiva. Their results indicate that by combining two brands that are complimentary at attribute level, a brand alliance has a better consumer evaluation than a direct extension of the host brand or a brand alliance consisting of two highly favorable brands but not complementary to each other. Some researchers employed social judgment theory in investigating the impact of brand alliance in the context of dual-branding alliance (Levin 2002; Levin and Levin 2000). Dual brand is used to describe a brand alliance where two retail brands share the same facilities while consumers have the opportunity to use either one or both brands (Levin 2002; Levin and Levin 2000). For instance, Dunkin' Donuts and Haagen-Dazs are housed under a single roof. The research in this stream demonstrates that the strategic linkage of two brands in a dual-branding alliance may result in assimilation, which leads to a higher evaluation on target brand. As a seminal piece, Simonin and Ruth (1998) examine the effects of product fit and brand fit between partner brands on the brand alliance evaluation and how consumers' perception of brand alliance influence subsequent impressions of partner brands (enhancement or dilution effect). Their findings reveal that both product fit and brand fit are contributing to a positive brand alliance evaluation and consumers' perception of a brand alliance can influence subsequent perceptions of the partner brands.

Prior research has helped marketers' understanding of the brand alliance phenomenon. However, aside from the early brand alliance research by Park, Jun, and Shocker (1996) and Simonin and Ruth (1998), there is little system examination on the dimensions of the fit construct and on how consumers' perception of a brand alliance may modify their perceptions of the partner brands. In this study, drawing upon brand alliance and sponsorship literature, a two-factor construct, the fit between partner brands, which includes expectancy and relevancy aspects, was proposed to investigate its effects on consumers' perception of a newly formed brand alliance. Furthermore, we examine the conditions in which an enhancement or dilution effect of brand alliance on partner brands is most likely to occur.

The remainder of the paper is organized as follows: First, on the basis of theoretical foundation from brand alliance and sponsorship literature, we present the conceptual framework of a two-factor construct of fit and hypotheses. We next describe the experimental methodology and then discuss the key results and their implications.

THEORETICAL BACKGROUND AND HYPOTHESES DEVELOPMENT

Literature Review

The fit between partner brands has long been discussed in many studies pertaining to different types of brand alliance in the last two decades. The word "fit" has been a somewhat vague concept in this research stream and the consensus view emerging from the literature is that the fit between partner brands could be a positive factor in brand alliance evaluation.

In examining how to combine two existing brands to create composite brand name for a new product, Park, Jun, and Shocker (1996) discussed the fit between the two participant brands

constitutive of a composite brand. They define the fit of two brands in terms of whether attributes of the constituent brands are complementary to each other. Along the same stream, Desai and Keller (2002) investigate the effect of ingredient brand alliance on host brand extendibility. In an ingredient brand alliance, the key attributes of one brand are incorporated into another brand as ingredients. Their findings suggest that the ingredient brand can help improve the competitiveness of the host brand and expand the usage of the host brand.

The seminal piece by Simonin and Ruth (1998) propose that the fit between the partner brands has a positive effect on the brand alliance evaluation. In their study, “fit” concept was defined as the relationship between the two partner brands and further decomposed into two dimensions: product fit and brand fit. The fit of two brands is based on an overall image instead of on brand attribute level.

Product fit is defined as consumers’ perceptions of the compatibility of the two product categories involved in a brand alliance. The concept of “product fit” was adapted from the brand extension research by Aaker and Keller (1990), in which they systematically conceptualized the concept of “product fit” in terms of consistency between two product categories, which was measured along three dimensions: complement, substitute, and transfer. Complement refers the degree to which consumers view the two product classes are consumed jointly to satisfy some particular need. Substitute is the extent to which one product can replace the other due to their common application and use context. Transfer pertains to consumers’ perception of the capability of any firm operating in the original product class to make a product in the second product class. Giving consideration of the differences between brand extension and brand alliance, Simonin and Ruth (1998) adapted Aaker and Keller’s product fit concept into brand alliance research. Accordingly, product fit refers to the extent to which the two product categories are compatible.

Further, a brand fit concept was proposed to describe the relationship between the two partner brands. This introduction of brand fit concept is necessary because conceptually the problem context of brand extension is different from that of brand alliance. In the case of brand extension, a brand extension occurs when a firm uses an established brand name to introduce a new product or enter a completely different product class (Aaker and Keller 1990; Bottomley and Holden 2001; Keller 1998; Sunde and Bordie 1993). In the case of brand alliance, because each of the two partner brands is assumed to contribute its own expertise based on what it does best in its own product category, product category consistency is assumed. Therefore, brand fit is expected to play an important role in how consumers evaluate the brand alliance. According to Simomin and Ruth (1988), brand fit refers to the degree to which the images of partner brands are consistent. Their findings suggested that brand fit and product fit were related positively to attitudes toward the brand alliance, which was supported by other studies in this stream (Baumgarth 2004; Bluemelhuber, Carter, and Lambe 2007; Ruth and Simonin 2003).

The fit concept has also been widely used in sponsorship literature (e.g., Becker-Olsen and Hill 2006; Cornwell et al. 2005; Fleck and Quester 2007; Gwinner and Eaton 1999; Johar and Pham 1999; Poon and Prendergast 2006; Rifon et al. 2004; Ruth and Simonin 2003; Speed and Thompson 2000). Building on the research by Heckler and Childers (1992), Fleck and Quester (2007) conceptualized fit as a bi-dimensional construct which includes expectancy aspect and relevancy aspect and developed a five-item scale to capture this important construct in the context of sponsorship. According to Heckler and Childers (1992), relevancy refers to “Material pertaining directly to the meaning of the theme and reflects how information contained in the stimulus contributes to or detracts from the clear identification of the theme or primary

message being communicated” (p. 477). Expectancy is defined as “the degree to which an item or piece of information falls into some predetermined pattern or structure evoked by the theme” (p. 477). From a psychological perspective, Heckler and Childers (1992) posited a two-dimensional construct which was examined in the context of marketing communications. The concept of fit has been examined in many different ways in the brand alliance and sponsorship literature. The two-factor construct proposed by Heckler and Childers (1992) and Fleck and Quester (2007) seems to encapsulate the various notions of fit found in the literature. In this paper, this bi-dimensional construct of fit which includes expectancy and relevancy aspects is examined in the context of brand alliance.

HYPOTHESES DEVELOPMENT

Effects Of The Overall Fit Between Partner Brands On Consumer Brand Alliance Evaluation

In the context of sponsorship, Fleck and Quester (2007) suggests that the two dimensions of fit are expectancy and relevancy. Expectancy is defined as the degree to which the company is expected to sponsor an event while relevancy refers to how the event may contribute some meaning to the sponsor. In their study, the two terms “fit” and “congruence” has been used interchangeably. To apply this framework in the context of brand alliance, the first dimension, expectancy refers to the degree to which the partner brands are expected to form a brand alliance. The second one, relevancy is defined as the degree to which the brand images of partner brands are complementary and consistent (Aaker and Keller 1990; Park, Jun, and Shocker 1996; Simonin and Ruth 1998). We propose that the overall fit between the two brands has a positive effect in relation to consumers’ evaluation of the brand alliance. Both expectancy and relevancy aspects may contribute to the effect. Thus, this research proposes that under a high-expectancy and high-relevancy condition, evaluation of a brand alliance will be highest, whereas under a low-expectancy and low -relevancy condition, evaluation of brand alliance will be lowest in comparison. Therefore, we hypothesize:

H1: The overall fit between participating brands of a brand alliance will influence brand alliance evaluation. The highest evaluation of brand alliance will be in the high-expectancy and high-relevancy condition while lowest brand alliance evaluation will be in the low-expectancy and low-relevancy condition.

The Enhancement Or Dilution Feedback Effects On Both Host Brand And Partner Brand

Studies in this vain typically have examined whether consumer evaluations of the partner brands are affected by the formation of a brand alliance (e.g., Baumgarth 2004; Park, Jun, and Shocker 1996; Simonin and Ruth 1998). “Dilution” is defined as a negative change in consumer evaluation of a partner brand after a brand alliance forms while “enhancement” is defined as a positive change in consumer evaluation of a partner brand. For example, Simonin and Ruth (1998) found that the positively evaluated brand alliance had an enhancement effect on each participating brand rather than a dilution effect. This does not imply that brand alliance always enhances the perception of partner brands once a brand alliance is formed. According Lebar at al. (2005), brand alliance may lead to reduced esteem scores for partner brands on average. Therefore, we hypothesize:

H2a: More favorable post evaluation of both host and partner brand (enhancement effect) will be in the high-expectancy and high-relevancy condition.

H2b: Less favorable post evaluation of both host and partner brand (dilution effect) will be in the low-expectancy and low-relevancy condition.

RESEARCH METHODOLOGY

In this study, data were collected in the U.S. from 498 undergraduate students who participated in the study for extra credit. The study employed a 2 (expectancy: high; low) x 2 (relevancy: high; low) mixed design. Expectancy is a between-subject and relevancy is a within-subject factor. Each subject evaluated two brand alliances comprising a chocolate brand and ice cream brand. The purpose of the pretests is to identify the product categories and brands, to develop hypothetical brand alliances, and to check the final instruments.

Pretest 1

Pretest 1 was to identify the appropriate product categories that were used to form hypothetical brand alliances. Several combinations of brand alliances based on the brand alliance literature, such as digital camera and memory card (Voss and Gammoh 2004), chocolate and ice cream (Park, Jun, Shocker 1996), cooking oil and cheese (Rodrigue and Biswas 2004), computer and video games (Glynn and Brodie 1998), and car and microprocessor (Simonin and Ruth 1998), were used for the initial screening process. Thirty undergraduate students were asked to evaluate the product pairing as logical or not (on a 7-point scale, where 1= not at all logical, 7=very logical), and as appropriate or not (on a 7-point scale, where 1=very inappropriate, 7=very appropriate). Each participant evaluated all the product pairings. They were also asked to indicate to what extent they are familiar with each product category (on a 7-point scale, where 1= not at all familiar, 7= very familiar). In addition, they were asked to name as many brands as possible for each product category as potential partner brands that will be used for the next stage pretest. A close examination of the data revealed that the chocolate and ice cream pairing was the most logical. Students were more familiar with the chocolate and ice cream product categories than the others. Thus, based on the stimuli used in the literature and the initial pretest results, two product categories were selected: chocolate and ice cream.

Pretest 2

Pretest 2 was designed to identify the potential brand from the chocolate category that was used as host brand to form alliances with potential ice cream brands. In this study, existing and relatively familiar brands were used to form brand alliance for two reasons. First, well-known brands facilitate activating brand affect, whereas it is not the case for fictitious brands (Broniarczyk and Alba 1994). Second, using well-known brands, positive, neutral, or negative brand affect and other brand associations are activated naturally, thus capturing the real brand affect toward the brands and the brand alliances.

The potential brand was selected on the criteria of having perceived high quality and well-known brand. A high quality and well-known brand was chosen because low quality brands tend to generate less realistic alliances (Aaker and Keller 1990; Park, Jun, and Shocker 1996).

Two familiar brands from the chocolate category reported in pretest 1, Godiva and Hershey, were pretested in this stage. Fourteen students participated in this pretest. They were asked to assess the overall quality of each brand (a 7-point scale, where 1= inferior, 7= superior). Due to its high quality image, Godiva chocolate brand was selected as the host brand for the next stage pretest.

Pretest 3

Pretest 3 was conducted to identify the ice cream partner brands that were to be employed to form different brand alliances in terms of expectancy and relevance aspect. For ice cream brands, the initial list was based on subjects' report in pretest 1, in which subjects were asked to write down the brand name they know in the ice cream category. Four potential ice cream brands were selected for pretest in this stage: Häagen-Dazs, Ben & Jerry's, Breyers, and Ruggles.

Seventy-seven undergraduate students participated in this pretest. The pretest procedure started with explaining the concept of brand alliances and the logic behind brand alliances. Next, examples from daily lives were used to help students capture the brand alliance concept. After that, each subject was asked to indicate to what extent it was reasonable to expect Godiva to form a brand alliance with a potential ice cream partner brand (on two 7-point semantic differential scales: not unexpected/extremely unexpected and not surprising/extremely surprising). They were also asked to rate to what extent the ice cream partner brand image was consistent with Godiva brand image (on two 7-point semantic differential scales: not complementary/complementary and not consistent/consistent). In addition, subjects were asked to indicate how familiar they were with the brands and how appropriate it was for Godiva to enter into the ice cream market.

The pretest results provided a comparison of two levels of expectancy between ice cream partners. The expectancy of Häagen-Dazs and Ben & Jerry's were rated higher ($M=3.76$) than that of Breyers and Ruggles ($M= 3.44$, $t = 5.01$, $p<.05$). The relevancy check shows that the high-relevant ice cream partners (Häagen-Dazs and Breyers) were rated higher ($M=4.87$) than the low-relevant partners (Ben & Jerry's, Ruggles) with the average mean value of 3.98 ($t = 6.55$, $p<.05$). Based on the results of the pretest, four ice cream partner brands (Häagen-Dazs, Ben & Jerry's, Breyers, and Ruggles) were selected for the main study. The manipulation of ice cream partner brand expectancy and relevancy were presented as Table 1

Pretest 4

The purpose of the final pretest was to determine if the described brand alliances situations were realistic and to help identify potential problems with the procedure. Fifteen undergraduate students participated in this pretest. Subjects were given a booklet containing the consent form and the questionnaire. The consent form explained the purpose of the study and the procedures to complete the questionnaire. The questionnaire used was the same as the one used in the formal data collection. After completing the experiment, the researcher led an open discussion in order to give subjects an opportunity to address their thoughts and comments, which will be taken into consideration for finalizing the study. This pretest indicated that no change is needed for the experiment. The four pretests above ensured that the selected hypothetical brand alliances were based on real brands and relevant to the subjects and the different levels of fit of the different alliances were successfully manipulated.

| Host Brand | Partner Brand | | |
|------------|-----------------|----------------|---------------|
| | | High-Relevancy | Low-Relevancy |
| Godiva | High-Expectancy | Haagen Dazs | Ben&Jerry's |
| | Low-Expectancy | Breyers | Ruggles |

Experiment Procedure

Subjects participated in the experiment in groups of eight to twelve individuals per session. Each session took about 25 minutes. Subjects were told that the research instrument had four sections and they were led through section by section.

In the first section, subjects were told that the study was interested in consumers' evaluations of different brands and products. Subjects then were asked to evaluate a host brand (chocolate) and two potential partner brands (ice cream) in terms of their familiarities with the brands, attitudes towards the brands, evaluations of each brand, and also evaluations of the brands on several specific attributes. After all subjects had finished this part, they were asked to move together to the next page in the booklet.

In the second section, subjects were told that the host brand was considering expanding into the ice cream market by forming a brand alliance with a potential partner brand from the ice cream market. They were also told that they were one of a small group being selected to participate in the study and their opinions were very important for the company's decision making. After the brief explanation, subjects were asked to evaluate the alliance between host brand and one of the potential partner brands in terms of familiarity, attitude, and product evaluation. Next, they were asked to indicate to what extent the host brand is expected to form an alliance with the partner brand and to what extent the partner brand image is consistent with the host brand. Subjects were again asked to indicate their attitudes towards these two brands with the knowledge that indeed the two brands had formed a brand alliance.

In the third section, subjects were told that another partner brand was also considered by the host brand. They were asked to evaluate this brand alliance following the same procedure as in the second section. In addition, at the end of this section, subjects were asked to indicate whether it was appropriate for the host brand to enter into the ice cream market and how familiar they were with chocolate and ice cream products.

In the last section, some demographic information, such as major, gender, age, and nationality, was collected. At the conclusion of the experiment, subjects were debriefed, then thanked and dismissed.

MEASURES

Dependent Variables

Drawing on the brand alliance research to date, we examined the effect of fit between partner brands on consumers' responses toward the brand alliance in terms of three conceptually distinct constructs: affect, attitude, and product evaluation.

There has been considerable research of the role played by affect in marketing. Hirschman and Holbrook (1982) argue that cognitive models may not be adequate in explaining

many consumption behavior and other marketing phenomena. The studies of affect may provide a richer understanding of the experiential aspects of consumption. Affect is distinguished from attitude in that affect is a valenced feeling state (Cohen 1982), while attitude is an evaluative judgment. In this study, affect toward a brand alliance was defined as the feeling of liking and favorability toward the brand alliance. Three 7-point semantic differential scales were used to assess brand affect: “I will feel good when I have the product,” “This product will make me happy,” and “I will feel pleasure when I use the product” (Chaudhuri and Holbrook 2001; Holbrook and Batra 1987). The reliability of this construct was reliable with average Cronbach’s $\alpha = 0.81$.

Attitude construct was assessed via three seven-point bipolar semantic differential scales. These items were anchored by negative/positive, bad/good, unfavorable/favorable (Burnkarnt and Unnava 1995; Aaker and Keller 1990; Osgood et al. 1955). For each attitude construct, these three items were averaged to create a summated scale. The scale achieved satisfactory reliability with average Cronbach’s $\alpha = 0.82$.

Product evaluation was measured using three 7-point items: low quality/high quality, inferior product/superior product, not at all likely to try/very likely to try (Aaker and Keller 1990). These three items were averaged to create a summated scale. The scale achieved satisfactory reliability with average Cronbach’s $\alpha = 0.90$. Consumers’ product evaluation was measured at pre-alliance stage and also measured after exposure to the brand alliance.

Independent Variables

The two key manipulated independent variables are the two different dimensions of fit between host brand and partner brand. Expectancy refers to the degree to which the host brand is expected to form a brand alliance with a potential partner brand. To check if the host brand and the partner brand are expected to form a brand alliance, the following approach was employed: “It is _____ for the host brand to form a brand alliance with the partner brand.” The seven-point semantic differential scales: not unexpected/extremely unexpected, and not surprising/extremely surprising (Fleck and Quester 2007; Heckler and Childers 1992; Lane and Jacobson 1997) were used to assess the expectancy aspect. Relevancy is defined as brand image consistency between the host brand and the partner brand. Relevancy aspect was measured via two seven-point semantic differential scales: not complementary/complementary, and not consistent/consistent (Aaker and Keller 1990; Park, Jun, and Shocker 1996; Simonin and Ruth 1998).

DATA ANALYSIS AND RESULTS

Data were collected in the U.S. from 498 undergraduate students who participated in the study for extra credit. Two incomplete questionnaires were deleted from the sample resulting in a total of 496 useable questionnaires. A preliminary analysis was performed to assess the order effects because each subject evaluated two types of brand alliances. An ANOVA test shows that order effects are insignificant.

Manipulation Check

Two manipulation checks were conducted. One was to check the two levels of expectancy and the other one was to check the two levels of relevancy. To check whether the host brand was expected to form alliance with a partner brand, subjects were presented with two items on a seven-point scale anchored by the following: not expected/extremely unexpected, not surprising/extremely surprising (Lane and Jacobson 1997). These items were averaged to create a general expectancy scale (Cronbach's $\alpha = 0.86$). The results were as manipulated. The expectancy ratings of ice cream brands in the high-expectancy condition were higher ($M=3.84$) than those in low-expectancy condition ($M= 3.37$, $t(494) = 5.22$, $p<.001$). To check the degree to which the partner brand image was consistent with the host brand, subjects were presented with two items measured on a seven-point scales anchored by the following: not complementary/complementary and not consistent/consistent (Simonin and Ruth 1998). These items were averaged to create a general relevancy scale (Cronbach's $\alpha = 0.89$). A series of ANOVA analysis were used to analyze the differences between the high-relevancy group and low-relevancy group, conditioned on the level of expectancy. The relevancy of Häagen-Dazs was rated higher ($M=5.00$) than that of Ben & Jerry's ($M= 4.17$, $t(494) = 6.38$, $p<.001$) and the relevancy of Breyers was higher ($M=4.74$) than that of Ruggles ($M=3.79$, $t(494) = 8.37$, $p<.001$).

Overall Analysis Of The Main Effects

A two-way multivariate analysis of variance (MANOVA) was used to test the main effects of expectancy and relevancy. The between subject factor was expectancy with two levels: high-expectancy versus low-expectancy. The within subject factor was relevancy with two levels: high-relevancy versus low-relevancy. The three dependent variables were attitude toward the brand alliance, evaluation of the brand alliance, and affect toward the brand alliance. As expected, the results of MANOVA showed that the main effect of expectancy was statistically significant (Wilks' lambda = .939; $F = 19.54$, $p < 0.001$). Likewise, the main effect of relevancy was significant (Wilks' lambda = .949; $F = 20.25$, $p < 0.001$). An insignificant interaction effect was found between expectancy and relevancy (Wilks' lambda = .992; $F = 3.18$, $p = 0.061$).

A series of ANOVA results revealed that the main effect of expectancy was significant for attitude towards brand alliance ($F(1, 494) = 23.10$, $p<.001$), evaluation towards brand alliance ($F(1, 494) = 40.77$, $p<.001$), and affect towards brand alliance ($F(1, 494) = 33.52$, $p<.001$). Specifically, the results showed that brand alliance attitude rating was higher under high-expectancy condition ($M_{\text{high-expectancy}} = 5.53$) than under low-expectancy condition ($M_{\text{low-expectancy}} = 5.14$, $t(494) = 4.72$, $p<.001$). The same is true for brand alliance evaluation ($M_{\text{high-expectancy}} = 5.83$ and $M_{\text{low-expectancy}} = 5.36$, $t(494) = 6.68$, $p<.001$), and for brand alliance affect ($M_{\text{high-expectancy}} = 5.24$ and $M_{\text{low-expectancy}} = 4.74$, $t(494) = 5.75$, $p<.001$).

The results of a series of ANOVA analysis revealed that the main effect of relevancy was significant for attitude towards brand alliance ($F(1, 494) = 24.29$, $p<.001$), evaluation towards brand alliance ($F(1, 494) = 49.84$, $p<.001$), and affect towards brand alliance ($F(1, 494) = 5.21$, $p=.023$). When conditioning on the high-expectancy scenario, brand alliance attitude rating was higher under high-relevancy condition ($M_{\text{high-relevancy}} = 5.69$) than under low-relevancy condition ($M_{\text{low-relevancy}} = 5.37$, $t(494) = 2.80$, $p=.005$). The same was true for brand alliance evaluation ($M_{\text{high-relevancy}} = 5.97$ and $M_{\text{low-relevancy}} = 5.70$, $t(494) = 3.14$, $p=.002$), but it was not significant for brand alliance affect ($M_{\text{high-relevancy}} = 5.28$ and $M_{\text{low-relevancy}} = 5.22$, $t(494) = 0.38$, $p=.699$). When

conditioning on low-expectancy scenario, brand alliance attitude rating was higher under high-relevancy condition ($M_{\text{high-relevancy}} = 5.39$) than under low-relevancy condition ($M_{\text{low-relevancy}} = 4.89$, $t(494) = 4.11$, $p < .001$). The same pattern held for brand alliance evaluation rating ($M_{\text{high-relevancy}} = 5.68$ and $M_{\text{low-relevancy}} = 5.06$, $t(494) = 6.67$, $p < .001$) and brand alliance affect rating ($M_{\text{high-relevancy}} = 4.92$ and $M_{\text{low-relevancy}} = 4.56$, $t(494) = 2.77$, $p = .006$).

In general, the results supported the main effect of expectancy and relevancy on each of the dependent variables.

Hypothesis 1

This hypothesis proposed that due to the effect of fit between partner brands, brand alliance was evaluated higher under a high-expectancy and high-relevancy condition than under a low-expectancy and low-relevancy condition. To test this hypothesis, the cell means for the four conditions (high-expectancy and high-relevancy, high-expectancy and low-relevancy, low-expectancy and high-relevancy, and low-expectancy and low-relevancy) were compared using ANOVA analysis. The ANOVA results showed a significant main effect of fit on consumers' evaluation of the brand alliance. The results revealed that the main effect of four different types of fit combinations were significant for attitude towards brand alliance ($F(3, 988) = 16.25$, $p < .001$), evaluation towards brand alliance ($F(3, 988) = 32.08$, $p < .001$), and affect towards brand alliance ($F(3, 988) = 13.89$, $p < .001$). Specifically, subsequent Tukey's analysis indicates that brand alliance attitude ratings ($M_{\text{high-high}} = 5.69$ and $M_{\text{low-low}} = 4.89$, $p < .001$), brand alliance evaluation ratings ($M_{\text{high-high}} = 5.97$ and $M_{\text{low-low}} = 5.06$, $p < .001$), and brand alliance affect ratings ($M_{\text{high-high}} = 5.28$ and $M_{\text{low-low}} = 4.56$, $p < .001$) were higher under a high-expectancy and high-relevancy congruent condition than under a low-expectancy and low-relevancy congruent condition. Hypothesis 1 was supported.

Hypothesis 2a And Hypothesis 2b

Hypothesis 2a proposed an enhancement effect of brand alliance on both host and partner brand under a high-expectancy and high relevancy condition while hypothesis 2b proposed a dilution effect of brand alliance on both host and partner brand under a low-expectancy and low relevancy condition. In order to detect the pre-alliance and post-alliance differences, before and after paired t-test were employed to investigate the difference on each of the dependent variables. Before examining the effect of brand alliance, manipulation checks of pre-alliance attitudes toward Godiva yielded non-significant results across all four treatment conditions ($F(3, 988) = .012$, $p = .998$), which was expected and indicated a successful pre-attitude manipulation. Next, the comparison of pre-alliance attitude and post-alliance attitude toward the host brand was conducted using a series of t-tests. Two of the four pairs of comparisons were significant. Specifically, the comparisons under a high-expectancy and high-relevancy condition ($M_{\text{before}} = 5.36$ vs. $M_{\text{after}} = 5.54$, $t(494) = 2.06$, $p = .040$) and under a low-expectancy and low-relevancy condition ($M_{\text{before}} = 5.35$ vs. $M_{\text{after}} = 4.76$, $t(494) = 5.00$, $p < .001$) were significant whereas the comparisons under a high-expectancy and low-relevancy condition ($M_{\text{before}} = 5.36$ vs. $M_{\text{after}} = 5.43$, $t(494) = 0.66$, $p = .508$) and under a low-expectancy and high-relevancy condition ($M_{\text{before}} = 5.35$ vs. $M_{\text{after}} = 5.46$, $t(494) = 1.29$, $p = .196$) were not significant. The results indicated an enhancement effect under high-relevancy and high-expectancy condition but a dilution effect under low-relevancy and low-expectancy condition.

The comparison of pre-alliance and post-alliance partner brand attitude was conducted using a series of t-tests. All the four pairs of comparisons, under a high-expectancy and high-relevancy condition ($M_{\text{before}}=5.31$ vs. $M_{\text{after}}=5.54$, $t(494)=3.08$, $p=.002$), under a high-expectancy and low-relevancy condition ($M_{\text{before}}=5.30$ vs. $M_{\text{after}}=5.58$, $t(494)=2.80$, $p=.006$), under a low-expectancy and high-relevancy condition ($M_{\text{before}}=5.28$ vs. $M_{\text{after}}=5.62$, $t(770)=4.38$, $p<.001$), under a low-expectancy and low-relevancy condition ($M_{\text{before}}=4.77$ vs. $M_{\text{after}}=5.05$, $t(770)=3.00$, $p=.003$), were significant. Clearly, the results indicated an enhancement effect of brand alliance on the partner brand under all conditions.

DISCUSSIONS

Our research addressed two major issues in brand alliance research: the impact of fit between partner brands on consumer brand alliance evaluation and the conditions under which brand enhancement or dilution effect may occur. The results from our study show that fit between partner brands in terms of expectancy and relevancy has a positive effect in relation to consumers' perception of the brand alliance. Moreover, the more consumers perceive the alliance as expected and relevant, the more positive the brand alliance evaluation. The studies also show that enhancement effect from the brand alliance to the host brand occurs in a high expectancy and relevancy condition and dilution effect occurs in a low expectancy and relevancy condition. Overall, our study provides a novel perspective on defining the dimensions of fit between partner brands. A two-factor construct that has been used in the sponsorship literature was applied in the context of brand alliance. It also provides some new thoughts regarding the criteria used to select partner brands as well as the configuration of a brand alliance.

This study has some limitations that offer avenues for future research. First, one limitation of this research is that it was performed with hypothetical brand alliance using only text to describe these alliances. Future research can study the impact of both text description and pictures on the evaluation of the newly formed brand alliances. A picture of the brand alliance may have significant impact on how they are perceived by consumers.

Second, only two product categories and one type of brand alliance was tested in this study. The conclusions from our study should be considered tentative subject to replication by other studies in other product categories or different combinations.

Third, one question that needs to be clarified is the sequence of the brand names in forming the brand alliance, which may have an impact on consumers' evaluations of the brand alliance (Dawar and Anderson 1994; Park, Jun, and Shocker 1996). For example, does the Godiva/Ben & Jerry's ice cream have the same evaluation as the Ben & Jerry's /Godiva ice cream? Although the order of the brand names in naming brand alliance is not the focus of this study, future research may further explore the potential order effect.

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TO PAY OR NOT TO PAY A PRICE PREMIUM FOR CORPORATE SOCIAL RESPONSIBILITY: A SOCIAL DILEMMA AND REFERENCE GROUP THEORY PERSPECTIVE

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ABSTRACT

Research in the area of corporate social responsibility (CSR) has suggested that some consumers are willing to reward a company by indicating a willingness to pay a higher price for its products (“Yes” group) while other consumers are not (“No” group). This article explains the difference between the two groups by framing the decision to cooperate (for the social good) or defect, as a social dilemma. Using literature from the areas of social dilemma and reference group theory the framework suggests that the difference between the “Yes” and “No” groups will depend on certain individual factors: social value orientation, trust in others, reference group influence (i.e. in-group identity and expectation of others’ cooperation), perceived efficacy, and factors that influence the costs of cooperation to the individual such as product substitutability and product preference. Using an internet sample of 468 U.S. coffee consumers, test results show that with the exception of an individual’s social value orientation, all other above factors significantly differentiate between the “Yes” and “No” groups.

INTRODUCTION

In May 2009, Starbucks launched a print advertising campaign that emphasized the social mission of the company. The campaign seemed to provide reasons to consumers justifying the premium price of coffee at Starbucks. The advertisement highlighted two reasons for this price. First, Starbucks is the biggest purchaser of Fair Trade coffee in the world. Second, the company rewards its well-trained employees by offering full healthcare coverage to everyone who works at least 20 hours a week. The message stressed that when consumers buy Starbucks coffee, they buy into something bigger than just a cup of coffee. That something bigger is Fair Trade and employee healthcare coverage, for both of which the consumer pays a price premium (PP) over non-Starbucks coffee. The tagline of the advertisement read, “It’s not just what you’re buying. It’s what you’re buying into.”

The above campaign illustrates a compelling argument in marketing strategy, that some consumers reward companies for socially responsible initiatives. Since only 10% of companies report publicizing their good deeds, the question arises whether more corporate communication is needed to make consumers aware of the companies’ corporate social responsibility initiatives (Wigley, 2008). The term corporate social responsibility (CSR) refers to all socially responsible endeavors adopted and implemented by an organization. Research shows that companies that choose to invest in CSR are rewarded in several ways. In general, consumers appear to provide great support for companies that are socially and environmentally (Brown & Dacin, 1997; Creyer, 1997; Pam S. Ellen, Mohr, & Webb, 2000; Murray, 1997; Sen & Bhattacharya, 2001).

This article examines one specific type of socially responsive consumer behavior—willingness to pay a price premium (WTP-PP), a higher price for products of socially responsible companies. This consumer action is of significant importance to companies since CSR can necessitate a large amount of capital investment in business processes and outcomes (Bhattacharya & Sen, 2004). The article explains the above difference in consumer response (WTP-PP), by framing it as a social dilemma and subsequently highlights factors borrowed from the social dilemma literature to discriminate between consumers who do and do not reward companies for CSR. Social dilemmas are situations in which members of a group face a choice either to cooperate in order to maximize group gain or to defect for self-interest (Messick & Brewer, 1983). In such a situation, “each individual receives a higher payoff for a socially defecting choice than for a socially cooperative one, yet all individuals have a higher payoff if all cooperate than if all defect” (Dawes, 1980, p. 173).

Therefore, the framework in this article suggests that the difference between consumers who reward companies for CSR by paying a PP for its products and consumers who clearly do not will depend on certain key factors related to the individual. These individual factors are social value orientation, trust in others, reference group influence (i.e. in-group identity and expectation of others’ cooperation), perceived efficacy, and factors that influence the costs of cooperation to the individual (especially product substitutability and product preference). This article also draws on reference group theory that suggests that consumer decision to make the trade-off between self and collective group interests may also be dependent on the pressure to comply with the expectations and behaviors of significant reference groups (e.g. pro-social consumers’ choice to cooperate and therefore reward socially responsible companies via PP).

CONCEPTUAL BACKGROUND

This section presents a brief background of the literature on socially responsible consumerism with reference to WTP-PP, and a review of the research in social dilemma and reference group theory. Next, a conceptual framework is presented; this framework identifies factors to explain the difference between consumers, particularly in-group identification, social value orientation, trust, personal efficacy and the costs of purchasing and consuming a product, along with reference group influence on their WTP-PP for products purchased from a socially responsible company.

Socially Responsible Consumer Behavior

According to (Webster, 1975), a socially conscious/responsible consumer is “one who takes into account the public consequences of his or her private consumption, or who attempts to use his or her purchasing power to bring about social change.” This definition is based on the assumption that the socially conscious consumer is aware of social problems, believes in personal efficacy, and is active in the community (Webb, Mohr, & Harris, 2008). This definition stresses the fact that social concerns play an important role in consumer decision making and highlight individuals who do not just express concerns but use their purchasing power to act upon these in the marketplace (Roberts, 1996). Therefore, researchers have stressed the existence of a socially responsible consumer for whom a company’s ethical behavior is an important consideration while making a purchase decision. These consumers are willing to reward ethical behavior and punish unethical behavior (Creyer & Ross, 1997).

Willingness to Pay a Price Premium (WTP-PP). There has been a seismic shift from the era of organizational focus on maximizing shareholder wealth to an era of corporate social responsibility (Trudel & Cotte, 2009). Research in the area of CSR has shown that consumers, as key stakeholders, reward companies in a number of ways; one obvious way is to buy its products at a PP. Research shows that the social responsibility credentials of companies have become a significant purchase criterion for consumers and as a result CSR has become a key strategy for competitive advantage (McGoldrick & Freestone, 2008; Uusitalo & Oksanen, 2004). This trend may be attributed to the rising power of the socially conscious consumers (Mohr & Webb, 2005; Pelsmacker, Driesen, & Rayp, 2005; Roberts, 1996) who reward companies for their behaviors by being willing to pay more for its products (Kelleher, 2007; McGoldrick & Freestone, 2008; Tagbata & Sirieix, 2008; Trudel & Cotte, 2009). Others have argued that consumers are "... highly aware of ethical issue and many are ready to put their money where their morals are" (Cowe & Williams, 2000), p. 2), and make purchase decisions in accordance with their beliefs and morals (Thøgersen, 1999).

Auger, Burke, Devinney, & Louviere (2003) and Auger, Devinney, & Louviere (2007) suggest that demographics such as age, income, education, and social class may be useful predictors of WTP-PP. Ethically concerned consumers tend to be middle aged and educated, with higher income and professional occupations (Hunt & Vitell, 1996; Umberger, McFadden, & Smith, 2009). Despite several studies, however, demographic traits have been largely found to be weak predictors of WTP-PP. Finally, WTP-PP has also been explained in terms of dominant personal values, consumer altruism, importance of specific social issues (Uusitalo & Oksanen, 2004; Umberger et al., 2009) and trust in the organization (Perrini et al., 2009). Despite the growing awareness and concern towards CSR, an attitude-behavior gap exists in terms of weak relationship between what consumers indicate as intent and actual action (Roberts, 1996; Boulstridge & Carrigan, 2000). This gap is particularly true in the area of WTP-PP.

In summary, a review of the literature in socially responsible consumption shows mixed results for marketers who might be keen to identify the market segment with a high level of WTP-PP. Therefore, based on the explanations offered by earlier researchers and the significant market opportunity for socially responsible companies to earn a PP, this article seeks to explain the WTP-PP by framing it as a social dilemma and subsequently highlighting factors borrowed from the social dilemma literature to discriminate between consumers who are willing and unwilling to pay a PP. The next sub-section explains the theory of social dilemma.

WTP-PP AS A SOCIAL DILEMMA

Social dilemmas are situations in which members of a group face a choice either to cooperate in order to maximize group gain or to defect for self interest (Messick & Brewer, 1983). In such a situation, "each individual receives a higher payoff for a socially defecting choice than for a socially cooperative one, yet all individuals have a higher payoff if all cooperate than if all defect" (Dawes, 1980 p. 173). The choice to defect is the optimal choice (Messick & Brewer, 1983) since each individual is better off acting in his or her own self-interest regardless of what the other group members decide, but in doing so all individuals are worse off than if they had cooperated towards collective gain (Hardin, 1968; Kollock, 1998; Komorita & Parks, 1996). This "tragedy of the commons" was first suggested by Hardin (1968).

In the case of WTP-PP, a social dilemma presents itself when a consumer has the choice to either cooperate for the social good (i.e. pay the PP for products made by a socially

responsible company) or maximize individual gain (i.e. not pay the PP). Therefore, it is important to understand what factors influence an individual's choice to cooperate (for social good) or defect (for individual gain). The next sub-section below identifies and explains factors related to an individual that influence his decision to cooperate or defect in a social dilemma.

Cooperation In Social Dilemmas: Factors That Influence WTP-PP

The framework in this article suggests that the difference between consumers who choose to cooperate (i.e. pay a PP) or defect (i.e. not pay a PP) will depend on certain key factors related to the individual like social value orientation, trust in others, reference group influence (in-group identity, expectation of others' cooperation) perceived efficacy, and factors that influence the costs of cooperation to the individual (product substitutability and product preference).

Social Value Orientation. Research to understand the choice to cooperate or defect in a social dilemma is also influenced by pre-existing individual differences such as social value orientations which are "... preferences for particular distribution of outcomes to oneself and others" (Messick & McClintock, 1968; P. A. M. van Lange, Liebrand, Messick, & Wilke, 1992 p. 17). The three most prominent social value orientations are (Kramer & Goldman, 1995; P. A. M. van Lange, et al., 1992): (1) cooperation which is the tendency to maximize both self and others' outcomes; (2) individualism which focuses on self gain; and (3) competition which stresses on relative gain for self over others. In the case of WTP-PP dilemma, cooperators are more likely to make a sacrifice (i.e. pay a PP) to maximize both self and others' gain and therefore, resist the temptation to defect, than individualists or competitors. Therefore, the author hypothesizes that:

- H1** Social value orientation is a significant discriminating variable between consumers willing to pay a price premium and those who are not.

Trust. In addition to social value orientations, individual differences in trust have also been studied in social dilemma literature. Individuals have been found to differ in their willingness to believe that others are honest or dishonest and as a result, also in believing whether trusting others is risky or not (T. Yamagishi, 1988). It is suggested that such differences in trust have a strong bearing on the decision to cooperate or defect in social dilemmas, where, high-trusters are more likely to cooperate than low-trusters (P. A. M. van Lange, et al., 1992). Therefore, the author hypothesizes that:

- H2** Likelihood to trust is a significant discriminating variable between consumers willing to pay a price premium and those who are not.

In addition to the above factors, another key factor that influences consumers' decision to cooperate rather than defect is the conformity pressure they are likely to feel, both internally and from external sources, to make choices similar to those made by other group members (Komorita & Parks, 1996). Though social dilemma research has suggested that group size and communication influences individual choice to cooperate (Messick & Brewer, 1983), there is scant research into "for whom" and "why" such conformity pressure exists. Therefore, to understand the role that conformity pressure might play, this article draws on reference group theory next to explain the above phenomenon.

Reference Group Influence. A reference group is a person or a group that influences another person's decision. A person uses reference groups as a basis of comparison in forming affective and cognitive responses (Peter & Olson, 1999). Reference group influence has been widely used in the social sciences; many researchers have examined reference groups in a consumer context. Because of the role of influence, reference groups can greatly impact behaviors. In addition, reference groups are an important source of product information, meaning and brand selection (Bearden & Etzel, 1982; T. L. Childers & A. R. Rao, 1992; Escalas & Bettman, 2005; Moschis, 1976). The use of cultural heroes such as sports or television/film celebrities in endorsing products and services, illustrates the belief that individuals who belong to a group to which other individuals aspire, enact self-concept development, contribute to the formation of values and attitudes, and influence purchase decisions (Bearden & Etzel, 1982; T. L. Childers & A. R. Rao, 1992; Sheth, Mittal, & Newman, 1999). Therefore, it is expected that reference groups will influence the WTP-PP.

In-Group Identity. Research in social dilemma has demonstrated that enhancing in-group identity promotes cooperation in resource conservation dilemmas (Kerr, 1995). In an experiment, Dawes, McTavish, and Shaklee (1977) found that when members of a group had the opportunity to discuss the dilemma with the others, they were less likely to defect in pursuit of self interest. Within-group communication fosters a greater likelihood of cooperation because of several factors (Messick & Brewer, 1983): (1) it establishes group norms and induces conformity pressures; (2) it enhances individual belief that others in the group are committed to cooperate; (3) it provides the opportunity to persuade members who might originally be inclined to defect, by stressing upon moral values to enhance collective gain and; (4) it builds a sense of group identity among members.

However, the external validity of this finding in the case of real world dilemmas is somewhat limited since in a large collective society, members do not have the opportunity to discuss their choices with each other. Messick and Brewer (1983) and van Lange et al. (P. A. M. van Lange, et al., 1992) suggest that one way to reap the benefits that stem from group communication is to foster social group identity. Therefore, making group identity salient to the individual or increasing his awareness of him belonging to the group, has been shown to increase cooperation (Kollock, 1998). Two views explain how group identity influences cooperative behavior in social dilemmas (Kollock, 1998): (1) the process of categorization as suggested by social identity theory (Tajfel, 1981) and; (2) belief of interdependency among the members and expectations of reciprocity among others (T. Yamagishi & Kiyonari, 2000). Based on the above discussion, the author hypothesizes that:

- H3** In-group identity is a significant discriminating variable between consumers willing to pay a price premium and those who are not.

Expectation of Others' Cooperation. Both, social dilemma theory and reference group theory, suggest a strong interrelationship between people's expectation of overall cooperation from the group members and their own decision to cooperate (Dawes, 1980; P. A. M. van Lange, et al., 1992). In social dilemmas, people are more likely to cooperate if they expect others to do the same and choose to not cooperate in order to protect themselves from being labeled a "sucker." Several explanations have been offered to explain the expectation-choice relationship (P. A. M. van Lange, et al., 1992): (1) social norms play an instrumental role in social dilemma and individuals infer these norms when made aware of others' expectations; (2) the tendency to

conform; (3) their own intended choice being the cause; and (4) post hoc justification to explain choice in terms of others' expectations. Therefore, the author hypothesizes that:

- H4** Expectation of others' cooperation is a significant discriminating variable between consumers who are willing to pay a price premium and those who are not.

Perceived Efficacy. Research on social dilemma suggests that cooperation hinges on individuals' perceived efficacy, or the extent to which one believes that his or her own contributions help to achieve the collective goals (P. A. M. van Lange, et al., 1992 p. 18). Studies reveal that individuals are less likely to defect if they believe that their cooperative actions will "make a difference" for the betterment of the common good (Sen, Gurhan-Canli, & Morwitz, 2001). This construct has received attention in the context of pro-social behaviors, especially environmental behavior literature (Berger & Corbin, 1992; Pam Scholder Ellen, Weiner, & Cobb-Walgren, 1991; Kinnear, Taylor, & Ahmed, 1974). However, despite producing positive results in experimental settings, Olson (1965) and Kerr (1989) show that perceived efficacy declines with group size and therefore, individuals in a large-scale social dilemma situation are more likely to defect than to cooperate. Therefore, in addition to the previous studies that have examined the direct influence of perceived efficacy to explain pro-social behaviors (Berger & Corbin, 1992; Pam Scholder Ellen, et al., 1991; Kinnear, et al., 1974) in large group settings (that suffer from lack of external validity), this study will also examine the indirect influence of perceived efficacy. Individuals' perceived efficacy is likely to interact with their expectations of others' cooperation in predicting WTP-PP. Specifically, in situations where consumers believe that their contribution will make an insignificant difference towards the social cause, their higher WTP-PP is largely influenced by their expectations of others' cooperation. This influence is because consumers, under low efficacy conditions, are uncertain about the impact of their individual contribution and tend to be more inclined to others' opinions to guide their own decision (P. A. M. van Lange, et al., 1992). However, if consumers feel that their individual contribution will make a significant impact (i.e. high efficacy), then their expectation of others' cooperation will be less relevant. In other words, when consumers believe that they themselves can make a difference by cooperating, their likelihood of doing so is likely to be less contingent on how others behave (Wiener, 1993). Thus, the author hypothesizes that perceived efficacy will interact with expectation of other's cooperation in explaining WTP-PP:

- H5a** Perceived efficacy is a significant discriminating variable between consumers willing to pay a price premium and those who are not.
- H5b** The influence of the effect of expectation of others' cooperation on willingness to pay a premium price will be greater when perceived efficacy is low, than when it is high.

FACTORS INFLUENCING THE COSTS OF COOPERATION

From a broader perspective, social dilemmas may be conceptualized in the context of the social exchange theory (Thibaut & Kelley, 1959) that makes two assumptions: (1) all social interactions involve some type of bargaining relationships where people trade rewards and costs; and (2) people are always motivated to maximize rewards and minimize costs (Komorita & Parks, 1996). As a result, social dilemma research acknowledges the pivotal role played by the costs associated with cooperation, where, individuals are required to make tradeoffs between accepting the cost of cooperation and the benefits that their cooperative behavior will produce for the group (Messick, 1983 #67; Messick & Brewer, 1983). Apart from suggesting the type of costs such as loss of self-esteem, anxiety and guilt (Komorita & Parks, 1996), surprisingly little research has explicitly explored the effects of individual costs on cooperation.

If consumer boycotts are a form of social dilemma (Sen, et al., 2001), two factors borrowed from this literature are argued to influence the costs that consumers incur in their decision to cooperate in a dilemma. The first factor stems from consumers' intrinsic preference for the company's product, where consumers with higher preference will be more likely to cooperate and subsequently exhibit WTP-PP. In this situation, the overall preference for the company's product reduces the perception of individual cost of cooperating in a social dilemma. The second factor is related to consumers' perception of substitutability between a products made by a socially responsible company and a socially non-responsible company. When consumers perceive the above two types of products as substitutes, they will be more likely to pay a PP. In this case, the cost incurred to cooperate (i.e. WTP-PP) is minimal or non-existent to the consumer. However, in the event when the above two products are not perceived as substitutes, the likelihood that consumers will defect is high. The reason is that the cost of cooperation by paying a PP for an unacceptable substitute of the conventional product presents a big cost to the individual, who will then attempt to alleviate this cost by defecting and purchasing the conventional product.

According to social dilemma theory, the decision to not cooperate stems from their unwillingness to be seen as a "sucker" (see Komorita & Parks, 1996 for review), while the choice to cooperate leads to personal loss on account of benefit to "free riders" (i.e. non-cooperators who benefit from others' cooperation) from the individual's cooperation for collective gain. Research (P. A. M. van Lange, et al., 1992) suggests that consumers will be more willing to cooperate, despite free riders, when the costs of cooperation to be incurred by the individual are lower. Thus, when consumers' cost of cooperation is low (i.e. they perceive products made by socially responsible and socially non-responsible companies as substitutes, or their product preference for the socially responsible company's product is low), they are less likely to be concerned about the issue of free riding and subsequently more willing to cooperate. Conversely, when consumers' cost of cooperation is high (i.e. no substitutes for conventional products are available or product preference for conventional products is high), they are more likely to be concerned about being perceived as a "sucker," and will consequently be unwilling to cooperate.

H6a Perception of substitutability is a significant discriminating variable between consumers who are willing to pay a price premium and consumers who are not.

H6b Product preference is a significant discriminating variable between consumers who are willing to pay a price premium and those who are not.

STUDY DESIGN

In this section, the above hypotheses are tested empirically to support the argument that the difference in consumer response to the question of whether "to reward" or "not to reward" a socially responsible company by paying a premium price for its products exists because the above two opposing consumer responses present a social dilemma to the consumers.

A survey instrument was developed that used scales to measure eight independent variables and one dependent variable. In addition, socio-demographic data about the study participants was also collected.

A pilot study was conducted with 22 undergraduate business students who were debriefed regarding the questionnaire items and the objective of the study. After completing the survey, students provided feedback on instructions that needed additional clarification, section layout, and order. Discussion with students allowed the researchers to modify the survey by rearranging

the question order, both within a section and in the survey, and to provide easy-to-follow instructions to complete each section of the survey.

INDEPENDENT VARIABLES

The scales utilized for the study were taken from existing literature. Table 1 provides an overview of all study variables. All responses for the interval scales, with the exception of in-group identity and social value orientation, were made on a seven-point Likert scale ranging from 1 = strongly disagree (negative) to 7 = strongly agree (positive).

| Name of Study Variable | Description | Reliability (Cronbach's Alpha) |
|--|--|---------------------------------------|
| Social Value Orientation (van Lange et al., 1997) | Categorical scale 9 choice situations | Not applicable |
| Trust (De Cremer & Stouten, 2003) | Likert scale 4 scale items | $\alpha = 0.799$ |
| In-Group Identity (Aron & Smollan, 1992) | Graphical scale 6 pairs of circles | Not applicable |
| Expectation of Others' Cooperation (Wiener & Doescher, 1994) | Likert scale 2 items | $\alpha = 0.828$ |
| Personal Efficacy (Ellen, Wiener, & Cobb-Walgren, 1991) | Likert scale 2 items | $\alpha = 0.640$ |
| Substitutability (Sujan & Bettman, 1989) | Semantic differential scale 4 items | $\alpha = 0.904$ |
| Product Preference (Sen et al., 2001) | Likert scale 3 items | $\alpha = 0.931$ |
| WTP - PP | Categorical (Yes/No) | Not applicable |

Social Value Orientation. For this categorical variable, participants had to complete a cognitive task (P. V. M. Van Lange, Otten, De Bruin, & Joireman, 1997) with nine choice situations where they had to select the most preferred option for themselves. Based on the choices made, participants were classified as cooperators, individualists, or competitors. For the purpose of this study, any subject who made six or more consistent choices, was classified as a cooperator and coded as "1." The others, individualists and competitors along with participants who made choices that were inconsistent with any of the three social value orientation classification schemes, were coded as "0."

Trust. Four scale items (De Cremer & Stouten, 2003) with two items that were reverse scored were used to measure this construct. Items included statements such as: "I trust that other people will also pay 20% more or higher for a cup of coffee from FAMECO"; "I do not trust that other people will pay 20% more or higher for a cup of coffee from FAMECO"; "I think that other people trust me to pay 20% more or higher for a cup of coffee from FAMECO"; and "I think that other people do not trust me to pay 20% more or higher for a cup of coffee from FAMECO". The answers were measured on a seven point Likert scale (1 = strongly disagree and 7 = strongly agree). A Cronbach's alpha score of 0.799 showed that the scale was reliable.

In-Group Identity. To measure this variable, subjects were asked to read a narrative profile of an average consumer and a celebrity, both committed to purchasing green products. Next, six pairs of circles that visually presented six different representations of identity overlap were presented

to the participants (Aron, N., & Smollan, 1992). In each pair, the blue circle represented the identity of the participant and the red circle represented the regular or celebrity consumer. First, subjects were asked to pick the pair of circles that best expressed their perception of identity overlap between themselves and the average consumer. Next, a similar set of circles was presented and the subjects performed the same choice task to indicate their perception of identity overlap between the self and the celebrity consumer. For each of the two measures of group identity, subjects who picked pairs 1, 2, and 3 (distantly spaced circles) were coded "0" (low group identity). Subjects who selected pairs 4, 5, and 6 (closely overlapping circles) were coded "1" (high group identity).

Expectation of Others' Cooperation. Two items (Wiener & Doescher, 1994) measured this construct by recording participants' agreement or disagreement on a seven-point Likert scale. These items were: "In time, most coffee consumers will pay 20% more or higher for coffee from FAMECO"; and "most people are willing to make sacrifices to support a company like FAMECO." The Cronbach's alpha score was 0.828.

Personal Efficacy. Two scale items (Pam Scholder Ellen, Wiener, & Cobb-Walgren, 1991) were reverse scored on a seven-point Likert scale. These items were: "There is not much that any one individual can do to support FAMECO"; and "The efforts of one person to support FAMECO is useless if others don't support the company." The Cronbach's alpha score was 0.640.

Substitutability. The perception concerning whether coffee from FAMECO (a socially responsible company) and from other coffee company are substitutable products was measured by asking respondents to indicate their views using a seven-point semantic differential scale (1=completely different and 7=identical) for a total of four word pairs that included items such as: "Are completely different/Identical; Not similar at all/Similar"; "Have few features in common/Have many features in common"; and "Are very different/Are not different" (Sujan & Bettman, 1989). The Cronbach's alpha score was found to be 0.904.

Product Preference. Three items (Sen, et al., 2001) measured on a seven-point Likert scale asked respondents to indicate their preference for FAMECO (socially responsible company). Questions asked included: "How much would you say you like or dislike FAMECO?"; "When you buy coffee, to what extent would you buy from FAMECO?" and "When you buy coffee, to what extent do you think you will recommend FAMECO to others?" A Cronbach's alpha score of 0.931 showed that the scale was reliable.

DEPENDENT VARIABLE

The dependent variable, a consumer who would pay a PP, was measured as a binary variable. In order to identify consumers who would be willing to pay a PP from those who would not be willing to do so, the survey asked the respondents the following question: "Would you pay a 20% premium for a cup of regular size (12 oz.) coffee from FAMECO?" Responses were measured on a two-point scale, 0 = No and 1 = Yes.

Sample

To test the hypotheses, an internet-based survey was administered. An online sample (N=468) of consumers from U.S. was recruited from an internet panel owned by a private marketing research company. A total of 2,134 subjects were invited to participate through email

(which provided a link to the web survey), which yielded 796 completed and 42 partially completed questionnaire. The subjects represented the general population and comprised of individuals who had self-identified themselves as coffee consumers (and were not exclusively university students), contributing to the external validity of the study results. Nevertheless, each respondent was asked a qualifying question: “*Have you purchased coffee to go in the past month?*” This question allowed each qualified subject’s response to be validated for the purpose of this study. The participants whose answer to this question was “No” were directed to the end of the survey tool and not allowed to complete the entire survey. As a result, out of 796 participants, 468 qualified, of which 291 (62%) indicated that they would pay a PP and 177 (38%) indicated that they would not. Table 2 provides a demographic profile of the sample.

| Sample Characteristic | |
|------------------------------|--|
| Gender | Male = 215 (45.9%) Female = 253 (54.1%) |
| Marital Status | Single = 65 (13.9%) Married = 325 (69.4%) Divorced = 57 (12.2%) Widowed = 11 (2.4%) Other = 10 (2.1%) |
| Education | High School = 81 (17.3%) Trade or Technical School = 25 (5.3%) Associate Degree = 67 (14.3%) Undergraduate Degree = 108 (23.1%) Some College = 116 (24.8%) Master’s Degree or higher = 71 (15.2%) |
| Household Income | Less than \$25,000 = 61 (13%) \$26,000 – \$50,000 = 141 (30.1%) \$51,000 - \$75,000 = 98 (20.9%) \$76,000 - \$100,000 = 74 (15.8%) \$101,000 - \$150,000 = 68 (14.5%) More than \$151,000 = 26 (5.6%) |
| Age | Average = 48.7 years |

Finally, in order to assess the respondents’ comfort level with taking an online survey, each was asked to rate his or her technical proficiency with a computer on a scale of 1 to 7, where 1 = Not Very Proficient and 7 = Very Proficient. They were also asked the number of hours per week spent online, either for work or personal use. Results showed a fairly sophisticated technical group (Mean = 4.84 in proficiency) who spent an average of 21.35 hours per week online.

PROCEDURE

The survey instrument presented the invited participants with a brief description of the study, the procedure, the risks and benefits of participation, and the time needed to complete it; and offered them the opportunity to indicate their willingness to participate or to decline. A total of 468 subjects agreed to participate in the study and qualified to complete it, while 328 subjects

either declined or failed to qualify and were subsequently allowed to exit the survey. Next, each of the 468 subjects was asked to read a description of the hypothetical coffee company, FAMECO, in the form of a newspaper advertisement (Appendix A). A fictional scenario was used in order to control for any pre-existing attitudes towards a specific company within the sample which would have confounded study results. Following this introduction, the survey measure presented all the measurement scales for the predictor variables. The survey instrument was programmed in a way that did not allow the respondent to return to the previous web page. Subjects were also required to respond to all questions in a section in order to progress to the next web page. The last page in the survey recorded socio-demographic data and thanked the subjects for their participation in the study.

ANALYSIS

The objective of this article is to explain one specific type of socially responsible consumer behavior—willingness to pay a price premium (WTP-PP)—as it presents itself as a social dilemma to consumers. Therefore, to discriminate and predict the “Yes” (WTP-PP) and “No” (unwilling to pay a PP) consumers, classification with discriminant analysis (in SPSS software) was used. Discriminant analysis is a multivariate technique used to study the differences between two groups with respect to two or more independent variables, simultaneously (Johnson & Wichern, 1998). The sample size (N=468) was large enough to place confidence in the results, where 20 subjects per variable is considered adequate for a discriminant analysis (Stevens, 1992).

The classification was based on prior probabilities computed on the basis of the group size. Missing values were excluded to provide a more robust analysis. The predictor variables used in the study were social dilemma variables (social value orientation, trust, in-group identity, expectation of others' cooperation, and perceived efficacy) and variables related to costs of cooperation (substitutability and product preference). Two separate discriminant analysis models were built to test the hypotheses. The first analysis examined the predictive ability of the social dilemma and reference group influence variables in effectively discriminating between the “Yes” and “No” groups. The second analysis focused on the costs of cooperation incurred by the “Yes” consumers (perception of substitutability and product preference) as the discriminating variables.

Results Of Discriminant Analysis With Social Dilemma Variables

Before hypotheses testing, statistical analysis first checked for multicollinearity between the independent variables. One of the key assumptions for discriminant analysis is that a high correlation should not exist among the independent variables. It has been suggested that correlation coefficients among the independent variables should be less than 0.75. Table 3 shows that this assumption was met. Correlation coefficients ranged from 0.005 to 0.613 indicating that multicollinearity is not a concern in the data.

| | Personal Efficacy | Trust | Expectation of Others' Cooperation | Social Value Orientation | In Group Identity with Average Consumer | In Group Identity with Celebrity |
|---|-------------------|-------|------------------------------------|--------------------------|---|----------------------------------|
| Personal Efficacy | 1.000 | 0.286 | -0.011 | 0.021 | 0.092 | 0.096 |
| Trust | 0.286 | 1.000 | 0.490 | 0.037 | 0.130 | 0.195 |
| Expectation of Others' Cooperation | -0.011 | 0.490 | 1.000 | 0.036 | 0.104 | 0.209 |
| Social Value Orientation | 0.021 | 0.037 | 0.036 | 1.000 | 0.112 | 0.069 |
| In-group Identity with Average Consumer | 0.092 | 0.130 | 0.104 | 0.112 | 1.000 | 0.613 |
| In-group Identity with Celebrity | 0.096 | 0.195 | 0.209 | 0.069 | 0.613 | 1.000 |

Additional analysis of the data also revealed no serious violation of the assumptions of independence and multivariate normality. To test the assumption of equal variance-covariance, Box's M-test statistic was applied, where the test statistic, Box's $M = 23.041$, with $F(21, 513881.862) = 1.222$ and $p = 0.220$, shows that the equal variance-covariance assumption was met. Descriptive statistics of the groups ("Yes" and "No" groups) on the independent variables are shown in Table 4.

| Variable | Range of Value | "Yes" Means (N=291) | "No" Means (N=177) | "Yes" Standard Deviation (N=291) | "No" Standard Deviation (N=177) |
|--|----------------|---------------------|--------------------|----------------------------------|---------------------------------|
| Social Value Orientation* | 0 and 1 | 0.5808 | 0.5311 | 0.49429 | 0.50045 |
| Trust | 1-7 | 4.7027 | 3.4308 | 1.07465 | .98955 |
| In-group Identity with Average Consumer* | 0 and 1 | 4.7268 | 4.0339 | 1.73346 | 1.81493 |
| In-group Identity with Celebrity* | 0 and 1 | 4.2176 | 3.5989 | 1.90215 | 1.88556 |
| Expectation of Others' Cooperation | 1-7 | 4.7285 | 3.1864 | 1.19634 | 1.20333 |
| Personal Efficacy | 1-7 | 4.6426 | 4.0000 | 1.37819 | 1.18105 |

*Categorical Variable

The discriminant analysis model with the social dilemma and reference group influence variables showed that the overall multivariate relationship was statistically significant at the 0.05 level (Wilks' Lambda = 0.652; chi square (6, N=468) = 198.313; $p < .001$) indicating that "Yes" group differed significantly from the "N" group in reference to the means of the independent

variables. The predictive ability of the independent variables in discrimination was also supported by the statistic reflected in the group centroids (-0.936 versus 0.631) that clearly suggests that the two groups are different from each other. The model produced a canonical correlation of 0.590 which indicated that it accounted for 59% of the variance in the dependent variable.

Finally, the univariate F-tests of the discriminant analysis (Table 5) also indicate that significant differences exist between the means of the “Yes” and “No” groups. With the exception of social value orientation, all other independent variables: trust, in-group identity (both with average consumer and celebrity), expectation of others’ cooperation, and perceived efficacy, significantly differentiated and predicted membership in the two groups. Therefore, hypotheses H2 through H5a but not H1 were supported.

| Variable | Wilk's Lambda | F | Significance |
|---|----------------------|----------|---------------------|
| Perceived Efficacy | 0.946 | 26.596 | 0.000 |
| Trust | 0.740 | 163.579 | 0.000 |
| Expectation of Others' Cooperation | 0.719 | 182.058 | 0.000 |
| Social Value Orientation | 0.998 | 1.101 | 0.294 |
| In-group Identity with Average Consumer | 0.965 | 16.968 | 0.000 |
| In-group Identity with Celebrity | 0.975 | 11.723 | 0.001 |

Additional support for H2 through H5a and lack of support for H1 is seen in the within-group correlations between the predictors and the discriminant function as well as the standardized weights (Table 6). Based on these coefficients, expectation of others’ cooperation and trust demonstrated the strongest relationship. Identification with a regular consumer, efficacy, and identity with celebrity demonstrated moderate relationships. Social value orientation displayed the weakest relationship.

| | Correlation Coefficients | Standardized Coefficients |
|---|---------------------------------|----------------------------------|
| Expectation of Others' Cooperation | 0.655 | 0.855 |
| Trust | 0.433 | 0.810 |
| In-group Identity with Average Consumer | 0.210 | 0.261 |
| Efficacy | 0.206 | 0.327 |
| In-group Identity with Celebrity | -0.154 | 0.217 |
| Social Value Orientation | 0.010 | 0.066 |

Finally, to test H5b suggesting that WTP-PP would be predicted by the interaction between expectation of others' cooperation and personal efficacy, a logistic regression was conducted. Results from the binary logit model showed that the interaction term was significant, generating support for H5b. Results showed that a regression coefficient for the interaction term was 0.165 (Wald statistic = 82.833, degrees of freedom = 1, and $p = 0.000$).

Results Of Discriminant Analysis With Costs Of Cooperation Variables

The assumption that there should be no high correlation among the independent variables held true for the two variables considered in the discriminant analysis model with the variables that measured costs of cooperation. The correlation between substitutability and product preference is -0.047 indicating that multicollinearity is not an issue. Further analysis of the data revealed no serious violation of the assumptions of independence and multivariate normality. To test the assumption of equal variance-covariance Box's M-test statistic was applied where the test statistic, Box's M = 5.410, with $F(3, 5342246.518) = 1.794$ and $p = 0.146$, shows that the equal variance-covariance assumption was met.

Finally, the univariate F-tests of the discriminant analysis (Table 7) showed that significant differences exist in the means of product preference and substitutability between the "Yes" and "No" groups. Therefore, the results supported both H6a and H6b. Additional support for both H6a and H6b is seen in the within-group correlations between the predictors and the discriminant function as well as the standardized weights (Table 8).

| Variable | Wilk's Lambda | F | Significance |
|--------------------|----------------------|----------|---------------------|
| Substitutability | 0.955 | 21.832 | 0.000 |
| Product Preference | 0.590 | 323.248 | 0.000 |

| | Correlation Coefficients | Standardized Coefficients |
|--------------------|-------------------------------------|--------------------------------------|
| Substitutability | -0.208 | -0.254 |
| Product Preference | 0.968 | 0.978 |

DISCUSSION AND CONTRIBUTION

Research in the area of CSR and socially responsible consumption suggests that though consumers exhibit general support of CSR, they are not unanimously willing to pay a PP. The goal of this research was to explain the above response by framing it as a social dilemma to provide an understanding of why consumers do or do not reward CSR via WTP-PP. By drawing on theories of social dilemma and reference group influence, this article sheds light on the processes that underlie the above consumer resistance (Sen, et al., 2001). In summary, this article suggests that the WTP-PP presents itself as a social dilemma influenced by reference group effects and is driven by the motivation to maximize collective rather than individual gain. This article contributes to the understanding of cooperation in social dilemmas in several ways. First, though research in social dilemma literature has suggested that group characteristics such as size, cohesiveness, and communication impact the likelihood to cooperate, this article examines the nature of group influence on individual cooperation. By drawing on reference group theory, results from this study show that reference groups influence individual cooperation.

Results from the study reveal that several characteristics of the individual such as trust, in-group identity, expectation of others' cooperation and perceived efficacy, were significant in differentiating between the "Yes" and "No" groups. Only one of the variables—social value orientation of the individual—was ineffective in discriminating between the two groups. Findings from the study indicate that consumers who are WTP-PP are generally high trusters and expect that others would do the same. This means that people who exhibit high trust levels will be more WTP-PP because they believe that others will do the same. This finding supports the research in social dilemma which argues that high trusters are more likely to cooperate than low trusters (who are more likely to defect) as a result of the tendency to maximize self gain (P. A. M. van Lange, et al., 1992).

In-group identity was also significant in discriminating between the "Yes" and "No" groups. This finding supports the research in the area of social categorization (Tajfel, 1981) which suggests that individuals who strongly identify with a group are more likely to make decisions or perform behaviors that benefit the group rather than themselves (Komorita & Parks, 1996; Kramer & Goldman, 1995). In such situations, despite an absence of the opportunity to discuss individual choice with the group members, simple awareness of identity with the group enhance conformity pressures to comply with group choice (Kollock, 1998). Results from the study showed that individuals who closely identified with representatives of the socially responsible consumer segment—an average consumer and a celebrity—were more likely to cooperate by being WTP-PP. This finding on the predictive influence of in-group identity is also

explained by extant research (i.e. (Terry L. Childers & Akshay R. Rao, 1992) which suggests that consumption decisions are influenced by reference groups.

Expectation of others cooperation was the strongest factor that discriminated between the “Yes” and “No” groups. The “Yes” group made cooperative decisions because they expect others to do the same. The “No” group had no such expectation, did not feel the pressure to conform, and therefore chose not to cooperate in a social dilemma. This finding is supported by research in social dilemma that suggests that people are more likely to cooperate when they expect others to do the same and avoid cooperation to protect themselves from being perceived as a sucker.

A surprising finding was that social value orientation was not significant in separating the “Yes” and “No” groups. Results from the study showed that about half of the members from each group identified themselves as cooperators. The fact that an unexpectedly significant proportion of “No” group members identified themselves as cooperators could be attributed to social desirability bias. In order to measure an individuals’ social value orientation, study participants were asked to perform nine choice tasks which measured the tendency to maximize self or collective gain. It might be argued that since this choice task was performed in a hypothetical situation with no personal gain or loss, participants might have answered in a socially desirable way instead of indicating the choices that they may have made in a real situation.

Perceived efficacy is the extent to which an individual believes his/her actions make a difference in achieving collective goals (P. A. M. van Lange, et al., 1992). This construct was significant and showed moderate influence in discriminating between the “Yes” and “No” groups. While both groups believe their actions make a difference, the “Yes” group have much stronger beliefs ($M=4.64$) than the “No” group ($M=4.00$). The “Yes” group is less likely to defect in order to maximize self gain because they believe that their cooperation action will contribute to the common good (Sen, et al., 2001).

Second, this article extends the assertion made by social dilemma research that highlights the predictive role of perceived efficacy and expectation of others’ cooperation on the likelihood to cooperate. Results from this study reveal an interaction between these two factors (Sen, et al., 2001) beyond the independent influence of both of the above two factors to impact cooperation in social dilemma situations. Results from this study show that when perceived efficacy is low the influence of the others’ cooperation on WTP-PP is high. Under low efficacy conditions consumers are not certain about the impact of their actions and tend to use others’ opinions to guide their behavior. At the same time, when people believe their actions matter, the WTP-PP is less contingent on how others behave.

Third, the results of this study supports earlier research by Sen et al. (2001) that identifies the influence of costs of cooperation on the individual decision to cooperate or withhold consumption. Results from this study showed that both costs of cooperation variables were significant, and contributed to the discrimination between the “Yes” and “No” groups. Specifically, the results showed that the “Yes” group overwhelmingly exhibited a higher level of product preference than the “No” group and also perceived the product from the socially responsible company as different and hence not substitutable (Sen et al., 2001). These findings that support the role of substitutability on the individual decision to cooperate, suggest that marketing practice should highlight the above differentiation to elicit cooperation in such social dilemmas.

Results from this study provide important information to help marketers accurately identify the consumer segment that is WTP-PP for CSR. The results of the study offer several managerial implications. First, marketers should reinforce the role that trust plays in solidifying collective action. Using themes such as “you can trust that others will follow your lead” may strengthen the trust that consumers feel and subsequently weaken the desire to defect. By relaying messages that show the extent of others’ action, consumers will feel confident that their trust is warranted. Such marketing communication will also persuade “low trusters” that it is worthy to believe others are engaging in pro-social behavior. Second, because of the strong influence of reference groups in socially responsible consumption, marketing communications managers should use spokespeople who are easy to relate to. In the event that a marketer decides to use a celebrity, that person must be perceived as a role model for socially responsible consumption. On a related note, since study results showed that identification with a “regular” consumer was stronger than with a “celebrity” in discriminating between the “Yes” and “No” groups, it is an indication for companies to save marketing dollars by using typical pro-social consumers instead of celebrity spokespeople in marketing communications. Third, this study showed that expectation of others’ cooperation significantly identifies the “Yes” group. For marketers, this finding presents an opportunity to communicate that other consumers are also willing to pay a PP. When people believe that other people similar to themselves make cooperative choices, they will be more likely to cooperate. Marketing communication material could also display testimonials of such typical consumers. However, these messages must be constantly reinforced so that the individuals do not feel that they are acting alone. Fourth, to address the perception of personal efficacy, it is important that marketers emphasize the difference that individual action makes for the collective good. When people realize that their individual behavior matters, they will be less likely to defect. Therefore, in developing marketing messages, emphasis should be placed on how an individual’s actions can contribute to the collective gain. These messages will reinforce beliefs that actions do matter; this makes them feel good about their actions and in turn strengthens perceived efficacy. Also when people believe their actions matter, the likelihood of a higher WTP-PP becomes less contingent on how others behave. This indicates that people with strong levels of perceived efficacy can become role models for others who are more susceptible to reference group pressure.

Finally, both product preference and substitutability were significant discriminating factors in the analysis between the “Yes” and “No” groups. The “Yes” group showed a higher product preference than the “No” group for the socially responsible company. The same was also the case with substitutability, where the “Yes” group perceived the products from the socially responsible company as being significantly different from that of another company, and therefore, not substitutable. For socially responsible companies, this result highlights the need to stress the value of CSR and subsequently target market segments with a higher preference for its products and a lower perception of substitutability.

The external validity of the results of this study is higher because of the use of real consumers instead of student population as is common in academic research. Thus, marketers can confidently use key findings of this study to not only identify the WTP-PP market segment, but also use this knowledge to make appropriate modifications to marketing strategies to target and subsequently convert the “No” group to “Yes” group.

LIMITATIONS AND FUTURE RESEARCH

This study has methodological limitations, commonly found in survey research, that present opportunities for future research. For example, the Internet was used as a delivery mechanism for the survey. People who did not have a computer or who did not feel comfortable using a computer were not included in the survey. Future research should widen the base of participants by using other methods to investigate socially responsible consumer behavior. In survey research, much of the validity depends on a subject's ability to assess accurately their level of agreement with questions. Although analysis does not indicate that inability is a problem, there may be some level of measurement error. A third limitation of the study is that a single product was used to measure WTP-PP. The external validity of this study could be increased by future research that replicates findings of this study by investigating the WTP-PP for other consumer products of other companies. Lastly, this study framed the issue to reward or not to reward a company for social responsibility by drawing upon social dilemma and reference group theories. However, viewpoints in social psychology and social welfare theory might provide additional explanations to explain the above consumer dilemma.

Other suggestions for future research are tied to the study results. Findings from this research showed that in-group identity is a valuable factor that influences WTP-PP. A future research project might seek to investigate this influence further by examining the concept of source credibility. That is, in addition to identifying with a person, how does the credibility of the source help or hinder the effectiveness of the message to promote WTP-PP. As suggested earlier, the lack of support for the influence of social value orientation may be attributed to the way the construct was measured in this study. Future research could develop alternative measurement tools that are more effective in capturing the individual's social value orientation and address any social desirability bias in participant response. A third limitation of the study is tied to the results for the variable "trust". Social dilemma research argues that despite showing that individual personality differences (level of trust) explain cooperative or defective choices, this knowledge is not very useful as a solution to dilemmas (Kollock, 1998) because it does not shed light on how to increase the level of cooperation. (Messick & Brewer, 1983) offer two different types of solutions for a social dilemma: structural approaches that involve changing the structure of the social dilemma, and individual solutions that attempt to alter individual choice. These solutions include offering rewards to promote cooperative behavior and enforce punishment or penalty for non-cooperative behavior. Future research could investigate which structural and individual solutions would be most effective in achieving cooperative behavior (i.e. WTP-PP) for collective gain. The fourth limitation of this study is that it examines the response to CSR exclusively by one key stakeholder group—consumers. Future research might choose to generalize the results by studying the response in other key stakeholder groups, such as employees and investors (Margolis & Walsh, 2003). Finally, the study measured consumer intention to reward or not to reward CSR by indicating a WTP-PP for its product. Future research might instead examine actual purchase behavior to establish the generalizability of this study's results.

CONCLUSION

The conceptual framework offered in this article directly responds to the need of socially responsible companies who make significant financial investments in CSR to explain consumer

WTP-PP, a consumer action that presents financial rewards for CSR. The framework presented in this article contributes to the literature by framing WTP-PP as a social dilemma and draws on reference group theory to identify individual factors to help understand it. Study results are valuable to both practitioners and theoreticians in their effort to better understand socially responsible consumption—specifically, WTP-PP. For theoreticians, findings from hypotheses testing show that the WTP-PP depends on certain individual characteristics such as trust in others, reference group influence (in-group identity, expectation of others' cooperation, perceived efficacy), and factors that influence the costs of cooperation to the individual (product substitutability and product preference). Since the success of CSR is contingent on consumers' tendency to cooperate rather than to defect, it is imperative for socially responsible companies to understand which individual factors encourage cooperation. For companies, therefore, the findings from the study help develop marketing strategies that persuade consumers to seek the value of collective gain over self-interest.

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APPENDIX A. HYPOTHETICAL AD FOR “FAMECO” PROVIDED TO RESPONDENTS

A leading coffee company with more than 3000 cafes nationwide ran the following newspaper advertisement

It's Not Just What You're Buying. It's What You're Buying Into.

Before you buy your next cup of coffee, consider for a moment, what you're getting for your money.

At our company, we buy only from the top 3% of beans available. The rest just don't make the cut. And, whether it's a single-origin or more complex blend, you get beans that are nurtured from farm to cup under our watchful eye. We batch roast our beans until they pop twice. There. Now you know. That's what gives our coffee its signature bold, awesome flavor.

But, when you buy our coffee, whether you realize it or not, you're buying into something bigger than a cup of coffee. You're buying into a coffee ethic. Through our Shared Earth program, we purchase more Fair Trade coffee than any company in the world, ensuring that the farmers who grow the beans receive a fair price for their hard work. It is our goal that by 2015, 100 percent of our coffee will be responsibly grown and ethically traded. And, we invest in and improve coffee-growing practices and communities around the globe. It's good coffee karma.

We are also focused on reducing the environmental impacts of our disposable cups, increasing our recycling efforts and reducing our energy use. It is our goal that by 2015, 100 percent of our cups will be reusable or recyclable, and we will significantly reduce our environmental footprint through energy and water conservation, recycling, and green construction.

Closer to home, the little extra you pay for our coffee lets us hire and train people who know the difference between an espresso and a cappuccino. Our people are valuable. So, in return for their dedication, we offer full health-

care coverage to everyone who works at least 20 hours a week. We continue to do this, even in hard times, because it's the right thing to do. When you choose our coffee, you are buying a cup of coffee from a company that cares. A company that realizes its responsibility to the society and tries to do what it can to help....No wonder it tastes so good.

ADOPTION OF STRATEGIC MARKETING PRACTICES AMONG INDIAN MANUFACTURERS

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Ron Garland, University of Waikato
Scott Rader, Western Carolina University

Dedicated To The Memory Of The Late Dr. Ron Garland

INTRODUCTION

During the latter part of the 20th century an appreciation of marketing's contribution to a firm's competitive success underwent a sea-change. As a result, no longer was its role seen as being restricted to a set of tactical, essentially short-term activities associated with the various elements of the marketing mix such as undertaking promotional campaigns, making sales or providing an after sales service. Rather, marketing became firmly established as an important and necessary strategic level activity concerned with decisions about which markets to target; how best to deploy the firm's resources and capabilities to build superior customer value; and how the firm can position itself for competitive advantage over the longer-term (Hooley, Piercy and Nicoulaud, 2008). In short, within marketing circles, the term 'strategic marketing' has now gone into the vernacular. It has become synonymous with an on-going, company-wide and customer-led planning approach that facilitates the firm's ability to successfully adapt to, and take advantage of, the fast changing and increasingly volatile modern business environment. Specifically, the normative model of strategic marketing comprises five sequential stages, namely: a situation analysis, objective-setting, strategy formulation, implementation, and control (Cohen, 1998; Chaston and Mangle, 2002; Tybout and Calder, 2010), with each stage encompassing a number of practices.

Interest in strategic marketing reached its peak in the early-to-mid 1980s amid an explosion of prescriptive and research-based manuals, textbooks and articles on the subject (Romano and Ratnatunga, 1995; Brooksbank, Kirby, Taylor and Jones-Evans, 1999), creating a momentum that has seen it continue onwards into the new millennium as an ever-evolving topic that still attracts a good deal of scholarly attention today. Indeed, over the years numerous 'success' studies, mostly from Europe and North America, have in one way or another, illuminated our understanding of marketing's contribution to firm performance as a strategic discipline. Although this body of work includes studies that examine different types and sizes of firms operating in different markets at different points in time, they all, nonetheless, share the same basic aim: "to profile the marketing activities of successful firms, and compare them against those of less successful firms in order to offer insights to researchers and managers into ways of improving firm performance" (Gray, Matear, Deans and Garrett, 2007, p.72). One substantive point of difference, however, relates to the perspective on the topic at hand. Indeed in this respect it is useful to view this body of work as being largely made up of two separate sub-categories of 'research genre', both of which have been running in parallel with one another since the 1980s.

The first and more prominent research genre can be referred to as the ‘market orientation’ genre (see for example, Peters and Waterman, 1982; Narver and Slater, 1990; Jaworski and Kohli, 1993; Deng and Dart, 1994; Gray, Matear, Boshoff and Matheson, 1998; Matear, Osborne, Garrett and Gray, 2002). In essence, this genre seeks to identify and understand all those activities that combine to enable a firm to be market-driven, as well as the degree to which this orientation differentiates the high performers. To this extent, the practices of strategic marketing are often subsumed under what might be called a ‘holistic’ perspective on the topic. Furthermore, research within this genre is often inductive in nature and it thereby serves to inform us about how marketing as a strategic discipline is evolving and what is new. The second research genre within the marketing ‘success’ literature can be referred to as the ‘strategic marketing practices’ genre (see for example, Hooley, West and Lynch, 1984; Doyle, Saunders and Wong, 1985; Brooksbank, Kirby and Wright, 1992; Brooksbank, et al., 1999; Siu, Fang and Lin, 2004; Huan, Brooksbank, Taylor and Babis, 2008). In contrast to the ‘market-orientation’ genre, this research tends to focus almost exclusively on assessing organisational decision-making as it relates to the application of various strategic marketing practices at each stage of the normative model, i.e., situation analysis, objective-setting, strategy formulation and so on. As such, this research adopts a perspective on the topic that is more explicit. Furthermore, research within the ‘strategic marketing practices’ genre is often more deductive in nature – theorising from existing knowledge (textbooks, articles, etc.) about what is successful strategic marketing practice and then setting out to validate it based on proposition testing and experimentation. Notably, Day and Montgomery (1999), Thomas (2002) and others have pointed to the importance of such research, arguing that some of the most fundamental questions that marketing academics should be continuously asking themselves relate to the extent to which managers actually practice what is taught by marketing educators, as well as the degree to which it actually has a positive influence on organisational performance.

Set in this context, this study’s focus on the adoption of strategic marketing practices among Indian manufacturing firms can be viewed as an important for a number of reasons. Firstly, in India, and over a parallel timeframe to that which characterises marketing’s emergence as a strategic discipline, an increasingly open and deregulated economy has forced a change in the culture of Indian businesses and transformed them into becoming more competitive than ever before (Aggarwal, 2009). Secondly, this newly-acquired commercial imperative has provided the impetus for the growth and development of a booming domestic economy (MacAskill, 2011) with a GDP growth that is forecasted to be second only to China’s in the period 2012-16 (Chen *et al.*, 2012). Moreover, it has led to India’s emergence as a global economic power with a domestic manufacturing sector which currently ranks 9th in the world (Spencer and Schellenberg, 2010). Thirdly, despite the dramatic economic changes that have occurred in India over recent times, when compared with European and North American companies, relatively little is known about the adoption of strategic marketing among Indian manufacturers.

RESEARCH OBJECTIVES

The research reported upon in this paper fits within the ‘strategic marketing practices’ genre defined above. Accordingly, it aims to (as far as is known for the first time) provide a benchmark assessment of the state-of-the-art of strategic marketing within India’s manufacturing sector. Specifically, its objectives are to examine the strategic marketing practices of higher and lower performing Indian manufacturing firms in order to:

- Gauge the extent to which the basic ‘textbook’ practices of Western World strategic marketing have actually been adopted by Indian manufacturers.
- Test the general applicability of Western World conventional wisdom regarding the key determinants of successful strategic marketing, to the particular case of Indian manufacturers.

RESEARCH PROPOSITIONS

To meet this study’s twin objectives, twelve propositions relating to the expected differences between the strategic marketing practices of higher and lower performing firms were formulated on the basis of a review of both the normative and the empirical ‘success’ literature from the mid 1980s onwards. Such propositions are developed here in the interest of suggesting relationships between extant concepts explored in the survey, in line with similar provisional explorations that have been undertaken across a wide range of disciplines (e.g., Kohli and Jaworski, 1990; Alba and Hutchinson, 1987; Robertson and Gatignon, 1986; Roy, Sivakumar and Wilkinson 2004; Souchon and Diamantopoulos 1996). In essence, the emphasis of the literature review was to identify those ‘evergreen’ practices which have been most commonly prescribed or reported. For the purpose of presenting these propositions, it is convenient to divide them into subsets relating to the key stages in the strategic marketing process, namely: the conducting of a strategic situation analysis, the development of marketing objectives, the formulation of a marketing strategy, the designing of an appropriate marketing organisation, and the undertaking of strategic marketing control. Within this framework, the twelve propositions are presented below.

Propositions Relating To Undertaking A Strategic Situation Analysis

The adoption of formalised strategic marketing planning can be regarded as an important precursor to conducting a situation analysis because it necessitates an informed and insightful, future-focused approach to strategic decision-making. Indeed, the emphasis of many prescriptive works (e.g. Loyle and Breidenach, 2011; MacDonald, 2006), together with the empirical findings of Saunders and Wong (1985), Hooley and Jobber (1986), Lysonski and Pecotich (1992), Putendran *et al.* (2003), Huan *et al.* (2008), and Pitta (2008) all suggest that successful companies are more formal in their strategic marketing planning approach than are their lesser performing counterparts. This gives rise to the first proposition (P):

P1: Higher performing Indian manufacturers (HPIMs) place more emphasis upon a formal strategic marketing planning approach.

The initial phase of the strategic marketing planning process also necessitates the undertaking of a comprehensive situation analysis that involves an (internal) analysis of the firm’s capabilities in the light of a wide-ranging set of (external) analyses covering: markets, customers, competitors, and the wider business environment. In fact, without exception, the prescriptive literature stresses the importance of conducting these analyses as the basis for developing effective marketing strategies and plans (e.g., Aaker, 2009; Piercey, 2000). Likewise, researchers comparing the marketing practices of higher and lower performing firms such as

Modiano and Ni-Chionna (1986), Brooksbank, Kirby and Wright (1992), Brooksbank and Taylor (2002), Siu and Liu (2005) and Cocks (2009), provide strong support for the notion that better performing companies pay greater attention to undertaking a thorough situation analysis. Thus, the second proposition:

P2: HPIMs pay more attention to undertaking a comprehensive situation analysis.

An effective situation analysis necessitates the adoption of a proactive approach to the future whereby the firm seeks to project a range of future scenarios with the aim of planning to make one of them happen. Such an approach is implicit within many prescriptive works (see for example Yu *et al.*, 2010) and it is a practice commonly found to be associated with the planning activities of successful firms (Brooksbank and Taylor, 2002; Doyle *et al.*, 1985; Hooley and Jobber, 1986; Huan *et al.*, 2008; Lai *et al.*, 1992). Hence, proposition three:

P3: HPIM's adopt a more proactive approach to the future.

Marketing research is the systematic design, collection, interpretation and reporting of findings relevant to a specific marketing situation facing the company (Kotler, 2011). During the analysing phase, the use of marketing research, whether conducted by the firm or commissioned through a market research agency, is usually inescapable and most textbooks and prescriptive writings assert that competitive success necessitates marketing research-based decision making (Chaston and Mangle, 2002). Accordingly, research by Schlegmilch, Boyle and Therivel (1985), Baker, Hart and Black (1986), Joseph, Joseph, Poon and Brooksbank (2001), Panayides (2004), and Kontinen (2011) indicates that higher performing companies make a greater use of marketing research in their planning activities, thereby spawning the fourth proposition:

P4: HPIM's make greater use of marketing research in their planning activities.

Propositions Relating To Setting Marketing Objectives

With regard to the objective-setting phase of the strategic marketing process, research by Doyle, Saunders and Wong (1985), Hooley and Lynch (1985), Shaw (1995), Siu (2000), Baker and Leidecker (2001), Siu and Liu (2005) and Cocks (2009) shows that successful companies set longer-term strategic objectives (i.e. short-run profits are not sought at the expense of longer-run strategic objectives). Notably, virtually all the prescriptive strategic marketing literature emphasises that a winning strategy requires a longer-term time horizon. These observations give rise to proposition five:

P5: HPIM's set longer-term marketing objectives.

Throughout the prescriptive literature, it is widely advised that the setting of more challenging and ambitious objectives will often be a distinguishing characteristic of the higher performing firm. Research by McBurnie and Clutterbuck (1987), Hooley and Lynch (1985), Lai *et al.* (1992), Siu (2000); Siu and Liu (2005); and Brooksbank, Garland and Taylor (2010) similarly indicates that higher performing companies are likely to set for themselves more

offensive and aggressive objectives rather than adopting an essentially defensive competitive stance in their markets. Accordingly, proposition six:

P6: HPIM's set more aggressive marketing objectives.

Propositions Relating To Formulating Marketing Strategy

In relation to formulating strategy, Doyle (2002) espouses the conventional wisdom that marketing strategists should set a clear 'strategic focus' for each of a firm's offerings; seeking to cultivate profitability either by focussing on increasing sales volume or by focussing on securing productivity improvements. However, the overwhelming majority of empirical studies, and particularly those that relate to manufacturing companies (see for example, Doyle *et al.*, 1985; Huan *et al.*, 2008; Brooksbank *et al.*, 1999) show that the more successful firms accord a higher priority to raising volume than do their lesser successful counterparts. Thus, proposition seven:

P7: HPIM's are driven by a strategic focus based on raising volume rather than securing productivity improvements.

Along with most modern marketing textbooks and prescriptive writing (Hooley, Piercy and Nicoulaud, 2008; Macdonald, 2006), studies by Hooley and Jobber (1986), Lai *et al.* (1992), Hooley and Beracs (1997), Siu (2000), Siu and Liu (2005), Pitta (2008), Reijonen and Komppula (2010), and Slater *et al.*, (2011) indicate that the higher performing companies tend to compete more on the basis of providing superior value-to-the-customer, than on price alone. These observations give rise to proposition eight:

P8: HPIM's pursue a strategy of providing superior value-to-the customer.

Numerous prescriptive works (e.g. Assink, 2006; Cravens *et al.*, 2009; Hamel and Prahalad, 1991; Ray and Ray, 2011) suggest that firms, in order to be successful, should innovate. Additionally, research by Hooley and Lynch (1985), Berry (1996), Siu, Fang and Lin (2004), Huan *et al.* (2008), and Eggert, Hogleve, Ulaga and Muenkhoff (2011), identifies successful companies as being more innovative than their lower performing counterparts. Notably, these findings generally refer to the importance of both product innovation as well as an ability to lead the market in developing new ways of doing business. These observations underpin the ninth proposition:

P9: HPIM's innovate more frequently.

Propositions Relating To Designing The Marketing Organisation

The organising phase of the normative model of strategic marketing planning is concerned with orchestrating the firm's human resources in order to effectively implement strategy as time goes by, and in this domain, retaining some measure of organisational flexibility is commonly cited as an important goal within most prescriptive writing (Davis and Manrodt, 1996; Hooley *et al.*, 2008; Peters and Waterman, 1982; Webster, 1992). In addition, marketing "success" research conducted by Hooley and Jobber (1986), Siu, Fang and Lin (2004),

O'Dwyer, Gilmore and Carson (2011), Slater, Hult and Olson (2010), and Wood, Franzak, Pitta, and Gillpatrick (2011) points to the importance of employing various types of temporary forms of organisation, including the formation of short-term task forces, working groups, etc., whilst other studies highlight an emphasis on marketing training (Brooksbank et al., 2010). Thus, proposition ten:

P10: HPIMs accord a higher priority to retaining organisational flexibility within their marketing operations.

It is important that senior marketing executives maintain first hand, close connections with key players in their marketplace as a means of ensuring that strategic marketing does not lose touch with operating reality, stays market-focussed, and is properly coordinated. This type of “hands-on” management style has long been advocated within much of the mainstream marketing literature (Gephardt, Carpenter and Sherry, 2006; Kohli and Jaworski, 1990; Kotler, 2011; Peters and Waterman, 1982; Webster, 1992). It has also been established as an important ingredient in the mix of factors that influence a firm's success, and in many different settings (Brooksbank, 2007; Chaganti, Cook and Smeltz, 2002; Chait et al., 2005; Ordanini and Maglio, 2009; Peng and Shekshnia, 2001). Accordingly, proposition eleven:

P11: HPM have senior marketing executives who are closer to their markets.

Propositions Relating To Conducting Marketing Control

Marketing control necessitates the gathering and leveraging of marketing information and intelligence on a sustained basis (Wiid *et al.*, 2012; Maltz and Kohli, 1996; Le Meunier-FitzHugh and Piercy, 2006; Damirchi and Shafai, 2011; Rogers and Soopramanien, 2009). Marketing information and intelligence gathering systems typically draw upon a variety of sources which, collectively, enables the firm to monitor ongoing developments in its immediate marketplace as well as the wider business environment. Research has found the deliberate and sustained deployment of such systems contributes to firm performance (Patterson, 2008; Nakata and Zhen, 2006; Hamadu *et al.*, 2012; Qiu, 2012; O'Leary, 2011; Thongsodsang and Ussahawanitchakit, 2011; Al-allak, 2010; Lewis, 2006; Souchon and Diamantopoulos, 1996; Kuga, 1990; Wu *et al.*, 2010; Dishman and Calof, 2008), thereby giving rise to the twelfth proposition:

P12: HPIM's make greater use of marketing information systems.

RESEARCH METHODOLOGY

The data reported upon in this paper was collected by means of a web-based questionnaire. Prior to going “live” in May 2011 the questionnaire was pilot tested for its fitness for purpose via face to face interviews with four Indian business executives located in the United States. Specifically, the four executives' literal understanding of the questionnaire and its key concepts were investigated. In addition, opinions were sought about the appropriateness of the questions within an Indian cultural context. An initial invitation to participate, together with five subsequent reminder letters were then emailed to a total of 1,000 Indian manufacturing

companies with over 100 employees – all of which were randomly selected from a large commercial database promoted as being commensurate with the entire population of manufacturing firms throughout India. The email to participate in the survey was addressed to “The Managing Director” and a free summary of the findings was offered as an incentive to participate. Of the invitations dispatched, a total of 71 completed questionnaires were received, yielding a response rate of 7.1%. In view of the level of response, it was considered necessary to make some estimation of the study sample in terms of its representativeness of the larger population. However, when email responses to three selected questions from the questionnaire were obtained from 29 non-responding companies and compared to those within the study sample, no statistical differences emerged. Nonetheless, despite this attempt to check for non-response bias, the extent to which this study’s findings can be extended to all Indian manufacturers remains unknown.

To test the research propositions, it was necessary to classify the sample of firms according to their performance. Since in the questionnaire, respondents were asked to report how their company had performed in their last financial year relative to major competitors, in terms of: profit, sales volume, market share and return on investment (on a 4 point scale where 4= ‘better’, 3= ‘the same’, 2= ‘worse’ and 1= ‘don’t know’), it was possible to dichotomise between ‘higher’ and ‘lower’ performance groups. Those respondents who reported their firm performed ‘better’ than their competitors on all four indicators were classified as ‘Higher Performers’ whereas those firms who did not satisfy this condition (i.e., responding variously across all indicators) were classed as ‘Lower Performers’. On this basis, 25 respondent companies were classified as ‘Higher Performers’ and 46 ‘Lower Performers’. Notably, self-reported, subjective, and relative measures of firm performance have often been used in similar studies (see for example Gray *et al.*, 2007; Hooley and Greenley, 2005; Matear *et al.*, 2002; Powell, 1992). Not only do such measures afford a means by which any difficulties with procuring potentially commercially-sensitive financial information can be circumnavigated, but perhaps more importantly, over time they have proven to deliver consistently meaningful results, at least within a Western World research context. The 12 propositions were subsequently evaluated using Chi-square tests. When using discrete data, this mechanic offers the ideal procedure for testing the independence of two variables and determining whether any significant relationship exists between expected and observed frequencies within defined data categories (see for example, Spender 1979; Desai 2013; Box *et al.* 2005; Amini *et al.* 2012; Kerlinger and Lee 2000). Note that the majority of the propositions were tested through exploring the profiles of response in relation to a number of category-based, practice-specific questions asked in the survey questionnaire.

This study’s methodology should be viewed in the light of certain potential limitations. Perhaps the most important of these is that the relatively low response rate renders the extent to which the study sample can be considered representative of its population to be questionable. Also, despite attempts made to pilot the survey instrument for its clarity and comprehension amongst Indian business executives, at least some variability of the respondents’ interpretation of its wording, phrasing and terminology cannot be ruled out. In a similar vein, nor can a possible desire among survey respondents to want to send “signals of professionalism” in the way they may have chosen to answer certain sections of the questionnaire. With specific reference to the testing of the research propositions and data interpretation, a number of other methodological issues should also be borne in mind. Most notable is the assumption made about the direction of causality, which at least in theory, could be questionable. In other words, rather than the various

strategic marketing planning practices being an antecedent of competitive success, it is conceivable that they might be the consequence of such success. However, in view of the weight of evidence set out earlier in the literature review that forms the basis of the research propositions, it is contended that this would seem unlikely. An additional issue to bear in mind concerns the relatively low levels of explanation typically provided by bivariate analysis in determining the contribution that the various strategic marketing practices make to competitive success: a handicap which is common to most of the survey-based “success” studies identified in the literature but one which is somewhat mitigated by the fact that strategic marketing practice on its own, can never fully predict competitive success. No matter how well executed a firm’s strategic marketing decision-making, it can only ever form but one strand of a broader tapestry of influences that will collectively facilitate competitive success.

SAMPLE CHARACTERISTICS

The main activity of all responding firms was self-reported to be “manufacturing” and an analysis of the internal composition of the study sample showed that they were approximately evenly split between those that primarily manufactured consumer goods (58%) and those that manufactured industrial goods (42%). Similarly, although as might have been expected, the majority of the responding firms reported that their main market was established/growing (60%), the balance were approximately evenly split between those that reported that their main market was a new/emerging market (19%) and those that reported that it was a mature/stable market (19%). Respondents also indicated that the average number of employees was 4400, with an average of 1000 employees working in a marketing-related role; perhaps suggesting that the average firm in the sample employed a sizeable sales force of one sort or another, although specific roles remain unknown. Further, the average sales turnover for responding firms in the last financial year was reported to be 27 MM USD. Interestingly, most companies (78%) were Indian-owned (with the balance being primarily European or Asia/Pacific owned), with almost all firms in the sample (94%) describing themselves as either fully independent or, if part of a larger group of companies, at least autonomous in terms of their strategic decision-making responsibilities.

RESULTS AND FINDINGS

In this section, the research propositions will be presented, tested and discussed under five separate subsections that correspond directly to each of the five key stages of the normative model of the strategic marketing process (i.e., conducting a strategic situation analysis, developing marketing objectives, formulating a marketing strategy, designing an appropriate marketing organisation, and; undertaking marketing control). The tables exhibited in this section depict only abbreviated and collapsed versions of the actual questions included in the survey questionnaire.

Findings Relating To Undertaking A Strategic Situation Analysis (Propositions 1-4)

The findings presented in Table I support the proposition [P1] that successful manufacturers are more formal marketing planning oriented. A statistically significant relationship (at the 1% level) exists between higher performance and the reported extent of

formal marketing planning. Nevertheless, Table I also shows that across the sample as a whole, as many as four in ten (37%) of manufacturers indicated that their planning is either limited to annual budgeting or that little or no formal marketing planning takes place at all, suggesting that formalised marketing planning is not practiced extensively among this group of companies.

To test the proposition [P2] that higher performing companies pay more attention to a comprehensive situation analysis than do their lower performing counterparts, respondents were asked, in the questionnaire, to indicate the degree of importance their company attached to carrying out five types of situation analysis: (i) internal (company), (ii) competitor, (iii) market, (iv) customer, and; (v) wider business environment. When the responses across the five types of situation analysis are summarised (Table II), it can be seen that a significant relationship exists in the pattern of the data (at the 1% level) with the higher performing firms being more likely to attach a greater importance to undertaking a comprehensive situation analysis. Indeed all 25 of firms in the higher performing sub-sample reported a situation analysis to be of the highest importance. Thus, proposition 2 is supported. Further, Table II shows that across the sample as a whole, all companies see a situation analysis as being at least of average if not high importance, although it should be noted that due to the nature of the research instrument employed, the level of detail with which such analyses are actually carried out remains unknown.

| Table I | | | |
|--|-------------------------|----------------------------|-----------------------------|
| Performance by extent of formal marketing planning | | | |
| | Total Sample %(n=71) | High Performers %(n=25) | Lower Performers %(n=46) |
| Annual and longer term marketing plans | 43 | 52 | 38 |
| Annual marketing plan | 20 | 36 | 10 |
| Annual budgeting | 34 | 12 | 47 |
| Little or none | 3 | 0 | 5 |
| Notes: Chi-Square=12.93; DF=3; significant at the 1% level. | | | |

| Table II | | | |
|---|-------------------------|------------------------------|-----------------------------|
| Performance by importance attached to undertaking a comprehensive situation analysis | | | |
| | Total Sample %(n=71) | Higher Performers %(n=25) | Lower Performers %(n=46) |
| High importance | 70 | 100 | 56 |
| Average importance | 30 | 0 | 44 |
| Low importance | 0 | 0 | 0 |
| Notes: Chi-Square=71.20; DF=2; significant at the 1% level. | | | |

The profile of response displayed in Table III show no statistically significant relationship between firm performance and the adoption of a proactive approach to planning for the future [P3], with the higher performing firms apparently no more likely to adopt such an approach than their lower performing counterparts. Further, the table suggests that the sample as a whole is by no means entrenched in a reactive mode since almost three quarters (71%) of all respondents claimed that their approach was to forecast ahead and plan to make the future happen. This finding is indicative of a relatively ‘sophisticated’ approach to strategic marketing planning among this group of companies, although notably, it is somewhat at odds with the finding reported earlier that there is a restricted uptake of longer-term formal marketing planning across the study sample as a whole (i.e., in relation to P1).

In order to test whether the higher performing firms make greater use of marketing research in their planning activities [P4], respondents were asked in the questionnaire about the extent to which their firm made use of two basic types of marketing research for planning purposes: (i) self-generated and (ii) commissioned research. Interestingly, Tables IV and V (respectively) reveal no differences between the two performance groups in relation to their frequency of use of either type of marketing research. In fact, the tables show that only about one in two (48%) of all the Indian manufacturers reported that they at least “sometimes” do their own market research, with only about one in five Indian manufacturers (22%) reporting that they commission-in marketing research to the same degree of regularity. Hence, taken overall, these figures do not suggest that Indian manufacturing companies are convinced about the merits of conducting market research as a means of optimizing their strategic marketing decision-making.

| Table III | | | |
|--|-------------------------|------------------------------|-----------------------------|
| Performance by approach to planning the future | | | |
| | Total Sample %(n=71) | Higher Performers %(n=25) | Lower Performers %(n=46) |
| Forecast/project the future and plan accordingly | 71 | 72 | 70 |
| Monitor/react to events and adapt our plans to meet them | 29 | 28 | 30 |
| Notes: Chi-Square=0.05; DF=1; non-significant. | | | |

| Table IV | | | |
|--|-------------------------|------------------------------|-----------------------------|
| Performance by use of self-generated marketing research | | | |
| | Total Sample %(n=70) | Higher Performers %(n=25) | Lower Performers %(n=45) |
| Often/ Sometimes | 48 | 46 | 50 |
| Seldom/Never | 52 | 54 | 50 |
| Notes: Chi-Square=1.90; DF=1; non-significant. | | | |

| Table V | | | |
|--|-------------------------|------------------------------|-----------------------------|
| Performance by use of commissioned marketing research | | | |
| | Total Sample %(n=70) | Higher Performers %(n=25) | Lower Performers %(n=45) |
| Often/Sometimes | 22 | 32 | 15 |
| Seldom/Never | 78 | 68 | 85 |
| Notes: Chi-Square=3.99; DF=1; non-significant. | | | |

Findings Relating To Setting Marketing Objectives (Propositions 5 And 6)

As Table VI reveals, there is no support for the proposition [P5] that the higher performing manufacturers set longer-term profit objectives. Indeed, across the sample as a whole less than half of respondents (49%) claimed that their firm geared profit objectives towards a longer-term time horizon; a finding which is perhaps somewhat inconsistent with the more proactive approach to the future that was found to characterise a sizeable proportion (71%) of the study sample (i.e., in relation to P3). However, in support of the proposition [P6], the data points to a greater tendency among the higher performers to set more aggressive and ambitious marketing objectives. As Table VII shows, a statistically significant relationship (at the 5% level) exists between higher performance and the setting of more ambitious objectives. Nonetheless, the table also indicates that across the sample as a whole, little more than one third of all firms (35%) reported likewise, meaning that a substantial majority apparently set objectives that reflect an essentially protective, defensive posture (interestingly, a category that includes almost half of the higher performers also). By way of explanation, perhaps the instability of the global economy over recent times, in combination with the fact that increasing numbers of Indian manufacturers are likely to be competing against large and well established foreign companies, is being reflected in their objective-setting activities.

| Table VI | | | |
|--|-------------------------|------------------------------|-----------------------------|
| Performance by time horizon of profit objective | | | |
| | Total Sample %(n=71) | Higher Performers %(n=25) | Lower Performers %(n=46) |
| Long term | 49 | 56 | 45 |
| Medium term | 48 | 40 | 52 |
| Shorter Term or don't set | 3 | 3 | 3 |
| Notes: Chi-Square=0.98; DF=2; non-significant. | | | |

| Table VII | | | |
|---|----------------------------|---------------------------------|--------------------------------|
| Performance by nature of marketing objectives | | | |
| | Total Sample %(n=71) | Higher Performers %(n=25) | Lower Performers %(n=46) |
| Aggressive/ Steady sales growth | 35 | 52 | 26 |
| Maintenance/defence of current position/don't set | 65 | 48 | 74 |
| Notes: Chi-Square=4.77; DF=1; significant at the 5% level. | | | |

Findings Relating To Formulating Marketing Strategy (Propositions 7 - 9)

In the questionnaire, respondents were asked to report on their strategy as it applied to their “main market”. In view of the tendency for higher performing manufacturers to adopt a more ambitious stance in their objective setting (as reported above), it is perhaps not surprising that the data supports the proposition [P7] that their basic strategy priority is to focus more on raising sales volume than on securing cost reduction and productivity improvements. Indeed, Table VIII shows a statistically significant difference between the performance groups (at the 5% level) in this respect. Moreover, the table also indicates that among the sample as a whole, most firms (62%) report that they are driven by a strategic focus of raising sales volume.

To test the proposition [P8] that higher performing firms compete on the basis of value-to-the-customer rather than price, in the questionnaire respondents were asked to indicate how their company's offerings in their main market compared with their major competitors (either “we are better” or “we are average”) regarding product quality and performance, and whether their price levels were “higher” or “lower”. Given that the principle of offering superior customer value lies at the very heart of marketing's philosophy (Macdonald, 2006), it is surprising that Table IX shows no support for this proposition. Moreover, nor is the pattern of data directionally supportive. This observation suggests the possibility of other (unknown) strategies for achieving competitive success: a profile of response that is perhaps somewhat counter-intuitive for many marketers, particularly in view of the weight of the empirical evidence presented in the literature review that underpins this proposition. Nonetheless, it is notable that across the sample as a whole, the table also indicates that the merit of seeking to deliver superior value is not lost on Indian manufacturers, since across the sample as a whole eight out of ten (79%) reported this to be a strategic priority in their main market.

| Table VIII | | | |
|---|-------------------------|------------------------------|-----------------------------|
| Performance by strategic priority for main market | | | |
| | Total Sample %(n=71) | Higher Performers %(n=25) | Lower Performers %(n=46) |
| Focussing on expanding total market | 62 | 80 | 52 |
| Focusing on cost reduction and productivity improvement | 38 | 20 | 48 |
| Notes: Chi-Square=5.32; DF=1; significant at the 5% level. | | | |

| Table IV | | | |
|---|-------------------------|------------------------------|-----------------------------|
| Performance by basic competitive strategy in main market | | | |
| | Total Sample %(n=71) | Higher Performers %(n=25) | Lower Performers %(n=46) |
| To offer better/higher priced products than the competition | 79 | 76 | 81 |
| To offer average/lower priced products than the competition | 21 | 24 | 19 |
| Notes: Chi-Square=0.18; DF=1; non-significant. | | | |

Proposition [P9] that the higher performing manufacturing firms innovate more frequently than their lower performing counterparts was tested by asking survey respondents about two types of innovation, namely: (i) their approach to developing and introducing new ways of doing business, and; (ii) their approach to developing and marketing new products. The results shown in Tables X and XI reveal a statistical relationship (significant at the 5% and 1% level respectively) between company performance and the extent of innovation in both these areas. Further, the tables indicate that across the sample as a whole, both types of innovation are embraced to a substantial degree: almost two third of all companies (62%) claim to lead the market in introducing new ways of doing business and a similar proportion (61%) claim to actively develop new products ahead of the competition. However, the extent to which product innovation is radical/discontinuous as opposed to merely incremental/continuous (Dewar and Dutton, 1986) remains unknown.

| Table X | | | |
|---|-------------------------|------------------------------|-----------------------------|
| Performance by method of doing business | | | |
| | Total Sample %(n=71) | Higher Performers %(n=25) | Lower Performers %(n=46) |
| Lead the market in introducing new ways of doing business | 62 | 80 | 50 |
| Stick to traditional methods we have always used/ watch and imitate the competition | 38 | 20 | 50 |
| Notes: Chi-Square=5.71; DF=1; significant at the 5% level. | | | |

| Table XI | | | |
|---|-------------------------|------------------------------|-----------------------------|
| Performance by approach to developing and marketing new products | | | |
| | Total Sample %(n=71) | Higher Performers %(n=25) | Lower Performers %(n=46) |
| Develop and market new products/services ahead of the competition | 61 | 84 | 48 |
| Do not do any/imitate the competition | 39 | 16 | 52 |
| Notes: Chi-Square=8.87; DF=1; significant at the 1% level. | | | |

Findings Relating To Designing The Marketing Organisation (Propositions 10-11)

In order to test the proposition that higher performing manufacturers accord a higher priority to retaining marketing organisational flexibility [P10] the survey questionnaire explored: (i) the respondent firms' use of temporary forms of organisation (i.e., short-term marketing project teams, task forces, working groups and such like), and; (ii) the degree of importance attached to cross-functional marketing training. With respect to these lines of enquiry and in support of the proposition, Tables XII and XIII reveal a statistically significant relationship with competitive performance exists with both these practices (at the 5% and 1% level respectively). At the same time however, it is particularly interesting to note that across the sample as a whole neither of these activities are widely practised. The tables indicate that barely one third (30%) reported that they frequently make use of temporary forms of organisation, with only one in five firms (20%) attaching importance to carrying out marketing training.

| Table XII | | | |
|---|-------------------------|------------------------------|-----------------------------|
| Performance by use of temporary forms of organisation | | | |
| | Total Sample %(n=71) | Higher Performers %(n=25) | Lower Performers %(n=46) |
| Frequent | 20 | 36 | 11 |
| Sometime/seldom/never | 80 | 64 | 89 |
| Notes: Chi-Square=6.46; DF=1; significant at the 5% level. | | | |

| Table XIII | | | |
|--|-------------------------|------------------------------|-----------------------------|
| Performance by importance attached to cross-functional marketing training | | | |
| | Total Sample %(n=71) | Higher Performers %(n=25) | Lower Performers %(n=46) |
| Utmost | 32 | 52 | 22 |
| Some/little/none | 68 | 48 | 78 |
| Notes: Chi-Square=6.77; DF=1; significant at the 1% level. | | | |

The Proposition [P11] that the higher performers have senior marketing executives who are “closer” to their markets was tested by questioning survey respondents about the frequency with which senior marketing executives maintained contact with: (i) customers, and; (ii) suppliers and/or distributors. In support of the proposition, as depicted in Tables XIV and XV, there is a greater likelihood that senior marketing executives from the higher performing manufacturers adopt a “hands on” style of management in both these areas (significant at the 5% level in each case). However, this is certainly not the norm for marketing managers in this group of manufacturers. Table XIV reveals that marketing executives who maintain close contact with customers characterise less than half (41%) of all responding firms, and Table XV shows that those who maintain contact with distributors and/or suppliers characterise approximately only one fifth (21%) of all responding firms.

| Table XIV | | | |
|--|-------------------------|------------------------------|-----------------------------|
| Performance by frequency of senior marketing executives' contact with customers | | | |
| | Total sample %(n=71) | Higher Performers %(n=25) | Lower Performers %(n=46) |
| Frequent | 41 | 56 | 33 |
| Sometimes/seldom/never | 59 | 44 | 67 |
| Notes: Chi-Square=3.67; DF=1; significant at the 5% level. | | | |

| Table XV Performance by frequency of senior marketing executives' contact with distributors/suppliers | | | |
|--|--------------------------|-------------------------------|------------------------------|
| | Total Sample % (n=71) | Higher Performers % (n=25) | Lower Performers % (n=46) |
| Frequent | 21 | 36 | 13 |
| Sometimes/seldom/never | 79 | 64 | 87 |
| Notes: Chi-Square=5.12; DF=1; significant at the 5% level. | | | |

Findings Related To Conducting Marketing Control (Proposition 12)

To determine whether the higher performing companies make greater use of Marketing Information Systems [P12], respondents were asked to report the extent to which their company monitored developments in four areas: competitor behaviour, customer behaviour, technological change and business/economic trends. In support of the proposition, the profiles of response in Tables XVI, XVII, XVIII and XIX show a statistically significant relationship between company performance and the usage of a marketing intelligence-gathering system in all four of these areas (at the 1% level in each case). The results also show that for about two out of every three firms at least some monitoring is conducted in each of the four areas specified (63%, 65%, 69% and 72% respectively) suggesting that there is a relatively widespread appreciation about the need to conduct marketing control among Indian manufacturers, notwithstanding that there is still considerable room for improvement.

| Table XVI Performance by usage of a marketing intelligence-gathering system to monitor changes in competitor behaviour | | | |
|---|--------------------------|-------------------------------|------------------------------|
| | Total Sample % (n=70) | Higher Performers % (n=25) | Lower Performers % (n=45) |
| Much use | 35 | 64 | 20 |
| Some use | 28 | 24 | 33 |
| Little/no use | 37 | 12 | 47 |
| Notes: Chi-Square= 15.39; DF=2; significant at the 1% level. | | | |

| Table XVII Performance by usage of a marketing intelligence-gathering system to monitor changes in customer behaviour | | | |
|--|-------------------------|------------------------------|-----------------------------|
| | Total Sample %(n=70) | Higher Performers %(n=25) | Lower Performers %(n=45) |
| Much use | 44 | 68 | 31 |
| Some use | 21 | 24 | 19 |
| Little/ no use | 35 | 8 | 50 |

Notes: Chi-Square= 13.50; DF=2; significant at the 1% level.

| Table XVIII Performance by usage of a marketing intelligence-gathering system to monitor changes in technology | | | |
|---|-------------------------|------------------------------|-----------------------------|
| | Total Sample %(n=70) | Higher Performers %(n=25) | Lower Performers %(n=45) |
| Much use | 46 | 68 | 35 |
| Some use | 23 | 28 | 19 |
| Little/no use | 31 | 4 | 46 |

Notes: Chi-Square=13.42; DF=2; significant at the 1% level.

| Table XIX Performance by usage of a marketing intelligence-gathering system to monitor changes in business/Economic trends | | | |
|---|-------------------------|------------------------------|-----------------------------|
| | Total Sample %(n=70) | Higher Performers %(n=25) | Lower Performers %(n=45) |
| Much use | 47 | 72 | 33 |
| Some use | 25 | 24 | 26 |
| Little/ no use | 28 | 4 | 41 |

Notes: Chi-Square=13.43; DF=2; significant at the 1% level.

CONCLUSIONS

With regard to the first objective of this study (i.e. to gauge the extent to which Western World “mainstream” strategic marketing has been adopted by Indian manufacturers), it can be concluded that strategic marketing is practised to a substantial extent, although not by any means in equal measure across all phases of the normative model. Indeed, with respect to the practices examined within the “situation analysis” stage of the process, the evidence is especially mixed. Whereas every responding firm claimed that they attached at least an average level of importance to undertaking a fully comprehensive situation analysis, and most adopted a proactive approach

to the future, this was not the case with regard to marketing research. Less than half of the sample conducted their own marketing research, whilst even fewer employed an outside marketing research agency. With respect to two of the other four stages of the strategic marketing planning process, viz. strategy formulation and marketing control, the evidence is more compelling. In the third stage of the process, “formulating a marketing strategy”, almost two thirds of the sample adopted a strategic focus based on raising sales volume and a similar proportion lead the market in introducing new products and in finding innovative ways to do business. In addition, and perhaps most importantly from a marketer’s perspective, a clear majority claimed to compete on the basis of providing superior value-to-the-customer. Likewise, with respect to the last phase of the process, “undertaking strategic marketing control”, approximately two thirds of all firms make at least “some” use of a marketing-intelligence gathering system to monitor changes in each of the four areas specified in the questionnaire. However, with regard to the second, “objective setting” phase, the evidence of a widespread uptake is less convincing, indicating considerable scope for Indian manufacturers to become more effective in this area of strategic marketing decision-making. Indeed, of the two objective setting practices examined, only about half the firms in the sample claimed that they geared their profit objectives to a longer-term time horizon, with barely a third reporting that they set ambitious strategic marketing objectives. Interestingly, the research findings suggest that the most scope for improvement resides within the organisational dimensions of strategic marketing planning (stage four of the process). Here, less than one third of the sample made use of temporary forms of organisation and only one fifth attached any real importance to cross-functional marketing training. Moreover, the majority of respondents reported that senior managers do not maintain close contact with their customers, distributors and/or suppliers.

With regard to the second objective of this study (i.e., to test the general applicability of Western World conventional wisdom regarding the key determinants of successful strategic marketing, to the particular case of Indian manufacturers) it can be concluded that the basic strategic marketing practices that relate to the normative model of strategic marketing planning have been comprehensively validated within an Indian context. Indeed, spanning all five stages of the model a total of 8 out of the 12 propositions were supported. Specifically, a statistically significant relationship at the 1% level was found to exist between higher company performance and ‘textbook’ marketing in eight of the nineteen specific activities examined. These were: undertaking formal marketing planning, conducting a comprehensive situation analysis, developing new products, conducting marketing training and; using a marketing intelligence-gathering system to monitor changes in competitor behaviour, customer behaviour, technology and general business/economic trends. Furthermore, a statistically significant relationship at the 5% level was found to exist between higher performance and six other areas: the use of temporary forms of organisation, senior marketing executives’ first-hand contact with both customers and distributors/ suppliers, setting aggressive strategic objectives, a strategic focus based on increasing volume (rather than improving productivity), and; introducing new ways of doing business.

Of the four propositions that were not supported by the data, it is important to note that the practices examined in relation to two of these (with regard to P3: the practice of adopting a proactive approach to the future, and with regard to P8: competing by offering superior customer value), were, in any event, being widely embraced. Thus, it is arguable that the only substantive areas of potential mismatch compared with “Western World” tenets of successful marketing concern the requirement for Indian manufacturers to conduct marketing research and to gear

their profit objectives to a longer-term time horizon. While each of these areas merit further investigation, perhaps the former is a reflection of the Indian managers' perceived apprehensions about their ability to conduct meaningful market research within a highly complex, heterogeneous and culturally diverse population base. Equally, perhaps the emphasis on shorter term objective setting is, as previous authors have postulated (Subramaniam *et al.*, 2010), representative of a lack of confidence in the future due to unpredictability in the general business environment in the wake of the global financial crisis of 2008.

In overall conclusion, in the context of a fast-growing Indian economy over recent years, it seems that, at least within its manufacturing sector, managers have been quick to embrace Western World strategic marketing practices, although, in some areas, there still remains scope for further progress. It has also been established that, since the top performing Indian firms are clearly more active in its execution, this is a worthwhile pursuit. Indeed, it is suggested that future research would do well to develop the present study's research theme. In particular, two types of follow-up studies are recommended. Firstly, a quantitative based approach would facilitate an ability to track any further uptake of strategic marketing, using this study's findings as its benchmark. Another type of follow-up research could usefully employ a more "involving" qualitative research methodology - going beyond an assessment of what strategic marketing practices are undertaken in order to find out more about how they are actually being implemented. Specifically, any subsequent qualitative research should seek to gain a better understanding of some of this study's most intriguing unanswered questions namely: what are the underlying processes that manufacturing firms employ when conducting a situation analysis? In what ways do the higher performers' innovations add value for their customers? Why is so little marketing research undertaken? How do the higher performers organise their marketing activities? Ultimately the current research, propositions contained herein, and these reflective concluding queries are amenable to proper future hypothesis development and testing. Such insights would undoubtedly be of benefit to both Indian practitioners and Indian marketing academicians alike.

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APP CONSUMPTION: AN EXPLORATORY ANALYSIS OF THE USES & GRATIFICATIONS OF MOBILE APPS

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ABSTRACT

Mobile apps are an innovation entering existence in 2008, but already there are over 700,000 different apps each on two primary operating systems platforms. Given the proliferation of both apps and the devices on which they are used, it is important to study how apps are acquired and used. The theory of Uses and Gratifications was used to adapt two scales that measure how and why people use mobile apps. Findings suggested that, while U&G scales can be adapted for this media format, mobile apps differ from traditional media in that they are more dynamic versus static. Factor analyses revealed that consumers use mobile apps for a variety of reasons; including engagement/disengagement, pass time, knowledge and education, and social.

INTRODUCTION

Since the introduction of smartphones and tablets, mobile application (“app” or “apps”) use is an innovation that has grown exponentially worldwide. By the release of the iPhone 5 and introduction of the iPad mini, the Apple App Store claimed more than 25 billion app downloads, with the Android-oriented Google Play close behind (Reisinger, 2012). As of October 2012, Google Play tied with Apple, carrying 700,000 apps (Tibken, 2012). Despite the plethora of apps in both platforms, Apple narrowly outperforms Android in app downloads and purchases, with Android expected to dominate in the long run (Mitroff, 2012). In the face of these usage statistics, this study seeks to provide a better understanding of user motivations and gratifications obtained from app use.

The widespread uptake of app usage is concomitant with consumers’ expectations that their smartphones and tablets provide a variety of features and mobility to supplant the need for a desktop computer: instant connectivity, usable and useful apps, feature convergence, and multi-modal use not previously seen in desktop computing. What is emerging is an unsettled and competitive market in which app developers must find ways to distinguish an app in a rapidly-growing marketplace (Whipps, 2010). Moreover, understanding app usage is confounded by several reports which suggest that the average lifespan of an app is very short. One study of 30 million paid downloads from Apple’s App Store found that only 30% of those paid apps were used the day after they were purchased (Yardley, 2009). On average, only 5% of users who obtain/purchase an app still have that app on their device three months later.

Academic research has yet to catch up with the app phenomenon as it relates to media choice. Mobile app usage presents a whole new range of interdisciplinary studies designed to understand app usage and to determine if, as a medium, apps constitute a new and emergent phenomenon, or something that is an extension and evolution of the familiar. Understanding the uses and gratifications of mobile apps could potentially help developers and marketers navigate the challenges of the app marketplace.

LITERATURE REVIEW

Apple And Android Apps

Apple started the app race with the introduction of the iPhone operating system and Apple App Store in 2008, following the original iPhone release to the United States in 2007. By 2012, the iPhone was in its 5th generation, launched in 100 countries with over 240 carriers (Elmer-DeWitt, 2012). The introduction of the first iPad in 2010 furthered the potential for apps. Weighing only 1.5 pounds and only 0.5 inches thick, the iPad originally came with 12 apps installed specifically for the iPad; however, it could run over 140,000 apps available at that time. It was touted as, “a revolutionary device for browsing the web, reading and sending email, enjoying photos, watching videos, listening to music, playing games, reading e-books and much more,” (Apple, 2010). It took the iPad less than a month to hit 1 million sales (Graham, 2012). Since then, the iPad has gone through two additional versions with a mini version hitting the stores in late 2012.

The Apple Store launched on July 10, 2008, with 552 apps, many with free and low-cost options, although some entered the market with much higher price tags (Arrington, 2008). With regular releases of iPhone updates and the introduction of the iPad, app creation rapidly increased. Although Android system apps are competing in volume at 700,000 available apps, experts argue that Apple’s vetting system means higher quality apps are available for the iOS systems (Mitroff, 2012), with user engagement being higher with Apple (Bradshaw, 2012).

The Android system is a Linux-based operating system funded by Google and eventually purchased by Google in 2005 (Elgin, 2005; Metz, 2012). The first Android phone was sold in October 2008 and is the most widely used platform accounting for 75% of smartphones currently in use (Bradshaw, 2012). Google Play also launched in 2008 (Reisinger, 2012). The Android operating system is an open source system, unlike the tightly controlled iOS, allowing for easier entrance into the market by app developers. This is likely the reason Android apps have been able to quickly catch up with Apple (Mitroff, 2012). The Apple Store maintains a competitive advantage with 300 times the monthly revenues of Google Play (Mitroff, 2012) and 400 million credit cards on file (Bradshaw, 2012).

Apps are available for entertainment, education, tasks, information, and a number of other uses. Many are free, often providing upgrades through in-app purchases or premium versions. The free model is sustainable primarily through advertisements within the apps, but greater money is attainable by persuading users to upgrade (Whipps, 2010). Understanding how mobile device owners use apps and the gratifications obtained from apps can help developers and marketers target their products and campaigns.

Uses And Gratifications

Early media effects research, and in particular Blumler and Katz (1974), envisioned uses and gratifications research as movement away from exploring what media do to users and toward what users do with media (Palmgreen, Wenner, & Rosengren, 1983). The directive of uses and gratifications research is to recognize that the user actively and intentionally selects media based on “our psychological and social environment, our needs and motives to communicate, our attitudes and expectations about the media, functional alternatives to using the media, our communication behavior, and the outcomes or consequences of our behavior” (Rubin, 2002, p. 527). Adapting Greenberg’s (1974) Viewing Motivation Scale first for children and adolescents and later for adults, Rubin (1983) created the Television Viewing Motives Scale (Rubin, Palmgreen, & Sypher, 1994), which has itself been adapted for other media.

Researchers have extended this research to understand not only television viewing motives, but also specific programming such as reality television (Auter, 2000; Barton, 2009; Ebersole & Woods, 2007), Internet use (Armfield, Dixon, & Dougherty, 2006; Papacharissi & Rubin, 2000), reading books (Gerlich, Drumheller, & Sollosy, 2011), and cell phones (Auter, 2007; Leung & Wei, 2000). This progression of scale development is important because this current study extends uses and gratifications research from fairly static forms of media to the more dynamic form available through app use.

Initial research in television viewing gratifications resulted in six factors: learning, habit/pass time, companionship, escape, arousal, and relaxation (Rubin, 2002, p. 531). Researchers continuing to study television viewing motives through various programming such as reality-based scripting have identified a more unique interaction experience through vicarious participation, personal utility, and parasocial interaction (Auter & Palmgreen, 2000; Barton, 2009; Ebersole & Woods, 2007). Parasocial interaction, or a perceived social interaction with mediated characters, has become an important construct as reality television has increased in popularity and alters the user’s experience when able to more closely identify with program characters. As media have become more dynamic, researchers have recognized the need to identify factors that express the interaction capabilities. Internet researchers have added convenience (Papacharissi & Rubin, 2000) and companionship (Armfield et al., 2006). Cell phone research has identified fashion/status, relaxation, mobility, affection/sociability, immediate access, instrumentality, and reassurance (Pacharissi & Rubin, 2000). The varying content of apps might mimic the variety of television programming when considering uses, but the interaction potential is much higher with apps because of tracking and direct communication potential with apps. While some of the gratifications obtained from using apps will be similar to other media uses, such as the Internet and cell phones, it is unlikely that previously identified factors will fully account for the dynamic nature of apps since they epitomize media convergence.

Media convergence emphasizes the complexity of the available technology and platforms for delivering media content, with “diminishing technological boundaries of media networks [enabling] content to travel across various platforms” (Yuan, 2011, p. 1000). Apps are often multi-modal (several features at once) and operate across platforms generating a dynamic experience for the user rather than providing a static, unidirectional function. For example, Facebook app users can click on a news posting from a friend, leading them to a story on a website, that can be shared on Facebook, that leads to interactions from Facebook friends. This social aspect of apps is particularly interesting, because despite the influence of media, it is

speculated that individuals “are often more influential in the selection process” (Rubin, 2002, p. 531). Given the prominence of social media related app use through networks and gaming, the influence of interacting with others via social media cannot be underestimated.

Additionally, a key perspective in uses and gratifications research has been the focus on audience activity (Levy & Windahl, 1984), in particular, the fact that audiences choose their media based on their own goals, having some control over their viewing choices. With news and entertainment being the focus of most uses and gratifications research, adding mobile app use motivations potentially strengthens audience activity research as social media, gaming, and other app abilities converge to create an experience unlike other media. This leads to the following research questions:

RQ1: What are the uses and gratifications obtained of mobile apps?

RQ2: How well does an adapted uses and gratifications scale explain the motivations of mobile app users?

It is likely that mobile app users will be motivated by gratifications unidentified in previous research.

METHOD

An online survey was administered via Qualtrics to a nationwide convenience sample using Amazon’s Mechanical Turk panel. The survey was administered in May 2012 over a one-week period; participants were solicited using Mechanical Turk’s Human Intelligence Task (HIT) procedure in which requesters can offer tasks for a fixed financial amount for task completion. A total of 540 usable surveys were collected by this method with an average survey completion time under eight minutes.

Participants

The average respondent age was 29.3 years; 49 states and the District of Columbia were represented in the sample, with dispersal across the states fairly proportional to that of the national population. Of the sample, 60% were male and 40% were female; 47% had an earned undergraduate degree or higher. The sample was 78% white, 5.6% Hispanic, 6.3% black, 8.3% Asian, and 1.8% other.

With regard to technology ownership, 93.2% reported owning a smartphone and/or a tablet device, with 87.7% owning a smartphone, and 29.1% owning a tablet. Of the smartphone owners, 74.1% had downloaded 11 or more apps of any kind (free or paid) to their phone, with 47.7% having paid for 11 or more apps. Only 0.4% had not downloaded any apps, while 26.9% had not paid to download apps. Of the tablet owners, 73.4% had downloaded 11 or more apps of any kind (free or paid), while 51% had paid to download apps. Only 2.6% had not downloaded any apps at all, while 22.8% have not paid to download apps.

Procedures

The survey requested basic demographic information, self-report data regarding technology ownership and app downloading history, completion of a 25-item Uses and Gratification Scale that was modified to reflect app usage rather than other media forms that have been studied in the past, and a second 10-item Uses and Gratification Scale that was

adapted from a scale developed to measure news gratification (Vincent & Basil, 1997). These 10 additional questions were used in attempt to fully capture app uses and gratifications as the results of that study identified factors of surveillance, escape, boredom, and entertainment – all of which seemed promising for apps. The instrument was pre-tested among college students prior to rollout in Mechanical Turk to assure that all items were understood and stated properly.

Use of Mechanical Turk as a valid means of sampling is supported in the literature (Mason & Suri, 2012; Barger, Behrend, Sharek, & Sinar, 2011). Mechanical Turk samples in these studies were compared to samples drawn by more traditional means, with no significant differences reported in findings and conclusions. Participant parameters were established in the current study such that only adult respondents with at least a prior 95% requester approval rating, and living in the United States, were allowed to participate.

RESULTS

An initial Principal Components Analysis exploratory factor analysis (EFA) was performed on the 25-item Uses & Gratification Scale ($\alpha = .911$, with four factors explaining 56.8% of the variance). While four factors were indicated to meet the eigenvalue minimum of 1.0, none of the 25 items loaded onto the third or fourth factors, and only two items on the second factor. Subsequent analyses were performed by deleting items not meeting a .500 minimum loading criterion, running Varimax rotations (resulting in three factors explaining 56.8% of the variance), and finally a Varimax rotation limited to two factors yielding 50.2% of the variance explained. This analysis produced a more balanced distribution of the remaining items across the two factors (see Table 1). The two factors are best described as a bi-modal engagement/disengagement dimension, and pass time.

A Principal Components Analysis EFA was also performed on the second 10-item scale ($\alpha = .828$, with two factors explaining 54.9% of the variance), as well as a Varimax Rotation (see Table 2). The two factors can best be described as one capturing endogenously motivated activities, such as acquisition of knowledge and education, and a second factor capturing exogenously driven needs and wants that can best be characterized as social in nature.

DISCUSSION

This inquiry is of relevance to marketers because of its insights into consumer behavior. Uses and gratifications research in general has many marketing implications (among them being able to discern what consumers intrinsically seek); this extension to mobile apps helps build a framework for continued study of a rapidly evolving intangible electronic product. Given that revenues are tied to ad placements within apps, as well as sales of premium apps, it is important to see mobile apps through a marketing-tinged lens.

It is clear from this exploration of users' gratifications in the use of apps that there is something different about apps when compared to all of the antecedent media examined under the uses and gratifications lens. Rubin's (1983) uses and gratifications study produced factors related to learning, habit/pass time, companionship, escape, arousal, and relaxation; but the adapted scale produced fewer but more conflated factors: engagement/disengagement and pass-time. As with other media forms, apps are used to simply pass time, to acquire education and knowledge, and for social aspects likely captured elsewhere as companionship or even parasocial interaction (e.g., Barton, 2009; Gerlich et al., 2011; Rubin, 1983). Social in this context,

however, goes beyond mediated companionship since apps and their devices allow for real interactions with live persons. Interestingly, where static media forms factored easily into disengaged factors such as escape, relaxation, and habit; and engaged factors such as entertainment or arousal; the EFA for apps grouped all of these together creating this bimodal engagement/disengagement factor. This could have important implications for developers and marketers as it suggests that app users seek apps that allow them to engage with others while simultaneously escaping and relaxing from daily life activity.

As noted, apps tend to be more dynamic than other media forms, featuring wide variability and interactivity, which could influence the factor loadings. If apps have so deeply penetrated daily lives, earlier uses and gratifications scales do not seem able to strongly explain the app phenomenon. A second 10-item uses and gratifications scale did assist the findings, producing factors that were similarly conflated but best characterized as endogenous (related to entertainment or education), or exogenous (related to socializing).

These factors provide a preliminary, but not conclusive, answer to the first research question, which asked the uses and gratifications of mobile apps; thus the answer to the second research question related to the efficacy of the scale is not entirely conclusive either. While this study confirms the scale itself, the results of the EFA suggest that the scale is not discerning the nuances with apps, and thus, is not adequately capturing uses and gratifications of the media. This is likely because of the nature and characteristics of apps themselves. Apps, unlike traditional media, possess characteristics that are unique: apps are context-aware, apps utilize technology convergence inherent to the underlying technology, app use is often multi-modal, and apps represent a key aspect of pervasive and ubiquitous computing.

Apps are context-aware in that they exist in a technology infrastructure that is always-on, always-connected, and interacting with the user, the user's preferences, the networking, and actors within the network according to the user's behaviors and preferences. More so than any previous context to which uses and gratifications has been applied, apps, and their host mobile devices, are able to anticipate and react to a user's short-term and long-term preferences in a context-laden manner. This extends beyond personal computer use as the devices that apps run on are mobile and location-aware in a way that was not particularly relevant to PC use.

Apps also run on devices that are inherently convergent. The mobile devices that run apps represent a convergence of capabilities that previously were available only separately: ubiquitous connectivity, location-awareness and motion awareness, various sensors, crisp high-definition touch displays, and ample processing and memory capabilities. In the case of apps, users can often only see a small portion of the information that desktop users see (Chae & Kim, 2004); thus, it is possible that the limited display capabilities of smartphones transform the heuristics that consumers use to make decisions regarding app usage. Illustrative of this convergence is the fact that all of the previous media studies through the lens of uses and gratifications – television, Internet, books, cell phones - could be facilitated by a single app on a smartphone or tablet.

App usage is often multi-modal (or, perhaps, multi-tasking) in much the same manner as with the PC. Mobile devices have been purposely engineered to be computers, sharing some of the same features users have come to expect from their personal computers. While mobile devices may lack the processing power of computers, they make up for it in mobility and utility. As apps interact with the iOS and Android operating systems and applications programming interfaces, the user may be taking advantage of a wide range of internal and external services simultaneously.

Lastly, apps are a manifestation of pervasive and ubiquitous computing which was predicted several decades in advance (Weiser, 1993). Without the the mobile device, the app itself is useless. In adopting the modified uses and gratifications items from Vincent and Basil (1997), the factors emerging from this study appear to be oriented around endogenous and exogenous uses. This is consistent with the principle vision of pervasive and ubiquitous computing, in which “machines fit the human environment instead of forcing humans to [enter the machine environment]” (Abowd, Mynatt, & Rodden, 2002, p. 48). What will be particularly challenging about apps will be their rapid commoditization (“there’s an app for that”) such that they could eventually disappear (Weiser, 1993).

This is of critical importance for marketers because of the time and financial investment needed for developing and marketing apps. Given that nearly three-quarters of a million apps are available on both platforms, it is possible that apps can become ephemeral, having very short shelf lives. Furthermore, the ubiquity of apps means that there is substantial competition for consumer interest (for both downloading/purchasing as well as usage), with numerous highly substitutable apps available in many categories. Thus, it is imperative for marketers to more fully understand how and why people acquire and use these apps, because advertising and app sales revenues are dependent upon it.

The results discussed above begin to measure the uses and gratifications of mobile app users, suggesting endogenous and exogenous factors. As evidenced by the mixed results, though the adapted uses and gratifications scales do work toward measuring these constructs, there is still more work to be done to gaining a comprehensive understanding of mobile app uses and gratifications. It is not only possible, but likely, that the characteristics of mobile apps set them apart from traditional, static media forms, thus requiring differently adapted scales. Furthermore, the convergence aspects of apps and devices illustrate the continued evolution of media platforms, which likely require specialized adaptations and more inquiry. This is consistent with Yuan’s (2011) findings. Given the need for marketers to survive in the era of mobile app proliferation, understanding how and why apps are acquired and used is of great relevance.

CONCLUSION

The results indicate that the original scales are still consistent, but the EFA shows mixed results. As mentioned above, the exogeny and endogeny factors of the modified scale direct future development of a uses and gratifications scale for apps. Although the factors emerging from the original uses and gratifications scale and similar adaptations are consistent with some of the EFA findings, they are not fully explanatory of apps. Whereas uses and gratifications has long focused on how individuals use media (Rubin, 2002), apps are perhaps a stronger indicator of audience activity (Levy & Windahl, 1984) than previous media forms since apps appear to be more structural in nature in that the apps and technology are shaping, and being shaped by, those who use them (Giddens, 1984). With apps, this is happening in real time and presents a dynamic not present in most other uses and gratifications studies.

Limitations

Although the use of Mechanical Turk panel data has been validated in the literature, there still exists the possibility that the sample is not representative of the general population. For example, the mean age of this sample was 29, which is lower than the national average. An

argument could be made in favor of this sample, though, in that it is younger consumers who tend to be the earliest adopters of technology. Still, the sample effectively received less input from older consumers, who, while slower in adopting new technology, are today purchasing smartphones and tablets. The Mechanical Turk sample is entirely opt-in. A modest payment was made to compensate those who participated. It is possible that this small payment elicited participation from a different subset of the Mechanical Turk workforce in particular, which may also differ from the larger population of smartphone and tablet owners in general.

No effort was made in this exploratory study to differentiate between those who have and have not purchased apps (for either their smartphone or tablet). Their uses and gratifications may be very different from those who do opt to pay for premium apps. It could be argued that those who purchase apps are more engaged users than those who focus primarily or exclusively on free apps.

The use of mobile apps, and smartphones and tablets in general, is relatively new and still evolving. This sample was particularly tech-savvy, with 93.2% owning a smartphone and or a tablet device. While the sample's tablet ownership was typical of the population at large, its smartphone ownership was significantly higher than average. It is possible that uses and gratifications of these apps will continue to change as apps become increasingly commonplace in culture. Furthermore, it is possible that as late adopters join the ownership group, their uses and gratifications may differ from those of the early adopters, and thus alter the current findings.

Future Research

Moving forward, it will be necessary to determine which theories may better inform the study of app usages from a media use perspective. Since neither the original uses and gratifications scale, nor the modified scale, developed a wide and rich set of factors, it is necessary to continue modifying uses and gratifications efforts to fully capture the context of apps. Further exploratory and/or qualitative techniques are necessary to better understand this innovation and provide developers and marketers with the tools to better engage app consumers.

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| Statement | Factor | |
|---|--------|------|
| | 1 | 2 |
| 2. I use apps because they entertain me | .001 | .705 |
| 4. I use apps so I can get away from the rest of the family or others | .647 | .091 |
| 6. I use apps when I have nothing better to do | .143 | .698 |
| 7. I use apps so I can forget about work, school or other things | .561 | .351 |
| 8. I use apps when there is no one else to talk to or be with | .279 | .624 |
| 9. I use apps because they pass the time, particularly when I am bored | .067 | .827 |
| 10. I use apps because they pep me up | .692 | .153 |
| 11. I use apps so I can talk with other people about them | .646 | .062 |
| 12. I use apps because they help me rest | .692 | .023 |
| 13. I use apps because they give me something to do to occupy my time | .194 | .756 |
| 14. I use apps because they are exciting | .573 | .282 |
| 16. I use apps to keep me company | .691 | .123 |
| 17. I use apps so I can get away from what I am doing | .667 | .259 |
| 18. I use apps because they are enjoyable | .169 | .699 |
| 19. I use apps because they allow me to unwind | .561 | .442 |
| 20. I use apps because they amuse me | .201 | .675 |
| 22. I use apps because they relax me | .642 | .288 |
| 24. I use apps because they are thrilling | .646 | .137 |
| 25. I use apps because they make me feel less lonely | .801 | .030 |
| Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. a. Rotation converged in 3 iterations. | | |

| Table 2 | | |
|---|--------|-------|
| Two-Factor EFA for the 10-item Uses & Gratification Scale - Varimax Rotation Component Matrix^a | | |
| | Factor | |
| | 1 | 2 |
| 1. I use apps to learn new things | .763 | .048 |
| 2. I use apps to share information with others | .260 | .710 |
| 3. I use apps to understand the world around me | .668 | .205 |
| 4. I use apps to educate myself | .868 | -.006 |
| 5. I use apps to play games with others | -.036 | .728 |
| 6. I use apps to help with my education | .776 | .132 |
| 7. I use apps to complete tasks | .575 | .331 |
| 8. I use apps to interact with others | .247 | .799 |
| 9. I use apps to create new things | .505 | .366 |
| 10. I use apps to keep up with current events | .599 | .234 |
| Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. a. Rotation converged in 3 iterations. | | |

FOLLOWERSHIP AND SOCIAL MEDIA MARKETING

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ABSTRACT

The purpose of this project is to conduct an empirical study on the effectiveness of social customer relationship management on social media (Facebook, YouTube, Google Plus, Instagram, Pinterest and Twitter) marketing and followership, in the college level consumer demographic. It is important to understand how businesses can better their communication and marketing to the consumer, and whether the social medium plays a role in success. With the growing success and use of social media, businesses must embrace the future. The effectiveness of social media marketing is difficult to derive because the amount of publicity an advertisement or business may receive on the internet may heavily depend on word of mouth, click or like. Social media website may be applied for use as a management system for customers and marketing with the growth of customer relationship management within social media. Customer relationship management, or CRM, when factoring in social media or social networking, could be used an efficient and effective tool for businesses. For this study, college level consumers will be evaluated to uncover their receptiveness to marketing messages on social media. Significant research has been done on advertising and communication through social media, and this paper seeks to prove power of marketing through followership. A survey was conducted to collect sample data via questionnaires. A multivariate statistical analysis was performed to develop multiple-regression models, as well as a Pearson's Correlation model. Results show statistical significances of the overall models and variances of demographics, immersion, and communication factor in relation to total followership.

Keywords: Advertising, Communication, CRM, Internet, Information System, Marketing, Social Networking, Technology

INTRODUCTION

Social media are online platforms that facilitate global collaboration and sharing among users. Consumers can easily obtain information from a vast, geographically dispersed group of people in social platforms. Meanwhile, these social platforms give retailers a wealth of options for reaching potential customers, communication and collaboration, and creating values to customers. Furthermore, social media are increasingly being used in organizations to improve relationships among employees and nurture collaboration. Since businesses are bombarding the internet with marketing, fan pages, advertisements, and websites, how are consumers responding, using, clicking, and liking (Singh, 2012; Patterson, 2012).

Understanding the potency and competency of capturing and utilizing both social media and social networking, is leading to the next generation of marketing and customer relationship management. Whether the company is broadcasting messages or merely monitoring customer interactions with their products, businesses and marketers have more than enough reason to pay attention to social media and consumer interactions on social networking.

Meadows-Klue explained that the internet was a catalyst for changes needed in marketing, and amplifying the scale that can be reached. Marketing had been simple and one way; however, with the introduction of the internet, marketing needed additional approaches, and exploration of social media was a main component. Social media is allowing marketers to uncover deep drivers and customer connections, which allow for greater planning and understanding of their target markets.

However, with the potential positives of the internet and social media in relationship marketing, there are also challenges to be overcome, such as digital literacy. Overall, the generation “Facebook” demands that marketers think and act differently than before. Brands can now communicate directly with their customers and persuade them to love their products through the social media.

The next step in this evolution is collective intelligence, which means connecting social media, extracting this new community knowledge, and sharing it back. This represents a new paradigm of communication and branding in the new digital age. Meadows-Klue (2008) said it best when he wrote, “The explosion of social media since 2005 is the starkest of reminders about how fast the tools of the digital networked society continue to unfold”. This generation and social media will continue to change the how businesses and consumers communicate.

Paul Greenburg’s book, *CRM at the Speed of Light, Fourth Edition: Social CRM 2.0 Strategies, Tools, and Techniques for Engaging Your Customers* (2010) explains many connections between social media, social networking, marketing, and customer relationship management. Customer relationship management, or CRM, is defined as a model for managing company interactions with current and future customers. With the use of technology to organize, automate, and synchronize sales, marketing, customer service and technical support. CRM can vastly increase the capability of a company to manage customer relations.

Since Generation Y or the Millennial Generation is the first generation to spend more time on the internet (12.2 hours) than watching television (10.6 hours), significance of understanding and capturing this medium is imperative. This is the premise behind the idea of Social CRM. This idea concludes that the social customers are now in control because of their connection and relationships established with businesses, which is enhanced by the intensity and volume of consumer represented online. Slowly, each generation is catching on, and driving their desires to businesses, instead of businesses seeking them out.

According to Greenburg, Gen Y is so in touch with technology that it is considered a key trait. The use of technology in communication and personal activity is natural to Gen Y, while still maintaining competence and sentience. The internet is the main channel of reach, and social networking is becoming their main channel of interaction.

Greenburg states, “Social CRM is designed to engage the customer in a collaborative conversation in order to provide a mutually beneficial value”. Because the social

aspect puts power in the communities, social media and social networking go hand in hand. Nowadays, consumers are using social media for more than just communicating with one another, but also with businesses, brands, products, services, etc.

College students spend countless hours on the computers for research, communications such as school email, or even for online class. According to *The Chronicle of Higher Education*: “Regardless of educational background, young adults ages 18 to 24 were generally much more likely to be Internet users, to engage in social media, and to own Web-enabled devices like laptops and smart phones” (Zou, 2011). Furthermore, the college student is more likely to use the Internet and own high tech devices than is the rest of the general population.

Although there are older age groups that are returning to school after the recession and job loss, the average college student is between the ages of 18-24. This age group is the millennial generation, those who have grown up immersed in technology. They are the first generation to embrace internet devices and social networking as an essential part of life and communication (Zou, 2011). Most importantly, this is a major transitional group. High school students are leaving the nest, and able to make more decisions for themselves. College graduates are entering the workforce, and beginning to make money. Marketers can gain important information by understanding this generation and demographics, and tracking them into the future.

Communication using social networking has become imperative in marketing with the development and increasing popularity of social media. Wang, Yu and Wei (2012) use a socialization framework to investigate peer communication, and further delve into consumers product attitudes and purchase decisions.

Other studies discuss demographics of users, and the rate at which each are joining the social media circle, and their involvement (Ganley, 2009). Therefore, a literary survey finds that no prior study that has tested statistical significances of marketing across all these levels, such as demographics, communication, immersion, followership and sales. Lack of past research which brings all these factors together has motivated this research.

There are people all over the world who are using social media to broaden their horizons, whether social or for business purposes. McCafferty (2011) wrote an article which explored how three people in three different countries have used social media. The internet grants companies the ability to reach all corners of the globe, and social media gives them the utility to reach their consumers better. McCaffery has shown that from Brazil to Egypt to Japan, the consumer is ready.

Because many of these social media websites and platforms are used daily by the college level demographic, the research attempts to uncover the effects of these five major marketing factors on the college level consumer: demographics, communication, immersion, followership and sales.

For this study, a survey was given to groups of students at Lake Superior State University. The survey asked various questions related to social media, as well as their preferences and activity (i.e.: shopping, following, etc.), in order to relate it to how consumers interact with marketing in social media. Multiple regression models were used to determine whether there is a connection when comparing college level consumers to consumer awareness

of marketing in social media, and sales generated by social media marketing, as well as which medium is most successful.

In Section 2, a review of prior studies was conducted, and a literature review was completed for this research. Section 3 presents the methodology of the research, which includes the framework and models for conducting the multiple regression equations, and precedes the statistical results in Section 4. Discussion and marketing implications are given in Section 5, which are followed by the conclusion of Section 6.

LITERATURE REVIEW

Understanding the College Consumer

Sponcil and Gitimu's (2011) study focuses was to see how communication and self-concept among students was affected due to social media. Their extensive study precisely examined how relations between friends and family and a student's personal life were impacted.

96 participants (college students) from mid-western university were sampled. Data was collected through a questionnaire. Questions included demographic statistics, amount of daily social media use, impact on communication, and how attitudes are affected.

Of the 96 students sampled, there were 67 females and 29 males to complete the questionnaire. 90% of the students were between ages of 18-33, and 45% use a form of social media every day; furthermore, 72% have a personal profile on one or more platforms. Facebook and Twitter were found to have the highest usage from the questionnaire. The top three uses for social media were communication amongst friends, entertainment, and boredom. Through this survey they found that there is a correlation between amount of friends and media usage.

Budden, Anthony, and Jones (2007) found that a large number of students are now using the internet more frequently than past generations, and marketers should look to the future. The purpose of their article was to prove that college age consumers use the internet more frequently and, so they were studied using age and classification.

They used the popular social media devices Facebook, MySpace, and YouTube as the main focus of online use. The research also used television and radio, as historical media devices to measure the effect they had on college students and if marketing through those mediums was still effective. The data was received through multiple journal entries that included daily internet usage journals that they were asked to fill out for an entire week. Their data also showed a large number of students still use historical forms of media such as television and radio.

Wallace, Walker, Lopez, and Jones (2009) found the different types of social media college aged students use and which sites companies should advertise on. This paper examines the age, education level, and income status of those who use the internet and what sites they are visiting. The information provided is a source that could be used by businesses to see who visits what kind of sites, so they can reach their target market. They also touch on the connection of spending habits related to advertisements seen on social media sites.

The data collected started with a focus group relaying the most popular sites on the internet that they used. From there, they surveyed students from a southern university and received 396 usable questionnaires back. They then used a chi-square analysis to represent the difference in site visits compared to income. It was followed with a t-test that displayed a difference in age for those who use the internet and those who do not.

Finally, they used the chi-square once again to examine how demographics made an impact with what they viewed. The results of their test were that a person's gender, age, income, marital status, and academic level played a large role in what they viewed on the internet. It was also found that the purchasing decisions were affected by a multitude of ways such as word of mouth, banner advertisements, and buzz marketing.

Potential of Social Media

The study conducted by Wallace, Buil, and De Chernatony (2012) tested the hypothesis of relating social networks, self-expressive brands, and consumer brand advocacy. Facebook users' ability to "Like" brands, products, service, etc., allows for ability to explore the relationship between social ties and those brands. Furthermore, the study sought to understand the relationship between brands "Liked", and consumer brand advocacy both on and offline.

The research included a survey of 265 Facebook users, and reveal strong correlations tendencies to "like" brands that help them express themselves. It also found that "like" brands on Facebook display positive influence on consumer acceptance. The marketing implications must be fully developed, but this study has built a strong base for future connections.

Schmidt and Ralph's (2011) article explains the new use of networking by social media. Networking in business is not a new concept, but the application of networking and social media is. Social media allows for more and more circles to connect, and opportunities to present themselves. As family, friends, career, customer, etc. networks merge, the possibilities become infinite.

There are four types of social media: social or online communities, blogs, mircoblogs, and RSS (real simple syndication). Companies can use one or more of these to market products, services, and even other companies. Once a company has chosen a particular medium of networking, the skill only need be developed to harness the new tools of the trade. Overall, a diagnosis of when and how to use social media, to be effective, efficient and successful, is still waiting to be answered.

Jothi, Neelamalar and Prasad (2011) reported that today's millennial buyers want to be engaged differently from how they were in the past. Traditional marketing tactics simply do not suffice in present day. Social media marketing helps to build solid relationships between the buyers and sellers. Direct marketing in social media is used to send people to the digital community to be informed, entertained and heard. Users find appeal, and a value high enough to encourage them to participate.

Though social networks are considered a young person's domain, Curren and Lennon (2013) explained that social networks have become frequented by older groups as well. As

social media, the internet, and technology advance, more and more people of different generations will become accustomed to using them.

Through this research a model was developed to test what draws consumers to social media, intention of use, and attitudes toward social networking. The model was tested on test groups, one younger and one older. The results showed use of the model was successful with variations on attitude and intent between the two groups.

Zhu, Dholakia, Chen and Algesheimer (2012) worked to diagnose the affects of person decision-making strategies through their online activities. Through a series of studies, the study demonstrated that participation in online communities influences financial decisions and behaviors. Results support that the idea participation in social media and online communities leads to belief of support from the members. This perception causes them to make decisions through advice and support of those other members. The stronger the community, ties to social media, and the more consumers rely on that community allows for riskier decision making

Patterson (2012) explains how social media has transformed the individual. As every marketer knows, popular culture can be monitored via social networking. The power of social networking has taken the isolated, silent consumers into a loud, unmanageable, collective body. Many companies are ill-equipped to understand this new issue. Therefore, Patterson collected essay is dedicated to various social media sites by those who invented them, and offered advice and approaches that can be utilized by consumer researchers.

Making Social Media Work for You

Articles by Edelman (2010), Doyle (2007), Mohammadian (2010), and Naylor (2012) were each related to social networking, and how it could have been be related to solving marketing problems. The internet has changed how consumers engage with brands. Social media is changing the way communication, as well as, marketing strategies and structures. Traditional marketing is unsustainable going forward when considering factors such as social media and the internet.

In the past, marketing efforts were put into activities that are no longer developed the same way. Furthermore, the volume and nature of interactions require adjustments to strategy and budgeting. Through social media, an organization can help establish long lasting relationships with its customers.

Because social media can indicate characteristics of the target market, the online supporters can have great influence. Through those interactions, consumer needs can be addresses, and thus provided, therefore, increased sales, profitability, and strength of a brand. Thus, with the application of social media, marketing issues such as segmentation, targeting, and campaign design, can be resolved.

Understanding the proper use of social media in businesses and using it effectively is what Hensel and Deis (2010) explained in their research. With economic downturns, the importance of using social media as a base for reaching the masses is paramount to entrepreneurs. Social media offers them a way to advertise and market their products, and reach their consumers almost directly. Challenges of traditional marketing are being trumped by the

ease of generating business and communication through social media. While discussing both advantages and disadvantages, they sought to answer the questions in regards to social media effectiveness.

According to Fader and Winer (2012), the growth of the web of social networking has resulted in user-generated content, or UGC. UGC are product reviews, descriptions of products, usage, and consumer created advertising, and blogs, as well as all other consumer generated material. Consumers take marketing into their own hands with the use of the internet.

The key is to understand how and why people are creating UGC, the impact of UGC, and methods for analyzing the UGC. People are not afraid to speak their mind, and will communicate in any way about the products and services they receive. By learning how to harness user-generated content, marketers can reach more consumers.

Guinan (2011) developed four social media strategies for businesses to follow. They researched into strategies and practices of more than 1,100 companies, through interviews with 70 executives. Depending on the company, their tolerance for uncertainty, and results expected, the company can adopt one of four strategies.

Singh and Sonnenburg's (2012) research embraced the role of social media, and how it has affected customer's interaction with a brand. They embraced the change from a passive listener to a more active participant within the world of social media and marketing. Thus, consumers have become more like co-marketers. Through word of mouth via social media, marketing by consumer has become a major influence.

They have separated their theory into three propositions: managing brands, understanding audience and roles, and importance of improvisation. This helps to setup a framework for brand storytelling, content, production, and distribution to their consumer.

Kim and Eunju (2012), as well as Guinan (2011), discussed the growing interest in the use of social media marketing. The relationships developed by social media between customers and businesses can be refined into different social media strategies, which can then be adopted as courses of action for businesses.

Kim and Eunju (2012) examine the following: activities online, value equity, relationship equity, brand equity, customer equity, and purchase intention, and ran them through an equation model. This equation was applied to fashion brands, in order to identify the social media marketing activities of customers. By evaluating five constructs of social media marketing activities (entertainment, interaction, trendiness, customization and word of mouth), they diagnosed the significance and the relationship of the consumer to business and marketing.

Research Conclusions

In conclusion, social media websites, such as Facebook, Twitter, YouTube and GooglePlus, are currently utilizing effective communication of advertising and marketing through the use of text, pictures, videos and links to keep the online communities of college age people informed, entertained and heard. College consumers spend a majority of time on the internet, and social media, and are consequently bombarded with marketing messages.

Millennials accept this as a natural occurrence, and should therefore be open and willing to communicate via the internet.

Marketers can choose from a plethora of social networks in order to cater their messages to their target markets. However, the literature survey shows a lack of prior studies on how effective the advertising and marketing truly are. Some of these past articles also factor in those who do not use the Internet, which skews the results.

This research includes a wide range of social media platforms. Furthermore, it includes research on current college level student's behavior on social media websites. Most importantly, how those findings correlates with marketing. If a company can harness this understanding and apply it, the power of what social media interactions can tell a marketer is invaluable. Thus, this paper hypothesizes that there are significant factors of social media marketing, which can be derived and applied to other research.

METHODOLOGY

Today, social media websites are used on a daily basis by people of various generations. For college students, who are also millennials, using the internet is a natural habit. It is because of this millennial generation that we believe this study will show that demographics are significantly related to followership (Budden, 2007; Curran, 2013; Sponcil, 2011; Wallace, 2009). Age, education level, and gender can be easily identified as factors; however, college students, like anyone else, have varying interest. Therefore, demographics have been further refined into specific internal variables: age, gender, level of education, and major, which is believed to be individually related with followership.

Demographics Variables:

- H1 Age is significantly related to followership.*
- H2 Gender is significantly related to followership.*
- H3 Level of education is significantly related to followership.*
- H4 Major is significantly related to followership.*

The simple use of the Internet is prevalent within a college level community. Lake Superior State University, where our study is conducted, relies on the Internet for student information, class scheduling, and online courses, as well as keeping up with homework and projects. The internet and social media are considered a primary source of communication, especially when away from family, and living on campus. However, communication is extending to businesses, and many other avenues besides keeping up with family and friends. Social media creates a two way street for marketers and their customers. If their customers are using various sites, it gets easier. Therefore, the more popular the site, the greater the potential (Budden, 2007; (Ganley, 2009; Guinan, 2011; Kim, 2012; Hensel, 2010; Jothi, 2011; Meadows-Klue, 2008; Patterson, 2012; Schmidt, 2011; Sponcil, 2011; Wallace, 2009; Wallace, 2012; Wang, 2012;

Zhu, 2012). Communication has been further refined into specific internal variables: use and Importance of Facebook, Twitter, GooglePlus, YouTube, Pinterest and Instagram, which is believed to be individually related with followership.

Communication Variables:

- H5 Use of social media is significantly related to followership.*
- H6 Importance of FaceBook is significantly related to followership.*
- H7 Importance of Twitter is significantly related to followership.*
- H8 Importance of GooglePlus is significantly related to followership.*
- H9 Importance of YouTube is significantly related to followership*
- H10 Importance of Pinterest is significantly related to followership*
- H11 Importance of Instagram is significantly related to followership*

The further someone is immersed in social media, the greater their connection to marketing interlaced within them. If brands and marketers can connect directly to their consumers, and the more the consumer uses social media, the stronger the connection. As stated before, college students are constantly on their computers, and using the internet. This creates the hypotheses that immersion would be related a followership (Fader, 2012; Ganley, 2009; Guinan, 2011; Kim, 2012; Hensel, 2010; Patterson, 2012; Wallace, 2012; Wang, 2012; Zhu, 2012). Immersion has been further refined into specific internal variables: hours, annoyance, click rate, relevance, following/liking, which is believed to be individually related with followership.

Immersion Variables:

- H12 Hours spent on social media websites are significantly related to followership.*
- H13 Annoyance of ads on social media websites is significantly related to followership.*
- H14 Click rate of an advertisement on social media websites receive are significantly related to followership.*
- H15 Relevance of an advertisement is significantly related to followership.*
- H16 Following/Liking social media websites other than friends and family pages are significantly related to followership.*

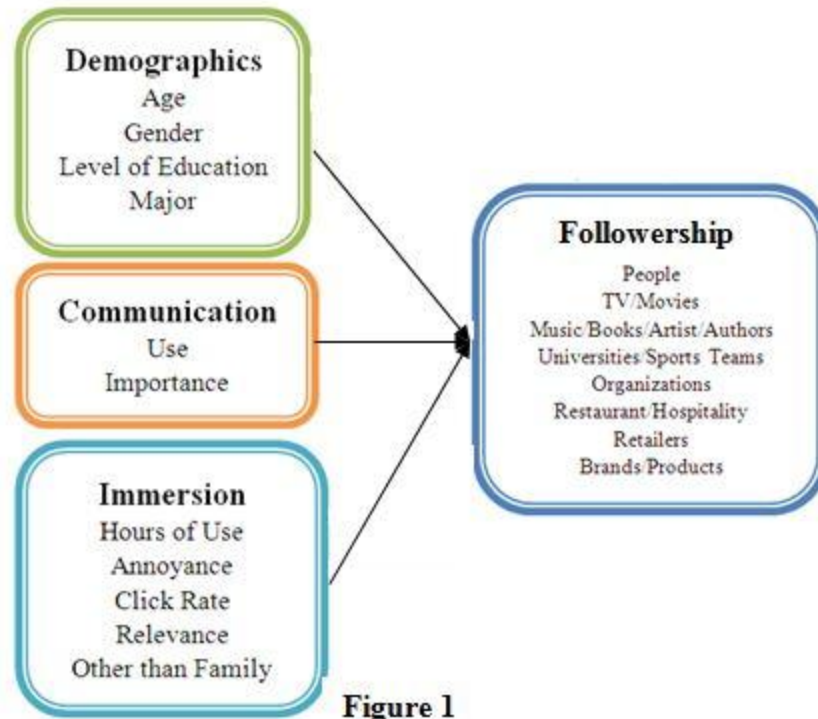
Social media allows marketers to plan and understand their target markets with greater expertise, and possibly uncover markets they didn't know they could capture. Overall, growth has been accelerated due to the ease of communication on both ends; therefore, the effect on

sales could be substantial. Companies that can focus on social media and capturing the cyber consumer can certainly capitalize. College students, who spend so much time engrossed in social media, the greater their promise of sales (Doyle, 2007; Edelman, 2010; Fader, 2012; Guinan, 2011; Kim, 2012; Hensel, 2010; Meadows-Klue, 2008; Mohammadian , 2010; Naylor, 2012; Schmidt, 2011; Wallace, 2012; Wang, 2012). Followership has been further refined into specific internal variables: People, TV/Movies, Music/Books/Authors/Artists, Universities/Sports, Organizations, Restaurants/Hospitality, Retailers, Brands/Products, which is believed to be individually related with followership and sales. Together these can be quantified, and the summation will give a comprehensive score or Total followership.

Followership Variables:

- H17 The likelihood of liking/following/clicking ads for People is significantly related to followership.*
- H18 The likelihood of liking/following/clicking ads for TV shows or movies is significantly related to followership.*
- H19 The likelihood of liking/following/clicking ads for Music, Books, Authors or Artists is significantly related to followership.*
- H20 The likelihood of liking/following/clicking ads for Universities or Sports Teams is significantly related to followership.*
- H21 The likelihood of liking/following/clicking ads for organizations is significantly related to followership.*
- H22 The likelihood of liking/following/clicking ads for restaurants or hospitality services is significantly related to followership.*
- H23 The likelihood of liking/following/clicking ads for department stores, retailers or shopping websites is significantly related to followership.*
- H24 The likelihood of liking/following/clicking ads for brands or products is significantly related to followership.*

In summary, the main hypothesis of this study is that followership of various categories within social media is significantly related to an individual's demographics, their communication purposes of social media, how immersed that individual is into social media, and average amount of sales for various categories. The framework for this research is represented in Figure 1.



Upon gathering data, a Pearson correlation was conducted, which is further discussed in the Results section. Those variables showing significance were selected for inclusion into the regression models. All other data was observed, and analyzed for significance toward useful target marketing statistics. Level of education, Major, and Importance of various social media platforms (Facebook, Twitter, GooglePlus, YouTube, Pinterest and Instagram) were singled out as strictly marketing statistical data. On a larger scale, these variables may hold greater significance.

To conduct hypothesis testing, a multiple regression model was employed. The first multivariate statistical model analyzed Followership (#12-19 from the questionnaire) as a proxy for the dependent variable (Y_1). Three factors describing student innovations served as independent variables: Demographics (X_1), Communication (X_2), and Immersion (X_3). To enhance the model reliability and explanatory power, each variable has further descriptive internal variables. The internal variables for Demographics are: Age (X_{1-1} , 0=Less than 18:6=31+) Gender (X_{1-2} , 0=Male: 1=Female). The internal variable for Communication is Use (X_{2-1} , 0=Yes: 1=No). The internal variables for Immersion are: Hours (X_{3-1} , 0=0-5:6=Over 30), Annoyance (X_{3-2} , 0=Very Annoying: 6=Very Helpful), Click Rate (X_{3-3} , 0=Never: 6=All of the Time), Relevance (X_{3-4} , 0=Never: 6=All the Time), Other Than Family (X_{3-5} , 0=Never: 6=All the Time).

$$Y_1 = b_0 + b_1 X_{1-1} + b_2 X_{1-2} + b_3 X_{2-1} + b_4 X_{3-1} + b_5 X_{3-2} + b_6 X_{3-3} + b_7 X_{3-4} + b_8 X_{3-5}$$

A survey questionnaire was created based the questionnaire used in the study by Sri Jothi et al (2011). The survey was refined further with on the research hypotheses developed for this study, as well as to capture various sample statistics. The questions asked were broken up into five groups based on the five basic variables, which were represented in the framework (Demographics, Communication, Immersion, and Followership). Demographics variables group consisted of four questions. Communication variables group consisted of two questions. Immersion variables group consisted of five questions. Followership variables group consisted of eight questions.

In-person surveys were conducted in various classes throughout the Lake Superior State University campus. Lake Superior State University has a current student enrollment of 2,644 students, of which 47% are male and 53% are female (Lake, 2013). Over 140 students participated in answering the questionnaire, and 8 were discarded as unusable for lack of information due to unanswered or improperly answered questions. A sample of 140 questionnaires was used for data analysis.

RESULTS

General Analysis

Of the 2,644 of students at Lake Superior State University, 140 were chosen at random. Frequency results showed that out of the 140 surveyed, the majority were between the ages of 18-23 years old (total 84.3%), with 43.6% females and 56.4% males. There was also a fairly even distribution between levels of education, with each year representing between 20-30%. Many different majors were represented, with 10 different colleges of study, as well as the option to be undecided. Three schools represented a larger portion of the sample: Business (24.3%), Criminal Justice/Fire Science/EMS (20.7%), and Biological Science (17.1%).

It is important to note that 95.7% of those surveyed answered that they use social media regularly. Those surveyed were also asked to rank various social media platforms in terms of importance. The results were, in order of importance, Facebook, YouTube, Twitter, Instagram, with GooglePlus and Pinterest tied for last.

Descriptive statistics are shown in Table 1, for the completed surveys show that out of 140 responses. The amount of hours spent using social media per week was 11.1714, on average. The rating of annoyance of advertisements on social media averaged at a 2.50, or somewhat annoying to slightly irritating. The likelihood to click on an advertisement on a social media website had a ranking of 1.54. This means that students don't click on them at all, and if they do it is a rare occurrence.

| | N | Min. | Max. | Mean | Std. Dev. |
|--------------------|-----|------|-------|---------|-----------|
| Hours | 140 | 2.50 | 30.50 | 11.1714 | 7.99500 |
| Ads | 140 | 1 | 7 | 2.50 | 1.255 |
| Click Ads | 140 | 1 | 4 | 1.54 | .790 |
| Relevant | 140 | 1 | 7 | 2.66 | 1.492 |
| Other than | 140 | 1 | 7 | 3.69 | 1.671 |
| Total Followership | 140 | 8 | 55 | 20.71 | 9.114 |
| Valid N (listwise) | 140 | | | | |

The rating of relevance of an advertisement was a slightly higher at a 2.66, meaning that students find ads appropriate to their preferences rarely to once in a while. When asked if students follow or like anything other than personal friends or family when they use social media websites, the average likelihood fell between once in a while to sometimes, since the average was ranked at 3.69. It is interesting that the average amount of students who find advertisements relevant to them is higher than the average amount of students who actually click on the given advertisements.

Pearson Correlation, ANOVA and Model Formulation

As stated before, a Pearson Correlation was conducted on all criteria prior to finalizing the formulation of the multiple regression models for sales and followership. Upon analyzing those results, the final selection for independent variables was determined, and the formulas were written. The correlations revealed statistical significance to the desired dependent variables, as well as a few interconnections.

Correlation between total followership was found to be significant gender ($p < 0.05$), hours spent on the internet ($p < 0.01$), clicking of ads ($p < 0.01$), advertisement relevance ($p < 0.01$), and following or liking anything other than personal friends or family ($p < 0.01$). Interestingly, there were other correlations. Hours was significantly related to gender, other than and age ($p < 0.01$). Relevance was found to be significantly related to ad annoyance ($p < .05$) and clicking of ads ($p < 0.01$). Clicking of ads is significantly related to ad annoyance ($p < 0.01$), as well as age is significantly related to level of education.

| | 1. | 2. | 3. | 4. | 5. | 6. | 7. | 8. | 9. | 10. |
|-----------------------|--------|--------|-------|--------|--------|--------|--------|--------|--------|-----|
| 1. Gender | 1 | | | | | | | | | |
| 2. Level | .067 | 1 | | | | | | | | |
| 3. Using | .080 | .091 | 1 | | | | | | | |
| 4. Ads | .029 | -.072 | -.022 | 1 | | | | | | |
| 5. Click Ads | .006 | .077 | -.112 | .250** | 1 | | | | | |
| 6. Relevant | .024 | .150 | -.049 | .194* | .459** | 1 | | | | |
| 7. Other than | .131 | .055 | -.021 | .137 | .128 | .131 | 1 | | | |
| 8. Total Followership | .179* | .157 | -.114 | .102 | .300** | .232** | .402** | 1 | | |
| 9. Age1 | -.074 | .558** | .023 | -.158 | .129 | .147 | -.139 | -.005 | 1 | |
| 10. Hours1 | .262** | .008 | .078 | -.022 | .004 | .011 | .375** | .265** | -.206* | 1 |

*Correlation is significant at the 0.05 level (2-tailed).
**Correlation is significant at the 0.01 level (2-tailed).

As some of the values for demographics are qualitative, an ANOVA Model was run in order to evaluate them. This helped to refine the terms to possibly recode them into a more quantitative nature. One way ANOVA models were used to test level of education and major because they showed some significance in the Pearson Correlation. The results are displayed in Table 3. Though significant in either the Pearson Correlation or the ANOVA model, these values were excluded from the model because Post Hoc test show errors due to unequal group size and disparity.

| Xj | Acronym | Source | |
|---------------------------------------|---------|--------|----------------------|
| X ₁₋₃ | Major | Q3 | F(11,128) = 3.039*** |
| X ₁₋₄ | Level | Q4 | F(3,136) = 1.169 |
| * p < 0.10, ** p < 0.05, *** p < 0.01 | | | |

After the Pearson Correlation and ANOVA models were analyzed, a stepwise process was used to develop the best and most significant model possible for both the followership and sales models. Each variable which showed significance in the Pearson Correlation was tested individually, in order to ensure significance. Once stratified of their significance, each of those variables were added to the model, the multiple regression model was run, and both the p-value and r^2 were recorded.

The other values which show no significance were then added to the model one and at a time, tested, and recorded. The recorded r^2 and p-values were then sorted by their significance, and the group of variables with the most significant p-value was selected as the final model. Age was the only other variable added to the models, which effected significance.

While adding variables one and at a time the model reached a peak of significance, and began to decline as more were added. The r^2 reached a peak, and began to decline as well. Upon further investigation into the models themselves, it was discovered that although some variables alone were not significant, together as a group they made the model more significant. This can be

seen clearly in the final multiple regression models for both followership and sales. The framework for the newly constructed followership and sales models are displayed in Figure 2.

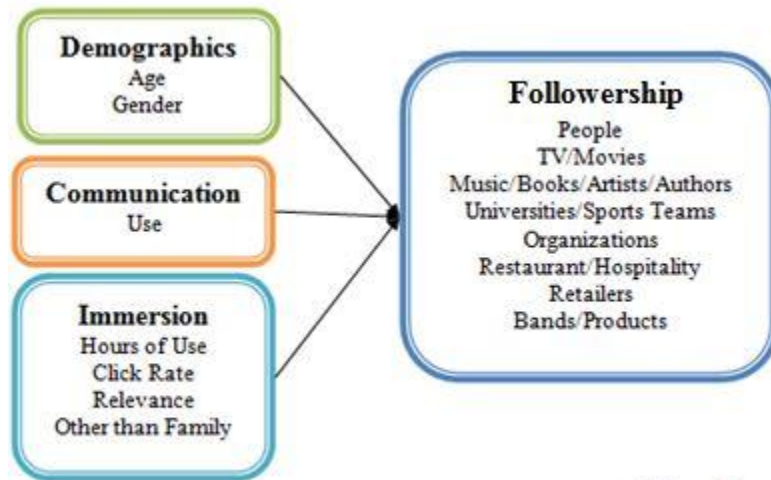


Figure 2

Results show a statistical significance in the multiple regression model (Y_1), or followership as described in the methodology section [$R^2=.269$, $F(8,131) = 6.037$ ($p<0.01$)], which is shown in Table 4. Findings show that total followership ($p<0.01$) is significantly related other than family ($p<0.01$), which indicates that those who use social media for purposes other than communication with friends and family tend to have higher followership. Clicking of ads ($p<0.01$) also showed significance. No other variables showed any significance.

| Table 4 | | | | | | |
|---|------------|--------|--------|-------|-------|----------|
| MULTIPLE REGRESSION MODEL | | | | | | |
| Dependent Variable (Y_1) = Followership (Q12-19) | | | | | | |
| $R^2=.269$, $F(8,131) = 6.037^{***}$ | | | | | | |
| X_j | Acronym | Source | b_j | SE | SB | T |
| (Constant) | | | 5.211 | 5.370 | | .970 |
| X_{1-1a} | Age | Q1 | .097 | .218 | .035 | .444 |
| X_{1-2} | Gender | Q2 | 2.039 | 1.422 | .111 | 1.433 |
| X_{2-1} | Using | Q5 | -1.736 | 1.310 | -.100 | -1.325 |
| X_{3-1a} | Hours | Q7 | .155 | .096 | .136 | 1.602 |
| X_{3-2} | Ads | Q8 | -.035 | .580 | -.005 | -.060 |
| X_{3-3} | Click Ads | Q9 | 2.374 | 1.001 | .206 | 2.372*** |
| X_{3-4} | Relevant | Q10 | .521 | .522 | .085 | .998 |
| X_{3-5} | Other than | Q11 | 1.647 | .450 | .302 | 3.661*** |
| * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$ | | | | | | |
| Source # of the survey questionnaire | | | | | | |
| b_j Unstandardized regression coefficient for X_j | | | | | | |
| SE Standard error of unstandardized b_j | | | | | | |
| SB Standardized regression coefficient of X_j | | | | | | |

Each of the groups were run individually against followership. This helped to fully understand how each variable group (demographics, communication, immersion, sales and followership) affected the overall models.

Demographics

Results show statistical significance in the multiple regression model (Y_1), or followership as defined for the demographics variables group only [$R^2=0.65$, $F(4,135) = 2.336$] which is shown in Table 5. Findings show that total followership is significantly related gender ($p<0.05$). As stated before, the other variables were removed from the original model, and thus discarded for this model as well.

| Table 5 MULTIPLE REGRESSION MODEL Demographics | | | | | | |
|---|---------|--------|--------|-------|------|-----------|
| Dependent Variable (Y_1) = Followership (Q12-19) | | | | | | |
| $R^2=0.65$, $F(4,135) = 2.336$ | | | | | | |
| X_j | Acronym | Source | b_j | SE | SB | T |
| (Constant) | | | 18.809 | 5.003 | | 3.759**** |
| X_{1-1a} | Age | Q1 | .022 | .230 | .008 | .096 |
| X_{1-2} | Gender | Q2 | 3.290 | 1.544 | .180 | 2.131** |
| * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$ | | | | | | |
| Source # of the survey questionnaire | | | | | | |
| b_j Unstandardized regression coefficient for X_j | | | | | | |
| SE Standard error of unstandardized b_j | | | | | | |
| SB Standardized regression coefficient of X_j | | | | | | |

Communication

As discussed previously, the variable importance was collected, but deemed strictly descriptive statistical data. This leaves the use variable to be included in these models. Results show no statistical significance in the simple regression model (Y_1), or followership as defined for the communication variables group only [$R^2=0.013$, $F(1,138) = 1.865$] which is shown in Table 6.

| Table 6 SIMPLE REGRESSION MODEL Communication | | | | | | |
|---|---------|--------|----------------|-------|-------|-----------|
| Dependent Variable (Y ₁) = Followership (Q12-19) | | | | | | |
| R ² =0.013, F(1,138) = 1.807 | | | | | | |
| X _j | Acronym | Source | b _j | SE | SB | T |
| (Constant) | | | 20.904 | .782 | | 26.737*** |
| X ₂₋₁ | Using | Q5 | -1.966 | 1.463 | -.114 | -1.344 |
| * p < 0.10, ** p < 0.05, *** p < 0.01 | | | | | | |
| Source # of the survey questionnaire | | | | | | |
| b _j Unstandardized regression coefficient for X _j | | | | | | |
| SE Standard error of unstandardized b _j | | | | | | |
| SB Standardized regression coefficient of X _j | | | | | | |

Immersion

Results show a statistical significance in the multiple regression model (Y₁), or followership as defined for the immersion variables group only [R²=.249, F(5,134) = 8.873 (p<0.01)] which is shown in Table 7. Findings show that hours (p<0.10), other than (p<0.01) and click ads (p<0.01) are significantly related to followership. None of the variables show statistical significance.

| Table 7 MULTIPLE REGRESSION MODEL Immersion | | | | | | |
|---|------------|--------|----------------|-------|-------|----------|
| Dependent Variable (Y ₁) = Followership (Q12-19) | | | | | | |
| R ² =.249, F(5,134) = 8.873*** | | | | | | |
| X _j | Acronym | Source | b _j | SE | SB | T |
| (Constant) | | | 7.446 | 2.331 | | 3.194** |
| X _{3-1a} | Hours | Q7 | .168 | .092 | .147 | 1.819* |
| X ₃₋₂ | Ads | Q8 | -.075 | .568 | -.010 | -.132 |
| X ₃₋₃ | Click Ads | Q9 | 2.537 | .991 | .220 | 2.561*** |
| X ₃₋₄ | Relevant | Q10 | .560 | .519 | .092 | 1.081 |
| X ₃₋₅ | Other than | Q11 | 1.677 | .449 | .308 | 3.732*** |
| * p < 0.10, ** p < 0.05, *** p < 0.01 | | | | | | |
| Source # of the survey questionnaire | | | | | | |
| b _j Unstandardized regression coefficient for X _j | | | | | | |
| SE Standard error of unstandardized b _j | | | | | | |
| SB Standardized regression coefficient of X _j | | | | | | |

Females vs. Males

Separation and target marketing by gender is one of the first questions defined when creating a marketing plan. Men and women use their senses differently, experience and remember things differently, shop and surf the web differently. Analyzing how these models affect each sex separately could lead to surprising results. What if the model works better for one

sex than the other? Would it still be useful? Further investigation into this suggestion was completed, and gender cases defined within the survey results. The significance displayed in the demographics model supported this claim.

Females

Results show a statistical significance in the multiple regression model (Y_1), or followership as defined for females only [$R^2=.365$, $F(7,53) = 4.353$ ($p<0.01$)] which is shown in Table 8. Other than family ($p<0.01$) also showed significance, which indicates that females who use social media for purposes other than communication with friends and family tend to have higher followership. No other followership variables show statistical significance.

| Table 8 MULTIPLE REGRESSION MODEL Females only | | | | | | |
|---|------------|--------|--------|-------|-------|----------------------|
| Dependent Variable (Y_1) = Followership (Q12-19) | | | | | | |
| $R^2=.365$, $F(7,53) = 4.353^{***}$ | | | | | | |
| X_j | Acronym | Source | b_j | SE | SB | T |
| (Constant) | | | 5.997 | 7.803 | | .769 |
| X_{1-1a} | Age | Q1 | .166 | .357 | .060 | .465 |
| X_{2-1} | Using | Q5 | -1.270 | 1.337 | -.106 | -.950 |
| X_{3-1a} | Hours | Q7 | -.034 | .142 | -.031 | -.236 |
| X_{3-2} | Ads | Q8 | -.401 | .796 | -.059 | -.504 |
| X_{3-3} | Click Ads | Q9 | 2.094 | 1.869 | .194 | 1.121 |
| X_{3-4} | Relevant | Q10 | .970 | .859 | .168 | 1.130 |
| X_{3-5} | Other than | Q11 | 2.269 | .675 | .433 | 3.359 ^{***} |
| * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$ | | | | | | |
| Source # of the survey questionnaire | | | | | | |
| b_j Unstandardized regression coefficient for X_j | | | | | | |
| SE Standard error of unstandardized b_j | | | | | | |
| SB Standardized regression coefficient of X_j | | | | | | |

Males

Result shows a statistical significance in the multiple regression model (Y_1), or followership as defined for males only [$R^2=.213$, $F(7,71) = 2.747$ ($p<0.01$)] which is shown in Table 9. None of the followership variables show any statistical significance. Hours ($p<0.05$) also showed significance, which indicated men spend more time on the internet increasing their followership.

| Table 9 MULTIPLE REGRESSION MODEL Males only | | | | | | |
|--|------------|--------|----------------|-------|-------|---------|
| Dependent Variable (Y ₁) = Followership (Q12-19) | | | | | | |
| R ² =.213, F(7,71) = 2.747*** | | | | | | |
| X _j | Acronym | Source | b _j | SE | SB | T |
| (Constant) | | | 9.358 | 8.234 | | 1.136 |
| X ₁₋₁ | Age | Q1 | .006 | .307 | .002 | .019 |
| X ₂₋₁ | Using | Q5 | -5.477 | 4.278 | -.149 | -1.280 |
| X ₃₋₁ | Hours | Q7 | .282 | .136 | .229 | 2.066** |
| X ₃₋₂ | Ads | Q8 | .565 | .896 | .075 | .631 |
| X ₃₋₃ | Click Ads | Q9 | 1.565 | 1.339 | .133 | 1.169 |
| X ₃₋₄ | Relevant | Q10 | .019 | .713 | .003 | .026 |
| X ₃₋₅ | Other than | Q11 | 1.052 | .665 | .189 | 1.582 |

* p < 0.10, ** p < 0.05, *** p < 0.01
 Source # of the survey questionnaire
 b_j Unstandardized regression coefficient for X_j
 SE Standard error of unstandardized b_j
 SB Standardized regression coefficient of X_j

DISCUSSION

The hypothesis formed from our research was confirmed by the findings. Evidence does show that demographics, communication and immersion have a significant effect upon followership, as stated within the methodology created from previous research. Independently, the variable categories show little to no significance, but together the model is very significant. The Pearson Correlation established our previous hypotheses (Doyle, 2007; Edelman, 2010; Meadows-Klue, 2008; Mohammadian, 2010; Naylor, 2012; Singh, 2012).

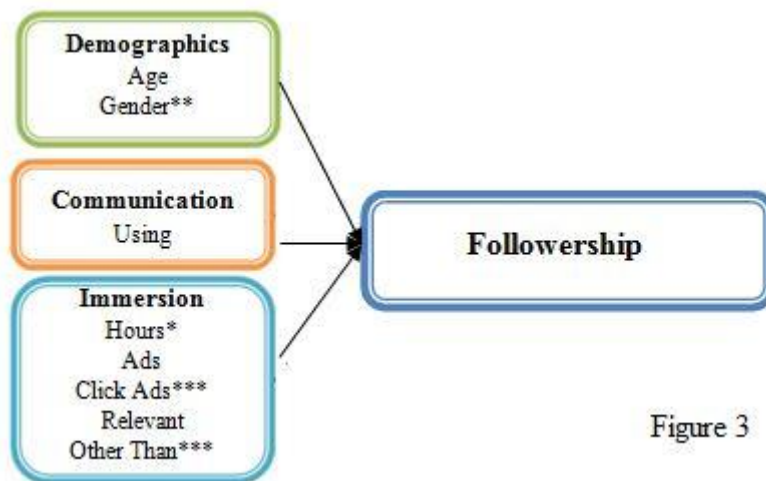


Figure 3

Evidence of this study showed significance between the different demographics and the frequency of use (Budden, 2007; Sponcil, 2011; Wallace, 2009). The regression models do not

represent all the demographics, such as level of education and major. Due to poor significance within the Pearson's Correlation or ANOVA testing, they were not included within the models themselves. However, the study did find statistical significance of hours variable in relation to gender, other than and age, which was consistent with Budden, Anthony, Budden, and Jones (2007).

The use of social media for purposes other than keeping up with family and friends was significant within the models, which helps establish that immersion questions compose the backbone of the entire model (Fader, 2012; Hensel, 2010; Patterson, 2012; Schmidt, 2011). Though a few demographics and communication variables were excluded, those that were included extended the significance of the entire model. Age, gender, and use of social media affect the output for followership. All previous research articles support the hypotheses, as well as the models created for this research.

By testing each group individually, this research was able to diagnose the significance of each variable group, as well as the significance of each variable. This confirms not only the original hypotheses that various groups themselves are significant, but also solidifies the conclusion that was made when the models were finalized. Each variable is significant, but only correct combination of them makes the best model. Furthermore, by testing the genders individually, this research was able to substantiate additional merit to the final models for sales and followership.

These results presented important marketing implications. From a true marketing stance, the significance of the demographics, importance of social media, and frequency of use can be established because those factors further the understanding of the market captured (Doyle, 2007; Edelman, 2010; Mohammadian, 2010; Meadows-Klue, 2008; Naylor, 2012). By singling out males and females, the models still showed significance, and indicated different underlying significant factors. This is important to target market understanding. We have conducted a college level consumer study, and the findings reflect that (Wallace, 2009); however, in future studies were to add to sample population, those results will change. It helps to establish who you are actually observing.

To build and sustain business success long-term, an organization should focus on improving its relevance in regards to social media. Demographics play a major role in followership, especially in for the college consumer (Budden, 2007; Hensel, 2010; Meadows-Klue, 2008; Jothi, 2011; Sponcil, 2011; Wallace, 2009). It also suggests a difference in site use or hours spent online in comparison to age, gender, and level of education. Internet use, communication and immersion into social media are imperative to businesses (Budden, 2007; Hensel, 2010; Jothi, 2011; Meadows-Klue, 2008; Patterson, 2012; Sponcil, 2011).

Businesses must be certain they are advertising on social media a site that the consumer finds relevant to them, which was hinted at by Meadows-Klue (2008). If one can choose your media platform by target market, one can capture your desired audience, and this study and survey can help create that link.

Though evidence was significant, another study could include a larger sample size, and/or more than one college or university across the country to compare parallels in other U.S. college

cultures. This survey could also be given to many, in many different demographics as well, and a broader range of information could be collected without restriction to college level consumers.

CONCLUSION

This study shows the relationship between college level consumers, their social media interactions, and their activities on social media. It focuses on the connection between followership on social media. This research provides academic literature to businesses with empirical evidence importance of variances such as demographics, active communication, and immersion, in relation to followership in a college level environment. Evidence suggests that marketing managers can achieve organizational success by following these results.

Though evidence was significant, another study could include a larger sample size, and/or more than one college or university across the country to compare parallels in other U.S. college cultures. The survey created for this research could also be given to many different demographics, and a broader range of information could be collected without restriction to college level consumers. Future studies could survey various target markets, in order to collect information on different groups. Perhaps with a larger sample size or multiple age groups, different statistics might be significant for these different groups. Furthermore, a study could research a relationship between followership and social media marketing, and sales. If a consumer is following a brand, wouldn't they be buying it?

Studies such as this one can only benefit businesses understanding of how their marketing messages reach their consumers. They can distinguish their target markets and how to reach them. If their market is a certain age, this study can help them understand how much time they spend on the internet and social media, where they are going, and what they are following. The potential of social media marketing and social CRM is worth understanding, and essential to the future of business and marketing.

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WORD-OF-MOUTH, TRADITIONAL AND COVERT MARKETING: COMPARATIVE STUDIES

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ABSTRACT

This manuscript attempts to bridge the gap between the deficiency in empirical research on covert marketing and anecdotal evidence presented in the mainstream press. The Persuasion Knowledge Model (PKM) and Set/Reset Theory guide the investigation into the effects of covert marketing on consumer attitudes and purchase intentions. The authors introduce product trial (positive or neutral), relationship with the source (family member, friend, or stranger) and marketing strategy (overt, covert, word-of-mouth) as independent variables that may influence attitudes and purchase intentions. Results suggest consumers will accept covert marketing given they tried the product and really liked it, however, when product trial is a neutral experience, attitudes and behavioral intentions become significantly lower.

INTRODUCTION

Every day consumers are bombarded with advertising messages. Some estimates suggest that consumers are subjected to thousands of ads each day (Marsden, 2006; Martin and Smith, 2008; Pappas, 2000). With such a glut of sponsored messages permeating consumers' day-to-day lives, it makes intuitive sense that unless there is a reason for consumers to pay attention, they simply don't (Alba and Hutchinson, 1987). In other words, marketers are competing in an environment where the odds of getting their messages through to consumers are stacked against them. With such an abundance of advertising messages, how is a marketer to ensure his message is cutting through the clutter and being received?

One solution embraced by an increasing number of marketing practitioners is the practice of covert marketing. Covert marketing is a sponsored marketing message that appears to have no sponsor. Walker (2004) gave the following example involving a group of friends gathered together on a summer weekend for a cookout. One of those friends spent much of the afternoon promoting his favorite kind of sausage. This friend was actually an "agent" of the company, surreptitiously promoting the sausage by not disclosing his company affiliation. Many of the guests tried the sausage based on their friend's recommendation. These guests, as well as those guests who heard their friend's sausage recommendations, were exposed to covert marketing. As illustrated above, covert marketing often masquerades as a word-of-mouth message, and is not otherwise revealed by the organization funding the campaign or the person propagating the

word-of-mouth message. This strategy appears to offer marketers a solution to the problem of penetrating consumers' shields against an abundance of marketing and commercial noise.

In today's society, the usage of covert marketing appears to be on the rise. BzzAgent, a Boston marketing firm who has touted itself as being the leading word-of-mouth marketing company, has approximately 400 million "agents" nationwide who voluntarily instigate conversations about goods and services. Prior clientele of BzzAgent include organizations such as L'oreal, Conagra Foods, Kraft Foods, Dunkin' Donuts, Hasbro, Disney, Dove, Clinique, Johnson & Johnson, Purina, P&G, The Clorox Company, and many more (BzzAgent, 2013). In addition, Tremor, a marketing subsidiary of Procter and Gamble, claims to have over 500,000 members in its organization called Vocalpoint. Vocalpoint is a group of women with kids who, like BzzAgent "agents," are asked to discuss the merits of a client's products with friends. Vocalpoint has conducted word-of-mouth campaigns for organizations such as Dawn, Olay Professional Pro-X, Bounce, Kellogg's, Kashi, Crest, and Venus (Tremor, 2013). Other organizations choose not to outsource their covert marketing campaigns and instead conduct campaigns on their own. Sony Ericsson employed its own covert marketers to walk the streets of New York City and Los Angeles to pose as tourists and have passersby take their picture with their "new" Ericsson camera phone. Vespa, a company that sells scooters hired several "beautiful people" to ride around cities such as Los Angeles and Houston on scooters, posing as Vespa customers who purchased the scooter (Eisenberg et al., 2002; Martin and Smith, 2008).

Because of the increase in covert marketing and the limited empirical research that exists on the subject, the purpose of this manuscript is to bridge this gap by investigating when, where and why this type of marketing may (may not) be effective. In an effort to provide insight concerning the use of covert marketing strategies and consumers' reactions to these strategies, several research questions are proposed. First, does the use of covert marketing yield more positive brand and company evaluations and purchase intentions than traditional (overt) marketing strategies (i.e. those in which the promotion is clearly shown to have an organizational or company sponsor). The authors are also interested in how consumers respond once they have discovered they have been exposed to a covert marketing strategy, and if a positive or neutral product trial will temper any effects that result from consumers being made aware of their exposure. Finally, the authors investigate the extent interpersonal relationships influence attitudes and purchase intentions after consumers discover they have been exposed to a covert marketing message by someone they know.

The remainder of the article is organized as follows. First, the theoretical underpinnings used to formulate the hypotheses are discussed. Then, details of the first experiment are presented. Next, based on the results derived from the first experiment, a second study is designed and results are discussed. Finally, implications, study limitations, and avenues for future research are presented.

THEORETICAL BACKGROUND

Word-of-mouth and Covert Marketing

Consumers receive most of their information from commercial sources, but the most effective information is that which is received from personal sources like family, friends and neighbors (Armstrong and Kotler, 2005). Commercial sources inform consumers about the products being advertised. Personal sources legitimize the products for consumers (Bae and Kim, 2013; Pruden and Vavra, 2004). Personal information has this effect since it is delivered, traditionally, without bias. Along with this, consumers will be far more likely to believe and accept the endorsement of a product from someone who is perceived to have nothing to gain from offering the endorsement than from someone who does. Thus, covert marketing that utilizes the form of word-of-mouth marketing is the focus of this research.

The influence of word-of-mouth marketing at a macro level and the source at the micro level has been known to marketing researchers and practitioners for decades (Carl, 2006). Researchers have found that word-of-mouth (WOM) influences consumer attitudes and purchase intentions (Bansal and Voyer, 2000; Bone, 1995). Along with this, the perceived quality of a WOM message may depend on the characteristics of the person providing it. For example, perceived experts are able to provide information of greater value compared to non-experts so their opinion is more frequently sought (Gilly et al., 1998; Wangenheim and Bayon, 2004). A number of studies have also found that the greater the similarity between the person sending a WOM message and those receiving it, the greater influence the WOM message has on those who received the message (Brown and Reingen, 1987; Gilly et al., 1998; Price, Feick, and Higie, 1989; Wangenheim and Bayon, 2004).

Though a number of characteristics of WOM messages have been studied, perhaps the most important point regarding WOM effectiveness has to do with the perception of objectivity. A perception of objectivity does not exist when the message is known to have a sponsor. Prior research has found that WOM was more influential when consumers did not have an objective basis for judging a product; therefore, they relied on WOM messages as a basis for judgment (Brooks, 1957). In other words, the WOM message was seen as an objective source of product information. Given the advertising clutter and the effectiveness of WOM, it is easy to see the attractiveness of utilizing covert WOM as a means of transmitting a marketing message, and the belief that it will yield benefits at least as effective as WOM.

However, this begs the question concerning consumers' reactions when they find out that they have been deceived by a covert marketer. That is, how will consumers react when they find out that what they believed to be an unsponsored, objective message about a product was actually a sponsored, biased assessment of the product? Consumers do not want to be deceived and it seems likely that they may perceive covert marketing messages as a form of deceit. This perception of deceit may result in negative consequences regarding the consumer's attitude toward the brand and the company sponsoring the message as well as towards the consumer's future purchase intentions. Milne, Rohm, and Bahl (2009) found that purchase intentions are lowered once covert marketing was revealed while Ashley and Leonard (2009) found that covert

marketing caused a decrease in both trust and commitment. Because of this, it is expected that covert marketing will lower attitudes and purchase intentions, leading to the hypothesis:

- H₁ Covert marketing messages will be less effective than word-of-mouth messages at providing positive (a) brand attitudes, (b) company attitudes, and (c) purchase intentions when consumers discover the sponsorship of the covert message.*

Overt and Covert Marketing

The Persuasion Knowledge Model (PKM) explains how an individual uses knowledge to protect himself and cope with influence attempts (Friedstad and Wright, 1994). The knowledge a consumer has is made up of topic knowledge (e.g., knowledge about the brand, company, service), agent knowledge (the individual who is responsible for the persuasion attempt), and persuasion knowledge (perception of the persuasion attempt). The consumer develops coping strategies and behaviors based on their own previous experiences and the experiences of others in order to help guard or protect themselves from influence attempts. More specifically, if or when covert marketing becomes known to consumers, according to the PKM, these coping strategies will dictate how consumers will respond to covert marketing and subsequent covert marketing attempts. Consumers have a variety of behavioral reactions, and no one technique is consistently used. Some examples of coping strategies that may be enacted include disengaging and reengaging, ignoring, selectively discounting, arguing and counter-arguing (Friedstad and Wright, 1994). All of which should result in a less successful persuasion attempt.

Consumers are generally able to recognize overt persuasion attempts. Their ability to recognize a persuasion attempt allows them to employ the appropriate coping tactics or mechanisms cued by their assessment of the persuasion attempt. According to the PKM, consumer defense mechanisms are generated from their persuasion knowledge, and those mechanisms will enable the consumer to most effectively guard against the recognized persuasion attempt. Therefore, any sort of persuasion attempt an individual recognizes should stimulate, at least to some degree, a defensive response. This enabling of the defense mechanism in response to an overt marketing attempt may simply be an unconscious or automatic response stimulated by the inordinate amount of overt messages consumers are subjected to each day. Given the abundance of overt marketing messages, it is no wonder that consumers may automatically “tune out” an overt message, even if it is a message the consumer might otherwise be interested in hearing. As a result of this consumer conditioning and the subsequent defense mechanisms consumers employ in response to overt marketing messages, it is intuitive that overt marketing messages are less effective than messages transmitted less overtly.

However, should consumers become aware that they have been the target of a covert marketing message, it is believed that this revelation will, first immediately provoke a self-defense response similar to the response provoked upon recognition of an overt marketing attempt. Second, as mentioned above, the revelation may garner a certain amount of resentment toward the company and the brand being promoted through covert marketing. Therefore, it appears plausible that any benefits gained by masking the covert marketing message as a genuine WOM message may be nullified by the revelation of the covert marketing message due to the

instant stimulation of the consumer's self-defense mechanism. Also, the resentment consumers feel may translate into lower brand and company attitudes as well as lower purchase intentions. Therefore, consumers will not have more favorable attitude and purchase intentions expected from WOM marketing, and they may develop negative attitudes toward the company or brand that deceived them. These lowered attitudes may manifest as brand and company attitudes and purchase intentions that are actually lower than the traditional (overt) marketing messages consumers are already programmed to guard against. This leads to the following hypothesis:

H₂ Covert marketing messages will be less effective than traditional (overt) marketing messages at providing positive (a) brand attitudes, (b) company attitudes, and (c) purchase intentions when consumers discover the sponsorship of the covert message.

STUDY 1

Background

To test the two hypotheses above, an experiment using scenarios was conducted. In order to enhance generalizability, study 1 used scenarios for three different consumer products (a cell phone, a beverage, and a snack). Each participant received all three products but only one marketing strategy (word-of-mouth, traditional [overt] marketing, or covert marketing exposed). The three covert marketing exposed scenarios were based on prior covert marketing cases such as the Sony Ericsson case (Eisenberg et al., 2002; Martin and Smith, 2008). Each scenario was then transformed for the overt marketing and word-of-mouth situations. After reading each scenario, participants were asked to rate his or her attitudes toward both the company and brand as well as his or her purchase intentions. Two hundred ninety-three undergraduate students from a large southeastern university participated in the experiment for extra credit as part of a business course.

Adapted from Smith and Swinyard (1982) and Campbell (1995), *attitude toward the company* was measured using three 7-point semantic differential scales (inferior/superior, untrustworthy/trustworthy, bad/good) ($\alpha = .73$) and *attitude toward the brand* was measured using three 7-point semantic differential scales (inferior/superior, bad/good, unfavorable/favorable) ($\alpha = .84$). *Purchase intentions* was measured using a 7-point likert type item that simply stated, "How likely or unlikely are you to purchase the product in the future?" with anchors being *extremely unlikely* and *extremely likely*.

Results

The ANOVA results and the post hoc test results from the first experiment are shown in Table 1 and 2. Results suggest that there are differences in attitudes toward both the company and product as well as for purchase intentions based on the type of marketing strategy (WOM, covert marketing exposed, and traditional overt marketing) for each of the three products (cell phone, beverage, and snack).

In order to determine which marketing strategy had the most and least favorable attitudes and purchase intentions, post hoc tests were conducted. From the information presented in

Tables 1 and 2, we can conclude that both of the proposed hypotheses have either partial or full support. H_1 predicts that word-of-mouth marketing campaigns would be more successful or produce greater consumer attitudes towards both the company and product as well as greater purchase intentions than exposed covert marketing campaigns. This hypothesis was fully supported. H_2 , on the other hand, suggests that though consumers do not like being marketed to; they would still prefer an overt marketing strategy over a covert one. Though in the hypothesized direction, the differences between the traditional (overt) marketing strategy and the covert marketing strategy were not significantly different for attitude toward the product in the snack scenario. In addition, there were no significant differences in purchase intentions between the traditional and exposed covert marketing conditions for the phone scenario. However, the remaining scenarios showed highly significant differences, in the hypothesized direction, providing partial support for H_2 .

| Product | Marketing Strategy | Attitude Toward the Company | Attitude Toward the Product | Purchase Intentions |
|-----------------------|---------------------|-----------------------------|-----------------------------|---------------------|
| Phone ¹ | WOM | 4.52 | 4.99 | 4.01 |
| | Traditional (overt) | 4.31 | 4.61 | 3.75 |
| | Covert Exposed | 3.91 | 3.78 | 3.27 |
| Beverage ² | WOM | 4.75 | 4.83 | 4.51 |
| | Traditional (overt) | 4.27 | 4.43 | 4.37 |
| | Covert Exposed | 2.98 | 3.36 | 3.08 |
| Snack ³ | WOM | 4.43 | 4.67 | 4.15 |
| | Traditional (overt) | 3.71 | 4.19 | 3.75 |
| | Covert Exposed | 3.26 | 3.91 | 3.10 |

¹ For Phone, Attitude toward the Company [F = 14.067, p < .000]; Attitude toward the Product [F = 32.759, p < .000]; Purchase Intentions [F = 5.177, p < .006]
² For Beverage, Attitude toward the Company [F = 46.017, p < .000]; Attitude toward the Product [F = 76.339, p < .000]; Purchase Intentions [F = 16.452, p < .000]
³ For Snack, Attitude toward the Company [F = 29.846, p < .000]; Attitude toward the Product [F = 10.622, p < .000]; Purchase Intentions [F = 9.473, p < .000]

| Dependent Variable | Comparison of Means | Beverage | Phone | Snack |
|-----------------------------|--------------------------------------|----------|--------|--------|
| Attitude toward the Company | WOM - Traditional (overt) | .48** | .21 | .72** |
| | WOM – Covert exposed | 1.77** | .61** | 1.17** |
| | Traditional (overt) – Covert exposed | 1.29** | .40** | .46** |
| Attitude toward the Product | WOM - Traditional (overt) | .40* | .38* | .47* |
| | WOM – Covert exposed | 1.47** | 1.21** | .76** |
| | Traditional (overt) – Covert exposed | 1.07** | .83** | .29 |
| Purchase Intentions | WOM - Traditional (overt) | .14 | .26 | .40 |
| | WOM – Covert exposed | 1.42** | .74** | 1.05** |
| | Traditional (overt) – Covert exposed | 1.28** | .48 | .65* |

* is significant at the p<.05 level
** is significant at the p<.01 level

Discussion

Although the hypotheses all had full or partial support regarding the directionality and significance of their differences, it was somewhat surprising that traditional (overt) marketing did not produce significantly higher means for purchase intentions than the covert marketing scenario for the cell phone scenario. One possible reason for this is that a cell phone is a higher priced item than the other products in the scenarios. Perhaps the students who read the scenarios feel compelled to perform more due diligence on the higher priced item than on other lower priced items presented in these scenarios. Given this reasoning, it makes sense that the students would not purchase a cell phone based on overt marketing strategies alone. They perhaps feel a need to obtain unbiased opinions or reviews on the phones before committing to the purchase. This also provides a plausible explanation for why the students did produce significantly higher purchase intentions for the phone in the word-of-mouth condition. The snack scenario also failed to yield significant differences between traditional (overt) marketing and covert marketing for attitude toward the brand. This may be due to participants not being familiar with the hypothetical brand. If they do not already have a preconceived notion about the brand, then it becomes understandable that the participants will rely on their dislike of both traditional (overt) marketing and covert marketing when forming brand evaluations. It would be interesting to see brand evaluations for familiar products to the participants. Since empirical work on covert marketing strategies is still in its infancy, introducing potential confounds into the research scenarios like popular mainstream brands might dampen or muffle the results to the point of blurring their interpretability. In an effort to gain as much insight as possible into the influence of covert marketing, the researchers feel the need to keep the research scenarios as “pure” as possible; hence the decision to use only hypothetical brands. Using already established popular brands should be considered when pursuing future covert marketing research.

Results from Study 1 should serve as a warning to marketers considering the use of covert marketing. Given the disdain consumers have for traditional (overt) marketing and their proclivity to guard against it, along with the finding that covert marketing, once exposed, appears to be even less effective than traditional (overt) marketing, suggests that marketers may hurt their brand and company by employing covert marketing techniques.

Although the results of the first study make intuitive sense, the researchers recognize that there are potential confounding issues surrounding, or rather, attached to each product that were not controlled for in the study. Along with this, a consumer might develop different product attitudes and purchase intentions after learning that the message used to get him or her to initially try the product was delivered covertly for a high-involvement product as compared to a lower-involvement product. In addition, the researchers did not examine the relationship of the person delivering the marketing message to the people receiving the message. In the beverage scenario, the student in the class is an acquaintance or a familiar influence, while in the phone and snack scenarios, the agent was a stranger. Because of this, a second study was conducted.

THEORETICAL BACKGROUND FOR STUDY 2

Relationships and Covert Marketing

Agent knowledge is part of the consumers' knowledge structure that helps the consumer identify a persuasion attempt. Knowledge about the agent or the source of the information consists of the knowledge the consumer has about the agent's personal traits, competencies and specific goals (Friedstad and Wright, 1994). For consumers, it is easy to determine goals of sales representatives that clearly represent their role overtly as a sales agent. The consumer can easily detect that the sales representative will attempt to sell a product and the consumer can cope and adjust to the information that the representative will present. If the consumer can identify the motives of the agent by understanding their goals and objectives, or identifying traits and competencies, the consumer is more likely to enact mechanisms to defend against the persuasion attempt. However, if the consumer is unable to determine the agent's motives, the consumer may be more susceptible to the persuasion attempt.

If a consumer is engaged in a strong relationship, typical of a friend or family member, then the consumer should feel that the ties defining that relationship are strong. Therefore, the information passed along these ties should be perceived as credible and more genuine than information from someone who is passing along an obvious overt marketing message. Consumers are less likely to be alarmed or to look for sponsored persuasion attempts from people with whom they have formed strong ties. Therefore, a covert marketing message should be more effective if the message was propagated by someone with whom they have formed strong ties. The effectiveness stems not so much from the message itself, but from the strong ties and the understanding of each member of the relationship as a result of those strong ties. It is assumed that when one member of such a relationship is making a persuasion attempt, it stems from the idea that the person being persuaded may genuinely benefit from the information being provided rather than an attempt to manipulate or otherwise take advantage of the already forged ties between the members of the relationship. This implied understanding may lead people to accept, without question, the intent of a persuasion attempt from someone with whom they have forged strong ties. Thus, it makes sense that persuasive information from a friend or family member should be more influential than the same information from a stranger, since persuasion knowledge about the person's motives would lead the consumer to believe that no hidden motives exist. This rationale leads to the following hypothesis:

- H₃ The closer the relationship with the source of the covert persuasion attempt, the more positive the consumers (a) brand attitudes, (b) company attitudes, and (c) purchase intentions.*

Product Trial and Covert Marketing

The Accessibility-Diagnosticity Model suggests that accessible information is not used as an input for judgment and choice when more diagnostic information is available (Feldman and Lynch, 1988). After trial, consumers should rely on the trial experience for their assessments and discount new information disconfirming the trial experience. Product trial should lead the

consumer to believe that they have learned more about the product and the trial experience than they actually have. Perhaps, this is because trial of the product is engaging, vivid, and/or memorable. Perhaps, the more important aspect of product trial is that consumers believe it to be independent of advertising message influence. For instance, no matter how many messages the consumer may have been exposed to, covert or otherwise, prior to product trial, consumers believe that their assessment of a product after product trial is not in any way biased by these messages. Therefore, consumers believe that their assessment of a product, after experiencing the product, is the sole result of that experience and not in any way influenced by any message (Hoch, 2002). With this in mind, consumers believe that their assessment of a product is based on their personal experience with the product alone. It is believed that consumers block or filter information about covert marketing regarding attitudes toward the brand, company, and purchase intentions. In this sense, the consumer relies on the trial to offer more diagnostic information about the brand than post trial information presented. Drawing from this logic, if consumers learn that they were covertly marketed to after product trial, brand and purchase intentions should not change. In other words, even though some may claim covert marketing to be deceitful, so long as consumers have tried the product being covertly marketed product before they learn of the deception, it will not have much of an effect on the brand attitudes, company attitudes, or purchase intentions.

Set/Reset theory suggests that individuals will form attitudes and intentions as an immediate reaction to the most recent stimulus (Martin, 1986). If there is trial and it is positive, negative or neutral, then that trial is the stimulus consumers base their attitudes and purchase intentions on. However, if there is no trial and the covert marketing message is revealed then the revelation that the consumer was deceived is the most recent stimulus that the consumer will base their attitudes and purchase intentions on. Therefore, Set/Reset theory suggests that product trial should moderate the relationship between the effects of the covert marketing message being revealed and attitude and purchase intentions. From this reasoning, as well as the above discussion on WOM and overt marketing as they relate to the effects of covert marketing, we derive the following research hypotheses:

- H₄ A positive product trial will be more effective than a neutral product trial at providing positive (a) product attitudes, (b) company attitudes, and (c) purchase intentions.*
- H₅ A positive product trial will moderate the relationship between exposed covert marketing and consumer attitudes and purchase intentions; such that covert marketing will be more effective than overt marketing at providing positive (a) product attitudes, (b) company attitudes, and (c) purchase intentions.*
- H₆ A neutral product trial will moderate the relationship between exposed covert marketing and consumer attitudes and purchase intentions; such that covert marketing will be less effective than overt marketing at providing positive (a) product attitudes, (b) company attitudes, and (c) purchase intentions.*

STUDY 2

Background

To test the hypotheses created above, a 3 (marketing strategy: WOM, Covert, or Overt) x 2 (Trial Experience: Good or Neutral) x 3 (source relationship: family member, friend, or stranger) scenario design was conducted. Data was collected from 657 students and non-students with ties to a southeastern university. Ages for the respondents ranged from 17 to 80, with an average age of 29.5. Females made up 64.8% of the sample. A majority of the respondents were employed (44.8% full time, 34.4% part time, 17.2% unemployed and 3.6% retired). In addition, most had at least some college experience (7.4% had a graduate degree; 26.1% a bachelor's degree; 58% have had some college experience; 7.1% had a high school diploma; 1.4% had some high school).

A snowball technique was used to collect non-student responses. Electronic links to surveys were sent out by email to students in four undergraduate business courses to participate for extra credit. Students were instructed to complete the survey and send out eight (8) invitations/survey links to individuals who were at least 18 years old asking them to complete the survey. Students indicated that they sent the links to their friends and family, or anyone in their email list over 18. The program, Web Surveyor, was used to create the surveys and track data. The survey allows for only one attempt at each IP address to ensure validity of the sample. A first name and phone number of the participant was collected in order to call 10% of the sample to ensure validity. Due to the method, we are unable to report the response rate because some students may have sent the email to fewer or more individuals than they were instructed to. We are unable to verify if all emails were read, or if they reached the intended audience. However, only 29 surveys were abandoned. This could be due to the computer timing out, the respondent being distracted with another task, the respondent no longer wanting to participate in the study or the user having experienced a connection problem.

In this study, participants first read a scenario explaining that they were in a retail location and ran into an individual who began speaking with them about a new brand of energy drink that was sold by a company that they never heard of before, since fictitious company and brand names were employed. These scenarios are made up of three different marketing strategy techniques (covert, WOM, and overt). The pre-trial WOM and covert marketing scenarios are exactly the same. The overt marketing scenario includes an individual dressed in a company affiliated polo shirt. In the covert and WOM scenario, the individual is dressed as to not infer company affiliation. After this encounter via the scenario, participants are asked to fill out an assessment of their attitude toward the company, product, and purchase intentions. Next, participants read a scenario that describes the trial experience (positive or neutral) they have with the brand. The positive experience pertains to the brand living up to the positive promotion and overall being great. The neutral experience pertains to that experience when the brand is good, but does not live up to the expectations based on positive promotions. Directly after the trial experience, the groups who are covertly marketed to are told that the person (friend, family member or stranger) was working for the company and is given an incentive to positively

endorse the brand. In other words, covert marketing is exposed. Directly following exposure, participants are asked to evaluate the brand, the company, and to provide purchase intentions. In this sense, the WOM and covert condition can be directly compared, given that when covert is not exposed, the WOM condition would be the same as covert unexposed. The only difference between the covert groups and the WOM groups is the exposure. The same measures as in Study 1 are used for Study 2 (attitude toward the product $\alpha = .86$; attitude toward the company $\alpha = .88$).

Results

Relationship with the source

In an effort to produce the most rigorous results, the researchers first tested H_3 by examining only the pre-exposure condition for the covert marketing group only ($N = 186$). In order to get an accurate portrayal of the influence the relationship variable has, it must first be examined prior to anyone realizing they have been subjected to a covert marketing strategy. The results show differences exist depending on if the source is a friend/family member or stranger. These results are intuitive but not particularly revealing given that the participants have yet to discover their exposure to covert marketing. At this point, the participants are providing evidence that suggests a WOM message from a friend or family member will be more influential than a WOM message from a stranger. Moreover, it appears that covert marketing attempts will be more effective when the “agent” or person propagating the covert marketing message is closer to the “target” consumer. This yields partial support for H_3 . Table 3 summarizes these results.

| Table 3. Test of Differences in Relationship Variable for Pre-Trial Condition | | | | |
|--|----------|-----------|------------------|---------------------|
| Dependent Variable | M | SD | F - Value | Significance |
| Attitude Toward Company | | | 4.371 | 0.014 |
| Family | 4.84 | 1.314 | | |
| Friend | 4.78 | 1.115 | | |
| Stranger | 4.23 | 1.258 | | |
| Attitude Toward Product | | | 5.794 | 0.004 |
| Family | 4.92 | 1.24 | | |
| Friend | 4.91 | 0.903 | | |
| Stranger | 4.32 | 1.115 | | |
| Purchase Intention | | | 7.537 | 0.001 |
| Family | 4.92 | 1.445 | | |
| Friend | 4.85 | 1.298 | | |
| Stranger | 3.94 | 1.842 | | |

However, participants’ response after realizing they have been exposed to the covert message is also of interest. Will consumers feel betrayed by family or friends for exposing them to covert messages, expecting such behavior from a stranger but not from someone close to them, or will they be more “forgiving” and continue to trust a friend or family member more than

a stranger, even after they have been made aware of the covert marketing attempt? In order to examine these questions, the analysis was reexamined after the participants had been informed that a covert marketing strategy was used. Table 4 summarizes the results. In this situation, there were no significant differences between relationship source (friend, family member, or stranger) for attitude toward the company, attitude toward the product, and purchase intentions. Therefore, the closeness of the relationship does not matter after the covert strategy has been revealed, implying that H₃ is not supported in the post-trial condition.

| Dependent Variable | M | SD | F - Value | Sign. |
|---------------------------|----------|-----------|------------------|--------------|
| Attitude Toward Company | | | 1.273 | 0.282 |
| Family | 4.56 | 1.729 | | |
| Friend | 4.42 | 1.498 | | |
| Stranger | 4.09 | 1.657 | | |
| Attitude Toward Brand | | | 1.911 | 0.151 |
| Family | 4.93 | 1.905 | | |
| Friend | 4.40 | 1.711 | | |
| Stranger | 4.32 | 1.918 | | |
| Purchase Intention | | | 0.752 | 0.473 |
| Family | 4.18 | 1.729 | | |
| Friend | 3.79 | 1.498 | | |
| Stranger | 3.72 | 1.657 | | |

Since the participants learned of the covert strategy after trial of the product, and the trial was either neutral or positive, the researchers wanted to determine if the trial itself might be confounding the results. Therefore, the covert sample condition was divided into the positive trial and neutral trial conditions for further, more specific analysis. Results show that none of the dependent variables were significant regardless of whether trial was positive or neutral.

Product Trial

Set/Reset suggests that consumers evaluate a product based on their latest experience or exposure to the product. In other words, Set/Reset theory suggests that when a consumer tries a product before making an evaluation, the product trial will govern the evaluation, not the form of advertising used to deliver the product message. Results show that differences exist in attitude toward the product, attitude toward the company and purchase intentions based on if the product trial is positive or neutral (See Table 5), supporting H₄.

However, the primary focus of this paper is on the effects of covert marketing and its influence on attitudes and purchase intentions. In other words, H₄ shows the influence product trial has on attitudes and intentions but these results do not account for the advertising or marketing methods used to propagate the product message. H₅ and H₆ seek to investigate the differing effect various methods of advertising have on consumer attitudes and purchase intentions based on positive and neutral product trials. More specifically, H₅ and H₆ seek to gain

insight into questions regarding consumer responses when they discover they have been exposed to covert messages and have subsequently acted upon those messages as opposed to a seemingly less deceitful yet more common (filtered and defended against) form of overt promotion.

| Dependent Variable | N | M | SD | F-Value | Sign. |
|-----------------------------|----------|----------|-----------|----------------|--------------|
| Attitude Toward the Product | | | | 441.68 | 0.000 |
| Positive Trial | 337 | 5.43 | 1.594 | | |
| Neutral Trial | 315 | 2.97 | 1.373 | | |
| Attitude Toward the Company | | | | 219.88 | 0.000 |
| Positive Trial | 337 | 4.92 | 1.686 | | |
| Neutral Trial | 315 | 3.16 | 1.315 | | |
| Purchase Intentions | | | | 555.75 | 0.000 |
| Positive Trial | 337 | 5.21 | 1.722 | | |
| Neutral Trial | 315 | 2.26 | 1.448 | | |

However, the primary focus of this paper is on the effects of covert marketing and its influence on attitudes and purchase intentions. In other words, H₄ shows the influence product trial has on attitudes and intentions but these results do not account for the advertising or marketing methods used to propagate the product message. H₅ and H₆ seek to investigate the differing effect various methods of advertising have on consumer attitudes and purchase intentions based on positive and neutral product trials. More specifically, H₅ and H₆ seek to gain insight into questions regarding consumer responses when they discover they have been exposed to covert messages and have subsequently acted upon those messages as opposed to a seemingly less deceitful yet more common (filtered and defended against) form of overt promotion.

When the product trial was positive, there were significant differences in attitude toward the product, attitude toward the company, and purchase intentions based upon the type of marketing message being employed (WOM, Covert, and Overt), supporting H₅. These results suggest that even when a consumer is aware that a covert marketing scheme was used to get him or her to initially try the product, the apparent deception will not affect how the consumer evaluates the product or company and future purchase intentions. In this situation, consumers in the covert marketing condition had attitudes and purchase intentions that were significantly higher than the consumer attitudes and purchase intentions recorded for those exposed only to the overt marketing condition. These results are consistent with both the Persuasion Knowledge Model and Set/Reset theory. Although no formal hypothesis was formed, these results become even more interesting when the covert means are compared to the means recorded for those who were exposed to only non-sponsored WOM messages. There were no significant differences between the WOM and covert marketing conditions for the attitude and purchase intentions measures. These results are summarized in Table 6.

| Dependent Variable | N | M | SD | F - Value | Significance |
|--|-----|------|-------|-----------|--------------|
| Attitude Toward Company | | | | 60.283 | 0.000 |
| WOM _a | 110 | 5.78 | 1.12 | | |
| Covert _b | 93 | 5.43 | 1.237 | | |
| Overt _c | 134 | 3.87 | 1.786 | | |
| Attitude Toward Brand | | | | 44.213 | 0.000 |
| WOM _a | 110 | 6.11 | 1.124 | | |
| Covert _b | 93 | 5.90 | 1.145 | | |
| Overt _c | 134 | 4.53 | 1.769 | | |
| Purchase Intention | | | | 35.788 | 0.000 |
| WOM _a | 110 | 6.02 | 1.381 | | |
| Covert _b | 93 | 5.48 | 1.491 | | |
| Overt _c | 134 | 4.36 | 1.751 | | |
| Significant difference between a:c and b:c. No significant difference between a:b. | | | | | |

Finally, H₆ proposes similar effects as those above only in the opposite direction when the product trial is neutral. More specifically, it is believed that a neutral product trial will leave the consumer feeling as if the product does not live up to the original expectations touted by the agent instigating the product trial. Interestingly, no differences between the three marketing methods were found for attitude toward the product [F=1.55, p=.214], attitude toward the company [F=.807, p=.447], and purchase intentions [F=.081, p=.922] when the product trial experience was neutral. These results indicate that consumers, regardless of the marketing strategy administered (WOM, Covert or Overt), responded to the neutral trial condition by lowering both their attitude and purchase intentions. Again, this is consistent with Set/Reset theory. Consumers likely adjusted their evaluation of the product after the trial did not perform as expected; therefore, H₆ is not supported.

Discussion

The significant differences for the pre-exposed covert marketing condition are consistent with previous literature that suggests individuals are more likely to trust family and friends regarding purchase decisions and brand and company evaluations. Surprisingly, these differences do not hold after product trial. As will be discussed below, this serves to underscore the importance of a successful product trial. Significant differences between the positive and neutral trial experiences for the dependent measures in the covert scenarios were also found. In other words, based on the results reported above, product trial has such a powerful influence on consumer attitudes and purchase intentions that not even pre-conceived notions about covert marketing or close family and friends will sway a consumer's product attitudes or purchase intentions after they have tried the product.

Perhaps the most facilitating aspect of the results presented in this research stems from the competing nature of the two theoretical frameworks used to explore consumer responses to

the covert marketing attempts. More specifically, the Persuasion Knowledge Model suggests that consumers, when made aware of a persuasion attempt, will employ or enact specific self-defense mechanisms to “guard” against the persuasion or influence attempt. This is clearly visible in the results presented in this study for consumers who had a positive experience. Consumer’s attitudes and purchase intentions were significantly higher for WOM and covert marketing attempts. This suggests that consumers, when subjected to influence attempts that do not appear as sponsored messages, do not enact defense mechanisms to guard against the influence attempt. Without enabling self defense mechanisms the consumer is free to “reset” their evaluation of the product solely on the product trial. In other words, Set/Reset theory suggests that consumers base their evaluation on their most recent experience with the product or brand. In the research presented here, the most recent experience the consumers have is the trial experience. Therefore, the evaluation of the product should be based entirely on that trial, regardless of whether or not the trial was positive or neutral. However, our results indicate that this is true, only to a certain extent. More specifically, consumers who were exposed to either WOM or covert marketing attempts did not recognize a sponsored influence attempt and thus failed to enact any self-defense mechanisms to guard against the attempt. Having failed to enact any self-defense mechanism, the participants based their product evaluation solely on the trial experience as Set/Reset theory predicts. Even more interesting, after the participants have been informed that they were exposed to a covert marketing attempt and subsequently acted upon these attempts, their product evaluations appear to be based solely on their trial experience. Evidence for this stems from the significantly higher means for both the attitude and purchase intentions of those who had a positive trial experience compared to those who had a neutral trial experience for both the WOM participants and the covert marketing participants. This suggests that even after people are told they have been subjected to covert marketing, they still “reset” their evaluations based on their last experience with the product.

Consumers may not like the idea of covert marketing, but our research suggests that influencing consumers to try a superior product covertly will not dampen consumer evaluations of the product, so long as they aren’t informed of the covert attempt until after they have tried the product. Again, we can infer this based on the higher attitude and purchase intention means for those who had a positive trial experience and were exposed to covert marketing compared to the attitudes and purchase intention means of those who were exposed to the overt marketing attempt. Since consumers put more faith in non-sponsored WOM messages than any other form of marketing and the fact that no significant differences exist between those exposed to WOM and covert marketing scenarios provide further evidence of consumers basing their product evaluation on the product trial.

The above results seem consistent with Set/Reset theory in that consumers are resetting their product evaluation based on their most recent experience with the product itself. However, when analyzing the results for those exposed to overt marketing attempts, we are forced to recognize significantly lower attitude and purchase intention means compared to those who did not recognize an influence attempt prior to product trial. These results seem inconsistent with Set/Reset theory as the influence attempt was recognized prior to product trial yet still seems to be influencing the product evaluations.

As mentioned earlier, the Persuasion Knowledge Model suggests that when consumers recognize a persuasion attempt they will enact self-defense mechanisms to guard against the influence attempt. The fact that the attitude and purchase intention variables were significantly lower for the overt marketing participants, compared to the WOM and covert marketing participants supports the notion that participants who were exposed to the overt marketing attempt did indeed enact these self-defense mechanisms as the Persuasion Knowledge Model predicts. However, we can infer by comparing the results of the neutral trial to those of the positive trial that though these results are consistent with the Persuasion Knowledge Model, they are not entirely inconsistent with Set/Reset theory.

The attitude and purchase intention means for the overt condition are significantly higher for the positive trial experience compared to the neutral trial experience. These results support the idea that trial influenced product evaluation. However, for the positive trial experience the attitude and purchase intention means are significantly lower than the other two conditions, as mentioned above. These results, taken together, suggest that self-defense mechanisms are not necessarily trumped by consumer trial of the product. In other words, after self-defense mechanisms are activated or employed, they persist, even during the product trial. This suggests that consumers, though willing to try the product, are trying the product in a guarded state. We can infer that the self-defense mechanisms activated by a marketing attempt will resonate with consumers through the product trial and subsequent product evaluations.

The message for marketers is twofold. First, if covert marketing attempts are going to be employed, marketers need to make sure consumers first try the product if they are likely to learn about the covert marketing strategy used in trial. Second, only products that deliver superior or at least distinctive superior trials will overcome the potential negatives of covert marketing should the strategy become exposed. From a public policy perspective, the results are troubling. Research suggests consumers are vulnerable to person to person marketing, whether it is a true testimonial or a paid testimonial. This creates a problem for public policy makers, in that it will be hard to inoculate the public against person to person persuasion attempts. It may be helpful for the media to cover such practices to make them common knowledge, but it must also be realized that this form of promotional activity may be very difficult to deter.

LIMITATIONS AND FUTURE RESEARCH

Extreme care and careful consideration was given to the construction of the scenarios used in this research. However, there is no denying the limitations scenario data presents. Though the researchers believe participant responses closely reflect actual consumer reactions, we have to concede that there is no way of knowing how closely the attitude and purchase intentions presented in this research mirror the actual reactions of consumers. Given resource constraints and the literatures acceptance of scenario data (DeCarlo and Leight, 2001), we feel the results described in this study are a preferable alternative to confounding results due to the research hazards associated with attempting this research in a real environment. Future research should work to remedy the constraints of scenario research so that future studies may present

data that is obtained from situations that most closely resemble those where covert marketing attempts are generally employed.

Also, care must be applied to the interpretation and generalizability of our results. Although there were no indications of a method bias, we have to concede that the snowball method of sampling prevents an accurate measure of response rate. This may invite criticism stemming from the issues associated with the snowball sampling procedure. Specifically, snowball sampling has been criticized for its lack of randomness, vague calculation of sample size and a lack of definite knowledge as to whether or not the sample is an accurate reading of the target population (Biernacki & Waldorf 1981; Noy, 2008). However, although these are valid concerns, we believe the size and diversity of the sample allow us to infer a representative cross section of our targeted population, the consuming public, despite the snowball sampling procedure's inability to calculate an exact response rate and consequently an exact measure of the sampled population.

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BRAND INDUCED CREATIVITY: THE MODERATING ROLE OF COGNITIVE ABILITY ON PRIMING CREATIVITY THROUGH BRAND EXPOSURE

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ABSTRACT

This study examines the robustness of Fitzsimons et al's 2008 finding that exposure to a brand which is associated with creativity enhances subject performance on a creative task. The results of experiment one in the current study indicate that performance on a standardized college admission test, which has been demonstrated to measure cognitive ability, moderates the effects of exposure to a creative brand name on creative performance. Specifically, the creativity enhancing effects of exposure to a brand associated with creativity do not extend to subjects in the lowest two-thirds of the standardized test score distribution. The second experiment and pilot study not provide additional evidence for the moderating effect of cognitive ability on the priming effects on creativity of exposure to a creative brand, and fail to support a number of rival explanations for the results observed in experiment one. The study concludes by considering the implications of the findings for the domain of priming.

INTRODUCTION

Advertising agencies have always sought both to hire creative individuals (Sasser & Koslow, 2008) and to create an organizational environment that fosters creativity (Stuhlfaut & Windels, 2012). Recent research suggests that creative behavior may be primed by exposing subjects to a stimulus associated with creativity (Fitzsimons, Chartrand & Fitzsimons, 2008). A personal communication with one of the authors of the Fitzsimons et al. (2008) study revealed, however, that the subjects in their study attended a highly selective institution where seventy-five percent of accepted applicants achieve scores on standardized tests (ACT and/or SAT) which lie in the top 7% of the annual score distributions. A body of research indicates that that performance on standardized tests predicts performance on creative tasks (Dollinger, 2011; Dollinger & Skaggs, 2011; Lubinski et al. 2001; Kuncel, Hezlett & Ones, 2004), even when the standardized tests were taken many years before creative performance was assessed. Thus, an important question for advertising agencies (and other organizations seeking to enhance the creativity of their employees) is whether or not the effects of creative priming are restricted to subjects with extremely high standardized test scores. Accordingly, the current study examines the robustness of Fitzsimons et al's (2008) findings to subjects with standardized (ACT) test scores that lie close to the mean of the distribution.

LITERATURE REVIEW

Priming occurs when environmental cues impact attitudes or behaviors. A number of marketing studies indicate that exposing subjects to semantically-related cues can induce (prime) favorable attitudes towards products. For example, subjects evaluated a bottle of

ketchup more favorably after being exposed to semantically-related cues such as a bottle of mayonnaise versus an ad for multi-vitamins, or a story set in a fast-food restaurant featuring a hamburger being cooked versus a story set in a supermarket featuring products unrelated to ketchup (Lee & Labroo, 2004). Also, Berger and Fitzsimons (2008) demonstrated that priming subjects with pictures of dogs enhanced attitudes towards a brand associated with cats (Puma). Similarly, (Labroo, Dhar & Clarke, 2007) reported that attitudes towards a brand of shampoo that featured a picture collie dog on the label were enhanced when subjects were primed with dog-related words. These studies are consistent with psychology studies that have demonstrated more favorable attitudes towards a target word, when the word is preceded by semantically-predictive content (Whittlesea, 1993; Winkielman & Fazendiro, 2003). For example, a study by Whittlesea (1993) indicates that liking for the word “book” was enhanced when it appeared at the end of a semantically-predictive content (“the librarian reached for the book”) than was the case when the preceding content is less predictive (the neighbors gathered to talk about the book”). This finding was extended in a study by Lee and Labroo (2004), which indicated that more favorable evaluations are also reported for a word that is semantically-related to the predicted word. For example, a sentence that would semantically predict the word “crib” would result in more favorable evaluations of the related word “milk” than the unrelated word “pencil”. It would appear that semantically-related content facilitates the processing of a target word or object, with the enhanced processing fluency resulting in more favorable evaluations (Hamann, 1990; Lee and Labroo, 2004). With regard to behavior, Bargh, Chen and Burrows (1996) demonstrate that subjects are more likely to demonstrate polite behavior (e.g., less likely to interrupt a conversation) when they are exposed to words related to politeness than subjects in a control group exposed to words unrelated to politeness. In a marketing context, Kettle and Haubl (2013) report that the act of signing (rather than printing) one’s name primes the concept of self identity, which enhances shopping behavior that is consistent with that identity. Thus, individuals interested in running would try on more pairs of shoes at a store after signing (rather than printing) their names.

A recent study by Fitzsimons et al. (2008) suggests that behaviors consistent with the personality of a brand may be primed as a result of exposure to the brand. Specifically, subjects exhibited more honest behaviors when primed with a brand noted for its probity (Disney). Fitzsimons et al (2008) also report that more creative behavior was exhibited by subjects primed with a brand associated with creativity (Apple) than was the case when the brand was less associated with creativity (IBM). Brand owners of brands that may prime desirable employee characteristics such as honesty and creativity are unlikely to resist the requests of employers wishing to display them at the workplace because increases employees may also be consumers in the brand’s product category, and increases in brand exposure frequency have a positive influence on a consumer’s tendency to select a brand (Nedungadi, 1990; Ferarro, Bettman & Chartrand, 2009).

Fitzsimons et al.’s (2008) third experiment demonstrated that exposure to the Apple brand increased the number of alternative uses that subjects reported for a single object—a brick. Specifically, subjects who engaged in a task designed to sort the chronology of a set of pictures which featured the Apple reported a greater number of alternative uses for a brick. They contend that such brand name exposure motivates the subjects to pursue a goal (creativity) that is associated with the brand. The current study examines the robustness of the findings of Fitzsimons et al. (2008) not only to a change in the priming manipulation and to a broader set of creativity measures, but also to a population with lower levels of cognitive ability.

The current study uses ACT scores as a measure of cognitive ability. The ACT is a college admissions test composed of four subsections which measure performance in Reading, Science, Mathematics and English. Scores on the four subsections are combined to produce an ACT Composite score (range 1-36). Although the ACT was designed to measure academic preparedness rather than cognitive ability (The ACT Overview), recent research by Koenig, Frey & Detterman, 2008) indicates that the ACT may be used as a measure of cognitive ability. The authors note that correlations between the ACT and tests designed to measure intelligence render the ACT “an acceptable measure of general intelligence” (Koenig, Frey & Detterman, 2008, p158).

It is possible that cognitive ability may moderate the relationship between exposure to the stimulus associated with creativity and creative performance. The range of the mean ACT composite scores reported for the first decade of the twenty-first century was 20.8 to 21.2, with between 4% and 7% of test takers each year achieving a composite 30 or more (ACT Newsroom). The subjects in the Fitzsimons et al., (2008) study were drawn from an institutional population, however, in which 75% reported ACT composite test scores of 30 or more. Kuncel and Hezlett’s (2004) meta-analysis reports a positive correlation between tests of cognitive ability and creativity. This result has been endorsed by recent studies (Dollinger, 2011; Dollinger & Skaggs, 2011) that have focused on the relationship between ACT performance and creativity. Dollinger (2011) reports that ACT composite scores predicted three separate measures of creative performance: self-reported creative accomplishments, judge-rated creative drawings, and judge-rated richness of autobiographical photo essays. Similarly, Dollinger and Skaggs, (2011) found that ACT scores predicted performance on a creative writing task. Accordingly, in our first experiment, we examine whether exposure to the Apple brand enhances creative performance among subjects who report ACT composite scores near the national mean of that distribution.

EXPERIMENT 1

Thirty-six undergraduate students (with an ACT score range of 14-26) participated in a matched pairs design, in which pairs of students with comparable ACT scores were randomly assigned to either the Apple sponsorship (treatment) or control conditions. Subjects in the Apple sponsorship condition were informed (in a footnote on the experimental instructions) that the study was funded by a grant from the Apple corporation. The Apple logo appeared next to the Apple brand name in the instructions. This same footnote also appeared on every page on which subjects had to complete the Alternative Uses Task, a measure of creative performance (Guilford, Christensen, Merrifield & Wilson, 1978). There was no mention of the research being sponsored by Apple, and no appearance of the Apple logo, in the control condition.

The following Alternative Uses Task instructions were given to both the treatment and control conditions:

“You will be asked to produce as many different uses as you can think of, which are different from the normal use, for a number of common objects. For example, the common use of a paper clip is to hold paper together. An unusual use for a paper clip would be to use it as an earring. Do not list uses that are impossible: for example, you cannot use a paper clip to fly around the world. The common use for each object will be stated. You will have three minutes to list unusual uses for each object”.

Subjects were then exposed to three objects (a brick, a barrel and a pencil), with the order of object presentation counterbalanced across subjects. In the coding of non-redundant alternative uses generated by subjects, credit was not offered for redundant uses. For example, noting that a brick may be used to for self defense would be considered redundant if the use of “weapon” had been previously identified.

RESULTS

The matching pairs procedure was successful, with the comparison of the ACT composite scores of the subjects exposed to the Apple prime ($M = 19.6$) versus control group subjects ($M = 19.8$) revealing no significant differences between the groups ($t(36) = .247, p > .806$).

Two independent judges reported creativity scores for each subject. Inter-rater reliability scores ranged from .8 to .97 ($r_{\text{Brick Uses}} = .8, r_{\text{Barrel Uses}} = .93, r_{\text{Pencil Uses}} = .97, r_{\text{Total Uses}} = .95, r_{\text{Non-redundant uses}} = .83$). Disagreements were resolved by the author.

The total number of alternative uses generated across the three products (a brick, a barrel and a pencil) by subjects exposed to the Apple brand ($M=16.1$) was not significantly different ($t(34) = .469, p > .64$) from the number generated by subjects in the control group ($M = 15.1$, see Table 1). Similar results were obtained for each of three individual products. The number of alternative uses generated for a brick by subjects exposed to the Apple brand ($M=4.8$) was not significantly different ($t(34) = .745, p > .46$) from the number generated by the control group ($M=4.4$). The number of alternative uses for a barrel generated by subjects exposed to the Apple brand ($M=5.8$) was not significantly different ($t(34) = .00, p = 1.0$) from the number generated by the control group ($M=5.8$). The number of alternative uses for a pencil generated by subjects exposed to the Apple brand ($M=5.4$) was not significantly different ($t(34) = .604, p > .54$) from the number generated by the control group ($M=4.9$). A similar pattern of results emerged for the comparisons of non-redundant creative uses. The number of alternative non-redundant uses generated for a brick by subjects exposed to the Apple brand ($M=4.4$) was not significantly different ($t(34) = .476, p > .63$) from the number generated by the control group ($M=4.2$). The number of alternative uses for a barrel generated by subjects exposed to the Apple brand ($M=5.4$) was not significantly different ($t(34) = .07, p > .94$) from the number generated by the control group ($M=5.3$). The number of alternative uses for a pencil generated by subjects exposed to the Apple brand ($M=5.0$) was not significantly different ($t(34) = .352, p > .72$) from the number generated by the control group ($M=4.8$). Finally, the total number of non-redundant alternative uses generated across the three products (a brick, a barrel and a pencil) by subjects exposed to the Apple brand ($M=14.8$) was not significantly different ($t(34) = .329, p > .74$) from the number generated by subjects in the control group ($M=14.3$).

| | Apple ¹ | Control ¹ | Apple ² | Control ² |
|-------------|--------------------|----------------------|--------------------|----------------------|
| Brick Uses | 4.8 | 4.4 | 4.4 | 4.2 |
| Barrel Uses | 5.8 | 5.8 | 5.4 | 5.3 |
| Pencil Uses | 5.4 | 4.9 | 5.0 | 4.8 |
| Total Uses | 16.1 | 15.1 | 14.8 | 14.3 |

¹ for Apple versus Control all p values >.1
² for Apple versus Control all p values >.1

DISCUSSION

Among subjects of high cognitive ability, exposure to a brand name associated with creativity induces subjects to become more creative (Fitzsimons et al., 2008). In contrast to the Fitzsimons et al. study, among subjects of average cognitive ability, the results of experiment one in the current study fail to support the notion that creativity may be cued when subjects are exposed to a brand associated with creativity. This finding occurred for each object for which subjects were asked to generate alternative uses, as well as for the aggregate number of alternative uses generated by subjects across all objects. The finding was also robust to the removal of redundant alternative uses from the data.

Although the results of experiment one are consistent with the notion that the effects on creative performance of exposure to a creative brand are moderated by creative ability, the results do not rule out competing explanations. First, it is possible that the Apple brand is less associated with creativity presently than was the case during the time of the Fitzsimons et al (2008). Second, it is possible requiring subjects to respond to three different alternative uses tests may have increased cognitive demands placed upon subjects in comparison with the subjects in the Fitzsimons et al study. The increased cognitive burden may have caused cognitive fatigue to depress the relationship reported by Fitzsimons et al—where subjects were required to respond to a single alternative uses test. Third, Yong (2012) notes that a variation in priming execution methodologies has also been advanced as an explanation for the failure of priming studies to report consistent results, exemplified by Doyen et al's (2012) failure to replicate the Bargh, Chen & Burrows (1996) finding that that people walk more slowly if they have been unconsciously primed with age-related words. Consequently, a change in the priming execution (an Apple sponsorship in the current study versus a picture sequencing task featuring the Apple brand in the Fitzsimons et al study) might also account for the failure of the results reported in experiment one of the current study to replicate those reported by Fitzsimons et al. (2008). Accordingly, a second experiment was conducted with the purpose of isolating the proposed moderating role of cognitive ability on the relationship between the creative prime and creative behavior.

EXPERIMENT TWO

Experiment two ($n = 50$) employed the creative priming technique that was used by Fitzsimons et al (2008). Subjects in the creative prime condition were asked to estimate the year in which the objects featured in a series of five pictures may have been created. Subjects were then asked to sequence the pictures according to the chronology of the objects from oldest to youngest. The three pictures with the youngest objects contained Apple products. Subjects in the control condition were asked to sequence five pictures that did not contain Apple products. As in experiment one, a matched pairs design was employed whereby creative prime and control conditions were randomly assigned to twenty-five pairs of subjects with similar ACT composite scores. The ACT composite scores ranged from 15 -27. After completing the sequencing task subjects completed the Alternative Uses Task (Guilford J. et al 1978) for a brick—the single category used in Fitzsimons et al (2008). Two independent judges assessed both the number of creative uses and the number of non-redundant creative uses for each subject. A pilot study was also performed to determine whether the Apple brand was less

associated with the trait of creativity than was the case at the time of the Fitzsimons et al (2008) study.

RESULTS

A comparison of the ACT composite scores of the subjects exposed to the Apple prime ($M = 21.36$) with control group subjects ($M = 21.36$) revealed no significant differences between the groups ($t(48) = 0, p = 1.0$). Two independent judges reported creativity scores for each subject. Inter-rater reliability scores ranged from .98 to .99 ($r_{\text{Total Uses}} = .99, r_{\text{Non-redundant uses}} = .98$). Disagreements were resolved by the author.

The number of creative uses for a brick generated by subjects exposed to the Apple prime condition ($M = 5.64$) was marginally significantly different from the number of creative uses generated by subjects in the control group ($M = 7.04, t(48) = 1.66, p = .1$). Similarly, the non-redundant creative uses for a brick generated by subjects exposed to the Apple prime condition ($M = 5.32$) was marginally significantly different from the non-redundant creative uses generated by subjects in the control group ($M = 6.88, t(48) = 1.92, p < .07$).

A pilot study compared perceptions of the extent to which the Apple brand is currently associated with creativity with the perceptions reported by Fitzsimons et al (2008). The same scale (1 = not at all creative, 9 = extremely creative) that was used by Fitzsimons et al (2008) was completed by thirteen subjects ($M = 7.61, \sigma = 1.05$). In the Fitzsimons et al study, twenty-five students were divided into two groups to evaluate the trait of creativity associated with either Apple or IBM. Assuming twelve students evaluated Apple in the Fitzsimons study, the creativity ratings of the students evaluating Apple ($M = 7.62, \sigma = 1.05$) in the Fitzsimons study did not differ from those in the current pilot ($t(23) = .02, p > .5$). Accordingly, it is unlikely that the lack of support for the Fitzsimons et al findings in the two experiments of the current study may be attributed to a reduction in the extent to which the Apple brand is perceived as being associated with the trait of creativity.

DISCUSSION

Experiment two examined the robustness of Fitzsimons et al's (2008) results within a sample of subjects with significantly lower levels of cognitive ability. In contrast to the first experiment, experiment two employed the same execution of creative priming and the same single dependent measure employed by Fitzsimons et al (2008). Consistent with experiment one, however, the results of experiment two indicate that the effects of creative priming do not emerge among a subjects with ACT scores that are more typical of the general population of ACT test takers. Together with the pilot study, the findings of experiment two support the theory that a reduction in the cognitive ability accounts for the failure of experiment one to replicate the results of Fitzsimons et al (2008), rather than the alternative explanations of increased cognitive fatigue, variations in priming methodology, or a change in perceptions of the creativity associated with the Apple brand.

GENERAL DISCUSSION

A study by Fitzsimons et al (2004) reported creative priming effects of exposure to a brand name associated with creativity. The subjects in the Fitzsimons study were drawn from a population in which three-quarters achieve standardized test scores equivalent to 30 on the

ACT—a score that places them in the top seven percent of test-takers. The results of the current study (across two experiments) indicate that Fitzsimons findings do not generalize to subjects with more typical levels of cognitive ability.

The extent to which a research finding generalizes across populations is one aspect of external validity (Lynch, 1982). The current study establishes that the extent to which exposure to a brand associated with creativity may enhance creative performance appears to be moderated by an individual's cognitive ability. This finding is likely to be of particular interest to professionals in the advertising industry, where creativity is considered a highly desirable trait, and where a creativity assessment scale has been developed as a tool for use in hiring decisions (Stuhlfaut & Windels, 2012).

The results of the current study also contribute to the research stream examining the conditions under which priming effects may occur (see Herring et al., 2013, for a review). The urgent need to replicate and assess the generalizability of results reported in the priming literature has been highlighted by Nobel prize-winner Daniel Kahneman in response to the failure of a number of recent attempts to replicate of well-known priming studies (Yong 2012). For example, Shanks et al. (2013) report nine failed experimental efforts to replicate the finding that individuals' rate of success in answering general knowledge questions can be enhanced if they are primed with intelligence-related concepts, such as the word *professor* rather than *football hooligan* (Dijksterhuis &, van Knippenberg, 1998). Similarly, Harris et al (2013) report two failed experimental attempts to replicate the finding that words related to achievement can prime performance on a cognitively demanding task (Bargh et al., 2001).

Klatzky and Cresswell (in press) have highlighted the potential for an individual difference variable (culture) to explain the failure by Doyen et al (2012) to replicate Bargh et al's (1996) finding that that people walk more slowly if they have been unconsciously primed with age-related words. They note that the replication attempt was on Belgian students whereas the original study utilized American students. If elderly Europeans are sprightlier than their American counterparts, then priming the notion of elderly might have a weaker priming effect on Belgian subjects. The results of the current study suggest another individual difference variable (cognitive ability) that may moderate the effects of semantic priming, and researchers using student samples should be particularly careful when subjects in the original study and those in the replication sample are drawn from institutions that differ in their admission policies. Accordingly, the recent finding that exposure to creative advertising primes creative performance (Rosengren, Dahlen, & Modig, 2013) needs to be replicated among subjects of low cognitive ability.

Finally, although the results of the current study fail to replicate Fitzsimons et al. (2008, experiment 3) with regard to the supraliminal exposure to a brand cue, it is important to note that Fitzsimons et al (2008) were also able to increase subjects' performance on the Alternative Uses Task for a single object (a brick) when exposure to the brand cue (Apple) was subliminal (experiment 1). Further research should consider the robustness of the subliminal induction of creativity among subjects with lower levels of cognitive ability, not only across multiple objects in the Alternative Uses Task but also across alternative measures of creativity.

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EXTENDED MEANS-END VALUE FRAMEWORK – A MODEL TO MEASURE CO-CREATED VALUE

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ABSTRACT

The contemporary view in marketing literature is that value is uniquely and phenomenologically determined by the beneficiary (Vargo and Lusch 2008:7). Support for this phenomenological view of value comes from the means-end theory (Woodruff and Flint 2006; Vargo and Lusch 2004). The view that customers define and co-create value for themselves has important ramifications to the way value is assessed. Unfortunately the mean-end framework in its current form is limiting because it considers value an exogenous variable with value assessment being based on product attributes only. The purpose of this paper is to propose a means-end value framework that incorporates the implications of value co-creation. The paper concludes with implications to both theory and practice.

INTRODUCTION

Value and the process of value creation have evolved from product and firm centric perspectives (Porter 1980) to ‘personalized consumer experiences’ (Prahalad and Ramaswamy 2004). Originally, value was seen to be embedded in the product and defined in terms of “exchange value” (Vargo and Lusch 2004). The updated concept of value, however, is that it is uniquely and phenomenologically determined by the beneficiary (Vargo and Lusch 2008, 2010, 2011). This conceptualization changes value from being an exogenous variable (Priem and Butler 2001; Srivastava et al. 2001) to an endogenous variable (Lusch and Vargo 2006). This distinction has important ramifications as it implies that value is derived by customers and firms working together to facilitate service success through the co-creation of value (Barnes et al. 2009). Thus value-creating resources are not confined to the firm; customers, suppliers and other stakeholders also contribute operant resources to value creation (Vargo and Akaka 2009). Literature suggests that this new concept of value gets its support from the means-end theory framework (Vargo and Lusch 2004:9 and Woodruff and Flint 2006:185).

Gutman, in 1982 was the first to advocate the means-end theory as a way to understand consumer decision-making in purchasing products. Although means-end chain models was originally intended to describe how consumers categorize information about products in memory (Gutman 1982), pioneering work by Zeithaml (1988) and Woodruff and Gardial (1996) have proved that it can be adapted to capture the essence of customer value. The central thesis of the means-end theory is that individuals are goal directed and use *product attributes* as a means to infer desired consequences and ends (Gardial et al. 1994). The, current discussion on value, however, imply that in value co-creation, all parties are resource integrators. Therefore, value assessment based on product attributes alone is limiting. Another long standing criticism of the

“means-end theory framework has been that means end chains has generally assumed a static goal structure, with little discussion on how goals evolve” (Huffman et al. 2000: 11).

In light of the above discussion, the aim of this paper is to propose an “extended means-end value framework” (EMEVF) that incorporates the implications of the co-creation concept of value and alleviates its other weakness. To this end, this paper is structured as follows; a brief review of the extant literature on value co-creation and means-end theory is presented. Next, the EMEVF framework is proposed, followed by a brief description of the research context and methodology. Empirical illustrations of the framework for an individual respondent and an aggregate for all respondents will be presented. Finally, the contribution and directions for future research are outlined.

LITERATURE REVIEW

Value co-creation

Consumer behavior literature remains preoccupied with decision making, focusing on *what* consumers’ purchase, and not what they *do*, per se (Xie, Bagozzi and Troye 2008). This artificial separation of production and consumption, which gets its support from contemporary economics and marketing research, implies that the consumer is not considered a creative actor in the value creating process but rather a passive responder (Firat and Venkatesh 1995). Prahalad and Ramaswamy (2000) challenge this view and emphasize the transformation of customers from “passive” audience to “active players” in the service experience. The S-D logic, proposed by Vargo and Lusch (2004), also challenge the view of buyers as passive consumers, and includes buyers in the value creating process by asserting that the “customer is always a co-creator of value”. The realization that consumers are actively involved in creating value and benefits for their own consumption is aligned with the post-modernist view that, as a consumer, one is a “participant in the customization of one’s world” (Firat and Venkatesh 1995: 50). This perspective is closely linked to the concept put forth by Bowers et al. (1990) of the “customer as a part-time employee”, and is consistent with Toffler’s (1980) notion of “prosumption”.

The shift towards a model of value co-creation has partial roots in the services marketing literature, through the idea that production and consumption are “inseparable” (Zeithaml and Bitner 1996) and in the business-to-business (B2B) marketing literature, in which the producer-consumer distinction is clearly inappropriate (McColl-Kennedy et al. 2012). It also has roots in the mainstream business literature, such as in Prahalad and Ramaswamy’s (2000; 2002; 2004) and Toffler’s (1980) work on the subject. More recently, the topic is being intensely discussed in the context of S-D logic (Lusch et al. 2007; Vargo and Lusch 2004; 2008, 2010, 2011; Edvardsson et al. 2011; to site a few) and its implications for the co-creation process (Prahalad and Ramaswamy 2004; Grönroos 2008). The active role of the customer in value co-creation was recognized quite early on by Holbrook (1994), Wikström and Normann (1994), Wikström (1996), and Gummesson (1998), and has been expressed by other researchers in various ways. For example, Normann and Ramirez (1993) point out that customers’ are active contributors to value creation. Grönroos (2006) emphasizes that “suppliers only create the resource or means to

make it possible for customers to create value for themselves. In this sense at least, when suppliers and customers interact, they are engaged in co-creation of value”.

Ravald (2009: 2) defines the customer's value creating process “as a complex whole where several actors and resources are involved and where the customer engages in a multitude of different activities”. This definition is in line with that provided by McColl-Kennedy et al. (2012: 6), who define customer co-creation in healthcare services as “*benefit realized from integration of resources through activities and interactions with collaborators in the customer's service network.*” These definitions are consistent with discussions by Payne et al. (2008) who state that the customer value co-creation process is a series of activities performed by the customer to achieve a particular outcome. The underlying concept implied in all the definitions is that, in value co-creation, customers draw on a range of resources to achieve a particular outcome and infer value in the process.

Despite the attention given to value and the value co-creation process in marketing literature, *very little is known about how customers actually engage in co-creation* (Woodruff and Flint 2006; Payne et al. 2008). The value hierarchy model proposed by Woodruff (1997) provides an appropriate platform to capture the essence of customer value as the model reflects the complexity and dynamics of the value concept (Woodruff and Flint 2006; Vargo and Lusch 2004; Woodruff, 1997; Parasuraman 1997; Zeithaml 1988). The value hierarchy model is based on the means-end theory and shows how means, consequences and desired end-states are linked together in a means-end model that ultimately allows for the determination of customer-perceived or desired value. Examining the links between the means and the end provide a useful way of understanding how consumers infer value from the product/ service they use. The paper will proceed with a review of means-end theory.

Means-end Theory

The means–end approach, has been described as “one of the most promising developments in consumer research since the 1980s” (Grunert et al. 2001:63). The means–end approach assumes consumer knowledge to be hierarchically organized, spanning different levels of abstraction in the consumer's memory (Reynolds et al. 1995; Pieters et al. 1995; Klenosky 2002; Baker et al. 2004; Goldenberg et al. 2005). Means-end theory explores the relationship between the attributes of a product that generate consequences associated with the selection and the values of the purchase or experience (Klenosky et al. 1993). These linkages between attributes, consequences and goals are the means–end chains, the mental connections that link the different levels of knowledge (Reynolds et al. 1995).

Means-end analysis has been expanded in research from understanding decision making to the understanding of consumer behavior. Early work in this area helped to resolve product or brand positioning problems by linking the consumer's product knowledge to his/her self-knowledge (Gutman 1982). Researchers have applied the means–end framework to a number of contexts such as organic foods (e.g. Baker et al. 2004), recycling goals (e.g. Bagozzi and Dabholkar 1994), towards a theory of repeat purchase drivers (e.g. Paul et al. 2009), and complaint management (e.g. Henneberg et al. 2009) to name a few.

Some of the recent application of the mean-end theory are in the areas of vegetable consumption, where the authors illustrate how the exotic appearance of vegetables (physical attributes) could provide functional (i.e. in terms of visual appearance of the dish) as well as psychological consequences, which in turn may lead to the attainment of values associated with social recognition and/or accomplishment (Krichhoff et al. 2011). Ha and Jang (2013) use the means-end theory to investigate the links between restaurant attributes and higher-level motivational factors such as consequences (i.e. benefits) and desired personal values customers obtain from those attributes. Lin and Yeh (2014) investigate the impact of merchandise display arrangements on store image and the effects of patronage behavior on personal values of consumers. More recently, the means-end approach was used to solve some of the challenges in understanding and explaining purchasing behavior related to e-servicescape (Lai et al. 2014)

The means-end theory advocates that the product attributes are the means which allow the customer reach his specified personal ends, as a result of the promised benefits (McIntosh and Tyne 2005). A significant number of studies in marketing literature thus focus on the relationship between attributes, consequences and end-states. As a deviation from the norm, Min et al. (2012) examine the cause-and-effect relationships of the means-end hierarchy within an integrated framework. The relationship between the various attributes and specific consequences was tested in the study.

Recently Vargo and Lusch (2004:9) and Woodruff and Flint (2006:185) posit that the phenomenological-oriented concept of value gets its support from the means-end theory framework. By linking means, consequences and goals, means-end chain models provide an indication of not only 'what' is of value to consumers but also 'why' it is important. Thus, examining the links between the means and the end provide a useful way of understanding how consumers infer value from the service.

The means-end frameworks in their current form however, are criticized on two counts – (1) 'means' cannot be limited to product attributes alone; customers, suppliers, and other stakeholders also contribute to value creation; (2) means-end models assume goals to be constant, with little discussion on how they are actually formed (Baggozzi and Dholakia 1999; Huffman et al. 2000).

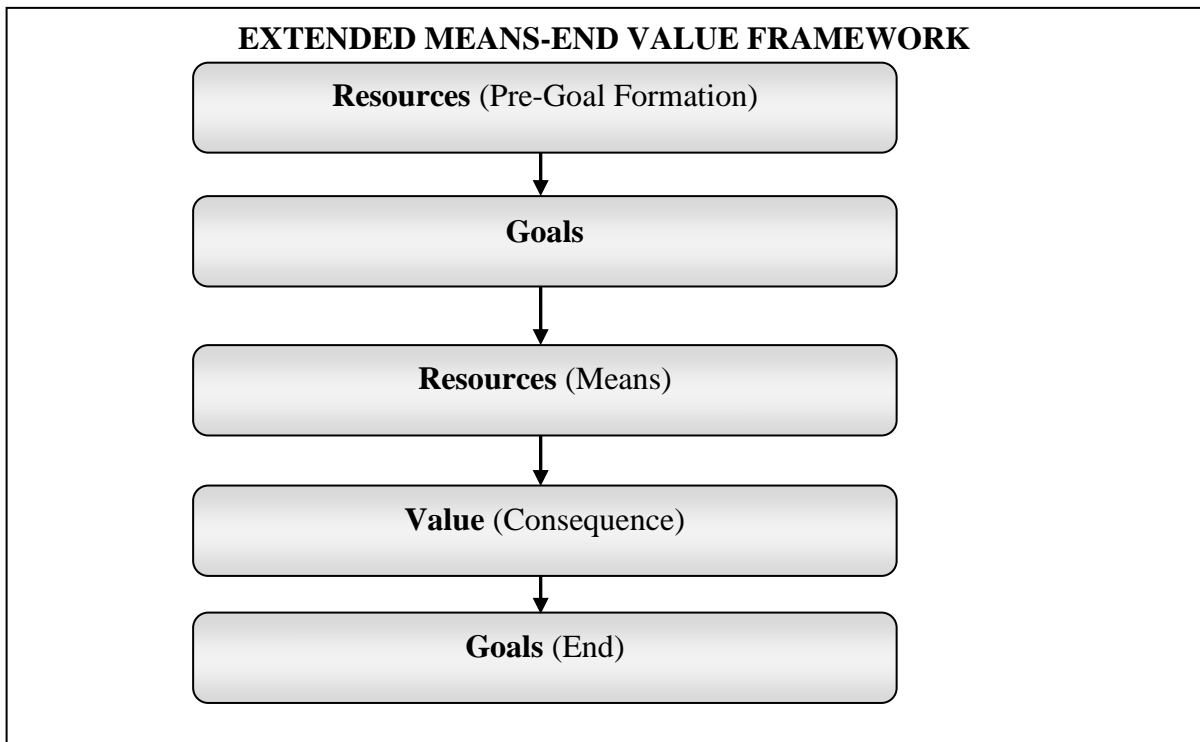
Bagozzi and Dholakia (1999) state that consumer goals can arise in three basic ways. First, goals may be forced on people through firms, family or other social organizations, whereby they are forced to work towards a predefined end. Second, people may simply "have" goals because of biological, emotional, moral or ethical forces (Le Doux 1996, as cited by Bagozzi and Dholakia 1999). Third, goals may arise from reactions to external stimuli (e.g. viewing an advertisement) or internal stimuli (e.g. a conclusion drawn at the end of problem solving). So goals could be activated by factors in the sociocultural environment, usage situation and immediate choice context (Huffman et al. 1997 as cited by Bagozzi and Dholakia 1999). A closer review of the process of goal formation reveals that the forces that influence goal formation can be classified in terms of resources. For instance, customers bring a wealth of their "own" personal resources (family, social, emotional, biological, moral, person specific experiences), in addition to firm resources (external stimuli – advertisements, contributed by the

firm) and other external resources (sociocultural environment, ethical forces) to the goal formation process. Since consumers are goal directed (Bagozzi and Dholakia, 1999: 19), resources they use in forming their goals need to be considered in any attempt to capture their evaluations of products or services.

The “extended means-end value framework” (EMEVF)

Based on the above arguments, an extended framework is proposed in this paper (figure 1) that builds on Woodruff’s (1997: 142) “value hierarchy model”. The proposed model suggests goals are formed through the integration of certain resources. Goals direct consumers towards certain resources during the purchase and/or use of a product (or service). They attach importance to these resources based on their ability to facilitate achieving desired ends and as a consequence allows for the determination of customer value.

Figure 1: The “extended means-end value framework” (EMEVF)



Developed for the purpose of this paper

RESEARCH CONTEXT AND METHODOLOGY

Data for this study was drawn from the context of higher education (HE). The world of higher education has rapidly changed. Colleges and universities have consistently felt pressure to become more efficient and effective (Birnbaum, 2000; Green et al. 2002). Universities are experiencing the same kinds of consumerist attention typical of a “*highly marketised and competitive environment*” (Maringe 2006: 466). In the context of higher education, however, the

controversial question of ‘who are the consumers of higher education’ arises. Without, going into this debate, let’s suffice to say that this paper will view students as consumers of educational services and will focus on the value co-created by students during their pre-consumption evaluation experience.

Woodruff (1997: 141) suggests that “customers may consider value at different times, such as when making a purchase decision or when experiencing product performance during or after use. Each of these contexts centers on quite different judgment tasks.” The focus of this research is on the pre-consumption period where consumers evaluate service cues that aid decision-making (Holbrook 1999; Oliver 1999).

Data was collected from 20 first year undergraduate students through in-depth semi-structured interviews. Interviews were conducted in October 2010 when the pre-purchase experience relating to university choice was still relatively fresh in the respondents’ minds. An interview protocol was used to ensure there would be a consistent pathway for analyzing the interview data (Yin, 1994). Ethical approval was taken and participants were reimbursed for their time. All interviews were tape recorded and transcribed for analysis.

Codes or themes used for data reduction were generated from the conceptual framework rather than the data (Sobh and Perry, 2006). Consumer resources were coded using the classification and sub-classification of consumer resources developed by Arnould et al. (2006). The consumer resources identified by Arnould et al. (2006) are comprehensive and include resource inputs identified by Rodie and Kleine (2000), which is probably cited more often. University resources were coded using the framework proposed by Lynch and Baines (2004) who have identified tangible and intangible resources of universities that are most likely to provide them with an advantage over their competitors. Value dimensions were coded using the Smith and Colgate (2007) framework. In addition to being fairly recent, Smith and Colgate’s framework builds on the strength of previous frameworks and avoids overlap. Table 1 provides a summary of the types of value identified by Smith and Colgate (2007).

The main aims of the analysis was to: examine the goals that the respondents hope to fulfill through their university education; examine the resources used by the respondents to form these goals; identify the resources integrated by the respondents in the purchase of the service; identify and examine the value perceptions resulting from the integration of resources, which in turn helps to achieve goals. Findings are presented using quotes and illustrations. Visual illustrations of the EMEVF for an individual and an aggregate for all sample respondents are presented in the following sections.

Table 1
Types of Value Based on Smith and Colgate (2007)

| Types of Value | Description | Value Aspect | Related References |
|--------------------------------------|---|---|--|
| Functional/ Instrumental Value | Refers to the extent to which a resource has desired characteristics, is useful or performs a desired function. | <ul style="list-style-type: none"> • Appropriate features, attributes, or characteristics • Appropriate performance • Appropriate outcomes or consequences | Functional value (Sheth et. al. 1991a); Use or Utilitarian Value (Woodruff 1997); Practical value (DeRuyter and Bloemer, 1991); Material value (Richins, 1994); Efficiency & Excellence (Holbrook 1999; 2005). |
| Experiential/ Hedonic value | Refers to the extent to which a resource creates appropriate experiences, feelings and emotions for the customer. | <ul style="list-style-type: none"> • Sensory Value • Emotional Value • Socio-relational Value • Epistemic Value | Emotional, Social, and Epistemic Value (Sheth et. al. 1991a); Aesthetics & Play (Holbrook 1999; 2005); Enjoyment, Humor & Affective arousal (Woodall 2003) |
| Symbolic/ Expressive Value | Refers to the extent to which customers attach or associate psychological meaning to a resource. | <ul style="list-style-type: none"> • Self-identity/ worth • Personal meaning • Social meaning • Self-expression • Conditional meaning | Personal meaning, Spirituality, esteem, status (Holbrook 1999; 2005); Social & Conditional meaning (Sheth et. al. 1991a); Self-expression (Woodall 2003) |
| Cost/ Sacrifice Value | Refers to the costs and sacrifices that may be involved in the purchase, ownership and use of a resource. | <ul style="list-style-type: none"> • Economic costs • Psychological costs • Personal investment cost • Risk | Economic costs (Walter et. al. 2003); Psychological costs, Human effort (Woodall 2003); Risk (Gronross 1997; Sweeny et al. 1999) |

FINDINGS

Individual example

Due to space restrictions only one individual example will be presented. The following example attempts to provide an empirical illustration of the EMEVF. This example is of Lucy¹ a first year undergraduate student at a business school in UK. Lucy says she decided to pursue a university education because she felt it would be “*good for the CV and it means that I can go on and do something a bit better*”. She further adds that deciding on getting a university degree was “*my own personal challenge, cause I know that if you’ve got enough drive and determination you don’t necessarily need to go to university*”. Lucy hopes that university will give her the opportunity to “*make quite a few friends, have some fun, and be able to relax*”. Thus the goals that guide Lucy’s behavior can be summarized as career goals, personal goals and social goals.

In Lucy’s case, her goals were formed though the interaction of various consumer resources namely, consumer social resources. She says, “*my mum kind of said you don’t need to go(to university) if you don’t want to and my dad actually said that he wishes that he had gone because he missed out on a lot of social time and he missed out on a big experience. He urged me to go purely for that and that’s kind of why I decided to come*”. Further she adds, “*I’m quite a*

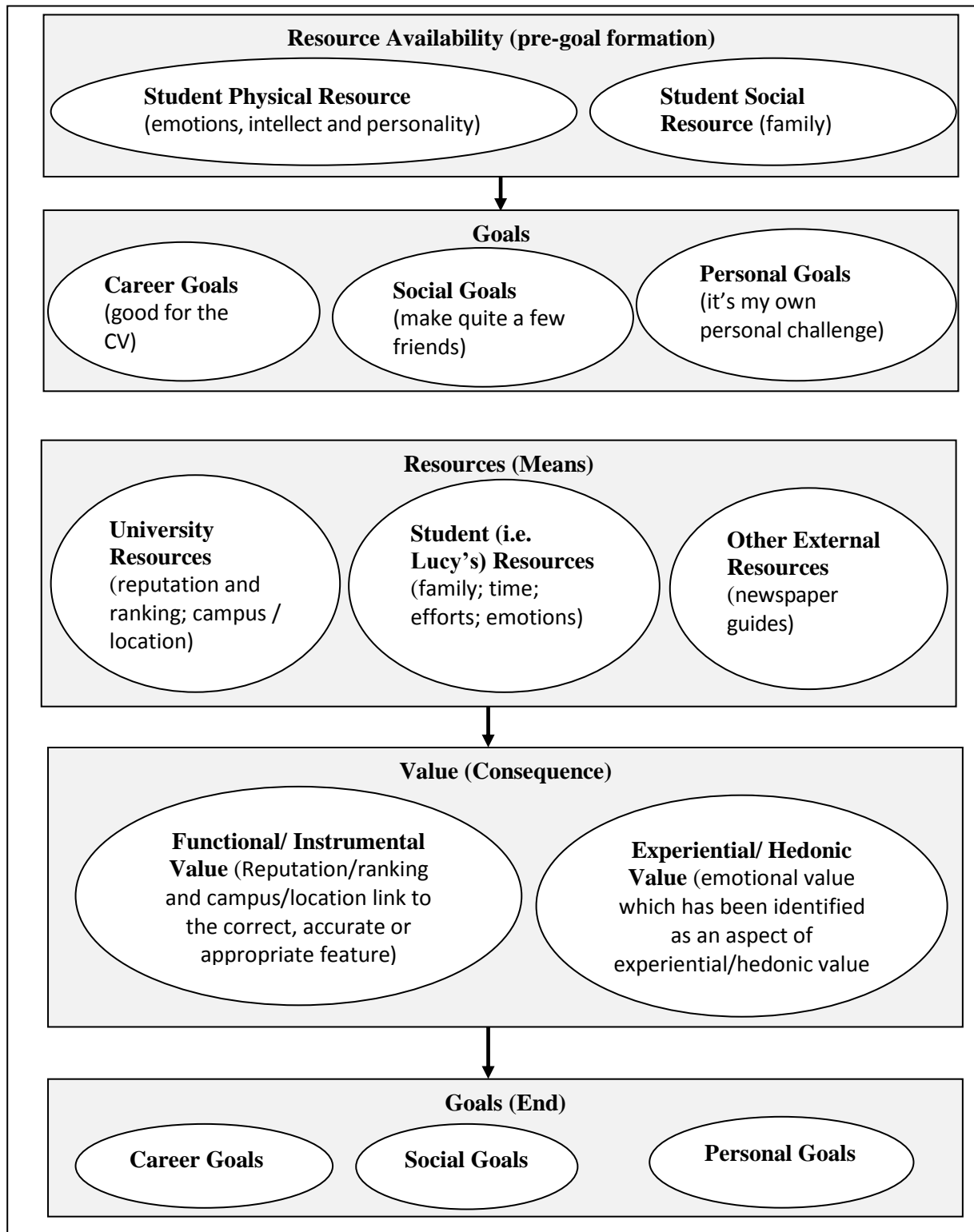
¹ Names changed to protect identity

hard worker, I need to go out more, have some fun, relax, make friends and university provides an ideal platform for this". Thus goals were formed for Lucy through the interaction of consumer social resource (family) and consumer physical resource (emotions, intellect and personality).

Having formed her goals, she looks for resources she believes will help her achieve her goal. The resources used by Lucy to co-create value are (1) reputation and ranking of the university (firm resource) which she integrated with other external resources and consumer physical resource; and (2) campus / location of the university (firm resource) which she integrates with consumer social resource. This is illustrated with the following quotes. Lucy says *"I knew I wanted to do Business and I looked in the newspaper guides like the Guardian guide, the Times guide and I just picked 6 options that were from the top ten and Nottingham was in one of those"*. Here the newspaper guides like the Guardian and the Times are examples of other external resources that are integrated with a firm resources, i.e. reputation and ranking and consumer physical resource (time and effort). Further she adds *"I decided I wanted to go to X university and I had to fill in the four other places so I put Y university down, then my mum kind of thought (that) we really should go to see it (Y university) just in case I don't get into X and so I kind of reluctantly agreed and came to see Y and absolutely fell in love with it. And I kind of switched my mind and Y became number one, and X went further down the list"*. This indicates that campus/location was a very important firm resource which Lucy integrated with consumer social resource and consumer physical resource. The campus/ location influenced her university choice, however, this would not have happened if her mum had not convinced her to visit Y. The analysis illustrates that in the co-creation process, Lucy (or the customer) is the resource integrator. Every resource of the firm is integrated by the consumer with his "own" and/or other external resources.

Consumers are goal directed and use resources as a means to achieve desired ends and allows for the determination of customer-perceived or desired value as a consequence. The integrated resources associated with reputation and ranking; and campus/location relate to functional/ instrumental value. Functional/instrumental value is concerned with the extent to which a product (good or service) has desired characteristics, is useful or performs a desired function. Reputation and campus/location link to the correct, accurate or appropriate feature facet of functional/instrumental value. Integrated resources associated with campus/location also help Lucy experience emotional value when she says *"absolutely fell in love"*, which has been identified as an aspect of experiential/hedonic value. Experiential/hedonic value is concerned with the extent to which a product creates appropriate experiences, feelings and emotions for the customer. The functional/instrumental value (correct, accurate features or characteristics) in turn link to goals that Lucy hopes to achieve. Figure 2 provides an empirical illustration of the EMEVF for Lucy showing the links between resources, consequences and goals in the pre-consumption stage.

Figure 2: EMEVF for Lucy



Overall group analysis

Building on the individual example, an aggregate EMEVF for all the respondents is presented in this section. The goals that were identified by the other respondents did not vary much and could be broadly classified as career goals, social goals and personal goals.

Career goals refer to perceptions of university education as a way of preparing for and enhancing one's career (Henderson-King and Smith, 2006). For instance, Katy says "*I want to go into business, open my own business, my own fashion label ... I thought a business degree would give me the background knowledge .. so I won't be going in completely blind. I need a degree to get further and to progress*". Social goals refer to perceptions of "university education as a way to enhance one's social life" (Henderson-King and Smith, 2006). For example, Josh says he wanted to come to university "*to make friends, have fun ... meet people, have new experiences*". Personal goals refer to the perception of "university education as a way to know, understand oneself better and grow as a person" (Henderson-King and Smith, 2006). For example, Ankur says he "*decided to come to university because I want to make a mark for myself, get an overall development basically*". Having identified the goals the guide respondents', the next section will examine the resources they use to form their goals.

In all cases it was seen that goals were formed through the interaction of various consumer resources. In addition to consumer physical resources and consumer social resources (i.e. family) some of the other resources that aided goal formation were as follows: commercial relations (a component of social resources), for instance Emily says that "*the 6th form I went to were quite pushy in the fact that you must go to university*"; consumer cultural resources, for example Sultan says: "*In our culture we have no choice, we have to go to university. It's like a cycle, if you want to progress you have to go to university*". Having formed their goals, the consumers/potential students now look for resources that they believe will help them achieve their goals; the next section will identify and examine the resources that act as means to achieving respondent goals.

In addition to reputation/ ranking and campus/location some of the other resources identified were as follows: university core competency (the processes underpinning teaching, learning and assessment strategies; the application of theory to practical problems), for example Shane says: "*I looked at the course outline and modules, it was academic and practical at the same time. So obviously you get the theory and you get all the practical skills that you need to be successful later on*". He further adds that he "*picked a business degree over a purely straight one like economics because I didn't want to be tied down writing essays all the time .. some of my friends, they do economics, they're just doing essays, essays, essays all the time*". In considering the university's core competency, Shane seems to have been influenced by his social resources (i.e. his friends or co-consumers), which he also combines with his physical resources (mental effort and time). In this case the integrated resources are linked to functional/instrumental value (correct, accurate or appropriate features) and experiential/ hedonic value (epistemic component).

University relational resource (relationships developed with other higher and further education institutions, commercial companies etc.). For instance, Bob says that the main reason he chose the university was because "*they've got a really strong study abroad exchange program so next year I would want to take part in the U21 scheme and go to either Australia or New Zealand, to study*

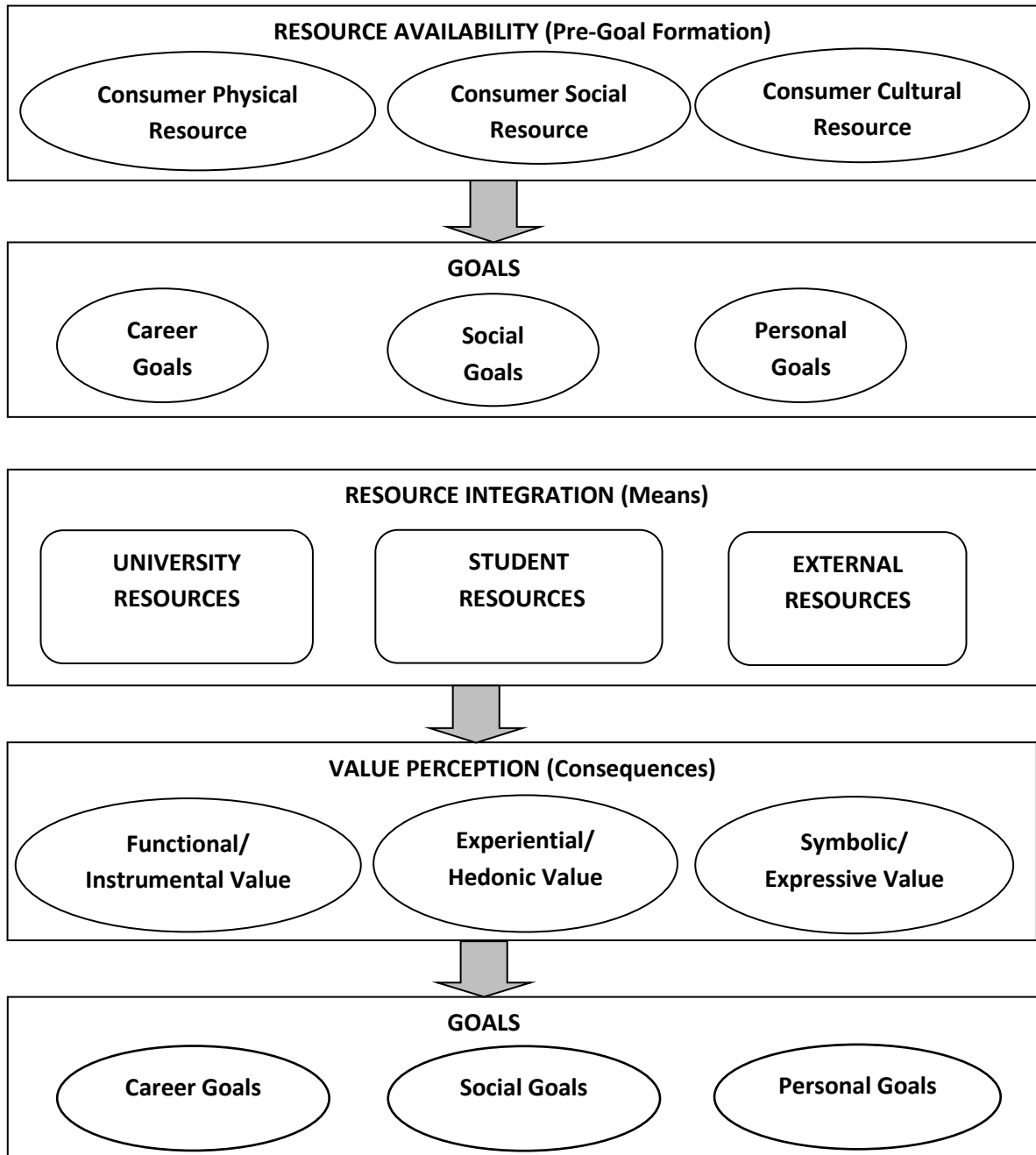
there for six months. That's main reason I picked (this university), because no other university had the extensive study abroad opportunities that they have here". This illustrates the integration of university relational resources with the consumer's physical resources (mental and personal interest) and other external resources (network of universities that form Universitas 21). It can be assumed that, in this context, the integrated resources are linked to functional/instrumental value (correct, accurate or appropriate features) and symbolic/expressive value (i.e. personal meaning). Symbolic/expressive value is concerned with the extent to which customers attach or associate psychological meaning to a product.

University human resource (skills, knowledge and insights of individual employees), for example, Alex refers to a talk he attended during one of his many visits to the university: *"I was quite impressed that time because one of the lecturers, the person who spoke to us, he was really good at sort of making you feel positive. He made you feel special, that you got in. He made you feel like a part of the group. I was quite impressed by him"*. This indicates the integration of university human resources with consumer physical resources (mental and emotional inputs). We can infer that for Alex the integrated resources associated with university human resources can be linked to both experiential/hedonic value (emotional aspect) and symbolic/expressive value (self-worth and personal meaning).

To summarize, the main focus of the analysis was to examine the goals that the respondents hoped to fulfill through their university education; examine the interaction between the various types of resources used by the respondents in goal formation; identify the resources to which respondents attach importance during value co-creation and examine how these are integrated; and identify and examine the value perceptions resulting from this.

Figure 3 provides an overall summary of the EMEVF for all the respondents, showing the links between resources, consequences and goals.

Figure 3: Overall summary of the EMEVF during value co-creation process



DISCUSSION AND IMPLICATIONS

The literature suggests that consumer behavior is purposeful and goal directed and the findings of this study are consistent with this view. The analysis showed that the goals that direct consumer behavior could be broadly classified as career goals, social goals and personal goals. Further, several researchers have attempted to specify goal hierarchies or structures that are relevant to a given behavior (Pieters et al. 1995; Bagozzi and Dholakia 1999; and Huffman et al. 2000). The results suggest that consumers in the pre-consumption stage are guided by what Bagozzi and Dholakia (1999: 23) refer to as focal goals: “What do I want to achieve?” Thus, the findings from this research support Pieters et al. (1995) who suggest that focal goals could be the starting point for the analysis of consumer behavior.

It was seen that the goals were formed through the interaction of consumer resources in a process that was subjective and unique. By providing empirical evidence of how goals are formed, this study adds to the theory, by providing a more realistic and real-world understanding of the process of goal formation. Further, by linking resources to goals, this research attempts to address a long-standing criticism of means-end theory, namely that means-end chains have generally assumed a static goal structure with little consideration as to how goals evolve (Huffman et al. 2000).

The literature suggests that an important theme in value co-creation, is that of resource integration (Vargo and Lusch 2004; 2008). The results suggest that, in value co-creation, the consumer is the resource integrator using his goals to determine which university resources and/or external resources to draw on. This can be explained by the active versus reactive dichotomy prescribed by Holbrook (1999). The pre-consumption stage is passive in nature because the consumer does not actively operate on the product or service; the main focus of interest is making evaluations of product/service cues based on their ability to help achieve consumer goals. Although the university resources to which consumers refer are often the same, the consumer resources that are combined with them differ. This suggests that the resource integration process has no set pattern and varies from consumer to consumer.

Finally, value perceptions in the pre-consumption stage are mostly passive in nature because the consumer does not actively operate on the product at this stage. The evidence suggests that value perceptions inferred by respondents are largely dependent on the resources they integrate into the co-creation process. As the integrated resources are unique, value perceptions that the resources links too are also unique. Thus, the results of this study are consistent with the idea put forth by Vargo and Lusch (2008) that value is uniquely derived at a given time and place and is phenomenologically determined, based on the existing resources (FP10).

CONCLUSION

The extended means-end value framework proposed in this paper contributes to the literature by (1) incorporating the co-creation concept of value to the means-end framework; (2) linking the resources used in goal formation into the means-end framework; and (3) providing an

extended value framework that can serve as a theoretical foundation for empirical research in this area. The empirical illustrations of the framework provide support to Vargo and Lusch's (2004: 9) and Woodruff and Flint's (2006: 185) claims that the means-end framework supports the phenomenologically-oriented concept of value. For a more comprehensive view on value co-creation, further research is required to test the framework in other contexts such as business-to-business markets, professional service markets and so on.

The dynamic nature of value has been alluded to by many authors (e.g. see Sánchez-Fernández and Iniesta-Bonillo 2007; Woodruff and Flint 2006). A limitation of the present study is that the focus of the analysis was on the pre-consumption stage only. An area worthy of future research would be to track value co-creation over time using the proposed framework; such research may shed light on the complexity of the value co-creation concept. Further, goal formation and goal dynamics is another area that needs to be investigated in greater detail.

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THE POWER OF CAN'T: REACTANCE & PRODUCT PREFERENCE AMONG YOUNG CONSUMERS

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ABSTRACT

The theory of psychological reactance (Brehm 1966) and commodity theory (Brock 1968) generally state that individuals may respond to warnings or restrictions in ways that are counter to expectations with products or other items becoming more desirable. This research involves product preferences displayed by adolescent males who are under the recommended age to purchase video games with a restrictive "Mature" label. An experiment involving 156 adolescent males and 143 adult males compares respondent opinions to gaming products with allowed, non-restrictive labels ("Everyone") to those with restrictive labels. Findings suggest that male adolescents less than 17 years of age have a higher preference for video games with labels intended to discourage use for individuals in their age group.

INTRODUCTION

The video game market has experienced substantial financial success since its introduction in the early 1970s. Sales of consoles, devices and games were about \$9.9 billion in 2004 (Richtel 2005). One of the best selling titles of 2004 earned more revenue in its first day of sales than any movie has ever taken in its opening day (Entertainment Software Association, 2005). According to the Entertainment Software Association (2005), video games have received such high levels of popularity that in 2004, about eight titles were sold per second per day throughout the year. This success is achieved in part by American youth, who have made gaming a staple item among youth culture (Panelas 1983).

Adolescents are being recognized as an increasingly important group in terms of their spending power (Clark, Martin, and Bush 2001), their levels of influence toward family spending (McNeal 1992), and their trend setting influence toward parents and peers (Zollo 1999). Since adolescents are attracted to gaming and the youth market is expected to play an even larger consumer role in the future (Lino 1994), the future for electronic gaming appears bright from a financial perspective.

Despite the financial success of the gaming industry, there are areas for concern. First, a review of the literature reveals that minors, who are viewed as a particularly vulnerable market (Panelas 1983), represent a substantial portion of video game consumption. Second, numerous studies reveal negative associations between gaming and behavioral tendencies and emotional response (e.g., Funk and Buchman 1996). Additionally, research reveals that young consumers, especially males, spend an astonishing proportion of their free time gaming (e.g., Gentile & Walsh

1999; Funk, Flores, Buchman, and Germann 1999). Hence, gaming represents a societal situation where vulnerable young audiences are spending a tremendous amount of free time with an activity that may encourage negative emotional and behavioral reactions. Research of the factors associated with gaming and the appeal of video games are worthy of deeper inquiry.

For the gaming industry, public policy efforts are implemented as a means of educating consumers regarding game product contents. Consumers who are not of an appropriate age are expected to then decrease or eliminate their consumption of certain gaming products based on this information.

Definitions

Labeling an entertainment product as inappropriate for certain groups as a means of educating them on the inappropriateness of material for certain age groups may result in an opposite and unanticipated response such as an increase in product appeal. This phenomenon is referred to as a “boomerang effect” since product labels intended to inform consumers of a product’s inappropriateness or danger may actually encourage an unanticipated increase in product desirability.

Theories exist which may help explain the presence of a boomerang effect. One possible theoretical explanation is psychological reactance theory (PRT). PRT asserts that people are more motivated to partake in an activity when they sense that their freedom of choice is threatened (Brehm 1966). With its origins in social reactance theory, PRT was developed by Jack Brehm about four decades ago (Brehm 1966) and has maintained its position as an influential concept in social psychology and consumer behavior for decades (Donnell, Thomas and Buboltz 2001). The theory examines how individuals react when their freedom to choose is manipulated by extraneous forces. Specifically, PRT states that people react against attempts to constrain their behaviors, resulting in a struggle to regain their freedom of choice (Donnell, et al 2001). Throughout his development of social reactance theory and later PRT, Brehm (1966) suggested that people have a perceived need to maintain their behavioral freedom by making choices. When a consumer’s behavioral freedom is threatened, the premise of PRT suggests that the consumer will react against the threat in order to restore their freedom of decision-making.

This counterforce tends to encourage individuals to participate in behaviors against advice to reestablish freedom and control (Hellman & McMillin 1997). Brehm (1966) named this feeling “reactance” and proposed that the occurrence of reactance was related to the degree that (1) the behavior threatened is important to the individual, (2) the severity of the threat to the behavior increases, (3) the threat impacts the individual’s other freedoms, and (4) the individual person has previously enjoyed the freedom. Reactance is believed to foster a desire to engage in the threatened behavior even more strongly (rebellious behavior) or can be demonstrated as an attitude change in the person's belief about the activity’s importance (acquiescence) (Lessne & Venkatesan 1989).

Another possible theory to explain the boomerang effect is commodity theory (Brock 1968). Economists were among the first social scientists to study the concepts of scarce product availability (Worchel 1992, Becker 1965, Hicks 1959). Through his extension of economic principles, Brock (1968) developed commodity theory which states that, "any commodity will be

valued to the extent that it is unavailable" (p. 246). Brock's primary focus deals with the inverse relationship between availability of communication and its corresponding persuasiveness (Worchel 1992). Less available communication which may require effort to obtain is perceived as more persuasive than freely available, plentiful communication. The more general form of the commodity theory model states that the value of a commodity is directly related to the availability of that commodity (Worchel 1992).

The efforts of public policy makers may not reach their potential partially due to the existence of the boomerang effect. Issues of policy intentions and consumer response are further complicated when the younger adolescent market is considered. Since this younger market is more susceptible to certain health hazards, adolescents are often the target for public policy efforts. It is critical that public policy makers consider the consequences when weighing their options regarding the implementation of warning labels. Therefore, research involving the relationship between warning labels and adolescent response provides an important element in helping policy makers make informed decisions.

In addition to having higher levels of reactance (Ringold 2002) and being the target for many public policy efforts (Anders 1999), adolescent audiences have found their way into the academic marketing spectrum for their spending power. A recent study reveals that spending for adolescents between 12 and 19 years old was \$155 billion of their own money and even younger children influenced family purchases of over \$500 billion (Dotson & Hyatt 2005).

Many young consumers find video gaming as a particularly intriguing entertainment and leisure activity. Gaming occupies a tremendous amount of many American children's free time with some children playing up to ten hours per week (Buchman & Funk 1996). Furthermore, a clearer understanding of gaming impacts toward children and adolescent consumers is particularly important since several scholars have found that video gaming is associated with negative impacts to young consumers (e.g., Funk & Buchman 1995). Despite the importance of gaming for young consumers and the academic attention toward video gaming (Bushman and Stack 1996; Bensley & Van Eenwyk 2001), the academic literature does not clearly identify the factors that attract young consumers so strongly to the gaming industry. More specifically, the impact of product warning labels is an area of inquiry that deserves deeper attention. Findings from Bushman and Stack (1996) emphasize the importance of the need for research involving the effectiveness of warning labels.

Given the possibility of a boomerang effect, the importance of the youth market, the perceived criticality of the gaming industry for the youth and the potentially negative societal impacts from video gaming, additional research is warranted to help discover the drivers of consumer appeal to this industry and the effectiveness of product warning labels within the gaming industry.

This research is intended to help build upon previous reactance research by providing a systematic investigation that evaluates the potential for a boomerang effect with specific attention toward electronic games and their warning labels. Implications are drawn for public policy maker and marketing practitioners.

PSYCHOLOGICAL REACTANCE THEORY

Much research has been done to identify the factors and antecedent conditions for PRT specifically in the context of behavioral freedom (e.g., Ringold 2002). Brehm and Brehm (1981) describe attempts to change behavior as involving both persuasion and coercion and believe that the degree to which these attempts intrude on a person's freedom determine that consumer's response. For example, Rummel, Howard, Swinton and Seymour (2000) studied the impact of parental discouragement for numerous products among adolescent consumers. These scholars found that adolescents appear to have higher interest in products when parental discouragement for the product is present (Rummel, et al 2000).

This resulting unanticipated opposing behavior is referred to as the boomerang effect (e.g., Ringold 2002). Clee and Wicklund (1980) describe reactance as a boomerang effect in which the perception of coercion is met with an equal but opposite influence, which is used by consumers to restore their freedom of choice.

Previous studies suggest that the boomerang effect resulting from PRT is strongly associated with restrictions and educational efforts and warnings. The warning labels vary from those intended to avoid physical injury (DeTurck & Goldhaber 1991) to labels that warn consumers of personal health risks (Unger, Rohrbach, Howard, Boley Cruz, Johnson and Chen 1999; Engs & Hanson 1989) as well as warnings about emotional or psychological detriment (Bushman & Stack 1996) and even warnings regarding the potential for environmental damage (Mazis, Settle and Leslie 1973). Ringold (2002) summarizes findings from numerous studies targeted to decrease consumption of potentially harmful products or activities. She finds that public health intervention efforts could result in unanticipated results where consumers become more attracted to the very product or activity that public policy efforts intend to discourage.

COMMODITY THEORY

According to commodity theory, any item will become more valuable or desirable as it becomes scarce (Madey, Simo, Dillworth, Kemper, Toczynski and Perella 1996) A meta analysis of 41 studies reveals that the value of a commodity is enhanced through scarcity of the commodity, thus providing support for the presence of commodity theory in certain situations (Lynn, 1991).

Commodities are defined as items that are of use to consumers, are transferable across persons, and are capable of being possessed by an individual (Brock and Brannon 1992). These items can include material objects as well as intangible items such as experiences and communication messages. To value commodities means to increase the perceived utility or perceived desirability (Brock and Brannon 1992). The unavailability of objects does not necessarily refer to an item being completely unattainable.

WARNING LABELS FOR VIDEO GAMES

Stewart and Martin's (1994) synthesis of warning labels research provides an overview of multiple definitions of a warning. These scholars state that warnings differ from other types of

labels by their function to warn consumers (Stewart and Martin 1994). A definition for the term “warn” provided by Merriam-Webster is “to give notice to beforehand especially of danger or evil” (www.webster.com, December 6, 2006). Stewart and Martin (1994) contrast other definitions such as Lehto and Miller’s (1986, p. 14) definition that “warnings are those stimuli that alert people to hazardous conditions.” Stewart and Martin (1994) offer a contrasting view from Ross’ (1980) definition of an effective warning which accomplishes three goals: 1) communicates risk, 2) tells the magnitude of the risk, and 3) provides ways to avoid the risk.

The lack of consistency to determine exactly what a warning label truly is may stem from issues such as the form of warning labels, the purpose of various warnings and the criteria used to assess the effectiveness of a particular warning label (Stewart and Martin 1994). The absence of a generally accepted definition for a warning label plus the many forms of warning labels may complicate our ability to grasp consequences of warning label use without additional research.

The warning labels used for video games include multiple ratings as established by Entertainment Software Rating Board (ESRB, 2003). A non-restrictive rating of E indicates that the game content is suitable for everyone ages six and older (ESRB 2003). This includes games that may contain minimal cartoon, fantasy or mild violence and/or infrequent use of mild language (ESRB 2003). Video games that carry this label do not contain excessive realistic violence, nudity, or otherwise inappropriate material for young persons.

A restrictive rating of M indicates that the game content is not suitable for consumers under the age of 17 and is only for mature audiences (ESRB 2003). Additionally, qualitative interviews with retailers revealed that store policies require valid identification before allowing the purchase of M-rated video items. From in-person interviews conducted prior to the data collection of the main study, one store manager related selling M-rated games to consumers under the age of 17 as the same practice as selling alcohol or cigarettes to underage individuals. Games that carry the M label may contain intense violence, graphic scenes of blood and gore, sexual content and/or strong language (ESRB 2003).

Hypotheses

Applying boomerang effect concepts, adolescents’ preferences for restrictive products should be higher than their preferences for non-restrictive products. Since both the restrictive and non-restrictive labels are permitted for the adult group, levels of reactance for the restrictive product among the adult group should be minimal or non-existent. Thus, the following hypotheses are presented in the context of entertainment products (video games).

H1: Adolescent respondents will rate their preferences for restrictive entertainment products (video games) higher than their preferences for non-restrictive entertainment products.

H2: Adult respondents will rate their preferences for restrictive entertainment products (video games) and non-restrictive entertainment product equally.

A perception of whether there is a freedom to purchase the game or not is key to determining the appropriateness of PRT or commodity theory toward explaining the boomerang effect. The primary point of distinction between the theories of psychological reactance and

commodity theory is the issue of prior availability (Worchel 1992). Psychological reactance (Brehm 1966) involves having a previous freedom which is later taken away or threatened. Commodity theory (Brock 1968) might fit more appropriately for situations when the freedom to choose is not offered.

METHODOLOGY

This research involves the use of electronic video games to represent adolescent entertainment products. The E label on these games represents the non-restrictive label for this study's purposes since it is more easily accessible by adolescents and the M label represents the restrictive label since adolescents are less likely to have the ability to purchase M-rated games. This perception of limited access to M-rated games among consumers less than 17 years of age is confirmed with our qualitative phase interviews. Managers from video game stores emphasized their policies including signage, register reminders, and other systems to help them avoid the sales of M-rated games to individuals less than 17 years of age. Furthermore, interviews with adolescent males reveal that their perception regarding the availability of M-level games is limited. Hence, the use of the M-rated games as the restrictive label seems appropriate in this situation.

Participants include an adolescent group of males no older than 16 years of age and an adult group of males at least 18 years of age. Consumers under the age of 17 are not typically allowed to purchase entertainment products with a restrictive label of M due to store policies, unless a parent or other guardian purchases the product on the underage person's behalf (Grier 2001). However, persons under the age of 17 are commonly allowed to purchase entertainment products with a non-restrictive rating code of E (ESRB 2003). Therefore, the test sample included only individuals under the age of 17 to help ensure that the restrictive product is seen as disallowed or discouraged.

Several studies have indicated that there is a disproportionate amount of time by the young male over his female counterpart for playing games in a home setting (e.g., Buchman & Funk 1996; Funk, Flores, Buchman, and Germann 1999). Also, females and males tend to perceive and process gaming influences differently (Funk, Germann, and Buchman 2000). Therefore, our sample was limited to male participants for both the adult and adolescent groups.

Three pretests / exploratory studies and one main study were conducted to address our research objectives. After initial conversations with video game store managers and a small number of adolescent males, an exploratory study was conducted to select a realistic game cover and to pretest the proposed main study questionnaire.

Conversations with managers confirmed that adolescent males make up a large and important part of the video game market although it was mentioned that adult males also contributed to the gaming market. Furthermore, store managers suggested that store policies and training discourage selling restrictive M-level games to young consumers.

In-person interviews among adolescent males from a movie theater suggested that this market tends to have high levels of warning label awareness and the possibility that the warning labels impact video game preference appears to exist.

We conducted in-person interviews among male respondents who had been gaming for at least seven years to help build the survey instrument for the main study. It was critical that the

artificial game created for the study appear realistic and the possibility of an E (Everyone) or M (Mature) warning label for the chosen artificial game should seem realistic to respondents. We created several artificial game covers and tested them among experienced video gamers. Our objective was not to find the most preferred game; rather, we were searching for the most realistic video game cover. Experienced male gamers evaluated six artificial game covers with descriptions for their realistic appeal. We were also looking for a game cover that could pass in the consumers' mind as either E-rated or M-rated. The artificial game (front cover, description and back cover) with the highest realistic ratings and an expected rating label that met our criteria was called Escape from Vortexia (see Appendix where it is shown with a Rating Pending label). On the realism scale where 1 = strongly disagree with statements regarding game realism and 5 = strongly agree, this video game received a mean score of 3.82 compared to mean of 2.68 for all other games. Furthermore, respondents rated the likelihood for this video game to be rated Everyone, Teen or Mature using a scale where 1 = not at all likely and 10 = extremely likely. Average likelihood for this video game to be rated as Everyone is 4.57, whereas average ratings for Teen and Mature are 5.43 and 2.71, respectively.

Pretests were conducted by using a convenience sample of male adolescents to ensure the questionnaire wording in the main study was understandable and clear for the younger research audience. A sample of respondents evaluated the survey instrument for clarity and flow to help determine any necessary adjustments. Pretest results were used to modify the survey instrument to clarify questions and improve overall flow.

Recruitment for the adolescent participants for the main study resulted from a demographic mix of Boy Scout troops from a large metropolitan southeastern city. Recruitment for the adult participants for the main study resulted from a request for participation among undergraduate college students enrolled in the college of business of a southeastern university. Respondent characteristics are shown in table 1.

| Respondents | Age (Mean) | Hours Spent Gaming per Week (Mode) |
|------------------|----------------|------------------------------------|
| Adolescent Males | 12.9 years old | 5-6 hours per week (22%) |
| Adult Males | 22.8 years old | Less than 1 hour per week (38%) |

Respondents from the adolescent group participated in the study through one of three different survey methodologies. The first method includes a paper and pencil hardcopy format which requires that respondents self-administer the survey instrument by marking their responses on paper. A second method includes the interviewer format which requires a trained interviewer to read the questions and mark the corresponding responses. Lastly, the electronic format, which is also a self-administered method, was used to collect responses. The survey instrument was designed as a form in Microsoft Word so that respondents could electronically enter their responses via computer. There were no significant differences in average ratings for the video game by data

collection methodology. For consistency, the same data collection methods were used for the adult sample.

EXPERIMENTAL DESIGN

Multivariate analysis of variance (MANOVA), univariate F-tests and independent sample t-tests were used to reveal significant differences in responses among respondents viewing the restrictive versus non-restrictive labels. A minimum of 60 respondents per warning label type was set as the sample quota. Respondents were informed that their participation is voluntary for a research study involving video games.

For the adolescent sample, we randomly assigned each participant to a treatment group by manually distributing color coded, shuffled index cards to each scout who provided a parental consent form. The color of the index cards represented the type of data collection methodology (paper and pencil, interview or electronic form) for each participating scout. Stations were set up as far away from the main scout meeting room as possible to allow for an appropriate experimental atmosphere. In most cases, there were separate rooms for the survey stations.

Participants were directed to the appropriate station based on their random assignments. The stations contained either a trained interviewer prepared to administer a face-to-face interview, a paper and pencil questionnaire or an offline laptop with an electronic form. The artificial game covers were sorted at each station to alternate between non-restrictive (E) label and restrictive label (M). Adult volunteers were posted to help with scout flow, ensure efficient use of time by keeping stations occupied and to maintain a quiet environment among the text-based participants.

For the adult respondents, envelopes were assembled that contained either a paper and pencil questionnaire, a letter with instructions for setting up an interview or a disk with the electronic form file and directions for respondents. These envelopes were systematically sorted and manually distributed to students.

Respondents were shown graphics and a description for an artificial game with a rating of either E (Everyone) or M (Mature). The artificial game was chosen as a result of the analysis from the in-person structured interviews conducted among experienced male gamers.

In order to hold other variables constant, the same artificial video game was used for all respondents. The only difference between the artificial game designs was the label (E-rating and M-rating). For consistency purposes, the paper and pencil and the interview respondents were provided with full color printed game covers so that the colors seen from the electronic form were consistent across the other data collection methodologies. Approximately half of the adolescent and adult respondents rated their liking for an E-rated game and the other half of both the adolescent and adult respondents rated their liking for the M-rated game. The game covers with graphics and description were exactly the same with the exception of the warning label. The artificial video game rating used a 4-item expanded scale from Rummel, et al (2000) including the following question: "Please indicate how much you like the following product." (1=do not like the product at all, 4 = neither like nor dislike the product, 7 = like the product very much). The items included, "Overall liking for the video game product", "Liking of the game cover's graphics", "Liking of the game's title", and "Liking of the game's description." Reliability

analysis of this four item scale results in a Cronbach's alpha of .78 for adolescent respondents and .81 for adult respondents. Responses from this scale were analyzed to test H1 and H2.

ANALYSIS AND RESULTS

A total of 158 adolescent males and 143 adult males participated in the main study. We received at least 70 responses for each type of game warning label. Furthermore, responses were collected approximately equally among the three data collection methods (see Table 2).

| | | Label | | Total |
|-----------------------------------|------------------|------------|------------|------------|
| | | Everyone | Mature | |
| Data Collection Method | Paper and Pencil | 25 | 25 | 50 |
| | Interview | 24 | 25 | 49 |
| | Electronic Form | 26 | 33 | 59 |
| Total Adolescent Responses | | 75 | 83 | 158 |
| Data Collection Method | Paper and Pencil | 24 | 20 | 44 |
| | Interview | 21 | 20 | 41 |
| | Electronic Form | 28 | 30 | 58 |
| Total Adult Responses | | 73 | 70 | 143 |
| TOTAL Responses | | 148 | 153 | 301 |

Respondents were asked a series of questions to verify the effectiveness of the experimental manipulations. First, participants were asked if they had played video games in the past. Approximately 95% of adolescent respondents and 97% of adult respondents answered "yes". To verify the manipulation of the warning label, respondents were asked if they evaluated a game with an E (Everyone) or M (Mature) rating. Approximately 90% of adolescent respondents and 80% of adult respondents answered as anticipated. Respondents who were not able to correctly identify the warning label for their particular manipulation were removed from the sample.

Random assignment was used whenever possible for assigning scout participants to various treatment groups of either paper and pencil, interview or electronic form methodology and the label of either E for Everyone or M for Mature. However, there was one occasion where the scoutmaster required that we use only text-based methodologies with no interviews due to time constraints during their scout meeting. (Since we had fewer interviewers than questionnaires and computers, it took longer to gather groups of interviewer-administered completed responses compared to self-administered forms that many scouts could complete simultaneously.) To ensure the scout participants were similar among all the treatment groups, analysis of variance (ANOVA) was conducted to assess differences among the data collection methodology groups and t-testing was used to compare scouts demographics between those assigned to the restrictive versus non-restrictive labels. Results reveal that scout demographics were not significantly different among the data collection methodology groups or the label groups.

Our hypotheses were tested using a multivariate analysis of variance (MANOVA) in addition to follow-up univariate F-tests and independent samples t-tests. For the MANOVA tests,

product evaluation ratings for game graphics, title and description were defined as the dependent variables and the game's warning label was defined as the independent variable.

We evaluated the possibility of covariation between the warning label and product evaluation relationship by estimating a generalized linear model. Specifically, we tested the predictive ability of potential covariates including respondent age, the number of hours spent gaming each week and the number of years spent gaming. Results reveal that age ($p = .833$), hours spent gaming ($p = .238$) and experience gaming ($p = .298$) do not operate as covariates to the warning label and product evaluation relationship.

Among adolescent respondents, the overall effect of the restrictiveness of warning label is significant (Wilks' Lambda = .95, $F = 2.80$, $p < .05$). Furthermore, univariate F-tests reveal similar effects for each dependent variable with a marginal effect for game graphics ($F = 3.09$, $p < .10$) and significant effects for both game title and description ($F = 6.93$ and 5.48 , $p < .01$ and $< .05$, both respectively). Mean scores for product evaluation variables were consistent with these findings (see table 3). Additionally, t-tests reveal a marginally significant difference in mean scores for game graphics ($t = 1.85$, $p < .10$) and significant differences between adolescent groups with a restrictive versus non-restrictive labels for game title and description ($t = 2.47$ and 2.04 , respectively and $p < .05$ for both). These results provide support for H1. See Table 3.

Table 3
Adolescents' Product Preference Ratings for Video Games by Warning Label (H1)

| | Label | N | Mean | t | P |
|----------------------------------|----------|----|------|------|-------|
| Product Evaluation – Graphics | Everyone | 75 | 4.49 | 1.85 | < .10 |
| | Mature | 80 | 5.00 | | |
| Product Evaluation – Title | Everyone | 75 | 3.32 | 2.47 | < .05 |
| | Mature | 82 | 4.04 | | |
| Product Evaluation – Description | Everyone | 75 | 4.45 | 2.04 | < .05 |
| | Mature | 81 | 5.01 | | |
| Product Evaluation – Average | Everyone | 75 | 4.14 | 2.62 | < .01 |
| | Mature | 82 | 4.69 | | |

Among adult respondents, the overall effect of the restrictiveness of warning label is not significant as predicted (Wilks' Lambda = .99, $F = .51$, $p = .68$). Furthermore, univariate F-tests reveal similar effects for each dependent variable of game graphics, title and description ($F = .00$, $p = .96$; $F = .09$, $p = .76$; $F = 1.16$, $p = .28$, respectively). Mean scores for product evaluation variables were consistent with these findings (see table 4). Additionally, t-tests reveal no significant differences in mean scores for game graphics ($t = .16$, $p = .88$), game title ($t = .41$, $p = .68$) and game description ($t = 1.08$, $p = .28$). These findings support H2. See Table 4.

Table 4
Adults' Product Preference Ratings for Video Games by Warning Label (H2)

| | | | Label | N | Mean | t | P |
|----------------------------------|---|----------|-------|------|------|------|---|
| Product Evaluation – Graphics | – | Everyone | 74 | 3.97 | 0.16 | 0.88 | |
| | | Mature | 71 | 3.93 | | | |
| Product Evaluation – Title | – | Everyone | 74 | 3.27 | 0.41 | 0.68 | |
| | | Mature | 71 | 3.17 | | | |
| Product Evaluation – Description | – | Everyone | 73 | 4.34 | 1.08 | 0.28 | |
| | | Mature | 70 | 4.06 | | | |
| Product Evaluation – Average | – | Everyone | 74 | 3.85 | 0.73 | 0.46 | |
| | | Mature | 71 | 3.70 | | | |

Ringold's (2002) research reveals that younger individuals are more susceptible to reactance compared to older individuals. Hence, it is possible that the difference between the adolescent and adult respondent groups could represent a large enough gap in age to see a reduction or lack of reactance when evaluating any product. Since the adult respondent group was of the minimum age required to purchase both the restrictive and non-restrictive version of the game, it is difficult to ascertain the extent, if any, age and reduced levels of reactance may have factored in to our findings.

We conducted a MANOVA and t-tests to determine if significant differences exist between adolescent and adult males with respect to HPRS ratings. Results suggest that stated levels of reactance are significantly different between adolescent and adult groups. However, further investigation of significant differences among the five individual items reveals a lack of consistency. For two of the five items, the adolescent group has higher levels of stated reactance whereas the other three items are higher on average for the adult group. Therefore, it does not appear that the difference in age between our respondent groups is great enough to explicitly produce reduced levels of reactance. These findings provided further support toward the notion that a boomerang effect is due to the warning label as opposed to changing levels of reactance among respondent groups.

For this study, it is unknown whether the adolescent respondents noticed the label before, simultaneously, or after they examined the other details of the video game cover. For example, if respondents noticed the game's restrictive label before observing details of the game, adolescent respondents may have understood that their ability to purchase the game was not present from the beginning, thus providing a situation more applicable to commodity theory. Alternatively, if respondents noticed details of the game's cover before noticing the restrictive label, respondents may have initially felt that they would have the ability to purchase the game until the label was observed. These conditions are more applicable to psychological reactance since there is a sense of freedom removal.

Our study did not record eye movements and it was therefore not possible to know for certain the order of respondents' observation of various game cover elements. As a result, there is some uncertainty as to whether respondents had a sense of freedom to purchase the game and then had that freedom removed upon observation of the restrictive label or if the game was perceived as unavailable from the first observation. Hence, we are able to observe the existence

of a boomerang effect; however, the applicable theory to explain this effect is not absolutely known.

CONCLUSIONS AND IMPLICATIONS

The boomerang effect appears to be a well documented behavior as evidenced within the marketing, consumer behavior and psychology literature with numerous studies proving the existence of such an effect. However, there are no known studies that specifically and systematically focus on the relationship between product warning labels for video games and resulting levels of product preference among adolescents. This is the first known study that evaluates levels of the boomerang effect on an aggregate basis by exposing all respondents to the same product with different warning labels to isolate the impact of the labels. Furthermore, this study uses an adult comparison group which confirms the higher evaluation ratings among the younger group of respondents who are discouraged from purchasing games with restrictive labels.

Findings suggest that a boomerang effect does exist among adolescent males evaluating video games with warning labels. We find significantly higher ratings for the restrictive game cover compared to the non-restrictive game cover which suggests that adolescents prefer games that carry restrictive labels.

Public policy-makers can benefit from this research by understanding the advantages and disadvantages of using a warning label system. Perhaps the intended response of product avoidance or caution is actually causing an unanticipated increase in product preference and desirability, counter to the efforts of public policy. Policy-makers will be able to reconsider the ramifications of their public policy efforts, evaluate their effectiveness and more fully comprehend the implications of developing warning systems for potentially socially dangerous products. The marketing community will gain from this study by developing a richer understanding of the growing literature regarding psychological reactance and its impact specifically in the entertainment product market.

LIMITATIONS

The sample units chosen for adolescent respondents, boy scouts, are presumed to have a fairly homogeneous moral structure, which may be partially associated with their membership in scouts. While the study intentionally sought a varied mix of socio-economically and ethnically diverse selection of boy scouts, the sample frame of boy scouts may limit the amount of difference found in the results. Since we know with certainty that all adolescent respondents were involved in at least one organizational activity (scouts), then there is a possibility that respondents' level of involvement in activities may be higher than the general adolescent population. Furthermore, female respondents were avoided since their inclusion would add another dimension to the research and expand it beyond the scope. Hence, results may not provide the best indicator for adolescents as a general group since the sample excluded females and non-scouts.

Respondents evaluated the artificial game cover using a structured scale. However, explanations for their evaluations were not gathered as part of this research. Hence, the reasoning behind respondents' evaluations of the games (restrictive or non-restrictive) is unclear. Some

indications might be gleaned from the exploratory study conducted with adolescents to assess awareness levels with warning labels. Respondents were asked to describe what the warning label meant to them. While many adolescents indicated that the label had no impact on the quality of the game, some adolescents indicated that the label did matter to their evaluation of games. Reasons provided for their preference of restrictive labeled games include the suggestion that they will get to hold a big gun (if it is an M-label game), association between realistic looking blood (not “cartoony”) and an overall sense that the game will be good if it carries the M label. It is possible that the quality of game characteristics is greater for M-level games compared to E-level games and this association may be what drives consumers to rate M-level games higher. Alternatively, there is evidence that adolescents prefer more violence in games (Buchman & Funk 1996) and perhaps the game content is the primary reasoning behind their preference as opposed to game quality.

Due to ethical considerations, this research did not request that adolescents provide an indication of their experience with M-level games. Experience levels with M-level restrictive games may impact perceptions of the entertainment value and quality of restrictive games compared to the non-restrictive E-level games. Perhaps adolescents without restrictive game experience tend to feel that the restrictive games must contain improved material (such as graphics, sounds, strategies, plots, characters, etc.) since these games are intended for older audiences.

This research asked respondents to provide an indication of their preference or liking for the chosen restrictive and non-restrictive games. However, purchase intentions were not gathered for ethical purposes. It is possible that respondents would have felt uncomfortable commenting on buying intentions since their parents may not have authorized restrictive label game playing. Given that the tenets of psychological reactance are more involved with feelings resulting from threats to an individual’s freedoms, gathering preferences and likings for the artificial games may be a more appropriate measure of reactance as opposed to purchase intentions or behaviors. Still, the findings may have shed more light on the degree of reactance (i.e., was the reactance high enough to modify the person’s intentions or behavior) if we had been ethically able to gather information regarding purchase intentions and/or behavior.

Electronic video games were used to represent the entertainment product category for adolescents. This specific product was chosen since video games have become an incredibly important consumer product in the minds of adolescents (Panelas 1983). Limiting this research to one type of entertainment product presents a limitation in the results. Perhaps other entertainment products would produce different results with respect to the evaluation of the label. For example, warning labels for music products may have stronger or weaker impacts regarding product preference.

Analysis among the group of young adolescent consumers was compared against the adult consumer sample. However, there was no division within the adolescent group beyond these categorizations. As a result, the youngest adolescents were considered in the same group as the older adolescents. Furthermore, college students as a comparison group against adolescents might not represent a comparable set since their preferences and perceptions may be drastically different from those of adolescents.

DIRECTIONS FOR FUTURE RESEARCH

Future research efforts could include female adolescent respondents to provide a better overall assessment of the adolescent market. Furthermore, female respondents may provide a contrasting perspective regarding their reactions to warning labels for restrictive games. Since empirical evidence suggests that females process gaming experiences differently than their male counterparts (Funk, Germann, and Buchman 2000), differences in responses may be compared across gender types for more comprehensive findings.

Future research may include adolescent male respondents who have not been involved in scouting activities. Inclusion of less organizationally active respondents may provide insight into the potential differences in respondent perceptions. For example, future research might evaluate potentially positive results of organizational involvement.

Future research efforts may include additional entertainment products such as theatre movies, rental movies and music in tangible formats and electronic formats. Also, other new emerging entertainment products and services, such as certain websites with content warning labels, can be included for future research efforts. Inclusion of these additional entertainment products may provide a broader view of the appeal of restrictive products that specifically carry a warning label.

Additional research efforts may also evaluate adolescent preference for products that are socially discouraged for adolescent use even though they do not carry a specific warning label. For example, carbonated beverages with high quantities of sugar, caffeine and/or food coloring do not carry a content warning label discouraging adolescent consumption.

Lastly, research studies that examine in-depth underlying reasons for the preferences of video games with restrictive labels would add to the literature to help understand the drivers behind product preferences. The appropriateness of PRT or commodity theory toward explaining the boomerang effect should be investigated in future.

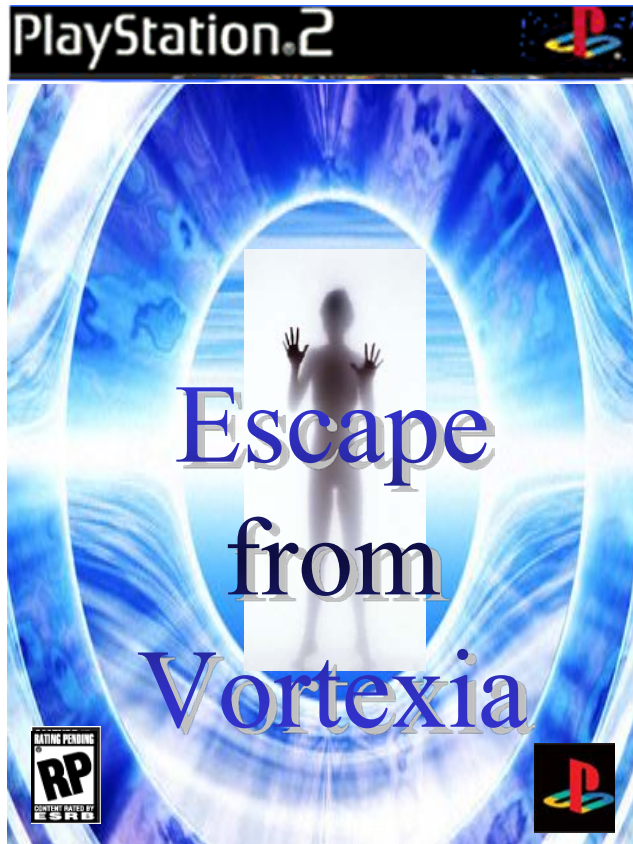
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APPENDIX

**Escape From Vortexia**

You are the heart of a secret agency controlling technological advances in aerospace technology. After an unexpected accident, you wake up and find that you are fine and your life is pleasant – too pleasant. You discover that you are in a coma and your mind is being fed an artificial world, known as Vortexia, while the enemy steals your secrets during your dreams.

You must deceive your enemy with false messages, use advanced weapons to destroy your opposer, and find the mental path back to consciousness.

AN EVALUATION OF THE WALK-IN AND ONLINE COUNTERPARTS OF THE LEADING US STORES

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ABSTRACT

This article describes ten major US stores on six dimensions of customer satisfaction. These stores are Costco, Kohl's, JC Penny, Target, Macy's, Meijer, Sears, Sam's Club, Kmart, and Walmart. The customer satisfaction dimensions are quality, selection, value, checkout, service, and layout. These ten leading walk-in stores were evaluated by 55,108 customers, and their online counterparts were evaluated by 26,344 customers. Statistical techniques like cluster analysis and principal components analysis are utilized to summarize, analyze, and describe this information for a better understanding of customers' perceptions and evaluations of the leading walk-in stores and their online counterparts. The customers rated Costco the highest and Walmart the lowest among the ten major stores evaluated here. Further, the customers consistently rated the online stores higher in overall satisfaction than their walk-in counterparts.

INTRODUCTION

The US household consumption is about 70 percent of the US Gross Domestic Product (GDP). Retail sales account for about 35 percent of the US economy. US households spend less than one third of their earnings on retail purchases, the rest are spent on services and medical care (Weil, 2013). The retail sector is an important source of jobs in the US economy and it experiences seasonal fluctuations in sales and employment.

Background and Overview on Bricks-and-Mortar and Online Retailing

Interest in the relationship between traditional in-store shopping experiences and online shopping has been keen among researchers since the rise of the Internet. For example, Avery et al. (2012) report that online stores can help expand overall sales by adding brick and mortar stores to their channel as new in-store customers tend to then shop at the firm's online offer as well. They also report that the online channel hurts catalog sales. Additionally, Schramm, Swoboda, and Morschett (2007) confirm differences in motives between brick and mortar and online shoppers. Regarding the characteristics that influence satisfaction in online shopping, Xiaoying, Kwek Choon, and Min (2012) report that website design, security, information quality, payment method, e-service quality, product quality, product variety and delivery service are positively related to consumer satisfaction towards online shopping in China. As for vendors who offer both online and traditional shopping, some evidence suggests this is a good thing for shoppers. For example, Fernando et al. (2008) demonstrate that consumers are generally better off with clicks-and-mortar retailers, at least in oligopolistic markets. If such firms align with pure e-tailers to reach the online market, their research shows that a "prisoner's dilemma-type equilibrium may arise."(p. 671).

It is also the case that there is an increasing interest in whether and how customer satisfaction affects future firm behavior in both online and in-store formats. Fornell, Rust, and Dekimpe (2010) show that consumer satisfaction is a leading predictor of future sales, though the amount of increased spending resulting from higher satisfaction is mitigated by other factors as well. Ginafranco et al. (2010) find that relationship quality is similarly important for retaining customers in online and traditional retailing settings. In contrast, Jifeng, Sulin, and Han (2012) suggest high levels of customer dissatisfaction with online retail encounters can hurt customer loyalty and find that increased service quality and better web design can help quell high levels of product uncertainty among consumers. Similarly, Seiji, Jun, and JungKun (2012) find that e-satisfaction for online purchases is enhanced by two factors: increased selection in the pre-purchase stage and service quality in the post-purchase stage. Taken together, these studies suggest there is interest in and important implications for studying the relationship between customer satisfaction and its effects on traditional versus online retail formats.

LITERATURE REVIEW

Retailing at best is always a difficult business proposition: success breeds competition and later entrants often have the advantages of studying and learning from early mover learning curves. The woes of Best Buy are typical of such trends. Once the clear market leader in consumer electronics, Best Buy has of late seen losses in both market share and profits (Reisinger 2011, Cheng 2013). In many cases the trends are difficult to understand and come from a myriad of factors. For example, while on the one hand the closing of Circuit City created gains for Best Buy, it also gave a chance for other retailers to compete for that business. Even more, the advent of online shopping has negated some of such category-killers inventory advantages as online inventory costs far less to display and can benefit from just in time order placement directly to the consumer's door. As such, firms like Best Buy not only face competition from well-heeled rivals like Target and Wal-Mart; they must respond to the increasing threats from the online offers from these firms as well as those of others (Bhasin 2013).

It is within this context that recent research on customer satisfaction with leading chain stores has received new interest (Blair 2012, Hess 2013, Norman 2012). Of these, Blair (2012) reports on the recent *Consumer Reports* (2012) survey of its subscribers' satisfaction with the 10 major US retailers. But *Consumer Reports* (CR) is not the only organization measuring satisfaction. The CR survey is noteworthy because of the total market share these top walk-in chains command, but it is worth recognizing that these same firms rarely lead customer satisfaction rankings overall. For example, Norman (2012) notes that Amazon.com tops the survey of customer satisfaction sponsored by American Express and the National Retail Federation Foundation, whose posted top ten list includes only two of the top retailers surveyed by CR: Kohl's and JC Penney (NFR Foundation 2012). Alternatively, in a Temkin (a national analytics company) survey of customer satisfaction and service, "[o]ut of the top ten companies, six were grocery store chains or subsidiaries – Publix, Hy-Vee, H.E.B., Winn-Dixie, ShopRite and Aldi (Insight 2013). The remaining spots were taken up by credit unions (in general), Chick-fil-A, Sam's Club and Starbucks." (Insight 2013). Even more, Hess (2013) takes a somewhat different 180 degree look at customer satisfaction by looking at the 9 *worst* retailer ratings and here only one of the CR survey's makes the list: Wal-Mart. Still, while not exhaustive of either the customer satisfaction in retailing literature nor what factors make smaller stores (and some of them still quite large in terms of sales) more competitive, the CR survey is important to analyze

in greater depth in order to identify the underlying dimensions of customer satisfaction with leading chain stores.

As noted above, it is possible to select other stores to survey but the *CR* survey has a number of advantages. First, all of the firms in the *CR* survey are growing (Top 100 Retailers 2012). While other firms surveyed elsewhere may be larger, they may be shrinking and/or losing market share to one or more of the *CR* survey firms, as in the Best Buy example above. Second, the firms in the *CR* survey are among some of the most visited stores in the US and a mix of national and regional chains. For example, Walmart claims about 38.8% of the total US population among its customers (America's Most Popular Stores 2013). As such, knowledge of their level of customer satisfaction may be of broader interest than for stores with a narrower customer base. Third, the size of the *CR* survey (over 55,000 in store shoppers and over 26,000 online shoppers) provides a large dataset from which to compare in-store and online shopping experiences. Fourth, while sales from online vendors still account for only about 6 percent of all retail sales, the growth in online sales is very strong – at about 300 percent since 2004 (Jones 2013). And most recently, though overall retail sales for the start of the holiday season this year are slightly below last year's figures, the so-called "Cyber-Monday" sales (the Monday following Thanksgiving) was up 20 percent over last year, setting a sales record for the fourth straight year in a row (Kucera 2013). For these reasons, a more detailed examination and analysis of the *CR* Survey results is of interest to those studying the relationship of retailing and customer satisfaction of retailers competing in both the brick and mortar and online space.

Research Questions

The following research questions (RQ) are investigated in this study.

- RQ₁. How do the major chain stores compare on the shoppers' overall satisfaction ratings of their walk-in and online counterparts?*
- RQ₂. Are there differences between the shoppers' overall satisfaction ratings of major walk-in stores and their online counterparts?*
- RQ₃. What are the underlying dimensions of shoppers' overall satisfaction ratings of major chain stores?*
- RQ₄. Do the underlying dimensions of shoppers' overall satisfaction ratings of major chain stores vary across walk-in versus online chain stores?*
- RQ₅. What are the underlying clusters of the leading chain stores for their walk-in and online counterparts?*

STATISTICAL ANALYSES AND RESULTS

This section describes the sample, the variables in the data set, and conducts various statistical analyses to address the research questions.

Sample Description

The data for this study were obtained by the *CR*'s National Research Center that surveyed its subscribers in the spring of 2011. The data consisted of 55,108 subscribers' valuations of the

ten major walk-in chain stores, and 26,344 subscribers' evaluations of the retailers' online stores. Additional information, like the number of stores and their sales for these ten major chain stores, was current as of January 2012 (America's top stores, 2012). The major chain stores are: Costco, Kohl's, J. C. Penny, Target, Macy's, Meijer, Sam's Club, Sears, Kmart, and Walmart. *CR* utilized 5-point bipolar adjectives to measure quality, selection, value, checkout, service, and layout. We used the R statistical software to analyze this sample.

The *CR*'s readers' overall satisfaction ratings of the walk-in and online counterparts of these ten retail stores and additional information is summarized in Table 1.

| Stores | No. of Walk-in Stores | Average Customer Satisfaction with Walk-in Stores (W.Sc), maximum score = 100. | Average Customer Satisfaction with Online Stores (O.Sc), maximum score = 100. | Sales (2012, in \$ millions) |
|-------------|-----------------------|--|---|------------------------------|
| Costco | 432 | 84 | 88 | 105,156 |
| Kohl's | 1127 | 81 | 84 | 19,279 |
| JCP | 1100 | 80 | 82 | 35,395 |
| Target | 1767 | 79 | 80 | 73,301 |
| Macys | 810 | 78 | 82 | 27,686 |
| Meijer | 200 | 78 | NA | 9,801 |
| Sam's Club* | 610 | 77 | 79 | 54,000 |
| Sears | 2196 | 77 | 77 | 48,024 |
| Kmart* | 1300 | 71 | NA | 6,388 |
| Walmart | 3790 | 71 | 77 | 469,162 |

*Revenues for Sam's Club are also reported in Walmart's earnings, comprising just under 12% of its sales. The same is true for Kmart as a subsidiary of Sears.

Table 1 addresses RQ₁ and RQ₂.

RQ₁. How do the major chain stores compare on the shoppers' overall satisfaction ratings of their walk-in and online counterparts?

Table 1 shows that among these ten stores, Costco earned the highest ratings for its walk-in and online stores, Target was in the middle, and Sears, Kmart, and Walmart were rated lowest.

RQ₂. Are there differences between the shoppers' overall satisfaction ratings of major walk-in stores and their online counterparts?

The rank order of ratings for walk-in stores is almost consistent with that of their online counterparts. The customers rated the online stores higher than their walk-in counterparts with the exception of Sears for which the walk-in and the online counterparts were rated equally. There appears to be a strong positive correlation between the ratings of walk-in stores and their online counterparts.

In addition to the overall satisfaction ratings of the walk-in and online counterparts of the retailers under study, the *CR* subscribers also evaluated these retailers on their quality, selection, value, checkout, service, and layout. Table 2 lists the labels and descriptions of these six underlying dimensions which answers RQ₃. The same six underlying dimensions were measured for the walk-in stores and for their online counterparts in this study.

RQ3. What are the underlying dimensions of shoppers' overall satisfaction ratings of major chain stores?

| Table 2: Description of Variables for Customers' Evaluations | | |
|---|--|--|
| | <i>CR Readers' Walk-in Store Scores</i> | <i>CR Readers' Online Store Scores</i> |
| Response Variables | W.Sc: Overall Score for Walk-in Stores | O.Sc: Overall Score for Online Stores |
| Predictor Variables | W.Ql: Quality for Walk-in Store W.Se: Selection for Walk-in Store W.Va: Value for Walk-in Store W.Ch: Checkout for Walk-in Store W.Sv: Service for Walk-in Store W.La: Layout for Walk-in Store | O.Ql: Quality for Online Store O.Se: Selection for Online Store O.Va: Value for Online Store O.Ch: Checkout for Online Store O.Sv: Service for Online Store O.La: Layout for Online Store |

The underlying dimensions of the *CR* subscribers' average ratings of their overall satisfaction scores for the walk-in stores are given in Table 3 and for their online counterparts are given in Table 4.

RQ4. Do the underlying dimensions of shoppers' overall satisfaction ratings of major chain stores vary across walk-in versus online chain stores?

This question is answered in Tables 3 and 4.

| Table 3. Customers' Aggregate Evaluations of Walk-in Stores | | | | | | |
|--|------|------|------|------|------|------|
| Store | W.Ql | W.Se | W.Va | W.Ch | W.Sv | W.La |
| Costco | 5 | 2 | 4 | 2 | 2 | 4 |
| Kohls | 3 | 3 | 4 | 3 | 3 | 4 |
| JCP | 4 | 3 | 3 | 3 | 3 | 3 |
| Target | 3 | 3 | 3 | 3 | 3 | 4 |
| Macy's | 4 | 3 | 3 | 3 | 3 | 4 |
| Meijer | 3 | 3 | 3 | 2 | 3 | 4 |
| Sams | 4 | 1 | 3 | 1 | 2 | 4 |
| Sears | 4 | 3 | 3 | 3 | 3 | 4 |
| Kmart | 2 | 2 | 2 | 2 | 2 | 3 |
| Walmart | 2 | 2 | 3 | 1 | 1 | 3 |

| Table 4. Customers' Aggregate Evaluations of Online Stores | | | | | | |
|---|------|------|------|------|------|------|
| Store | O.Ql | O.Se | O.Va | O.Ch | O.Sv | O.La |
| Costco | 5 | 3 | 5 | 5 | 3 | 5 |
| Kohls | 4 | 3 | 4 | 4 | 4 | 4 |
| JCP | 4 | 3 | 4 | 4 | 3 | 3 |
| Target | 4 | 4 | 4 | 4 | 3 | 3 |
| Macy's | 4 | 4 | 4 | 4 | 3 | 4 |
| Meijer* | NA | NA | NA | NA | NA | NA |
| Sams | 4 | 2 | 4 | 4 | 2 | 3 |
| Sears | 4 | 4 | 3 | 3 | 2 | 3 |
| Kmart* | NA | NA | NA | NA | NA | NA |
| Walmart | 3 | 3 | 4 | 4 | 3 | 3 |

*Customer responses were too few for a meaningful analysis for Meijer and Kmart.

An examination of Tables 3 and 4 indicates that the underlying dimensions vary by walk-in stores versus their online counterparts. Generally, the customers rated online stores higher on most underlying dimensions than their walk-in counterparts. For example, the online Costco store was rated higher on every underlying dimension than its walk-in counterpart. Similarly, the online Walmart store was rated higher on most dimensions than its walk-in counterpart. This result for the six underlying dimensions of overall satisfaction is consistent with the respondents' overall satisfaction ratings for the walk-in stores and their online counterparts as discussed in RQ₁ and RQ₂.

| Variables | Min. | Ist Qu. | Median | Mean | 3 rd Qu. | Max | NA's |
|-----------|------|---------|--------|------|---------------------|------|------|
| W.Sc | 71 | 77 | 78 | 77.6 | 79.8 | 84 | |
| W.Ql | 2 | 3 | 3.5 | 3.4 | 4 | 5 | |
| W.Se | 1 | 2 | 3 | 2.5 | 3 | 3 | |
| W.Va | 2 | 3 | 3 | 3.1 | 3 | 4 | |
| W.Ch | 1 | 2 | 2.5 | 2.3 | 3 | 3 | |
| W.Sv | 1 | 2 | 3 | 2.5 | 3 | 3 | |
| W.La | 3 | 3.25 | 4 | 3.7 | 4 | 4 | |
| O.Sc | 77 | 78.5 | 81 | 81.1 | 82.5 | 88 | 2 |
| O.Ql | 3 | 4 | 4 | 4 | 4 | 5 | 2 |
| O.Se | 2 | 3 | 3 | 3.25 | 4 | 4 | 2 |
| O.Va | 3 | 4 | 4 | 4 | 4 | 5 | 2 |
| O.Ch | 3 | 4 | 4 | 4 | 4 | 5 | 2 |
| O.Sv | 2 | 2.75 | 3 | 2.88 | 3 | 4 | 2 |
| O.La | 3 | 3 | 3 | 3.5 | 4 | 5 | 2 |
| W.Stores | 200 | 660 | 1114 | 1333 | 1650 | 3790 | |

*Both O.Va and O.Ch have the same average values, so the correlation between them is 1.

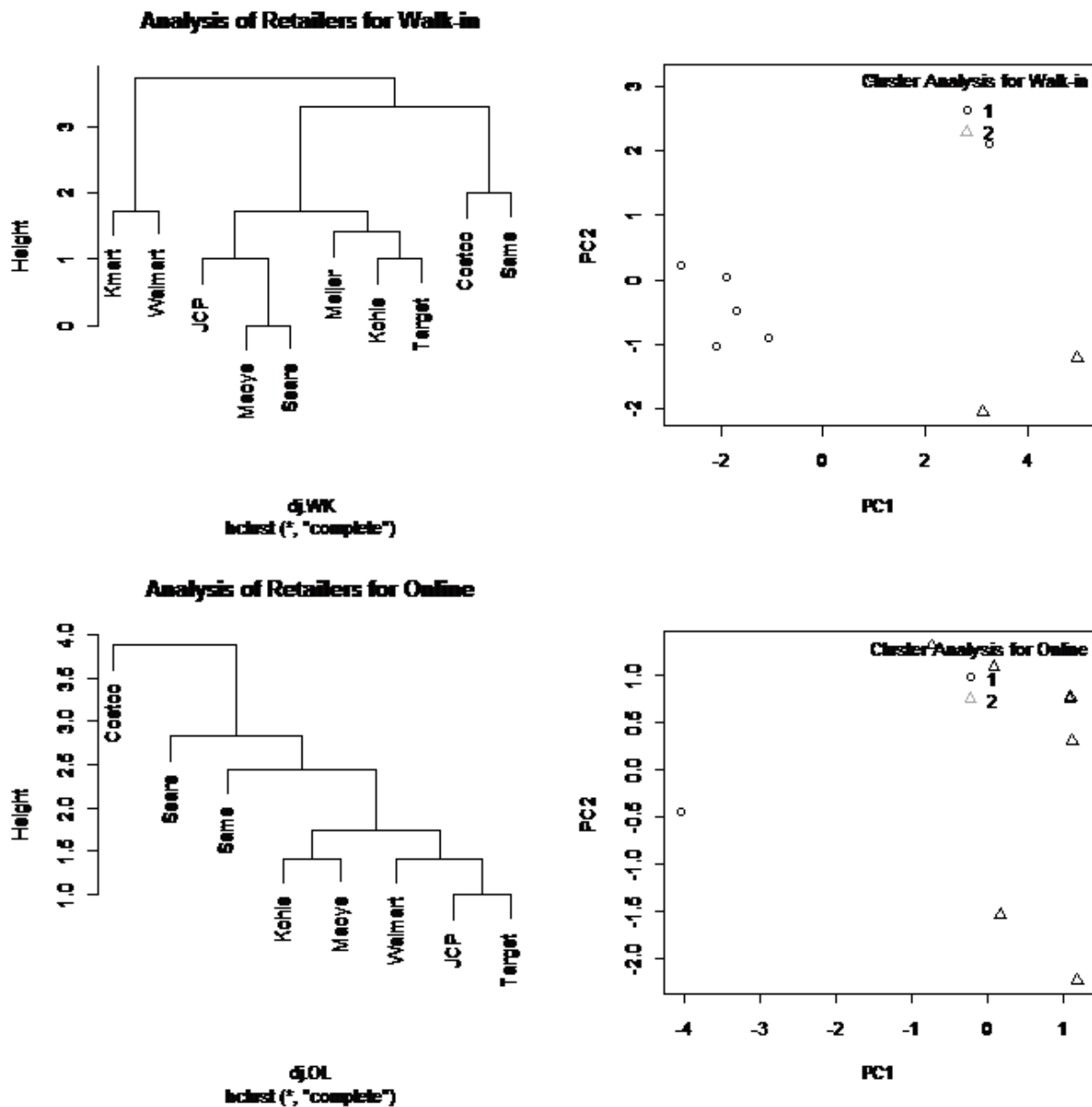
Table 5 summarizes all of the variables for the ten chain stores under study. More than twice as many CR subscribers (55,108) evaluated the ten walk-in chain stores than did (26,344) their online counterparts. Compared with the walk-in stores, the data for their online counterparts had two limitations. First, there were insufficient responses for a meaningful analysis of the online counterparts of Meijer and Kmart as represented by NA's. Second, the customers' evaluations for Value and Checkout were identical for all online stores in this study.

Data Reduction: Cluster Analyses and Principal Components Analyses

An agglomerative cluster analysis was performed using the complete linkage method and the six underlying dimensions of the respondents' overall satisfaction, namely, quality, selection, value, checkout, service, and layout. This cluster analysis was performed for the walk-in stores and separately for their online counterparts. A two cluster solution was plotted in a two dimensional space using the first two principal components for walk-in stores and separately for their online counterparts. These results are given in Figure 1 and Table 6. Figure 1 and Table 6 address RQ₅.

RQ₅. What are the underlying clusters of the leading chain stores for their walk-in and online counterparts?

Figure 1. Store Displays in Cluster Analysis Plots and in Principal Components Space: Walk-in Stores and their Online Counterparts.



Walk-in Stores

Figure 1 presents four plots. The top two plots represent, respectively, a cluster analysis of the walk-in stores and their two-cluster solution in the first two principal components space. Table 6 presents this information in numerical form and can be used to interpret the plots in Figure 1. Figure 1 generates many cluster solutions and here we present two-cluster and three-cluster solutions for the walk-in stores:

*A two-cluster solution: (The principal components plot: Cluster #1 as circles and Cluster #2 as triangles)
 Cluster #1: Costco, Sam’s Club, JC Penny, Macy’s, Sears, Meijer, Kohl’s, Target.
 Cluster #2: Kmart and Walmart*

*A three-cluster solution:
 Cluster #1: Costco and Sam’s Club
 Cluster #2: JC Penny, Macy’s, Sears, Meijer, Kohl’s, Target,
 Cluster #3: Kmart and Walmart,*

The first two principal components of the two-cluster solution in the upper-right-hand side of Figure 1 can be interpreted as follows:

The first principal component (PC1) displays Walmart, Kmart, and Sam’s Club on the right hand side and Macy’s, Sears, and Target on the left hand side.

The second principal component (PC2) displays Costco (followed by Sam’s Club) at the top and Kmart (followed by Walmart) at the bottom.

This principal components plot shows Kmart and Walmart together (triangles) in the Southeast corner, Costco’s in the North, Sam’s Club in the Northeast, and the rest of the stores (JC Penny, Macy’s, Sears, Meijer, Kohl’s, and Target) are clustered together in the West.

| Table 6: Cluster Analysis and Principal Components Analysis | | | | | |
|---|---------|----------------|----------------------------|---------|----------------|
| Walk-in Stores | | | Online Stores | | |
| Call: hclust(d = dj.WK) | | | Call: hclust(d = dj.OL) | | |
| Cluster method : complete | | | Cluster method : complete | | |
| Distance : euclidean | | | Distance : euclidean | | |
| Number of objects: 10 | | | Number of objects: 8 | | |
| | PC1 | PC2 | | PC1 | PC2 |
| Costco | 0.9508 | 3.13474 | Costco | -4.0540 | -0.4385 |
| Kohls | -1.7089 | -0.48251 | Kohls | -0.7355 | 1.3047 |
| JCP | -1.8771 | 0.04397 | JCP | 1.1058 | 0.7649 |
| Target | -2.0936 | -1.03971 | Target | 1.0937 | 0.7380 |
| Macys | -2.7868 | 0.21376 | Macys | 0.0959 | 1.0795 |
| Meijer | -1.0531 | -0.90612 | Sams | 0.1755 | -1.5255 |
| Sams | 3.2584 | 2.10922 | Sears | 1.1900 | -2.2192 |
| Sears | -2.7868 | 0.21376 | Walmart | 1.1286 | 0.2961 |
| Kmart | 3.1249 | -2.06208 | | | |
| Walmart | 4.9721 | -1.22504 | | | |
| | PC1 | PC2 | | PC1 | PC2 |
| Min. | :-2.79 | Min. :-2.062 | Min. | :-4.054 | Min. :-2.219 |
| 1st Qu. | :-2.04 | 1st Qu.:-1.006 | 1st Qu. | :-0.112 | 1st Qu.:-0.710 |
| Median | :-1.38 | Median :-0.219 | Median | : 0.635 | Median : 0.517 |
| Mean | : 0.00 | Mean : 0.000 | Mean | : 0.000 | Mean : 0.000 |
| 3rd Qu. | : 2.58 | 3rd Qu.: 0.214 | 3rd Qu. | : 1.112 | 3rd Qu.: 0.844 |
| Max. | : 4.97 | Max. : 3.135 | Max. | : 1.190 | Max. : 1.305 |

Online Counterpart Stores

The bottom two plots in Figure 1 respectively represent a cluster analysis of the online counterpart stores and their two-cluster solution plot in the first two principal components space. Table 6 presents this information in numerical form and can be used to interpret the plots in Figure 1. Meijer and Kmart are not included in the online counterpart store analysis since there was not sufficient data for these two stores. Figure 1 generates many cluster solutions and here we present two-cluster and three-cluster solutions for the online counterpart stores:

A two-cluster solution: (The principal components plot: Cluster #1 as circles and Cluster #2 as triangles)

Cluster #1: Costco

Cluster #2: Sears, Sam's Club, Kohl's, Macy's, Walmart, JC Penny, and Target.

A three-cluster solution:

Cluster #1: Costco

Cluster #2: Sears

Cluster #3: Sam's Club, Kohl's, Macy's, Walmart, JC Penny, and Target.

The first two principal components of the two-cluster solution in the lower right-hand-side of Figure 1 can be interpreted as follows:

The first principal component (PC1) displays Costco on the left hand side and JC Penny, Sears, Target, and Walmart on the right hand side.

The second principal component (PC2) displays Kohl's and Macy's at the top and Sears and Sam's Club at the bottom.

This principal components plot shows Sears and Sam's Club (triangles) in the Southeast corner, Costco in the West, Kohl's and Macy's in the North, and JC Penny, Target, and Walmart cluster together in the Northeast corner.

CONCLUSION

This paper presents empirical evaluations of customer satisfaction with ten large US walk-in stores and the online counterparts for eight of them based on two large samples of the readers of *CR*. These findings are preliminary in nature and they should be replicated for generalizability. This study utilized aggregate data so the results are valid for the average respondent. This study asked five research questions and obtained insightful information by answering these research questions. Some main points are presented here:

1. Customers evaluated both walk-in stores and their online counterparts.
2. Customers provided their overall satisfaction with retail stores and also their underlying dimensions of overall satisfaction.
3. Six underlying dimensions of overall customer satisfaction are quality, selection, value, checkout, service, and layout.
4. Shoppers consistently rated the major walk-in stores lower than their online counterparts in their overall satisfaction and also for their six underlying dimensions of satisfaction.

5. Shoppers rated Costco the highest and Walmart the lowest in overall evaluation and also in their six underlying dimensions of satisfaction.
6. A low dimensional solution (using cluster analysis and principal components analysis) is helpful to summarize and interpret the data set for walk-in stores and also for their online counterparts.

Among the conclusions that can be drawn is that the relatively low level of customer satisfaction manifest in a Walmart may be partially offset by its practice of the low cost leadership strategy. As has been surmised elsewhere, consumers may be expecting less satisfaction in exchange for lower prices (Hess 2013). By contrast, the higher levels of satisfaction experienced by higher cost competitors may be evidence of successful non-price competition.

From a competitive analysis perspective, the relative weakness of firms “in the middle” in terms of customer satisfaction maybe more ominous: lacking the compensatory advantage of the lowest price, these firms maybe the most vulnerable to attacks on their market share. To the extent that online customers report higher levels of satisfaction, these brick and mortar “middle” retailers may be more vulnerable to nimble online retailers than has been previously documented. This is certainly a possibility for Best Buy (Reisinger 2011) and future research on the firms studied here should investigate whether in fact so-called “middle” firms do indeed tend to lose market share from new online competitors. Other authors (for example, Ries & Ries 2005) present powerful arguments for the demise of businesses that exist in the “mushy middle.”

FUTURE RESEARCH

This study is essentially empirical in nature and future researchers should develop and test theoretical models of customer satisfaction with their retail experiences. However, this study offers interesting insights into the perceptions of shoppers in comparing their walk-in and online shopping experiences. Future researchers should further analyze this and other data using sophisticated techniques like correspondence analysis to simultaneously present the variables and stores in a low dimensional space to facilitate interpretation and explanation of customer perceptions and evaluations. Future researchers should also utilize robust techniques like Partial Least Squares that do not require restrictive distributional assumptions and can provide robust results even for small samples.

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ALTRUISTIC OR OPPORTUNISTIC: CONSUMER PERCEPTION OF CAUSE-RELATED PRODUCTS

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ABSTRACT

The responses of consumers to firms engaged in charitable and cause-related activities have always been a topic for investigation. A variety of preliminary research efforts examining consumer responses to cause-related marketing (CRM) have succeeded in describing overall consumers' interpretations of and attitudes towards CRM as well as their purchase intention. Many studies have also measured how different elements of CRM campaigns affect consumers' responses; however, studies of the influence of price differentials and entrepreneur types on consumers' perception of CRM are still in initial stage. Hence, this research focuses on exploring the consumer perception of cause-related products offered by commercial and social enterprises using price differentials as the main stimuli. The results indicate that high price can have negative influence on consumer perception of companies supporting CRM campaigns, especially commercial companies. Furthermore, a sensitivity analysis shows that under the influence of price, consumers with low altruistic attitude tend to have more negative evaluation of cause-related products than those with high altruistic attitude. The findings drawn from the study make important contributions to marketing literature and managerial decisions. Based on the results, it is suggested that commercial firms should exert more efforts to alleviate the negative effect of price on consumer perception and focus on educating their potential customers about their CRM for more successful marketing outcomes.

INTRODUCTION

Nowadays, many corporations contribute to public goods through wide arrays of charitable activities including philanthropic donations, social responsibility programs or cause-related marketing campaigns. Cause-related marketing (CRM) which links purchases and product sales with donations to charities has robustly emerged as a specific form of corporate social responsibility as a result of the desire of both corporations and consumers to demonstrate their responsibility to the society (Varadarajan and Menon, 1988). CRM makes it easier for consumers to engage in philanthropic activities and helps firms to combine social responsibility with bottom-line performance, thus gaining enormous popularity since the late 80s (Varadarajan and Menon, 1988). CRM has become a vital component of a firm's marketing strategies since it responds to consumer expectations, improves corporate performance and helps worthy social causes at the same time (Varadarajan and Menon, 1988; Webb and Mohr, 1998). While contributions through CRM initiatives have gained significant recognition, what really motivates for-profit firms to do so is debatable.

Several prior studies on consumer perception of CRM suggest that consumers are aware of the conflict between the profit-maximization philosophy and the philanthropic nature of CRM activities initiated by commercial entrepreneurs (Varadarajan and Menon, 1988; Webb and Mohr, 1998). Hence, consumers tend to exhibit skeptical attitude towards the true motives of profit-driven firms supporting CRM campaigns. In the marketing literature, several studies have been conducted with regard to consumers' reaction to firms' charitable activities and a number of determinants of their perception have been acknowledged. Even though the results from those studies show a mix between consumers' altruistic and opportunistic perceptions of CRM initiatives endorsed by commercial firms, it seems that consumers have more opportunistic perception than altruistic perception of CRM as most respondents tend to think of CRM activities initiated by commercial firms as strategic marketing tactics with more firm-serving motives underneath than purely society-serving motives (e.g. Varadarajan and Menon, 1988; Webb and Mohr, 1998). Also, wide arrays of elements included in CRM campaigns (e.g., donation magnitude, product type, brand-cause fit etc.) are identified in previous studies as crucial factors shaping consumer perception toward CRM activities.

Though CRM initiatives are well established in the marketing literature, literature with respect to how consumers react to CRM pricing practices and different types of entrepreneurs in CRM is fairly silent. Studies by Subrahmayan (2004) and Berglind and Nakata (2005) provide preliminary insight into consumer responses to high product prices in CRM campaigns, suggesting that when the price of cause-related product is high, consumers tend to exhibit negative buying intent. These findings are important to marketers in CRM, but they only apply to commercial companies. Would the findings still hold when it comes to different types of entrepreneur participating in the same CRM campaigns? What kind of perception and attitude do consumers have that stimulate them to react that way to high product prices in those studies? While studies on consumer perception of CRM initiatives introduced by commercial firms are prevalent in the marketing literature, studies on consumer perception of social entrepreneurs in CRM are immensely insufficient, let alone consumer perception of social entrepreneurs' pricing strategies in CRM. Hence we lack the understanding of consumer interpretations of and reactions to CRM and CRM pricing strategies adopted by social entrepreneurs. Thus, this study will focus on opportunistic and altruistic consumer perceptions of cause-related products sold at different price levels and by two different types of enterprises: for-profit entrepreneurs and social entrepreneurs.

This study will assess consumers' perception of cause-related products offered by profit-driven companies and social entrepreneurs using scenario-based methodology. The remainder of this paper is structured as follows: firstly, it reviews the previous academic literature in the field of cause-related marketing, social entrepreneurship and consumers' perception of CRM initiatives introduced by different enterprises. Secondly, through four experimental scenarios and follow-up surveys, the paper delves in depth into consumers' views and evaluations of the experimental cause-related products with the purpose of investigating whether their opportunistic and altruistic perception of cause-related products and CRM activities change when price and entrepreneur type change. Finally, based on the insights established from the survey results, a number of relevant theoretical and managerial implications and suggestions are drawn with

regard to how enterprises can increase the altruistic perception and lesson the opportunistic consumers' evaluation of their cause-related marketing activities.

LITERATURE REVIEW

Cause-related marketing

Emerging in the USA in the early 1980s, cause-related marketing (CRM) has attracted much attention from profit-driven, non-profit firms as well as consumers (Ross et al, 1992). Evolved as a specific form of corporate social responsibility initiative (Bronn and Vrioni, 2001), there are various definitions for cause-related marketing. The most quoted definition is that of Varadarajan and Menon (1988, p.60), that cause-related marketing is “the process of formulating and implementing activities that are characterized by an offer from the firm to contribute a specified amount to a designated cause when customers engage in revenue-providing exchanges that satisfy organizational and individual objectives”. A broader definition of CRM includes: “the general alliance between businesses and non-profit causes that provide resources and funding to address social issues and business marketing objectives” (Cui et al, 2003, p.310). Another scholar, Marconi (2002), defines CRM as “the action through which a company, a nonprofit organization, or a similar entity markets an image, a product, a service, or a message for mutual benefit”. Generally, even though the range of definition of CRM is extensive, the core element of CRM is that it is the marriage between profit-driven entities and social causes or charities in which both parties are entitled to certain benefits (Varadarajan and Menon, 1988). Cause-related marketing campaigns are often run for a certain period of time, with a particular product to appeal to customers and to benefit a specific charity or cause (Kotler and Lee, 2005).

From an innovative concept and campaign initiated by American Express in the 1980s, CRM has become a prominent marketing tool and a “highly sophisticated marketing strategy” which marketers eagerly embrace (Varadarajan and Menon, 1988). CRM was able to gain enormous popularity in the past years because it offers a solution to firms that seek a combination between profits and philanthropy (Varadarajan and Menon, 1988). It allows consumers to donate to a cause when purchasing a certain product since a proportion of the product sale price will be extracted to contribute to the cause (Varadarajan and Menon, 1988). With cause-related marketing, donating to a cause has never been this simple and convenient to consumers (Duf, 2003). In this sense, CRM brings benefits to firms since they can increase sales and publicity, satisfies consumers' desire to behave responsibly and altruistically and helps supporting social causes (Varadarajan and Menon, 1988). Even beyond that, similar to corporate social responsibility, CRM can help firms enhance corporate prestige and credibility (Duff, 2003), attract talented employees and improve corporate image (Carroll and Shabana, 2010) and develop competitive advantages (Kotler and Lee, 2005). That is why CRM has gradually become an established and integral element of the marketing mix (Kotler and Lee, 2005). Today, hardly does a day pass without us finding marketing campaigns or promotional advertisements illustrating philanthropic aspects of firms and products everywhere in the world.

According to Svensson and Wood (2011), CRM can be started by either a for-profit corporation, a non-profit corporation or the cooperation of both for-profit and non-profit entities

to support a social cause. This cooperation occurs when a for-profit organization seeks partnership with a non-profit organization that has already been supporting a significant and reputable cause in the marketplace or when a non-profit entity seeks out for support from a for-profit institution (Svensson and Wood, 2011). Beside CRM which is widely endorsed and employed by various segments of the society, there is a new kind of business that is innovative and purely focuses on solving social problems. That new business is called social entrepreneurship. In other words, social entrepreneurship can be understood as an alternative form of business that genuinely focuses on social concerns while still being able to balance sustainable and profitable venture (Roberts and Woods, 2005)..

Social entrepreneurship, commercial entrepreneurship and their “altruism”

This section will present a brief introduction of social entrepreneurship and provide an explanation of social entrepreneurs’ motives and ethical challenges as opposed to their for-profit cohorts.

Literature offers various flexible definitions of social entrepreneurship. Basically, there are two main approaches when it comes to the definition of social entrepreneurship: the first approach emphasizes intentions and outcomes of social entrepreneurship, and the second approach focuses on the opportunities and needs of social enterprising. For the first approach, a popular definition of social entrepreneurship is “innovative efforts to solve persistent social problems of poverty and marginalization that, to some extent, have been successful in increasing their impact and catalyzing social transformation” (Alvord et al., 2004, p. 137). On the practitioner side, the Schwab Foundation for Social Entrepreneurship defines it as “applying practical, innovative and sustainable approaches to benefit society in general, with an emphasis on those who are marginalized and poor” (Schwab Foundation, 2008). For the second approach, social entrepreneurs are those who “realize where there is an opportunity to satisfy unmet needs that the state welfare system will not or cannot meet and who pool the necessary resources” (Thompson et al, 2000). Some other definitions attempt to combine these two approaches together. For instance, social entrepreneurs are also often referred to as those who encompass “the activities and processes undertaken to discover, define, and exploit opportunities in order to enhance social wealth by creating new ventures or managing existing organizations in an innovative manner” (Zahra et al, 2009). Additionally, Dees (1998), Nicholls (2006) and Yunus (2006) defined social entrepreneur as a “change agent” who “is committed to making a difference in the world” according to the following criteria:

Adopting a mission to create and to sustain social value; recognizing and relentlessly pursuing new opportunities to serve that mission; engaging in a process of continuous innovation, adaptation, and learning; acting boldly without being limited by resources currently in hand; and exhibiting a heightened sense of accountability to the constituencies served and for the outcomes created (p.4).

From the viewpoint of motive and opportunity utilization, while commercial entrepreneurs are largely driven by profit maximization with financial returns being the benchmark for their performance (Austin et al, 2006), social entrepreneurs attempt to combine

both social and economic goals when pursuing a particular opportunity (Dorado, 2006). They seek and exploit opportunities for social changes and improvement rather than profitable gains. Based on the motives of the business, the difference between commercial entrepreneurs, social entrepreneurs and non-profit entrepreneurs becomes clear. Organizations with profit maximization as their sole objective are not considered social entrepreneurs (Zahra et al, 2009). Likewise, for-profit organizations endorsing philanthropic activities or conducting socially responsible endeavors and non-profit organizations disregarding the economic implications of their operations also fall outside the domain of social entrepreneurship (Zahra et al, 2009).

Indeed, the dichotomy between social entrepreneurship and commercial entrepreneurship is prevalent in literature as they are mostly depicted as two opposing forms of entrepreneurship (Austin et al, 2006; Dees, 1998; Nicholls, 2006; Collins and Nadin, 2011). As mentioned earlier, while commercial entrepreneurship is portrayed as being for-profit oriented (Austin et al, 2006; Collins and Nadin, 2011), social entrepreneurship is depicted as having social or environmental objectives and regardless of being for-profit or not, they will eventually reinvest their profits in the society to create more social values (Dees, 1998; Emerson and Twersky, 1996). However, in recent years, this dualism of entrepreneurship has constantly been challenged. Study by Collins and Nadin (2011) proposes that most entrepreneurs are not purely either profit-oriented or society-oriented; instead, they both have commercial and social rationales for their business. This means commercial and social entrepreneurs are now no longer seen as two distinct types of entrepreneurship; they are on a continuum from purely commercial entrepreneurship to purely social entrepreneurship, meaning some commercial entrepreneurs may have stronger social motives and some social entrepreneurs may be even more capitalist in orientation than others (Collins and Nadin, 2011). Though the study's results of Collin and Nadin are still subject to several limitations and need more solid evidence, it can be inferred from the study that social entrepreneurs can become the target of consumers' suspicion and negative evaluations if they find out these social entrepreneurs apply too much for-profit motives into their organizations and become too commercialized. Also, despite the increasingly acknowledged importance of social entrepreneurship, concerns over the ethical side of social entrepreneurs' activities still prevail. Pressured by the desire to generate as much social wealth as possible, social entrepreneurs might end up manipulating and coercing others to gain support or compliance (Zahra et al, 2009). For instance, they may spin and stretch the truth to obtain more funding from donors or gain more support from their patrons, or attempt to avoid competition with other ventures in the market (Zahra et al, 2009). Even though these conducts may reflect the ambition of social entrepreneurs to bring about the best social wealth to their communities, they are ill in nature and can nurture their potential opportunism as well as expose social entrepreneurs to consumers' criticism.

Even though social entrepreneurship has been the subject of considerable interest in literature, little research has been done to examine consumer perception of and attitude towards this business segment. When social entrepreneurs initiate CRM campaigns, would they be able to yield better consumer responses than their commercial fellows? Would they fall prey to consumer skepticism when they set high product price? It would be very helpful to understand how consumers perceive social entrepreneurs in CRM campaigns and how they would react when the motives of social entrepreneurs is in doubt.

THEORETICAL FRAMEWORK AND HYPOTHESES

Consumer perception of CRM campaigns

The overwhelming number of firms irrespective of being non-profit or profit-driven in nature engaging in cause-related marketing has made the real motives of those firms a puzzle to consumers. Since consumer perception of CRM campaigns immensely influence their the success of CRM, there has been a substantial volume of studies of consumers' perception of and responses to CRM campaigns in order to explore how consumers interpret and react to CRM offers (Bronn & Vrioni, 2001; Singh et al., 2009; Webb & Mohr, 1998).

Varadarajan and Menon (1988) have noted the thin line between the positive and negative consumers' perception of CRM campaigns. On the negative side, according to Varadarajan and Menon (1988), the same characteristics that make CRM a vital marketing tool such as communication channels mainly adopted in advertising, the requirement for consumers to make a purchase in order to donate or the likelihood of financial gains for firms etc. now become the reason CRM is vulnerable to suspicion and criticism (Varadarajan and Menon, 1988). They contend that CRM campaigns are also susceptible to criticism because consumers do not have sufficient knowledge and awareness of CRM concept and its social contributions, thus they doubt the real motives of firms behind CRM initiatives (Varadarajan and Menon, 1988). Even more pessimistic is the conclusion of Ptacek and Salazar (1997) that claims, "CRM is about sales, not philanthropy." Study by Dahl and Lavack (1995) points out that profit-driven firms are more subject to criticism than non-profit firms and they have long been the targets of negative consumers' affective and behavioral responses. Those possessing negative reactions towards CRM campaigns are highly skeptical about the firm's motives and the implementation of its charitable campaigns (Webb and Mohr, 1998). In their eyes, profit-driven firms promoting CRM campaigns may have more self-serving purposes more than altruistic purposes, and profit-driven firms may just exploit the social causes in order to achieve what they want (Webb and Mohr, 1998). Another explanation for skeptic consumer perception of for-profit firms in CRM campaigns is that compared to direct donations, philanthropy and sponsorship, for-profit firms using CRM as an indirect approach to solve social issues require consumers to make a purchase, which is a clear benefit to them, while other activities may not require consumers to make any effort or sacrifice (Lii and Lee, 2012). This is why commercial firms engaging in CRM usually succumb to consumers' suspicion of their motives (Bae and Cameron, 2006).

On the positive side, other studies have shown favorable consumer response to CRM. For example, predicated upon how involved they are with the cause, consumers may have positive responses to CRM conducted by profit-driven firms even though they fully acknowledge the commercial and non-commercial benefits firms will yield (Webb and Mohr, 1998). Studies by Ross et al (1992) and Berger et al (1996) indicate that CRM may result in positive consumer attitude towards the firm, its products and the NPO involved. Also, those studies' results provide significant evidence demonstrating consumers' supportive attitude towards CRM as most of them think CRM is a good way to raise money for a social cause. It is also worth noticing that consumers tend to think about CRM campaigns of firms as activities embedded in the firms'

corporate social responsibility (an obligation) rather than philanthropic activities (purely altruistic act) (Webb and Mohr, 1998).

So, why is consumer perception so important to companies? Why is it the focus of this research? It is because consumers are the main participants and one of the most crucial stakeholders of any companies and their commercial activities; their ethical demands are so powerful that they can take control of the success and failure of the entire marketing campaign of any firms and directly influence firms' operation and strategic decision-making (Patrick et al, 2003). In recent years, consumers have become highly aware of the consequences of their consumption habits and formed a market segment often referred to as "ethical consumers" (Patrick et al, 2003) who try to support social changes and movements through their purchase behavior (Webb and Mohr, 2005). Studies by Berger et al (1996) and Webb and Mohr (2005) assert that once consumers are conscious of the fact that firms are making efforts to support the society through their business activities, they are likely to have positive opinion and develop a satisfied attitude towards those particular firms, its products and the causes. Thus, they are more willing to purchase the products and even willing to switch brands so as to support socially responsible firms and products (Webb and Mohr, 2005). Beyond the increasing willingness to purchase products, consumers with good attitude towards the CRM campaign are more willing to pay higher prices as a way to show their support for the cause and reward the companies for being socially responsible (Carvalho et al, 2010). For example, study by Rains (2003) shows that when consumers trust and believe that a CRM campaign supported by a firm is sincere, 78% of them are likely to buy the product sold by that firm; 62% of them would switch brands or retailers, and 54% agree to pay more the product. Inversely, if consumers have negative evaluation of the benevolent act of firms, they would significantly reduce their purchase intention and even demand for lower prices (Carvalho et al, 2010). More pessimistically, once negative perception is established, consumers can go as far as avoiding or boycotting such "hypocritical" products and companies (Luo, 2004; Zhou et al, 2007).

In sum, prior studies suggest that consumers have more negative perception of CRM than positive perception. Consumers' perception of CRM has direct impact on their buying intention and thus dictates the success of any marketing campaigns. While altruistic consumer perception could elicit favorable buying patterns from consumers and result in high sales, opportunistic consumer perception causes reduction in sale figures and other extreme responses including boycott. Thus, it is important for marketers of CRM campaign to fully understand consumer perception towards their products and campaigns in order to avoid skepticism and undesirable consumer purchase behavior.

Determinants of consumer perception of CRM campaigns

Since consumer perception of and responses to CRM campaigns are complicated whose underlying reasons are difficult to observe and understood, it is essential to explore what affects consumers' perception of CRM campaigns. Past studies have identified a number of CRM determinants that play crucial roles in affecting consumer's perception of CRM initiatives, firms and their products.

Effects of product type: Strahilevitz and Myers (1998)

Effects of cause and brand-cause fit: Lafferty (1996), Pracejus and Olsen (2004)

Effects of donation magnitude: Dahl and Lavack (1995) and Holmes and Kilbane (1993), Folse et al (2010)

Effects of consumers' awareness: Bronn and Vrioni (2001)

While previous studies have offered insights about how product decisions may alter opportunistic and/or altruistic perception of cause-related products, this study examines whether and how price shapes consumers' evaluation of cause-related products. Price is one of the four principle marketing mix variables that vitally influences an organization's strategies, its success and development. In literature, product price is widely investigated several contradictory important effects of price have been proved. For instance, in terms of product quality, low price is often associated with low product quality and defaults whereas high price is regarded as a signal for high product quality (Biswas et al, 2006). From a different perspective, while high price may be considered an abusive act of manufacturers to increase their bottom-line performance and thus reduces consumers' buying intention of products (Campbell, 1999), low price can be seen as a promised refund from manufacturer by consumers who are financially restrained, thus stimulates their buying intention (Biswas et al, 2006). Since price has been proved to have considerable effect on consumers' perception, it is instructive to examine its role in determining consumer perception in CRM.

Hypotheses

In a nutshell, price is a prime determinant of consumers' buying intention when they are presented with different choices. However, how price is perceived when it comes to cause-related products and how such price fairness perception would affect consumer perception of the entire CRM campaign are still unknown. Thus, this study aims to fill this gap by investigating how consumers perceive the altruistic and opportunistic motives of both commercial and social entrepreneurs engaging in CRM campaigns based on the product price. Four hypotheses were proposed:

H1 Price increases the opportunistic perception of cause-related product

H2 The increasing effect of price on opportunistic perception of cause-related products is stronger for commercial entrepreneurs than for social entrepreneurs

H3 Price reduces the altruistic perception of cause-related product

H4 The reducing effect of price on altruistic perception of cause-related products is stronger for commercial entrepreneurs than for social entrepreneurs.

METHODOLOGY

Approach

In order to better understand the altruistic attitude of the respondents and their previous philanthropic experience, they were presented with a survey consisting of 6 questions taken from the self-report altruism scale by Rushton (1981) and 1 question regarding their past purchase experience of cause-related products. In order to test the hypotheses, the respondents were exposed to four test CRM scenarios. Each participant was presented with a hypothetical situation in which they are supposed to have the need to consume coffee and an 11lb (250g) package of coffee is being offered in the market. The scenario explained that for each unit of coffee bag sold, the manufacturer would donate 10% of the profit to support the poor coffee farmers in less developed countries.

The size of the coffee package and the donation size remained unchanged for the four test campaigns, however, the types of the manufacture and the price of the packages are manipulated in order to investigate consumer responses to different types of entrepreneurs and prices when it comes to cause-related products. Each respondent was only exposed to one test scenario and was unaware of the existence of the manipulations of the type of entrepreneurs and price in other scenarios. The four scenarios were the combinations of:

Scenario 1: commercial entrepreneur, low price

Scenario 2: commercial entrepreneur, high price

Scenario 3: social entrepreneur, low price

Scenario 4: social entrepreneur, high price

Subsequently, the respondents were asked to rate some items taken from the study by Ross et al. (1992) and other questions on a 5-point Likert scale in order to assess their altruistic and opportunistic perception and buying intention of the product given. The questions used for this study are provided in the Appendix at the end of the paper.

The respondents were undergraduate and graduate students participating in the 2013 International Student Festival in Trondheim, Norway. Students were chosen as the target group for this survey because they are the emerging potential market with powerful cumulative spending and previous studies have also shown that CRM advocates are often young and educated (Webb and Mohr, 1998). After 9 responses were deleted due to incomplete or missing data, a final sample of 219 was ready to be used for analysis. Sample distribution is as follows:

| Demographics | Frequency | Percentage |
|-----------------------------------|------------------|-------------------|
| Gender | | |
| Male | 87 | 39.73 |
| Female | 132 | 60.27 |
| Age | | |
| 16-25 | 197 | 89.95 |
| 25-30 | 17 | 7.76 |
| More than 30 | 5 | 2.29 |
| Monthly allowances | | |
| Less than 500 | 89 | 40.64 |
| 500-1000 | 91 | 41.56 |
| More than 1000 | 39 | 17.81 |
| Philanthropic purchase experience | | |
| Yes | 187 | 85.39 |
| No | 32 | 14.61 |

Variables

Dependent variables: Reliability tests using Cronbach's alpha were run to check the reliabilities of the two constructs used to test hypotheses: altruistic perception and opportunistic perception. The altruistic consumer perception variable was constructed from 3 measures taken from the study of Ross et al (1992) and had a reliability coefficient of 0.75, which was acceptable since it exceeds the threshold of 0.7 (Nunnally, 1978).

The consumers' opportunistic perception variable was constructed from the items taken from the study of Cheron et al (2012). When the reliability of consumers' opportunistic perception was measured, Cronbach's alpha checking showed a remarkably low reliability of only 0.35, which is unacceptable for the internal consistency of the construct (Cronbach, 1951). The reliability coefficient of this measure still remained low even after each item was respectively deleted in the hope of reaching a higher reliability level. In fact, the reliability coefficient of the original consumers' perceived commercial motives of CRM campaigns in Cheron's study was also low (0.55). Therefore, the three measures for opportunistic perception were then rechecked using an exploratory factor analysis in order to find out the question with the highest reliability level among them. The result of the exploratory factor analysis shows that Item 1 ("The Company is taking advantage of the cause") has the highest factor loading (0.4716 as opposed to 0.289 and 0.3114 of item 2 and item 3), thus it was retained to be used for further analysis. When reviewing the 3 items, item 2 and 3 ("The Company will be able to attract more customers with this offer" and "The Company offers donation to set a high price") seem to be less straightforward than item 1, thus they might have elicited a subtle altruistic perception of the company's motives and misled the respondents. This was confirmed by the comments received from the respondents after they finished the questionnaires. One respondent explained that since the firm was supporting a good cause, the more customers it was able to get, the more it could contribute to the cause, thus "being able to attract more customers" may be interpreted as totally reasonable and ethical. Another respondent noted that even though the firm was exploiting the

cause for profit-generating purposes, it was undeniable that the firm was in fact helping the society to a certain extent; therefore it might be unfair for the firm to be condemned as being opportunistic. As a result, it could be concluded that only item 1 could purely denote opportunistic perception, so it was retained as the sole construct for this variable.

Independent variables: In order to ensure the correctness of price measurement, the price variable (price fairness) was created based on 2 measures: the manipulated price given in the experimental scenarios and the respondents' perceived expensiveness of the aforementioned price. Considering that the respondents in the experiment come from different countries with diverse socio-economic situations and living standards, a certain price level in this country might be ridiculously low or high in another one. Since this study focused on investigating the influence of price differentials on the consumer perception of cause-related product, it is essential that the product price provided in the experiment be appropriately perceived as intended to prevent misleading results.

The price provided in the distributed scenarios consisted of high price and low price, with high price being \$15 for a 250g bag of coffee and low price being only \$7 for the same commodity. When analyzed, high price was coded as "1" and low price was coded as "0". Based on that, the respondents were asked whether they thought the price given in their situations expensive or not by rating the expensiveness of the product price on a 5-point Likert scale. Answers that rated the expensiveness of the product price from 1 to 3 were coded as "0", meaning the respondents perceived the product price as low. On the contrary, 4 and 5 ratings were coded as "1", meaning the respondents perceived the product price as expensive. After that, the 2 constructs of price were compared and combined in order to form the price fairness variable. The results are as follows:

As shown in the table below, when low price was perceived as low and when high price was perceived as high, there was a match between the product prices given and the perceived expensiveness. This formed the new price variable and was used for analysis. A mismatch between the experimental price and the perceived expensiveness (e.g. price was low but was perceived by respondents as expensive, or high price was perceived as inexpensive) was left out during analysis process.

| Product price given | Perceived expensiveness | Results | Inclusion |
|----------------------------|--------------------------------|---|------------------|
| 0=Low price | 0=Inexpensive | Match between price and price perception | Yes |
| | 1=Expensive | Mismatch between price given and price perception | No |
| 1=High price | 0=Inexpensive | Mismatch between price given and price perception | No |
| | 1=Expensive | Match between price and price perception | Yes |

Other independent variables used in this research were the entrepreneur types: commercial and social entrepreneur. Commercial entrepreneurs were coded as "0" and social entrepreneurs were coded as "1" when analyzed.

Control variable: In order to prevent any external influence that may affect the respondents' answers, the altruistic attitude control variable was established. This variable was constructed using 6 items taken from the Self-Report Altruism Scale (SRAS) by Rushton et al (1981). These items were measured on a 5-point Likert scale with 2 extreme points labeled as “strongly agree” and “strongly disagree”. Cronbach's alpha checking showed a reliability coefficient of 0.68, which was questionable but still in an acceptable range in order not to reduce the statistical significance of the test (Cronbach, 1951). Keeping construct with internal consistency below the threshold of 0.7 is not unusual in previous studies in this research area (e.g. Cheron, 2012; Creyer and Ross, 1997), so this construct was still retained.

| Table 3: Scale validity | | | | |
|--|--|--|---|---------------------------------------|
| Variable | Item | Correlation of each item to scale | Cronback's α without each item | Cronback's α |
| Altruistic attitude Rushton et al (1981) | I enjoy helping people even when I do not know them well | 0.4278 | 0.6475 | 0.6895 |
| | I like to help people who are less fortunate than I am | 0.4667 | 0.6392 | |
| | I am a very sympathetic person | 0.4217 | 0.6392 | |
| | I have given money to a charity | 0.4453 | 0.6406 | |
| | I have donated goods or clothes to charity | 0.4712 | 0.6314 | |
| | I have done volunteer work for a charity | 0.3465 | 0.6864 | |
| Altruistic perception Ross et al (1992) | Selling this product is a good way to help this cause | 0.6539 | 0.60 | 0.75 |
| | The company is acting responsibly by helping the farmers | 0.5385 | 0.73 | |
| Opportunistic Perception (Cheron et al, 2012) | The company and its product allow me to contribute to the society | 0.5820 | 0.68 | 0.3513 |
| | The company is taking advantage of the cause | 0.3296 | – | |
| | The company will be able to attract more customers with this offer | 0.1359 | 0.3824 | |
| | The company offers donation to set a high price | 0.1515 | 0.3637 | |

ANALYSIS AND RESULTS

The hypotheses in this research were tested using ANOVA. H1 and H3 were analyzed using one-way ANOVA test to check the effect of price on consumers' opportunistic and altruistic perception of cause-related products. The remaining H2 and H4 were tested using two-way ANOVA in order to examine the main effect and the interaction effect price and entrepreneur. The results are presented in Table 5.

| Hypothesis | SS | df | MS | F | Sig |
|-------------------|-----------|-----------|-----------|----------|------------|
| H1 | 8.317 | 1 | 8.317 | 7.91 | 0.005 |
| | 190.240 | 181 | 1.051 | | |
| H2 | 6.89 | 1 | 6.89 | 7.01 | 0.008 |
| | 0.308 | 1 | 0.308 | 0.31 | 0.577 |
| | 12.954 | 1 | 12.954 | 13.19 | 0.0004 |
| | 175.865 | 179 | 0.982 | | |
| H3 | 0.407 | 1 | 0.407 | 0.55 | 0.461 |
| | 134.948 | 181 | 0.745 | | |
| H4 | 0.377 | 1 | 0.377 | 0.6 | 0.441 |
| | 0.942 | 1 | 0.942 | 1.49 | 0.224 |
| | 0.657 | 1 | 0.657 | 1.04 | 0.309 |
| | 113.062 | 179 | 0.632 | | |

The result shown in Table 5 indicates that there is a significant difference in the level of opportunistic consumer perception under the influence of two levels of product price ($F=7.91$; $p<0.01$). Thus H1 was supported.

The result suggests that even though the type of entrepreneur alone did not have any significant impact on the opportunistic perception of the cause-related product ($F=0.31$; $p=0.577$), when interacting with the price, there was a significant interaction effect on opportunistic perception ($F=13.19$; $p<0.001$). From this result, it can be concluded that even though earlier result (H1) confirmed a significant effect of price on the opportunistic perception of cause-related product, this effect was only prevalent in commercial entrepreneurs (social entrepreneurs were hardly affected). Hence, H2 was also supported.



As observed in the above figure, for social entrepreneurs, price manipulation had very little effect on how opportunistically cause-related products may be perceived by consumers: the opportunistic perception of the CRM campaign remained almost stable regardless of the change in price. In contrast, for commercial entrepreneurs, there was a sharp increase in the consumer opportunistic perception of the cause-related product when price was perceived as higher, signifying an impact of price on the opportunistic perception of cause-related product offered by commercial firms. The two lines representing the opportunistic perception of commercial and social entrepreneurs crossed, indicating a largely significant interaction between price and entrepreneur type. In other words, when it came to cause-related marketing campaign, while consumers may not notice the price rise of the cause-related product sold by social entrepreneurs, they may be more sensitive to the price change by commercial entrepreneurs and thus price rise may be more harmful to commercial firms than to genuinely social entrepreneurs.

In terms of consumer altruistic perception of cause-related product, there was a non-significant effect of price on the extent to which the investigated cause-related product was perceived as altruistic ($F=0.55$; $p=0.461$). In other words, no matter how low the price of cause-related product was, it would not be perceived as more altruistic.

The result of ANOVA test shows insignificant effect of entrepreneur type ($F=1.49$; $p=0.224$) and the interaction between price and type of entrepreneur ($F=1.04$; $p=0.309$) on the altruistic perception of cause related products of commercial and social entrepreneur, thus showing limited support for H4.

In order to examine whether there exists any other factors that influenced respondents' perception of the experimental cause-related products, a two-way ANOVA test was conducted to test the impact of altruistic attitude on altruistic perception of cause-related products at different price levels. The results indicate that even though price had no significant effect on consumer altruistic perception (which was in line with the abovementioned result), altruistic attitude alone ($F=6.85$; $p<0.01$) and altruistic attitude when interacting with price differentials ($F=3.24$; $p<0.05$) did significantly influence how altruistically consumers perceived the CRM campaign. The results of regression analysis following this reveal that for consumers with high altruistic attitude, price has no significant influence on how altruistically they perceive CRM. By contrast, for those with lower altruism level, high price significantly reduces their altruistic perception of cause-related products ($t=2.61$; $p=0.01$). Based on these results, it can be convinced that high altruistic attitude may be one of the reasons why the participants in the surveys did not change their altruistic perception of the cause-related product even though they may have noticed the differences in price levels and entrepreneur types. Hence, as long as firms were supporting the society and using their products to help the less fortunate, regardless of whether they are commercial entrepreneurs or social entrepreneurs, highly altruistic consumers would see them as equally acting out of their real kindness and responsibility.

DISCUSSION AND MANAGERIAL IMPLICATIONS

In sum, price and type of entrepreneur have been examined as independent determinants of consumer response to cause related product. The hypothesized impact of price was in general supported by the study. The impact of price on the consumer opportunistic perception of cause related product sold by both types of entrepreneur found more solid support than that on the altruistic perception. As mentioned earlier, for commercial entrepreneurs, when the price was high, the opportunistic perception of cause-related products was also high whereas the altruistic perception of cause-related product exhibited a decreasing tendency. This means commercial entrepreneurs are actually susceptible to negative consumer perception when they participate in cause-related marketing campaigns. At a lower price level, they may be seen as hardly opportunistic and even as almost equally altruistic as social entrepreneurs. In contrast, at a higher price level they would be considered as less sincere and being exploiting the cause to gain more commercial profits. It can be concluded that when it comes to cause-related marketing campaigns, despite the identical price settings of products and size of donations, commercial entrepreneurs still run the risk of being perceived as more self-interest oriented than their social counterparts and price changes are more likely to harm them than others. Does this mean commercial entrepreneurs' attempts to support charitable causes are meaningless? The answer is definitely "no"; instead, the results suggest several ways to help profit-driven firms relieve the detrimental effects of price on the opportunistic perception of their potential customers. For instance, upon deciding to support a social cause, commercial entrepreneurs must be fully aware of this prejudice of consumers and be careful when designing the price range and planning any price rise during a cause-related marketing campaign in order to avoid skepticism and criticism. Commercial entrepreneurs can demonstrate extra efforts, genuine involvement in and responsibility to the cause to counter charges of opportunism. They can also display long-term

commitment to the cause (Arnott, 1994), repeat their cause-related marketing claims on different communication channels with consumers to increase the reliability of their claims (Hawkins et al, 2001) or weaken negative consumer attitude (Tormala et al, 2004).

The impact of price on both opportunistic and altruistic perception of cause-related product offered by social entrepreneurs found only limited support, meaning that social entrepreneurs might be more favorably viewed by consumers and might be immune to harm brought about by price. In other words, social entrepreneurs are able to set a high price in the first place or raise the already established price when supporting a cause because they would not be considered as more abusive or unscrupulous than when they sell product at a low price. This gives them an advantage over commercial entrepreneurs in the market of cause-related products.

On the other hand, price has no significant influence on the altruistic perception of socially responsible products sold by either commercial or social entrepreneurs, indicating that reducing product price would not make these entrepreneurs more altruistically perceived. This means respondents saw no difference between commercial and social entrepreneurs when they both got involved in charitable marketing campaigns. Moreover, the finding that price is positively associated with consumers' opportunistic perception, but not negatively associated with consumers' altruistic perception may indicate that perceived opportunism and altruism may not be on a continuum. This implies that altering consumers' altruistic perception and opportunistic perception may require different strategies.

CONTRIBUTIONS AND LIMITATIONS

Theoretical contributions

This study makes certain contributions to marketing literature. Firstly, the study provides a deeper inquiry into the effect of price differentials on consumer perception of cause-related products and thus complements the limited literature on pricing strategies related to cause-related marketing. Marketing literature has paid considerable attention to factors that influence consumer perception of CRM activities, however, literature on pricing practices related to CRM campaigns is limited and how consumers perceive such pricing strategies is still unknown. Thus, by linking CRM pricing practices with consumer price fairness perception and their opportunistic and altruistic perception of cause-related products, this research adds extra values to CRM literature. The findings show that high price is more likely to be seen as unfair, and thus cause-related products sold at high price tend to be perceived as more exploitative of the social cause they are supporting than those at lower price levels.

Secondly, this study profoundly contributes to the understanding of CRM by classifying consumer perception to cause-related products based on the types of entrepreneur who sell them. Consistent with prior marketing studies, the findings of this study demonstrate that commercial entrepreneurs when supporting social causes by employing CRM activities are more subject to consumers' skepticism about their opportunistic motives than social entrepreneurs are. Consumers' cynicism of commercial firms doing CRM campaigns is higher when those firms set high price for their cause-related products. This study's findings also prove that positively perceived CRM efforts lead to positive consumers' buying intentions and negatively perceived

CRM efforts lead to negative consumers' purchase willingness, which is in line with prior studies on consumers' perception of CRM campaigns.

Limitations and future extensions

This study has a limitation involving the external validity of the study. The study adopted a scenario-based methodology in which products, companies, price and social cause were fictional in order to prevent external stimuli from affecting respondents' answers; hence the respondents were presented with limited information of the companies and the cause. In reality, consumer perception is also influenced by other external factors, so future studies may attempt to cover these external factors and examine whether they exert any influence on the way consumer perceive the motives of firms engaging in CRM campaigns. Other extensions to the study also include how demographic factors such as age; gender and income can interact with consumer perception of cause-related products. In addition to that, future studies may also attempt to investigate whether the same results still hold in different parts of the world and whether cultural differences play any role in determining consumer perception of cause-related products.

CONCLUSION

In summary, whether firms can set high product price during a CRM campaign is susceptible to substantial amount of risk, especially for commercial entrepreneurs. Since consumers have to face a trade-off when making donations through purchasing cause-related products, the more they perceive the product price as unnecessarily high, the more likely they will judge it as being "unfair", opportunistic and for firm-serving purposes. Therefore, commercial marketers wanting to affiliate business with pro-social activities should be more careful when setting price for their cause-related products, framing the donations and communicating the charitable characteristics of their campaigns to consumers. Such a conclusion should not be surprising to marketing scholars since past studies have demonstrated similar findings, however, it is very instructive of this study to identify price and entrepreneur type as important determinants of opportunistic consumer perception of cause-related products. Finally, this study sets initial step for further research on the influence of consumer's background and altruism level on their perception of CRM campaigns.

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BRAND SATISFACTION AND REPURCHASE INTENT IN THE CELL PHONE PRODUCT MARKET

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ABSTRACT

The cell phone is a ubiquitous communication device. The data provided by the International Telecommunication Union (ITU) (2014a) indicate that global cellular subscriptions per 100 inhabitants was 96.2 in 2013. Adolescents and young adults, the target audience of this study, as a group have been called the “sweet spot” of the communications industry. Continuously increasing cell phone penetration, changing technology, and the vital role of young people as early adopters of new technology make the cell phone market a fruitful area for research.

The purpose of this study is to investigate the relationship between customer satisfaction and repurchase intent in selected country markets of Finland, United Arab Emirates, China, Canada and New Zealand. Specifically the research questions are: First to investigate the overall significance of the customer satisfaction and repurchase intent relationship; second to examine how the customer satisfaction and repurchase intent relationship varies between various brands; and third to investigate the nature of the overall relationship between customer satisfaction and repurchase intent by brand.

The results indicate that there is a strong and significant relationship between customer satisfaction and repurchase intent, and also that the relationship between customer satisfaction and repurchase intent varies according to brand. Overall the nature of the relationship between customer satisfaction and repurchase intent appears to be reasonably linear above customer satisfaction levels of 3.5 (scale 1-7), but again variations from this occur at the brand level. A significant relationship between customer satisfaction and repurchase intent in the cell phone product-market was also established. Furthermore, the repurchase intent levels of the cell phone users appear to be reasonably high, and tend not to switch despite low customer satisfaction levels in contrast to other markets like computers and automobiles.

Finally, the introduction of the brand perspective into this theoretical discussion revealed significant differences between various brands so that the difference between customer satisfaction and repurchase intent seems to increase as the level of customer satisfaction decreases.

Key words: *Customer satisfaction; repurchase intent; cell phones; brands.*

INTRODUCTION

The cell phone is a ubiquitous communication device. The data provided by the International Telecommunication Union (ITU) (2014a) indicate that the cellular subscriptions per

100 inhabitants was globally 96.2 in 2013. Finland has been one of the pioneers in the adoption of mobile technology, and market penetration is currently over 1.72 mobile subscriptions per person in 2012. Cell phone penetration in the other countries of this study was 1.50 in the United Arab Emirates, 1.10 in New Zealand, 0.80 in Canada and 0.81 in China in 2012 (ITU 2014b).

Adolescents and young adults, the target audience of this study, as a group have been called the “sweet spot” of the communications industry (Charny 2002; Goldenberg et al. 2003; McVicker 2001) indicating that they are early adopters of new technology, and users of new technology applications. A review and synthesis of the literature on cell phone usage suggests that adolescents and young adults use the cell phone in different ways to their parents and other older users (Lee 2007), and therefore the study of younger users is important in the context of the cell phone product-market.

The relationship between customer satisfaction and repurchase intent has received relatively little attention in academic research in the cell phone product-market context. Economides and Grousopoulou (2009), Glasscock and Wogalter (2006), Işıklar and Buyuközkan (2007), and Van Biljon (2008) studied students’ perceptions of the importance, costs of their mobile devices’ features and services, and motivational factors in the cell phone product-market context. However, the perspective in these studies was not in terms of customer satisfaction or repurchase intentions.

Han et al. (2004) investigated the relationship between user satisfaction and design (aesthetics) features, but the scope of the research did not extend to the relationship between customer satisfaction and repurchase intent. Zhou and Nakamoto (2007) studied the impact of enhanced and unique features on product preferences and the moderating role of product familiarity, but here again the relationship between customer satisfaction and repurchase intent was not investigated. Finally Goode et al. (2005) studied the relationship between customer satisfaction and key input factors like experience of product quality, level of service charges, level of call charges, and level of satisfaction with the service provider in the cell phone product market. Haverila (2011b) studied the relationship between customer satisfaction and repurchase intent among young Finnish males, but the role of various brands in this regard was not considered.

It seems, therefore, that while various studies have investigated cell phone usage, there are few that deal with customer satisfaction and repurchase intent particularly with regard to the brand perspective. Several studies have compared customer satisfaction between genders, and have found that gender might influence customer satisfaction, particularly the drivers of customer satisfaction (Bryant and Cha 1996; Danaher 1998; Mittal and Kamakura 2001; Sanchez-Hernandez et al. 2010; Söderlund 2002).

The purpose of this paper is to investigate the relationship between customer satisfaction and repurchase intent in Finland, United Arab Emirates, China, Canada, and New Zealand with particular attention given to brand variations in the examined relationship. The research objectives are as follows: The first research objective is to investigate the overall significance of the customer satisfaction and repurchase intent relationship in this study. The second research objective is to examine how the customer satisfaction and repurchase intent relationship varies according to brand. The third research objective is to investigate the nature of the overall

relationship between customer satisfaction and repurchase intent by brand. These research questions are important given the growing importance and changing role of cell phones in contemporary culture globally. Obviously other factors (e.g., the quality of the relationship between the customer and the retailer/manufacturer, and social status (Martensen 2007)) have an impact on customer satisfaction and repurchase intent. However, the primary focus of this study is the overall relationship of customer satisfaction and the repurchase intent, and secondly on the impact this relationship has at the brand level.

This research is organized as follows. After the introduction, there is a review of the theoretical aspects of customer satisfaction and repurchase intent, and the potential role of brand in this regard. This is followed by the methodology of the research, the data analysis, and discussion section, and finally there are suggestions for future research, the managerial implications and the research limitations.

CUSTOMER SATISFACTION, REPURCHASE INTENT, AND CELL PHONES

Customer satisfaction has received a lot of attention in marketing research (e.g. Matzler et al. 1996), and numerous articles have been published over the last 40 years. Despite the extensive literature in the field, relatively little attention has been given to the subject of customer satisfaction and repurchase intent in the cell phone product-market context, particularly with regard to variations between brands.

Philip Kotler (2002, p.36) has defined customer satisfaction as the “personal feeling of pleasure resulting from comparing a product’s perceived performance in relation to his/her expectations”. Kotler (2002) also maintains that the key to customer retention, and therefore repurchase intent (Hennig-Thurau and Klee 1997; Patterson et al. 1997), is customer satisfaction. Repurchase intent or behavioral intention loyalty, for its part, has been defined as the “deeply held commitment to rebuy or repatronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior” (Oliver 1999, p.34).

Oliver (1999) claims that consumer loyalty appears at four levels: cognitive, affective, conative (behavioral intention), and action (actual behavior). Since all of these dimensions of consumer loyalty are meaningful, the focus area in current research has been on conative (behavioral intention) loyalty. An important finding in this respect is that behavioral intentions can predict behavior though usually only in moderate - high involvement/risk contexts (East et al., 2005) such as cell phones (Goode et al. 2005; Sharma and Ojha 2004; Turnbull et al., 2000). Prior research has shown that there are discrepancies between actual behavioral and conative (behavioral intention) loyalty (Lee et al. 2010; Naumann et al. 2011; Sharp et al. 2002) so that the behavioral intention, loyalty, is typically at least somewhat higher than the actual behavior, especially if measurement of behavioral intention, loyalty, is made soon after the purchase event.

The cell phone market is intensely competitive despite being a relatively new industry. As intensity of competition increases, firms operating in the cell phone product-market are more likely to maintain their current sales level, profit margin, and market share not only by keeping

their current customers, but also by aggressively pursuing new ones. Keeping current customers, however, is relatively easier than acquiring new ones, and thus the current customer base is a more dependable basis for sustained profitability (Fornell and Wernerfelt 1987; Peters 1988; Reichheld and Sasser 1990), and highlights the importance of satisfaction among this group.

Interesting aspects of the cell phone product-market are its rapid technological development, short product life-cycles (Tseng and Lo 2011), the addition of new features to cell phones, and aggressive competition between companies. When customers encounter additional technology and increased complexity in a cell phone, this can adversely affect customer satisfaction with a subsequent lowering of repurchase intent (Sangreddy et al. 2009).

Kirk Parsons, senior director responsible for the telecoms services practice at J.D. Power (Parsons 2010), has made the following observation: "*As consumers continuously upgrade their cell phones, overall handset satisfaction should continue to rise, as these devices tend to make our lives more convenient and prove entertaining. It is crucial, however, that manufacturers ensure these features are intuitive and that wireless carriers educate customers to maximize their wireless experience. While manufacturers continue to develop advanced features, they must also continue to provide a high-quality calling experience for their users.*" Nemati et al. (2010) endorse Parsons' view by showing there is a positive correlation between innovation and customer satisfaction.

Customer satisfaction has an important role in customer retention, repurchase intent, loyalty (Anderson, and Fornell 1994; Bansal and Taylor 1999; Cronin et al. 2000; Kristensen et al. 2000; Patterson, Johnson and Spreng 1997) as well as in the prevention of churn, reduction of the costs of failed marketing and of new customer creation, reduction of operating costs due to customer number increases, improvement in the effectiveness of advertising, and the enhancement of business reputation (Fornell 1992; Kim et al. 2004). More specifically previous research has found that customer loyalty creates the foundation for the sustained competitive advantage of a company and, more importantly, that the development and improvement of customer loyalty is vital for growth and performance (Lee and Cunningham 2001; Reichheld 1996). Such findings should help the manufacturers of cell phones to initiate new product development programs that seek to maximize repurchase intent and sales (Parsons 2010). At the same time, it is also true that customers' expectations are increasing, which according to the above definition of customer satisfaction, acts in a contrary way to the forces described by Parsons (2010). However, according to Kim et al. (2004), customer satisfaction, repurchase intent and loyalty in the mobile telecommunications are topics that have been somewhat neglected in the literature.

On the basis of the above observations, it may be assumed that higher satisfaction should lead to higher repurchase intent (Ball et al. 2004; Hallowell 1996; Strauss and Neuhaus 1997). Therefore the first hypothesis reads as follows:

H1 A positive relationship exists between customer satisfaction and repurchase intent among cell phone users.

Regarding the relationship between customer satisfaction and repurchase intent in a specific product-market between various brands, previous research has shown that the brand

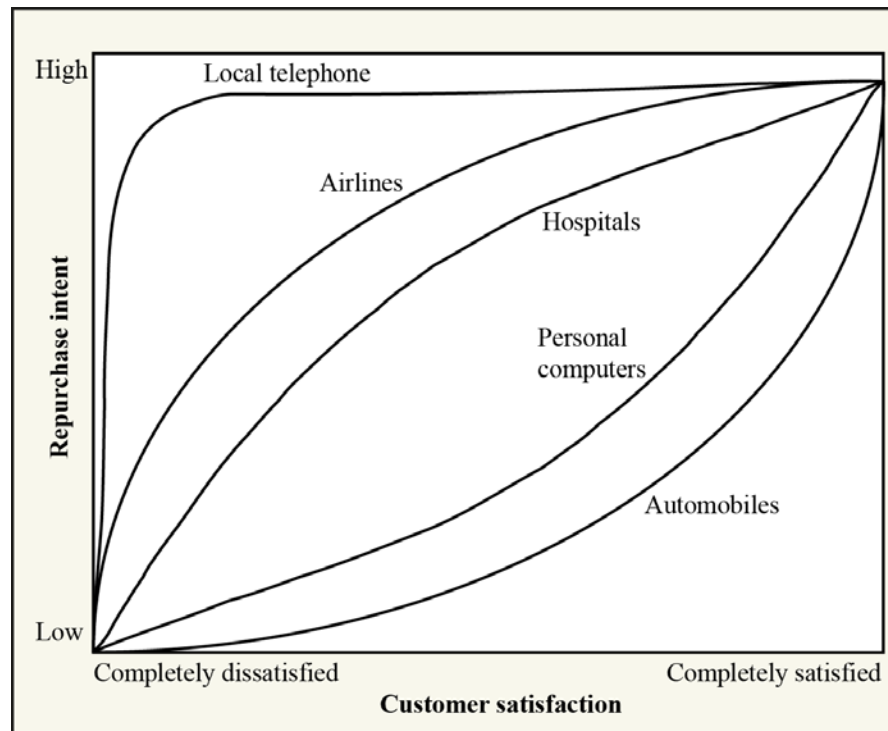
concept has multiple facets such as personality, a set of mental associations, intangible and conditional assets, clusters of functional and emotional values, as well as the actual product itself (Martisiute et al. 2010). Alarmo and Rowley (2011) identified 11 antecedents of consumer brand preference, and classified them into the following three groups: *awareness antecedents* (controlled communication (advertising), and uncontrolled communication (publicity, word of mouth)); *image antecedents* (service value attributes (price, quality), provider attributes (brand personality, country of origin, service (employee + location)), and corporate status (corporate image, corporate reputation)) and, *customer attribute antecedents* (satisfaction, perceived risk, and reference group). Although these studies did not consider the differences in customer satisfaction *per se* between various brands in a specific product-market context, it is reasonable to assume that certain variations in customer satisfaction exist. It is safe to assume, however, that customers experiencing a high level of satisfaction with a particular brand are also likely to remain loyal to the brand, with the probability of repurchase. In China, for example, Wang et al. (2007) claim that the strength of the customer satisfaction and loyalty relationship in the cell phone product-market varies according to segment. In this context it would be interesting to discover if significant differences exist in the customer satisfaction and repurchase intent relationship regarding various brands in the cell phone product-market, and also if the relationship changes at the various levels of customer satisfaction. The next hypothesis, therefore, reads as follows:

H2 In the cell phone product-market the relationship between customer satisfaction and repurchase intent among the respondents varies according to brand.

While customer satisfaction can be regarded as an essential precondition, it does not necessarily assure repurchase intent. The relationship is not always linear, although the relationship is positive (Fornell 1992; Söderlund 1998) and affected by market structure, customer type and idiosyncratic approaches to problem solving (Kim et al. 2004). Jones and Sasser (1995) have found that factors such as monopolistic competition, lack of substitutes, absence of dominance in brand equity, high cost of switching, powerful loyalty programs, and proprietary technology serve to strengthen the relationship between customer satisfaction and loyalty. Conversely, if the products in the industry are seen as commodities, if there are numerous substitutes, if customers are indifferent, and if there is a low cost of switching, the relationship between customer satisfaction and loyalty becomes weaker. Following the reasoning of Jones and Sasser (1995) in sectors such as automobiles and personal computers where the cost of switching is low, loyalty programs are weak overall, and if there are numerous competitors and products, the relationship between customer satisfaction and loyalty should be moderate at best. In other words even reasonably high levels of customer satisfaction should not lead to high loyalty or repurchase intent (Figure 1). The nature of the relationship can, therefore, be said to be “concave upsweep” as opposed to “concave downsweep” (Mathworks 2012) as is the case in the local telephone, airlines and hospital industries in Figure 1. Naturally, the more concave the relationship, either upsweep or downsweep, between customer satisfaction and repurchase intent, the weaker is the relationship between these two constructs. On the basis of the foregoing discussion, the next hypothesis reads as follows:

H3 The nature of the relationship between customer satisfaction and repurchase intent among the respondents is not linear but rather upsweep concave and hence similar in this respect to the automobile and computer sectors of the Jones and Sasser study (1995).

Figure 1 Relationship between customer satisfaction and repurchase intent (Jones and Sasser, 1995)



As stated earlier, there has been only a limited amount of research into the relationship between customer satisfaction and repurchase intent in the cell phone product-market. While other factors are involved in this relationship, higher satisfaction should lead to higher repurchase intent (Smith 2007). Furthermore the nature of this relationship in the cell phone product-market will be another focal area of the present study.

METHODOLOGY

Sample

The respondents to the research questionnaire were students from high schools and universities in Finland, United Arab Emirates, China, Canada, and New Zealand. The principals of the high schools were first approached by asking their permission for students to participate into the research. The principals then approached their students with an E-Mail describing the

nature of the study and an Internet link to the questionnaire. In the case of the universities, the business school was first approached for permission to conduct the research. A representative of the business school then sent an E-mail to the undergraduate students describing the study along with the Internet link to the questionnaire.

The respondents ranged between 14 and 52 years of age. The number of respondents in the study was 1326, of whom 408 were from Finland, 190 from United Arab Emirates, 314 from China, 280 from Canada and 134 from New Zealand. The average age was 19.73 (standard deviation 3.40). Bartlett et al. (2001) describe the determination of basic sample size using Cochran's (1970) general rule for acceptable margin of error for continuous data in the social sciences. In terms of Cochran's original formula as well as the correction formula, it was concluded that the sample size in this research exceeded recommended levels in each country.

Measurement And Questionnaire Development

In addition to asking the current brand of the cell phone used, we also asked the students to indicate their customer satisfaction and repurchase intent with their current cell phone. For this question they responded using an Internet or paper-based questionnaire with a Likert-type scale 1-7 (1= very unsatisfied, 7= very satisfied, and 1= very low repurchase intent, 7= very high repurchase intent). The decision to use an Internet questionnaire was made for convenience since sending questionnaires back and forth would be hampered by the distant locations of the respondents. The use of an Internet questionnaire also had the advantage of helping to ensure that the respondents answered all questions and it also minimized the need to input data since this provides data in digital format. The language of the questionnaire was English in all countries except in China where the questionnaire was translated, first from English to Chinese, and then back to English by a different set of translators. If any issues emerged, the differences were discussed and resolved by the translators.

METHODOLOGY

The JMP 1-2-3-software by SAS was used for the statistical analysis. To meet our first two research objectives a simple correlation analysis was performed in order to study the relationship of customer satisfaction and repurchase intent (Hair et al. 2006). Finally, in order to meet our third research objective, we examined the nature of the relationship between customer satisfaction and repurchase intent by means of a simple two-dimensional graph, similar to the approach of Jones and Sasser (1995).

DATA ANALYSIS AND DISCUSSION

Descriptive Statistics

The overall level of customer satisfaction and repurchase intent among the respondents was 5.34 (standard deviation 1.63) and 5.03 (standard deviation 1.71) respectively. Of 1326 respondents, 196 (14.8%) gave a below center score (4) for customer satisfaction, and 208

(15.7%) gave a below center score (4) for the repurchase intent. Consistent with the findings of previous studies, the customer satisfaction and the attitudinal loyalty (repurchase intent) levels are also similar to those in the study among tweens by Martensen (2007). However, while such levels may be considered to be high, it should be noted that they are in fact characteristic of the product-market (Jones and Sasser, 1995) as discussed in the theoretical framework.

HYPOTHESES TESTING

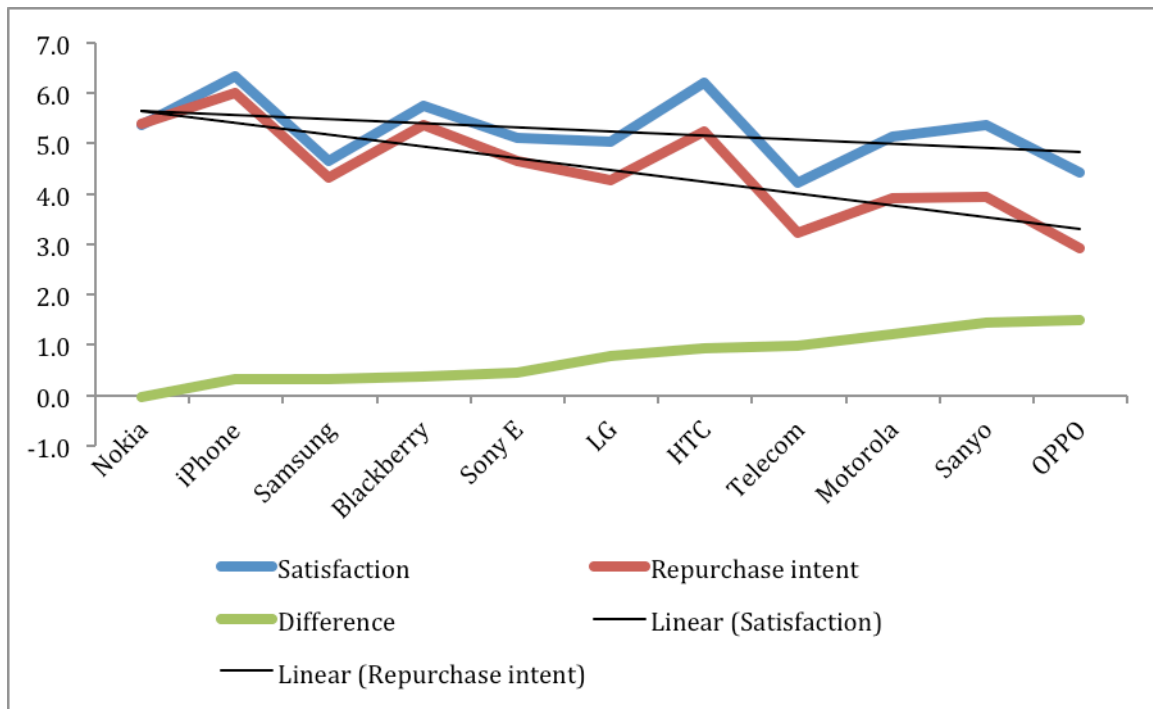
Relationship Between Customer Satisfaction And Repurchase Intent

To respond to the first research question, a simple correlation analysis was performed. The results indicate a significant overall correlation (0.488) between customer satisfaction and with repurchase intent (significance level < 0.0001) confirming the strong relationship between these variables. Therefore hypothesis 1 is supported.

Regarding the second research question, which considers customer satisfaction and repurchase intent at the brand level, it is apparent that the levels of customer satisfaction and repurchase intent vary by brand. The overall levels of customer satisfaction and repurchase intent of the 11 most common brands are presented in Table 1. Here it is evident that significant differences exist between the brands and thus hypothesis 2 is supported. The highest customer satisfaction levels are held by iPhone, HTC, Blackberry, Sanyo and Nokia, and the lowest by Telecom (a brand of a telecommunications service provider), Oppo (a Chinese brand), and Samsung. The highest repurchase intent was reported for iPhone, Nokia, Blackberry and HTC, and the lowest by OPPO, Telecom, Motorola and Sanyo.

| Brand | N | Customer satisfaction | | Repurchase intent | | Difference |
|------------|-----|-----------------------|---------|----------------------|---------|------------|
| | | Mean | Std Dev | Mean | Std Dev | |
| Nokia | 591 | 5.371 | 1.682 | 5.408 ^{*)} | 1.541 | -0.038 |
| Sony E | 99 | 5.121 | 1.734 | 4.667 ^{*)} | 1.672 | 0.455 |
| Samsung | 139 | 4.655 | 1.550 | 4.317 ^{*)} | 1.757 | 0.338 |
| HTC | 20 | 6.200 | 1.196 | 5.250 ^{*)} | 1.682 | 0.950 |
| iPhone | 122 | 6.336 | 1.140 | 6.008 ^{*)} | 1.358 | 0.328 |
| Blackberry | 128 | 5.758 | 1.396 | 5.367 ^{*)} | 1.468 | 0.391 |
| Motorola | 22 | 5.136 | 1.246 | 3.909 ^{**)} | 1.571 | 1.227 |
| LG | 91 | 5.044 | 1.577 | 4.264 ^{*)} | 1.943 | 0.780 |
| Sanyo | 32 | 5.375 | 1.314 | 3.938 | 0.246 | 1.438 |
| Telecom | 9 | 4.222 | 1.716 | 3.222 ^{*)} | 2.438 | 1.000 |
| OPPO | 12 | 4.417 | 1.165 | 2.917 | 1.443 | 1.500 |

^{*)} indicates 0.001 significance, ^{**)} indicates 0.05 significance

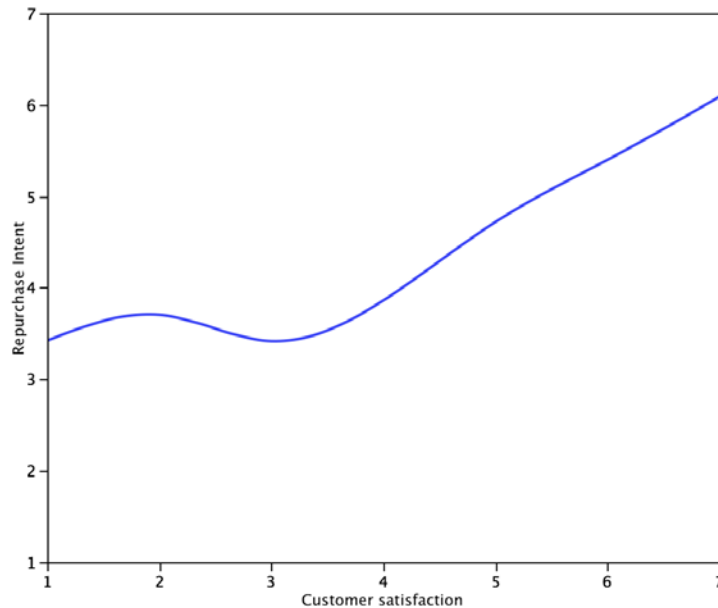
Figure 2 Customer satisfaction and repurchase intent of various brands

For all brands the relationship was significant at the 0.0001 level except the Motorola brand where the relationship was significant at a level of 0.05. For the Sanyo and OPPO brands there was no significant relationship between customer satisfaction and repurchase intent despite the relatively large differences between the customer satisfaction and repurchase intent ratings (see Figure 4). The overall relationship between customer satisfaction and repurchase intent is further illustrated in Figure 2. It is interesting to note that the repurchase intent was higher than customer satisfaction for the Nokia brand at the time of the study while for all other brands the repurchase intent ratings were lower than customer satisfaction.

The Nature Of The Relationship Between Customer Satisfaction And Repurchase Intent

As mentioned above, the relationship between customer satisfaction and repurchase intent was significant and strong (correlation 0.488; $t < 0.0001$). To respond to the third research question, a graph was made to depict the relationship between customer satisfaction and repurchase intent (Figure 3). The relationship is interesting and does not closely conform to any of the industry depictions of the relationship between customer satisfaction and repurchase intent in the Jones and Sasser (1995) study. Between the customer satisfaction levels of 3 and 7 it is apparent that the relationship is linear. Below these levels of customer satisfaction, repurchase intent is about 3.5 which indicates that although customer satisfaction is low, customers' repurchase intent remains at moderate and stable levels. Therefore hypothesis 3 is not supported.

Figure 3 The overall relationship between customer satisfaction and repurchase intent in the cell phone product-market



From this, it can be claimed that the cell phone product-market has much in common with the personal computer or automobile industry when customer satisfaction exceeds level 3. These industries are characterized by a lack of monopolistic competition, a large number of substitutes, low dominance of brand equity by any single manufacturer, low cost of switching, lack of loyalty programs, and proprietary technology (but none dominating). There is also a similarity between the Jones and Sasser (1995) graph (Figure 1) for the automobile and computer industry, and Figure 3 in that a high customer satisfaction level (6-7) seems to be associated with rather lower levels of repurchase intent (5-6).

Differences to the Jones and Sasser graph (1995) appear when customer satisfaction is below a level of 3. It appears that customers with customer satisfaction scores below 3 hit a plateau of approximately 3.5 in their repurchase intentions. This suggests that such customers would still consider buying the same brand despite reporting very low levels of customer satisfaction.

The graph below was devised to further investigate by brand the nature of the relationship between customer satisfaction and repurchase intent.

Figure 4 The relationship between customer satisfaction and repurchase intent in the cell phone product-market at brand level (Nokia=1, Sony Ericsson =2, Samsung=3, HTC =4, iPhone=5, Blackberry=6, Motorola=7, LG=8, Sanyo=9, Telecom=10, and OPPO=11)

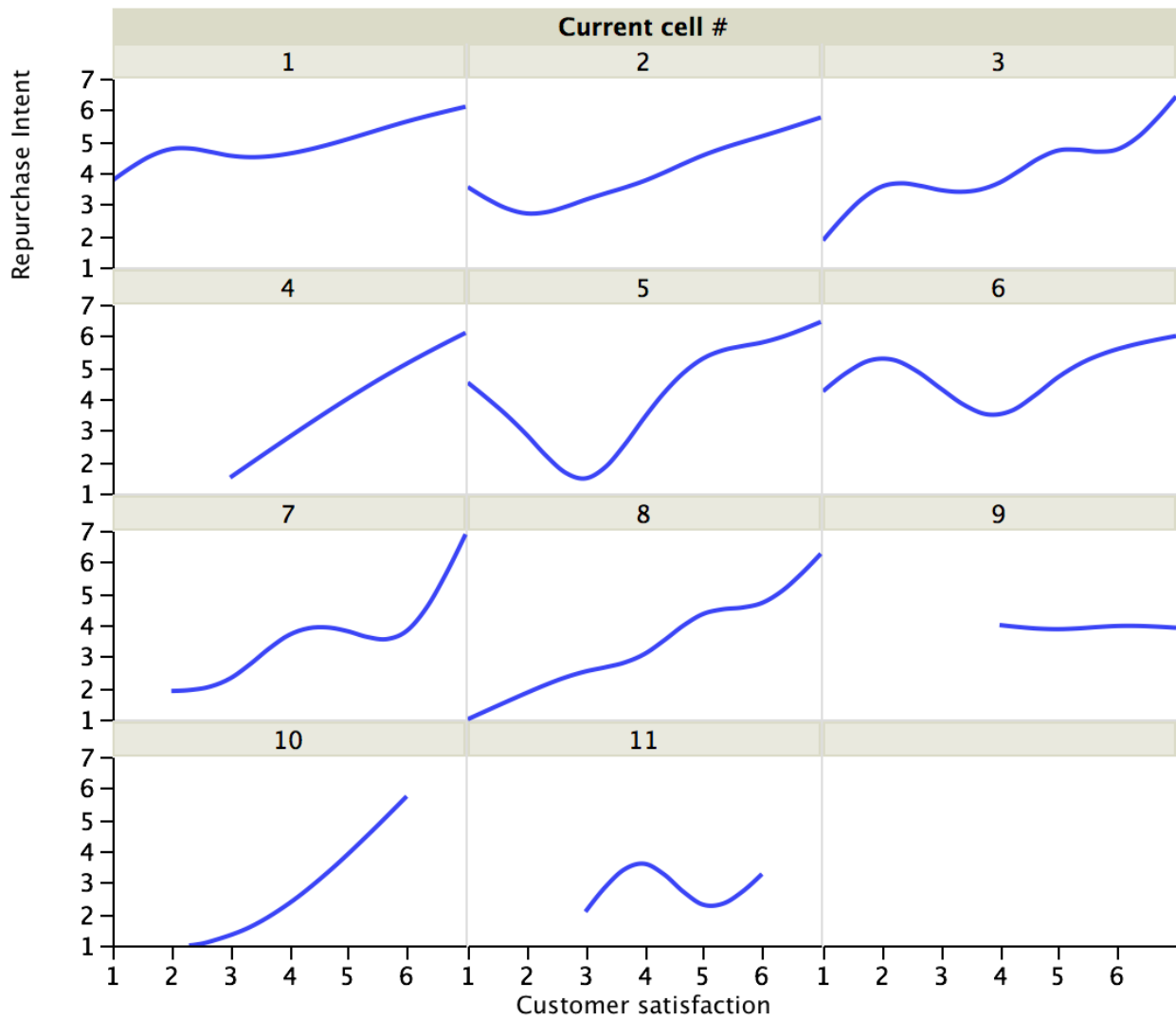


Figure 4 shows there is no significant relationship between customer satisfaction and repurchase intent regarding the Sanyo and OPPO brands. In terms of the nature of the relationship between the two research constructs in Figure 4, the significant relationship with all other brands can be clearly discerned. In the case of the Nokia brand, the fore mentioned plateau level with respect to repurchase intent level seems to be slightly higher than in Figure 2, which shows all brands together. In the case of HTC, even moderate levels of customer satisfaction seem also to be associated with very low levels of repurchase intent. The case of the Apple iPhone brand is also quite interesting since the relationship between customer satisfaction and repurchase intent resembles a U-shape, implying that at moderate levels of customer satisfaction (≈ 3) the repurchase intent is very low ($\approx 1-2$), but at very low levels of customer satisfaction the

repurchase intent surprisingly rises to a level of 4. The relationship between customer satisfaction and repurchase intent appears to be reasonably linear in the case of Sony Ericsson, Samsung, HTC, LG and Telecom. In the case of Motorola and Blackberry the relationship is more uneven and the repurchase intent levels for the Blackberry brand do not fall below level 3 at any level of customer satisfaction.

GENERAL DISCUSSION

The purpose of the study was to investigate the relationship between customer satisfaction and repurchase intent in Finland, United Arab Emirates, China, Canada and New Zealand. A significant and strong relationship was found. This did not, however, apply to all the brands presented in this study. In the case of Nokia, Sony Ericsson, Samsung, HTC, iPhone, Blackberry, Motorola, LG and Telecom brands a clear and significant relationship between customer satisfaction and repurchase intent, was shown to exist though this did not apply to the Sanyo and OPPO brands.

The graph showing the relationship between the customer satisfaction and repurchase intent shared similarities with its counterpart in the automobile and computer product-markets presented in the Jones and Sasser (1995) article, though only at customer satisfaction levels above 3. The repurchase intent appeared to be at plateau level of about 3.5 when customer satisfaction levels were below 3. As with the results of a study conducted by Haverila (2011b), this may be explained by the evolution of technology. In the latter study with a sample of young Finnish males, the plateau level of repurchase intent was somewhat higher at a level of 4.0. In another study (Haverila 2011a and b) it is claimed that if the customers are dissatisfied with their current cell phone, but are aware of better technology in a newer brand from the same manufacturer, they will stay with this manufacturer since they are already familiar with the user interface and features (Kim and Srinivasan 2009). Further, Tseng and Lo (2011) found that when customers are not satisfied with their current cell phone, and perceive next-generation cell phones as being easier to use and more useful than their current cell phone model, they are more likely to upgrade to next-generation models. It is possible that familiarity with a user interface and features acts as a barrier against switching to another cell phone brand. This behavior has been found to significantly impact customer retention (Keaveney 1995; Lam et al. 2004; Mittal and Lassar 1998) also in the cell phone industry (Oyeniya and Abiodun 2010).

MANAGERIAL IMPLICATIONS

This research has several managerial implications. The first is the important and significant relationship that exists between customer satisfaction and repurchase intent in the cell phone product-market. This is underlined by the fact that, overall, cell phone users in Finland, United Arab Emirates, China, Canada, and New Zealand have reasonably high repurchase intentions, and tend not to switch despite low customer satisfaction levels. This might be an indication that there are barriers to switching behavior that discourage users to change their existing cell phone brand. These variables can either pull (external impact) or push (internal

impact) the customer to switch to a competing brand. Familiarity with the user interface of the current cell phone brand, for example, does not push the customer to switch to another cell phone brand. Another example here is the BlackBerry Messenger (BBM), which is a proprietary Internet-based instant messenger which initially allowed users to chat free of charge with other BlackBerry users. Other factors which might encourage the customer to switch are complaint handling, perceived price levels, service, level of expectations and quality and quantity of cell phone applications.

It is also apparent that the nature of the customer satisfaction and repurchase intent relationship varies according to brand. In some cases this is because the repurchase intent level stayed at a fairly high level (above 3) in spite of a much lower customer satisfaction level. It seems, therefore, that some of the cell phone manufacturers have been able to minimize the impact of the push factors by having excellent user interfaces, applications, complaint handling and service. These companies have also been able to minimize the impact of the external pull factors by having an excellent reputation and image, and attractive prices.

The findings also show some similarities to the findings of the Jones and Sasser (1995) study of the automotive and computer industry. These are characterized by a multitude of different models in the market, intense global competition, and low switching barriers between brands. This is the case, however, only when the customer satisfaction level exceeds a level of 3 on a 1-7 scale (1=low, 7= high customer satisfaction/repurchase intent). It is of course important to note that 85.2% (1127 out of 1323 respondents) gave an equal or higher than the center score (4) for customer satisfaction. Below a customer satisfaction level of 4 the repurchase intent level plateaued at a level of 3.5.

LIMITATIONS OF THE STUDY AND FUTURE RESEARCH

This study, like any other, has its limitations. The research approach adopted here is somewhat exploratory, and the validity of the results in other settings should, therefore, also be investigated. The countries in the study were Finland, United Arab Emirates, China, Canada, and New Zealand. Despite a fairly wide range of countries from geographical, cultural and cell phone penetration points of view, it is possible that greater geographical diversity might have improved the validity of the results. The relationship between customer satisfaction and repurchase intent therefore needs further investigation with a larger sample size and different country settings.

The sample in this study is obviously biased towards respondents who are interested in the use of cell phones. It is likely, however, that this is an unnecessary concern since cell phone penetration is reasonably high in all countries present in this study.

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THE IMPACT OF CONSUMER SHOPPING EXPERIENCE ON CONSUMER CHANNEL DECISION

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ABSTRACT

The primary goal of this study is to examine the role that consumers' shopping experience plays when consumers choose online or shopping malls to shop. We also investigate whether their channel choice vary across the product categories. Prior research has investigated both consumer and channel factors that affect consumer's choice of shopping channels.

The authors conducted a mail survey of a random sample of 2,500 consumers, half women and half men, from 20 of the largest metropolitan areas in the U.S. to collect information regarding a consumer's channel choice between online and physical stores for five product categories: clothing, electronics, books, toys, and video/music.

For each category, multiple regression analysis was conducted with percentage share of purchase online or at the mall as dependent variables. The results showed that consumers who choose to shop online for these products are not seeking aforementioned shopping experience. Second, the more consumers recognize the mall to be the source of activities and destination for clothing shopping, the more likely they would shop online. On the other hand, the uniqueness of the mall likely draws consumers back to the mall.

The results of this study should provide retailers, online or offline, with managerial insights to attract shoppers with some caveats. First, shopping mall operators may want to explore approaches that can bring convenience to consumers without compromising its role of providing multifaceted shopping experiences. Second, although special events and activities can increase traffic, it does not increase clothing expenditure for shopping malls.

INTRODUCTION

Today consumers can make purchases through multiple channels, such as traditional brick and mortar retailers, online retail sites, and catalogs. Although traditional physical stores still contribute to major share of the retail sales, internet sales has grown at a much faster speed, reaching 6 percent of total retail spending in the fourth quarter of 2013, nearly doubling their share from 2006 (Merrick, 2014). While \$155 billion worth of consumer goods were bought online in 2009, a far larger portion of offline sales were influenced by online research. Forrester estimated that \$917 billion worth of retail sales in 2009 were "Web-influenced." It also estimated that online and web-influenced offline sales combined accounted for 42 percent of total retail sales and that percentage will grow to 53 percent by 2014, when the Web will be influencing \$1.4 billion worth of in-store sales (Mulpuru *et al.*, 2009). For most Americans, mall is their destination for major purchases. But online retail sites have effectively reduced the mall traffic especially for those with similar types of merchandise. In order to understand consumer decision

making process on which channel to shop, it is important to understand their shopping motives that drive them to various venues.

Mall research has shown that today's mall patrons are more leisure driven than in the past (Nicholls *et al.*, 2002). Consumers seek entertainment and a sense of community in their trips to shopping malls (Forseter, 2000). Consumers also appear to be drawn to the idea of a "return to Main Street" which features more social interaction and a communal atmosphere. Therefore, managers of shopping malls implement more value for their customers, not only monetary but experiential value, into the consumers' shopping trips (Mathwick *et al.*, 2001). In other words, mall managers are redefining their business as not just an assembler of merchandise or a service provider, but also as "an experience stager" (Pine & Gilmore, 1999, p. 12). Some shopping center owners have been working toward this direction to create new meanings associated with the "shopping experience". For example, malls host a wide range of activities, from fashion shows to children's carnivals to attract families with kids. Teenagers are likely to be drawn to the mall by live concerts and celebrity appearances. Some mall managements organize walking clubs for others to draw people into the mall (Haeberle, 2001).

The primary goal of this study is to examine what role consumers' shopping experience plays in their choice of shopping venues between online retail sites and shopping malls. Furthermore, we will investigate whether the decision making of their channel choice varies across the product categories. The results of the study should offer a useful tool to investigate the effectiveness of retailers' efforts and to identify the optimal mix of channels that may help achieve the best financial and experiential outcome.

REVIEW OF LITERATURE

Consumer Shopping Experience

In contrast to the "information processing model," advocates of the experiential aspect of consumption recognized the symbolic, hedonic, and aesthetic nature of consumption (Holbrook *et al.*, 1984). Instead of viewing a consumer as a problem-solver focused on a certain goal, the experiential view emphasized that consumers perform tasks in order to pursue pleasure and gain enjoyment. More importantly, three dimensions of experiential consumption were identified: fantasies, feelings, and fun (Holbrook & Hirschman, 1982). A recent study by Tsai (2010) confirmed the managerial importance of each of these three experiential factors.

Based on experiential consumption theories, an experiential view of retailing takes a different view of the consumer's motivation to shop. Earlier research shows that consumers shop not only to find a better value, but also for social interaction and enjoyment (Tauber, 1995). These social shopping motives include: (1) social experiences outside the home, (2) communication with others, especially those with similar interests, (3) peer group attraction reflecting a desire to be with one's peer group or a reference group to which one aspires to belong, (4) status and authority, and (5) pleasure of bargaining (Tauber, 1995). Balasubramanian *et al.* (2005) when consumers shopping for socialization and relaxation, the "atmospherics of the shopping environment" becomes a main driver of channel choice (p. 14). More interestingly, they found that the physical search for gifts can lend a greater symbolic meaning and that this

“symbolism may also render the shopping process itself more meaningful and rewarding” (p. 15). Hu and Jasper’s (2006) analysis provided evidence that the more social cues present, the more positive a store’s image becomes. In response to consumer’s need for augmented shopping experience, internet sellers have tried to broaden their customer base by recreating aspects of this community shopping experience through creating message boards and live chat features for consumers to talk with each other (Reardon & McCorkle, 2002). For successful businesses, the shopping experience becomes “something as real as any service, good, or commodity” (Mascarenhas *et al.*, p. 398).

Retail atmosphere also plays a role in shaping consumer’s shopping experience. Hu and Jasper’s (2007a) interviews with shoppers 55 years and older revealed that negative feelings towards malls arose when a store did not provide ample seating when and its employees lacked product expertise. Negative emotions toward a channel’s atmosphere “lower both hedonic and utilitarian shopping value” (Babin & Attaway, 2000, p. 93). In contrast, investing in physical capital and an ambient environment can help business.

To better understand consumer shopping experience in catalog and Internet settings, Mathwick *et al.* (2001) furthered Holbrook’s (1994) work to create a four-dimension value of experiential consumption. These four dimensions included consumer return on investment, service excellence, playfulness, and aesthetic appeal. This study demonstrated that the experiential values mentioned above predict Internet preference and patronage intention (Mathwick *et al.*, 2001).

The most significant efforts toward measuring consumer shopping experience are done by Hu and Jasper (2007b). They devised a scale to measure consumers’ shopping experience and to examine how it affects shopping mall patronage. The improved scale includes 22 items with 8 dimensions: escapism, browsing, socialization, activity, clothing, uniqueness, service, and aesthetics (see Appendix). The results show clothing shopping is key to driving mall visits. Both clothing shopping and a mall’s uniqueness determine average amount spent during each mall visit. Consumers who look to malls for social experiences are more likely to shop with others. Consumers who like to browse in the mall are more likely to explore without the intention to buy. The authors evaluated convergent and discriminant validity, established nomological validity, and found support for the predicative validity. This consumer shopping experience scale is used in this study.

Consumer Channel Choices

Prior research has investigated both consumer and channel factors that affect consumer’s choice of shopping channels. Focusing on channel factors, Palmer’s (1997) study of multichannel shopping illustrated that traditional stores benefit from having a more elaborate and physical display of products. Dholakia *et al.* (2005) also noted the greater role of geography and atmospherics for traditional stores, as well as the greater ability for one to inspect goods. In addition, shopping at a store provides greater social interactions and entertainment; this provides hedonic experiences for consumers often unavailable through other channels. Zhang *et al.* (2010) cited these advantages of traditional stores while also highlighting the ability to pay in cash and the immediacy of acquiring goods this channel provides.

Though most continue to shop at brick-and-mortar stores, consumers may instead choose to search and buy goods over the Internet. Consumers' price sensitivity has been found to be higher regarding the online channel than other channels (Palmer, 1997; Degeratu *et al.*, 2000). Schoenbachler and Gordon (2002) similarly remarked that "Although the Internet did not create the trend of buying on price, it has accelerated the trend", thereby creating a more consumer-centered and price sensitive marketplace (p. 44). Degeratu *et al.* (2000) found that beyond price sensitivity, the more brand knowledge consumers have, the more likely they will adopt an online retailer.

In surveying the consumption behavior of female shoppers, Kukar-Kinney *et al.* (2009) found that those with compulsive buying habits were significantly more likely to shop online, and those with less compulsive buying tendencies were more likely to shop at brick-and-mortar stores. This is because "the Internet offers the opportunity to buy frequently, at any time, and unobserved" (p. 298).

In addition, customers who are willing to take on greater risks (i.e., have lower risk aversion) are more likely to shop online (Chen and He, 2003; Dholakia *et al.*, 2005). Finally, a consumer's perceived value of time is proved to be important when deciding on the shopping channels. More specifically, a consumer who would favor online shopping considers avoiding a shopping trip as producing far more benefits than waiting for the book delivery purchased online (Hsiao, 2009). Zhang *et al.* (2010) also emphasized the time and effort saved by shopping online, noting that consumers can buy products from the safety of their homes. Pookulangara (2010) found that those who become used to shopping online generally found the discussed benefits so strong that they chose not to switch channels back to brick-and-mortar stores.

A complex series of factors influences the channel in which a consumer chooses to shop. For example, heavy apparel shoppers who are more involved and innovative with fashion are more likely to choose to shop online (Goldsmith & Flynn, 2005). Cho and Workman's (2011) recent survey results of college students largely support these conclusions.

Research also indicates that consumers who have search motivation had are more likely to purchase online (Yang *et al.*, 2007). In studying the channel choice of rural shoppers, Lennon *et al.* (2009) and Johnson *et al.* (2005) found that, especially for clothing items, consumers' dissatisfaction with local selection increases shopping online. As shoppers' search costs are low for a few common products in brick-and-mortar stores, some scholars have argued that traditional stores should focus on their competitive advantage on these popular products while Internet retailers should focus on niche products that would otherwise have high search costs (Brynjolfsson *et al.*, 2009).

Incorporating many of the discussed factors related to consumer behavior, Reardon and McCorkle (2002) structured a consumer model for channel choice decisions and illustrated the tradeoffs between "the relative opportunity costs of time, costs of goods, pleasure derived from shopping, perceived value of goods, and relative risk of each channel" (p. 179). On the other hand, Forman *et al.* (2009) examined the effect of offline transportation costs and online disutility costs (e.g., expensive and slow shipping, difficulty returning products, and difficulty inspecting products) on channel choice decisions. Using Amazon.com and retail sales data, the authors concluded that when a new bookseller opens in an area there is a decrease in online sales

for popular books in that area. This supports the idea that, consumers will avoid internet channel for common and popular items due to the burdensome wait time. Mehra *et al.* (2011) investigated the determinants of channel choice and uniquely focused on the effect that previous channel choices have on later decisions. The authors discovered that once consumers have physically inspected products from a store, in later shopping efforts they are more likely to buy from the retailer's online channel.

More and more, traditional retailers are expanding their presence to the internet so that one company can make use of the various advantages provided by different channels (Zhang *et al.*, 2010). In their study of multichannel stores, Kim and Park (2005) concluded that when brick-and-mortar retailers have a good reputation and provide positive shopping experiences their consumers are more likely to also shop on the internet channel of that same store. These results indicate the advantages for integrating channels in order to attract and keep a wider array of consumers.

Limitations of Existing Research

It is evident that all views above recognize consumers as more than information processors. Shoppers also seek fun and pleasure during buying and consuming. It is also agreed that the experiential aspects of consumption and shopping experience are important to consumers' attitudes toward a retailer, thus affecting their choice of where to shop. However, existing research has fallen short of examining the role of the shopping experience in consumer's channel choice between online retail sites and physical stores, such as shopping malls.

RESEARCH METHODS

The above review of the literature leads to a research design involving conducting a mail survey to examine the effect of shopping experience on consumer channel choices. A random sample of 2,500 consumers, half women and half men, from 20 of the largest metropolitan areas in the U.S., was used in this research. In the first round of mailing, each individual received a cover letter, a copy of the questionnaire, and a postage-paid return envelope, all of which were professionally prepared. Questionnaires were stamped with an identification number for the purpose of monitoring the follow-up process. About three weeks later, a follow-up postcard reminder was sent to those respondents who had not yet replied. About three weeks later, a third mailing was sent to all survey recipients who had not yet responded. This last mailing contains a new cover letter, which did not specify a due date but rather emphasized the importance of responding; another copy of the questionnaire; and a return envelope.

After the three mailings, 282 responses were received, a response rate of 11%. The researchers investigated a possible non-response bias by comparing data collected from initial survey respondents with data received from follow-up respondents, but found no significant difference. Two hundred and nineteen of the returned surveys were usable. The respondents' characteristics are displayed in Table 1. Compared to the general population, the respondents are predominantly older, white, females who are more educated, and have a higher household

income. Researchers need to take these facts into consideration when attempting to apply the study's findings to the general population.

| CHARACTERISTIC | PERCENTAGE OF SAMPLE (N=219) ^a |
|------------------------------------|---|
| Sex | |
| Male | 23.3 |
| Female | 76.7 |
| Marital Status | |
| Never married | 8.2 |
| Divorced | 9.5 |
| Married | 69.8 |
| Widowed | 8.2 |
| Separated | 1.3 |
| Living with a partner | 3.0 |
| Age | |
| 25 or younger | 2.6 |
| 26-35 | 10.6 |
| 36-45 | 22.0 |
| 46-55 | 24.7 |
| 56-65 | 20.7 |
| 66 or older | 19.4 |
| Education | |
| High school or less | 17.7 |
| Associated or 2 year college | 21.2 |
| Bachelor's | 32.9 |
| Graduate | 21.6 |
| Others | 6.4 |
| Ethnicity | |
| European American | 79.1 |
| African American | 10.0 |
| Latino American | 6.1 |
| Asian American | 3.9 |
| Pacific Islander | 0.4 |
| Other | 0.4 |
| Employment Status | |
| Full time | 51.8 |
| Part time | 14.6 |
| Not working | 33.6 |
| Annual Household Income Before Tax | |
| Less than 25k | 13.6 |
| Between 25k and 49999 | 20.0 |
| Between 50k and 99999 | 38.4 |
| Between 100k and 199999 | 17.7 |
| Between 200k and 299999 | 6.60 |
| 300k and above | 3.70 |

^a Percentage may not add up to 100 because of rounding.

The first part of the survey contains questions probing a consumer's channel choice between online and physical stores for five product categories: clothing, electronics, books, toys, and video/music. The questions ask respondents to assign a number to indicate the percentage of

purchase that was completed through online or malls. For example, for consumer electronics, I spend _____% at shopping malls. The second part of the survey contains the 22-item shopping mall experience measurement scale developed by Hu and Jasper (2007b). The last part of the survey includes demographic questions.

RESULTS AND FINDINGS

Consumer Shopping Experience

In this study, confirmatory factor analysis of consumer shopping experience measure showed a good fit ($\chi^2=312.49$, $p=0.00$; GFI=0.90; CFI=0.98; NNFI=0.97; RMSEA=0.052; Standardized RMR=0.049). The reliability of each dimension is also acceptable, ranging from 0.64 to 0.87. The factor loadings range from 0.69 to 0.98.

Multiple Regression Analyses

For each category, multiple regression analysis was conducted with percentage share of purchase online or at the mall as dependent variables. The independent variables include 8 factors of Consumer Shopping Experience and consumer characteristic attributes such as age, gender, education, income, and number of children. Table 2 demonstrated those regression models that are tested statistically significant.

Among the five product categories we examined, the regression models prove to be significant for their share of purchases in the mall. Toy is the only product category that the regression model proves to be significant for its online share of purchase.

For share of clothing purchases at the mall, mall being the clothing shopping destination seems to be the strongest predictor of the clothing purchase at the mall, followed by the uniqueness of the mall. The activities that take place in the mall, which is intended to increase the mall patronage, showed negative impact on clothing purchases at the mall. Finally, as consumers get older, their share of clothing purchase at the mall increases.

For share of electronics purchased at the mall, two shopping experience factors showed significant effects. The fact that a shopping mall allows for browsing seems to be negatively related to share of electronics purchase at the mall. The more a consumer uses mall as the destination for clothing purchases, the more likely the consumer will purchase electronics at the mall. Consumer's income is negatively correlated to the electronics purchase at the mall, whereas a consumer's age is positively correlated to the electronics purchase at the mall.

For share of book purchases at the mall, none of consumer shopping experience factors seem to play a role here. However, two consumer characteristics, income and education level, have negative impacts on the share of book purchases at the mall.

For share of toy purchases at the mall, two shopping experience factors only weakly correlated to the mall share of toy purchases, uniqueness, and mall esthetics. More specifically, consumers seem to increase their toy purchases at the mall if the mall is perceived to be unique. However, the esthetic decoration of the mall seems to be negatively related to their toy expenditure at the mall. The higher the consumer's income, the less likely they will shop for

toys at the mall. Consumers with more kids also seem to prefer to purchase toys at the mall, which is confirmed by the negative coefficient of number of children in the regression model for share of toy purchases online. What is noteworthy about share of online toy purchases are the positive effects of two shopping experience factors, activities and clothing shopping in the mall. In the other words, the more that a customer considers mall to be clothing destination and a place with activities, the more likely they would buy toys online.

For share of video/music purchase at the mall, only one factor proves to have significant effect, clothing shopping of the mall.

Table 2
REGRESSION ESTIMATES (B) OF CONSUMER SHOPPING EXPERIENCE AND CONSUMER CHARACTERISTICS ON SHARE OF PURCHASE VIA ONLINE VS. MALL

| Variable | Dependent Variables | | | | | |
|------------------------------------|------------------------------------|---------------------------------------|--------------------------------|-------------------------------|------------------------------|---|
| | Share of clothing purchase at mall | Share of electronics purchase at mall | Share of book purchase at mall | Share of toy purchase at mall | Share of toy purchase online | Share of video/music purchase at the mall |
| Shopping Experience Measure | | | | | | |
| Escape | -.013 | 0.016 | -.061 | -.013 | .006 | -.149 |
| Browse | -.095 | -.227* | .110 | -.035 | .022 | .049 |
| Social | .148 | .082 | -.041 | -.023 | -.146 | -.127 |
| Activity | -.325*** | -.010 | -.034 | .185 | .226** | .119 |
| Fashion | .523*** | .173** | .052 | .125 | .217** | .284*** |
| Unique | .160** | .087 | .013 | .169* | -.092 | .041 |
| Service | .065 | -.100 | .006 | .057 | -.100 | -.046 |
| Esthetics | .080 | .001 | .085 | -.152* | -.150 | -.074 |
| Demographic Characteristics | | | | | | |
| Income | .008 | -.204*** | -.216*** | -.244*** | .009 | -.015 |
| # of children | .012 | .108 | .036 | .157** | -.158** | .175 |
| Education | -.009 | -.073 | -.138* | .002 | .104 | -.155 |
| Age | .112* | .182** | .091 | .006 | .126 | .191 |
| Gender | .071 | -.047 | -.080 | -.102 | -.004 | -.039 |
| R² | 0.368 | 0.227 | .209 | .267 | .216 | .235 |
| Adjusted R² | 0.321 | 0.159 | .141 | .197 | .142 | .165 |
| F statistic | 7.877 *** | 1.869 ** | 1.604 * | 2.382*** | 1.566* | 1.931** |

Estimated coefficients' t-statistics are in the parentheses.

* p<.10

** p<.05

*** p<.01

DISCUSSIONS AND IMPLICATIONS FOR RETAILERS

Consumer's shopping experience involves escaping from the ordinary, the fun of browsing, social experiences, lots of activities, uniqueness, service satisfaction, and esthetics

(Hu & Jaspser, 2007b). The fact that only the regression model predicting share of online toy purchase is significant, suggests that shopping experience may not be the reason that consumers choose to shop online for most product categories examined in this study. In other words, consumers who choose to shop online for these products are not seeking aforementioned shopping experience.

Second, the study demonstrated the role consumer shopping experiences have on their channel choice for toy purchases. Specifically, the more consumers recognize the mall to be the source of activities and destination for clothing shopping, the more likely they would shop online. On the other hand, the uniqueness of the mall likely draws consumers back to the mall. This finding is consistent with the previous studies that suggest a consumer would favor online shopping out of consideration of time and effort saved (Hsiao, 2009; Zhang *et al.*, 2010), because activities and clothing shopping are obviously time consuming and distracting. Shopping mall operators may want to explore approaches that can bring convenience to consumers without compromising its role of providing multifaceted shopping experiences.

Third, across the product categories, shopping mall as the destination for clothing shopping contributes to the share of mall purchases, except for books and toys. Activities at the mall lead to lower share of clothing purchase at the mall. Uniqueness of the mall, on the other hand, helps increase the share of clothing purchase at the mall. As previously mentioned, organizing activities and events at the shopping mall are costly especially in today's economy. Mall operators now have empirical evidence that the resources spent on expensive events may not lead to the increase of mall shopper's spending, especially on clothing. Therefore, although special events and activities can increase traffic, it does not increase clothing expenditure. It may help mall operator to better allocate their resources for better return on investment.

Finally, as for consumer characteristics, consumer with higher income are more likely choose a shopping channel other than the mall, at least for consumer electronics, books, and toys. Older consumers are more likely to shop at the mall for clothing and electronics. Future research may want to investigate the effects of consumer psychographic attributes such as need for convenience, value consciousness, and novelty seeking tendency.

In summary, the results of this study should provide retailers, online or offline, with a better understanding of the role the shopping experience plays when a consumer chooses a channel to shop. In addition, a more up-to-date and complete understanding of the shopping experience will assist retailers, especially mall managers, better understand their consumers and thus be able to better compete with their online counterparts. Last but not least, the study shall offer implications for developing retailing programs to attract consumers with different demographic backgrounds to different shopping venues.

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| Appendix CONSUMER SHOPPING EXPERIENCE MEASURE |
|---|
| Dimensions |
| Escapism Shopping in the mall takes away stress. Going to the mall is an escape from the routine of daily activities. Mall shopping takes my mind off other things. Shopping in the mall allows me to be away from the mundane. |
| Browsing It is pleasurable to just walk around in the mall. It is entertaining to me just browsing the store with no intention to buy. I usually have fun while I am at the shopping mall. |
| Socialization The mall is a pleasant get-together place for friends. I enjoy just being together with my family or friends when shopping in a mall. |
| Activity I like it when there are special activities going on in the mall. I find shopping pleasurable when they have exhibits like craft fairs or art shows. I think special events in the malls add incentives to the shopping. I think customers deserve a little treat of special events when they go in a mall to shop. |
| Clothing Most of my shopping for clothes is often at malls. I go shopping at a mall often for clothing. |
| Uniqueness I prefer to shop in a mall with a unique atmosphere. I enjoy shopping malls that are exotic. It is interesting to me to shop in a mall where the layout is different from what I am accustomed to. |
| Service It is not enjoyable when I cannot find a sales clerk to help me. It is frustrating to go to the mall when I cannot find what I am looking for. |
| Esthetics I enjoy looking at the unique decoration in the mall. The mall seems transformed into becoming a different place with all the Christmas holiday decoration. |

UPWARDLY MOBILE WITH NO PLACE TO GO: A CROSS-CULTURAL INVESTIGATION INTO CONSUMERS' CONSTRAINED CONSUMPTION EXPERIENCES

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ABSTRACT

Truck drivers are a vital link between nearly all producers and consumers in an increasingly integrated global supply chain environment. In spite of this viable market segment, little attention has been paid to this group as consumers. In an effort to better understand their consumption-related experiences, a cross-cultural qualitative study was conducted with truck drivers in the United States and Vietnam. It was discovered that truck drivers are highly mobile workers, yet significantly restricted consumers. In the spirit of grounded theory, the methodology used in the paper, the conceptualization of truckers' restricted consumption was cast afield with that of similarly ghetto consumers.

Key Words: Truck Drivers, Trucking Ethnography, Grounded Theory, Constrained Consumption

INTRODUCTION

Nearly every product you consume is delivered by a truck driver. The clothes you are wearing, the food you ate today, the vehicle you used for transportation as well as the paper or the electronic device that you may now be looking at were most likely delivered on a truck driven by a truck driver. The bulk of the United States' economy powers down highways on top of the 18 wheels of "tractor-trailer" trucks, where there are over 2.3 million tractor-trailer trucks in operation, logging over 90 billion miles annually (Bureau of Labor Statistics 2013a; Bureau of Labor Statistics 2013b; U.S. Census Bureau 2002) and accounting for approximately 70% of all domestic shipments (American Trucking Associations 2009; American Trucking Associations 2013; Chopra and Meindl 2003).

While both in the United States and other developed countries, many goods are carried for at least part of their journey by other modes of transportation, such as ship, railway or airplane, almost all goods are carried by trucks at some point because few other forms of transportation can so effectively and efficiently deliver goods door-to-door (Bureau of Labor Statistics 2009; Bureau of Labor Statistics 2013a; Bureau of Labor Statistics 2013b; Casavant et al. 2010). Trucks and their drivers are playing a perhaps altogether more important role elsewhere, with the growth of

rapidly developing economies ushered along by deliberate reliance on the fast and flexible deployment of trucks to move goods from producers to throngs of consumers in the third world.

The focus of this study is on the people who are at the helms of these machines, members of a 1.9 million person community whose deliveries of goods are crucial for all consumers, and especially the 80% of U.S. communities that are serviced *only* by truck (American Trucking Associations 2009; Casavant et al. 2010). Outside of the United States, in both developed and developing countries, trucks play an equally important role with consumers similarly reliant on trucks and their drivers for delivery of goods. Yet in spite of being such a crucial link in the non-stop global supply chain that greatly affects everyone, truck drivers rarely receive more attention than occasional fictitious and exaggerated portrayals in the mass media or passing expletives as drivers of cars (or “four wheelers” as they are known in truck driver parlance) attempt to share the road with them.

Along with being a vital conduit between people and goods, truckers are themselves consumers with particular needs and wants and commensurate buying power. This cross-cultural study examines truck drivers in two disparate cultures as an underrepresented cohort sharing similarities in their struggles as consumers. Truckers are understood not only as workers in the transportation industry, but also as consumers who use goods and services to solve problems as they go about their daily lives. To provide diversity of context and experience in an effort to broaden and juxtapose the phenomenon, participants were included from both the United States and Vietnam.

After a more elaborate explanation of research objectives, context for the research is presented. Following that, the authors provide an impetus for and explanation of using qualitative methods as a means of exploring and analyzing the phenomenon. A description of consumption-related experiences and explanation of their impact on the lives of truck drivers is presented in the form of a proposed emergent theoretical framework. Findings are understood within the context of existing research on constrained consumption.

RESEARCH OBJECTIVES

The purpose of this study is to understand the consumption-related experiences of truck drivers as they go about living their daily lives. Specifically, there is a focus on the problems truck drivers face, how they use products, services, and interactions with others to solve those problems, and where gaps might exist in problem-resolution consumption processes. Through interpretation of the words, actions and experiences of truck drivers, findings are incorporated into an emergent theoretical process model. The formal research questions motivating this exploratory study are:

1. *What do truckers do as they go about their daily lives?*
2. *What challenges do truck drivers face, and how do the products and services they consume and people they interact with affect those challenges?*

This inquiry involves more than simply taking a rote tally of the products and services truckers use and where they buy them. Such an investigation could be better addressed by using surveys or examining secondary data. Rather, our intent is to gain an in-depth and holistic

understanding of the lives and integral consumption experiences through “thick description” (Geertz 1973) acquired by listening to the words and observing the actions of truck drivers on a first-hand basis. Particularly, we seek to understand the phenomenon of consumption activities and how the amalgam of such activity impacts truck drivers situated against the contextual backdrop of their daily lives.

Herein consumption is not considered to be a separate and neatly discernible *act* that is performed in utilitarian fashion and studied in isolation from other activities. Rather, consumption is viewed within the tradition of Consumer Culture Theory (Arnould and Thompson 2005) as an ongoing *process* that is grounded in the broader experience of daily living (e.g., Hirschman 1986; Holt 1997; Thompson et al. 1989). Focus transpires not only on *what, why* and *how* truck drivers consume, but within what contexts and in response to what series of ongoing problems and concerns for the participants. The authors wish to present a realistic and textured account of the total effect of consumption on the *lebenswelt*, or “life-worlds” (Valle et al. 1989, p. 9) of similarly occupied people living in two different cultures.

BACKGROUND

Research about truck drivers has been sparse and limited to either broadly conceived and primarily descriptive accounts of the profession or highly specialized and commissioned workforce productivity studies. In the case of the former, a few dated ethnographies and biographical works have documented the basic history and description of the profession (Crouch 1975; Stern 1975; Thomas 1979), especially during the 1970s and 1980s, when a fascination with trucking in the United States was en vogue following fuel shortages and deregulatory activity. Other studies have explored the general meaning of work, motivation and sense of self from a sociological and anthropological perspective (Agar 1986; Ouellet 1994; Ouellet 1996). More recently, vignettes of the lives of truckers have been captured in nonacademic filmed documentaries (Hudson 2006; Morgen 2008; Pray 2007; Robespierre 2007). While not directly addressing consumption-related experiences, in the course of their broad description of the profession, these studies include facets of problematic situations that truckers face and prove useful as an historical account of the profession as well as an additional source of data for interpretation in this study.

A large volume of more focused and specialized academic and industry studies about truck drivers has been primarily concerned with important work-related and policy-oriented topics such as truck driver health, particularly fatigue and ergonomic problems (Angeles et al. 2013; Babapour et al. 2012; Boggs and Ahmadian 2007; Darwent et al. 2012; Fourniera et al. 2007; Fu 2010; Guan et al. 2012; Kemp et al. 2013; Robb and Mansfield 2007; Ulhôa et al. 2011) and driving safety concerns (Bunn et al. 2013; Cherry and Adelakun 2012; Kent et al. 2011; Siggerud 2006; Staplin and Gish 2005; Winkler and Fan 2011). Productivity-related studies range from the broader impact of truck drivers on the economy (Cassidy 2013; McKinnon 2006; Monaco and Habermalz 2011; Whistler 2013) to more specific effects of inside-the-cab and driver-controlled technology systems on truck routing optimization (Golob and Regan 2005; Goto 2006; Huang et al. 2005; Kersh et al. 2012; Nagy et al. 2013; Richtel 2009; Shih-Wei et al. 2011; Suzuki 2011; Ulrich et al. 2013).

These studies are positioned primarily from the perspective of corporate and administrative stakeholders and view truck drivers largely as an input to operations within the context and concern of transport logistics and supply chain management. The research is comprised of highly structured, pre-conceived survey-driven analyses aimed at addressing specific industry-related problems that occur within the context of transporting goods. While useful, this research is naturally limited in scope to testing preconceived hypotheses based on the discrete actions of drivers as units of an ongoing economic process or business concern. Consequently, the research does not address the wider scope of daily activities performed by truck drivers in the course of their workaday lives. Specifically, while often regarded as simply “suppliers” or part of a greater supplier network, the trials and tribulations of truck drivers as consumers has received no attention in the literature.

METHODOLOGY

To capture the robust nature and holistic effect of consumption-related experiences on the lives of truckers, humanistic inquiry that is characteristic of qualitative, field-based exploration was deemed to be an appropriate approach to the phenomenon (Deshpande 1983; Hirschman 1986; Thompson et al. 1989). The primary objective of this study drove the authors to establish a substantive explanatory framework that emerges from and is grounded in the words, actions and experiences of the participants. Hence, grounded theory was chosen as the research methodology. Grounded theory is a flexible, yet rigorous research paradigm, focusing on methodical discovery and confirmation of theory through careful analysis of personal experiences as gathered through interviews, participant observation, directed sampling and diverse information sources (Glaser and Strauss 1967). It is especially useful when applied to problematic and dynamic social processes (Glaser 1978; Glaser 1998; Glaser and Strauss 1967).

In addition to its origin and extensive use in sociology, grounded theory has a substantiated history and growing reputation of being a rigorous and viable methodology for generating theory “from the ground up” in marketing and consumer behavior (Corsi and Martin 1982; Flint et al. 2002; Goulding 1999; Goulding 2002; Holt 1995; Rosenbaum 2006; Schouten 1991; Ulaga 2003) logistics and supply chain contexts (Davis and Mentzer 2006; Flint et al. 2005; Flint and Mentzer 2000; Fugate et al. 2006), and, especially germane to the current study, contexts related to truck drivers and trucking (Davey et al. 2007; Johnson et al. 2011; Mello and Hunt 2009; Rodon and Pastor 2007). The primary investigator on the research is a member and plenary speaker for the Grounded Theory Institute and studied personally with Dr. Barney Glaser, originator of the grounded theory method.

Research Design

Research proceeded as a four-stage process. First, the primary investigator and second author conducted interviews and gathered data from 34 participants and dozens of artifacts in the United States and developed an initial theoretical framework. Second, this framework was compared and contrasted with experiences and data gathered from 18 Vietnam-based participants. Third, after an integration of findings from both countries, a revised theoretical model was

presented to both U.S.- and Vietnam-based drivers for confirmation. Fourth, relevant literature and interdisciplinary insight were integrated with the findings.

Data Collection & Analysis

The data for this research were collected at various times from November 2006 to April 2012. In their own words, truck drivers described their experiences of being on the road and consuming goods and services along the way. Depth interviews were facilitated by a semi-structured, discovery-oriented interview guide developed in the tradition of “grand tour” ethnographic techniques (Fetterman 1998; McCracken 1998) and phenomenological inquiry (Kvale 1983), with participants steering the conversation (Morrison et al. 2002) in a flexible and “informal, interactive process” utilizing “open-ended comments and questions” (Moustakas 1994, p. 114). Interview data and field notes were supplemented by observation of truck drivers in their natural environment, often captured in photographs and video where permitted, along with ethnographic artifacts such as marketing materials, log books, brochures, flyers, menus and pamphlets. Lastly, secondary sources such as film documentaries, published ethnographies, biographies, popular music and entertainment related to truck driving were all used as tertiary data sources for interpretation.

Participants were sought who were willing and able to discuss their experiences. Interviews lasted anywhere from 20 minutes to two hours and took place wherever drivers felt comfortable, which usually meant in the truck stop restaurant over a meal or coffee, but sometimes inside the cabs of their trucks or near their truck as it was being repaired or serviced. An attempt was made to remain as close to truck drivers’ natural settings as possible while conducting the interviews. The overarching goal with naturalistic inquiry is to stay as grounded as possible to the reality of interview participants, as opposed to conducting interviews remotely (e.g., email, phone) or in lab-like or “neutral” locations (Wallendorf and Belk 1989).

Data were analyzed following “Classic Grounded Theory” guidelines in the Glaserian tradition (Glaser 1978; Glaser 1998). Analysis began after the first few interviews and, in the tradition of constant comparison (Glaser 1978; Glaser and Strauss 1967), continued as an iterative process during data collection. Interpretations of data informed and directed theory development and subsequent interviews via “theoretical sampling” (Glaser and Strauss 1967). Following a hermeneutic cycle, analysis moved back and forth between and among interpretations (Polkinghorne 1998; Rennie and Fergus 2006; Thompson 1997). Coding was facilitated using *Evernote* cloud-based collaborative software and *QDA Miner* v.3.0 qualitative data analysis software.

Cross-Cultural Participants

To establish a broad context of interpretation and provide an opportunity to compare and contrast potentially diverse experiences related to the same occupation, participants were interviewed in both the United States and Vietnam. Within and across cultures, drivers represented a diverse range of characteristics going beyond just nationality to include ethnicity, gender, job position, driving experience, and lifestyles. Vietnam was selected as a country that relies on U.S.-

based management consulting to help usher in its rapidly developing, primarily highway-based transportation system and corresponding population of truck drivers (Bernama 2008; Business Monitor International 2012a; Business Monitor International 2012b; Business Monitor International 2013; Viet Nam News 2007; VietnamNet 2007) while offering an ideal contrast to the United States based on divergence in culture and levels of economic, infrastructure, and regulatory development.

Interviews and fieldwork in the United States were conducted primarily in a major metropolitan city in the Southeastern United States that is situated as a crossroads of three major interstate highways and resides in a state that is home to more truck drivers than any other within the U.S. (Bureau of Labor Statistics 2007; Bureau of Labor Statistics 2013b). The highway exit “off-ramp” that served as the primary location for interviewing and observing the U.S.-based drivers is renowned for its truck traffic. After observations and initial discussions with drivers, a particular truck stop at this location was selected based on popularity, and was later confirmed by early participants as an “ideal stopping point” based on trucking routes, schedules, proximity to residences, and quality of food. Truck drivers were solicited both in person and occasionally by use of a citizen’s band (CB) radio installed in the vehicle of the primary researcher. Network (i.e., “snowball”) sampling quickly led to ideal candidates for interviews. A majority of participants were “long-haul” or “over-the-road” (OTR) heavy-duty truck drivers. However, attendants and staff also served as key informants in the research, exhibiting intimate insight into the lives of truck drivers.

In Vietnam, participants were selected using similar criteria. An in-country research team was established to gather data over a three-week period in the town of Bien Hoa, situated at the approximate midway point along the sole highway between the capital of Hanoi and the bustling commercial hub of Ho Chi Minh City (formerly known as Saigon). Comprised of the primary investigator, an interpreter, and former truck driver hired as a guide, the team began initial investigation in Ho Chi Minh City with eventual recommendations to visit a popular, heavily visited truck stop in Bien Hoa. The truck stop shared similar characteristics to the research site in the United States, serving as a popular “prime time” stop-over for drivers. The driver-turned-guide facilitated introduction and rapport-building with the participants.

Interviews with Vietnam-based participants were primarily conducted via an interpreter who had been trained in qualitative interview techniques. To accommodate a natural flow of conversation, the interpreter and participants were engaged in lengthy periods of discussion in native Vietnamese language without interruption from the non-Vietnamese investigator. At important junctures during the interview, however, the interpreter would stop and summarize findings in English, discussing further directions for the interview in an iterative, dynamic fashion. This process led to a robust and multi-layered collection of data for each interview comprised of the transcript proper, field notes, interview notes from both the interpreter and investigator, along with ongoing notes from the guide. The recorded interviews were later subject to a two-stage process of verbatim transcription in Vietnamese of the original audio recording, followed by translation of the Vietnamese transcript to English by third party translators in the United States. In addition, photograph and video evidence were collected where permitted.

As traditional grounded theory structure would dictate, we next discuss our research findings and then tie emergent concepts back to appropriate literature within the discussions section.

FINDINGS

Development of grounded theory occurs through application of constant comparative analysis (Glaser 1978; Glaser and Strauss 1967), inductively generating concepts and categories that characterize experiences of participants and generalize to recurring phenomena as grounded in the data. Ultimately, these thematic categories converge on a consistently demonstrable central concept, known as a “core category” (Glaser and Strauss 1967). The core category “accounts for most of the variation in a pattern of behavior” for people in a social setting (Glaser 1978, p. 93). For the lived experience of truck drivers that emerged from interpretations of the data, the core category is the juxtaposition of *Constraint versus Freedom*. As discovered by Agar (1986) and Ouelett (1996), this concept permeates nearly all aspects of their daily lives. The current study highlights how it consequently emerges in consumption-related experiences as well, reflected as an overarching tension that significantly impacts participants’ buying behavior. While a case could be made that this dialectic serves as the primary contextual ground for all consumers everywhere, it will be demonstrated that constraints and freedoms in consumption are exacerbated for truck drivers by way of the fact that the majority of their time is spent on the road while literally hitched to an 80,000 pound impediment.

Domain of Truck Drivers’ Lived Experience

Because this research attempts to understand the totality of truck drivers’ lived experience and concomitantly their consumption experiences within that greater context, conceptual categories emerged from the data that cover a broad range of daily experience for the drivers. Specifically, major properties of the core category of *Constraint versus Freedom* include: *Social Control*, *Consumption*, *Temporalizing*, *Socialization* and *Self-Worth* (see Figure 1). The five properties were interpreted as dimensional ranges that each correspond to the dyadic nature of the overarching core category. For each property, drivers experienced varying degrees of being constrained and having freedom. *Social Control* deals with the degree to which primarily extrinsic forces exert power against the personal and professional lives of the participants. *Consumption* deals with the availability and processes of buying goods and services within the context of daily life. *Temporalizing* describes time constraints on drivers, particularly the “hurry up and wait” dilemma that greatly affects their job performance and evaluations with employers. *Socialization* involves the communications and community-building efforts among this cohort of “collectively solitary” people. Finally, *Self-Worth* is characterized by the drivers’ desire for respect and understanding in the eyes of other drivers and the general public.

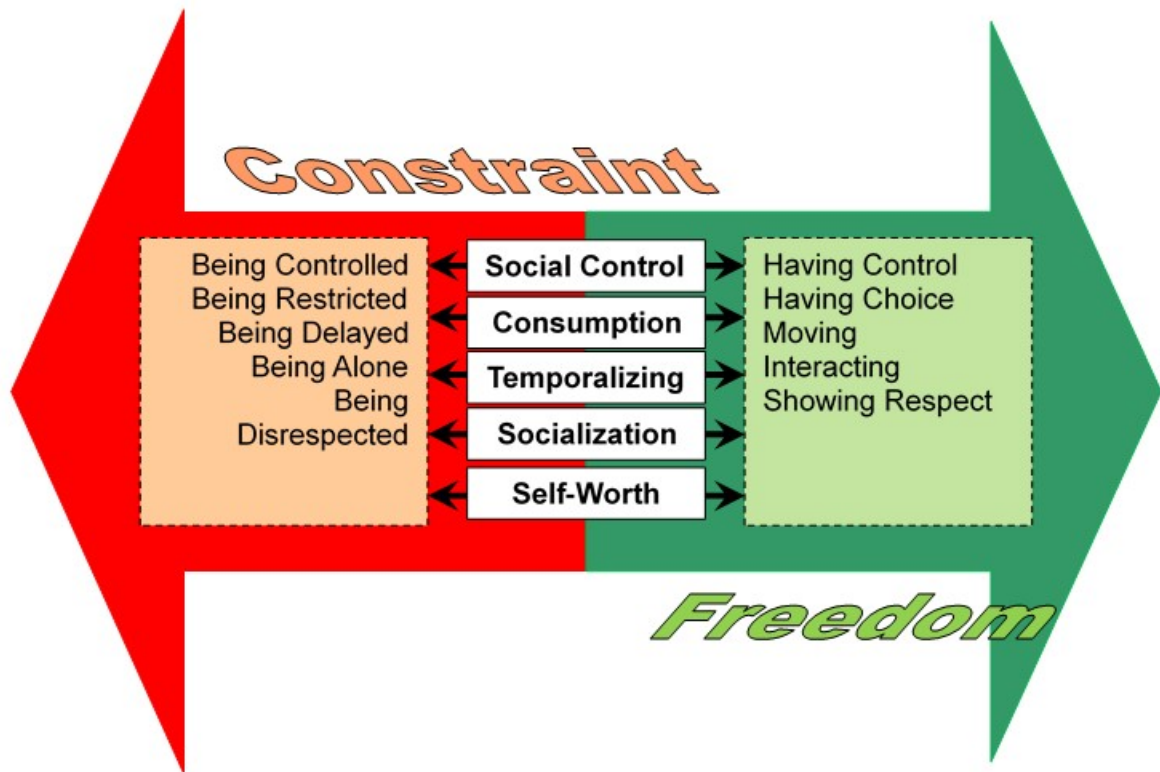


Fig. 1: Domain of truck drivers' lived experience

In addition to being subsumed within the dyad of the core category, the properties are interrelated. For example, through no fault of his own, a driver might have to wait an extraordinary long time at a pick-up point (i.e., being delayed as part of *Temporalizing*), which prevents him from arriving at a medical clinic before closing hour (i.e., being restricted in *Consumption*). The entire scenario taken together is an example of *Social Control* (i.e., being controlled). Of the five properties, this paper will elaborate on *Social Control* and *Consumption*, which are considered to be of central interest to marketers and consumer behaviorists.

Constraint versus Freedom: Social Control

The archetype of the truck driver as an admired loner, individualistic anti-hero and modern-day cowboy has long been embellished and romanticized in the mainstream media. Ironically, while most drivers in the study described being compelled to enter the profession based on a preconceived notion of freedom and entrepreneurial independence that might reflect aspects of the popular stereotype, what they ultimately faced was the reality of an inordinate array of restrictions and regulations that are physical, social and political in nature. This dialectical tension of *Constraint versus Freedom* as it pertains to *Social Control* was also discovered as the predominant

experience and challenge for truck drivers in the two major trucking ethnographies by Agar (1986) and Ouelett (1996) and can also be gleaned from the more open-ended questions of a large survey study commissioned by the Sloan Foundation Truck Industry Program in the late 1990s (Belman et al. 2005). When participants in the current study were questioned about why they started driving, most described an optimistic ideal of freedom and adventure:

“I have a lot of freedom. I like to drive. I’ve always liked to drive. Every since I was sixteen when I got my license, I’ve always drove. So that’s the only reason why ... that’s really the reason that’s keeping me out here and what I can and cannot do is because I like to drive.” (Jordan, USA)

“I get out and see the country. That’s mainly why I did it. It’s a way you get to drive around and see the country and meet different people and get paid for it. I mean, that’s about what it is. I’ve been to every state in the country. I mean, I’ve been all over. It’s fun if you don’t mind driving. Me, I don’t mind driving.” (Ben, USA)

Vietnam-based drivers told a similar story and portrayed the trucking profession as a desirable alternative to doing manual labor in the fields or a factory:

“The interesting thing about this job is that I get to travel. I travel here and I travel there. I get to know the people and the places where my truck stops. The job has a higher salary and is easy and comfortable. There’s no hard labor on the body. Staying up late is tiring, but others have to hoe in the fields. Their hands are rough. Touching girls, they ask why your hands are so rough. The girls don’t like it. With driving, your hands aren’t rough. [laughs]” (Niem, Vietnam)

Coupled with the sense of freedom is the idea of truck drivers being their own boss:

“I’ve been going places all my life, all my adult life. The longest I lived in one place was six years. I guess ... I like the idea that you can drive any time you want. I like the idea of when I’m on the road I’m in charge. I consider myself my own boss.” (Jasper, USA)

“I like the freedom of the road, uh, no boss and we can do what we want and nobody leaning over your shoulder. You deliver your load and come home.” (Dennis, USA)

However, such descriptions represented only a small part of the story participants wanted to tell. In contrast to actually living the romanticized ideal of rugged independence, the reality of the constraints drivers faced was their main concern and most frequent topic of conversation. Drivers in both the United States and Vietnam summarized the lifestyle metaphorically:

“You wanna know what it’s like to be a truck driver? Go home and sit in the closet if you want to know what it’s like. Just sit in the closet, staring at the same four walls, and don’t come out. That’s basically the life of the truck driver for weeks at a time.” (Pat, USA)

A driver in Vietnam characterized the experience similarly:

“What’s this like? Like being an animal. An animal locked in a cage all day. Imagine you are locked in there, hot [note: most Vietnam-based trucks did not have air conditioned cabs], and noisy. Maybe like a monkey in the cage [laughs].” (Quang, Vietnam)

All participants talked of people and things that indeed seemed to be “leaning over their shoulder” and exacting some form of control. From having to be ever-vigilant for “Smokey” (i.e., law enforcement), to driving in a swarm of unforgiving rush hour traffic, to locating and navigating into tight parking spaces, examples of constraint were prominent. The following description is similar to experiences cited by nearly all participants:

“We’re stopped now [at the truck stop] because DOT [Department of Transportation] really stuck it to us on the logbook violations. Ten hours. You gotta have at least ten hours off before you can go back into service and everything. Like now, I’m going home and I have to stay off until nine o’clock in the morning to get my ten hours. You violate that and it’s a big fine [laughs]. The government controls everything. The way the federal government has got it so regulated for us, you can’t make no money. But I’ve had to break the law and take the fine. You can’t get out of it. If not, you’re not gonna get paid. I get paid by what the truck grosses per week. If my wheels ain’t rolling, I ain’t making a dime.” (Alvin, USA)

Due to the relatively primitive regulatory system and wide-spread corruption among police, drivers in Vietnam described even more problematic encounters with authorities:

“On a typical trip from the North to the South, we can get stopped as many as ten times. We have to pay bribe money. The amount depends on the type of goods we carry. Well, maybe we shouldn’t say “bribe.” That sounds too harsh. The better term is probably “inspection fees.” You’re not with the government are you? [laughs] Nothing else is as stressful. If I make a mistake, then they fine me and can take my license and my ability to earn. If I don’t make a mistake, they still wave me to the side and take my money.” (Hoang, Vietnam)

Social Control was also manifested in the form of dealing with the travails of traffic as drivers tried to deliver their cargo on time while sharing the highways with often careless “civilians”:

“What they don’t understand is that nine times out of ten, they’re on their way home. Just ten miles from their house, you know? We’re working. No reason for them to get out there and cut us off when they’re ten miles from home. That’s the number one thing. We’re trying to be safe. You’ve got a traffic jam and we got space in front of us, we need that space in case we have to stop. This is a big damned truck. We need stopping distance. A car will come in there and cut you off and take that space. So don’t cut us off. Don’t get in front of us, especially in a traffic jam.” (Jasper, USA)

Facing even more strenuous conditions, Vietnam-based drivers were always held liable for damage or injury in the event of a traffic accident:

“Traffic is very stressful. About four or five o’clock in the afternoon, the cars and bikes start coming. Motorbikes go every which way like mosquitoes. I keep honking the horn, but they don’t move. The most complicated thing is the motorbikes. Four or five will just cut across in front of you quickly while you’re driving. They don’t have any common sense. For one of my friends, a guy cut across in front of him on a

bicycle. He was able to stop the truck, but hit the front of the bike. It was a very minor injury, but the bicyclist wanted more than 10 million Vietnam Dong¹.” (Giang, Vietnam)

In addition to being constrained by authorities and traffic, restrictions on where and how a driver could drive his truck was a recurring example of *Social Control*. One participant provided insight into the origins of maneuverability difficulties for truck drivers:

“You go into these big cities where you got a lot of traffic and narrow streets. The buildings and the way the streets are set up was designed and built in the early 1900s when you had, what, a 25 or 30 foot trailer to get in there. Now, you’ve got these 53 footer trailers and they’re trying to get them in these narrow spaces.” (Joseph, USA)

Parking posed a constant challenge, especially as drivers sought rest after a long day of being on the road. Finding parking in a place where drivers could purchase fuel and necessities was the ideal situation, but not always possible:

“There’s not enough parking now for trucks, especially on the East Coast. Or West Coast either. It’s just getting crowded and they’ve lost spaces and that’s not good. They need to find a way to get more spots for the trucks to stop and sleep. We’ve been sleepy and had to just keep on driving ‘cause there ain’t nowhere to stop. You pull in and there’s nowhere to park at. You just have to circle the truck stop and keep on going then. I’ve driven around for an hour or more. Or maybe you’ll just be in violation. It’s illegal to park along side the highways or ramps now. \$75 ticket [makes pig sound]. But, if you get in there and you find a space if there is one, it’s going to be real hard – it’s a real tight turn to back into it. And that gets kind of hard because you’re tired and you’re trying to back up in the dark. You’re taking a chance doing that kind of stuff, you know.” (Trevor, U.S.)

The preceding examples of *Social Control* act as conditions for restrictions on consumption activity. The constraints and freedoms in daily life set the stage for economic decisions that drivers make as they attempt to achieve or maintain a “mainstream consumer” lifestyle. Options on when and where a driver could go, how rules and laws would be fudged and broken, or how much money would be budgeted for “necessary” fines, were precursors to constraints and freedoms in consumption-related experiences as well, which will be demonstrated in the next section.

Constraint versus Freedom: Consumption

In the realm of choosing and consuming goods and services, experiences of U.S.-based and Vietnam-based participants diverged. For truck drivers in the United States, the very freedom that provides a seemingly free-wheeling life on the road in turn ironically serves to constrain them. Although they are mobile workers who appear to always be on the move, U.S.-based truckers found themselves stuck in a relatively limited world due to their trucks. On the topic of consumption, they most often spoke about problems accessing basic goods and services that mainstream consumers would take for granted. More options were available to Vietnam-based

^{1 1} Vietnam Dong, or VND, is the official currency of Vietnam. At the time of the interview, one U.S. dollar was equivalent to approximately 16,500 VND. Ten million VND, or roughly US\$600, amounted to several months wage for the average driver.

drivers through the pervasive and informal network of road-side vendors, with no hindrances on where trucks could be parked due to nearly nonexistent traffic rules. Examples of *Constraint versus Freedom in Consumption* for both cultures follow.

In terms of freedom in consumption, choice was certainly abundant for drivers in both cultures when it came to the availability of illicit goods and services. Drivers often joked about their exploits on the road, being able to go “anywhere” and buy “anything” they wanted:

“Hell, I stop if I want to stop. If I want to gamble, I stop and gamble. And maybe I have to get up earlier the next day to make a load, but that’s on me, you know. I’m solo and I don’t have to worry about nobody says ‘Oh, I don’t want to do this.’ Go down to Laredo, man, go across to Mexico. Man can get anything he want for twenty dollars. Anything you want. Got a shuttle van, pick me up, take me over the border. Do anything you want to do, anything you want, whatever age you want. Twenty dollars.” (Jasper, USA)

Jasper often planned routes around being able to visit casinos, strip clubs or “girlfriends” along the way. His habits were not uncommon. Several drivers spoke of keeping “play money” separate from their regular financial accounts so that employers or spouses would not detect their goings on. Ben, a young unmarried driver, “team drove” with Stephen, another young single man who shared his passion for fun on the road. With an air of braggadocio, the pair of drivers effortlessly spoke of occupying free time with both video games and sex workers, as if the two consumption scenarios were equally amusing and interchangeable forms of entertainment:

“I love playing video games and the first thing I do is walk in and check the arcade. See if they got any good games. These places are open twenty-four-seven so you can come in here at three in the morning and play if you want to. Me, I love games. Some have better games than others, but they all have something we can entertain ourselves with most of the time. If not, we can always look in the phone book for fun [referring to finding escorts, or prostitutes]. When we stop and get our trucks fixed, right next door there’s often a nice, uh, club to go to. So we stop at the club and stay there for a while, enjoying ourselves. [laughs]” (Ben and Stephen, USA)

Jasper, Ben and Stephen went on to explain what many participants told us. Prostitution is rampant and, coupled with gambling and drugs, presents the sort of wanton indulgences that truckers can spend their money on. Prostitutes were observed frequenting the parking lots at truck stops and massage parlors are often situated right beside or very near to truck stops and repair shops in both countries, representing a regular, albeit seedy, part of the lived worlds and consumption experiences of many truck drivers:

“Most of these truck drivers out here, well, they don’t have an education. They never finished school. They’re on the downfall. All they know is trucking. They have all kinds of problems with marriage and relationships. They’re scared of marriage. So you’ve got the lot lizards [i.e., prostitutes]. Half of these drivers’ expenses go to these lot lizards out here. A lot of money goes to them.” (Billy, USA)

Their counterparts in Vietnam, while more reticent on the subject, were nonetheless presented with strikingly similar offerings:

“I guess some drivers probably get horny and go to the brothels. Other people do, but we don’t go there. Well, I don’t stop there. Other guys probably stop there. When I stop, I just eat, get a good sleep and I’m on my way. But those places can be found up on the hill along [specific highway]. Near the restaurant. It’s about 50,000 to 70,000 VND (~US\$3 to 5) to pay a visit, depending on what you do. I heard. But us, we just like to get wasted on a few drinks [of alcohol] and hang out. [laughs]” (Hoang and Dao, Vietnam).

The topic of illegal drugs also surfaced in discussions. While researchers heard “off the record” about the use of narcotics in Vietnam, drivers there were very reluctant to talk about drug use and, when questioned, simply responded by saying they personally did not use drugs. But U.S.-based truck drivers described in detail how they were presented with frequent opportunities to purchase an assortment of drugs and especially methamphetamine, or “high speed chicken feed” as it is known among truckers, which is often sought after as a stimulant to keep drivers awake:

“Over there at [specific truck stop] there is a guy who sells drugs. High speed chicken feed. You’ll hear him advertise [on the CB radio] all day long out here. Basically it’s whatever he cooks up. Speed or something. In some of those lots, the minute you pull up there they’re just swarming your truck, you know.” (Denny, USA)

While drivers in both the United States and Vietnam were faced with similar freedoms in these areas of consumption, the phenomenon of constrained choice was qualitatively different between the two countries. In contrast to having notoriously easy access to dubious goods and services, the physical limitations of being bound to a large and cumbersome tractor-trailer, coupled with strict deadlines and GPS-enabled monitoring of movements, resulted in pronounced curtailment of choice for U.S.-based participants in where to shop for traditional products and services. Drivers provided numerous accounts of difficulty in accessing outlets for goods and services, summed up here with the acknowledgement of how things have changed with regard to that access:

“You can’t go into just any place anymore. Like a lot of [specific major retail supermarket] aren’t even allowing trucks to go in there. Some places, we can’t physically get our trucks in there.” (Roseanne, USA)

A similar story was told by Larry, a long haul driver who often brought along one of his daughters during school breaks or summer vacation. As he described, these were his best opportunities for bonding and interpersonal time with his children. But while he was accustomed to “roughing it,” accessing products and services for his children was difficult:

“Well it’s getting harder now. Like, a couple of weeks ago we went into a [major retail supermarket] out in Oklahoma. I wanted to get her a game for the computer so she had something to do. We just got parked and the security guard was right there, like basically saying you can’t park here. And I said well I’ll only be 15 minutes, I gotta get a computer game for my kid to play on the computer, and he says okay, 15 minutes I’ll let it go. But a lot of these shopping places they don’t want to see the trucks there anymore, especially at [major retail supermarket]. Unless I can unhook and bobtail, I don’t bother going to malls because they make them so tight you can’t get in with trucks. There’s no room for trailers ... it’s hard maneuvering in.” (Larry, USA)

While “bobtailing,” or driving without the trailer, increased maneuverability and hence options for shopping, few drivers risked doing it out of fear that something would happen to the cargo:

“If I take the risk of bobtailing, I'm at risk of getting it [the trailer] towed or stolen. If you got a high dollar load, half a million dollars, quarter million dollars, you are liable for it. Once you sign them bills and they're on your truck or trailer, then it's yours.” (Darrel, USA)

Alternatives to bobtailing include hiring a taxi or hitching a ride. Neither of these are trivial tasks in the rural environments where drivers often stop, with taxis being scarce or nonexistent and the only potentially willing people with whom to hitch a ride are other truckers, who are themselves constrained by their trucks.

Due to excessive banditry and theft, drivers in Vietnam could never let their tractor-trailers out of sight, much less drop their trailer and bobtail. Differing from U.S.-based drivers, where team driving was uncommon, trucks in Vietnam were usually occupied by two or more drivers. This arrangement allowed for not only camaraderie, making drivers in Vietnam seem less lonely than their U.S. counterparts, but also provided increased mobility and security as one or more drivers would be assigned to watching the truck's contents while the others had a meal, shopped or cleaned up. Accessing basic services proved much easier for Vietnam-based drivers, as roadside markets and vendors selling fresh foods, medicines and other sundries could be observed throughout most driving routes in the country:

“Depending on where we are going, we can buy fruits and special snacks along the way. In the south, we stop along the highway and buy the unique fruits that are grown there. Same in the North. There are many places to buy, but we know the good places to choose.” (Hoang, Vietnam)

More relaxed traffic rules worked in the favor of Vietnam-based drivers when it came to shopping along their routes. Far from being restricted, trucks could park when and where necessary. Trucks would even stop in the highway if they wished and other traffic was expected to go around them. In addition, truck drivers in Vietnam often carried with them small motorbikes, the most common mode of transportation in Vietnam, which allowed them to quickly and conveniently travel away from the highways to nearby villages when necessary.

Unlike Vietnam, “making” a parking space in the United States is generally not acceptable. In desperate need of basic goods or facing emergency situations, some drivers would attempt it anyway:

“So I pulled off and I asked them where a doctor was or hospital and they said up there in [small town], Pennsylvania. They gave me directions, I got in there but it's an emergency room. There is nowhere to park a tractor and a trailer so I turned my four-ways [hazard lights] on, go inside and I told the woman my problem. I told her ‘Do I need to be seen?’ She says ‘Oh yeah, you need to be seen.’ I told her ‘I got a problem.’ She says ‘What is the problem?’ I say ‘Where am I gonna park this?’ She says ‘What?’ and looked out the emergency room window and saw it [the truck] and she says, ‘Wow. Okay hold on.’ She called maintenance up and maintenance says ‘Let's park you on the backside of the street behind the hospital and turn your four-ways on.’ So I did. But they had to call the police to make sure I wouldn't get a ticket. Tell them not to ticket or tow me, I was being seen. It was just one big hassle.” (Billy, USA)

To be sure, health services were exceedingly difficult for U.S.-based drivers to obtain. Along with problems accessing emergency rooms, simply obtaining prescription drugs and visiting doctors and dentists presented a challenge. Researchers spoke with a physician's assistant who operated a small and all-too-rare medical clinic at the U.S.-based truck stop where the study was conducted. He explained the problems that drivers faced in obtaining services and the overwhelming demand at his unique clinic:

"They'll come out of their way to visit me here. Sometimes they just need a simple blood pressure check. Other times it involves getting a prescription filled. We often receive the prescription request ahead of time and have it filled and waiting when the drivers come through. We're open late. They simply cannot make it to a regular doctor during normal doctors' hours. In addition to high blood pressure, we see a lot of back problems, sciatica and repetitive stress injuries. I've had drivers just stop and want to shake my hand or give me a hug because we're here and we are one of the few around." (Simon, USA)

Drivers in both the U.S. and Vietnam reported ailments or health problems they attributed to trucking, a phenomenon extensively substantiated in the literature (Angeles et al. 2013; Fu 2010; Robb and Mansfield 2007; Ulhôa et al. 2011). Drivers were aware of needing exercise to prevent such problems, but admitted that it was difficult to integrate into their lives:

"I used to be able to run a mile and half. Now don't ask me to run a half a mile. I know I need a lot more exercise. I tell you what, they did a study on truck drivers and the life expectancy of a truck driver after he retires is age 68. But I don't want it to be like this. I just turned 30 years. Man, I wanna be in better health. I wanna be able to run, I don't want all this sitting around no more, 'cause I can't do it. A lot of it is sitting all day long. There's just no time or place for exercise." (Billy, USA)

Gyms and fitness centers are typically located in city centers, plazas and other areas not easily accessed by trucks. Only one driver spoke of being able to exercise regularly. Even then, consumer choice was restricted:

"I belong to like three gyms now. I stop and try to, you know, stay in shape somehow. I figure I'm going to be joining gyms all over the United States. They used to have, I think they were called 'Rolling Gyms.' This was ten, no, sixteen years ago I think. I force myself to get to the gym at least two or three times a week because if I don't then I'm going to get lazy and start back to my old eating habits, too ... You really have to force yourself. There's so many guys here, and there's guys I work with, I don't know how they get in and out of the truck every day. And they're going down the road and, you know, 500 pounds, 450 pounds, I mean, you know. But last night, I went to some gym in Alabama for a couple of hours. Took a shower, worked out. And it was only about five miles off the interstate, and they don't bother me for that distance [referring to his employer who tracks and restricts movements using a GPS system]." (Tom, USA)

In addition to health concerns, conversations about consumption-related experiences centered on one of the most basic of human necessities: food. A hint of reflexive defeatism resonates in admissions by truckers that their lifestyle leaves little room for options, particularly with regard to food choices:

“Ninety-eight percent of what I do happens in the truck. So, if I plan to be gone for four nights, I’ll try to prepare some foods and make my own coffee ... I bring my little burner with me, my butane burner, I can boil water. If I’m a day longer than I thought I was gonna be due to delays, I’ll get some McDonalds or whatever. You’re not gonna stop if you run out of stuff. Even though it’s more expensive, you’ll just go ahead and eat greasy fast food.” (Larry, USA)

Indeed, through observations by the researchers and frequent declarations by drivers, unhealthy food seemed to be the *de facto* option:

“I mean everything’s turning into fast food places, you know, and even a lot of these [truck stop chain]’s. They’re getting rid of their home-cooked restaurants, they’re putting in a [fast food restaurant]. Know a couple of them in Texas have done that, put in a [fast food restaurant], which I don’t like. I like them even less than [fast food restaurant]. I hate [fast food restaurant]. But everything’s fast food, you know what I mean. So there’s so many guys ten times overweight and heart attacks all over the place. But they, they, a lot of guys eat [fast food restaurant] all the time. But that’s what they’re giving you, you know. And truck stop restaurants are expensive anyway. I mean, you leave a tip and it’s 12 bucks, you know.” (Wilson, USA)

Some drivers brought their own food in an effort to save money and eat healthier. But they still faced the challenge of storing and preparing meals in the confines of a truck cab:

“It’s not like going home and making a sandwich or whatever. I mean we have our icebox and refrigerator. Stuff you can heat up. We’ve got a little hot plate. We can only carry so much. And then it goes bad. It’s still not the healthiest. But it’s just like with the food at the truck stops ... some are getting a little bit better with the ‘heart smart’ but they still ... they wonder why that truck drivers are overweight. They [specific truck stop chain] are clean but they are just so stuffed full and heaping and fried this and fried that instead of serving something a little more healthy.” (Roseanne, USA)

Owing to a lower fat diet in general for Vietnam, researchers observed that drivers appeared to eat much healthier foods. Noodles, rice, fish and fresh fruits and vegetables were standard fare prepared and served around-the-clock at truck stops and road-side restaurants:

“If we want noodles, we stop at the noodle shop. If we want rice, we stop at the rice stall. We enjoy chicken with rice the most, but you want change once in a while. What you eat really depends on the region of the country you are in. For example, if you are near the ocean, then you find seafood. If you’re in the region where chicken is the specialty, then that’s what you eat. But it also depends on your taste. Basically, truckers can eat whatever they like. Everyone knows that if you want good food in Vietnam, you go to where the trucks stop. It’s always hot and fresh.” (Dao, Vietnam)

Food is not as commoditized in Vietnam compared to the United States. Consumer packaged goods, fast food and chain-style restaurants that are the default options for U.S.-based drivers are simply non-existent in Vietnam. While conditions are generally more challenging in the far poorer developing economy of Vietnam, options are greater for drivers in terms of eating healthy.

DISCUSSION AND IMPLICATIONS

Consumer choice is the bedrock of free markets. While recognizing the obvious constraint of available financial resources, marketing academics and practitioners alike operate under the basic assumption that consumers make choices freely in a market of abundant goods and services using the financial resources available to them. Whether or not they take advantage of all their options, the “average” consumer knows that at least those options are there and enjoys the potential of increased choice and subsequent downward pressure on prices. Moreover, at the turn of the millennium, attention turned to the phenomenon of *unrestrained* consumer choice, which has reached what some would consider saturated and potentially detrimental levels (Chin 2001; Iyengar and Lepper 2000; Schwartz 2003).

In spite of the apparent abundance (or overabundance) of choice, which predominantly applies to the middle class consumer (Hill 2002), a languishing but important stream of research attempts to bring attention to what could be considered the other end of the spectrum: consumers who face limited choice. Adhering to the proclamation that “one of the essential research questions in the study of consumer culture involves resource allocation within and among social systems and its relative equity across various subpopulations or market segments” (Hill 2002, p. 275), the scholarship that examines such disenfranchised consumers has traditionally focused on consumer choice disparities based on race, gender and relative poverty levels.

While some attention has been given to consumption restrictions of remote rural consumers (McEachern and Warnaby 2006; Samli and French 1971; Turner 2001), the primary context of this research has been the inner city ghetto. Beginning with a seminal study entitled *The Poor Pay More* (Caplovitz 1963), research on limited consumer choice has primarily focused on whether ghetto consumers pay more than non-ghetto consumers for goods and services (Bell 1973; Chung and Myers 1999; Goodman 1968; Kunreuther 1973; Marcus 1969; Stein 1980; Sturdivant 1968; U.S. Bureau of Labor Statistics 1966).

The conclusion of this historical consumer choice research was that “the ghetto consumer’s problem was not so much one of price discrimination, but one of an absence of low cost supermarkets in their marketplace” (Andreasen 1978, p. 23), revealing that while decision-making processes for ghetto consumers were not unlike other consumers, “what is different, and crucially different, is the ghetto consumer’s *location*” [emphasis added] (Bell 1973, p. 252). A common finding that surfaced across all of the aforementioned rural and ghetto consumer research is that location and mobility constraints served as primary factors in the limitation of consumer choice. This finding has also been illustrated in this paper as the central phenomenon for truck drivers as consumers.

Location-based Constraints on Consumption

The explanatory framework that emerged from interpretations of the data in this study indicates remarkable similarities between the experience of truck drivers and ghetto consumers. While both groups have ready access to illicit goods, restricted location has an immediate and primary influence on the markets where they buy necessary goods. Although truck drivers are highly mobile workers, they are highly *immobile* consumers. Similarly, while ghetto consumers

reside in the midst of the city, they face constraints in accessing the wider selection of goods available in outlying malls and shopping centers. Early on, researchers explained ghetto consumers' lack of access as a function of lower automobile ownership and higher reliance on public transportation, which is more time-consuming than driving and largely designed to bring people into the city center for employment, entertainment and shopping, and not the reverse route to distant suburban shopping areas (Kunreuther 1973; Marcus 1969; Stein 1980). More contemporary research indicates that lack of access to automobiles is still a ghetto phenomenon that curtails access to lower cost goods and services (Gautier and Zenou 2008; Glaeser et al. 2000; Raphael and Rice 2002).

Like truck drivers who must try to hitch rides or hail cabs, ghetto consumers face location constraints in consumption as a result of this lack of mobility. Hence, they are primarily limited to buying from inner city "mom and pop shops," a restriction similar to truck drivers' experiences of being confined to truck stops and their immediate environs. Exacerbating the problem further, a price differential has been found between the small stores available in the inner city and the larger retail chains outside of the ghetto (Andreasen 1978; Chung and Myers 1999; Kunreuther 1973; Marcus 1969). Truck drivers described a similar phenomenon, confirmed by researchers after a cursory examination of prices in truck stops:

"Like you'll see a pocket knife or soda in there. You will buy two sodas and a candy bar and before you know it you've spent seven bucks. Of course, the cost [in the truck stop] is more expensive. You might see lights you like or little gadgets or sunglasses. Knick knacks mostly and before you know it, it adds up." (Billy, USA)

An area of major difference between truck drivers and ghetto consumers is in discretionary income. According to the most recent national wage estimates from the U.S. Department of Labor, truck drivers earn a mean yearly salary of \$40,360 (Bureau of Labor Statistics 2013b) whereas inner city dwellers' mean annual wage is estimated at roughly \$25,000 (Bishaw 2012; Kodrzycki and Muñoz 2013; Porter 2008). Not only are truckers' gross wages higher, they are likely to be in a favorable position in terms of disposable income, in spite of being confronted with significant constraints on their opportunities to spend that money. Whereas a retail revitalization in the inner cities has attracted the attention of marketers and businesses, a market as large or potentially larger than the ghetto, with similar characteristics and challenges, has been neglected by both marketers and academics alike. Truck drivers are, in a sense, "upwardly mobile" with no place to go.

Managerial Implications

Several constituencies could benefit from a better understanding of challenges truck drivers face as consumers. To start, as this study illustrates, truck drivers are literally a captive and seemingly untapped market. Their experiences reveal pronounced and unmet demands, coupled with the fact that they command collective buying power of over \$70 billion in the United States (Bureau of Labor Statistics 2013a; Bureau of Labor Statistics 2013b; Global Insight Inc. 2005; U.S. Census Bureau 2002). While a few pioneering businesses have experimented with providing personal services at truck stops (e.g., tax preparation and medical clinics), the efforts are few and

far between, in spite of opportunity for significant customer loyalty. It is hoped that this paper's deeper understanding of the lifestyles and consumption-related experiences of this group of consumers could be leveraged by marketers and new product developers by providing insight into opportunities for unrealized and/or extant product and service categories.

In addition to marketing relevance, logistics practitioners and academicians should consider the implications of this more sophisticated understanding and "insider's view" of the daily lives of a vital constituency of their employee base, particularly with regard to the ongoing and much discussed concern over truck driver attrition in the United States. Driver turnover rates over the last decade have been estimated from 135 to 200% (Al et al. 2013; American Transportation Research Institute 2012; Belman et al. 2005; Schulz 2006). The number of heavy-truck or tractor-trailer drivers employed in the U.S. declined 13.4 percent between 2007 and 2010 (Cassidy 2012). Driver shortage and retention has continued to be one of top issues facing the trucking industry in past years (American Transportation Research Institute 2009; American Transportation Research Institute 2010; American Transportation Research Institute 2011; American Transportation Research Institute 2012; Cassidy 2011; Vise 2012). "Quality of life issues" is one of the main factors attributed to turnover, as reported by academics and practitioners alike (Al et al. 2013; American Transportation Research Institute 2012; Dobie et al. 1998; Goodson 2004; Min and Lambert 2002; Morton 2007; Schulz 2006; Stephenson and Fox 1996; Stone 1999). As the chief operating officer at one innovative firm known for their novel and effective approaches to driver retention stated, "We believe that driving is more than a job; it's a lifestyle" (Schulz 2006, p. 57T). Insight into the daily challenges and problem-solving processes of truck drivers as explored in this study could prove useful in helping to address motivation and morale issues. Promoting and/or administering exercise programs and facilities, better eating through in-cab meal preparation and equipment, or help obtaining basic goods and services while on the road could go far in boosting morale, improving productivity and helping reduce turnover.

Drivers themselves are also a potential beneficiary of the research. Participants in this study echoed what Agar (1986) and others (Hudson 2006; Morgen 2008; Pray 2007) discovered in ethnographic and documentary work on truck drivers, that in spite of assurances of anonymity, drivers actually longed for conspicuity and in many cases freely allowed or even insisted that their names and particular situations be made explicit. "I wish someone would hear our story," was a common proclamation. In spite of the challenges and inconveniences of driving, many drivers espoused loyalty to the profession, even more so than a particular employer. This finding was corroborated in research from decades past (Agar 1986; Ouellet 1996) and more recently by Belman et. al (2005). Several participants from both the United States and Vietnam proudly explained that they were second- or even third-generation drivers. They viewed their profession as being honorable, crucial and misunderstood by the public:

"If you lost all these trucks out here, the world would stop. Because everything, your groceries, anything you want, is hauled in that truck. Without them truck drivers, this country won't make it. I don't think a lot of people appreciate that. That's the god-damned truth. These guys are gone from home two or three months at a time. Don't see their kids grow up. If anybody meets any of these guys they would appreciate what they are doing every single day." (Denny, USA)

Truck drivers exhibited a desire to keep being truck drivers, in spite of their struggles between freedom and constraint. Exposing their stories and understanding the consumption challenges that truck drivers experience could lead to ways of improving their lives as consumers and subsequently their productivity and contribution to society.

FUTURE RESEARCH

By nature, inductive, exploratory investigations tend to generate multiple avenues for future directions in research. In particular, opportunity exists for complementary “cross over” of contrasting research methodologies between the current study on truck drivers and the extant stream of research on ghetto consumers. First, applying the models and methods used for comparisons of price disparities between inner city stores and outlying retail centers could be used to substantiate the claims and cursory confirmation of higher prices in truck stops. For example, a spatially-based comparative model, examining price differentials of goods and services based on proximity to truck stops, would be a possible approach to test the hypothesis that prices are indeed higher for truckers.

Conversely, to gain a more rich understanding of their lived experience, research on ghetto consumers could benefit from a methodological approach enlisting “deep dive” phenomenological techniques like the one used in this study. In short, while research to date has employed quantitative techniques involving survey and secondary data to understand the apparent inequities faced by ghetto consumers, understanding the daily reality of the inner city shopping experience in the words of those who do it would be a powerful supplement. In light of the current economic downturn, taking a fresh methodological approach to a research stream that has seen little attention since its inception in the 1960s would possibly generate renewed interest in an area of marketing and consumer behavior that has contemporary ethical implications as well.

Finally, in addition to the traditional causal factors of race, poverty and location, this research suggests a potential new variable for consideration in understanding limitations in consumer choice: occupation. The explanatory framework developed in this study could be transferred to other work-related contexts. For example, similarities might exist between truck drivers’ experiences and those of travelling salesmen and white collar “road warriors,” transient contractors (e.g., construction workers or electricians) or other “internal migrants” who deal with occupation-based consumption restrictions.

ACKNOWLEDGMENTS (IF APPLICABLE):

The authors would like to extend special gratitude (“xin cảm ơn”) to Mr. Anh Ngọc Lê for locating and vetting Vietnam-based participants, Mrs. Quyên T. Lê for coordinating, conducting and translating interviews, and Major Đước V. Nguyễn for facilitating transport and access to their locations.

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STRATEGY LEVELS – PERFORMANCE RELATIONSHIP AND THE MITIGATION EFFECT OF MARKET ORIENTATION ON STRATEGY LEVELS

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ABSTRACT

Company performance is mainly determined by the strategy a company follows. Different levels of strategies will have a various impact on company performance. This study employs two generic types of business strategies on continuous level; prospectors and defenders. And investigates the effects of them on business performance on different levels. Additionally, the current study explores the effects of market orientation on the prospectors and defenders for different levels. It examines the mitigation effects of market orientation for different strategy types. The data is collected from selected service industries which they have high level of customer interaction and high level of labor of intensity. Hierarchical multiple regression and multiple group analysis procedure are employed for the data analyses. The results are discussed at the end from both theoretical and practical perspectives.

CONCEPTUAL BACKGROUND:

Evolution of sophisticated customers and new technological era contributed to the growing intensity of competition. As a result, greater attention has been on analyzing competitive behavior and competitive strategies. Strategy pertains to the planned patterns of organizational adaptation to the environment by using available resources through which a business seeks to achieve its strategic goals - often sustainable competitive advantage - (Conant, Mokwa, and Varadarajan 1990; Matsuno and Mentzer 2000). Different strategies or strategy types and their effects on performance have been studied by large number of scholar in literature. However this relationship has not been tested in the context of market orientation along with different levels of each strategy. Therefore, the purpose of this research is to understand the effect of market orientation on the strategy types and performance relationship.

As accepted in strategy literature, Miles and Snow's (1978) typology has had considerable influence on the field of strategic management by being cited over 1000 scholarly studies. Along with Miles and Snow (1978), organizational adaptation to environment have been studied and classified differently by several researchers (such as Porter 1980, differentiation-low cost; Levinthal and March 1993, focusing on customer-focusing on process; Rust, Moorman and Dickson 2002, revenue expansion-cost reduction; Mizik and Jacobsen 2003, value creation-value appropriation). Even though those classifications might have some differences in terms of project or firm level, Mizik and Jacobson (2003) and Kyriakopoulos and Moorman (2004) implied that they represent the process of organizational learning and are conceptually similar.

As Levinthal and March (1993) stated that organizational learning has been created by following either innovative or creative path, or efficient focused or process oriented path during

the adaptation to environment. These two paths have been main course of the strategic typologies mentioned above and consequently, they are employed by our research.

Again, Miles and Snow (1978) proposed a strategic typology interrelating organizational strategy and organizational resources within a theoretical framework of alignment. Although they identified three viable strategic types, and they differ primarily in terms of product-market strategy choices, current study uses only two of those types which they are at the opposite end of the continuum.¹ Prospector strategic types proactively seek and exploit new market opportunities and often experiment with responses to changing market trends. They aggressively compete on innovation, seeking first-mover advantages from developing new offerings and pioneering new markets. Defender strategic types focus more narrowly on maintaining a secure position in existing product-markets. They often compete through operations or quality-based investments that offer efficiency related advantages, rarely pioneering the development of new markets or products.

Although Miles and Snow's strategy typology is supported by researchers and gained respect in literature in theoretical perspective, operationalization and measurement of those strategy types needs further investigation. They used paragraph or categorical classification. The categorical approach may hinder the differences among companies. Companies which fall into the same category, prospectors or defenders in this case, are treated equally. In fact, they may not show the same features. Instead of putting each company into a certain strategy category, this study uses continuous approach. This approach treats companies differently for each category. In this way, it acknowledges the critical differences among companies. And recognizes firms executing same strategy type in different levels (Woodside, Sullivan and Trappey 1999; Levinthal and March 1993).

Using a specific type of strategy in different level is important because companies allocate their limited resources on certain types of activities. Such as, some prospector firms depend on innovation and seek customers' preferences excessively. These types of firms involve many complex activities, decision-making freedom and work-routine flexibility to respond customers' needs and preferences on a timely basis (Ruekert and Walker 1987). Due to limited resources and concentration preferences, in such organizations it is very difficult to pursuit cost reduction and internal process related programs (Treacy and Wiersema 1995). Other prospectors may also excel in innovation and differentiation, however, since they do not use prospector strategy in high level, their structural and cultural characteristics may allow them to pursue cost-reduction strategies and internal process to experience some cost benefits.

In the same vein, some defenders rely on exceptionally established routines and standardized internal process to achieve cost based advantage (Ruekert and Walker 1987). Since their functional groups are homogeneous with routine activities, very low level of autonomy and very low risk taking activities; it is very difficult for them to identify customers' needs and preferences (Treacy and Wiersema 1995). On the other hand, other defenders may not stress cost based values that much. Accordingly, those defenders' structural and cultural characteristics will not be very tight and may allow them to practice innovative behavior and customer oriented values in an acceptable level.

HYPOTHESES DEVELOPMENT:

There are some dynamics in organizations that drive them to the extreme level of prospector or defender strategies instead of executing them at an optimal level. Levinthal and March (1993) call this “failure trap” for innovative organizations. Those organizations emphasize exploration in excessive level which they can be classified prospectors in this context. The reason to classify explorative organizations as prospectors is that the adaptation of those organizations to their environment and consequently the process of their organizational learning follow similar paths with prospectors. As Levinthal and March stated sometimes explorative organizations or “prospectors in this case” turn into frenzies of experimentation, change, and innovation by a dynamic of a failure. Failure leads to search and change, which leads to failure which again leads to more research, and so on. New innovative ideas and experimentations fail and are replaced by other new ideas and experiments. According to Levinthal and March, this pathology is driven by three fundamental concepts of organizational life. First, most innovations are not successful and unrewarding. Second, return from most innovations and differentiations are likely to perform poorly in the early stage until experience has been accumulated in using them. And third, aspirations adjust downward more slowly than they adjust upward. As a result of failure trap, prospector organizations can be driven to the extreme level of innovative and differentiated behavior. These organizations perform poorly since they lack of ability to execute necessary activities for organizing internal process and cost control (Kyriakopoulos and Moorman 2004). Therefore we hypothesize that;

H1: There is a negative relationship between the level of prospectors and their performance.

In defenders’ case, returns of organizing cost based activities are more certain, closer in time and closer in space than are the returns of prospector’s activities (March 1991 - Although Levinthal and March discussed exploitative organizations and did not mention defenders, the same logic can be extended to the organizations using defender strategy type. Their previous application of defender related activities makes future activities even more efficient. As a result, organizations discover the short term advantages of the refinement of internal processes. As they develop greater and greater competence on cost control, they engage in that activity more and they end up excessive use of defender strategy (Levinthal and March 1993). Even though those activities increase the defenders related competence, they drive out customer sensing and innovative capabilities of the organizations. As a result, these organizations perform poorly since they lack of ability to execute necessary activities for customer sensing and innovation (Aug and Menguc 2005).

H2: There is a negative relationship between the level of defenders and their performance.

As stated earlier, a market oriented culture is essential for organizations to avoid the failure trap because market oriented behaviors do not allow organizations to drive themselves to high levels of defender or prospector strategies. The following explains the rationale behind this assertion.

First, market orientation emphasizes a unifying belief that emphasizes serving and creating value for customers (Deshpande, Farley and Webster 1993; Homburg and Pflesser, 2000). The unified focus on customers mitigates the tendency to become very focused and rigid for defenders.

These firms may therefore not lose touch with customers' changing needs. In a market-oriented firm, customer focused goals pacify this tendency because they continually push organizational members to consider new customers and new ways of satisfying existing customers while they are pursuing defender strategy².

Therefore we hypothesize that;

H3: For defenders, the higher level of market oriented companies will use lower level of defender strategy.

Second, market orientation also emphasizes that a set of organization-wide processes involving the generation, dissemination, and responsiveness to intelligence pertaining to current and future customer needs (e.g., Kohli and Jaworski, 1990; Narver and Slater, 1990; Slater and Narver, 1999). Since market orientation points out to the importance of interfunctional coordination and internal process, it mitigates the tendency to neglect the potential of learning curve, standardized process and cost control programs for prospectors. As a result, prospectors will not follow very high level of differentiation and innovation based activities to pursue a limited amount of cost related activities³.

Therefore we hypothesize that;

H4: For prospectors, the higher level of market oriented companies will use lower level of prospector strategy.

Sample Selection and Data Collection:

For the purposes of the study, the sample was drawn from the service industries. Service industries generate over two-thirds of GNP and employment in developed countries and their importance is growing in developing countries (Asia Pacific Business Review, 2002). The importance of service industries is undeniable in the USA, since they account for 72 percent of GNP and 76 percent of employment (Van Egeren, O'Connor 1998). Characteristics of the service industry make the market orientation an essential construct for most service organizations. The service industry has three distinct characteristics from goods industry- intangibility, heterogeneity, and inseparability. First, most services are intangible. Because they are performance rather than objects, precise manufacturing specifications can rarely be set. Most services cannot be counted, measured, inventoried and tested. Second, services are heterogeneous. It means their performance often varies from producer to producer, from customer to customer, and from day to day. Third, production and consumption of many services are inseparable. Satisfaction occurs during the service delivery, usually in an interaction between the customer and employees (Parasuraman, Zeithaml, and Berry 1985).

For the purpose of this study, only a carefully selected set of service businesses were represented in the sampling frame. For this selection, three major criteria were used: (1) businesses should require high level of customer interaction, (2) labor of intensity should be high in the business and, (3) businesses should not be prone to any monopoly power.

Depending on those criteria, the sample covers four sets of service industries in the service sector: finance and insurance (NAICS 52), accommodation and food services (NAICS 72), transportation (NAICS 48), real estate and rental and leasing (NAICS 53). As discussed above, these business lines are characteristically similar to each other in terms of high level of customer interaction and high level of labor of intensity (Tinnila and Vepsalainen 1995; Schmenner 1993). Characteristically similar industries do not increase industry effects while they enhance the generalization of our findings.

The North American Industry Classification System (NAICS) were used in the selection of those qualifying service businesses that are represented in the final sample. The companies in the sample frame were selected by using Corporate Affiliations database. 1980 companies were selected using above criteria.

To increase response rate a variety of methods were used in combination. These methods are as follows: (1) Emails with a personal salutation (e.g., emails starting with "Dear Mr. Wright" rather than "Dear Manager." If no response received, a direct telephone call to the manager(2) indicating Old Dominion University's association with the research study, (3) offering a monetary incentive (i.e., lottery), (4) offering a brief summary of research findings for each complete and usable questionnaire, and (5) providing detailed contact information to respondents. 217 managers agreed to participate or examine the survey package. Only 135 of these questionnaires were usable for this specific study. Of those businesses, 71 were pursuing a defender strategy, 64 were pursuing a prospector strategy.

For the strategy type scale, Conant, Mokwa, and Varadarajan's (1990) 11-item scale to classify firms into strategic types has originally been created for service industries. This scale has been successfully applied elsewhere (e.g., Dyer and Song 1997, Lucas 1999, DeSarbo et al. 2004).

Only prospectors and defenders strategy types were extracted from the sample since they are generically different types and represents two end of the continuum. For the market orientation, Narver and Slater's (1990) market orientation 15 item scale adapted and it is modified to reflect the study's focus on the service industries. Surveys were added to the appendices.

HYPOTHESES TESTING:

Hierarchical regression analysis is used to determine the impact of the strategy levels on performance and the impact of market orientation on strategy levels. In the hierarchical regression analysis, dependent variables – strategy levels are entered in step 1; market turbulence is entered in step 2; and competitive intensity is entered in step 3. The purpose for this is to see the relative impact of dependent variable after controlling environmental factors.

Since the data collected for this study uses a cross sectional design with key informant's self-report measures, presence of multicollinearity needs to be tested. The VIF is employed for this purpose and VIF values are very low ranges from 1.00 to 1.27, well below the cutoff of 10 recommended by Neter, Warresaman and Kutner (1985, p.32). This finding suggests that multicollinearity is not a threat to the substantive conclusions drawn from the parameter estimates.

Table 1

Hierarchical Regression Results of Regressing Performance on the level of Prospectors/Defenders and Environmental Variables

| Independent Variables | Dependent Variable | | | |
|-----------------------|--------------------|------------------|----------|---------|
| | Pros. Perform. | Defend. Perform. | VIF Pros | VIF Def |
| Step 1 | | | | |
| Level of Prospectors | -.354*** | | 1.00 | |
| Level of Defenders | | -.373** | | 1.054 |
| R Square | .126 | .114 | | |
| R Square Change | | . | | |
| F Value | 9.76** | 6.79*** | | |
| Step 2 | | | | |
| Level of Prospectors | -.355*** | | 1.00 | |
| Level of Defenders | | -.320*** | | 1.039 |
| Market Turb. | .257* | .086 | | 1.039 |
| R Square | .192 | .121 | | |
| R Square Change | .066 | .007 | | |
| F Value | .549* | .417 | | |
| Step 3 | | | | |
| Level of Prospectors | -.354** | | 1.10 | |
| Level of Defenders | | -.373** | | 1.054 |
| Market Turb. | .232* | .029 | 1.363 | 1.026 |
| Competitive Ints. | .050 | .436** | 1.336 | 1.056 |
| R Square | .194 | .306 | | |
| R Square Change | .02 | .185 | | |
| F Value | .514 | 13.6*** | | |

Table 2

Hierarchical Regression Results of Regressing Level of Prospectors/Defenders on the level of Performances and Environmental Variables

| Independent Variables | Dependent Variable | | VIF Pros | VIF Def |
|-----------------------|--------------------|------------------|----------|---------|
| | Level of Pros. | Level of Defend. | | |
| Step 1 | | | | |
| MO of Prospectors | -.127 | | 1.00 | |
| MO of Defenders | | -.321*** | | 1.000 |
| R Square | .016 | .103 | | |
| R Square Change | .016 | .103 | | |
| F Value | 1.10 | 6.101*** | | |
| Step 2 | | | | |
| MO of Prospectors | -.157 | | 1.232 | |
| MO of Defenders | | -.302*** | | 1.016 |
| Market Turb. | .070 | -.157 | 1.232 | 1.016 |
| R Square | .020 | .127 | | |
| R Square Change | .004 | .024 | | |
| F Value | .275 | 1.442 | | |
| Step 3 | | | | |
| MO of Prospectors | -.162 | | 1.334 | |
| MO of Defenders | | -.403*** | | 1.18 |
| Market Turb. | .062 | -.173 | 1.462 | 1.02 |
| Competitive Ints. | .020 | .269** | 1.478 | 1.17 |
| R Square | .020 | .189 | | |
| R Square Change | .000 | .061 | | |
| F Value | .018 | 3.861** | | |

Table 3
Subgroup Analysis Results for the effect of MO on Prospectors and Defenders

| Partial Correlation Coefficients for Subgroups | | |
|--|----------|--------|
| Independent Variable -MO | | |
| Dependent Variable Prospectors | LO | HI |
| | .185 | -.278 |
| Chow test F value | 3.897* | |
| Dependent Variable Defenders | LO | HI |
| | -.342*** | -.243* |
| Chow test F value | 6.827*** | |

DISCUSSIONS:

Table 1 reveals that H1 is supported ($\beta = -.354$ $p < .05$). There is a strong negative relationship between level of prospectors and prospectors' performance. The hierarchical regression displays this relationship consistently even after environmental variables employed in the equation.

This finding indicates that being highly prospector will negatively affect a company's performance, because they depend on innovation and seek customers' preferences excessively. These types of companies involve many complex activities, decision-making freedom and work-routine flexibility to respond customers' needs and preferences on a timely basis (Ruekert and Walker 1987). In such organizations it is very difficult to pursue cost reduction and internal process related programs (Treacy and Wiersema 1995). As a result, these types of prospectors perform poorly since they lack of ability to execute necessary activities for cost-reduction and internal processes. Other prospectors may also excel in innovation and differentiation, however, since they do not use prospector strategy in high level, their structural and cultural characteristics may allow them to pursue cost-reduction strategies and internal process to experience some cost benefits. In other words, being low level prospectors will positively affect companies' performance.

Table 1 also reveals that H2 is supported ($\beta = -.373$ $p < .05$). There is a strong negative relationship between level of defenders and defenders' performance. The hierarchical regression consistently displays this relationship even after environmental variables employed. This negative relationship indicates that companies using defenders strategy aggressively will perform poorly. On the other hand, companies using defenders strategy at an acceptable level will have strong company performances. These findings are consistent with the resource based theory in management literature. Resources based theory indicates that companies should develop certain types of capabilities for certain types of activities (Day, 1990). As such; defenders develop greater and greater competence on cost control and efficiency, and they engage in that activity more and they end up excessive use of defender strategy (Levinthal and March 1993). Even though those activities increase the defenders related competence, they drive out customer sensing and innovative capabilities of the organizations. As a result, these organizations perform poorly since they lack of ability to execute necessary activities for customer sensing and innovation (Aug and Menguc 2005).

It is clear that too much of a certain type of a strategy is not good for the companies. As Levinthal and March stated that prospectors turn into frenzies of experimentation, change, and innovation by a dynamic of a failure. Or defenders tend to develop greater and greater competence on cost control, they engage in that activity more and they end up excessive use of defender strategy at a cost of customer sensing and innovative capabilities (Levinthal and March 1993).

As stated earlier, a market oriented culture is essential for organizations to avoid the failure trap because market oriented behaviors do not allow organizations to drive themselves to high levels of defender or prospector strategies.

Table 2 confirms this assertion by supporting H3 ($\beta = -.403$ $p < .01$). It indicates that the higher level of market oriented companies will use lower level of defender strategy for defenders. This relationship is consistent thorough hierarchical regression. It is valid after controlling market turbulence and competitive intensity. This finding is consistent with the theory that market orientation emphasizes a unifying belief that emphasizes serving and creating value for customers (Deshpande, Farley and Webster 1993; Homburg and Pflesser, 2000; Ruekert, 1992). The unified focus on customers mitigates the tendency to become very focused and rigid for defenders. These firms may therefore not lose touch with customers' changing needs. In a market-oriented firm, customer focused goals pacify this tendency because they continually push organizational members to consider new customers and new ways of satisfying existing customers while they are pursuing defender strategy⁴.

About the market orientation and the level of prospector strategy; Table 2 indicates that H4 is not supported by regression analysis ($\beta = -.162$ ns). The result seems to reveal that level of prospectors and market orientation of prospectors are not correlated. When we look at the overall model, The F values are not significant for each step (.018 ns for step 3). The F Value is the test statistic used to decide whether the model as a whole has statistically significant predictive capability. Non-significant F value indicates that the model has no predictive capability.

For further investigation of the relationship between market orientation and the level of prospector strategy, the subgroup analysis is employed to overcome non-significant regression model. Although subgroup analysis cannot avoid the loss of information resulting from the

artificial transformation of a continuous variable into a categorical one, partitioning the total sample into homogeneous subgroups with respect to the error variance can increase the predictive efficacy for each subgroup. The partial correlation coefficient for market orientation and performance in each subgroup are reported in Table 3.

The purpose of subgroup analysis is twofold. First, it regress the relationship between market orientation and strategy level within groups (i.e. low and high level prospectors). Second it investigates the differences between groups (i.e. low and high level prospectors) in terms of market orientation. Table 3 correlates strategy level and market orientation for each subgroup of prospectors and defenders. It also needs to be tested that whether those high and low group regression coefficients are significantly different. The Chow test provides whether the full set of regression parameters differ among groups. Although regression coefficients are not significant for each group of prospectors (.185 and -.278; ns), Table 3 shows that there are differences between high and low prospector strategy types ($F = 3.89$ $p < .10$) in terms of market orientation. Since low level of prospectors have higher mean score of market orientation (6.2) than high prospectors (4.5), it can be concluded that market orientation mitigate the tendency for being excessive prospectors.

As explained earlier, prospectors depend on innovation and seek customers' preferences excessively. These types of companies involve many complex activities, decision-making freedom and work-routine flexibility to respond customers' needs and preferences on a timely basis (Ruekert and Walker 1987). In such organizations it is very difficult to pursuit cost reduction and internal process related programs (Treacy and Wiersema 1995) if they are not market oriented. Findings suggest that market orientation is a useful tool to curb the tendency that drives prospectors to the extreme use of the strategy.

CONCLUSION:

Current study indicates that both prospectors and defenders strategies are negatively related to company performance. If companies use a specific type of strategy intensively, they will perform poorly. As explained before there are some dynamics inside the organizations driving them to the excessive use of strategy. They fall into frenzies of innovation and new ideas in prospectors case or, they focus on cost cutting and internal process extensively in defenders case. On the other hand, findings suggest that highly market oriented companies will not use excessive level of specific strategy. Market orientation is a useful tool to curb the companies using extreme level of specific strategy, since it emphasizes serving and creating value for customers while paying attention to internal coordination and cost control. And those unified focus on customers and coordination mitigates the tendency to use excessive level of strategy.

ENDNOTES

1 Third strategic type; analyzers balance a focus on securing their position in existing core markets with incremental moves into new product markets. They compete by balancing investments in creating differentiation-based advantages with operating efficiency. Another strategic type, reactors, is also identified but is deemed not to be viable in the long run as it represents firms that have no clear or consistent pattern of behavior (McKee, Varadarajan, and Pride 1989).

2 For example, Hummer SUVs are well built, luxurious and stronger than BMW SUVs, but Hummer SUVs have a terrible mileage records per gallon and priced very high compared to BMW SUVs. Since Hummer SUVs emphasize quality and customer perception at very high level, they did not pay enough attention to cost related activities. As a result, while BMW increase its market share, Hummer couldn't stop the declining sales trend and had to lay off a large amount of its employees (Wall Street Journal, New York, Aug 25, 2004. pg. B.8)

3 For example People Express had low prices but a terrible on-time takeoff record. Or the Yugo cars that had been the lowest-priced car in America; but their level of quality were not acceptable (Treacy and Wiersema 1995). They disappeared quickly because they did not give better value to their customer. The reason was that they concentrated on costs and internal process at the high level. In pursuing high level of defender strategy, their structural and cultural characteristics weren't suitable to follow minimum level of customer oriented behavior.

4 For example, Hummer SUVs are well built, luxurious and stronger than BMW SUVs, but Hummer SUVs have a terrible mileage records per gallon and priced very high compared to BMW SUVs. Since Hummer SUVs emphasize quality and customer perception at very high level, they did not pay enough attention to cost related activities. As a result, while BMW increase its market share, Hummer couldn't stop the declining sales trend and had to lay off a large amount of its employees (Wall Street Journal, New York, Aug 25, 2004. pg. B.8)

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APPENDICES:

Appendix 1: Survey Questionnaire for Market Orientation.

Dear Respondent:

Please read each question carefully and answer it completely. There is no right or wrong answers to these questions (seven-point scale with 1 indicating "strongly disagree" and 7 indicating "strongly agree" as anchors).

To what extent does each statement listed below accurately describe your division or business unit's organizational culture? Please indicate your level of agreement or disagreement with each of the following statements.

- | | | | |
|-----------------|-------------|-----------------|---|
| <i>Strongly</i> | | <i>Strongly</i> | 1. Our business objectives are driven primarily by customer satisfaction. |
| <i>Disagree</i> | 1 2 3 4 5 6 | <i>Agree</i> | |
| <i>Strongly</i> | | <i>Strongly</i> | 2. We constantly monitor our level of commitment and orientation to serving customers' needs. |
| <i>Disagree</i> | 1 2 3 4 5 6 | <i>Agree</i> | |
| <i>Strongly</i> | | <i>Strongly</i> | 3. Our business strategies are driven by our belief about how we can create greater value for customers. |
| <i>Disagree</i> | 1 2 3 4 5 6 | <i>Agree</i> | |
| <i>Strongly</i> | | <i>Strongly</i> | 4. We measure customer satisfaction systematically and frequently. |
| <i>Disagree</i> | 1 2 3 4 5 6 | <i>Agree</i> | |
| <i>Strongly</i> | | <i>Strongly</i> | 5. We give close attention to after-sales service. |
| <i>Disagree</i> | 1 2 3 4 5 6 | <i>Agree</i> | |
| <i>Strongly</i> | | <i>Strongly</i> | 6. Our strategy for competitive advantage is based on our understanding of customers' needs. |
| <i>Disagree</i> | 1 2 3 4 5 6 | <i>Agree</i> | |
| <i>Strongly</i> | | <i>Strongly</i> | 7. We target customers where we have an opportunity for competitive advantage. |
| <i>Disagree</i> | 1 2 3 4 5 6 | <i>Agree</i> | |
| <i>Strongly</i> | | <i>Strongly</i> | 8. Our salespeople regularly share information within our business concerning competitors' strategies. |
| <i>Disagree</i> | 1 2 3 4 5 6 | <i>Agree</i> | |
| <i>Strongly</i> | | <i>Strongly</i> | 9. We rapidly respond to competitive actions that threaten us. |
| <i>Disagree</i> | 1 2 3 4 5 6 | <i>Agree</i> | |
| <i>Strongly</i> | | <i>Strongly</i> | 10. Top management regularly discusses competitors' strengths and strategies. |
| <i>Disagree</i> | 1 2 3 4 5 6 | <i>Agree</i> | |
| <i>Strongly</i> | | <i>Strongly</i> | 11. Our top managers from every function visit our current and prospective customers. |
| <i>Disagree</i> | 1 2 3 4 5 6 | <i>Agree</i> | |
| <i>Strongly</i> | | <i>Strongly</i> | 12. We freely communicate information about our successful and unsuccessful customer experiences across all business functions. |
| <i>Disagree</i> | 1 2 3 4 5 6 | <i>Agree</i> | |
| <i>Strongly</i> | | <i>Strongly</i> | 13. All of our business functions (marketing/sales, manufacturing, R&D, finance/accounting, etc.) are integrated in serving the needs of our target markets. |
| <i>Disagree</i> | 1 2 3 4 5 6 | <i>Agree</i> | |
| <i>Strongly</i> | | <i>Strongly</i> | 14. All of our managers understand how everyone in our business can contribute to creating customer value. |
| <i>Disagree</i> | 1 2 3 4 5 6 | <i>Agree</i> | |
| <i>Strongly</i> | | <i>Strongly</i> | 15. We share resources with other business units. |
| <i>Disagree</i> | 1 2 3 4 5 6 | <i>Agree</i> | |

Appendix 2: Survey Questions for Strategy Types.

For the following 11 questions, please choose one of the three response options listed for each question that define your division or business unit best.

1. In comparison to other organizations, the services which we provide to our customers are best characterized as:

{Choose one}

- Services which are more innovative, continually changing and broader in nature throughout the organization and marketplace.
- Services which are well focused, relatively stable and consistently defined throughout the organization and marketplace.
- Services which are fairly stable in certain units/departments and markets while innovative in other units/departments and markets.

2. In contrast to other organizations, my business unit has an image in the marketplace as which:

{Choose one}

- Has a reputation for being innovative and creative.
- Offers fewer, selective services which are high in quality.
- Adopts new ideas and innovations, but only after careful analysis.

3. The amount of time my organization spends on monitoring changes and trends in the marketplace can best be described as:

- Lengthy: We are continuously monitoring the marketplace.
- Minimal: We really don't spend much time monitoring the marketplace.
- Average: We spend a reasonable amount of time monitoring the market-place.

4. In comparison to other organizations, the increase or losses in demand which we have experienced are due most probably to:

{Choose one}

- Our practice of aggressively entering into new markets with new types of service offerings and programs.
 - Our practice of concentrating on more fully developing those markets which we currently serve.
- Our practice of assertively penetrating more deeply into markets we currently serve, while adopting new services only after a very careful review of their potential.

5. One of the most important goals in this organization, in comparison to other organizations, is our dedication and commitment to:

{Choose one}

- Insure that the people, resources and equipment required to develop new services and new markets are available and accessible.
- Keep costs under control.
- Analyze our costs and revenues carefully, to keep costs under control and to selectively generate new services or enter new markets.

6. In contrast to other organizations, the competencies (skills) which our managerial employees possess can best be characterized as:

{Choose one}

- Broad and entrepreneurial: their skills are diverse, flexible, and enable change to be created.
 - Specialized: their skills are concentrated into one, or a few, specific areas.
- Analytical: their skills enable them to both identify trends and then develop new service offerings or markets.

7. The one thing that protects my organization from other companies is that we:*{Choose one}*

- Are able to consistently develop new services and new markets.
 - Are able to do a limited number of things exceptionally well.
- Are able to carefully analyze emerging trends and adopt only those which have proven potential.

8. More so than many other organizations, our management staff tends to concentrate on:*{Choose one}*

- Developing new services and expanding into new markets or market segments.
- Maintaining a secure financial position through cost and quality control measures.
- Analyzing opportunities in the marketplace and selecting only those opportunities with proven potential, while protecting a secure financial position.

9. In contrast to many other organizations, my organization prepares for the future by:*{Choose one}*

- Identifying trends and opportunities in the marketplace which can result in the creation of service offerings or programs which are new to the industry or which reach new markets.
- Identifying those problems which, if solved, will maintain and then improve our current service offerings and market position.
- Identifying those trends in the industry which other companies have proven possess long-term potential while also solving problems related to our current service offerings and our current customers' needs.

10. In comparison to other organizations, the structure of my organization is:*{Choose one}*

- Service or market oriented (i.e. customer service have marketing or accounting responsibilities).
 - Functional in nature (i.e. organized by department-marketing, accounting, personnel, etc.)
- Primarily functional (departmental) in nature; however, a service or market oriented structure does exist in newer or larger service offering areas.

11. Unlike many other organizations, the procedures my organization uses to evaluate our performance are best described as:*{Choose one}*

- Decentralized and participatory encouraging many organizational members to be involved.
 - Highly centralized and primarily the responsibility of senior management.
- Centralized in more established service areas and more participatory in newer service areas.

THE IMPACT OF MARKET ORIENTATION AND CORPORATE SOCIAL RESPONSIBILITY ON FIRM PERFORMANCE: EVIDENCE FROM VIETNAM

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ABSTRACT

This paper examines the impact of market orientation and corporate social responsibility (CSR) on firm performance and how firm performance is affected by these factors in a transition economy, like Vietnam. A model incorporating the key determinants was tested with a sample of 256 owners, senior managers and CEOs in Vietnamese enterprises in the Mekong Delta. Four concepts of CSR are used in this study including economic, legal, ethical and philanthropic. Market orientation (MO) comprises three behavioral components: customer orientation, competitor orientation, and inter-functional coordination. Structural equation modeling (SEM) was used to analyze the data collected. The results showed that both CSR activities and MO have positive impact on firm performance. Through the analysis, legal factor (PL) almost has no significant. Only PL1 variable (with $\lambda = .664$) has significant and nearly compatible with ethical component. The study also suggests Vietnamese senior managers, CEOs, as well as owners should upgrade their perceptions about the importance of CSR, therefore they could improve their competitiveness into the market-orientation economy. A major limitation of this study is the examination of two concepts that impact on Vietnamese firms' performance. Several other concepts may be investigated in specific industries and how these impacts on other concepts may be studied.

Key words: Market orientation, corporate social responsibility (CSR), firm performance, Vietnam, the Mekong Delta.

INTRODUCTION

Corporate social responsibility (CSR) is not a new concept in the world, but it has still remained much concern not only to scholars but also for business environment practitioners. CSR is defined in a broader view as corporate behaviors and commitments which aim to affect positively stakeholder obligations, and go beyond its economic interest (Turker, 2009; Kotler & Lee, 2005; Galbreath, 2009; Carroll, 1991). In Vietnam, in recent years, a lot of attention has been paid to this concept from practitioners and scholars as well. Since 2005, there has been a prize named "CSR towards sustainable development" which is organized by the Vietnam Chamber of Commerce and Industry (VCCI), the Ministry of Labor and Social Affairs, and the Ministry of Industry. At the beginning, this prize aims to honor enterprises in Leather and Textile association which Top 50 enterprises were honored annually for their best CSR practice. However, in Vietnam, it is relatively difficult to implementing CSR. First, the CSR is understood and its activities in local enterprises community have just been implemented simply as charity activities. Second, most of local firms are SMEs and they lack of resources and capacities for implementing CSR qualifications.

In modern humanity age, enterprise has made CSR initiative as one of the essential and serious activities. The CSR is of greater importance and has had a

broader responsibility. CSR is engaged by firms because of the value added from shareholders and goodwill created among consumers (Smith, 2003). Therefore, in business environment, there is a growing body of management literature showing that CSR has a positive relationship of firm performance (Qu, 2009; Luo et al. 2010; Maignan et al. 1999). Furthermore, the implementation of CSR is seen as a key strategy for sustainable development along with firm marketing strategy. In modern marketing science, firm should concern to its round environment in order to consolidate the sustainable competition. There have had several researches that show *market orientation* (MO) has positive, synergistic effects on firm performance in transition economies, like Vietnam (Baker & Sinkula, 1999; Nguyen & Barrett 2006; Nguyen & Nguyen, 2008).

There has little research that has investigated the impact of two factors MO and CSR on firm performance. Especially, there has had no such a study conducted in Vietnam that is seen as an emerging market. Moreover, the study also examines the research model in Vietnam to see whether it has any differentiation compared to the previous one in China by Qu (2009). Vietnam is a smaller country compared with China and has a lower developing speed in term of economic condition. Certainly, it has different distinctions. The Mekong Delta has been prioritized for conducting the survey. This area is seen as one of the largest Vietnam socio-economy (contributing 25% GDP, over 90% rice and 60% aqua-products exporting, 22% population), and concentrates over 90% of local SMEs. In fact, the best CSR practices of local enterprises still have limited in both understanding and implementation. Based on multiple in-depth interviews with local owners, senior executives together with literature review, the paper proposes a study on the relationship between MO and CSR. Furthermore, this study examines and is expected to raise the issues for Vietnamese firms in understanding the importance of CSR and MO concepts. The paper is structured including introduction, literature review and hypotheses, conceptual model, methods, data analysis and results, discussion and implications, and limitations and directions for future research.

THEORETICAL BACKGROUND AND HYPOTHESIS DEVELOPMENT

The concept of Market orientation

Narver and Slater (1990) define market orientation in term of organizational culture that most effectively and efficiently. It creates the necessary behavior for the creation of superior value for buyers and, thus, continuous superior performance for the business. As their definition, market orientation comprises three behavioral components: customer orientation, competitor orientation, and inter-functional coordination (Slater & Narver, 1995). In the scope of firm, managers should have in-depth market knowledge and ready to respond with the information in order to create continuously firm performance. Competitors find difficulty in imitating market orientation in terms of having firm-specific information management and strategic management.

Market orientation drives organizational market information processing activity as well as how it is used in the firm strategy. Market-oriented firms usually concern towards customers and competitors. Further, market orientation exists on the degree to which firms obtain and react to feedback from customers and competitors. For instance, market-oriented firms continuously collect information about target customers' needs and competitors' capabilities. Then, they utilize information to continuously create superior customer value. Therefore, market orientation is related to specific and routine processes that create superior values to customers. It also assists firms in gaining sustainable competitive advantage.

Market orientation has been proven to positively impact on firm performance (Kohli & Jaworski, 1993; Baker & Sinkula, 1999; Sinkula, 1994). Similarly, Narver & Slater (1990) determined that market orientation will create necessary behaviors to build up maximum values to customers. Results of previous studies show that market orientation contributes in both direct and indirect to firm performance (Nguyen & Nguyen, 2008; Nguyen & Barrett, 2006). From an empirical evidence, Long (2013) shows the study of Vietnamese marketing communications companies having a positive relationship between market orientation and firm performance. At low level of market turbulence, Greenley (1995), conducting in the UK, found a positive relationship between market orientation and firm performance as well. For this, the study posits that:

H1 This is my first hypothesis. In Vietnam context, market orientation impacts positively on firm performance.

The concept of Corporate Social Responsibility (CSR)

The concept of corporate social responsibility (CSR) was constructed beginning in the 1950s marked as the modern era of CSR. This definition had been expanded during the 1960s and proliferated during the 1970s. In the 1980s, there were fewer new definitions, more empirical research, and alternative themes began to mature (Carroll, 1991). The topic of CSR has been received an increasing amount of attention and vary in many ways from scholars in recent years. In general, CSR refers to a firm's activities, organizational processes, and status in relation to its perceived social or stakeholder obligations (Galbreath, 2009). In this study, stakeholders of a firm include employees, shareholders, customers, suppliers, communities and natural environment.

Turker (2009) defines "CSR as corporate behaviors, which aim to affect stakeholders positively and go beyond its economic interest". The World Business Council for Sustainable Development (WBCSD) (2002) states CSR as "the commitment of the company to contribute to the sustained economic development by working with employees, their families, the local community, and the entire society in order to improve life quality". Kotler and Lee (2005) maintain that CSR as a commitment to improve community well-being through discretionary business practice and contributions of corporate resources. Sethi (1995) defines CSR as "corporate activity and its impact on different social groups". As a broader concept, other terms relating to CSR such as corporate social responsiveness, or corporate social performance, corporate citizenship, and stakeholder management have been extensively used (Qu, 2009).

There have numerous studies attempting to define CSR from multiple perspectives in detail with descriptions ranging from "philanthropy" to "business ethics". Although there have had different point-of-views to CSR research in the field of management and business ethics, Carroll's (1979) conceptualization of the responsibilities of firms has remained a consistently and wide accepted approach (Galbreath, 2009). This literature review has been suggested as a classification CSR framework. Moreover, this conceptualization suggests that although all firms have the same responsibilities, not all firms demonstrate CSR equally (Birch, 2002).

According to Carroll (1979), CSR is a multi-dimensional construct and consists of four types of responsibilities: *economic, legal, ethical* and *discretionary*. However, Carroll (1991) offers a broader view of CSR in her work and suggests that four dimensions of CSR are *economic, legal, ethical, and philanthropic*. Basing on these four dimensions of CSR, the study investigates the role of CSR in influencing firm performance. According to Carroll (1991), namely

- Economic dimension of CSR is concerned with the corporation's economic responsibilities to its stakeholders (e.g., operation efficiency, competitiveness).
- Legal dimension is related with the corporation's obligation to abide by the rules and regulations established by the lawmakers.
- Ethical dimension refers to the corporation's responsibility to be fair and just in making decisions and conducting performance, beyond its legal obligation.
- Philanthropic dimension addresses the corporation's responsibility to engage in activities that promote human welfare or goodwill.

These components are not mutually exclusive. They help the manager to see the different types of obligations are in a constant tension with one another (Carroll, 1991).

CSR and firm performance

Firm performance is seen as the degree of enterprise's achievement. Firm performance is expressed as profits and market share growth, achievement in sales and strategic objectives of enterprise (Cyer & March, 1992; Keh et al., 2007; Wu & Cavusgil, 2006). The relationship between CSR and firm performance has excited much interest among scholars. According to social responsibility theorists, firms should engage in activities that benefit employees, suppliers, customers and society (Mackey et al., 2007). It seems to suggest a moderately tight relationship between CSR and firm performance in firm's strategic objectives.

There are growing bodies of management literature testifying the positive impacts of CSR on firm performance (Qu, 2009; Maignan et al., 1999; Luo & Homburg, 2007). In fact, general, CSR activities refer to making business decision. CSR activities of enterprise also associate with ethical values, compliance with local legal requirements, respect people, communities and its environment. However, over three past decades, some scholars have shown the negative or no relation between CSR and firm performance. For example, findings regarding to the link between CSR and firm performance have reported a negative relationship (e.g. Vance, 1975, Ullman, 1985), or no relationship (e.g. Alexander & Buchholz, 1978; Abbott & Monsen, 1979; Aupperle et al., 1985). Despite the existence of contrast perceptions the relationship between CSR and firm performance, more recent studies on this linkage have provided more consistent empirical evidence of positive relationship (e.g. Russo & Fouts, 1997; Waddock & Graves, 1997; Maignan et al., 1999; Luo & Bhattacharya, 2006; Qu, 2009). This study contributes to existing body of knowledge by positing that CSR and firm performance has positive relationship. Therefore,

- H2 This is my second hypothesis. In Vietnam context, CSR impacts positively on firm performance.*

Market orientation and corporate social responsibility

In modern business environment, consumers always have high expectations of firm's CSR activities. Market-oriented firms will be among the first to realize the importance of CSR and implement its activities on route to achieve better firm performance (Qu, 2009). The issue is how to extent CSR activities may help market-oriented firm to achieve its better firm performance, such in a transition economy. This study provides either evidence to growing body of literature in order to demonstrate the impact of market orientation to CSR. Market orientation, as defined above, has three behavioral components: *customer orientation*, *competitor orientation*, and *inter-functional coordination* and seems much relating to outside environment (customers and competitors). Also, according to CSR theorists, CSR is more concerned its round environment and community where the firm operating in.

For example, Fombrun and Shanley (1990) show that investment in CSR activities is critical for differentiating products from competitors and building a reputation. Brown and Dacin (1997), Sen and Bhattacharya (2001) in studying of U.S. firms found that CSR influences both consumers' purchase intents and their perceptions of firm products.

Market-oriented firms continuously collect information about target customers' needs and competitors' capabilities in order to consolidate their reputation. A positive reputation is seen as a key strategic asset that helps a firm build and sustains its competitive advantage. Firms can be reactive and make minimal effort or do less than required by stakeholder standards for social responsibility (Galbreath, 2009). Moreover, different stakeholders may have different preferences for specific socially responsible activities that they would like to see their firm invest in (Mackey et al., 2007). Market orientation relates to specific and routine processes that create superior values to customers and assist firms in gaining sustainable competitive advantage. Similarly, previous studies suggest that CSR offers a competitive advantage to enterprises. Moreover, it is important to manage enterprise's image through CSR (Kang et al., 2010). Market orientation and CSR are both now generally recognized as important determinants of firm performance. The Figure 1 shows the research model which contains three hypotheses of the research. The figure also shows two concepts CSR and MO how they influence to firm performance. Few studies have accounted for their joint effects on firm performance (Qu, 2009). Therefore, the expectation is that

H3 This is my third hypothesis. In Vietnam context, market orientation impacts positively on CSR.

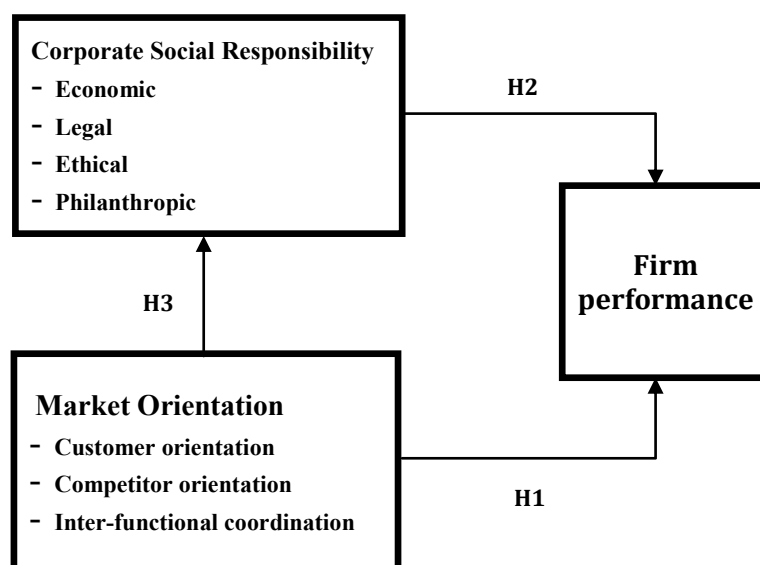


Figure 1. Research Model

METHOD AND MEASUREMENT

Sampling and Data collection

The study comprised of two phases, a pilot and a main survey. The survey was undertaken in the Mekong Delta with local companies. The pilot survey was conducted through in-depth interviews with 26 senior executives and CEOs. This phase aims to examine whether the survey questions are appropriate before implementing the main survey. In the quantitative pilot study, the author undertook face-to-face interviews with 166 senior executives and CEOs to refine the measures.

Then, the main survey was implemented by using in both face-to-face interviews and direct mailing to a broader scope of owners, CEOs and senior executives.

To test the proposed research model, the researcher recruited a sample of 1,000 respondents that included business owners, CEOs, and senior executives of Vietnamese firms. There were 256 valid respondents. Cronbach's alpha reliability and Exploratory Factor Analysis (EFA) were used to preliminarily assess the scales. Confirmatory Factor Analysis (CFA) was used to test the measurement model. The structural equation modeling (SEM) was used to test the theoretical model. The firm ownership in study sample consisted of joint-stock companies (24.2%), private companies and limited companies (60.2%) and state-owned companies (15.6%). Company operating duration over 15 years is 30.5%, from 10 to 15 years is 12.8%, from 3 to 10 years is 30.5%, and less than 3 years is 26.2%. Company workforce less than 500 people is 88.3%, over 1,000 is 11.7%. In term of educational level, company leaders comprised of graduate is 70.7% and postgraduate is 29.3%.

Measures

According to Kohli & Jaworski (1993), Market orientation consists of six items on needs assessment and market-oriented behavior of reciprocal market information: (1) always handle the needs of customers; (2) view the needs of customers as mainly company's objectives; (3) always acknowledge competitors in the industry; (4) always drive initiatives in competitive strategies; (5) coordination among internal functional departments in order to meet customer needs; and (6) customer information is always updated among functional departments.

CSR is measured by 29 variables and consists of Economic (7 variables), Legal (7 variables), Ethical (7 variables) and Philanthropic (8 variables) (Carroll, 1991).

Firm performance is the degree of enterprise's achievement that is expressed as profits and market share growth, achievement in sales and strategic objectives of enterprise (Cyer & March, 1992; Keh et al., 2007; Wu & Cavusgil, 2006). This scale includes five items: (1) achieving the desired profit margin; (2) achieving the desired revenue growth; (3) achieving desired market share; (4) increasing more desired-market; and (5) increasing new desired products/services. All items were measured by using 7-point Likert scale, anchored by 1 = strongly disagree, and 7 = strongly agree.

Measurement refinement

The measures were refined via Cronbach's alpha reliability and exploratory factor analysis (EFA). The results indicated that all scales satisfied the requirement for reliabilities. Table 1 shows testing results of variables. The Cronbach's alpha of all scales were higher than 0.70, respectively. Specifically, the Cronbach's alpha of component *firm performance* was highest with 0.919, while, the lowest one was *economic* with 0.777. The rest components, *legal* was 0.802, *ethical* with 0.847, *philanthropic* with 0.856 and *market orientation* with 0.885. The EFA results using Principal Components with varimax rotation indicated that all scales satisfied the requirement for factor loadings (>50%) and the number of factors extracted. These measures were used in the main survey.

| Table 1 TESTING VARIABLES | | | | |
|------------------------------|-------------------------------|-----------------------------------|--------------------------------------|-------------------------------------|
| | Scale Mean if Item Deleted | Scale Variance if Item Deleted | Corrected Item- Total Correlation | Cronbach's Alpha if Item Deleted |
| <i>Economic (KT)</i> | | | | |
| KT1 | 33.32 | 26.995 | .507 | .749 |
| KT2 | 32.70 | 29.721 | .547 | .741 |

| | | | | |
|----------------------------------|-------|--------|------|-------------|
| KT3 | 32.44 | 30.150 | .517 | .747 |
| KT4 | 34.07 | 29.598 | .463 | .756 |
| KT5 | 32.99 | 30.559 | .397 | .768 |
| KT6 | 33.19 | 28.508 | .565 | .736 |
| KT7 | 33.22 | 27.464 | .531 | .742 |
| Cronbach's Alpha | | | | .777 |
| Legal (PL) | | | | |
| PL1 | 33.40 | 31.774 | .557 | .774 |
| PL2 | 32.35 | 35.037 | .501 | .782 |
| PL3 | 32.28 | 36.350 | .528 | .779 |
| PL4 | 32.17 | 36.714 | .559 | .776 |
| PL5 | 32.43 | 34.951 | .566 | .771 |
| PL6 | 33.38 | 32.748 | .542 | .776 |
| PL7 | 33.29 | 33.455 | .537 | .776 |
| Cronbach's Alpha | | | | .802 |
| Ethical (DD) | | | | |
| DD1 | 32.20 | 36.971 | .667 | .816 |
| DD2 | 32.22 | 39.555 | .649 | .821 |
| DD3 | 32.47 | 38.938 | .611 | .825 |
| DD4 | 31.84 | 40.705 | .555 | .833 |
| DD5 | 31.94 | 38.644 | .620 | .824 |
| DD6 | 32.47 | 36.197 | .575 | .835 |
| DD7 | 31.71 | 39.683 | .593 | .828 |
| Cronbach's Alpha | | | | .847 |
| Philanthropy (NV) | | | | |
| NV1 | 38.33 | 44.442 | .511 | .849 |
| NV2 | 38.60 | 42.962 | .586 | .842 |
| NV3 | 38.30 | 44.504 | .497 | .850 |
| NV4 | 39.38 | 37.147 | .705 | .825 |
| NV5 | 39.47 | 37.783 | .684 | .828 |
| NV6 | 40.04 | 38.907 | .569 | .845 |
| NV7 | 39.09 | 40.448 | .574 | .842 |
| NV8 | 38.99 | 39.095 | .705 | .826 |
| Cronbach's Alpha | | | | .856 |
| Market orientation (DHTT) | | | | |
| DHTT1 | 28.15 | 25.318 | .667 | .870 |
| DHTT2 | 27.62 | 26.638 | .643 | .874 |
| DHTT3 | 28.22 | 24.227 | .688 | .867 |
| DHTT4 | 28.25 | 23.120 | .823 | .844 |
| DHTT5 | 28.06 | 24.035 | .708 | .863 |
| DHTT6 | 28.31 | 24.144 | .671 | .870 |
| Cronbach's Alpha | | | | .885 |
| Firm performance (KQ) | | | | |
| KQ1 | 19.83 | 24.126 | .734 | .913 |
| KQ2 | 19.72 | 22.794 | .852 | .888 |
| KQ3 | 19.87 | 23.512 | .833 | .893 |
| KQ4 | 19.93 | 23.365 | .855 | .888 |
| KQ5 | 19.71 | 24.953 | .688 | .921 |
| Cronbach's Alpha | | | | .919 |

Source: by author, 2013

Data analysis

The total variances explained in research model are satisfied basing on Gerbing & Anderson (1988). Total variances explained achieve 53.086% of the sample survey. Testing Bartlett about the appropriateness of EFA following Principal Axis Factoring, results showed that Kaiser-Mayer-Olkin (KMO) verification and Barlett's test for KMO index value reached 0.884 and test for Sig attention reach .000. The table 2 shows testing for concepts distinction. These indices are meaningful to the research model in exploring high relevance analysis.

| Table 2 | | | | | | | | |
|---|--|--|---|-------|----|---|----|------------|
| TESTING FOR CONCEPTS DISTINCTION | | | | | | | | |
| | | | r | Se(r) | CR | P | Hi | Conclusion |
| | | | | | | | | |

| | | | r | Se(r) | CR | P | Hi | Conclusion |
|----|------|-----|-------|-------|-------|------|----|--------------------|
| MO | <--> | CSR | 0.82 | 0.04 | 22.83 | 0.00 | H1 | <i>Distinction</i> |
| MO | <--> | KQ | 0.724 | 0.04 | 16.73 | 0.00 | H1 | <i>Distinction</i> |
| KQ | <--> | CSR | 0.725 | 0.04 | 16.78 | 0.00 | H1 | <i>Distinction</i> |

Source: by author, 2013

Testing of the correlation coefficient between factors showed that all of them were less than 1, which was statistically significant. Table 3 shows Variance extracted and Construct reliability. The results eliminated the less significant items during measurement. The process formed important factors of testing the relationship among concepts in proposed research model. Through the analysis, variables belong to *Legal* factor almost have no significant. Only PL1 variable (with $\lambda = .664$) has significant and nearly compatible with ethical component. Therefore, all concepts achieved distinct value (Steenkamp & Vantrijp, 1991) and this study formed four significant factors:

Factor 1: Ethical (DD) includes 7 variables: PL1, KT7, DD1, DD2, DD3, DD5, DD6.

Factor 2: Philanthropic I (NV I) includes 4 variables: NV4, NV5, NV6, NV7.

Factor 3: Economic (KT) includes 3 variables: KT1, KT2, KT3.

Factor 4: Philanthropic II (NV II) includes 2 variables: NV1 and NV3.

| | Variance Extracted | Construct Reliability |
|------|--------------------|-----------------------|
| CSR | 0.85 | 0.58 |
| DD | 0.86 | 0.47 |
| MO | 0.89 | 0.57 |
| KQ | 0.92 | 0.69 |
| NVI | 0.82 | 0.54 |
| NVII | 0.77 | 0.62 |
| KT | 0.74 | 0.49 |

Source: by author, 2013

RESULTS

SEM was used to test the hypotheses. In Vietnam context, consistent with H1, market orientation was found to positively influence firm performance, $\beta = 0.450$, $p < 0.001$. H2 that posited CSR positively influence firm performance, $\beta = 0.447$, $p < 0.001$ was supported. H3, which proposed a positive relationship between market orientation and CSR, was also supported, $\beta = 0.840$, $p < 0.001$. In the analysis, there were some observation items with less significant and were eliminated in the model. The process of exclusion was conducted according to the following items: KT4, KT5, KT6, PL2, PL3, PL4, PL5, PL6, PL7, DD4, DD7, NV2, and NV8.

CFA results showed that research model is compatible with market data such as Chi-square = 619.317, $df = 314$, GFI = 0.842, TLI = 0.915 and CFI = 0.924 (Bentler & Bonett, 1980). Thus, according to Bentler & Bonett (1980), these numbers show that survey data are quite consistent with data from market research. Also, adjusted Chi-square index (Chi-square/df) reached 1.972 (Carmines & Mc Iver, 1981), combined with RMSEA = 0.062 indicating that the data is consistent (Steiger, 1990). Confirmatory Factor Analysis (CFA) results showed that the model achieved the data compatibility with high appropriate indicators. The figure 2 shows CFA

model. The factor loadings that identified CFA were performed on AMOS. CFA loadings of all variables were greater than 0.5 which confirmed unidimensionality and the value of convergence (Gerbing & Anderson, 1988).

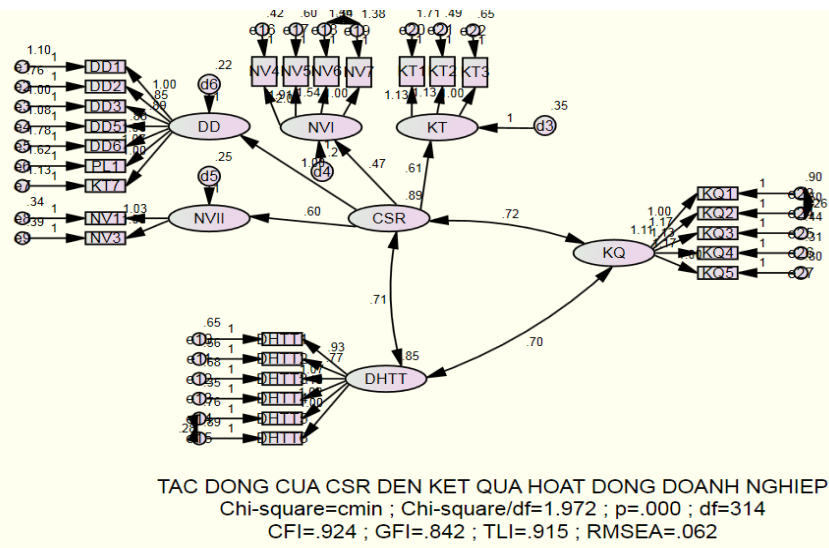


Figure 2. CFA

Note: DHTT: Market orientation; CSR: Corporate Social Responsibility KQ: Firm performance. Observation variables: DHTT1 – DHTT4: Market variables; NV1 – NV7: Philanthropic variables; DD1 – DD6: Ethical variables; KT1 – KT7: Economic variables; PL1: Legal variable; KQ1 - KQ5: Firm performance variables.

Testing of composite reliability and average variance extracted of each factor was conducted. Reliability synthesis ρ_c and ρ_{vc} were calculated basing on key factors in the estimated model to determining CFA. The results showed that all concepts were single-direction and achieved satisfactory reliability synthesis ($> 50\%$) (this study the minimum is 74.2%), and gained variance extracted for each factor ($> 50\%$), except two factors *Ethical* (DD) and *Economic* (KT) has smaller variance extracted than expectation, with 46.8% and 49.4% (less than 50%).

The Figure 3 shows Structural equation model (SEM) analysis. The estimated theoretical model results are quite consistent with the market data. There has Chi-square = 619.317, df = 314, GFI = 0.842, TLI = 0.915, CFI = 0.924 and RMSEA = 0.062. It can be concluded that theoretical model is appropriate and can be used to test the expected relationships that are presented in research model.

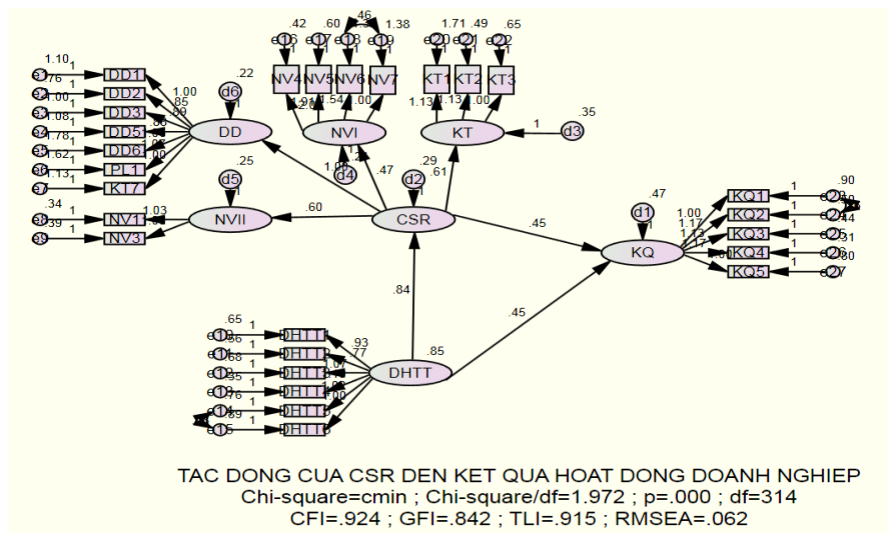


Figure 3. Structural equation model (SEM) analysis

Note: DHTT: Market orientation; CSR: Corporate Social Responsibility KQ: Firm performance. Observation variables: DHTT1 – DHTT4: Market variables; NV1 – NV7: Philanthropic variables; DD1 – DD6: Ethical variables; KT1 – KT7: Economic variables; PL1: Legal variable; KQ1 - KQ5: Firm performance variables.

DISCUSSION AND IMPLICATIONS

In transition economies, such as Vietnam, activities of firms are affected continuously not only internal but also affected by the external environment. The results of this study are quite compatible with previous studies of Qu (2009) which was conducted the experiment in China, is also considered as a transition economy. Qu (2009) study shows that both MO and CSR factors have a positive impact on firm performance. However, considering CSR factor in Chinese economic aspect, the impact of MO factor has less significance on firm performance, even almost non-existent. This provides evidence that the importance of CSR factor, as a mediate component, affecting to the relationship between MO and firm performance. Thus, implications of this study also suggest that in order to gain a good business achievement, company should maintain its operations towards the market combining amount of effective CSR activities.

The research results show quite clearly the response of enterprises information. Enterprises that have responsible to society in this research only forming by three specific factors: *Philanthropic*, *Ethical* and *Economic*. Particularly, *Philanthropic* is divided into two elements: philanthropy aims to upgrading image of enterprise, and philanthropy aims to serve social community. Therefore, the formation of CSR concept in Vietnam enterprises (Mekong Delta) has still been formed from four elements (shown in Figure 2 & Figure 3)

In this study, four significant factors are formed to explain the research model. Through the analysis, study found that variables belong to *Legal* factor almost have no significant and chose only PL1 variable (with $\lambda = .664$) significant and nearly compatible with ethical component. This shows in the Mekong Delta context, regarding to legal aspect, Vietnam enterprises aware of the importance and influence of law system to their business. However, their application and implementation have still limitations. In the other hand, study also assumes that state agencies have less effective in their supervision and implementation of law system in business environment. While, both enterprises and state authorities should perceive that the implementation of CSR in effective way also involves legal elements. For example, product/service has to meet legal regulations, or obligations in business contract (such as economic legal, labor obligation, cooperation, etc.), internal policies (recruitment, treatment behavior, age, gender, etc.)

In this research, two factors *ethical* and *economic* have smaller variance extracted than requirements. These results might have internally meaningful to Vietnam enterprises, in Mekong Delta region. In fact, for the whole of country, local enterprises implement very well their activities to community such as charity. However, this could be viewed as outside activities. Other elements of ethical aspect have not been implemented in positive and effective way, such as standard working policy, the fairness in workplace, the confidential report of misconducts, employee communication to clients, etc. Previous experimental study showed that 88% of customers are willing to support firms that have social responsibility activities (Smith et al., 1996). Moreover, firms have strongly commitment in truly CSR activities will attract and remaining talents (Maignan et al., 1999). For this, study suggests local firms should pay more attention in order to achieve the full meaning of CSR.

The results of this research may overlap with the study of Qu (2009). However, the reliability may not gain high significance. In business environment, Vietnam enterprises more consider such as analysis of cost and benefit, effective cash flow (regarding to *Economic* factor). In fact, firm's operations have to face many difficulties for their arrangement (such as cost for production, cost for management, cost for marketing activities, etc.) while the real market tends to downturn. Therefore, CSR activities will have an equivalent impact to the firm performance (Maignan et al., 1999; Luo & Bhattacharya, 2006; Qu, 2009). This study suggests the economic factor in CSR concept should be considered and committed to for long-term vision. This will have positive effects to firm management, operation and adaptation. Doing these well, firm can gain the sustainable growth (Galbreath, 2009; Kang et al., 2010; Turker, 2009)

Regarding to market orientation (MO) concept, research result also showed positive significance. MO is an important and prerequisite for CSR activities. Then, both of MO and CSR impact firm performance. This finding is also compatible with previous studies of Maignan et al. (1999) when conducting experiment study to the U.S. enterprises, and study of Qu (2009) in China market. Therefore, it can be stated that enterprise with clear its market orientation will have positive impact on CSR activities. Similarly, CSR has a positive impact on firm performance (Maignan et al., 1999; Luo & Bhattacharya, 2006). In this study, results show consistent with the conditions of research enterprises that have been operating in the Mekong Delta.

CONCLUDING REMARK AND FURTHER RESEARCH

This study attempts to demonstrate the importance of CSR and MO on firm performance in a transition economy. Some suggestions and implications have been proposed from research result. These aim to Vietnam enterprises raising more awareness of their real CSR activities. Therefore, they have been well oriented in order to gain sustainable competition and go beyond its economic interest (Turker, 2009). The expectation through this research, both enterprises and state agencies pay more attentions the role of CSR as moderating variable to MO and firm performance relationship.

This study has a number of limitations. First, the study conducted and tested the two factors that impact on firm performance applied to Vietnam firms in the Mekong Delta. Findings show that they have positive impact on firm performance. Future studies may conduct other concepts associated with CSR in order to test their impacts on firm performance such as entrepreneurial orientation, marketing orientation, customer orientation, etc. Second, the survey was undertaken in such a transition economy, especially in Mekong Delta market, Vietnam. Similar studies may be conducted in other typical Vietnam markets such as Hanoi, Ho Chi Minh City, Da Nang, or even in foreign markets, in other economies. Finally, the time factor can affect research model (this study was conducted in the end of 2013). Local enterprises might have better awareness of CSR implementation as well as market orientation more effective time by time. Future studies could be broaden the scope of this study relating to CSR concept over the time to capture more comprehensive pictures of Vietnamese firms in specific industries.

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